Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	990 727 007
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	KMC PROPERTIES ASA
Forretningsadresse:	Brattørkaia 13B 7010 TRONDHEIM

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Kristoffer Holmen
Dato for fastsettelse av årsregnskapet:	11.05.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert

År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 09.06.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Driftsresultat			
Netto finans			
Ordinært resultat før skattekostnad		0	0
Ordinært resultat etter skattekostnad		0	0
Årsresultat		0	0

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	9	10 000 000	46 000 000
Sum immaterielle eiendeler		**10 000 000**	**46 000 000**
Finansielle anleggsmidler			
Investering i datterselskap	2	1 267 000 000	1 372 000 000
Lån til foretak i samme konsern		2 636 000 000	2 162 000 000
Financial derivatives	4	177 000 000	67 000 000
Sum finansielle anleggsmidler		**4 080 000 000**	**3 601 000 000**
Sum anleggsmidler		**4 090 000 000**	**3 647 000 000**
Omløpsmidler			
Varer			
Fordringer			
Other receivables	4	3 000 000	5 000 000
Konsernfordringer		271 000 000	117 000 000
Sum fordringer		**274 000 000**	**122 000 000**
Investeringer			
Other financial derivatives		2 000 000	0
Sum investeringer		**2 000 000**	**0**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	4	11 000 000	68 000 000
Sum bankinnskudd, kontanter og lignende		**11 000 000**	**68 000 000**
Sum omløpsmidler		**287 000 000**	**190 000 000**
SUM EIENDELER		**4 377 000 000**	**3 837 000 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2022	2021
Egenkapital			
Innskutt egenkapital			
Ordinary shares	10	65 000 000	56 000 000
Share premium		2 375 000 000	2 054 000 000
Annen innskutt egenkapital		307 000 000	313 000 000
Sum innskutt egenkapital		**2 747 000 000**	**2 423 000 000**
Opptjent egenkapital			
Other equity		-422 000 000	-494 000 000
Sum opptjent egenkapital		**-422 000 000**	**-494 000 000**
Sum egenkapital		**2 325 000 000**	**1 929 000 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	3	1 844 000 000	1 838 000 000
Langsiktig konserngjeld		173 000 000	50 000 000
Sum annen langsiktig gjeld		**2 017 000 000**	**1 888 000 000**
Sum langsiktig gjeld		**2 017 000 000**	**1 888 000 000**
Kortsiktig gjeld			
Current interest-bearing liabilities	3	8 000 000	5 000 000
Other current liabilities	7	14 000 000	8 000 000
Trade liabilities		5 000 000	5 000 000
Payables to group companies		8 000 000	1 000 000
Sum kortsiktig gjeld		**35 000 000**	**19 000 000**
Sum gjeld		**2 052 000 000**	**1 907 000 000**
SUM EGENKAPITAL OG GJELD		**4 377 000 000**	**3 836 000 000**

Konsernets resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Rental income	7	273 000 000	205 000 000
Sum inntekter		**273 000 000**	**205 000 000**
Kostnader			
Property expenses	8	3 000 000	3 000 000
Administration ecpenses	8	52 000 000	64 000 000
Net realised financials	9	122 000 000	82 000 000
Sum kostnader		**177 000 000**	**149 000 000**
Driftsresultat		**96 000 000**	**56 000 000**
Finansinntekter og finanskostnader			
Net unrealisted finansials	9	35 000 000	-53 000 000
Changes in value of financial instruments	11	111 000 000	59 000 000
Changes in value of investment properties	6,10	41 000 000	317 000 000
Sum finansinntekter		**187 000 000**	**323 000 000**
Netto finans		**187 000 000**	**323 000 000**
Ordinært resultat før skattekostnad		**283 000 000**	**379 000 000**
Current tax	14	9 000 000	3 000 000
Deferred tax	14	29 000 000	74 000 000
Ordinært resultat etter skattekostnad		**245 000 000**	**302 000 000**
Profit from discontinued operations	4	-81 000 000	2 000 000
Årsresultat		**164 000 000**	**304 000 000**

Konsernets balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Investments properties	6.10	5 366 000 000	3 982 000 000
Financial derivatives	5,11	180 000 000	68 000 000
Site leaseholds, right-of-use assets	16	19 000 000	19 000 000
Other non-current assets		16 000 000	5 000 000
Sum varige driftsmidler		**5 581 000 000**	**4 074 000 000**
Sum anleggsmidler		**5 581 000 000**	**4 074 000 000**
Omløpsmidler			
Varer			
Fordringer			
Trade receivables	11	7 000 000	24 000 000
Other current assets	11	7 000 000	27 000 000
Sum fordringer		**14 000 000**	**51 000 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	12	187 000 000	208 000 000
Sum bankinnskudd, kontanter og lignende		**187 000 000**	**208 000 000**
Sum omløpsmidler		**201 000 000**	**259 000 000**
SUM EIENDELER		**5 782 000 000**	**4 333 000 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	13	65 000 000	56 000 000
Share premium		1 512 000 000	1 196 000 000

Konsernets balanse

Beløp i: NOK	Note	2022	2021
Sum innskutt egenkapital		**1 577 000 000**	**1 252 000 000**
Opptjent egenkapital			
Translation reserve		20 000 000	-34 000 000
Retained earnings		781 000 000	617 000 000
Sum opptjent egenkapital		**801 000 000**	**583 000 000**
Sum egenkapital		**2 378 000 000**	**1 835 000 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	14	163 000 000	132 000 000
Sum avsetninger for forpliktelser		**163 000 000**	**132 000 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	15	1 217 000 000	2 275 000 000
Lease liabilities	16	19 000 000	19 000 000
Other non-current liabilities	17	20 000 000	10 000 000
Sum annen langsiktig gjeld		**1 256 000 000**	**2 304 000 000**
Sum langsiktig gjeld		**1 419 000 000**	**2 436 000 000**
Kortsiktig gjeld			
Current interest-bearing liabilities	15	1 905 000 000	
Leverandørgjeld	17	37 000 000	24 000 000
Current tax liabilities	14,17		3 000 000
Other current liabilities	17	41 000 000	34 000 000
Sum kortsiktig gjeld		**1 983 000 000**	**61 000 000**
Sum gjeld		**3 402 000 000**	**2 497 000 000**
SUM EGENKAPITAL OG GJELD		**5 780 000 000**	**4 332 000 000**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer:	2023 413567

Enheten

Organisasjonsnummer:	990 727 007
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	KMC PROPERTIES ASA
Forretningsadresse:	Dyre Halses gate 1A 7042 TRONDHEIM

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
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Bekreftet av representant for selskapet:	Kristoffer Holmen
Dato for fastsettelse av årsregnskapet:	11.05.2023

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Brønnøysundregistrene, 01.06.2023

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

RESULTATREGNSKAP

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Driftsresultat			
Netto finans			
Ordinært resultat før skattekostnad		0	0
Ordinært resultat etter skattekostnad		0	0
Årsresultat		0	0

Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

BALANSE

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	9	10 000 000	46 000 000
Sum immaterielle eiendeler		**10 000 000**	**46 000 000**
Finansielle anleggsmidler			
Investering i datterselskap	2	1 267 000 000	1 372 000 000
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Varer			
Fordringer			
Other receivables	4	3 000 000	5 000 000
Konsernfordringer		271 000 000	117 000 000
Sum fordringer		**274 000 000**	**122 000 000**
Investeringer			
Other financial derivatives		2 000 000	0
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Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	4	11 000 000	68 000 000
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Egenkapital			
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Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

KONSERNRESULTATREGNSKAP

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Rental income	7	273 000 000	205 000 000
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Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

KONSERNBALANSE

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
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Fordringer			
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BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
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Gjeld			
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Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
7

Antall årsverk i regnskapsåret

Note
7

Spesifisering av resultatregnskapet

Lønnkostnader

Andre ytelser	Årets	Fjorårets
	2000000.00	2000000.00

Sum lønnskostnader	Årets	Fjorårets
	2000000.00	2000000.00

Note

Ekstraordinære inntekter og kostnader

Sum	Beløp

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

Organisasjonsnr: 990 727 007
KMC PROPERTIES ASA

NOTEOPPLYSNINGER - KONSERN

- alle poster oppgitt i hele tall

Note
2

Regnskapsprinsipper

Note
8

Antall årsverk i regnskapsåret

Note
8

Spesifisering av resultatregnskapet

Lønnkostnader

Lønn	Årets	Fjorårets
	24000000.00	15000000.00

Folketrygdavgift	Årets	Fjorårets
	3000000.00	2000000.00

Pensjonskostnader	Årets	Fjorårets
	1000000.00	0.00

Andre ytelser	Årets	Fjorårets
	3000000.00	6000000.00

Sum lønnskostnader	Årets	Fjorårets
	31000000.00	23000000.00

Note

Ekstraordinære inntekter og kostnader

Sum	Beløp

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

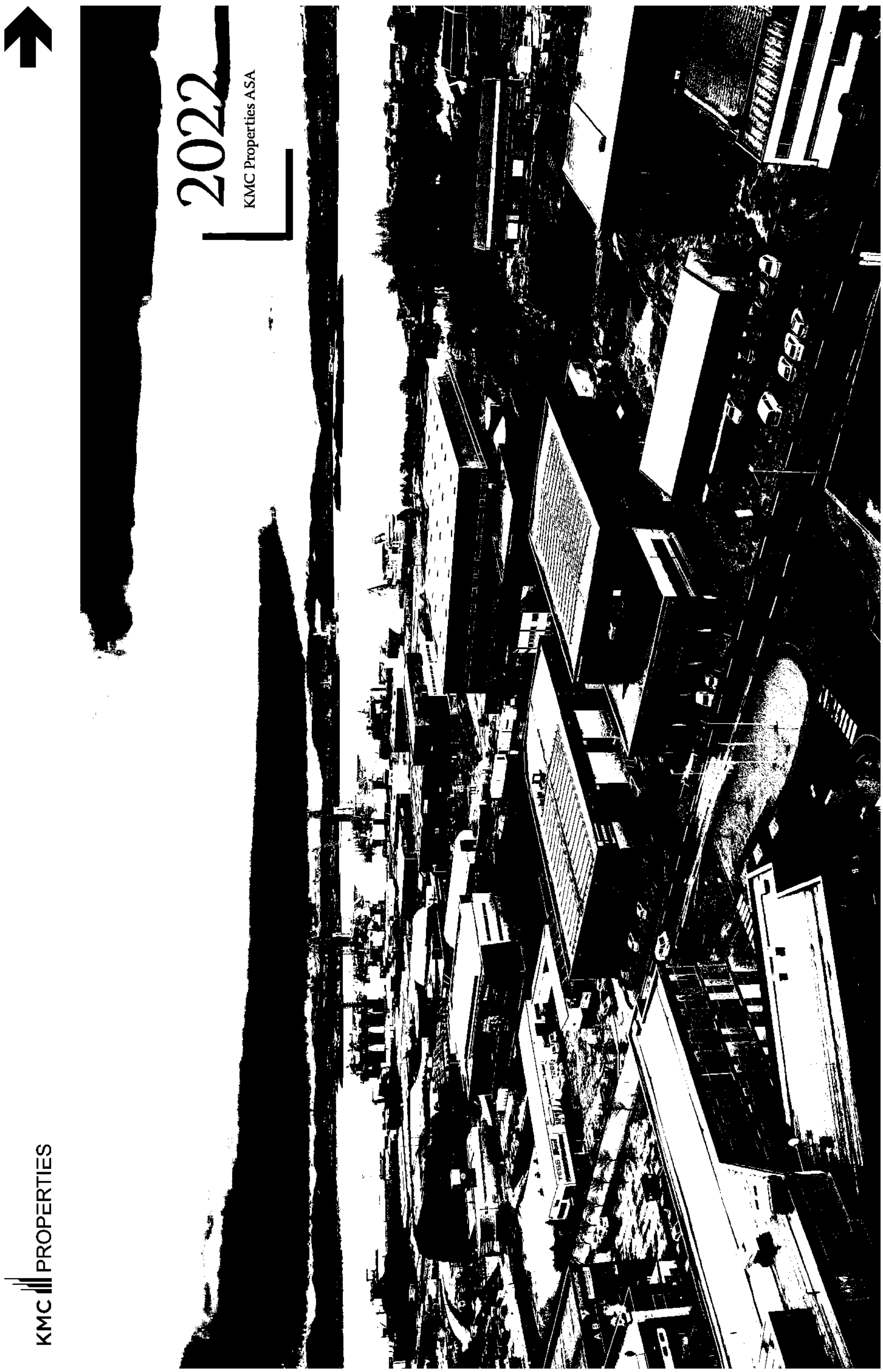
Samlet beløp - foretak i samme konsern	Årets	Fjorårets

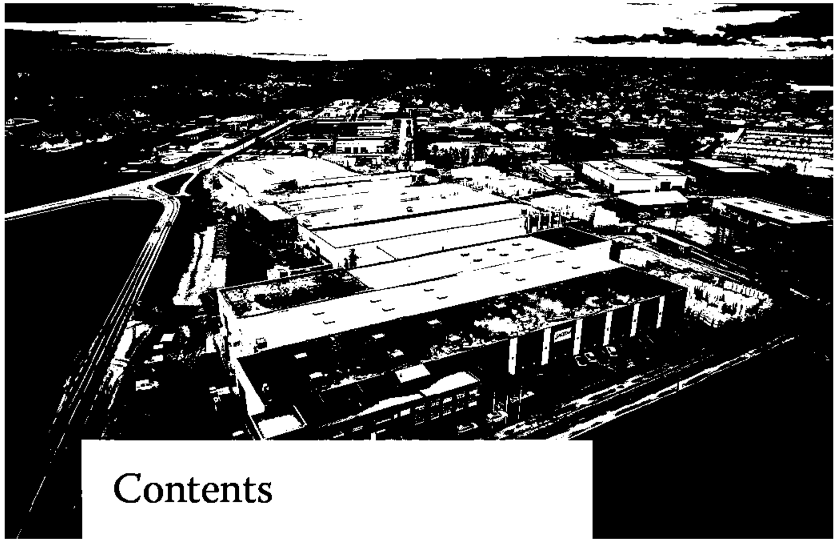
Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.


2022
KMC Properties ASA
KMC PROPERTIES



Contents

Jackon Insulation (part of Bewi ASA): *Provider of building insulations systems mainly towards the Norwegian market.*

The preferred real estate partner for logistic and industrial companies

Real estate company focusing on high-yield logistics and industrial properties

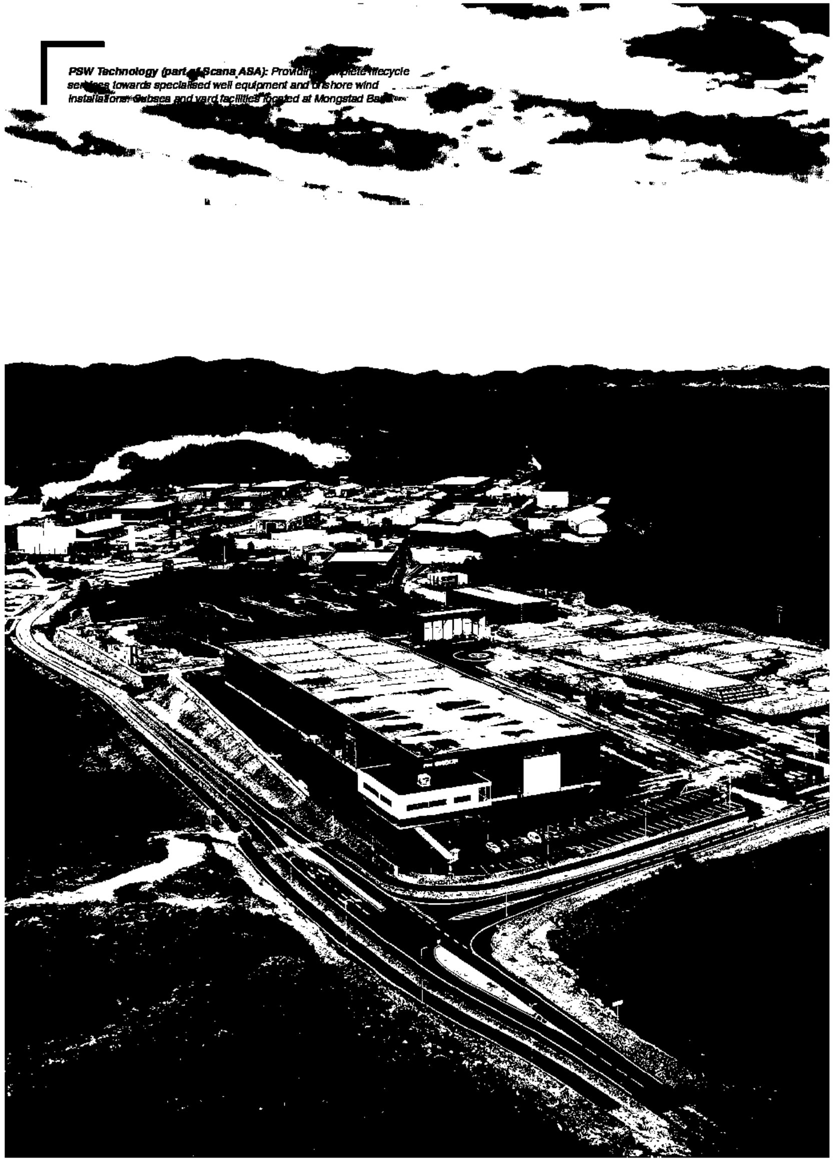
Long lease agreements with solid counterparties, at strategic locations for the tenants

Portfolio of 61 industrial properties in the Nordics and the Netherlands with a gross value of NOK 5.4 billion, 35 per cent increase in 2022

Two largest tenants, accounting for 63 per cent of net income, are the listed packing and insulation company BEWI ASA, majority-owned by the Bekken family, and Insula AS, a leading Nordic seafood company owned by Kverva/ the Witzøe family

Portfolio of ~526 000 gross square meters rentable area

EPRA Net Initial Yield	Net operating income (NOK)	Porfolio value (NOK)	WAULT	EPRA LTV
per cent	million	billion	years	per cent



PSW Technology (part of Scana ASA): Providing complete lifecycle services towards specialised well equipment and offshore wind installations. Subsea and yard facilities located at Mongstad Base.

Business concept

KMC Properties ASA is a real estate company whose business strategy is to invest in high-yield industrial and logistical properties, primarily in the light industry and warehouse segment.

The company has a diversified portfolio of properties in the Nordics and the Netherlands. The company's vision is to be a leading real estate partner known for quality, innovation and supporting its tenants. Managing sustainable risks and opportunities is fundamental in achieving this vision, creating value for the society, and generating returns for investors. KMC Properties mainly enters triple net bare-house lease agreements whereby maintenance, insurance and property tax are covered by the tenant.

Business model

KMC Properties' business model aims at creating accretive and durable values, with a clear focus on profitability. The company has an overall long-term objective to generate a maximum risk-adjusted sustainable return on invested capital. KMC Properties is focusing on the following pillars of value creation:

- High cash-flow from company operations
- Long-term sustainable return
- A clear focus on environmental, social and governance (ESG) issues in all aspects of the company's operations Growth through investments in current portfolio and proactive property management
- Growth through strategical new acquisitions
- Growth through building new facilities for new and existing clients

Investment strategy

KMC Properties invests primarily in industrial and warehouse properties due to the segment's high returns, long lease agreements and stable occupancy rates.

The company will invest in new properties with existing and new tenants, as well as in upgrading of existing properties. KMC Properties aims to collaborate closely with its tenants to be their preferred real estate partner.

The investments increase the company's cash flow and contributes to diversifying the company's property portfolio, hence reducing the company's operational and financial risks. All investments are made with a focus on creating long-term value for investors and tenants.

Financing strategy

Currently, KMC Properties finances its operations through common equity, a senior secured bond loan, bank loans, a revolving credit facility and retained cash from operations. The company wish to be a recurring issuer in the bond market.

Going forward, the company will focus on minimising the financing cost while still creating growth and basis for dividend.

Strategy for tenants

KMC Properties endeavours to attract a solid and creditworthy base of market leading companies with satisfactory track records and history, and with a significant focus on ESG.

The company mainly enters triple net bare house contracts whereby maintenance, insurance and property tax are covered by the tenant. The contracts have a long-term lease, and the properties are considered strategically important for the tenant's business.

The company seeks to achieve a good and long-term relationship with the tenants, with clear business benefits for both parties.

Strategy for the rental market

KMC Properties invests primarily in properties which is business critical for the tenants. The risk of a decline in the occupancy rate and rent levels due to a weaker rental market is regarded as relatively low due to the solidity of the tenants, the long-term rental contracts, and the strategically importance of the location of the properties.

Contract extensions and investments in current portfolio

KMC Properties is continuously working with its tenants on contract renewals and/or extensions, as well as in discussions on potential development investments in its current portfolio.

KMC Properties maintains a close relationship with its tenants to identify and actively engage in business development activities. The company has several ongoing projects and expects the high activity level to continue in the coming years.

Project- and real estate development makes it possible to meet the changing needs of tenants as well as to further develop and refine the property portfolio.

Greenfield development projects

Through its continuous dialogue with both existing and potential new tenants, KMC Properties seeks to identify opportunities to expand its portfolio through investments in new facilities for new and existing clients.

The company seeks to utilise available land plots in the existing portfolio for development of new facilities in collaboration with potential tenants, focusing on business-critical locations for the tenants.

KMC Properties will also acquire and develop land plots based on long-term contract commitments from new and existing tenants.

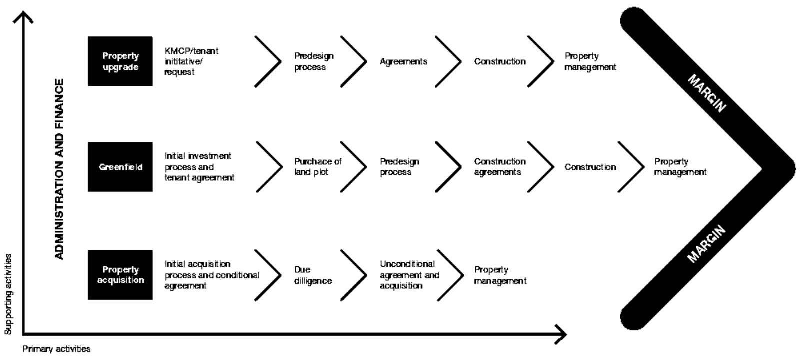
In 2022 KMC Properties completed the construction of a meat production facility at Oppdal, Norway, with Oppdal Spekemat as tenant. At year-end 2022, the company had two additional ongoing greenfield projects; the construction of a packaging hub at Jøsnøya, Norway, with BEWI ASA as tenant, and the construction of a salmon slaughterhouse at Florø, Norway with Slakteriet AS as tenant.

Acquisitions

In 2022, KMC Properties acquired 16 properties. The company expects to continue pursuing strategic growth opportunities.

KMC Properties targets high yield properties, preferably with long-term triple net bare house contracts, with strategic locations for its tenants, with multiple use, and with substantial relocation costs.

The group seeks to secure diversification across industries, tenants, locations, and property types.



KMC Properties is continuously working with its tenants on contract renewals and/or extensions, as well as in discussions on potential development investments in its current portfolio.

KMC Properties maintains a close relationship with its clients to identify and actively engage in business development activities. The company has several ongoing projects and expects the high activity level to continue in the coming years.

Project- and real estate development makes it possible to meet the changing needs of customers as well as to further develop and refine the property portfolio.

Through its continuous dialogue with both existing and potential new tenants, KMC Properties seeks to identify opportunities to expand its portfolio through investments in new facilities for new and existing clients.

The company seeks to utilise available land plots in the existing portfolio for development of new facilities in collaboration with potential tenants, focusing on business-critical locations for the tenants.

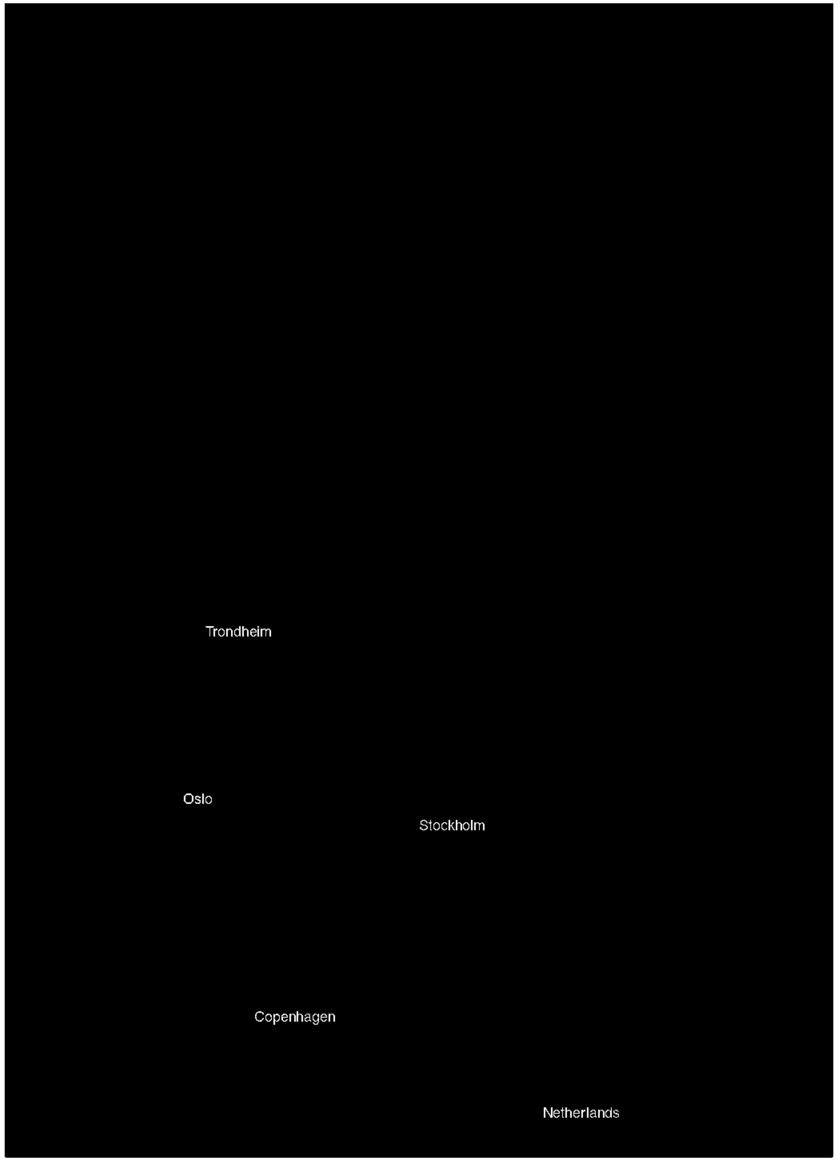
KMC Properties will also acquire and develop land plots based on long-term contract commitments from new and existing tenants.

In 2022 KMC Properties completed the construction of a fish box facility at Senja, Norway, with BEWI ASA as tenant. At year-end 2022, the company had three additional ongoing greenfield projects, including the construction of a new production facility at Oppdal, Norway, with Oppdal Spekemat AS as tenant, the construction of a packaging hub at Jøsnøya, Norway, with BEWI ASA as tenant, and the construction of a salmon slaughterhouse at Florø, Norway with Slakteriet AS as tenant.

During 2022, KMC Properties has acquired five properties. The company expects to continue pursuing strategic growth opportunities.

KMC Properties targets high yield properties, preferably with long-term bare house contracts, with strategic locations for its tenants, and that are 'built to suit, with substantial relocation costs.

The group seeks to secure diversification across industries, tenants, locations, and property types.



Our properties

Long lease agreements with solid tenants across strategic locations

KMC Properties primarily invest in properties in the light industry and logistics segment. The company focuses on having long lease agreements with solid counterparties.

The properties are at locations of strategic importance to the tenants or at logistic hubs. As of 31 December 2022, KMC Properties' portfolio consisted of 61 industrial- and logistics properties in the Nordics and the Netherlands. The company's four largest tenants are BEWI ASA, Insula AS, Grøntvedt Group, and Scana ASA, accounting for 81 per cent of the group's net income.

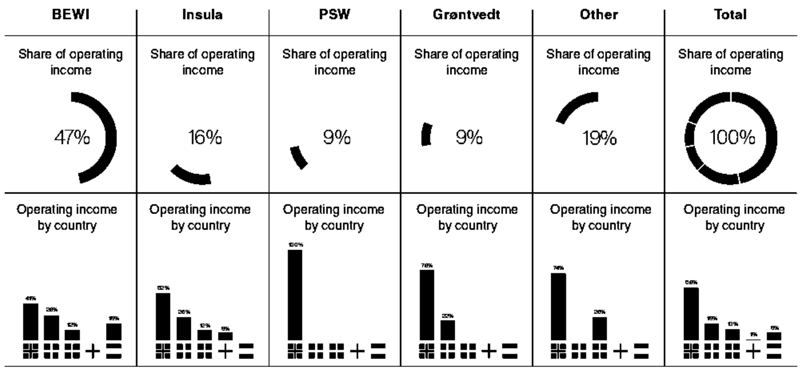
The listed packaging and insulation company BEWI ASA accounts for 47 per cent of the company's net operating income (NOI). The share significantly increased upon completion of KMC Properties' acquisition of 10 properties from BEWI in November 2022. In addition, KMC Properties currently cooperates with BEWI at one development project at Jøsnøya, Norway, where KMC Properties is building a new packaging hub for BEWI. At the end of 2022, BEWI had 67 production facilities across Europe, annual sales of EUR 1.5 billion and approximately 3 300 employees.

The Nordic seafood group Insula AS is the second largest tenant, leasing 10 properties and accounting for 16 per cent of NOI. Insula is vertically integrated from fish stations through processing to strong consumer brands. The company has approximately 1 100 employees in Norway, Sweden, Denmark, Finland, and Iceland and is owned by Kverva Industrier.

Grøntvedt Group accounts for 9 per cent of the company's NOI. The company is a leading platform within industrial processing of pelagic fish, and the world's largest producer of marinated herring. The company is headquartered at Ørlandet, approximately 50 minutes outside of Trondheim by boat. The location is strategic given the rich resources of pelagic fish in the North Sea.

The listed company Scana ASA accounts for 9 per cent of the group's NOI, through its subsidiary PSW Technology. Scana is an industrial owner company in the ocean industries creating value through active ownership in market-leading portfolio companies.

The numbers in the illustration below are based on existing contracts as of 31 December 2022.



Letter from the CEO

2022 was a turbulent year in many ways, yet a successful year for KMC Properties, and we are very pleased with our accomplishments. We successfully completed a series of value-accretive acquisitions, adding a total of 16 industrial properties to our portfolio, and progressed our development projects, increasing our gross asset value by 35 per cent to NOK 5.4 billion.

Along the way, we continued to build a robust organisation and significantly stepped up our sustainability efforts, in line with our promises last year. All in all, we have entered 2023 with a significantly strengthened platform for growth.

Solid financial performance

In 2022, KMC Properties posted a rental income of NOK 273 million, an increase of 33 per cent, explained by the additional income from new investments and CPI adjustments. Since most of our rental agreements are triple net bare house agreements, costs are low, enabling fuelled growth of our net income from property management from NOK 56 million last year to NOK 96 million for 2022, representing a growth of 70 per cent.

Delivering on our growth ambitions

Our solid financial performance was driven by a well-executed growth strategy, including investments in the existing portfolio, contract extensions, development projects, and acquisitions.

We invested a total of NOK 1 447 million in attractive production facilities in the Nordics in 2022 of which the transformative agreement with BEWI amounted to NOK 895 million. The transactions were financed by a combination of new equity raised through private placements, drawings on existing loan facilities, new committed loans, and cash on the balance sheet.

In parallel to this, we progressed on our development projects, including completion of the new production facility for Oppdal Spekemat in the fourth quarter of the year. Our investments in greenfield projects amounted to approximately NOK 108 million in 2022, at a yield-on-cost of 7.5 per cent.

At year-end 2022, our investment portfolio was valued at NOK 5.4 billion, up from NOK 4.0 billion at the end of 2021, delivering a EPRA Net Initial Yield of 6.9 per cent. Our committed and intended pipeline stood at approximately NOK 1.9 billion.

Accretive acquisitions

The most significant transaction announced in 2022 – and so far in our history, was the transformative agreement with our largest tenant, the listed packaging, and insulations company BEWI ASA. On the last day of June, we signed an agreement to acquire a sizeable and attractive portfolio of up to 24 industrial properties, valued at up to NOK 2 billion, with a gross yield of 6.31 per cent. We completed the first phase of the agreement in November, including 11 properties in Sweden and Norway, valued at approximately NOK 925 million. Upon completion, long term triple net rental agreements were entered, averaging an initial lease of 16.5 years. Furthermore, we have an exclusive right to acquire the remaining part of the portfolio valued at up to NOK 1.0 billion, valid until 30 June 2023.

In addition to the BEWI portfolio, we acquired several other properties, all at strategic locations and with long lease agreements with solid counterparties, in line with our investment strategy.

In January, we announced our acquisition of a herring production and cold storage facility in Rönnäng, Sweden, from Klädesholmen Seafood. The property came with a triple-net bare house agreement with an initial lease term of 15 years and a gross yield of 7.5 per cent. Klädesholmen is owned by the Grøntvedt Group, our third-largest tenant.

In February, we had the pleasure of welcoming Kuraas AS as a new tenant, when we acquired a modern meat processing facility located at Fagernes, near Narvik in Norway. The property came with a 6.5-year lease agreement, at a gross yield of 7.8 per cent. Even more pleasing, was that we were given the opportunity to further extend our partnership with Kuraas towards the end of the year, when we acquired an

additional logistic property, including a dry-, cold- and freeze storage next to the meat processing facility. As part of the extension, Kuraas replaced the initial bare house agreement for the meat processing facility, entering 15-years initial lease for both properties.

In addition, we further diversified our tenants base in 2022, through our acquisitions of two industrial properties in Denmark and one outside Ålesund in Norway. The two properties in Denmark came with triple net bare house agreements with KpK Døre og Vindue A/S and Outline Vinduer A/S, both owned by the listed company Inwido, with an initial lease of 10 years. The property in Norway came with a triple net bare house agreement with Cflow Fish Handling AS with an initial lease of 14 years and a gross yield of 8.65 per cent.

– We will continue to focus on optimising our capital structure and increasing our financial flexibility to support both our short-term and long-term business plans.

Progressing development projects

In 2022, KMC Properties worked on three development projects, in addition to upgrades of existing properties in collaboration with our tenants.

The development of the production facility for Oppdal Spekemat were delivered on time and on budget in the fourth quarter of the year, enabling our tenant to commence operations at the new facility in December.

On the other hand, our largest project, being the development of a new slaughterhouse for Slakteriet Holding in Florø was delayed following a revised development plan. However, the project has still had good progress, including completion of legal and technical due diligence, signing of a process agreement, entering of a conditional share purchase agreement and a conditional lease agreement with Slakteriet, as well as completion of some preliminary work.

Finally, the development of a new packaging facility for BEWI on Jøsnøya also progressed well throughout the year.

Divestment of office building in Moscow

Towards the end of 2022, we could finally complete the sales of the office building in Moscow, Russia. Ever since we established KMC Properties through the combination with Storm Real Estate, we have had an intention to divest the property. Following Russia's invasion of Ukraine, the property was classified as held for sale. Obviously, it has not been easy to secure the sales, given the ongoing war and imposed sanctions. Therefore, we were very pleased to be able to close the process and receive the payment of EUR 9.6 million following a completed sanction control and ownership research.

Significantly stepped up our efforts on ESG

While the origins of KMC Properties date back over 40 years, the company first became a listed entity in December 2020, and therefore, our first ESG report covered the year of 2021. The report included our priorities on how to improve our work on sustainability and the related reporting.

In 2022, all employees were involved in this work, and we entered 2023 much better prepared to work purposefully with reducing our climate footprint, as well as with improved governance structures in place. In November, our board approved our ESG strategy, setting a clear purpose and vision for our work. To reduce the footprint, our key priorities are to improve the energy efficiency of the buildings at our properties, and to increase the use of renewable energy sources, priorities we share with our tenants.

We are proud of our progress, although we admit that we are still at the starting line of this work. Our ESG initiatives are a crucial part of our long-term approach to creating value for our shareholders, tenants, employees, and society at large.

Well positioned for further profitable growth opportunities

Going into 2023, we remain committed to our investment strategy, focusing on properties in Northern Europe with solid tenants, in addition to greenfield and capex. We will continue to focus on the type of properties we know well, i.e., foodstuff facilities and light industry, in collaboration with current and new tenants, as well as third parties.

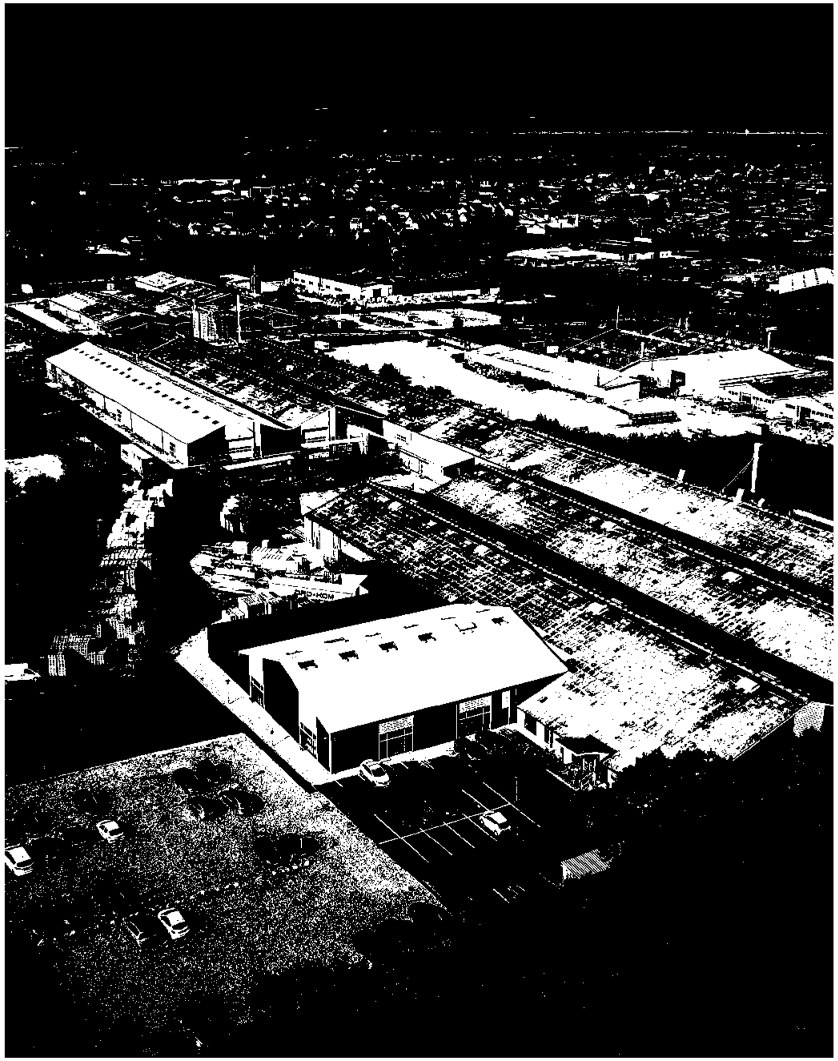
The macroeconomic environment has been, and continues to be, characterised by high uncertainty. In particular, the significant increase in interest rates the last year impacts the real estate industry. However, KMC Properties' portfolio of high yielding logistic and light industry properties with solid tenants and long lease contracts, combined with its 100 per cent CPI adjustments on almost all lease agreement, provide us with a comfortable headroom towards our covenants.

Going forward, our key priority is to complete the refinancing of the company's senior secured bond loan. Further, we will focus on integration of recently acquired properties, further develop our pipeline of M&A opportunities, and secure progress on ongoing development projects.

Looking back at the full year of 2022, I am proud of what our organisation has accomplished over the course of the year, and I would like to express my gratitude to each of our employees for their dedicated efforts. We have entered 2023 with a robust organisation, a significantly strengthened platform for growth, and an attractive pipeline of opportunities. All in all, we are well positioned to reach our target of a NOK 8 billion real estate portfolio by the end of 2024.

Liv Malvik

Liv Malvik
Chief executive officer, KMC Properties ASA



Executive management

Chief executive officer (CEO)

Liv Malvik has more than 10 years' experience as CEO for various real estate companies, including Heimdal Eiendomsmegling AS and Grilstad Marina AS. In addition, she was CEO for Inter Revisjon Norge AS for three years, and has close to 20 years' experience from banking, including management positions in Sparebank1 SMN and Fokus Bank AS. Malvik has a MSc in Business Administration from the Norwegian School of Economics (NHH).

At 31 December 2022, Malvik held 179 285 shares in KMC Properties.

Chief financial officer (CFO)

Kristoffer Holmen previously held the position as CFO of Storm Capital Management, and from 2018 to 2020 as CEO/CFO of Storm Real Estate ASA. Holmen is previously a state certified public accountant and prior to joining Storm Capital Management, he worked for PwC. He holds a BSc in Business and Administration and MSc in Auditing and Accounting from the Norwegian School of Economics (NHH). In addition, he has three years of law school at the University of Oslo.

At 31 December 2022, Holmen held 125 000 shares in KMC Properties.

Chief operating officer (COO)

Audun Aasen has more than 15 years' experience from the construction and real estate sector, including as a property manager and real estate developer. He also has construction work experience.

Aasen has a University Degree as real estate appraiser and technical construction controller, in addition to a Carpentry Master's Degree.

At 31 December 2022, Aasen held 577 000 shares in KMC Properties.

Chief accounting officer (CAO)

Ove Rød Henriksen previously held the position as CFO of Siva - Selskapet for industrivekst SF (The Industrial Development Corporation of Norway). Henriksen is a state authorized public accountant and prior to joining Siva, he worked as a Manager for Deloitte. He holds a MSc in Finance from Norwegian University of Science and Technology and a MSc in Accounting and Auditing from the Norwegian School of Economics (NHH).

At 31 December 2022, Henriksen held 9 630 shares in KMC Properties.

Head of M&A

Kristoffer Formo has more than 20 years' experience from several positions in the finance and real estate business, whereas the last five years as an independent real estate investor. Formo's previous experience includes DNB Næringsmegling, Real Forvaltning, Sparebank 1 Midt Norge, Orkla Finans and M&A advisor at Nordic Corporate Management. Formo has a bachelor's in finance from the Norwegian business school BI.

At 31 December 2022, Formo held 3 740 000 shares in KMC Properties.

Klädesholmen Seafood (part of Grøntvedt): *Produces herring, caviar and spread products mainly for the Scandinavian market. Established in the well-[illegible] Klädesholmen, central positioned towards it markets.*

Board of directors

Chair

Pål Aglen is currently CEO of the Norwegian operations of the Scandinavian real estate company Nordr. Aglen has more than 25 years of experience from various management positions in the real estate and construction industries, more recently as CEO of Nordr Norway and CEO of Veidekke Eiendom. He has comprehensive experience from working with transactions and strategic considerations.

Aglen holds an executive MBA in strategic management from the Norwegian School of Economics (NHH) and a Masters in real estate from the Norwegian University of Life Sciences (Norges miljø- og biovitenskapelige universitet). Aglen is a Norwegian citizen.

On 31 December 2022, Aglen Holding AS, related party to Aglen, held 820 500 shares in KMC Properties.

Aglen is considered an independent director of the board.

Director

Nini Høegh Nergaard was a financial analyst at Handelsbanken Capital Market from 1998 to 2005. She has held various board positions in public and private companies, including Opak AS, Mamut ASA and Norwegian Car Carriers ASA.

Nergaard has a law degree from Oslo University. She is a Norwegian citizen.

On 31 December 2022, Banan II AS, related party to Nergaard, held 2 768 704 shares in KMC Properties.

Nergaard is considered an independent director of the board.

Director

Thoresen has almost 20 years of experience from working as an auditor and was the CFO of Reitangruppen from 2002 to 2003. Thoresen established an investment firm in 2003, together with his brother, and has since then been actively involved in strategic- and financial development of the companies invested in. Thoresen has held several directorships, including the board of SalMar.

Thoresen holds a Master in accounting from the Norwegian School of Economics (NHH).

On 31 December 2022, Kastor Invest AS, related party to Thoresen, held 2 242 856 shares in KMC Properties. Kastor Invest also held approximately 30 per cent of BEWI Invest, the largest shareholder of KMC Properties, holding 139 019 470 shares at the end of 2022.

Thoresen is considered independent of the company's executive management and material business contacts, but not of the company's major shareholders.

Director

Haakon Sæter has more than 30 years of experience from investments and capital markets. He is the owner of the two investment companies Six-Seven AS and Silvercoin Industries AS and has been actively engaged through investments in several listed and non-listed companies, as well as real estate development projects.

Sæter is currently a board member of Pronofa ASA, in addition to several other private companies, and serves at the nomination committee for the listed companies Gentian Diagnostics ASA and Next Biometrics Group ASA.

Sæter is educated at the Oslo Business School and is a Norwegian citizen.

On 31 December 2022, Sæter did not hold shares in KMC Properties.

Sæter was proposed to the board of KMC Properties by the company's second largest shareholder, HAAS AS, and was elected as director of the board on the extraordinary general meeting held on 28 February 2023. Sæter is considered an independent director of the board.

Director

Morten E. Astrup is the owner of SurfSide Holding AS, one of the largest shareholders in KMC Properties, and founding partner of Storm Capital Managment, a leading Nordic asset manager with focus on Nordic high yield debt.

Astrup has 30 years of asset management experience.

Astrup holds a master's degree in Business and Economics from BI Norwegian Business School/ City University London. He is a Norwegian citizen and resides in Switzerland.

On 31 December 2022, Surfside Holding AS held 10 000 000 shares in KMC Properties.

Astrup is considered an independent director of the board.

Director

Hege A. Veiseth is currently CFO of the Norwegian investment company Frøy Kapital AS, the third largest shareholder of KMC Properties ASA. Veiseth has extensive experience from finance and accounting, including the position as CFO for the listed media group Polaris Media ASA and the listed oil service company Electromagnetic Geoservices (EMGS) ASA.

Veiseth currently serves at the board of directors of the herring company Grøntvedt Group AS, the third largest tenant of KMC Properties, where she is also chair of the audit committee.

Veiseth holds a master's degree in economics and business administration from the Norwegian School of Economics (NHH) and is a certified accountant from BI Norwegian Business School. Veiseth is a Norwegian citizen.

On 31 December 2022, Frøy Kapital AS, a related party to Veiseth, held 13 020 833 shares in KMC Properties.

Veiseth was proposed to the board of KMC Properties by the company's third largest shareholder, Frøy Kapital AS, and was elected as director of the board on the extraordinary general meeting held on 28 February 2023.

Veiseth is considered independent of the company's executive management and major shareholders, but not of the company's material business contacts.

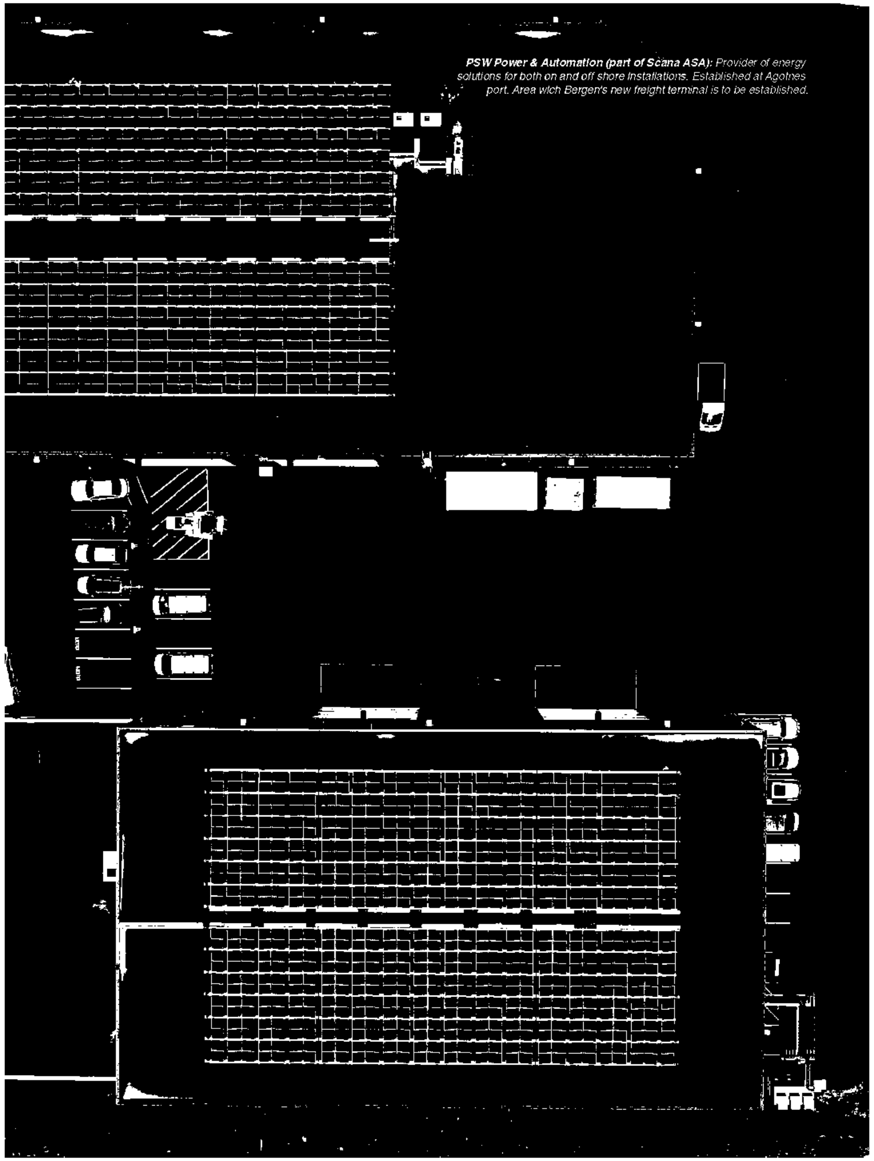
Director

Marianne Bekken worked for KMC Properties AS from 2013 to 2018, and has held various positions in BEWI, the company's largest tenant. Bekken is part of the Bekken family, the majority owner of BEWI Invest, which is the majority owner of BEWI and the largest shareholder of KMC Properties.

Marianne Bekken holds a bachelor's degree in Business and Marketing at BI University and is a Norwegian citizen.

On 31 December 2022, Audun Aasen, COO of KMC Properties and related party to Bekken, held 577 000 shares in KMC Properties. In addition, Bekken held a minority shareholding in Bekken Investments, which is the majority owner of BEWI Invest, the largest shareholder of KMC Properties, holding 139 019 470 shares at the end of 2022.

Bekken is considered independent of the company's executive management and material business contacts, but not of the company's major shareholders.



PSW Power & Automation (part of Scana ASA): *Provider of energy solutions for both on and off shore installations. Established at Agotnes port. Area wich Bergen's new freight terminal is to be established.*

Environmental, social and governance report

As KMC Properties, in its existing form, first became a listed entity in December 2020, the company's first Environmental, Social and Governance (ESG) report covered the year of 2021. That report included a list of priorities and targets for the company's ESG work for 2022. Looking back, most of those targets were achieved, providing the company with a significantly strengthened platform for how to prioritise its ESG efforts and to work purposefully with reducing its climate footprint.

2022 in review

KMC Properties considers its ESG initiatives to be crucial to secure long-term value creation for its stakeholders, including tenants, capital markets, employees, and the society at large, and the company experiences increasing interest for ESG related topics from its stakeholders.

In 2022, several regulatory developments impacted KMC Properties' ESG reporting requirements, including the Norwegian Transparency Act, focusing on human rights, and working conditions in the value chain, and the update of the Norwegian technical building regulations (TEK17), resulting in increased attention to the environmental footprint of buildings. Further, upon the announcement from the Norwegian Government that the transposition of the EU Taxonomy regulation into national law was to be delayed by one year, the company decided to postpone its preparations for reporting in alignment with the EU Taxonomy.

Early 2022, KMC Properties carried out a materiality assessment, which later was revisited and updated in October. The assessment was carried out by an independent specialist, and resulted in a total of 11 material topics, of which six topics relate to climate change and environment (E), three to social issues (S), and two to governance (G). The assessment laid the foundation for the development of an ESG strategy, as well as several governing documents, which was approved by the board in November 2022, setting a clear purpose and vision for the company's work. To reduce the climate footprint, KMC Properties' key priorities are to implement measures to improve the energy efficiency of the buildings at its properties, and to increase the use of renewable energy sources, priorities shared with the company's tenants.

Target set in 2021	Status 2022
Develop ESG strategy	✔
Develop governing documents (Code of conduct, Suppliers code of conduct, Environmental policy, Human rights policy, Supplier questionnaire)	✔
Digitalise ESG data collection	✔
Establish a whistle-blower channel	✔
Climate risk review according to the TCFD framework	✔
Set gender diversity targets	✔
Prepare for the Norwegian Transparency Act	✔
Establish contact with identified indigenous groups	See the chapter Indigenous people
Prepare for reporting alignment with the EU taxonomy	Postponed to 2023
Further develop acquisition procedures to include environmental issues	Postponed to 2023
Develop an environmental risk assessment plan for existing properties	Postponed to 2023
Develop a carbon emission reduction strategy	Postponed until baseline is established

About this report

This is the second ESG report published by KMC Properties. It is prepared with reference to the Global Reporting Initiative (GRI) Standards (2021) and covers the 2022 calendar year. The GRI Standards are the world's most widely used sustainability reporting standards. The report covers material environmental and social impacts and the management approach of KMC Properties. Previous reports can be found on www.kmcp.no/en/investors/reports+and+presentations. The report has been approved by KMC Properties' board of directors. Feedback on this report is appreciated and can be directed to andreas.grimsbu@kmcp.no.

Scope and boundaries
Information and data given in the report concern all of KMC Properties' properties and activities unless otherwise stated. The report sets out to disclose data on ongoing operations on properties, completed greenfield projects and KMC Properties own operations for 2022. Acquisitions and initiated greenfield project in the reporting period will be accounted for in the 2023 financial year.

KMC Properties completed one greenfield project and initiated two new projects that are scheduled to be completed in 2023. 16 acquisitions were carried out in 2022.

Capital expenditure projects in current portfolio worth more than NOK 40 million are to be accounted for, but there were no projects that qualified for this in 2022.

KMC Properties had 12 full-time employees at the end of 2022. The company had a turnover rate of 37 per cent in 2022. This is explained by the divestment of the Russian property, where five employees where let go. KMC Properties hired two new employees in 2022. All employees are based in Trondheim and Oslo, Norway.


BeForm: A manufactorer of injection molded thermo and thermoset plastics. Furthermore plastic recycling.

Data collection and consolidation
Collecting accurate and relevant data is increasingly important. Stakeholders are demanding information. For this reason, in order for KMC Properties to work effectively with ESG issues it needs to monitor developments in its own operations as well as amongst its tenants.

To support this, KMC Properties has invested in an ESG reporting software that will allow effective gathering and management of ESG data. Going forward, this will be useful in meeting future assurance criteria included in the European Corporate Sustainability Reporting Directive (CSRD), which KMC Properties will need to comply with by 2026.

In 2022, 43 out of 50 tenants provided data for this ESG report, and data from 43 out of 50 properties with operations was collected. All of these provided data on health and safety-related issues while environmental data related to spills was retrieved from 12 properties with operations.

ESG in KMC Properties

KMC Properties is a real estate company creating value from investing in industrial and logistical properties. The company's vision is to be a leading real estate partner known for quality, innovation and supporting its tenants.

Managing sustainable risks and opportunities is fundamental in achieving this vision, creating value for the society and generating returns for investors. KMC Properties mainly enters triple net bare-house lease agreements whereby maintenance, insurance and property tax are covered by the tenant. In greenfield projects, the company holds the entire legal responsibility as a landlord to ensure that the project develops according to KMC Properties' standards and goals, as well as all applicable laws and regulations.

Responsibility
The board of directors holds overall responsibility for ensuring KMC Properties' responsible governance of ESG issues and has approved this report. The CEO, together with key functions, manages ESG issues on a day-to-day basis. The board is continuously informed of ESG issues and decisions. The reporting lines from properties to top management are made by selected employees who obtain the necessary information and thereafter send it on to management. Given the increased focus on ESG issues, KMC Properties is looking to hire an ESG manager in 2023.

Risk management
Transitioning into a low-carbon and just society poses risks and opportunities to all businesses. Understanding how to manage these will be essential for KMC Properties to succeed. In 2022, KMC Properties established an overall risk management system, including ESG related issues such as climate-related risks and corruption. Operational risks such as health and safety will be incorporated in 2023.

The company has established processes to mitigate risks in mergers and acquisition processes, including technical, juridical, environmental and financial due diligence procedures.

Governing documents
KMC Properties updated and developed its governing documents concerning ESG in 2022. All were approved by the board and signed by the company's CEO and are readily available on the company website; www.kmcp.no alongside other governing documents.

- Code of conduct
- Environmental policy
- Human Rights Policy
- Supplier code of conduct
- Whistleblowing mechanism

Strategic priorities
KMC Properties achieved a major milestone in 2022 with the development of the company's ESG strategy. The strategy sets a clear purpose and vision for KMC Properties, and defines four pillars (referenced in the accompanying table) for its ESG work towards 2030.

The strategy was developed in October 2022, and involved the entire management team. It was approved by the board on 17.11.22.

Purpose
KMC Properties is a real estate company creating value from investing in industrial and logistical properties.

Vision
KMC Properties will be a leading business partner to European industries and is known for quality, innovations and properties that supports its tenants in achieving their goals.

Strategic pillar and ambitions for 2030	2026 targets	Status 2022
Long-term thinking KMC Properties' decisions today determines its ability to adapt to a low-carbon just economy. Aspirations:		
Being considered an ethical and sustainable market player.	Zero reported corruption incidents	Zero reported corruption incidents
	100% of portfolio properties assessed for physical climate risk	52%
	Map climate-related risks and opportunities for the main sectors that KMC Properties serve and update acquisition strategy	Not started
KMC Properties actively working to reduce emissions across its value chain.	Develop absolute and/or intensity-based GHG-reduction targets for KMC Properties	Not started
Internal competency KMC Properties is a lean organisation, and every employee counts towards its success. Aspirations:		
Being an employer where employees experience a clear purpose in their work and be given equal opportunities to grow.	85% satisfaction rate on survey	Survey to be developed in 2023
	Minimum 40/60 (%) gender balance	Board of directors: 42/58 (women/men) Management team:25/75 (women/men) Employees: 58/42 (women/men)
	Zero incidents of discrimination	Zero reported incidents of discrimination
Partnerships with tenants Ensuring good cooperation with tenants creates value and reduce risks for both parties. Aspirations:		
Being considered an attentive landlord supporting its tenants.	100% completion rate of planned visit inspections per year	17/17 planned visit inspections carried out
Strengthening tenant relationship by encouraging sustainable practices and offer green solutions.	100% of tenants communicate their climate accounting (minimum scope 1 and 2)	33% of tenants report that they have climate accounting
	25% of portfolio produce renewable energy	6.5% of properties have had renewable energy technology installed
	Zero spills from tenants' operation	There were 3 minor spills reported from tenants
Providing safe and healthy and fair working conditions on for workers on its properties.	Zero HSE incident reported from KMC Properties tenants	0 fatalities 10 high-consequence work-related injuries (excluding fatalities 48 recordable work-related injuries
Future-fit properties A building, with all its components, has significant environmental and social impacts throughout its lifetime. Aspirations:		
Building robust, flexible and low carbon buildings	Reduce waste generation on construction sites	Data not available
	Minimum sorting rate of 70% on construction sites	72% rate for the one greenfield project completed in 2022
Ensuring the health and safety, as well as good working conditions, on greenfield and brownfield projects	Zero serious accidents on construction sites	1 serious accident
Engaging with contractors and suppliers that actively work to reduce their negative impacts on construction sites and in supply chain.	All suppliers have due diligence procedures in place in accordance with EU regulatory requirements	Data not available

Stakeholder engagement and materiality

The ESG strategy is based on KMC Properties' material topics as identified in January 2022 and updated in October 2022 with input from a climate risk review and a human rights saliency assessment.

A materiality assessment was carried out by an independent specialist, using the GRI-3 Materiality Standard. Stakeholders, including banks, investors, employees, and tenants were interviewed. In these interviews, potential and actual impacts caused by KMC Properties' activities to the environment, society and economy were assessed according to their significance. Additionally, the financial materiality of the topics was discussed and incorporated into the list of material topics.

See full assessment in Appendix 1.

KMC Properties' material topics

Climate change and environment:

- Climate-related risks and opportunities
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties
- Biodiversity on properties

Social issues:

- Health and safety on properties, construction sites and in transportation services
- Diversity and equality in own operations
- Rights of indigenous people

Governance issues:

- Anti-corruption
- Ethical supply chain management

Environment

Key environment-related material topics:

- Climate-related risks
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties

KMC Properties' impact on the environment occurs through its tenants' operations as well as capital expenditure projects in current portfolio and greenfield projects for new constructions.

The company's environmental policy states that KMC Properties is committed to operating in an environmentally sustainable manner and to ensure that its properties are future-fit for the planet and society.

KMC Properties seeks to be a partner for green solutions. Close cooperation with tenants and contractors is necessary for KMC Properties to succeed in reaching its environmental targets and ambitions.

Climate-related risks

In a world where climate change is the most pressing issue, KMC Properties must ensure the resilience of its business. In 2022, the company therefore carried out a climate-risk review in accordance with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD).

The review found several risks and opportunities related to climate change, which KMC Properties will work to manage better going forward.

The review informed the company's ESG strategy, targets and KPIs, recognising in particular that KMC Properties' decisions today determines its ability to adapt to a low-carbon and just economy. A key target for KMC Properties is for all portfolio projects to be assessed for physical climate risk by 2026. This work started in 2022 and will continue in 2023.

The TCFD review was an important first step in gaining insight and recommendations for enhanced ESG risk management. This will include obtaining a better understanding of nature-related risks, other environmental and social risks associated by KMC Properties activities.

Identified climate-related risks and opportunities

Type	Risk	Opportunities
Physical	■ Extreme weather, flood and drought ■ Ocean acidification and rising sea levels	■ Energy efficiency measures ■ Renewable energy production offering ■ Attract capital through green bonds
Regulatory	■ Energy efficiency requirements ■ Increased CO_2 taxes	
Market	■ Reduced access to capital ■ Reduced access to properties ■ Change in tenants' preferences	
Technological	■ Lack of circular building competency in supply chain	
Reputational	■ Recruitment and retention of employees ■ Attracting solid tenants	

Reducing emissions

The real estate sector accounts for up to 30 per cent of GHG emissions globally, and mitigating emissions is essential in order to reduce the impact that the sector has on climate change.

Stricter requirements for existing and new buildings, particularly linked to energy efficiency and carbon reduction, could impact the profitability of acquisitions and increase maintenance costs for KMC Properties' existing portfolio. Moreover, KMC Properties is experiencing an increased interest regarding emission data, and it is expected that the emissions profile of the company will impact its access to capital in the future.

Reducing emissions is central to KMC Properties' long-term thinking and building partnerships with its tenants. The company's environmental strategy states that it will actively work to reduce emissions across its value chain.

The vast majority of KMC Properties emissions lies in Scope 3. As a landlord and real estate developer, KMC Properties will focus its efforts in reducing emissions through cooperation with tenants and through stricter requirements to contractors on greenfield projects.

KMC Properties climate accounting has been prepared according to the GHG Protocol using operational control approach. The Scope 3 emissions calculations for 2021 and 2022 are based on actual reported data. In 2022, KMC Properties received energy consumption data from 86.5 per cent of its portfolio. The increase in total emissions is caused by a higher number of properties in 2022 compared to 2021 as well as an increase of use of fossil fuels in the Swedish properties.

In 2023, KMC Properties will communicate intensity KPIs for emissions per m².

GHG emissions

Metric tonnes CO_2	2022	2021
Scope 1	**0.00**	0.00
Scope 2 (location-based)	**0.04**	0.07
Scope 2 (market-based)	**3.77**	3.56
Scope 3:		
Business travel	**10.72**	10.29
Downstream leased assets	**47 009.96**	46 362.00
Total emissions	**47 020.72**	46 372.36

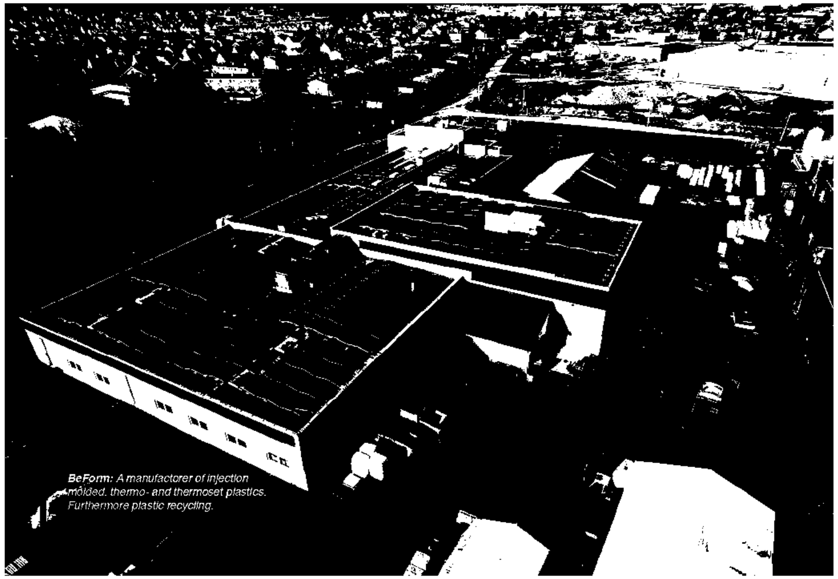
- **Scope 2** – electricity calculations are made using AIB emission factors
- **Scope 3** – includes two categories: Business travels and downstream leased assets. The calculations are made using DEFRA and AIB emission factors.

Energy consumption

MWh	2022	2021
Norge	**71 862**	80 290
Sweden	**16 512**	23 560
Denmark	**56 676**	57 336
Netherlands	**97 681**	98 521
Finland	**4 660**	N/A
Total	**242 731**	259 707

Restatement of information

Energy consumption data from tenants has been collected for 2021 and 2022 for this year's report and are comparable. The 2021 data for Scope 3 Downstream leased assets, and the energy consumption data communicated in this report are therefore different from those communicated in last year's report.



BeForm: A manufacturer of injection molded, thermo- and thermoset plastics. Furthermore plastic recycling.

Adjustments have also been made for KMC Properties' Scope 2 market-based emissions for 2021 from 31 tCO_2-e to 3.56 tCO_2-e. The data communicated in the 2021 report was based on the total energy consumption in KMC Properties' shared offices and has t been adjusted to only include KMC Properties' own offices.

Enhancing energy efficiency

A building's net energy demand has a large impact on the emissions of the building throughout its lifetime, as well as the associated costs of heating and cooling.

In 2022, KMC Properties started a systematic mapping of current energy consumption in the portfolio by acquiring updated energy reports with energy efficiency measures. This is also included in the environmental due diligence procedure for acquisitions.

KMC also established the company KMC Energy, which will provide renewable energy systems to tenants where the focus is energy transition in the property portfolio. In 2022, 7 properties had installed solar cells on ground, facades and/or roofs.

In 2022, the total reported energy consumption for KMC Properties' portfolio was 242 731 MWh. This is a reduction from last year's 259 707MWh. KMC Properties assumes this is a result of the ongoing European energy crisis.

KMC Energy established in 2022

KMC Properties strive to be a provider of green solutions to its tenants. In 2022, a NOK 13 million investment was made in KMC Energy, a KMC Properties subsidiary that will offer solutions that secure tenants' reliable access to renewable energy, and contribute to a more stable capacity on the grid, which will benefit the local communities.

A tested solution

In 2022, KMC Properties initiated a pilot project for use of solar panels and battery containers at its facility in Kampenveien 5, Fredrikstad. The project was done in cooperation with the tenant BE Form, targeting a more sustainable production by using locally produced renewable energy. In 2023, Kampenveien 5 is set to produce 503 594 kWh renewable energy per year, covering 20-25 percent of its energy demand.

Energy storage
The demand for renewable energy increases due to technological developments and need for carbon reduction. However, renewable energy is unpredictable and requires a high grid capacity to ensure access.

KMC Energy's storage solution optimises the production of solar power on sites, and provides a feasible solution to manage peak load periods. This creates stability and predictability for tenants, as well as reduces costs for operators of the power grid.

Resource management

KMC Properties' aspiration is to build robust and flexible buildings with a low carbon design. In building future-fit properties, materials must be carefully considered and managed based on their environmental footprint.

The company's environmental policy states that it will consider the environmental footprint of the materials sourced, as well as actively seek to reduce waste and material consumption while increasing opportunities for recycling. KMC Properties has an overall target to reduce waste generation by 2026, and for the sorting rate to be higher than 70 per cent in greenfield projects. For the completed greenfield project in 2023, there was a reported sorting rate of 72 per cent. KMC Properties has communicated expected reporting datapoints for 2023 to new greenfield contractors.

KMC Properties' ambitions will influence its criteria and procedures for selecting contractors going forward. An important measure to be completed in 2023 is the development of an environmental criteria for greenfield projects.

Considering biodiversity

When constructing and operating industrial properties, local ecosystems and biodiversity can be negatively impacted. Pollution from the properties or construction activities, and habitat disturbance and conversion, are identified risks associated with the company's business.

Several of the company's properties are located along the Norwegian coastline, in or close to vulnerable ecosystems. There were three reported smaller spills from KMC Properties tenants in 2022.

In 2022, KMC Properties formalised its management approach to biodiversity in the ESG strategy, governing documents, reporting and suppliers screening criteria, covering its entire value chain.

The environmental policy states that the choice of location for greenfield projects will be informed by potential impact on biodiversity on the site, and environmental due diligence processes are conducted according to laws and regulations. There were no instances of non-compliance with environmental laws and regulations recorded in 2022.

Social

Relevant material topics

- Health and safety on construction sites and with tenants
- Working conditions in supply chain
- Diversity
- Indigenous peoples' rights

KMC Properties has a direct impact on its employees' working conditions and well-being, as well as an indirect impact on human rights and labour conditions in its supply chain. Moreover, the company influences its tenants as well as the communities where its properties are located.

The company's Human Rights policy states that KMC Properties is committed to respecting human rights as defined in the International Bill of Rights, the ILO Fundamental Conventions on Labour Standards and the UN Guiding Principles on Business and Human Rights.

KMC Properties aims to be a responsible employer, property owner and real estate developer. KMC Properties' most important priority is to take care of its own employees' welfare and safeguard decent working conditions for its tenants and suppliers.

Employee welfare

Creating a diverse, safe and interesting working environment for its employees to thrive is central to attracting and retaining the right competency in KMC Properties.

KMC Properties' code of conduct states that the company shall strive to create a good and healthy work environment based on equality and diversity, where the integrity of employees is safeguarded. No discrimination may take place on the grounds of age, sex, religion, sexual orientation, ethnic background, or other protected characteristic. All forms of harassment are prohibited, as well as abusive discrimination. KMC Properties had zero reported incidents of discrimination in 2022.

Employee satisfaction
KMC Properties is a lean organisation, and each and every employee counts towards its success. It is the company's aspiration that all its employees experience a clear purpose in their work and are given equal opportunities to grow. In 2023, KMC Properties will develop and conduct an employee satisfaction survey.

Gender balance (women/men)

	2022	2021
Board of directors	**3/4**	3/4
Management team	**1/4**	1/4
Employees (excl. management team)	**4/3**	6/4

Diversity
At the end of 2022, KMC Properties had 12 full-time employees all in Norway. We value equality and strive to build a diverse organisation in terms of gender, age and background. KMC Properties has set a target of 40/60 gender balance for each of the employee categories and the board of directors.

Age distribution

	2022	2021
50 <	**1**	3
30-49	**11**	12
29 >	**0**	0

In 2023, KMC Properties will develop recruitment procedures that ensures a diverse selection of candidates and a fair assessment of these.

The Norwegian Transparency Act

The Norwegian Transparency Act entered into force in July 2022 to ensure that companies have appropriate procedures and measures in place to respect human rights and decent working conditions in its value chain.

KMC Properties has worked diligently with the Act throughout the year, and an independent statement can be accessed at www.kmcp.no. The work included providing training on human rights to management team and key resources in the organisation. This was followed by a saliency assessment which involved the management team and external stakeholders. The assessment identified salient issues related to human rights and labour rights in KMC Properties' value chain.

As a real estate developer and owner, most of KMC Properties' salient issues are in the first tier of its supply chain (construction and transportation services), while more work needs to be done to further assess salient issues in the sourcing of materials.

The findings were included in the development of governing documents and procedures for supply chain management and informed the updated materiality assessment (Appendix 1).

KMC Properties views the due diligence work on human rights as a process. The responsibility of implementing a process aligned with the OECD Guidelines and ensure that KMC Properties meet the criteria of the Act lies with the Company CEO.

Salient issue	Relevancy in value chain
Health and safety	Transportation
	Construction
	Tenants
Working conditions	Transportation
	Construction
Social dumping/migrant workers	Transportation
	Construction
Forced labour	Transportation
	Construction
Discrimination	Transportation
Land rights	Local community
Potentially unidentified salient issues	Sourcing of raw materials

Safe working conditions on properties

KMC Properties owns properties for development and properties with established industry actors. Occupational accidents and diseases can lead to devastating impacts on workers, enterprises and entire communities and economies. The global affirmation of the importance of safety and health at work was expressed in June 2022, when the International Labour Conference (ILC) decideded to include a safe and healthy working environment in the ILO's framework of fundamental principles and rights at work (FPRW). For KMC properties, the strategic importance of these conventions is translated through its aspiration for all people working on KMC Properties' properties to enjoy safe, healthy and fair working conditions. This includes both construction workers and tenants.

Construction workers
KMC Properties' aspiration is for all greenfield and brownfield projects on to be safe and provide good working conditions.

Workers on construction sites are typically exposed to risks related to falling objects, electricity, explosion and fire, crush injuries, people vs machines and construction collapse. There are also occupational health risks related to long-term exposure of noise, dust, chemical health hazards and ergonomics.

Social dumping occurs when a company intentionally hires foreign workers who accept sub-standard pay/working conditions compared to those common in the local labour market. It is a well-known issue in the construction industry, which can lead to poor working conditions and lower standards of working condition.

Health and safety is important for KMC Properties to manage, and contractors are carefully screened on their management and transparency of these issues. As of 2023, they will also be required to sign KMC Properties' supplier code of conduct, outlining the company's expectations for working conditions on its construction sites which also reflects the human rights policy.

The overall responsibility of health, safety and working environment (HSE) in construction and rehabilitation projects lies with KMC Properties. The COO manages these issues on a daily basis and reports directly to the CEO. Projects must at all times follow applicable laws and regulations, including the right to Norwegian minimum wage rates and injury insurance. KMC Properties carries out inspections regularly to safeguard good working conditions.

KMC Properties has an ambition of zero serious accidents on its construction sites. In 2022, there were two active greenfield construction sites, and one recorded serious injury.

Tenants
KMC Properties' aspiration is for all people working for KMC Properties' tenants to enjoy safe, healthy and fair working conditions. The company manages a portfolio of light industrial facilities, which is associated with risks such as: flammable material, hazardous waste, slippery floors, high altitudes, loose objects.

The tenants are ultimately responsible for their employees' working conditions. KMC Properties seeks to be an attentive landlord that assist its tenants to minimise risks related to health and safety. KMC Properties expects its tenants to apply the same standards of working conditions as set out in the company's code of conduct, as well as comply with any applicable law. In preparation for this report, KMC Properties has requested information on work related injuries from its tenants for each property. 0 high-consequence work related injuries were recorded in 2022.

43 of 50 properties were accounted for in this year's report.

Indigenous rights
KMC Properties owns properties in Northern Norway, including in areas where indigenous Sámi rights must be given attention and due diligence.

With prosperities in areas known to have prominent Sámi populations and associated traditional practices, KMC Properties has actively consulted with its current tenants to map any previous or ongoing potential conflicts and has not identified any at the time of writing. KMC will continue such consultations.

All new properties will continue to follow a detailed regulatory review process that explicitly includes consultation with relevant local indigenous governing bodies. KMC Properties places additional focus on remaining aware of traditional land uses of potential developments, particularly when considering building on or near reindeer grazing lands or cultural sites.

KMC Properties remains committed to fully respecting indigenous rights and continuing close dialogue with these stakeholders.

KMC Properties' properties in Northern Norway.

Governance

Key governance-related material topics for KMC Properties include:

- Anti-corruption
- Ethical supply chain management

KMC Properties recognises that its business conduct has an impact on the economy through transactions and negotiations, as well as its management of supply chain. KMC Properties aims to be a transparent market player, and as listed on the Oslo Stock Exchange, it is obliged to disclose detailed information on corporate governance (see separate chapter on Corporate Governance in the annual report).

KMC Properties Code of conduct expresses clear expectations regarding ethical behaviour, including anti-corruption, protection of the environment, safeguarding health and safety and human rights.

The Code applies to the board of directors, management team, employees, subsidiaries and hired consultants. It provides instructions for how to manage any identified breach of the code.

Anti-corruption
Anti-corruption has been identified as a material topic, particularly linked to property regulation, acquisitions and its supply chain.

An important development in 2022, was the divestment of the company's Russian subsidiary. A complete sanction control and ownership research of the buyer was carried out, and the settlement was completed outside Russia. This has reduced the company's exposure to corruption risk.

KMC Properties' code of conduct state that the company has a zero-tolerance approach to any forms of corruption, extortion, money laundering or bribery. The company's operations must be conducted in an open and honest manner, which in no way impedes competition or benefits any individual party. This applies both internally and externally in relation to partners, tenants and other stakeholders.

There were no reported incidents of corruption in KMC Properties' operations in 2022.

Supply chain management
Ensuring a responsible supply chain management that includes material ESG issues is the first step towards building future-fit properties.

In 2022, KMC Properties developed a supplier code of conduct that will be applicable to all suppliers from 2023 onwards. It details KMC Properties expectations to human rights, workers' rights, the environment, corruption and sanctions.

Corresponding to this, a supplier questionnaire with detailed screening criteria related to governance of ESG issues was developed and tested on two contractors. This will be an important tool for KMC Properties to select contractors moving forward, both for new greenfield and brownfield projects.

Whistleblowing mechanism
KMC Properties strive to maintain transparency as well as high business ethics. A whistleblowing mechanism was put in place in January 2023. It is available online providing an opportunity to communicate on suspected wrongdoings affecting people, our organisation, society or the environment. Instruction on how to make a report is provided, and the mechanism ensures anonymity and is available for both external and internal stakeholders.

Corporate Governance

KMC Properties aims to maintain a high standard of corporate governance. Good corporate governance strengthens the confidence in the company and contributes to long-term value creation by regulating the division of roles and responsibilities between shareholders, the board of directors and executive management.

Corporate governance at KMC Properties shall be based on the following main principles:

- All shareholders shall be treated equally
- KMC Properties shall maintain open, relevant, and reliable communication with its stakeholders, including its shareholders, governmental bodies, and the public about the company's activities
- KMC Properties' board of directors shall be autonomous and independent of the company's management
- The majority of the members of the board shall be independent of major shareholders
- KMC Properties' shall have a clear division of roles and responsibilities between shareholders, the board and management

1. Implementation and reporting on corporate governance

Compliance and regulations

The board of directors (the board) of KMC Properties (the company) has the overall responsibility for ensuring that the company has a high standard of corporate governance. The board has adopted a corporate governance policy document addressing the framework of guidelines and principles regulating the interaction between the shareholders, the board, and the Chief Executive Officer (the CEO). The policy is based on the Norwegian Code of Practice (the Code) for Corporate Governance issued by the Norwegian Corporate Governance Board. The objective of the Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board and executive management more comprehensively than is required by legislation. The board and executive management perform an annual assessment of its principles for corporate governance.

KMC Properties ASA is a Norwegian public limited company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act and listed on the Oslo Børs (Oslo Stock Exchange). The company is subject to section 3-3b of the Norwegian Accounting Act, which requires the company to disclose certain corporate governance related information annually. In addition, the Issuers Rules of Oslo Børs, covered by the Oslo Rulebook II chapter 4.5 requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the Code. The Continuing Obligations also sets out an overview of information required to be included in the statement. The Norwegian Accounting Act is available at www.lovdata.no (in Norwegian), while the Issuers Rules is available at www.oslobors.no.

KMC Properties seeks to comply with the current code of practice, issued on 14 October 2021. The Code is available at www.nues.no/english.

Application of the Code is based on the 'comply or explain' principle, which means that the company must provide an explanation if it has chosen an alternative approach to specific recommendations.

KMC Properties provides an annual statement of its adherence to corporate governance in its annual report, and this information is also available at www.kmcp.no. This statement describes how KMC Properties conducted itself with respect to the Code in 2022.

Deviations from the Code: None

2. Business activity

KMC Properties is a real estate company focused on owning industrial and logistics properties. The company's business purpose is set out in its Articles of Association as:

"The company's business shall comprise of trading, investment in real estate property and security instruments and other business operations in this relation, including participation in other companies with corresponding business through equity, loan or issuance of guarantees."

The company's main goals, strategies and risk profiles are presented in the annual report. It is the board's opinion that these objectives, strategies, and risk profiles are within the scope of the business purpose clause. The objectives for the business are set with the intention of creating value for shareholders.

The board has defined clear and long-term objectives for the company, to ensure value creation for the shareholders in a sustainable manner.

Long-term objectives, strategies and the risk profile are evaluated once a year in connection with the work on strategy, or as necessary in connection with major events or structural changes.

Deviations from the Code: None

3. Equity and dividends

Capital structure

The board is committed to maintaining a satisfactory capital structure for the company according to the company's goals, strategy, and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The board continuously assesses the company's capital requirements related to the strategy and risk profile.

On 31 December 2022, the company's equity totalled NOK 2 377 million, corresponding to an equity ratio of 41 per cent. The board considers KMC Properties' capital structure to be appropriate to the company's objectives, strategy, and risk profile.

Dividends

The company's dividend policy is based on the principle of fair distribution of profit among all its shareholders pro rata their respective holdings of shares, considering a rational correlation of the amount paid in dividends and the funds needed to carry out the strategic plans of the company's development. Dividend rights arise on the date approved by the general meeting. There are no restrictions involved for non-resident holders.

The company is focusing on pursuing growth through both organic and in-organic initiatives and anticipates paying dividends according to a dividend pay-out ratio in the 30–50 per cent range of the company's cash earnings, defined as net result from property management less payable tax, in the coming years.

KMC Properties did not distribute dividends for the financial year of 2021. In the company's report for the fourth quarter of 2022, the board stated its intention to propose to the general meeting to pay dividends in line with the company's dividend policy when refinancing of the senior secured bond loan is completed, and provided that the company has sufficient liquidity for committed investments.

Board authorisations

Authorisations to the board to increase the share capital or to buy own shares will normally not be given for periods longer than until the next annual general meeting (AGM) of the company.

The annual general meeting of KMC Properties, held on 1 June 2022, granted the board authorisations as follows:

1. Authorisation to increase the share capital by up to NOK 11 385 746, representing up to 20 per cent of the company's outstanding share capital as of the date granted, in connection with capital raisings for the financing of the company's business and in connection with acquisitions and mergers.
2. Authorisation to increase the share capital by up to NOK 800 000 in connection with issuance of shares in connection with share incentive arrangements for key employees and other employees.
3. Authorisation to acquire shares in the company and take security in treasury shares on behalf of the company with an aggregate nominal value of up to NOK 4 800 000.

The authorisations are valid until the annual general meeting in 2023, however no longer than until 30 June 2023.

Deviations from the Code: None

4. Equal treatment of shareholders and transactions with close associates

In the event of capital increases based on authorisations issued by the general meeting, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase.

Any transactions, agreements or arrangements between the company and its shareholders, members of the board, members of the executive management team or close associates of any such parties will be conducted in compliance with the procedures set out in the Norwegian Public Limited Liability Companies Act. The board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered immaterial. Board members and members of the executive management team shall immediately notify the board if they have any material direct or indirect interest in any transaction entered by the company.

Trading in own shares
Any transactions the company carries out in its own shares will be carried out either through the stock exchange or at prevailing stock exchange prices. If there is limited liquidity in the company's shares, KMC Properties will consider other ways to ensure equal treatment of its shareholders.

As per 31 December 2022, KMC Properties did not own any own shares.

KMC Properties' financial statements provide further information about transactions with related parties.

Deviations from the Code: None

5. Shares and negotiability

KMC Properties has only one class of shares, and all shares have equal rights, including the right to dividend and voting rights. Each share has a face value of NOK 0.20 and carries one vote.

The company emphasises equal treatment of its shareholders, and the shares are freely transferable.

Deviations from the Code: None

6. General meetings

The general meeting is the highest authority of KMC Properties. All shareholders of the company are entitled to attend and vote at general meetings of the company and to table draft resolutions for items to be included on the agenda for a general meeting.

Pursuant to article 7 of the company's articles of associations, the general meeting shall resolve:

1. The appointment of the chairman of the board
2. The approval of the annual accounts and annual report, including the distribution of dividends
3. The appointment of the members and the chairman of the nomination committee
4. Other matters that the general meeting is required by law to resolve.

The general meeting shall also resolve the board of director's declaration for remuneration of the executive management team in accordance with the Norwegian Public Limited Liabilities Act paragraph 6-16a.

The notice for the general meeting shall be sent to the shareholders no later than 21 days prior to the date of the general meeting. The general meeting may, with a majority vote as for amendments to the articles of association, and with effect for the next annual general meeting, decide that the notice for extraordinary general meetings shall be sent to the shareholders no later than two weeks prior to the extraordinary general meeting is held. The annual general meeting (AGM) is held each year no later than six months after expiry of the preceding financial year.

The AGM for 2023 is planned to be held on 11 May 2023. The board shall be present at general meetings.

Deviations from the Code: None

7. Nomination committee

Article 7 of the company's articles of association stipulates that the nomination committee shall consist of three members. The members shall be elected for a period of two years unless the general meeting decides a shorter period.

The nomination committee shall prepare proposals to the general meeting in relation to the following:

1. The appointment of the members of the board and the chairman of the board
2. The appointment of the members of the nomination committee and the chairman of the nomination committee
3. The remuneration of the board and the nomination committee.
4. Any changes in the mandate of the nomination committee or in the articles of association

The Norwegian Public Limited Liabilities Act paragraphs 6-7 and 6-8 shall apply correspondingly for the members of the nomination committee.

As per 31 December 2022, KMC Properties' nomination committee included:

- Finn Haugan, chairperson
- Ingrid Kristin Viken
- Gunnar Syvertsen

Deviations from the Code: None

8. Board of directors: Composition and independence

According to article 5 of KMC Properties' articles of associations, the board of the company shall consist of minimum three members. The chairperson of the board alone, or two members of the board jointly, shall have authority to sign on behalf of the company. The board may designate procurators.

As per 31 December 2022, KMC Properties' board comprised seven members. All members were elected at the company's AGM on 1 June 2022 and for a period of two years, whereas five members were re-elected, and he chairperson, Pål Magnus Aglen, and board member John Thoresen, were newly elected.

Three of the members are women. The Public Limited Companies Act states that there should be at least three of each gender when the board has between six and eight members.

When appointing members to the board, it is emphasised that the board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the company's operation. It is also considered important that the board can function well as a body of colleagues.

Board members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board members shall be encouraged to own shares in the company.

An overview of the board members' competence and background is available in a separate section of this report and from the company's website https://www.kmcp.no/en/management+and+board.

Independence of the board
All the board members of KMC Properties are considered independent of senior executives, and six of seven are considered independent of the company's material business contacts. The majority of the members are independent of the company's main shareholders.

Deviations from the Code: None.

9. The work of the board of directors

The overall management of the company is vested in the board and the company's management. In accordance with Norwegian law, the board shall ensure that the company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the board and the executive management team. The CEO is responsible for the executive management of the company.

Instructions to the board and the CEO were last revised and approved by the board on 27 April 2022 and 22 February 2023.

The board has the overall responsibility for the management of the group and the supervision of its day-to-day management and business activities. The board shall prepare an annual plan for its work with special emphasis on goals, strategy, and implementation. The board's primary responsibility shall be (i) participating in the development and approval of the company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. The chairperson of the board is responsible for ensuring that the board's work is performed in an effective and correct manner.

The members of the board receive information about the company's operational and financial development on a quarterly basis. The company's strategies shall regularly, and at least once a year, be subject to review and evaluation by the board.

The regulations governing the board's working practices include guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality and inform the board of any possible conflict of interest.

Further, the regulations include guidelines for how the board and executive management shall deal with approval of agreements, which are considered material, between the company and its shareholders and other close associates, including that the board shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the Norwegian Companies Act. Agreements with related parties will be included in the notes to the financial statements in the annual reports.

The board meets as often as necessary to perform its duties and shall prepare an annual evaluation of its work.

Sub-committees of the board
Audit committee
Pursuant to the Norwegian Public Limited Liability Companies Act and the listing rules of the Oslo Stock Exchange, the company shall have an audit committee. The audit committee is appointed by the board.

The committee's main tasks are to prepare the board's follow-up of the financial reporting process, monitor the group's internal control and risk management systems, and maintain an ongoing dialogue with the auditor.

KMC Properties held an extraordinary general meeting on 28 February 2023, whereas Stig Wærnes and Anna Musiej Aanensen resigned from the board, and Hege Aasen Veiseth and Haakon Sæter was elected as new board members.

Therefore, at the date of this report, KMC Properties' audit committee comprised the following members:

- Hege Aasen Veiseth, chairperson
- John Thoresen, member

The board approved instructions to the audit committee at the board meeting on 4 February 2021.

Remuneration committee
The board has appointed a remuneration committee. The committee evaluates and proposes the compensation of KMC Properties' CEO and other members of the executive management team and provide general compensation related advice to the board.

The board adopted instructions to the remuneration committee on 29 April 2021.

At the date of this report, KMC Properties' remuneration committee comprised the following members:

- Pål Aglen, chairperson
- Haakon Sæter
- Marianne Bekken

Deviations from the Code: None

10. Risk management and internal control

The board shall ensure that KMC Properties has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and the systems shall also encompass the company's corporate values and ethical guidelines.

The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the company's business and to support the quality of its financial reporting.

The board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board shall provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

Internal control of financial reporting is conducted through day-to-day follow-up by management, and supervision by the company's audit committee.

Deviations from the Code: None

11. Board remuneration

The general meeting shall determine the board's remuneration annually. Remuneration of board members shall be reasonable and based on the board's responsibilities, work, time invested and the complexity of the enterprise. The remuneration of the board members shall not be performance-related nor include share option elements.

The board shall be informed if individual board members perform tasks for the company other than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership.

The board's remuneration was approved at the company's annual general meeting on 1 June 2022, following a proposal from the nomination committee.

Deviations from the Code: None

12. Remuneration of executive management

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act (NPLCA), the board prepares guidelines for determination of salaries and other benefits payable to senior executives.

The guidelines will, in line with the said statutory provision, as well as Section 5-6 (3) of the same Act be approved by the general meeting. If the guidelines are materially altered, the new guidelines will be laid before, and approved by the general meeting. The guidelines will be approved by the general meeting at least every four years.

In addition to the guidelines, the board prepares a remuneration report pursuant to Section 6-16b of NPLCA. Such report will be considered by the company's general meeting and shall be subject to an advisory vote by the general meeting in accordance with NPLCA Section 5-6 (4). The guidelines and report are published in a separate report and made available from the company's website, www.kmcp.no.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the board shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The CEO will normally propose the remuneration to senior executives in consultation with members of the remuneration committee.

Deviations from the Code: None

13. Information and communication

Investor relations
Communication with shareholders, investors and analysts is a high priority for KMC Properties. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing a sound foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in English.

All notices sent to the stock exchange are made available on the company's website and at www.newsweb.no.

Financial information
The company normally holds investor presentations in association with the publication of its quarterly results. These presentations are open to all and provide an overview of the group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and the company's own prospects. The presentations are also available on the company's website.

Restricted trading periods
Persons discharging managerial responsibilities (PDMR) are not allowed to acquire or sell shares in the company or related financial instruments during the period from 30 days prior to the publication of the company's report for the first half year and for the fourth quarter, including preliminary full year results, following the regulations of the Market Abuse Regulations (MAR).

KMC Properties publishes a financial calendar on Oslo Børs's website, setting out the expected dates of publication for its reports. The dates are also available at the company's website.

Deviations from the Code: None

14. Take-over situations

In a take-over process, should it occur, the board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board shall ensure that:

a) the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;

b) the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

c) the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and the board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This could include obtaining a valuation and fairness opinion from an independent expert. On this basis, the board shall draw up a statement containing a well-grounded evaluation of the bid and make a recommendation as to whether the shareholders should accept the bid. The evaluation shall specify how, for example, a takeover would affect long-term value creation of KMC Properties.

Deviations from the Code: None

15. Auditor

The auditor is appointed by the annual general meeting and is independent of KMC Properties. Each year the board shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be made known to the board and the audit committee. The board should specifically consider if the auditor to a satisfactory degree also carries out a control function and the auditor shall meet with the audit committee annually to review and evaluate the company's internal control activities.

The auditor shall be present at board meetings where the annual accounts are on the agenda. Whenever necessary, the board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines, etc.

The auditor may only be used as a financial advisor to the company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the annual general meeting the board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other specific assignments.

Deviations from the Code: None

Synprodo (part of Bewi ASA): Combined facility producing technical components and building insulation systems for the Dutch market.

Board of directors' report 2022

KMC Properties delivered a successful 2022. The company acquired a total of 16 industrial properties and progressed its development projects, increasing its gross asset value (GAV) by 35 per cent from NOK 4.0 billion to NOK 5.4 billion, significantly strengthening its platform for further growth. Rental income came in at NOK 273 million for 2022, an increase of 33 per cent from 2021.

The company continued to execute on its growth initiatives, with a clear path towards its strategic target of a GAV of NOK 8 billion by the end of 2024, including investments in the existing portfolio, contract extensions, development projects and acquisitions. In parallel, KMC Properties has built a strong organisation, ready to take on further opportunities.

Strategy and objectives
KMC Properties shall be the preferred partner for logistic and industrial companies. The group's growth strategy consists of the following main elements:

- Contract extensions and development investments in current portfolio
- Investments in development projects (greenfield projects)
- Acquisitions of new properties

KMC Properties invests primarily in logistics – and industrial properties due to the segment's high returns, long lease agreements and stable occupancy rates.

The investments increase the group's cash flow and contributes to diversifying the group's property portfolio, hence reducing the group's operational and financial risks. All investments are made with a focus on creating long-term value for investors and tenants, while at the same time minimising the negative impacts on all three pillars of ESG: Environmental, Social and Governance.

KMC Properties focuses on properties with strategic locations, meaning properties in industrial and/or logistical hubs, or properties with proximity to key customers and/or natural resources which are business critical for the tenants. The group targets a solid customer base of market leading companies with long heritage and good track records, as well as entering long-term triple net contracts with very low contract extension risk.

At the end of 2022, KMC Properties had NOK 1.9 billion in its pipeline of investments, including (1) the two development projects (packaging facility at Jøsnøya for BEWI, NOK 151 million remaining investments, and slaughterhouse for Slakteriet Holding, NOK 682 million not committed), and (2) the acquisition pipeline with the remaining part of the real estate portfolio from BEWI (NOK 1 000 million) and a property in Narvik (NOK 90 million) acquired on 3 January 2023.

The group's ambition is to further develop its position as the preferred industrial real estate partner for logistic and industrial companies.

Operations
As of 31 December 2022, KMC Properties owned a total of 61 properties in the Nordics and the Netherlands, up from 44 properties in the same region at the end of 2021. Entering 2022, the group also owned an office building in Moscow, Russia, but the building was classified as held for sale during the first quarter of 2022 and the sale was completed in November 2022.

KMC Properties' operations include investments in properties, including greenfield/development projects, upgrades and expansion of existing properties and acquisitions of new properties, as well as management of the properties owned by the group. All properties are managed from Norway.

Most of the group's lease contracts are bare house contracts, whereby maintenance, insurance and property tax are covered by the tenant. Most of the contracts are 100 per cent CPI adjusted.

Grontvedt Palagic and Grontvedt Nutri: *Produces herring, mackerel an roe -products. Furthermore fresh fish oil and fishmeal products for customers world wide. Strategic located towards the Northeast Atlantic.*

Property portfolio
All properties owned at the end of 2022 are logistics- and industrial properties in the Nordics and Netherlands, including 34 in Norway, 10 in Denmark, 12 in Sweden, 4 in the Netherlands and one in Finland.

The portfolios consist of approximately 526 000 gross square meters rentable area.

Important events in 2022

Development projects
Development of packaging hub for BEWI at Jøsnøya, Hitra, Norway
In March 2021, KMC Properties entered a letter of intent with BEWI for development of a new packaging facility on Jøsnøya, Hitra, on the west coast of Central Norway. The new facility will be BEWI's most modern and efficient facility for production of fish boxes.

The project had good progress in 2022, with completion of a pre-phase project and with commencement of the development in May 2022. The project is planned for completion in the second half of 2023 and is fully let to BEWI ASA on a triple net lease contract, with initial lease of 15 years and an option for BEWI to extend the lease term two times by five years each. The total construction cost is estimated to be approximately NOK 200 million, and the yield-on-cost is set on 7.5 per cent.

Completion of development of a production facility for Oppdal Spekemat for NOK ~89 million
In July 2021, KMC Properties entered an agreement with Oppdal Spekemat AS for the construction of a new production facility at Oppdal, in Trøndelag county in central Norway. The development project was completed in the fourth quarter and had a construction cost of NOK 89 million with a yield-on-cost of 7.5 per cent. Oppdal Spekemat commenced operations in December 2022, from which a triple-net bare-house agreement, with an initial lease term of 15 years started running.

Oppdal Spekemat is a Norwegian producer and seller of traditional cured meats and related products established in 2009. The company has a solid market position in central Norway and is majority owned by Fatland, a Norwegian slaughter- and meat expert with an annual turnover of close to NOK 5 billion.

Development of a salmon slaughterhouse for Slakteriet Holding AS for NOK 682 million
In August 2021, KMC Properties signed a Letter of Intent (LOI) with Slakteriet Holding AS to build a salmon slaughterhouse facility at Florø, on the Norwegian western coast. Further, in June 2022, the group entered a conditional share purchase agreement (SPA) and a conditional lease agreement with Slakteriet. The agreements included acquisition of a land plot and preliminary works for approximately NOK 41.3 million. In addition, the parties entered a triple-net bare house lease agreement with an initial term of 20 years, and an option to extend.

Following a revised development plan, including delayed start-up of the construction, completion of the project is currently expected in the first half of 2025. The agreements are subject to customary closing conditions and financing. The estimated total investment is NOK 682 million, with a yield-on-cost of 6.75 per cent.

Established in 1989, Slakteriet is one of Norway's largest fish slaughter companies, with major facilities in Florø and Brekke. The company has demonstrated a steady growth in both revenues and slaughter volumes and has a solid financial position.

Acquisitions and divestments
Acquisition of herring production facility in Sweden from Klädesholmen Seafood for SEK 94 million
On 21 January 2022, KMC Properties announced the acquisition of a herring production and cold storage facility in Rönnäng, in the Swedish country of Västra Götaland, from Klädesholmen Seafood AB for approximately SEK 94 million (approximately NOK 90 million). NOK 30 million of the consideration was settled by issuance of new shares in KMC Properties to the seller (see further details below in the section called "Shares and shareholder matters") and the remainder, approximately NOK 64 million was settled in cash.

The property came with a triple-net bare house agreement with Klädesholmen Seafood with an initial lease term of 15 years and a gross yield of 7.5 per cent.

Klädesholmen Seafood, owned by Grøntvedt Pelagic AS, KMC Properties' third-largest tenant, is a modern herring production company.

Acquisition of meat processing facility near Narvik in Northern Norway for NOK 100 million
In February 2022, KMC Properties completed the acquisition of a modern meat processing facility, located at Fagernes near Narvik in Norway, for approximately NOK 100 million, with a gross yield of 7.8 per cent. The acquisition was financed through a combination of bank loan and equity.

The property is strategically located south of Narvik city center, near the E6 motorway, the railway and a port terminal, and came with a bare house agreement with Kuraas AS. Kuraas is a Norwegian producer and seller of meats, headquartered in Narvik.

Acquisition of two production properties in Denmark for DKK 151 million
In August 2022, KMC Properties completed its acquisition of two industrial properties in Denmark for approximately DKK 151 million with a gross yield of 7.85 per cent. The properties

came with triple-net bare house agreements with the tenants KpK Døre og Vindue A/S and Outline Vinduer A/S, both part of the listed company Inwido, with an initial lease of 10 years and an option to extend.

Inwido is a leading European provider of customised solutions for windows and doors, with net sales of SEK 7.7 billion in 2021.

Acquisition of industrial property outside Ålesund, Norway for NOK 52 million
In October 2022, KMC Properties completed its acquisition of an industrial property outside Ålesund on the west coast of Norway for approximately NOK 52 million. The tenant, Cflow Fish Handling AS is a provider of solutions and services for fish handling to wellboats, fishing vessels, delousing and other related services. The property, which also includes an 85-metres long deep-water quay, came with a triple-net bare house agreement with Cflow of 14 years and a gross yield of 8.65 per cent.

Transformative acquisition of NOK 2.0 billion real estate portfolio from BEWI
On 30 June 2022, KMC Properties entered an agreement with BEWI ASA for the acquisition of up to 24 properties and one land plot with a gross asset value of up to approximately NOK 2.0 billion. The properties included in the transaction are composed of a total 244 415 sqm gross area (BTA) of buildings and 999 714 sqm BTA of land, with a gross yield of 6.31 per cent.

When the agreement was entered, 19 of the properties were owned by Jackon Holding, which BEWI at that time was in the process of acquiring, hence, the transaction was subject to BEWI's acquisition of Jackon, which was completed on 19 October 2022.

On 9 November 2022, the first phase of the acquisition was completed, including 10 properties and one land plot in Norway and Sweden, valued to approximately NOK 900 million. Further, one additional property located in Norway valued at approximately NOK 25 million was acquired before the end of 2022. The acquired portfolio aligns with KMC Properties' core sector of light industrial properties and long-standing working relationship with BEWI. The transactions were financed by a combination of the new equity raised in November (see more information below), drawings on existing loan facilities, new committed loans, and cash on balance sheet.

In connection with the transaction, long term triple net rental agreements, averaging an initial lease of 16.5 years, was be entered into for the properties.

KMC Properties has an exclusive right to acquire the remaining part of the portfolio valued at up to NOK 1.0 billion, valid until 30 June 2023. This option is considered to have no material intrinsic value and is therefore not recognised as a financial asset in the consolidated statement of financial position.

Divestment of office building in Moscow, Russia
On 29 November 2022, KMC Properties announced that it had received payment of EUR 9.6 million for the sale of its office building in Moscow, Russia. The payment was in line with the booked value of the property as of 30 September 2022.

A complete sanction control and ownership research of the buyer was carried out, and the settlement was completed outside Russia.

Financial review
The following financial review is based on the consolidated financial statements of KMC Properties ASA and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Profit and loss
KMC Properties had a total rental income of NOK 273 million for 2022, up from NOK 205 million for 2021. Since most of the group's lease agreements are triple net bare house agreements, direct property costs are relatively low. Hence net operating income amounted to NOK 270 million for the full year of 2022, up from NOK 202 million for 2021.

Administration expenses amounted to NOK 52 million for 2022, compared to NOK 64 million for 2021. The figures for 2021 were affected by high transaction costs. The operating expenses mainly include legal and other advisory fees related to accounting, investment, financing activities and personnel expenses.

Net realised financials amounted to negative NOK 122 million for 2022 compared to negative NOK 82 million last year. The cost increase relates to higher interest-bearing debt and higher interest rates.

KMC Properties recorded net income from property management of NOK 96 million for 2022, up from NOK 56 million for 2021.

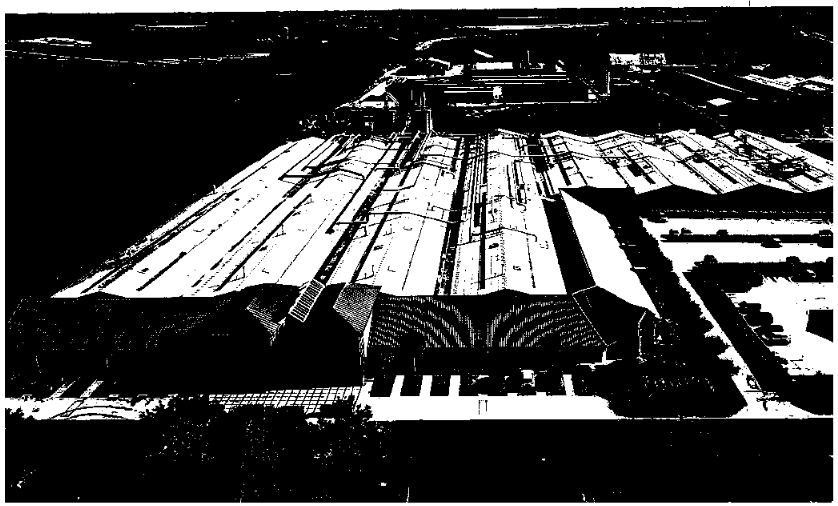
Net unrealised financials amounted to NOK 35 million for 2022 compared to negative NOK 53 million last year. The amount consists primarily of foreign exchange gains and losses, including such gains and losses on intercompany balances, and amortisation of debt issue costs.

Change in value of financial instruments was NOK 111 million for 2022 compared to NOK 59 million for the previous year.

Change in value of investment property amounted to NOK 41 million for 2022 compared to NOK 317 million for the previous year.

Tax expense for 2022 was NOK 38 million, of which NOK 9 million is tax payable and the remaining NOK 29 million is change in deferred tax. For 2021, the tax expense was NOK 77 million.

KpK Døre og Vindue A/S (part of Inwido): Produces windows and door solutions for new builds and rehabilitation projects for the private market in Denmark.



There was a loss from discontinued operations on NOK 81 million for 2022 compared to aprofit of NOK 2 million for 2021.

Net profit was NOK 163 million for 2022 and NOK 305 million for 2021, while total comprehensive income came in at NOK 217 million for 2022 and NOK 281 million for 2021.

Cash flow
Operating activities generated a cash inflow of NOK 279 million for 2022 and NOK 78 million for 2021.

Investment activities, including investments in upgrade projects and new facilities, as well as acquisitions of new properties, generated a cash outflow of NOK 1 356 million for 2022 and NOK 660 million for 2021.

Financing activities led to a cash inflow of NOK 1 053 million for 2022 due to increase in interest bearing debt and equity issues. For 2021, financing activities led to a cash inflow of NOK 665 million.

Financial position
KMC Properties' assets amounted to a total of NOK 5 781 million on 31 December 2022, up from NOK 4 333 million on 31 December 2021.

KMC Properties' investment properties were valued at NOK 5 366 million at year-end 2022, up from NOK 3 982 million at the end of 2022. The portfolio is valued by Cushman & Wakefield quarterly. Of the change in value for the year of NOK 1 384 million, expansion projects, investments in new facilities, and acquisitions amounted to a total of NOK 1 447 million. In addition, fair value adjustments amounted to NOK 41 million, while translation adjustments contributed with NOK 38 million.

On 31 December 2022, other assets consisted primarily of right-of-use assets of NOK 19 million, interest rate and currency rate swap agreements of NOK 180 million, other non-current assets of NOK 16 million, trade receivables at NOK 7 million, other current assets of NOK 7 million, as well as NOK 187 million in cash.

Total non-current liabilities amounted to NOK 1 420 million at the end of the year, down from NOK 2 436 million at the end of 2021. The decrease is due to the bond loan being classified as non-current at the end of 2022. The liabilities consist mainly of interest-bearing liabilities of NOK 1 217 million, deferred tax liabilities of NOK 163 million, land lease liabilities of NOK 19 million and other non-current liabilities of NOK 20 million. Total current liabilities amounted to NOK 1 984 million and consisted of interest-bearing liabilities of NOK 1 905 million, trade payables of NOK 37 million and other current liabilities NOK 41 million.

Total equity was NOK 2 377 million on 31 December 2022, representing an equity ratio of 41.1 per cent, compared to NOK 1 836 million at the end of 2021, an equity ratio of 42.4 per cent.

Research and development

KMC Properties does not have any activities classified as research and development.

Going concern

The annual financial statements for 2022 have been prepared on the assumption that KMC Properties is a going concern pursuant to section 3-3a of the Norwegian Accounting Act. With reference to the section under financial risk, the board is of the opinion that the bond loan with maturity in 2023 does not create significant uncertainty related to going concern. With reference to the group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the board of directors, the group's financial position is good.

Parent company results and allocation of net profit

The parent company had a profit before taxes of NOK 108.0 million for 2022, and a change in deferred tax assets of NOK (36.0) million, recording a net profit of NOK 72.0 million. As a comparison, the parent company had a profit before taxes of NOK 10.3 million for 2021, and a change in deferred tax assets of NOK 0.1 million, thus recording a net profit of NOK 10.2 million for 2021.

The board proposes the following allocation of the net profit of NOK 72.0 million for the parent company:

Transferred to other equity NOK 72.0 million.

Risk factors and risk management

KMC Properties is subject to several risks, including market, operational and financial risks. The management and the board are working to expand the structure of the group's risk management process.

Market risk

The group is exposed to the economic cycle and macroeconomic fluctuations, and changes in the general global economic situation, such as the level of inflation, interest rates and the rate of economic growth, could materially affect the value of the group's assets, including the value of the property portfolio. An economic downturn may decrease the market value of some or all the group's properties. In addition, any changes in the commercial property industry in which the group operates could have a negative effect on the property value, including, among other things:

- Reduction in the demand for commercial properties;
- Reduced availability and increased cost of financing for commercial properties; and
- Slowdown in the market for the sale of commercial properties.

Any significant reduction in property value would have a negative impact on the group's future earnings and financial position.

Operational risk

The group owns several properties. On 31 December 2022, the weighted average unexpired lease term of the contracts for the properties was 11.0 years. In the event the group is unable to let its properties upon expiry of lease agreements or if lease agreements are terminated, the group will suffer a rental shortfall, and may also be obliged to cover the common costs for the vacant areas until the property is re-let. Expenditures related to a property, such as renovation and maintenance costs, are generally not reduced in proportion to any decline in rental income from that property. Consequently, should the group be unable to re-let its properties upon the expiry or termination of lease agreements, this could have a material adverse effect on the group's financial condition, results of operations and cash flows.

Further, the failure by tenants of the group to meet their obligations could also result in significant loss of rental income for the group and could lead to a decrease in the value of the group's properties which in turn would negatively affect the group's financial condition.

Financial risks

Failure to comply with covenants in financing arrangements may have a material adverse effect on the company. If the company breaches covenants under the loan agreement for the senior secured callable bonds of NOK 1 850 million issued by the company, this loan may be subject to an immediate re-payment obligation. There can be no assurances that the group will be able to meet its obligations under current or future financing arrangements. Any breach of existing or future debt covenants and undertakings with a subsequent claim for repayment in full or in a part of the outstanding debt will have a material adverse effect on the group's financial position, operations, and prospects.

The senior secured bond loan has a maturity date on 11 December 2023. The company's highest priority is secure refinanc-

ing of the portfolio at improved financial terms within the first six months of 2023. KMC Properties is currently in active dialogue with potential creditors, including banks, bondholders, and providers of private debt, and expects the refinancing to be composed of various financial sources. There will be a general uncertainty related to the outcome of the refinancing until it is secured, and this poses a risk to the company. However, based on the current processes the board is confident the refinancing will be successful.

Risks related to the valuation of the property portfolio

The group's investment properties are measured at their fair value by the independent external valuer Cushman & Wakefield. The valuations are based on the individual property's assumed future cash flows, and property values are arrived at by discounting cash flows with an individual risk-adjusted required rate of return. Cushman & Wakefield has performed its valuations based on the information it has received from the group, including lease contracts, estimated development costs, and expected lettable area, estimated future market rents, yields, inflation and other relevant parameters, and has not undertaken any technical inspection of the properties nor made any assessment of legal concerns related to the properties. Because of the uncertainty surrounding the input Cushman & Wakefield has received, in particular with respect to expected market rents, discount rates and inflation, estimates of sellable or lettable areas and estimated development costs for projects still in development, there can be no assurance that the fair values assigned to the group's properties accurately reflect the proceeds that the group will be able to generate from any sale of such properties in the future. Moreover, valuation methods that are currently generally accepted and that have been used for the purpose of developing the fair value of the group's properties could subsequently be determined to have been unsuitable. Revised valuation techniques, erroneous valuations in connection with acquisition of property portfolios and other unforeseeable events could result in the group being unable to achieve its projected yields and could have significant adverse effects on the group's business, financial condition, results of operations and cash flows.

Foreign exchange

The group is exposed to foreign currency exchange rate fluctuations. The group operates internationally, and a significant part of its business is conducted in countries with other currencies than NOK, which is the group's functional currency, with rental income from the group's properties being received in DKK, SEK and EUR (in addition to NOK). Consequently, fluctuations in DKK, SEK, and EUR against NOK could adversely affect the financial results of the group.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due and to close out market positions. The group's strategy for managing liquidity risk is to have sufficient liquidity at all times to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the group's reputation.

For a full overview of the potential risks and uncertainties relating to the group's business and the industry in which it operates, please refer to the notes to the financial statements.

Environmental, social, and governance (ESG)

KMC Properties sets high ethical standards, and communication with the outside world is to be open, clear, and honest. The group is responsible for ensuring safe and good workplaces in the local communities where it is present. KMC Properties seeks to create value for society, customers, employees, and shareholders.

KMC Properties does not pollute the external environment to any material extent and does not have operations that require special discharge permits or cleaning measures. Waste is sorted according to the requirements applicable at the various locations.

KMC Properties is subject to corporate responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act. A separate ESG report is included in this annual report, which has been prepared with reference to the Global Reporting Initiative (GRI) Standards (2021). The report covers material environmental, social, and economic impacts and the management approach of KMC Properties for the calendar year 2022. The report aligns with the company's financial reporting period.

KMC Properties is conscious of its role in society related to combating corruption and operates with a high level of transparency. The board is not aware of any cases of corruption related to the group's operation and will continue to focus closely on this in the future. KMC Properties reporting is pursuant to the Transparency Act is referenced on page 27 in the ESG report.

Employees and organisation

The employees are KMC Properties' greatest asset, and the competence of the employees represents a competitive advantage for KMC Properties.

KMC Properties had 12 full-time employees at the end of 2022, a reduction of 3 employees since the end of 2021, explained by the divestment of the Russian property. All employees are based in Trondheim and Oslo, Norway.

There were no serious work-related accidents in 2022 or 2021. Sick leave in KMC Properties was 1.1 per cent in 2022, compared to 3.5 per cent in 2021.

Strengthened organisation

KMC Properties continued to strengthen key functions in the organisation in 2022, including Ove Rød Henriksen as chief accounting officer (CAO) and member of the group management team, as well as further resources within accounting, property management and M&A.

Equal opportunities

KMC Properties is committed to ensuring that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation, or age, should all have the same opportunities for work and career development at KMC Properties. Information on KMC Properties efforts to increase diversity is included in the ESG report.

KMC Properties takes its social responsibility seriously. In addition to ensuring that the work is carried out safely this involves respecting the freedom of association and not accepting any form of forced labour, child labour or work-related discrimination.

The corporate management team has four male and one female member, who is the chief executive officer (CEO). The board of directors has four male and three female members.

KMC Properties has an insurance covering the responsibilities of the board of directors, the CEO and other senior management.

Corporate governance

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees, and other stakeholders. The board of directors of KMC Properties has established a set of governance principles to ensure a clear division of roles between the board of directors, the executive management, and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

KMC Properties is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 4.4 of the Oslo Rule Book II, rules for issuers listed at the Oslo Børs. The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 14 October 2021, may be found at www.nues.no.

The annual statement on corporate governance for 2022 has been approved by the board and can be found in a separate section of this annual report.

Share and shareholders

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

As of 31 December 2022, the company had a total of 323 893 649 outstanding shares, each with a nominal value of NOK 0.20.

KMC Properties has one share class, and all shares have equal rights. The shares are registered in the Norwegian Central Securities Depository (VPS). The company's registrar is DNB Markets. The shares carry the securities number ISIN NO 001 0360175.

On 31 December 2022, the 20 largest shareholders of KMC Properties ASA held 92.18 per cent, of which the largest shareholders are BEWI Invest AS, owned approximately 70 per cent by the Bekken family, holding a total of 42.92 per cent, and HAAS AS, owned by the Akselsen family, holding 23.73 per cent.

Share issues

On 21 February 2022, the board of directors of KMC Properties resolved to issue 2 772 105 new shares directed at Klädesholmen Seafood AB as part of the settlement of the acquisition of Klädesholmen at a subscription price of NOK 10.82 per share, corresponding to the volume weighted average trading price of the company's shares on Oslo Børs the 30 last trading days prior to the share issue. The board's resolution was pursuant to the resolution granted by the general meeting on 2 June 2021.

On 3 November 2022, KMC Properties completed at private placement raising gross proceeds of NOK 300 million through the placement of 37 500 000 new shares NOK 8.00 per share. The net proceeds from the placement were partly used to finance the first phase of the acquisition of the industrial real estate portfolio from BEWI (see more information in section about acquisitions above). In addition, the proceeds were earmarked to clearly defined CAPEX - and greenfield projects.

Certain existing and new shareholders had pre-committed to subscribe for a total aggregate of amount of approximately NOK 250 million in the private placement. The portion not pre-committed was fully underwritten at NOK 8.00 per share. The pre-committing investors and underwriters also pre-committed to subscribe and underwrite, respectively, an amount equal to 1/6 of the amount of their respective pre-commitment and underwriting in the private placement in connection with a potential private placement of further 6 250 000 new shares.

The underwriters and the pre-committed shareholders received a 4 per cent underwriting commission based on the sum of their commitment (i.e., a total of NOK 350 million), through the issuance of 1 750 000 new shares at NOK 8.00 per share on 2 December 2022.

General meeting

On 1 June 2022, KMC Properties held its annual general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

Pål Magnus Aglen was elected new chair, replacing Anders Dyrseth, and John Thoresen was elected new member of the board, replacing Thorbjørn Pedersen.

KMC Properties' annual general meeting for 2023 is planned to be held on 11 May 2023.

Subsequent events

Acquisition of logistic property in Narvik for NOK 90 million

On 2 January 2023, KMC Properties completed its acquisition of a logistic property, including a dry-, cold- and freeze storage facility outside Narvik, Norway, for NOK 90 million. The acquisition was announced on 7 December 2022.

The property is strategically located in a logistic hub south of Narvik city center, close to the E6 motorway, the railway and port terminal and has one lease agreement with the Norwegian meat producer Kuraas AS and one with Servicegrossistene, the largest specialist for delivery of groceries to large households in Norway. In addition, almost half the property is currently vacant, enabling a potential for significant additional income.

Extraordinary general meeting

On 28 February 2023, KMC Properties held an extraordinary general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

Anna Musiej Aanensen and Stig Wærnes resigned as members of the board of directors. Haakon Sæter and Hege A. Veiseth were elected as new members of the board of directors.

Outlook

In 2022, KMC Properties acquired a total of 16 industrial properties, and grew the value of its investment portfolio (GAV) from NOK 4.0 billion to NOK 5.4 billion. The group remains committed to its investment strategy, focusing on properties in Northern Europe with solid tenants in selected industries, in addition to greenfield and capex projects in collaboration with current and future tenants.

The macroeconomic environment is characterised by high uncertainty. In particular, the significant increase in interest rates the last year impacts the real estate industry. However, KMC Properties' portfolio of high yielding logistic and light industry properties with solid tenants and long lease contracts, combined with its 100 per cent CPI adjustments on almost all lease agreement, provide the company with a comfortable headroom towards its covenants. Further, the company's investments have increased the overall EBITDA yield due to increased utilisation of the current organisation.

KMC Properties' key priority is to complete the refinancing of the company's senior secured bond loan. Further, the company will focus on integration of recently acquired properties, completing the transformative agreement with BEWI by acquiring the remaining properties, further developing the pipeline of M&A opportunities, and securing progress in ongoing development projects.

The board considers KMC Properties to be well positioned to tackle the challenging macro environment and reach the company's target of having a NOK 8 billion real estate portfolio by the end of 2024.

The board wishes to express its gratitude to KMC Properties' employees, including the executive management, for their dedicated efforts, contributing to KMC Properties' strong growth and successful development.

Trondheim, Norway, 29 March 2023
The board of directors and CEO, KMC Properties ASA

Pål Aglen *Chair*	Morten Eivindssøn Astrup *Director*	Nini Høegh Nergaard *Director*	John Thoresen *Director*
Hege A. Veiseth *Director*	Marianne Bekken *Director*	Haakon Sæter *Director*	Liv Malvik *CEO*

Responsibility statement by the board of directors and CEO

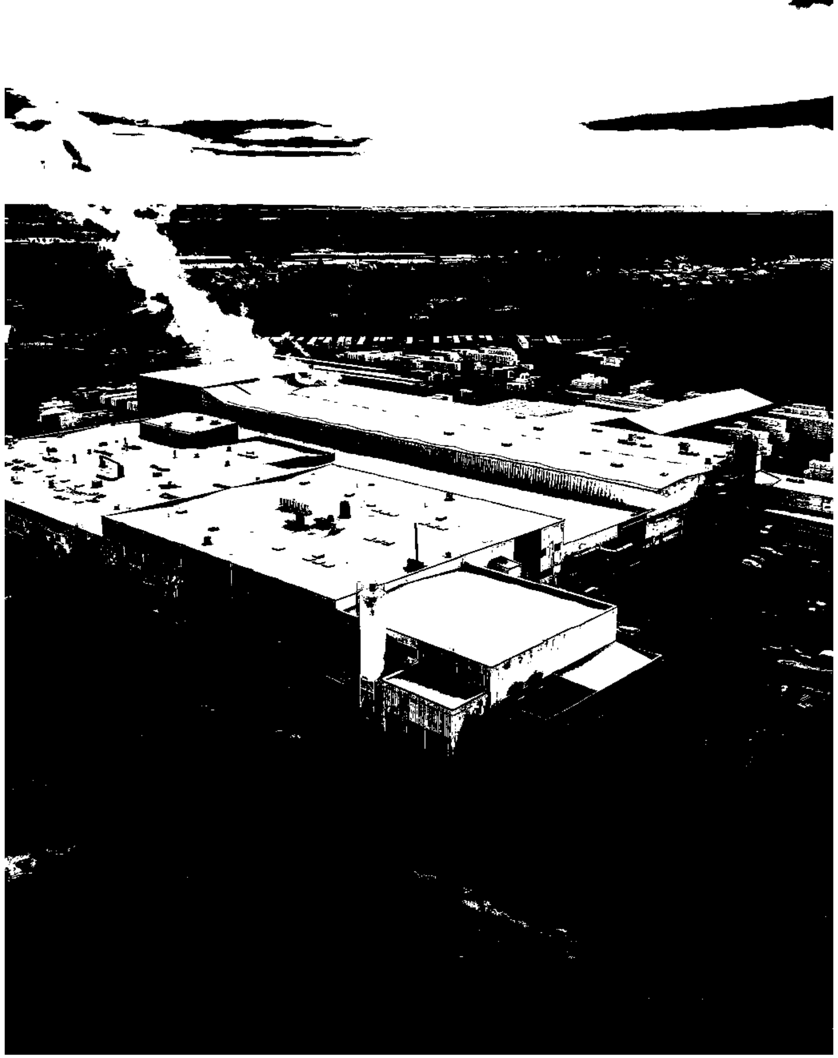
We confirm, to the best of our knowledge, that

- The group financial statements for the period from 1 January to 31 December 2022 have been prepared in accordance with IFRS, as adopted by the EU
- The financial statements of KMC Properties ASA for the period from 1 January to 31 December 2022 have been prepared in accordance with IFRS, as adopted by the EU, and accounting standards and practices generally accepted in Norway
- The financial statements give a true and fair view of the group and the company's consolidated assets, liabilities, financial position, and results of operations
- The report of the board of directors provides a true and fair view of the development and performance of the business and the position of the group and the company, together with a description of the key risks and uncertainty factors that the group and the company is facing

Trondheim, Norway, 29 March 2023
The board of directors and CEO, KMC Properties ASA

Pål Aglen *Chair*	Morten Eivindssøn Astrup *Director*	Nini Høegh Nergaard *Director*	John Thoresen *Director*
Hege A. Veiseth *Director*	Marianne Bekken *Director*	Haakon Sæter *Director*	Liv Malvik *CEO*

Jackon Insulation (part of Bewi ASA): *Provider of building insulation towards the Swedish market.*



Financial statements 2022

Consolidated statement of comprehensive income

Amounts in NOK million	*Note*	2022	2021
Rental income	*7*	273	205
Property expenses	*8*	(3)	(3)
Net operating income		270	202
Administration expenses	*8*	(52)	(64)
Net realised financials	*9*	(122)	(82)
Net income from property management		96	56
Net unrealised financials	*9*	35	(53)
Changes in value of financial instruments	*11*	111	59
Changes in value of investment properties	*6, 10*	41	317
Profit before tax		282	380
Current tax	*14*	(9)	(3)
Deferred tax	*14*	(29)	(74)
Profit from continued operations		244	303
Profit from discontinued operations	*4*	(81)	2
Profit		163	305
Translation differences for foreign operations		54	(24)
Comprehensive income		217	281
Profit attributable to:			
Equity holders of the company		163	305
Non-controlling interest		-	-
Comprehensive income attributable to:			
Equity holders of the company		217	281
Non-controlling interest		-	-
Earnings per share	*20*		
Continuing operations Basic=Diluted (NOK)		0.6	1.2

Consolidated statement of financial position

Amounts in NOK million	*Note*	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Investment properties	*6.10*	5 366	3 982
Site leaseholds, right-of-use assets	*16*	19	19
Financial derivatives	*5.11*	180	68
Other non-current assets		16	5
Total non-current assets		5 580	4 074
Current assets			
Trade receivables	*11*	7	24
Other current assets	*11*	7	27
Cash and cash equivalents	*12*	187	208
Assets held for sale	*4*	-	-
Total current assets		200	259
TOTAL ASSETS		5 781	4 333
EQUITY AND LIABILITIES			
Equity			
Share capital	*13*	65	56
Share premium		1 512	1 196
Translation reserve		20	(34)
Retained earnings		781	617
Total equity		2 377	1 836
Liabilities			
Non-current liabilities			
Deferred tax liabilities	*14*	163	132
Non-current interest-bearing liabilities	*15*	1 217	2 275
Lease liabilities	*16*	19	19
Other non-current liabilities	*17*	20	10
Total non-current liabilities		1 420	2 436
Current liabilities			
Current interest-bearing liabilities	*15*	1 905	-
Trade payables	*17*	37	24
Current tax liabilities	*14, 17*	0	3
Other current liabilities	*17*	41	34
Liabilities held for sale	*4*	0	-
Total current liabilities		1 984	61
Total liabilities		3 404	2 497
TOTAL EQUITY AND LIABILITIES		5 781	4 333

Trondheim, Norway, 29 March 2023, the board of directors and CEO, KMC Properties ASA

Pål Aglen *Chair*	Morten Eivindssøn Astrup *Director*	Nini Høegh Nergaard *Director*	John Thoresen *Director*
Hege A. Veiseth *Director*	Marianne Bekken *Director*	Haakon Sæter *Director*	Liv Malvik *CEO*

Consolidated statement of cash flows

Amounts in NOK million	*Note*	2022	2021
Profit before tax		282	380
Changes in value of investment properties	10	(41)	(317)
Financial items		(23)	76
Change in working capital:			
- change in current assets		41	20
- change in current liabilities		24	(79)
Other items not included in the cash flow		4	0
Taxes paid		(7)	(2)
Net cash flow from operating activities		**279**	78
Purchase of investment properties	10	(1 308)	(520)
Upgrades of investment properties	10	(139)	(140)
Proceeds from property transactions		99	-
Interest received		3	-
Change in other non-current assets		(12)	-
Net cash flow from investment activities		**(1 356)**	(660)
Capital increase from issue of shares	13	324	326
Proceeds interest-bearing liabilities	15	866	439
Repayment interest-bearing liabilities	15	(19)	(3)
Interest paid		(126)	(87)
Other financial costs		(3)	(15)
Change in other non-current liabilities		10	3
Net cash flow from financing activities		**1 053**	665
Effects of exchange-rate changes on cash and cash equivalents	12	3	0
Net change in cash and cash equivalents		**(21)**	82
Opening balance of Cash and Cash equivalents		208	125
Cash and cash equivalents at period end		**187**	208

Consolidated statement of changes in equity

	Subscribed share capital	Share premium	Translation reserves	Retained earnings	Total equity
Total equity at 31 December 2020	48	892	(10)	313	1 243
Issue of shares	8	318			326
Transaction cost issue of shares		(15)			(15)
Profit /(loss) for the period				305	305
Other comprehensive income (translation reserves)			(24)		(24)
Total equity at 31 December 2021	56	1 196	(34)	617	1 836
Issue of shares	8	322			330
Transaction cost issue of shares		(6)			(6)
Profit /(loss) for the period				163	163
Other comprehensive income (translation reserves)			54		54
Total equity at 31 December 2022	65	1 512	20	781	2 377

Notes to the consolidated financial statements

Note 01 Company information

KMC Properties ASA ("the company") is listed on Oslo Stock Exchange with the ticker KMCP. The company and its subsidiaries ("the group") business idea is to acquire and manage commercial industry and logistics properties. The group has a diversified portfolio of properties in the Nordics and the Netherlands. The properties are strategically located and have long lease agreements with solid tenants.

The holding company, KMC Properties ASA, is a public limited liability company with headquarter in Trondheim, Norway.

The consolidated financial statements were approved by the company's board on 29 March 2023.

Note 02 Basis of preparation and accounting principles

2.1 Basis of Preparation
The financial statements are prepared in accordance with applicable IFRS standards and interpretations, as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

The financial statements include KMC Properties ASA and subsidiaries. Acquired properties are included in the financial statements from the date of acquisition. Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate primarily to the valuation of investment property. All notes are in NOK millions, unless otherwise is indicated. The financial statements for 2022 have been prepared on a going concern basis.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Accounting principles
The consolidated financial statements are based on historical cost, except for the following:

- Financial instruments at fair value through profit or loss
- Investment properties which are measured at fair value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.3 Basis of consolidation and business combinations
Subsidiaries are all entities over which the group has control. Control exists when the group is exposed to, or has rights to, variable returns as a result of involvement with the company, and the group is able to impact returns through its power over the company. Control is normally achieved when the group owns – directly or indirectly – more than 50 per cent of the voting shares in the company. The effect of any existing voting rights resulting from exercisable options is included in the assessment of control. The group also assesses whether control exists where fewer than 50 per cent of the voting rights are held, but the group is nevertheless in a position to control the relevant activities.

Such companies are included in the consolidated financial statements from the date on which the group obtains control over the company. In the same way, the company is deconsolidated when control over the company ceases.

The acquisition method is applied to business combinations. The consideration transferred is measured at the fair value of assets transferred, liabilities incurred, and equity instruments issued. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs related to business combinations are expensed as incurred. Identifiable assets and liabilities are recognised at fair value at the acquisition date. Non-controlling interests in the acquiree are measured on a case-by-case basis either at fair value or at their share of the acquiree's net assets.

For accounting purposes, acquisitions of subsidiaries that do not constitute a business as defined in IFRS 3, such as acquisitions where substantially all of the fair value of the gross assets acquired is concentrated in a single property or group of similar properties, are treated as asset acquisitions. The cost of acquisition is then attributed to the individual identifiable assets and liabilities based on their relative fair values on the acquisition date. Expenses associated with the transaction are capitalised under the investment property. In such cases, deferred tax liabilities or assets are not recognised, except for deferred taxes related to losses carried forward, in accordance with the exceptions in IAS 12.

In the case of a step acquisition, equity interests from previous acquisitions are remeasured at the control date to fair value through profit and loss. Any contingent consideration is recognised at fair value at the acquisition date. In accordance with IFRS 9, subsequent changes to the fair value of the contingent consideration are recognised in the income statement or as a change to other comprehensive income if the contingent consideration is classified as an asset or liability. Contingent considerations classified as equity are not remeasured, and subsequent settlement is entered against equity.

Intra-company transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated. The financial statements of subsidiaries are restated where necessary to achieve consistency with the group's accounting policies.

2.4 Functional currency and presentation currency
The group's presentation currency is NOK. Each entity in the group determines its own functional currency, and items included in the income statement of each entity are measured using that functional currency. The functional currency is the currency within the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate on the transaction date. Monetary items denominated in foreign currencies are translated using the functional currency spot rates of exchange on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the rate on the reporting date. All currency translation differences are recognised in the income statement and statement of comprehensive income.

The assets and liabilities of foreign entities are translated into the presentation currency at the rate on the reporting date, and related income statement items are translated at average exchange rates per quarter. Currency translation differences arising on the translation are recognised as other comprehensive income. In the consolidated financial statements, currency translation differences linked to net investments in foreign operations are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement.

2.5 Segment information
There are no material differences in risks and returns in the economic environments in which the company operates. KMC Properties has one segment, industrial- and logistic properties. Consequently, the company is only present in one business segment. KMC Properties ASA is present in following geographic markets per 31 December 2022:

Amounts in NOK million	Norway 2022	Norway 2021	Sweden 2022	Sweden 2021	Denmark 2022	Denmark 2021	Netherland 2022	Netherland 2021	Finland 2022	Finland 2021	Other 2022	Other 2021	Total 2022	Total 2021
Rental income	**171**	122	**39**	28	**31**	24	**27**	27	**5**	5	**-**	-	**273**	205
Investment property	**3 360**	2 622	**848**	362	**646**	383	**453**	415	**59**	57	**-**	143	**5 366**	3 982

According to IFRS 8, disclosure must be made if revenue from a single customer exceeds 10%. KMC Properties ASA has rental income from 5 customers that exceeds 10% of total rental income in 2022:

Amounts in NOK million	BEWI 2022	BEWI 2021	Insula 2022	Insula 2021	Grøntvedt 2022	Grøntvedt 2021	Scana 2022	Scana 2021	Other 2022	Other 2021	Total 2022	Total 2021
Rental income	**125**	94	**52**	48	**30**	24	**31**	11	**35**	29	**273**	205
Investment property	**46%**	46%	**19%**	23%	**11%**	12%	**11%**	5%	**13%**	14%	**100%**	100%

Note 03 Summary of significant accounting policies

3.1 Investment property
Investment property comprises completed property held to generate rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is recognised initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net selling price and the carrying amount of the asset at the time of sale.

3.2 Leasing
Leases in which KMC Properties is the lessee mainly comprise site leaseholds. The group recognises a lease liability for site leaseholds based on the premise that the leases are perpetual and a corresponding right-of-use asset is recognised as an investment property.

KMC Properties has chosen to recognise right-of-use assets separately in the balance sheet. Site leasehold fees are recognised as financial expenses in profit or loss. Other leases refer to offices, land leases, passenger cars and office machinery. A right-of-use asset and a lease liability based on the term of the lease are recognised for these items. Rent is distributed in profit or loss between depreciation and interest expenses.

3.3 Financial assets
3.3.1 Classification, recognition and measurement
Financial assets within the scope of IFRS 9 are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The group measures financial assets at amortised cost if both of the following conditions are met:

1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Since the group's financial assets (trade (rent) and other receivables, cash, and short-term deposits) meet these conditions, they are subsequently measured at amortised cost. The group has entered a cross currency interest rate swap, this derivative is carried at fair value through profit or loss.

All the group's currency-, interest-rate swaps and forward exchange contracts are used as economic hedges. Hedge accounting is not applied. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently recognised continuously at their fair value. Changes in the fair value of derivatives are recognised in the income statement under change financial income/expenses (see Note 10 & 12). The realised payable part of the interest-rate swap agreements is presented under financial cost.

3.3.2 Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when:

1) The rights to receive cash flows from the asset have expired, or

2) The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

3.3.3 Impairment of trade (rent) receivables
For trade (rent) receivables the group applies a simplified approach in calculating expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. ECLs at of 31 December 2022 and 2021 are immaterial, so no provisions have been made.

3.4 Financial liabilities
3.4.1 Classification, recognition and measurement
Financial liabilities are classified at initial recognition, and subsequently measured at amortised cost, with some exemptions.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expenses in the statement of profit or loss.

3.4.2 Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.5 Trade (rent) receivables
Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in note 3.4.

3.6 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held with banks. See note 16 for additional information regarding the bond disposal account.

3.7 Share capital and treasury shares
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Own equity instruments which are bought back (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue, or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity/ other contributed equity. Voting rights related to treasury shares are cancelled and no provision is made for payment of dividends on treasury shares.

3.8 Related-party transactions
A person or a company (or other legal entities) is considered as a related party if he, she or it, directly or indirectly, has the possibility to exercise control or influence over another party in connection with financial and operational decisions. Parties are also considered related if they are under control or significant influence. Loans to certain subsidiaries are considered as part of the group's net investment. Exchange rate changes related to monetary items (receivables and liabilities) which are a part of the company's net investment in foreign entities are treated as currency translation differences, and thus entered against equity.

3.9 Taxes payable and deferred tax
The tax expense for the period comprises taxes payable and change in deferred tax. However, deferred tax is not recorded if it arises on initial recognition of an asset or liability in a transaction, other than a business combination, that affects neither accounting nor taxable profit or loss on the transaction date.

Deferred tax assets are recognised only to the extent that it is probable that there will be future taxable income against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realised, or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities.

Pursuant to the exception in IAS 12, deferred tax is not recognised when buying a company which is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost, while a fall in value below initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in temporary differences related to tax depreciation will give grounds for a recognition of deferred tax.

Tax effects on other comprehensive income are separated and presented via other comprehensive income. These include exchange differences on net investments in foreign entities.

3.10 Revenue recognition
The group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the lease term.

3.11 Interest income
Interest income is recognised in income as it is earned using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the effective interest rate.

3.12 Classification of assets and liabilities
The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

3.13 Financial instruments
Derivatives are financial instruments at fair value through profit and loss unless the derivative is designated as a hedge accounting instrument.

3.14 Discontinued operation
In the beginning of 2022, the group decided to exit the Russian market and initiated an active process to locate a buyer for its Russian subsidiary owning the company's office building in Moscow. The investment in Russia is consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5. The Russian subsidiary was sold in the fourth quarter of 2022. Comparative figures are changed accordingly.

Note 04 Discontinued operations

In the first half of 2022 the company decided to exit the Russian market and initiated a sale of its Russian subsidiary owning the company's office building in Moscow. The investment in Russia was consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5.

In the fourth quarter KMC Properties sold and receive payment for the Russian entity. A complete sanction control and ownership research has been carried out of the buyer. The settlement has been made outside Russia. The remaining liabilities held for sale applies to a subsidiary in Cyprus under liquidation which is considered immaterial.

Amounts in NOK millions	2022	2021
Rental income	22	21
Property expenses	(12)	(9)
Net operating income	11	12
Administration expenses	(3)	(3)
Net realised financials	0	0
Net income from property management	8	10
Net unrealised financials	0	-
Changes in value of financial instruments	-	-
Changes in value of investment properties	(89)	(7)
Profit before tax	(81)	2
Current tax	1	(1)
Deferred tax	-	-
Profit from continued operations	(81)	2

Note 05 Financial risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk,and
- Climate risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments
The principal financial instruments owned by the group are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Fixed rate bank loans
- Interest rate swaps, and
- Forward currency contracts

FINANCIAL INSTRUMENTS BY CATEGORY:

Financial assets

Amounts in NOK million	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total	Amortised cost 31.12.2021	Fair value through profit or loss 31.12.2021	Total
Cash and cash equivalents	187	-	187	208	-	208
Currency and interestswaps	-	180	180	-	68	68
Trade receivables (non-interest bearing)	7	-	7	24	-	24
Total financial assets	194	180	374	232	68	300

Financial liabilities

Amounts in NOK million	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total	Amortised cost 31.12.2021	Fair value through profit or loss 31.12.2021	Total
Non-current interest-bearing liabilities	1 217	-	1 217	2 275	-	2 275
Land plot lease agreements (financial liability)	19	-	19	19	-	19
Other financial liabilities	20	-	20	10	-	10
Current interest-bearing liabilites	1 905		1 905	-		-
Trade payables (non-interest bearing)	38	-	38	24	-	24
Total financial liabilities	3 199	-	3 199	2 328	-	2 328
Net financial assets and liabilities	(3 005)	180	(2 825)	(2 096)	68	(2 027)

Financial instruments at amortised cost
Financial instruments at amortised cost includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Financial instruments measured at fair value
The table below shows an analysis of fair values of financial instruments in the statement of financial position, grouped by level in the fair value hierarchy:

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.

Level 2 – Use of a model with inputs other than level 1 that are directly or indirectly observable market data.

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

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

Financial assets measured at fair value

Amounts in NOK million	Fair value level	2022	2021
Financial derivatives	Level 2	180	68

There were no transfers between levels during the period.

Derivatives
The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest-rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest-rate curves and exchange rates at the balance-sheet date. The technical calculations are generally performed by the group's banks. The group has tested these valuations for reasonableness.

The group uses derivatives to manage its interest rate risk. Derivatives are initially recognised at fair value on the date on which the contract was signed, and subsequently at fair value. Gains or losses on remeasurement at fair value are recognised in the income statement. Changes in the value of the derivatives are presented under "Changes in value of financial instruments". Interest income from financial derivates is presented under "Net realised financials".

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

General objectives, policies and processes
The Board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The Board receives monthly reports from the group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

The group is exposed to market risk (including interest rate risk), currency risk, credit risk and liquidity risk. The risk policies are continuously being assessed by the Board of Directors and the appropriate policies and procedures to identify, measure and manage the financial risks has been implemented. The group's overall risk management programme seeks to minimise potential adverse effects on the group's financial performance.

5.1 Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Currency risk
Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.

The group is predominantly exposed to currency risk on lease contracts in EUR, SEK and DKK, and the risk is hedged using currency swaps.

Apart from these particular cash-flows the group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

At 31 December the group's net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets / liabilities 2022

Amounts in NOK million	SEK	DKK	EUR	Total
Net exposure NOK	(360)	(167)	(328)	**(856)**

Net foreign currency financial assets / liabilities 2021

Amounts in NOK million	SEK	DKK	EUR	Total
Net exposure NOK	(92)	(152)	(312)	**(557)**

(ii) Interest rate risk on cash flows and fair value
The group is exposed to cash flow interest rate risk from long-term borrowings at variable rate, and the risk is hedged using interest rate swaps, see details in note 11 and 15.

During both 2021 and 2022, the group's borrowings at variable rate were denominated in NOK.

Calculated on the existing funding terms for the group's interest-bearing liabilities on 31 December 2022, a rise in market interest rates of 1 percentage point would have increased KMC Properties annualised interest expenses by NOK 12.8 million.

5.2 Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its obligations at maturity, and the risk that the group will not be able to meet its obligations without a significant increase in cost. The group's objective is to maintain a reasonable balance between debt and equity and to have sufficient available cash to fulfil obligations from the group's activity.

The table below illustrates the maturity structure of liabilities.

Maturity structure

Amounts in NOK million	Total cash flow	Year 1	Year 2	Year 3-5	After year 5
Financial liability as of 31 December 2022					
Principal payment on Loans from credit institutions	3 116	1 893	81	1 009	133
Payment of interest and interest swap	-	181	181	181	-
Other long-term liabilities	20	3	-	-	17
Trade payables	37	37	-	-	-
Other current payables	41	41			
Total	3 214	2 155	262	1 190	150

Maturity structure

Amounts in NOK million	Total cash flow	Year 1	Year 2	Year 3-5	After year 5
Financial liability as of 31 December 2021					
Principal payment on Loans from credit institutions	2 275	-	1 838	437	-
Payment of interest and interest swap	-	99	99	99	-
Other long-term liabilities	10	4	-	-	6
Trade payables	24	24	-	-	-
Other current payables	34	34	-	-	-
Total	2 343	161	1 938	536	6

5.3 Capital risk management
The main purpose of the group's capital management is to maintain a reasonable balance between debt and equity. The group's goal is to have an LTV ratio of 50-65 per cent. The target is set with consideration to value development in the group and the opportunity to obtain the necessary financing. The EPRA LTV ratio as of 31 December is 56.2%.

There are covenants on existing financing related to; loan to value, interest cover ratio and liquidity. Reference is made to note 16 for description of the covenants. Both during 2022, and as of 31 December 2022, the group was in compliance with all financial covenants, and the group expects to be in compliance going forward. The senior secured bond loan has a maturity date on 11 December 2023. The company's highest priority is secure refinancing of the portfolio at improved financial terms within the first six months of 2023. KMC Properties is currently in active dialogue with potential creditors, including banks, bondholders, and providers of private debt, and expects the refinancing to be composed of various financial sources. There will be a general uncertainty related to the outcome of the refinancing until it is secured, and this poses a risk to the company. However, based on the current processes the board is confident that the refinancing will be successful.

5.4 Climate risk
Physical climate risk is the danger that climate-related events such as extreme weather cause damage to buildings or interruptions. This can lead to losses and affect the return on investments negative. Furthermore, in the transition to the low-emission society, there is a risk that buildings that are not assessed as sustainable will receive regulatory restrictions, yield lower or lost rental income, and become more difficult to sell in the future.

Management and the board follow developments in the market regarding the importance of climate risk for the development in the market value of investment property. So far, climate risk has not affected the valuations, but it is assumed that the buyer group is somewhat smaller for properties that have a higher risk linked to climate change.

Physical risk and transition risk related to climate change on the road to a low-emission society are highly relevant for the group. Climate risk is further dealt with in the sustainability report.

Note 06 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations about future events which are believed to be reasonable under current circumstances. Corporate management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual figures. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

6.1 Fair value of investment properties
Investment property is valued at its fair value based on a quarterly valuation update based on external valuations. The valuations on 31 December 2022 were obtained by Cushman & Wakefield.

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

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

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. Reference is made to note 11 Investment property.

Note 07 Tenancy agreements

The group mainly enters into long-term lease agreements with solid counterparties, strategically located for tenants.

The group's future accumulated rent from operational lease contracts at 31 December

Amounts in NOK million	2022	2021
≤ 1 year	**367**	232
Between 1 and 2 years	**367**	252
Between 2 and 3 years	**367**	232
Between 3 and 4 years	**367**	232
Between 4 and 5 years	**367**	232
≥ 5 years	**2 351**	1 451
Total	**4 187**	2 630

The group's lease contracts at 31 December 2022 have the following maturity structure measured in annual rent [1)]

Amounts in NOK million	No of contracts	Contract rent	Contract rent,%
≤ 1 year	1	4	1%
Between 1 and 5 years	1	0	0%
Between 5 and 10 years	24	109	29%
≤ 10 years	39	258	70%
Total	65	371	100%

The group's lease contracts at 31 December 2021 have the following maturity structure measured in annual rent [1)]

Amounts in NOK million	No of contracts[2)]	Contract rent	Contract rent,%
≤ 1 year	105	16	7%
Between 1 and 5 years	21	4	2%
Between 5 and 10 years	22	94	37%
≤ 10 years	23	138	55%
Total	171	252	100%

1) The rent is stated as the annualised undicounted contractual rent, and is therefore not reconsiable with the rental income for the year for accounting purposes.
2) Gasfield is included with 105 contracts with maturity under 1 year, and 20 of 21 contracts with maturity between 1 and 5 years.

Note 08 Property and administration expenses

Amounts in NOK million	2022	2021
Property expenses		
Insurance premium	1	1
Property tax	1	1
Mainenance	-	1
Other property expenses	0	0
Total property expenses	3	3
Administration expenses		
Personnel expenses	31	23
Legal, agency and consultancy fees	12	34
Accounting	1	2
Auditors	5	4
Other operating expenses	3	1
Total administration expenses	52	64
Auditor fees full year basis		
Statutory audit	5	4
Tax advice	0	0
Other services not related to auditing	-	-
Other assrurance services	-	0
Total auditor expenses (excl. VAT)	5	4
Personnel expenses		
Salaries, performance-related pay and other taxable benefits	24	15
Employers' Natural Insurance contributions	3	2
Pension expenses	1	0
Other personnel expenses	1	4
Board fees	2	2
Total personnel expenses	31	23
Number of full-time equivalent employees	12	9

Employee's may purchase shares in the company at a 20% discount for an amount limited upwards to NOK 1 million, on condition that the employee is obliged to hold the shares for a three-year period (lock-up period). The Board decides how the transaction shall be arranged within the authorisations granted by the general meeting.

Renumeration to senior executives
The total remuneration of the CEO and other Senior Executives consists of a fixed package of salary and benefits supplemented by cashbased short-term incentive (STI), share purchase scheme (on the same terms as all other employees), pension and insurance arrangements.

Overview of total renumeration to senior executives 2022

Amounts in NOK million	Salary	Variable cash salary (STI) 1)	Pension costs	Benefits in kind	Total remuneration 2022
Liv Malvik, CEO	2.5	0.7	0.1	0.0	**3.3**
Kristoffer Holmen, CFO	2.1	1.0	0.1	0.0	**3.3**
Audun Aasen, COO	1.3	0.8	0.1	0.2	**2.4**
Kristoffer Formo, head of M&A	1.3	0.1	0.1	0.1	**1.7**
Ove Rød Henriksen, CAO 2)	1.3	0.6	0.1	0.0	**2.1**
Total	8.5	3.2	0.6	0.3	12.7

1) Includes the provision based on targets met in 2022, which will be paid out in 2023. 50% of the variable compensation shall be paid out two years from grant, on condition that the employee is employed with the company at the end of the two-year period and has not given notice to terminate his or her employment. The deferred share of the variable compensation shall be indexed against the share price of KMC Properties ASA (KMC), starting at market price at grant.
2) Ove Rød Henriksen was employed in KMC Properties ASA 17.01.2022.

Overview of total renumeration to senior executives 2021

Amounts in NOK million	Salary	Variable cash salary (STI) 1)	Pension costs	Benefits in kind	Total remuneration 2021
Liv Malvik, CEO	2.0	1.5	0.1	0.0	**3.6**
Kristoffer Holmen, CFO 2)	1.0	1.1	0.1	0.0	**2.2**
Audun Aasen, COO	1.2	0.6	0.1	0.2	**2.0**
Kristoffer Formo, head of M&A 3)	1.1	0.6	0.1	0.0	**1.8**
Total	5.3	3.8	0.3	0.2	9.7

1) Includes the provision based on targets met in 2021, which will be paid out in 2022. 50% of the variable compensation shall be paid out two years from grant, on condition that the employee is employed with the company at the end of the two-year period and has not given notice to terminate his or her employment. The deferred share of the variable compensation shall be indexed against the share price of KMC Properties ASA (KMC), starting at market price at grant.
2) Kristoffer Holmen was employed in KMC Properties ASA 1.5.2021. Before this CFO was hired and expenses included under Other operating expenses.
3) Kristoffer Formo was employed in KMC Properties ASA 15.3.2021.

Overview of total renumeration to the board of directors

Amounts in NOK million	Board fees	Committee fees	Total remuneration 2022 1)	Total remuneration 2021 1)
Pål Aglen (from 1 June 2022)	0.3	-	**0.3**	-
Morten Eivindssøn Astrup	0.3	0.0	**0.3**	0.3
Nini Høegh Nergaard	0.3	-	**0.3**	0.2
Anna Musiej Aanensen	0.3	0.1	**0.4**	0.3
Stig Wærnes	0.3	0.1	**0.4**	0.3
Marianne Bekken	0.3	-	**0.3**	0.2
John Thoresen (from June 2022)	0.2	-	**0.2**	-
Anders Dyrseth (until June 2022)	0.2	-	**0.2**	0.4
Thorbjørn Fjærtoft Pedersen (until June 2022)	0.1	-	**0.1**	0.1
Børge Klungerbo (until June 2021)	-	-	-	0.1
Total	2.0	0.2	2.2	1.9

1) The overview of the remuneration of the Board of Directors shows remuneration earned in the financial year.

Note 09 Financials

Amounts in NOK million	2022	2021
Interest income	**3**	7
Interest income from financial derivates	**16**	4
Interest expenses	**(142)**	(93)
Net realised financials	**(122)**	(82)

Amounts in NOK million	2022	2021
Net currency exchange differences	**44**	(47)
Amortisation of capitalised borrowing cost	**(6)**	(6)
Interest expense on lease liabilities	**(1)**	(1)
Other financial expenses/income	**(3)**	1
Net unrealised financials	**35**	(53)

Note 10 Investment property

The valuation of the properties at 31 December 2022 has been performed by an independent expert valuer, Cushman & Wakefield. The variables used for valuation are both company specific and marked derived. Company specific variables include contractual rental income and expenses. Market derived variables include, inter alia, market rent rates, market discount rates and market capitalisation rates. The carrying value of the properties in the balance sheet reflects the values given a long-term perspective. Also see note 6 for critical accounting estimates and assumptions.

Amounts in NOK million	2022	2021
Opening balance	**4 002**	3 090
Classified as held for sale	**(143)**	-
Purchase of investment properties	**1 308**	520
Upgrades of investment properties	**139**	140
Sale of investment properties	**-**	-
Change in value	**41**	310
Currency translation effect	**38**	(58)
Value at period end before adjustment of right-of-use asset	**5 385**	4 002
Adjustment of right-of-use asset	**(20)**	(19)
Value at period end	**5 366**	3 982

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table below presents examples of how changes related to each of these variables influenced property values, at 31 December 2022, assuming all other variables remained constant (amounts in NOK million). However, there are interrelationships between these variables, and it is expected that a change in one variable may influence one or more of the other variables.

Variables	Change of variables	Value change (+)	Value change (-)
Exit yield	+/- 0.25 per cent points	(54)	59
Discount rate	+/- 0.25 per cent points	(113)	109
Operating costs	+/- 10 per cent	(10)	10
Market rent	+/- 10 per cent	278	(217)
Average rental growth	+/- 0.5 percentages points next 10 years	173	(167)

The calculations have been performed by Cushman & Wakefield in connection with the valuations at 31 December 2022.

Input for valuations – overview

	Investment property
Valuation method, reference is made to note 5	Level 3
Valuation model DCF	DCF
WAULT	11.0
Net yield (interval)	4.12%-13.31%
Contract rent at 31 December 2022, measured in annual rent (NOK million)	375

Note 11 Other receivables and financial derivatives

Amounts in NOK million	2022	2021
Trade receivables (non-interest bearing)	**7**	24
Other receivables	**7**	27
Total other receivables	14	51
Financial derivatives	**180**	67

Age analysis of trade receivables

Amounts in NOK million	2022	2021
Not overdue	**6**	11
0-30 days	**1**	9
31-60 days	**0**	3
61-90 days	**-**	1
91 days	**-**	0
Total trade receivables	**7**	24

The group has cross currency and interest rate swaps to hedge risk against exchange rate and interest rate flucturations.

Amounts in million

Swap agreement	Currency amount	Market value 31.12.2022	Market value 31.12.2021	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 335	NOK 16	NOK 23	23.12.2020	11.12.2023	EUR/NOK = 10.630	EURIBOR = -0.51%
Interest & currency	NOK 240	NOK 32	NOK 20	23.12.2020	11.12.2023	SEK/NOK = 1.050	STIBOR = 0.017%
Interest & currency	NOK 165	NOK 7	NOK 11	23.12.2020	11.12.2023	DKK/NOK = 1.428	DANISH IBOR = -0.505%
Interest	NOK 500	NOK 56	NOK 12	13.07.2021	31.12.2030	Not applicable	NIBOR = 1.5175%
Interest	EUR 32	EUR 4	EUR 0	11.12.2023 [1]	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	SEK 120	SEK 11	SEK 2	11.12.2023 [1]	13.12.2027	Not applicable	STIBOR = 0.686%
Interest	DKK 120	DKK 13	DKK 1	11.12.2023 [1]	13.12.2027	Not applicable	DANISH IBOR = 0.215%
Interest	*NOK 35*	NOK 1		*10.02.2022*	*10.02.2027*	*Not applicable*	NIBOR = 2.305%

1) The swap agreement is a forward starting interest rate swap.

Note 12 Cash and Bank depositis

Amounts in NOK million	2022	2021
Bank deposits	**185**	166
Disposal account	**0**	41
Restricted bank deposits	**1**	0
Total bank deposits	**187**	208

Restricted bank deposits relate to the withholding tax account .

Note 13 Shareholder capital and shareholders

Share capital and nominal value

	31.12.2022
Shares issued	**323 893 649**
Nominal amount in NOK	**0.2**
Share capital in NOK	**64 778 730**

No of shares as of 31 December 2020	240 765 311
Issue of shares subsequent offering 19.02.2021	981 233
Issue of shares privat placement 16.09.2021	37 500 000
Issue of shares employee offering 18.10.2021	750 000
Issue of shares subsequent offering 27.10.2021	1 875 000
No of shares as of 31 December 2021	281 871 544
Issue of shares privat placement 22.02.2022	2 772 105
Issue of shares privat placement 04.11.2022	39 250 000
No of shares as of 31 December 2022	323 893 649

All shares are fully paid. There is only one share class. All shares have equal rights. KMC Properties ASA is listed on the Oslo Børs (Oslo Stock Exchange) under the symbol KMCP. The shareholder list shows the shareholder register from VPS at 31 December 2022 Any trades via brokers before the closing date which is registered after the closing date is not reflected in the shareholder list.

Shareholder	% holding	Country	Type of shareholder	Shares
BEWI Invest AS	42.9%	Norway	Ordinary	139 019 470
HAAS AS	23.7%	Norway	Ordinary	76 875 801
Frøy Kapital AS	4.0%	Norway	Ordinary	13 020 833
Surfside Holding AS	3.1%	Norway	Ordinary	10 000 000
Nordea Bank Abp	2.7%	Sweden	Nominee	8 597 653
Credit Suisse (Luxembourg) S.A.	2.0%	Luxenbourg	Nominee	6 500 000
Carnegie Investment Bank AB	1.7%	Sweden	Nominee	5 625 000
Constructio AS	1.7%	Norway	Ordinary	5 607 141
M2 Asset Management AB	1.6%	Sweden	Ordinary	5 171 825
Formo AS	1.2%	Norway	Ordinary	3 740 000
Total 10 largest shareholders	85%			274 157 723
Other shareholders	15%			49 735 926
Total	100%			323 893 649

** Nominee = Nominee Accounts; foreign institutions holding shares on behalf of clients.*

Shares controlled by directors	Via	% holding	Shares
Pål Magnus Aglen	Aglen Holding AS	0.3%	820 500
Morten Eivindssøn Astrup	Surfside Holding AS	3.1%	10 000 000
Hege Aasen Veiseth		0.0%	-
Haakon Sæter		0.0%	-
Nini Høegh Nergaard		0.0%	-
Marianne Bekken [1]		0.0%	-
John Thoresen [2]	Kastor Invest AS	0.7%	2 242 856
Anna Musiej Aanensen		0.0%	-
Stig Wærnes	Snewær AS	0.1%	278 540
Sum shares controlled by directors		4.0%	13 341 896

1) Owns indirectly through Marbek Invest AS. Marbek Invest AS owns 26.03% of the shares in Bekken Invest AS, which in turn owns 69.89% of the shares in Bewi Invest AS. Bewi Invest AS owns 42.92% in KMC Properties ASA. Marianne Bekken owns 100% of Marbek Invest AS.
2) Owns indirectly through Kastor Invest AS. John Thoresen owns 28% of the shares in Bajato AS, wich owns 50% of Kastor Invest Holding AS. Kastor Invest Holding AS owns 100% of the Shares in Kastor Invest AS.

Shares controlled by senior executives	Via	% holding	Shares
Liv Malvik, CEO		0.1%	179 285
Kristoffer Holmen, CFO	Mejdell Holmen Holding AS	0.0%	125 000
Ove Rød Henriksen, CAO	Substrata AS	0.0%	9 630
Audun Aasen, COO	Tripla Invest AS	0.2%	577 000
Kristoffer Formo, head of M&A	Formo AS	1.2%	3 740 000
Sum shares controlled by senior executives		1.4%	4 630 915

Note 14 Tax

Income tax expense

Amounts in NOK million	2022	2021
Tax payable, current year	(9)	(3)
Change in deferred tax	(29)	(74)
Income tax expense	(38)	(77)
Income tax payable is calculated as follows		
Profit before tax	282	380
Profit before tax from discontinued operations	(81)	2
Other permanent differences	31	6
Changes in temporary differences	(209)	(375)
Profit for tax purposes	23	13
Tax payable on the balance sheet	5	3

Reconciliation of income tax expense

Amounts in NOK million	2022	2021
Profit before tax (including discontinued operations)	201	382
Estimated tax based on 22%	(44)	(84)
Tax effects of:		
Deferred tax assets that are not recognised in the balance sheet	-	4
Change in temporary differences due to different tax regimes	(2)	4
Changes in fair value investment properties witout tax effect	15	-
Permanent differences	(7)	(1)
Income tax expense	(38)	(77)
Effective tax rate	19.0%	20.3%

Deferred income tax
The group has offset deferred tax assets and deferred tax liabilities on the balance sheet as the group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

The following net value was recognised:

Amounts in NOK million	2022	2021
Deferred tax liability	231	191
Deferred tax assets	68	59
Net deferred tax	163	132

CHANGE IN DEFERRED TAX (+)/DEFERRED TAX ASSETS (-)

Movment in temporary differences

Amounts in NOK million	Investment property	Financial instruments	Current assets	Loss carried forward	Other	Total
1 January 2021	497	-	15	(233)	(50)	229
Recognised in profit and loss	298	67	(4)	(66)	17	312
Acquisition of subsidiaries	-	-	-	(3)	-	(3)
31 December 2021	795	67	11	(302)	(33)	538
Recognised in profit and loss	48	111	0	22	-	181
Acquisition of subsidiaries	-	-	-	-	10	10
31 December 2022	844	178	11	(280)	(23)	729
Change in temporary differences based on nominal tax rate						191
Change in deffered tax based on nominal tax rate						(42)
Differences due to different tax regimes and currency effects						(2)
Other differences						6
Change in deferred tax						(38)

Note 15 Interest bearing liabilities

Non-current interest bearing liabilities	2022			2021		
Amounts in NOK million	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bond loans	-	-	-	1 850	1 836	1 838
Bank loans	1 223	1 223	1 217	437	437	437
Total non-current interest bearing liabilities	1 223	1 223	1 217	2 287	2 273	2 275

Current interest bearing liabilities	2022			2021		
Amounts in NOK million	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bond loans	1 850	1 862	1 844	-	-	-
Bank loans	61	61	61	-	-	-
Total current interest bearing liabilities	1 911	1 923	1 905	-	-	-

The market value on the bond loans is the observed mid-price on the reporting date.

Changes in liabilties arising from financing activities

Amounts in NOK million	31.12.2021	New liabilities	Repayment	Reclasification to current liabilities	First year installment	Amortisation of capitalised borrowing cost	31.12.2022
Non-current interest bearing liabilities	2 275	849	(20)	(1 838)	(43)	(6)	1 217
Current interest bearing liabilities	0	18		1 838	43	6	1 905
Total	2 275	867	(20)	-	-	0	3 122

Reference is made to 5.2 for maturity analysis on the interest bearing liabilities.

Interest-bearing debt at 31 December 2022

	NOK million	Weighted average current interest [1]	Weighted average interest terms	Weighted average amortisation plan bank loans (years)	Weighted average years to final maturity	In compliance with covenants?
Bond loan	1 850	7.54%	3 months NIBOR + 4.25%	None	1	Yes
Bank Loan	1 266	5.96%	3-/6 months NIBOR/ STIBOR+2.64%	23	4	Yes
Construction loan	18	6.04%	3 months NIBOR+2.75%	N/A	N/A	Yes
Revolving credit facility	-	5.54%	3 months NIBOR + 2.25%	N/A	N/A	Yes
Total	3 134	6.89%	N/A			
Swap agreements		(1.15%)				
Total including swap agreements	3 134	5.74%				

1) 3 months Nibor is set to 3.29% in line with the latest interest rate determination on the bond loan
6 months Nibor is set to 3.85% in line with the latest interest rate determination on the bank loan
6 months Stibor is set to 2.65% in line with the latest interest rate determination on the bank loan

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

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

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

Guarantors and Security: KMC Properties AS and substantially all of its direct and indirect subsidiaries (i) are guarantors for the bond issue and (ii) substantially all of their assets (and the shares in KMC Properties AS) are granted as security for the bond issue.

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

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

Financial covenants: The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measure on the group as a whole:
Interest cover ratio (ICR) of not less than 1.5x
Net-loan-to-value ratio below (NLTV) 75%
Liquidity not less than an amount equal to net interest costs for the next 6 months

In addition (incurrence covenants):

- Any distribution from the Issuer is subject to an NLTV of not less than 65% and a liquidity that is 1.5x higher than the liquidity requirement above; and
- the incurrence of certain otherwise permissible new financial indebtedness is subject to a loan-to-value ratio of 60%.
- The group was in compliance with all covenants related to its liabilities at 31 December 2022.

Security bond loan:

Amounts in NOK million	2022	2021
Pledged property portfolio	**3 029**	2 943
Disposal account	41	-
Opening balance security [1]	**3 070**	2 943
Investments in pledged property portfolio	197	111
Sale of assets in pledged property portfolio	(144)	(133)
Inflow disposal account	144	133
Outflow dispoal account	(184)	(93)
Fair value and translation adjustments pledged property portfolio [2]	(28)	79
Value security end of period	**3 055**	3 041

1) The bond is secured by, in addition to mortgages over the properties, share charges over the shares of the guarantors, pledges over bank accounts, Norwegian floating charges over trade receivables, and certain other floating charges / enterprise mortgages in Finland, Denmark and Sweden.
2) In accordance with valuation from Cushman & Wakefield at 31 December 2022.

The bond terms governing the bond issue, require that all funds received from sale of pledged properties shall be paid into a bank account blocked and pledged in favour of the bond holders (the "Disposal Account").

Funds from the Disposal Account may be used to finance development of properties in the bond security package. Hence, in accordance with the bond terms, KMC Properties ASA sold KMC Kongsvinger AS, KMC Balsfjord AS, KMC Kvenild AS and Hitra Eiendom AS from KMC Properties AS to KMC Properties IV Norway AS for NOK 144 million in the third and fourth quarter of 2022. The purchase was done using standard terms, and the price was based on Cushman and Wakefield's valuation of the properties. The purchase price was paid to the Disposal Account and used to buy the two property companies KMC Farsø A/S and KMC Nykøbing Mors A/S for NOK 138 million. Additionally Nordic Trustee has released NOK 21 million from the Disposal Account to finance the investments in existing properties in the pledged property portfolio.

Note 16 Leasehold rights

At the end of the year, KMC Properties had 11 properties (8) granted site leaseholds. KMC Properties recognises a right-of-use asset and a corresponding liability at the lease commencement date.

Amounts in NOK million	2022	2021
Beginning of year	19	17
Additions	1	3
Adjustments	(0)	(1)
Depreciation	(1)	(0)
Value at year-end	**19**	19

Note 17 Other current and non-current liabilities

Other current liabilities

Amounts in NOK million	2022	2021
Trade payables (non-interest bearing)	37	24
Taxes payable	0	3
Value added taxes payable	5	5
Other current liabilities (non-interest bearing)	36	29
Sum other current liabilities	**79**	61

Other non-current liabilities

Amounts in NOK million	2022	2021
Lease liabilities	19	19
Deferred stamp duty	3	3
Prepaid rent	17	-
Other non-current liabilities	0	8
Sum other non-current liabilities	**39**	29

Note 18 Subsidiaries

Subsidiaries incorporated in Norway	Subsidiaries incorporated in Sweden	Subsidiaries incorporated in Denmark	Subsidiaries incorporated in Holland	Subsidiaries incorporated in Finland
Botngaard Eiendom AS	Genevad Vårgårda Holding AB	KMC Farsø A/S	Holland Industrial Properties B.V	Pesca Property Finland Oy (Finland)
Fagernessletta 10 AS	KMC Eiendom Sverige AB	KMC Industrial Properties Denmark ApS	Oldenzaal Investment properties B.V	Pesca Property Kuopio Oy (Finland)
Fagerviksveien 2A og 2B AS	KMC Fårtickan AB	KMC Nykøbing Mors A/S	Someren Investment properties B.V	
FNH Eiendom AS	KMC Kramfors AB	KMC Properties III Denmark ApS	Wijchen Investment properties B.V	
Hamarvik Eiendom AS	KMC MergeCo 1 AB	KMC Properties IV Denmark ApS	Zwartsluis Investment properties B.V	
Hitra Eiendom AS	KMC MergeCo 2 AB	KMC Skelvej ApS		
Hofstadvegen 15 AS	KMC MergeCo 3 AB	Pesca Property Denmark A/S		
Industrieiendom Nord AS	KMC MergeCo 4 AB	Pesca Property Fredrikshavn A/S		
Kampenveien 5 AS	KMC Norrköping AB	Pesca Property Hvide Sande A/S		
KMC Balsfjord AS	KMC Properties III Sweden AB			
KMC Energy AS	KMC Skurup AB			
KMC Havnegata 16 AS	KMC Täby AB			
KMC Hitra II AS	KMC Urshult AB			
KMC Holsneset AS	KMC Våmb AB			
KMC Industrial Properties Norway AS	KMC Klädesholmen AB			
KMC Kvenild AS	Pesca Property Kungshamn AB			
KMC Liaveien 22 AS	Pesca Property Sweden AB			
KMC Oppdal AS	Pesca Property Varberg AB			
KMC Properties AS	Vårgårda Genevad Fastighet AB			
KMC Properties Holdco AS				
KMC Properties II AS				
KMC Properties II Denmark AS				
KMC Properties II Norway AS				
KMC Properties II Sweden AS				
KMC Properties II Utland AS				
KMC Properties III AS				
KMC Properties III Norway AS				
KMC Properties IV AS				
KMC Properties IV Norway AS				
KMC Properties Nederland AS				
KMC Properties Sverige Danmark AS				
KMC Properties V AS				
KMC Senja AS				
KMC SPV I AS				
KMC SPV II AS				
KMC Uthaug AS				
KMCP II Norway Midt-Norge AS				
KMCP II Norway Nord-Norge AS				
KMCP II Norway Vestlandet AS				
Levanger Eiendom AS				
Maritime Group Eiendom AS				
Pesca Property AS				
Pesca Property Båtsfjord AS				
Pesca Property Gjerdsvika AS				
Pesca Property Havøysund AS				
Pesca Property Invest AS				
Pesca Property Kongsvinger AS				
Pesca Property Leknes AS				
Pesca Property Norway AS				
Rantex Eiendom AS				
Skattørvegen 78 AS				
Stjørdal Eiendom AS				
Storemyra 200 AS				
Østre Rosten 102 AS				
Østre Rosten 102 B AS				

Subsidiaries incorporated in other countries
Tiberton Yard Holding 2 Ltd (Cyprus)

Note 19 Related party transactions

The table below sets out KMC Properties ASA (including its subsidiaries) material investments and acquisitions with related parties.

Date	Target/property	Purchase price NOK million
20 December 2021 [1]	Kampenveien 5 AS	44
8 November 2022 [2]	Jackon Eiendom AS	895
30 November 2022 [2]	Fagervikveien 2A og 2B AS	25

1) On this date, KMC Properties ASA was 41.3% owned by EBE Eiendom AS, which at this date was owned 100% by BEWI Invest AS%. BEWI Invest AS owned 100% of Kampenveien 5 AS through the 100% owned subsidiary Frøya Invest AS. The purchase prices were based on valuations by external valuators.
2) On this date, KMC Properties ASA was 46.91% owned by BEWI Invest AS, which at this date was owned 70.9% by Bekken Invest AS, and 29.1% by Kastor Invest Holding AS. The acquisition was made in competition with other companies.

The tenant BEWI is regarded as related party by their ownership in KMC Properties ASA through Bewi Invest AS. Reference is made to note 2.5 Segment information for detailed information.

KMC Properties ASA has in 2022 purchased services for NOK 2 million from BEWI related companies, mainly cost of interim hiring of employees and office rent.

Note 20 Earnings per share

Basic earnings per share is calcuated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

KMC Properties has not issued options or other financial instruments which have a dilutive effect on outstanding shares.

	2022	2021
Net profit attributable to ordinary equity holders of parent company (NOK million)	**163**	305
Weighted average number of shares	**291 127 783**	252 939 671
Net profit per share attrutable to ordinary equity holders (NOK)	**0.56**	1.21

Reference is made to note 13 Shareholder capital and shareholders for detailed information on changes in number of shares.

Note 21 Subsequent events

Acquisition
On 2 January 2023, KMC Properties completed its acquisition of a logistic property, including a dry-, cold- and freeze storage facility outside Narvik, Norway, for NOK 90 million. The acquisition was announced on 7 December 2022.

The property in Narvik is composed of 22 357 m² BTA of land and 16 400 m² of a building erected in 1998, 2001 and 2011, and substantially upgraded in 2011. The property is strategically located in a logistic hub south of Narvik city center, close to the E6 motorway, the railway and port terminal.

The property has a lease agreement with the Norwegian meat producer Kuraas AS for approximately 4 500 m², with an initial lease of 15 years and an option to extend.

The property is located next to the meat processing facility acquired by KMC Properties in February 2022, also with a lease agreement with Kuraas. As a part of the new agreement, Kuraas replaced its existing contract with 6 years remaining lease, with a new 15-year triple-net bare house agreement for the processing facility.

In addition, KMC Properties has signed a lease agreement with Servicegrossistene for an additional 4 100 m², with an initial lease of 10 years and an option to extend. Servicegrossistene is the largest specialist for delivery of groceries to large households in Norway.

The annualised lease for the current contracts amounts to NOK 5.7 million for 2023 and NOK 8.0 million (excluding CPI adjustment) for 2024. The contracts will be subject to 100 per cent CPI adjustment from 1 January 2024.

In addition, almost half the property is currently vacant, enabling a potential for significant additional income.

Other matters
No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out.

Alternative Performance Measures

KMC Properties ASA's financial information is prepared in accordance with the international financial reporting standards (IFRS). In addition, the company reports alternative performance measures (APMs) that are regularly reviewed by management to enhance the understanding of the company's performance as a supplement, but not as a substitute, to the financial statements prepared in accordance with IFRS. Financial APMs are intended to enhance comparability of the results and cash flows from period to period.
The financial APMs reported by KMC Properties ASA are the APMs that, in management's view, provide relevant supplemental information of the company's financial position and performance. Operational measures such as, but not limited to, occupancy and WAULT are not defined as financial APMs according to ESMA's guidelines.

EBITDA

Amounts in NOK million	2022	2021
Net income from property management	**96**	56
Net realised financials	**122**	82
EBITDA	**218**	138

Interest Cover Ratio (ICR)

Amounts in NOK million	2022	2021
LTM EBITDA	**226**	147
Net realised financials	**(122)**	(82)
ICR	**1.8x**	1.8x

EPRA Reporting

The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its latest edition of the Best Practices Recommendations Guidelines. The EPRA Best Practices Recommendations Guidelines focus on making the financial statements of public real estate companies clearer and more comparable across Europe. For further information about EPRA, see www.epra.com.

Summary table EPRA performance measures

		Unit	2022 / 31.12.2022	2021 / 31.12.2021
A	EPRA Earnings per share	NOK	**0.09**	0.22
B	EPRA NRV per share	NOK	**7.6**	7.0
	EPRA NTA per share	NOK	**7.5**	6.9
	EPRA NDV per share	NOK	**7.3**	6.5
C	EPRA Net Initial Yield (NIY)	%	**6.9**	7.1
	EPRA, "topped-up" NIY	%	**6.9**	7.1
D	EPRA Vacancy Rate	%	**0.0**	0.0
E	EPRA Cost Ratio (including direct vacancy costs)	%	**20.0**	32.5
	EPRA Cost Ratio (excluding direct vacancy costs)	%	**20.0**	32.5
F	EPRA LTV	%	**56.2**	52.6

The details for the calculation of the performance measures are shown on the following pages.

A. EPRA EARNINGS
EPRA Earnings is a measure of the operational performance of the property portfolio. EPRA Earnings is calculated based on the income statement, adjusted for non-controlling interests, value changes on investment properties, changes in the market value of financial instruments and the associated tax effects.

Amounts in NOK millions	2022	2021
Earnings per IFRS income statement	**163**	305
Adjustments to calculate EPRA Earnings:		
Changes in value of investment properties	**(41)**	(317)
Changes in value of financial instruments	**(111)**	(59)
Deferred tax investment properties	**27**	63
Deferred tax financial derivatives	**24**	13
EPRA Earnings	**63**	4
Basic number of shares	**291**	253
EPRA Earnings per Share (EPS)	**0.22**	0.02
Company specific adjustments:		
Profit from discontinued operations	**81**	(2)
Company specific Adjusted Earnings	**144**	2
Company specific Adjusted EPS	**0.49**	0.01

B. EPRA NET ASSET VALUE (NAV) METRICS

EPRA Net Reinstatement Value (NRV)
The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis and assumes that no selling of assets takes place. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Real estate transfer taxes are levied on property transactions in Netherland, but not on property transactions in the Nordics. Such taxes are accordingly only included for Netherlands in KMC Properties valuation certificates.

Amounts in NOK millions	31.12.2022	31.12.2021
IFRS Equity attributable to shareholders	**2 377**	1 836
Approved, not paid dividend	**-**	-
Net Asset Value (NAV) at fair value	**2 377**	1 836
Deferred tax investment properties	**189**	171
Deferred tax financial derivatives	**40**	15
Real estate transfer tax	**33**	31
Fair value of financial derivatives	**(180)**	(68)
Net reinstatement value (EPRA NRV)	**2 459**	1 985
Outstanding shares at period end (million)	**324**	282
EPRA NRV per share	**7.59**	7.0

EPRA Net Tangible Assets (NTA)
The EPRA NTA is focused on reflecting a company's tangible assets and assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax liability. KMC Properties has adopted the first option in the EPRA BPR guidelines excluding all deferred tax related to investment properties, since KMC Properties has no intention to sell any of its properties.

Amounts in NOK millions	31.12.2022	31.12.2021
IFRS Equity attributable to shareholders	**2 377**	1 836
Approved, not paid dividend	**-**	-
Net Asset Value (NAV) at fair value	**2 377**	1 836
Deferred tax investment properties	**189**	171
Deferred tax financial derivatives	**40**	15
Fair value of financial derivatives	**(180)**	(68)
Net tangible assets (EPRA NTA)	**2 425**	1 954
Outstanding shares at period end (million)	**324**	282
EPRA NTA per share	**7.5**	6.9

EPRA Net Disposal Value (NDV)
The EPRA NDV measure illustrates a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability. This enables readers of financial reports to understand the full extent of liabilities and resulting shareholder value under an orderly sale of business and/or if liabilities are not held until maturity. The measure should not be viewed as a "liquidation NAV" for KMC Properties, as fair values may not represent liquidation values, and as an immediate realisation of KMC Properties assets may be structured as sale of property-owning companies, resulting in the deferred tax liabilities only partially crystallising.

Amounts in NOK millions	31.12.2022	31.12.2021
IFRS Equity attributable to shareholders	2 377	1 836
Approved, not paid dividend	-	-
Net Asset Value (NAV) at fair value	**2 377**	1 836
Fair value adjustment of interest bearing liabilities, net of tax	-	-
Net disposal value (EPRA NDV)	**2 377**	1 836
Outstanding shares at period end (million)	324	282
EPRA NDV per share	**7.3**	6.5

C. EPRA Net Initial Yield (NIY)
EPRA Net Initial Yield (NIY) measures the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA "topped-up" NIY incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Amounts in NOK millions	31.12.2022	31.12.2021
Investment properties	5 366	3 982
Investment properties held for sale	-	-
Market value of the property portfolio	**5 366**	3 982
Less projects, land and developments	(67)	(72)
Allowance for estimated purchasers' cost	11	8
Gross up completed management portfolio valuation	**5 310**	3 918
12 months rolling rent	371	291
Estimated ownership cost	(7)	(11)
Annualised net rents	**365**	279
Add: Notional rent expiration of rent-free periods or other lease incentives	-	-
Topped up net annualised net rents	365	279
EPRA NIY	**6.9%**	7.1%
EPRA "topped-up" NIY	**6.9%**	7.1%

D. EPRA Vacancy Rate
Estimated Market Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio.

Amounts in NOK millions	31.12.2022	31.12.2021
Market rent vacant areas	-	-
Total market rent	375	286
EPRA Vacancy Rate	**0.0%**	0.0%

E. EPRA Cost Ratios
Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

Amounts in NOK millions	2022	2021
Property expenses	(3)	(3)
Administration expenses	(52)	(64)
Less: Ground rent costs	0	0
EPRA Costs (including direct vacancy costs)	**(55)**	(67)
Direct vacancy costs	-	-
EPRA Costs (excluding direct vacancy costs)	**(55)**	(67)
Gross Rental Income less ground rents	273	205
Gross Rental Income	**273**	205
EPRA Cost Ratio (including direct vacancy costs)	**20.0%**	32.5%
EPRA Cost Ratio (excluding direct vacancy costs)	**20.0%**	32.5%

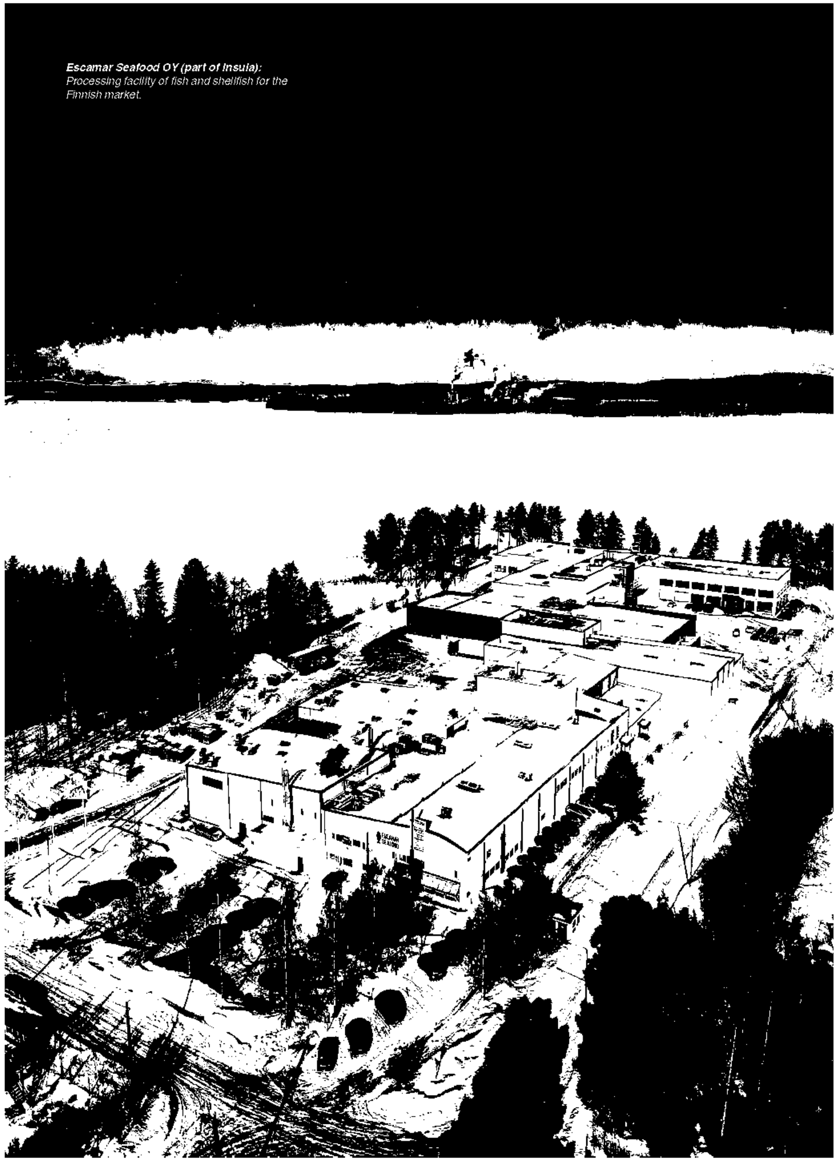
F. EPRA LTV
EPRA LTV is a metric to determine the percentage of debt comparing to the appraised value of the properties.

		Proportionate	Consolidation		
Amounts in NOK million	31.12.2022 Group as reported	Share of joint ventures	Non-controlling interest	31.12.2022 Combined EPRA LTV	31.12.2021 Combined EPRA LTV
Bond loan	1 850	-	-	1 850	1 850
Bank loan	1 266	-	-	1 266	437
Construction loan	18	-	-	18	-
Revolving credit facility	-	-	-	-	-
Net Payables [1]	69	-	-	69	15
Cash and cash equivalents	(187)	-	-	(187)	(208)
Net debt	3 016	-	-	3 016	2 094
Investment properties	5 366	-	-	5 366	3 982
Investment properties held for sale	-	-	-	-	-
Market value of the property portfolio	5 366	-	-	5 366	3 982
EPRA LTV	56.2%			56.2%	52.6%

1) Net payables include trade payables, other current and non-current liabilities, trade receivables, and other receivables and other assets.

Definitions

GLA	Gross leasable area, corresponds to the sum of the areas available for lease.
GRI	Gross rental income, equals total rental income.
Independent valuer	Cushman & Wakefield.
ICR	Interest Cover Ratio, the ratio of EBITDA to Net Interest Cost.
LTM	Last twelve months.
Market value of portfolio	The market value of all properties owned by the parent company and subsidiaries.
NAV	Net Asset Value, the total equity that the company manages for its owners. KMC Properties presents NAV calculations in line with EPRA recommendation, where the difference mainly is explained by the expected turnover of the property portfolio.
Occupancy rate (%)	Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio.
Swap	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time.
Triple net lease	A type of lease whereby the tenant pays, in addition to the rent, all costs incurred on the property that would normally have been paid by the property owner. These include operating expenses, maintenance, property tax, site leasehold fees, insurance, property caretaking, etc.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the investment properties of the group, including areas that have been re-let and signed new contracts, adjusted for termination rights and excluding any renewal options, divided by Contractual rent, including renewed and signed new contracts.
SG&A	Selling, General & Administrative Expenses, calculated as Salary expenses
Property related expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
SWAP	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the investment properties of the group, including areas that have been re-let and signed new contracts, adjusted for termination rights and excluding any renewal options, divided by Contractual rent, including renewed and signed new contracts. The Gasfield property is excluded in the calculation.



Escamar Seafood OY (part of Insula):
Processing facility of fish and shellfish for the Finnish market.

Statement of comprehensive income – KMC Properties ASA

For the period 1 January - 31 December

Amounts in NOK million	*Note*	2022	2021
Other income		17	14
Total income		**17**	14
Personnel expenses	*7*	(29)	(19)
Other operating expenses	*6*	(19)	(37)
Total operating expenses		**(48)**	(56)
Operating profit (loss)		**(31)**	(42)
Income from subsidiares		34	0
Finance revenues	*5*	248	170
Finance expenses	*5*	(170)	(99)
Currency exchange gains (losses)	*5*	27	(19)
Net financials		**139**	52
Profit before tax		**108**	10
Income tax expense	*8, 9*	(36)	0
Profit		**72**	10
Translation differences from foreign operations		0	0
Comprehensive income		**72**	10

Statement of financial position – KMC Properties ASA

Per 31 December

Amounts in NOK million	*Note*	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Investment in subsidiaries	*2*	1 267	1 372
Financial derivatives	*4*	177	67
Loans to subsidiaries		2 636	2 162
Deferred tax asset	*9*	10	46
Total non-current assets		**4 090**	3 647
Current assets			
Receivables from group companies		271	117
Other receivables	*4*	3	5
Other financial derivatives		2	0
Cash and cash equivalents	*4*	11	68
Total current assets		**287**	190
TOTAL ASSETS		**4 377**	3 837
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	*10*	65	56
Share premium		2 375	2 054
Other paid-in equity		307	313
Other equity		(422)	(494)
TOTAL EQUITY		**2 326**	1 929
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	*3*	1 844	1 838
Loans from group companies		173	50
Total non-current liabilities		**2 017**	1 888
Current liabilities			
Trade liabilities		5	5
Corporate tax payable	*8, 9*	0	0
Current interest-bearing liabilities	*3*	8	5
Payables to group companies		8	1
Other current liabilities	*7*	14	8
Total current liabilities		**34**	19
TOTAL LIABILTIES		**2 051**	1 907
TOTAL EQUITY AND LIABILITIES		**4 377**	3 837

Trondheim, Norway, 29 March 2023, the board of directors and CEO, KMC Properties ASA

Pål Aglen *Chair*	Morten Eivindssøn Astrup *Director*	Nini Høegh Nergaard *Director*	John Thoresen *Director*
Hege A. Veiseth *Director*	Marianne Bekken *Director*	Haakon Sæter *Director*	Liv Malvik *CEO*

Statement of cash flows – KMC Properties ASA

Amounts in NOK million	*Note*	2022	2021
Cash flow from operational activites			
Profit before tax		**108**	10
Adjusted for:			
Depreciations	*5*	**0**	0
Financial income	*5*	**(143)**	(64)
Interest on loans to subsidiaries	*5*	**139**	(106)
Interest on loans from subsidisaries	*5*	**(7)**	(1)
Financial expenses	*5*	**163**	99
Net currency gains		**(27)**	19
Cash flow before changes in working capital		**(30)**	(41)
Changes in working capital:			
Trade receivables and other receivables	*4*	**(153)**	(118)
Trade payables and other payables	*4*	**135**	18
Paid taxes	*8, 9*	**0**	0
Net cash flow from operating activities		**(18)**	(100)
Cash flow from investment activities			
Outflows from investments in subsidiaries	*2*	**105**	(134)
Outflows from lending to subsidiaries		**(474)**	0
Inflows from repayment of loan		**133**	76
Interest received		**0**	3
Net cash flow from investment activities		**(236)**	(55)
Cash flow from financing activities			
Share issue	*10*	**330**	315
Net borrowings	*3*	**0**	0
Repayments of loans	*3*	**3**	0
Transactions fees paid and other financial costs		**(6)**	(14)
Interest paid	*3*	**(100)**	(91)
Net cash flow from financing activities		**227**	209
Net change in cash and cash equivalents		**(57)**	14
Carried forward cash and cash equivalents	*4*	**68**	54
Fx movements on bank deposits		**0**	0
Cash and cash equivalents on closing date		**11**	68
Restricted cash and cash equivalents not included above		**-**	-

Statement of changes in equity – KMC Properties ASA

Amounts in NOK million	*Note*	Share capital	Share premium	Other paid-in capital	Retained earnings/ losses	Total equity
1 January 2021		48	1 736	327	(504)	**1 607**
Issue of shares - conversion of the "Swedbank loan"	*10*	0	6	-	-	**7**
Issue of shares - conversion of sellers credit (KMC Properties AS)	*10*	8	293	-	-	**300**
Issue of shares - private placement (NOK 300 million)	*10*	0	5	-	-	**5**
Issue of shares - conversion of sellers credit (Dutch properties)	*10*	0	15	-	-	**15**
Transaction cost issue of shares	*10*	-	-	(15)		**(15)**
Effect of loan conversion to equity	*3*	-	-	-	10	**10**
Profit /(loss) for the year total		-	-	-	0	**0**
Total		8	318	(15)	11	**323**
31 December 2021		56	2 054	313	(494)	**1 929**

Amounts in NOK million	*Note*	Share capital	Share premium	Other paid-in capital	Retained earnings/ losses	Total equity
1 January 2022		56	2 054	313	(494)	**1 929**
Issue of shares privat placement 22.02.2022	*10*	1	29	-	-	**30**
Issue of shares privat placement 04.11.2022	*10*	8	292	-	-	**300**
Transaction cost issue of shares	*10*	-	-	(6)	-	**(6)**
Profit /(loss) for the year total		-	-	-	72	**72**
Total		8	322	(6)	72	**396**
31 December 2022		65	2 375	307	(422)	**2 326**

Change in share capital and related transaction cost:

- The shares subsequent of NOK 554 421, at NOK 0.20 per share, gave 2 772 105 new shares
- The private placement of NOK 7 850 000, at NOK 0.20 per share, gave 39 250 000 new shares (transaction cost: NOK 5 852 577).

Notes to the financial statements – KMC Properties ASA

Note 01 Accounting principles

KMC Properties ASA (KMCP) is a public limited liability company registered in Norway. Its head office is at Dyre Halses gate 1 A, 7042 Trondheim.

KMC Properties ASA uses a simplified version of IFRS as accounting principle. There are no material effects in comparison with ordinary IFRS principles used in the group. Also see note 3 to the consolidated accounts for further information on accounting principles. Subsidiaries and investments in related companies are recognised at cost unless the value is considered to be impaired. A write-down to fair value will be done if the impairment is not considered temporary and impairment is considered required by IFRS. Write-downs will be reversed if the requirement for impairment is no longer present.

Note 02 Investment in subsidiaries

KMCP investment in subsidiaries

	Location	Formed/ acquired	Ownership	Equity 31.12.2022	Book value KMCP 2022	Book value KMCP 2021
KMC Properties Holdco AS	Norway	2022	100%	1 285	1 267	0
Tiberton Yard Holding 2 Ltd	Cyprus	2015	100%	(0)	0	0
Total				1 285	1 267	0

KMC P ASA sold in 2022 the shares in subsidiares to the new subsidiary KMC Properties Holdco AS.

In 2021 KMC P ASA (99 per cent) and Tiberton Yard Holding 2 Ltd (1 per cent) owns the shares in Gasor Consulting Ltd. Gasor Consulting owns 100 per cent of the shares in LLC Martex. LLC Martex owns and opereate the Gasfield building (the investment property). In 2022 KMC P ASA and Tiberton Yard Holding sold the shares in Gasor Consulting Ltd.

All the transaction at market terms.

Note 03 Borrowings

Bond loan:

Amounts in NOK million	2022	2021
Interest-bearing debt as at 1 January	1 838	1 832
New debt	-	-
Repayment/refinancing of debt	-	0
Interest-bearing debt as at 31 December	1 838	1 832
Capitalised borrowing cost	6	6
Carrying amount interest-bearing debt*	1 844	1 838
Fair value of interest-bearing debt, excess value/(reduced value) for the group in relation to book value	0	0

** The fair value presented above is the excess value as at 31 December 2022, given by Nordic Bond Pricing AS.*

Bond loan:
As part of the transaction agreement between KMCP and the owners of KMC Properties ASA, KMCP issued a bond loan on 12 December 2020, see terms below.

Bond loan	NOK million *	Weighted average current interest	Interest terms	Final maturity	In compliance with covenants?
2020-2023	1 850	7.54%	3 months NIBOR + 4.25%	11 December 2023	Yes

Key terms:

- **NOK 1 850 000 000 senior secured bond.** Guarantees and security is shared with certain hedging providers and one or more revolving credit facilities and, under the terms of an intercreditor agreement, the bond issue ranks behind the relevant hedging providers and the revolving credit facilities in the payment waterfall.
- **Call option:** Voluntary redemption of bond (i) prior to 11 June 2023 in done with a "make whole" compensation to bondholders and (ii) after 11 June 2023 until (but not including) Final Maturity is done at 101 per cent of the nominal amount of redeemed bond.
- **Put option:** Upon a change of control, failure to list the bond or a de-listing of the Issuer's share from Oslo Børs, exercisable at 101 per cent of the nominal amount of the redeemed bond.
- **Guarantors and Security:** KMC Properties AS and substantially all of its direct and indirect subsidiaries (i) are guarantors for the bond issue and (ii) substantially all of their assets (and the shares in KMC Properties AS) are granted as security for the bond issue.
- **General undertakings (covenants):** Customary general undertakings applicable to the Issuer and all its direct and indirect subsidiaries, including maintaining authorisations, compliance with laws, continuation of business, pari passu ranking, limitations on investments, limitations on distributions, certain financial support restrictions, restrictions on limiting subsidiaries' right to make distributions.
- **Additional undertakings (covenants) for KMC Properties AS:** In additional to the general undertakings set out above, there are certain covenants that only apply to KMC Properties AS and its direct and indirect subsidiaries and which, to a certain extent, "ring-fences" this part of the group. These covenants include restrictions on mergers and de-mergers, additional limitations on investments, limitations on disposals of assets and requirements for re-investing disposal proceeds, additional restrictions on incurring financial indebtedness, negative pledge, requirements as to insurances, requirements for maintenance and managements of properties and limitations on alteration of property lease agreements.
- **Financial covenants:** The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measure on the group as a whole:
  - Interest cover ratio (ICR) of not less than 1.5x
  - Net-loan-to-value ratio below (NLTV) 75 per cent
  - Liquidity not less than an amount equal to net interest costs for the next 6 months
- **In addition (incurrence covenants):**
  - any distribution from the Issuer is subject to an NLTV of not less than 65 per cent and a liquidity that is 1.5x higher than the liquidity requirement above; and
  - the incurrence of certain otherwise permissible new financial indebtedness is subject to a loan-to-value ratio of 60 per cent.
  - The group was in compliance with all covenants related to its liabilities at 31 December 2021.

Note 04 Financial instruments

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

The carrying amount of financial instruments in the group's balance sheet is considered to provide a reasonable expression of their fair value, with the exception of interest-bearing debt. The fair value of interest-bearing debt is described in note 3. A specification of the group's financial instruments is presented below.

Financial assets *Amounts in NOK million*	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total
Cash and cash equivalents	11	0	11
Interest-bearing loans and borrowings to subsidiaries	2 636	0	2 636
Currency and interest swaps (long-term)	0	177	177
Currency and interest swaps (short-term)	0	2	2
Current receivables to subsidiaries	34	-	34
Other current receivables	240	0	240
Total financial assets at 31 December 2022	2 921	179	3 100

Financial liabilities *Amounts in NOK million*	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total
Interest-bearing loans and borrowings (bond)	1 844	0	1 844
Interest-bearing loans and borrowings from subsidiaries	173		
Interests on loans and borrowings	8	0	8
Trade payables (non interest bearing)	5	0	5
Current liabilities to subsidiaries	8	0	8
Other current liabilities (non interest bearing)	14	0	14
Total financial liabilities at 31 December 2022	2 051	0	2 051
Net financial assets and liabilities at 31 December 2022	870	179	1 049

Financial assets *Amounts in NOK million*	Amortised cost 31.12.2021	Fair value through profit or loss 31.12.2021	Total
Cash and cash equivalents	68	0	68
Interest-bearing loans and borrowings to subsidiaries	2 162	0	2 162
Currency and interest swaps (long-term)	0	67	67
Currency and interest swaps (short-term)	0	0	0
Other current receivables	121	0	121
Total financial assets at 31 December 2021	2 351	68	2 419

Financial liabilities *Amounts in NOK million*	Amortised cost 31.12.2021	Fair value through profit or loss 31.12.2021	Total
Interest-bearing loans and borrowings (bond)	1 838	0	1 838
Interests on loans and borrowings	5	0	5
Trade payables (non interest bearing)	5	0	5
Current liabilities to subsidiaries	1	0	1
Other current liabilities (non interest bearing)	8	0	8
Total financial liabilities as at 31 December 2021	1 857	0	1 857
Net financial assets and liabilities as at 31 December 2021	494	68	562

The below table shows an analysis of fair values of assets and liabilities in the parent company, grouped by level in the fair value hierarchy, which either are measured at fair value or where information about the fair value is provided.

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.
Level 2 – Use of a model with inputs other than level 1 that are directly or indirectly observable market data.
Level 3 - Use of a model with inputs that are not based on observable market data.

Financial liabilities measured at fair value / where fair value must be presented

Amounts in NOK million	Level 1	Level 2	Level 3	Total
Currency and interest swaps (long-term)	0	177	0	177
Currency and interest swaps (short-term)	0	2	0	2
Total	0	179	0	179

Swap agreements

Swap agreement	Currency amount (million)	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 335	23.12.2020	11.12.2023	EUR/NOK = 10.630	EURIBOR = -0.51%
Interest & currency	NOK 240	23.12.2020	11.12.2023	SEK/NOK = 1.050	STIBOR = 0.017%
Interest & currency	NOK 165	23.12.2020	11.12.2023	DKK/NOK = 1.428	DANISH IBOR = -0.505%
Interest	NOK 500	13.07.2021	31.12.2030	Not applicable	NIBOR = 1.5175%
Interest	EUR 32	11.12.2023	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	SEK 120	11.12.2023	13.12.2027	Not applicable	STIBOR = 0.686%
Interest	DKK 120	11.12.2023	13.12.2027	Not applicable	DANISH IBOR = 0.215%

Note 05 Finance income and costs

Finance income

Amounts in NOK million	2022	2021
Interest income	0	0
Fair value adjustment bank loan	0	0
Interest gains from group companies	139	106
Dividends from subsidiaries	34	0
Gains from the disposal of shares in subsidiaries	0	0
Changes in fair value, financial derivatives over profit and loss	109	64
Reversal of provision for loss on group companies	0	0
Other finance revenues	0	0
Sum finance income	282	170

Finance costs

Amounts in NOK million	2022	2021
Interest costs from loans measured at amortised cost	**100**	95
Changes in fair value, financial derivatives over profit and loss	**0**	0
Loss from the disposal of shares in subsidiaries	**61**	0
Interest costs to group companies	**7**	1
Impairment of investment in group companies	**0**	0
Other finance costs	**2**	3
Total finance costs	**170**	99
Net foreign exchange gains and losses	**27**	(19)
Net finance gains (losses)	**139**	52

Note 06 Other operating expenses

Other operating expenses

Amounts in NOK million	2022	2021
Management fees	**0**	3
Legal, agency and consultancy fees	**12**	23
Accounting	**1**	0
Auditors	**2**	3
Other operating expenses	**5**	8
Total other operating expenses	**19**	37

Auditor fees (excl. vat)

Amounts in NOK million	2022	2021
Audit fees	**2**	4
Tax advice	**0**	0
Other services not related to auditing	**0**	0
Other services	**0**	0
Total auditor expenses	**2**	4

Note 07 Personnel costs

Personnel costs

Amounts in NOK million	2022	2021
Salaries, performance-related pay and other taxable benefits	**21**	12
Employers' natural Insurance contributions	**3**	2
Pension expenses	**1**	0
Other personnel costs	**2**	3
Board fees	**2**	2
Total personnel costs	**29**	19

Renumeration to senior executives

The total remuneration of the CEO and other Senior Executives consists of a fixed package of salary and benefits supplemented by cashbased short-term incentive(STI) and long-term incentive (LTI) variable remuneration plans, share purchase scheme (on the same terms as all other employees), pension and insurance arrangements.

Overview of total renumeration to the board of directors (incl fees for board committees)

Amounts in NOK million	2022	2021
Anders Dyrseth, chair of the board (until June 2022)	**0.2**	0.4
Pål Aglen, (chair of the board from June 2022)	**0.3**	0.0
Morten E. Astrup	**0.3**	0.3
Stig Wærnes	**0.3**	0.3
Nini H. Nergaard	**0.3**	0.2
Anna Musiej Aanensen	**0.3**	0.3
Marianne Bekken	**0.3**	0.2
Thorbjørn Fjærtoft Pedersen (until June 2022)	**0.1**	0.1
John Thoresen (from June 2022)	**0.2**	0.0
Børge Klungerbo (until June 2021)	**0.0**	0.1
Total board fees	**2.2**	1.9

Note 08 Income tax

Tax recognised over income statement

Amounts in NOK million	2022	2021
Current income tax	**0**	0
Movement in deferred tax	**(36)**	(0)
Total income tax	**(36)**	(0)

Basis for taxation, parent company

Amounts in NOK million	2022	2021
Earnings before tax	**108**	10
Income and expenses not subject to taxation	**55**	(10)
Movement in temporary differences	**(105)**	(62)
Adjustment interest not deductible current year	**0**	0
Tax losses for current year not recognised	**0**	0
Basis for taxation	**59**	(62)
Change of losses carried forward	**(59)**	62
Tax payable	**0**	0

Note 09 Deferred tax

Temporary differences, parent company

Amounts in NOK million	**31.12.2022**	31.12.2021	Change
Financial liabilities	**(0)**	0	(0)
Receivables [1]	**0**	1	(1)
Capitalised borrowing cost	**(6)**	(12)	0
Currency and interest swaps	**(177)**	(67)	0
Tax losses carried forward	**193**	252	(59)
Adjustment interest deductible in the future	**33**	33	0
Sum temporary differences	**44**	207	(60)
Tax rate	**22%**	22%	0%
Deferred tax asset (liability)	**10**	46	(36)
Deferred tax asset (liability) not recognised	**0**	0	0
Recognised deferred tax asset (liability)	**10**	46	(36)

1) Deferred tax assets have been recognised in the balance sheet, since there is a sufficient likelihood that the tax assets will be utilised in the future.

Note 10 Share capital and shareholdes

Share capital and nominal value

Amounts in NOK million	**31.12.2022**	31.12.2021
Shares issued	**324**	282
Nominal amount	**0.2**	0.2
Share capital	**65**	56

All shares are fully paid. There is only one share class. All shares have equal rights.

Change in share capital and related transaction cost:

- The shares subsequent of NOK 554 421, at NOK 0.20 per share, gave 2 772 105 new shares
- The private placement of NOK 7 850 000, at NOK 0.20 per share, gave 39 250 000 new shares (transaction cost: NOK 5 852 577).

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To the General Meeting of KMC Properties ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KMC Properties ASA, which comprise:

- the financial statements of the parent company KMC Properties ASA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of KMC Properties ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 24 June 2020 for the accounting year 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other event that qualified as new Key Audit Matters for our audit of the 2022 financial statements. Furthermore, *Valuation of investment properties* has the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of investment properties	
The majority of the Group's assets consists of Investment properties. Primarily these are logistics properties. The book value on 31 December 2022 is NOK 5 366 million. Investment properties are measured at fair value. Fair value adjustments of investment properties may affect the Group's results significantly for the year and consequently the equity. The fair value is an estimate based on assumptions as well as property specific information, such as lease terms, future expected cash flows and yield. The making of estimates and determination of underlying assumptions require application of management judgement. The basis for management's estimate is valuations performed by an external valuation firm. We considered valuation of investment properties to be a key area of focus due to the material amounts involved and the extent of management judgment needed. For details of valuation methodology and further information on investment properties, refer to the Directors' report and note 3 (summary of accounting policies), note 6 (critical accounting estimates and judgements) and note 10 (investment properties) to the consolidated financial statements.	We obtained, read and understood the valuation reports prepared by the external valuation firm and met with them independently of management. We assessed whether the valuation reports were prepared in accordance with a relevant framework and whether the reports were appropriate to determine the fair value of the Group's investment properties. We assessed qualifications, competence and objectivity of the valuation firm. Further, we reviewed their terms of engagement to determine whether there were unusual terms that might have affected their objectivity or impose scope limitations upon their work. Based on this work, we were satisfied that the valuation firm remained objective and competent, and that the scope of their work was appropriate. In our meetings with the valuation firm, we discussed and challenged assumptions used. Assumptions regarding cash flows and yield were evaluated. We compared the assumptions used by the valuation firm to observable market data and our knowledge about the industry. We further evaluated whether assumptions that were not readily observable in a marketplace were reasonable. For a sample of investment properties, we evaluated whether the property-specific information provided by management to the valuation firm, such as lease

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	terms, duration and vacant area were consistent with underlying property information. Furthermore, we agreed this underlying information to the received valuation reports. We obtained the valuation reports directly from the valuation firm and compared them to the reports we received from management. We found no indication that the information was used inconsistently. We assessed the disclosures in notes 3, 6 and 10 to the consolidated financial statements regarding valuation of investment properties, and found them to be adequate and appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going pwc

concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of KMC Properties ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name kmcpasa-2022-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 30 March 2023
PricewaterhouseCoopers AS

Øystein Sandvik
State Authorised Public Accountant
(This document is signed electronically)

PROPERTY PORTFOLIO

Country	Adress	Municipality	Plot area	Warehouse/ Industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Norway	Storemyra 200, Mongstad	Alver	62 091	9 964	770	-	10 734	0%	12.07.2021	100%	2019	
Norway	Industrivegen 15	Balsfjord	11 620	6 580	120	-	6 700	0%	27.05.2020	100%	1999, 2009	
Norway	Strandvegen 4	Båtsfjord	16 590	4 187	348	3 226	7 761	0%	27.05.2020	100%	1971, 2004, 2020	Leasehold
Norway	Fagervikveien 2a og 2b	Båtsfjord	11 525	2 680	130	-	2 810	0%	30.11.2022	100%	1968, 2003	
Norway	Kampenveien 5	Fredrikstad	21 694	3 834	560	-	4 394	0%	20.12.2021	100%	1968, 2008	Leasehold
Norway	Sørkilen 3 og Østkilen 14	Fredrikstad	34 468	14 152	648	-	14 800	0%	08.11.2022	100%	1980, 1997, 2016, 2020	Leasehold
Norway	Krosnesveien 6	Fredrikstad	14 198	7 100	300	-	7 400	0%	08.11.2022	100%	1975, 1980, 1987, 2019	Leasehold
Norway	Østkilen 1	Fredrikstad	3 710	1 340	-	230	1 570	0%	08.11.2022	100%	1988	Leasehold
Norway	Vikerveien, plot Rally	Fredrikstad	4 925	-		-	-	0%	08.11.2022	100%		
Norway	Llaveien 22	Fredrikstad	3 710	1 850	350	-	2 200	0%	08.11.2022	100%	1958, 1964, 1975, 1978	
Norway	Hammarvikringen 64	Frøya	24 366	7 318	694	-	8 012	0%	27.05.2020	100%	1980, 2012, 2021	
Norway	Kvernamoveien 12	Gjesdal	2 507	1 520	80	-	1 600	0%	08.11.2022	100%	1905, 1985, 1998	
Norway	Industriparken Jøsnøya	Hitra	13 000	5 175	300	-	5 475	0%	27.05.2020	100%	Under development	
Norway	Holamyra 24	Hustadvika	10 250	2 519	400	-	2 919	0%	30.06.2021	100%	2011, 2020	
Norway	Stømnervegen 1 & 3	Konsvinger	13 705	3 624	372	-	3 996	0%	23.12.2020	100%	1990, 2010, 2017, 2022	
Norway	Linneflaten 2, 4, 6	Kristiansand	20 133	8 520	289	-	8 809	0%	08.11.2022	100%	1970, 2010	
Norway	Hofstadvegen 15	Melhus	17 500	3 849	328	-	4 177	0%	27.05.2020	100%	2008	
Norway	Lyngenvegen 5	Melhus	4 949	2 000	200	-	2 200	0%	27.05.2020	100%	1980	
Norway	Strandgata 105, Havøysund	Måsøy	9 843	6 421	230	418	7 069	0%	23.12.2020	100%	1940, 1983, 2006	Leasehold
Norway	Fagernessletta 10	Narvik	10 303	5 193	900	-	6 093	0%	10.02.2022	100%	1998, 2003	
Norway	Søndre Industrivegen 50	Oppdal	18 155	5 027	391	-	5 418	0%	02.07.2021	100%	2022	
Norway	Gjerdsvikvegen 208	Sande	5 770	4 182	618	-	4 800	0%	23.12.2020	100%	1982, 1990, 2000	Leasehold
Norway	Klubben Næringspark	Senja	7 927	3 224	576	-	3 800	0%	10.06.2020	100%	2021	Leasehold
Norway	Havnegata 24	Stjørdal	30 559	14 272	2 428	-	16 700	0%	27.05.2020	100%	1971	
Norway	Havnegata 16	Stjørdal	17 692	5 610	740	-	6 350	0%	31.05.2020	100%	1989	
Norway	Holsneset 23-25	Sula	13 743	3 236	443	-	3 679	0%	29.09.2022	100%	1950, 1977, 1986, 2006	
Norway	Skattørvegen 78	Tromsø	5 715	1 568	309	-	1 877	0%	27.05.2020	100%	1998, 2020	
Norway	Østre Rosten 102 b	Trondheim	7 868	4 200	1 500	-	5 700	0%	27.05.2020	100%	2007	
Norway	Østre Rosten 102	Trondheim	7 036	1 685	790	-	2 475	0%	27.05.2020	100%	2004, 2021	
Norway	Torgardsveien 11	Trondheim	12 900	2 999	330	-	3 329	0%	27.05.2020	100%	2012	
Norway	Havet 45, Leknes	Vestvågøy	45 011	12 889	1 500	-	14 389	0%	23.12.2020	100%	2010, 2020	Leasehold
Norway	Havneveien 1, Uthaug	Ørland	27 251	13 341	669	-	14 010	0%	17.12.2020	100%	1988, 1990, 2021	
Norway	Valsnesveien 259	Ørland	8 798	2 400	400	-	2 800	0%	27.05.2020	100%	2017	
Norway	Bleivassvegen 7 og 11, Ågotnes	Øygarden	13 700	4 453	1 328	-	5 781	0%	01.12.2021	100%	1974, 1997, 2008, 2015, 2020	
Total			533 212	176 912	19 041	3 874	199 827					
Sweden	Hamnviksvägen 9	Kramfors	53 600	10 324	260	-	10 584	0%	08.11.2022	100%	1890, 1960, 2016	
Sweden	Guleskär 56	Kungshamn	15 238	6 616	550	-	7 166	0%	23.12.2020	100%	1995, 2004	
Sweden	Halmstadsvägen 32	Laholm	24 933	13 600	200	-	13 800	0%	27.05.2020	100%	1929	
Sweden	Ramshallsvegen 2	Norrkøping	47 282	6 350	350	-	6 700	0%	27.05.2020	100%	1973, 1974, 1976	
Sweden	Bjørkelundsgatan 14	Skara	21 000	6 100	400	-	6 500	0%	27.05.2020	100%	1988	
Sweden	Järnvägsgatan 39	Skurup	44 076	12 150	450	-	12 600	0%	08.11.2022	100%	1989, 2008, 2011	
Sweden	Diabasvägen 9, Våmb	Skövde	124 201	20 174	950	-	21 124	0%	08.11.2022	100%	1966, 1989, 2019	
Sweden	Ängholmsvägen 14	Tjörn	19 873	11 010	660	-	11 670	0%	10.02.2022	100%	2005, 2015	
Sweden	Ritarslingan 8 & 10	Täby	17 468	6 192	433	-	6 625	0%	08.11.2022	100%	1920, 1980, 1988	
Sweden	Kanalvägen 6	Urshult	20 740	8 593	450	-	9 043	0%	27.05.2020	100%	2007	
Sweden	Traktorvägen 1	Varberg	28 104	14 650	1 200	-	15 850	0%	23.12.2020	100%	1955, 2007, 2016	
Sweden	Åleden 13	Vårgårda	15 378	6 505	300	-	6 805	0%	27.05.2020	100%	1976	
Total			431 893	122 264	6 203	-	128 467					
Denmark	Skelvej 1, Thorsø	Favrskov	53 235	5 558	300	-	5 858	0%	06.04.2021	100%	1962, 2005, 2015, 2020	
Denmark	Constantiavej 31 and Århusgade 24	Fredrikshavn	42 573	11 606	500	-	12 106	0%	23.12.2020	100%	1946, 1978, 1990, 2014, 2020	
Denmark	Torvegade 41, Tørring	Hedensted	9 572	4 975	382	-	5 739	0%	27.05.2020	100%	1976	
Denmark	Østerled 30	Holbæk	41 503	8 819	650	-	9 469	0%	27.05.2020	100%	1938, 2009	
Denmark	Kidnakken 13, Maribo	Lolland	56 000	8 196	200	-	8 396	0%	28.08.2020	100%	1970, 2007	
Denmark	Havrevænget 1, Hobro	Mariagerfjord	15 378	4 820	250	-	5 070	0%	27.05.2020	100%	1983	
Denmark	Rogalandsvej 3, Nykøbing Mors	Morsø	39 509	20 593	800	-	21 393	0%	15.08.2022	100%	1985, 2005	
Denmark	Tungevej 2-4, Hvide Sande	Ringkøbing-Skjern	6 224	2 657	150	-	2 807	0%	23.12.2020	100%	1984, 2001, 2014, 2020	Leasehold
Denmark	Tvilhovej 8, Tvilhov	Vejen	84 825	16 481	450	-	16 931	0%	28.08.2020	100%	1970, 2007	
Denmark	Fabriksvej 3 og 4, Farsø	Vesthimmerland	46 357	21 041	850	-	21 891	0%	15.08.2022	100%	1995, 2010	
Total			395 176	104 746	4 532	-	109 660					
Finland	Mastotie 7	Kuopio	23 093	4 651	400	-	5 051	0%	23.12.2020	100%	1991, 2000, 2010	Leasehold
Total			23 093	4 651	400	-	5 051					
Netherlands	Textielstraat 30	Oldenzaal	50 874	13 199	-	-	13 199	0%	23.12.2020	100%	1970, 2007	
Netherlands	Kanaalstraat 107	Someren	43 643	23 392	2 558	-	25 950	0%	23.12.2020	100%	1970, 2017	
Netherlands	Nieuweweg 235	Wichjen	72 421	30 999	950	-	31 949	0%	23.12.2020	100%	1970, 2007	
Netherlands	De Kalkovens 10	Zwartsluis	12 201	8 162	500	-	8 662	0%	23.12.2020	100%	1980, 2001	
Total			179 139	75 752	4 008	-	79 760					

Appendix

Appendix 1: Materiality assessment

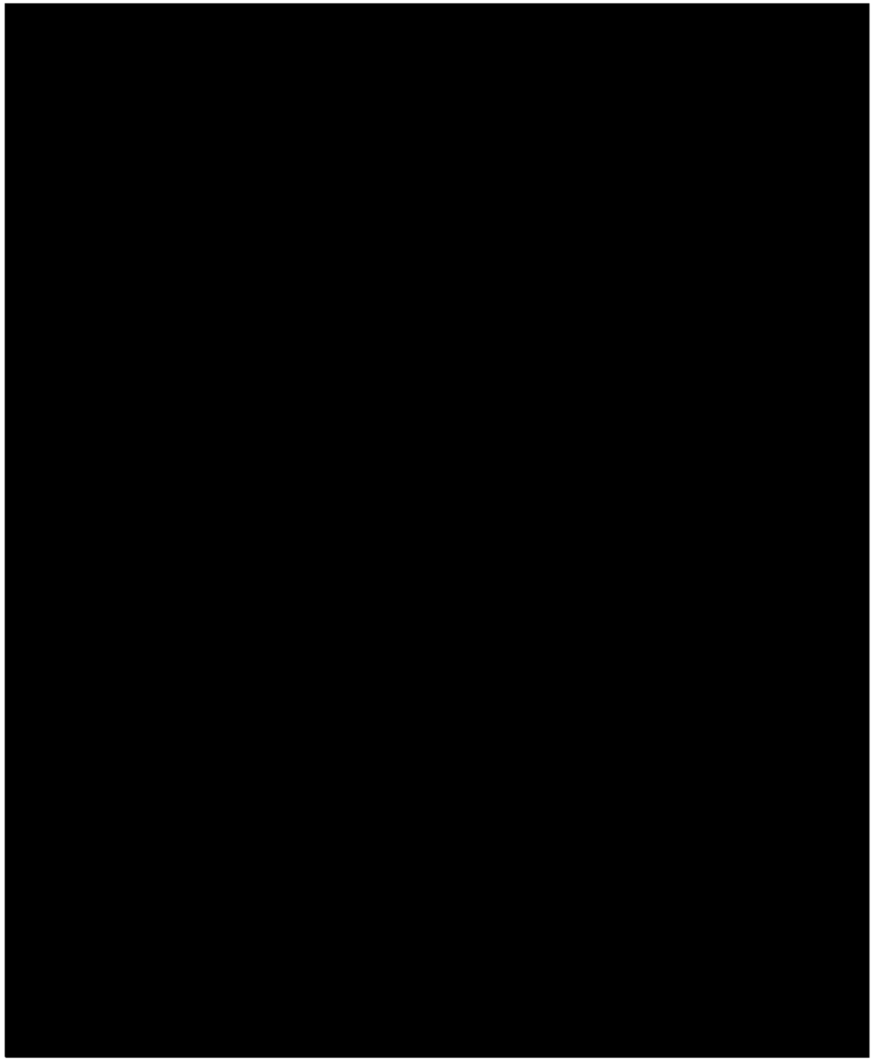
Impact	Explanation	External impact	Financial impact
Climate change	Emissions from extraction, production and transportation of materials and components used in the construction and rehabilitation of KMCPs buildings (e.g. concrete, steel).	High	X
	Emissions from tenants' use of property.	High	X
Biodiversity & ecosystem impacts on land and water	Impacts from the sourcing of steel, concrete and other components used in buildings and rehabilitation.	Low	
	Impact on surrounding ecosystem due to location of properties and waste/pollution from tenants (e.g., close to the shoreline). This can cause e.g., habitat disturbance or fragmentation.	High	
Waste/pollution impacts	Waste generation and local pollution throughout construction and rehabilitation of properties.	Medium	X
Material and resource use in the supply chain	Use of raw materials, scarce materials, or non-recyclable materials/components for rehabilitation and construction of properties.	High	
Circular economy	Contribution to the circular economy through material selection, reducing use of raw and finite material, considerations for recyclability and longevity	Medium	X
Health, safety and injuries in value chain	Fatalities, injuries or work-related ill health among own contractors, suppliers and tenants.	High	X
Negative impact on local communities	Reduction in local community well-being and property values through e.g. noise, vibrations, dust, smell, emissions, land use from construction and use of properties	Medium	
Positive impact on local communities	Additional employment opportunities, business development and economic influx to local communities in which properties are located	Low	
Discrimination in hiring practices or pay levels	Impacts on equality, inclusion and diversity for our work force in terms of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background.	Low	X
Labour and human rights violation	Forced labour, poor working conditions and child labour. This could be related to e.g., sourcing of raw materials, contracted personnel during construction phase or rehabilitation of properties.	High	X
	Violation of indigenous rights in the property acquisition process and development of property	Medium	X
Tax contributions	Transparent ownership structure and taxation practices	Low	X
Illegal or unethical practices in the supply chain	Corruption, bribery and money laundering	Medium	X
Illegal or unethical practices in own operation	Corruption, bribery, and money laundering in regulations and acquisition of properties.	Medium	X

Appendix 2: GRI content index

Statement of use	KMC Properties ASA has reported the information cited in this GRI content index for the period 01.01.2022 to 31.12.2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	Disclosure	Location in report
GRI 2: General Disclosures 2021	2-1 Organisational details	p. 8-9, 30, 54
	2-2 Entities included in the organisation's sustainability reporting	p.20
	2-3 Reporting period, frequency and contact point	p.20
	2-4 Restatements of information	p. 24-5
	2-5 External assurance	p.20
	2-6 Activities, value chain and other business relationships	p. 5-9
	2-7 Employees	p. 20, 27
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	p. 32-34
	2-10 Nomination and selection of the highest governance body	p. 32
	2-11 Chair of the highest governance body	p. 16
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 21
	2-13 Delegation of responsibility for managing impacts	p. 21
	2-14 Role of the highest governance body in sustainability reporting	p. 20
	2-15 Conflicts of interest	p. 33
	2-16 Communication of critical concerns	p. 21
	2-17 Collective knowledge of the highest governance body	p. 16-17
	2-18 Evaluation of the performance of the highest governance body	p. 33
	2-19 Remuneration policies	p. 34
	2-20 Process to determine remuneration	p. 34
	2-21 Annual total compensation ratio	p. 64
	2-22 Statement on sustainable development strategy	p. 10-12
	2-23 Policy commitments	p. 27
	2-24 Embedding policy commitments	p. 20-29
	2-25 Processes to remediate negative impacts	p. 20-29
	2-26 Mechanisms for seeking advice and raising concerns	p. 29
	2-27 Compliance with laws and regulations	There were no incidents of non-compliance in the reporting period
	2-28 Membership associations	Until date, KMC Properties do not participate in any associations or advocacy organisations
	2-29 Approach to stakeholder engagement	p. 23
	2-30 Collective bargaining agreements	

GRI STANDARD	Disclosure	Location in report
GRI 3: Material Topics 2021	3-1 Process to determine material topics	p. 23, 100
	3-2 List of material topics	p. 23, 100
GRI 205: Anti-corruption 2016	3-3 Management of material topics	p. 29
	205-1 Operations assessed for risks related to corruption	p. 29
	205-3 Confirmed incidents of corruption and actions taken	p. 29
GRI 302: Energy 2016	3-3 Management of material topics	p. 25-26
	302-1 Energy consumption within the organisation	p. 24
	302-3 Energy intensity	
GRI 304: Biodiversity	3-3 Management of material topics	p. 26
	304-2 Significant impacts of activities, products and services on biodiversity	p. 26
GRI 305: Emissions 2016	3-3 Management of material topics	p. 24
	305-2 Energy indirect (Scope 2) GHG emissions	p. 24
	305-3 Other indirect (Scope 3) GHG emissions	p. 24
GRI 306: Waste 2020	3-3 Management of material topics	p. 26
	306-3 Waste generated	p. 26
	Additional - Sorting rate: Percentage of waste that is diverted from disposal for recycling or reuse	p. 26
GRI 308: Supplier Environmental Assessment 2016	3-3 Management of material topics	p. 26, 29
	308-1 New suppliers that were screened using environmental criteria	p. 26, 29
GRI 403: Occupational Health and Safety 2018	3-3 Management of material topics	p. 27
	403-9 Work-related injuries	p. 28
GRI 405: Diversity and Equal Opportunity 2016	3-3 Management of material topics	p. 26-27
	405-1 Diversity of governance bodies and employees	p. 27
GRI 406: Non-discrimination 2016	3-3 Management of material topics	p. 26-27
	406-1 Incidents of discrimination and corrective actions taken	p. 26-27
GRI 411: Rights of Indigenous Peoples 2016	3-3 Management of material topics	p. 28
	411-1 Incidents of violations involving rights of indigenous peoples	p. 28



KMC PROPERTIES

Dyre Halses gate 1a
NO-7042 Trondheim

–47 480 03 175

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Rune Tystad	05.07.2016	05.10.2016
Telefon	Deres referanse	Vår referanse
97759464	Einar Pedersen	2016/717494

STORM REAL ESTATE ASA
Postboks 1608 Vika
0119 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Storm Real Estate ASA, org.nr. 990 727 007

Vi viser til brev av 5. juli 2016 hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Storm Real Estate ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Storm Real Estate ASA tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysninger som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Storm Real Estate ASA er et investeringsselskap med hovedkontor i London. Selskapet eier investeringseiendom i Russland og selskapets virksomhet er således av sterk internasjonal karakter. Sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. Selskapet benytter også engelsk som arbeidsspråk. Selskapets fem største aksjonærer er utenlandske og eier til sammen 44,2 % av aksjene. Selskapet er notert på Oslo Børs og har i brev av 23. september 2016 fått tillatelse til å rapportere til Oslo Børs på engelsk.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal "*årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.*"

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> *Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper*

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 08 60

vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at de fem støste eierne er utenlandsk selskap. Videre er det lagt vekt på selskapets virksomhet er av sterk internasjonal karakter og at selskapets arbeidsspråk er engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Rune Tystad

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer