



FIRST HALF YEAR REPORT 2023



Steen & Strøm's shopping center portfolio is showing a strong improvement of its financial performance compared to the same period last year, driven by increasing retailer sales in most centers. The group is showing a solid financial position, with a net loan to value ratio of 25.8% (26.2% on 31 December 2022), emphasized by our BBB+ rating (S&P).

OPERATING PERFORMANCE

Year to date retailer sales in our shopping centers are up +7.5% on a comparable portfolio basis, of which Norway +5.7%, Denmark +3.2% and Sweden +10.0%. In 2022, due to the «Omicron wave», recommendations to avoid public areas were issued until April 2022, which had an impact on our activities, particularly in our city center locations. In addition, Swedish sales are influenced by a weakened SEK, fuelling a significant increase in Danish visitors, namely in our southern assets.

Gross rental income (GRI) increased by 5.3% like for like, whereas due to disposals in Norway, total GRI decreased by -0.8% despite the positive effect of inflation of 5.6% and amounted to MNOK 751.8 (MNOK 758.1 as of June 2022).

Like-for-like increase in net rental income (NRI) was 6.3%, positively influenced by increased sales and improved rent collection. Total NRI increased by 0.3% and landed at MNOK 669.3 (MNOK 667.4 as of June 2022), influenced by a strengthened DKK compared to NOK, offset by disposals.

The group generated operating income of MNOK -372.7 (MNOK 494.8 as of June 2022) and pre-tax profits of MNOK -290.3 (MNOK 829.9) in the first half of 2023.

The weakening in operating income and pre-tax profits from last year is deriving from a general decline in fair value of our investment properties due to increasing interest rates and thus yields. In addition, share of earnings in equity investment has been reduced, from MNOK 329.4 in H1 2022 to MNOK 44.6 in H1 2023, mainly driven by a significant increase in the fair value of the Økern development project in 2022, which was more stable in 2023.

PORTFOLIO VALUE

Investment properties and projects were valued at MNOK 27 549 on 30 June 2023 (MNOK 26 641 on 31 December 2022). Increase in values is driven by forex effects, namely on our Danish portfolio, due to the before mentioned “weakened” NOK. This positive forex effect is more than compensated by negative fair value adjustments due to increased interest rates, leading to the total negative adjustment in our results of MNOK 973.3 in H1.

The property portfolio valuation is performed by an independent external appraiser and corresponds to an average net initial yield of 4.7% (4.3%).

DEBT AND FINANCING

Net debt amounted to NOK 7.6 billion on 30 June 2023 (NOK 7.5 billion on 31 December 2022), resulting in a net debt to EBITDA (excl. fair value adjustments) ratio of 8.0x. Average maturity of the Group’s debt was 13.1 years, and the hedging rate for 2023 is 87%. Average cost of debt was approximately 1.6% in H1 2023, and interest coverage ratio landed at 7.9x.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of NOK	YTD Q2 2023	YTD Q2 2022
Gross rental income	751 789	758 057
Non-recovered rental expenses	-67 765	-67 965
Building expenses (owner)	-14 774	-22 738
Net rental income	669 250	667 354
Management, administrative and related income	31 712	31 603
Other operating revenue	3 518	9 432
Change in the fair value of investment properties	-973 280	-135 145
Payroll expenses	-51 539	-52 620
Other general expenses	-45 406	-28 296
Depreciation and impairment on investment properties	-134	-1 997
Depreciation and impairment on intangible assets and furniture and equipment	-5 589	-5 205
<i>Proceeds from disposal of investment properties and equity investments</i>	<i>61 999</i>	<i>9 705</i>
<i>Net book value of investment properties and equity investments sold</i>	<i>-63 215</i>	<i>-</i>
Gain on disposal of investment properties and equity investments	-1 217	9 705
Operating income	-372 683	494 830
Net dividends and provisions on non-consolidated investments	-	-
<i>Financial income</i>	<i>453 271</i>	<i>343 130</i>
<i>Financial expenses</i>	<i>-500 994</i>	<i>-363 976</i>
Net cost of debt	-47 723	-20 846
Change in the fair value of financial instruments	85 144	26 516
Share of earnings in equity investment entities	44 570	329 420
Profit before tax	-290 692	829 921
Corporate income tax	170 981	-119 471
Net income of consolidated entity	-119 711	710 449
Average number of shares (in thousands)	29 303	29 303
Earnings per share	-4	24
In thousands of NOK	YTD Q2 2023	YTD Q2 2022
Net income of consolidated entity	-119 711	710 449
Other comprehensive income items recognized directly as equity		
Items that may be reclassified subsequently to profit or loss		
Gain/loss on cash flow hedges	-84 068	277 560
Income tax related to cash flow hedges	16 117	-65 127
Exchange differences on translation of foreign operations	978 661	86 104
Items that will not be reclassified subsequently to profit or loss		
Other comprehensive income	910 709	298 538
Total comprehensive income	790 998	1 008 987
Comprehensive earnings per share	27	34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of NOK	30/06/2023	30/06/2022
Goodwill	348 425	348 425
Intangible assets	23 448	22 906
Furniture and equipment and work in progress	29 266	15 314
Investment properties and properties under construction	27 549 260	27 505 087
Equity method securities	1 885 080	1 876 920
Other non-current assets	206 569	5 432
Non-current derivatives	490 461	342 086
Deferred tax assets	81 053	109 202
NON-CURRENT ASSETS	30 613 561	30 225 372
Investment properties held for sale	-	2 953 801
Trade accounts receivables	169 796	147 144
Other receivables	385 744	322 845
Current derivatives	5 201	42 480
Cash and cash equivalents	735 225	320 930
CURRENT ASSETS	1 295 965	3 787 199
TOTAL ASSETS	31 909 527	34 012 571
Share capital	73 259	73 259
Additional paid-in capital	4 028 584	4 028 584
Consolidated reserves	14 304 715	13 545 094
<i>Hedging reserves</i>	302 856	295 863
<i>Other consolidated reserves</i>	14 001 859	13 249 231
Consolidated earnings	-119 711	710 449
SHAREHOLDERS' EQUITY	18 286 847	18 357 385
Non-current financial liabilities	7 735 471	6 869 709
Non-current derivatives	-	2 539
Security deposits and guarantees	143 319	125 236
Deferred tax liabilities	3 955 326	4 233 226
NON-CURRENT LIABILITIES	11 834 116	11 230 710
Current financial liabilities	773 340	3 570 978
Bank facilities	229 880	228 201
Trade payables	161 333	259 529
Other liabilities	208 009	221 258
Current derivatives	-	3 716
Social and tax liabilities	416 002	140 794
CURRENT LIABILITIES	1 788 564	4 424 475
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	31 909 527	34 012 571

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of NOK	YTD Q2 2023	YTD Q2 2022
Net income of consolidated entity	-119 711	710 449
<i>Depreciation and impairment investment properties, intangible assets, furniture and equipment</i>	5 723	7 002
<i>Change in the fair value of investment properties</i>	973 280	135 145
<i>Capital gains and losses on asset disposals net of taxes and deferred taxes</i>	1 157	4 791
<i>Income taxes</i>	-170 981	119 471
<i>Share of earnings in equity method investees</i>	-44 570	-329 420
<i>Reclassification of financial interests and other items</i>	65 920	91 475
Paid taxes	-5 411	-5 316
Change in operating working capital	-198 260	-82 921
Net cash flow from operating activities	507 147	650 677
Proceeds from sale of investment properties	60 379	778
Proceeds from sale of other fixed assets	1 620	-
Proceeds from disposal of subsidiaries (net of cash disposed)	-	8 927
Acquisitions of investment properties	-18 363	-7 713
Payments in respect of construction work in progress	-51 212	-67 611
Acquisitions of other fixed assets	-8 778	-24 085
Proceeds of loans and advance payments granted and other investments	9 505	-426 921
Net cash flow from investing activities	-6 850	-516 625
Dividends paid to the parent company's shareholders	-	-1 138 000
New loans, borrowings and hedging instruments	908 209	1 449 844
Repayment of loans, borrowings and hedging instruments	-1 136 024	-567 454
Interest paid	-98 472	-70 540
Other cash flows related to financing activities	-582	-423
Net cash flow from financing activities	-326 869	-326 573
Net changes in cash	173 428	-192 521
Cash at the start of the period	313 824	287 898
Effect of foreign exchange differences	18 093	-2 647
Cash at the end of the period	505 345	92 729

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31/12/2022									
In thousands of NOK	Share capital	Additional paid-in capital	Hedging reserves	FX conversion reserves	Consolidated reserves	Consolidated earnings	Equity, group share	Equity, non-controlling interest	Total Equity
Opening statement	73 259	4 028 584	47 969	1 570 236	12 238 293	528 057	18 486 398	-	18 486 398
Reclassification of last year's net income	-	-	-	-	528 058	-528 058	-0	-	-0
Net income for the period	-	-	-	-	-	579 754	579 754	-	579 754
Net income of consolidated entity	-	-	-	-	528 058	51 696	579 754	-	579 754
Income from cash-flow hedging net after tax	-	-	322 838	-	-	-	322 838	-	322 838
Exchange differences on translation of foreign operations	-	0	-	-57 014	-	-	-57 014	-	-57 014
Other comprehensive income	-	0	322 838	-57 014	-	-	265 824	-	265 824
Group contribution	-	-	-	-	-40 535	-	-40 535	-	-40 535
Dividends paid	-	-	-	-	-1 538 000	-	-1 538 000	-	-1 538 000
Other Movements	-	-	-	-	-1	-	-	-	-
Closing statement	73 259	4 028 584	370 807	1 513 223	11 187 815	579 754	17 753 441	-	17 753 441
30/06/2023									
In thousands of NOK	Share capital	Additional paid-in capital	Hedging reserves	FX conversion reserves	Consolidated reserves	Consolidated earnings	Equity, group share	Equity, non-controlling interest	Total Equity
Opening statement	73 259	4 028 584	370 807	1 513 223	11 187 815	579 754	17 753 442	-	17 753 441
Reclassification of last year's net income	-	-	-	-	579 754	-579 754	-	-	-
Net income for the period	-	-	-	-	-	-119 711	-119 711	-	-119 711
Net income of consolidated entity	-	-	-	-	579 754	-699 465	-119 711	-	-119 711
Income from cash-flow hedging net after tax	-	-	-67 951	-	-	-	-67 951	-	-67 951
Exchange differences on translation of foreign operations	-	-	-0	931 204	47 456	-	978 661	-	978 661
Other comprehensive income	-	-	-67 951	931 204	47 456	-	910 709	-	910 709
Group contribution	-	-	-	-	-257 593	-	-257 593	-	-257 593
Dividends paid	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-	-	-
Closing statement	73 259	4 028 584	302 856	2 535 415	11 466 444	-119 711	18 286 847	-	18 286 847