

# HALF-YEAR REPORT

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# 2023

# CONTENT

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3 Overview from the CEO  
5 Key Figures

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7 Sustainability  
8 Financing

---

CONSOLIDATED FINANCIAL STATEMENTS - NGAAP PUBLIC PROPERTY INVEST AS  
11 Consolidated Income statement NGAAP  
12 Consolidated balance sheet NGAAP

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# NAVIGATING THROUGH A VOLATILE REAL ESTATE MARKET

**The real estate market has continued where it left off around Christmas last year, characterized by few property transactions and a significant gap in valuation between buyer and seller. As a result our main focus in the first half of the year has been on operational management. We are closely monitoring transaction opportunities, but expect the market to remain cautious throughout 2023.**

PPI has a clear strategy to be a driving force within sustainable property management. Our aim is to be a responsible owner, operator and developer of real estate, with the Norwegian government and local municipalities as tenants.

It is of huge importance that major property owners like ourselves prioritize and allocate resources towards making our existing building stock more sustainable. If we achieve that, we will simultaneously reduce the need for large new constructions. Fact of the matter is that new construction is among the “worst offenders” when it comes to sustainability, including the so-called “green buildings.” On average, compared to upgrading existing building stock, it actually takes 50 years longer for brand new buildings to become climate positive. The reality is that the CO2 footprint generated through new construction is more than twice the size of that caused by rehabilitation. This is why it makes sense both economically and environmentally to focus on reuse, which is what we predominantly do at PPI.

During the first half of 2023 PPI has initiated the process of certifying the company as a “Miljøfyrtårn” (Environmental lighthouse). We believe it is important for PPI to be run according to recognized industry standards, including this certification which is acknowledged by both public and private tenants. “Miljøfyrtårn” offers a tangible certification tool and an effective environmental management system, which will help the company reduce its environmental impact,

promote green transition and enhance competitiveness.

This summer PPI took out what is Norway’s largest sustainability-linked loan in the real estate industry, with Nordea and Danske Bank as lenders. The loan agreement is conditioned by strict requirements in terms of sustainable operation and development of the property portfolio over the coming five-year period. Measures relate to energy consumption and associated measurements in line with the company’s ESG (Environmental, Social and Governance) strategy, as part of the company’s long-term efforts to achieve its climate goals by 2030. The agreement provides PPI with refinancing and credit facilities totaling NOK 3.322 billion, at highly competitive rates in today’s market.

The company’s debt ratio has been monitored closely over the last year. With a highly challenging credit market the board has chosen to pay off nearly half a billion kroner in loans rather than pay dividends. This is to reduce risk and ensure the company’s responsible financing and operation.

Selling properties has not been considered necessary, and as things stand there are no plans to do so. The strategy remains to further develop the properties in our portfolio and acquire new properties when the timing is right, with a view to increasing the company’s future value. The company’s strategic period extends until 2026, during which our aim is to realize the company’s



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**Leaders in socially beneficial and essential property**

“ PPI has Norway’s largest sustainability-linked loan in the real estate industry.”

potential in order to make strategic decisions for the road ahead.

June marked PPI’s second anniversary. Even if we still have much to accomplish before realizing the company’s potential, I am incredibly proud of everything we have achieved in such a short time. We have acquired 48 properties and become a major real estate company in Norway with more than 110 public tenants in 25 cities. With 15 police stations and other essential public service tenants in our portfolio, many of the properties are operational 24/7. Every day, hundreds of subcontractors work to ensure that our tenants can fulfill their important societal missions.

This places significant demands on our team in terms of both professionalism and 24/7 availability. The PPI team is made up of 15-20 highly competent resources who deliver with quality and intrinsic motivation to create value for the environment, our tenants and our owners. On this note, I would like to extend a special thank you to the team at Arctic and Arctic Real Estate Management for their incredible efforts.

Morten Kjeldby | CEO

# Key figures

June 30th 2023

**48**

Properties

**5,1**

WALT (years)

**1 860**

Gross Rent / sqm (NOK)

**310 842**

Gross Area (sqm)

**29 097**

Value / sqm (NOK)

**62%**

Loan to Value (LTV)

**93%**

CPI Adjustment

**92%**

Public Tenants

**9 037**

Property Value (mNOK)

**532,3**

Net Rental Income (MNOK)

**123**

Rental agreements



10

**HALDEN  
TINGRETT**

Ekspedisjonstid  
Mandag - Fredag 08.00 - 15.00



# Sustainability

Work on sustainability during the first half of 2023:

## First half year

- Sustainability is an intrinsic part of all processes involving the business.
- Development of plans and sustainability goals for the property portfolio until 2030 is in progress.
- The entire portfolio has been surveyed and evaluated through a technical review (technical facilities, climate shell, EOS, SD systems, space management, field equipment, etc.).

## May

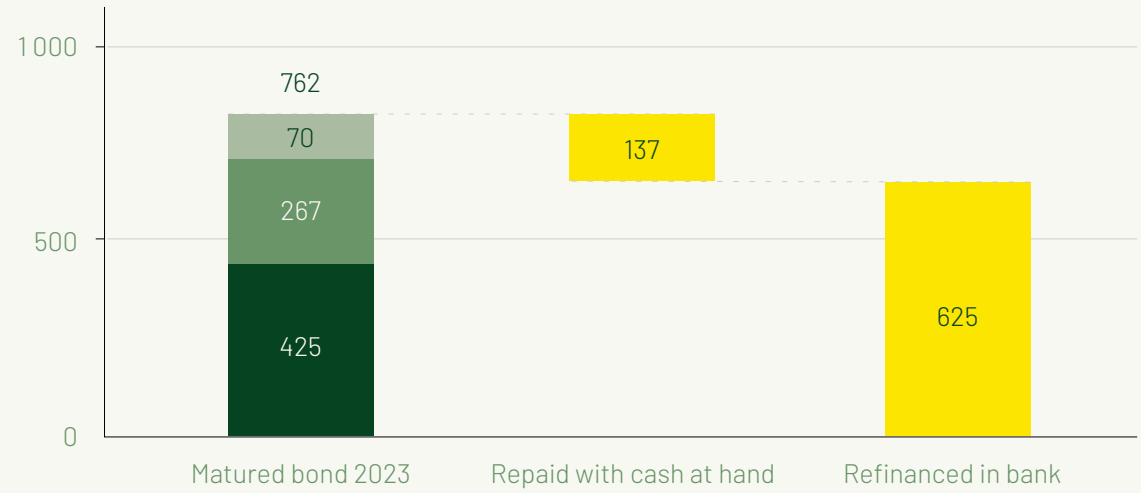
- Our suppliers Entro and Energima have been engaged to actively optimize energy consumption for the majority of the portfolio (92%).
- Immediate measures have been put in place to optimize energy consumption throughout the summer of 2023, by shutting down systems in areas not in use and adjusting operating hours based on actual needs.
- The process of certifying the company as a "Miljøfyrtårn" (Environmental Lighthouse) has begun and will be completed in 2023.

## June

- In the summer of 2023, the company successfully negotiated what is Norway's largest sustainability-linked loan in the real estate industry.
- Efforts are being made to document the impact of energy saving measures already implemented in the portfolio this year, as well as measures that will be completed before the new winter season.

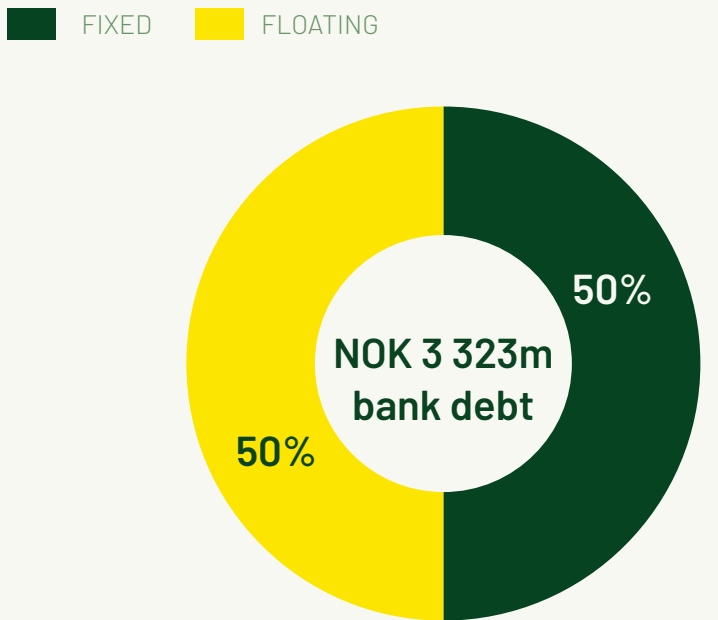
# Financing

## Matured bonds in 2023

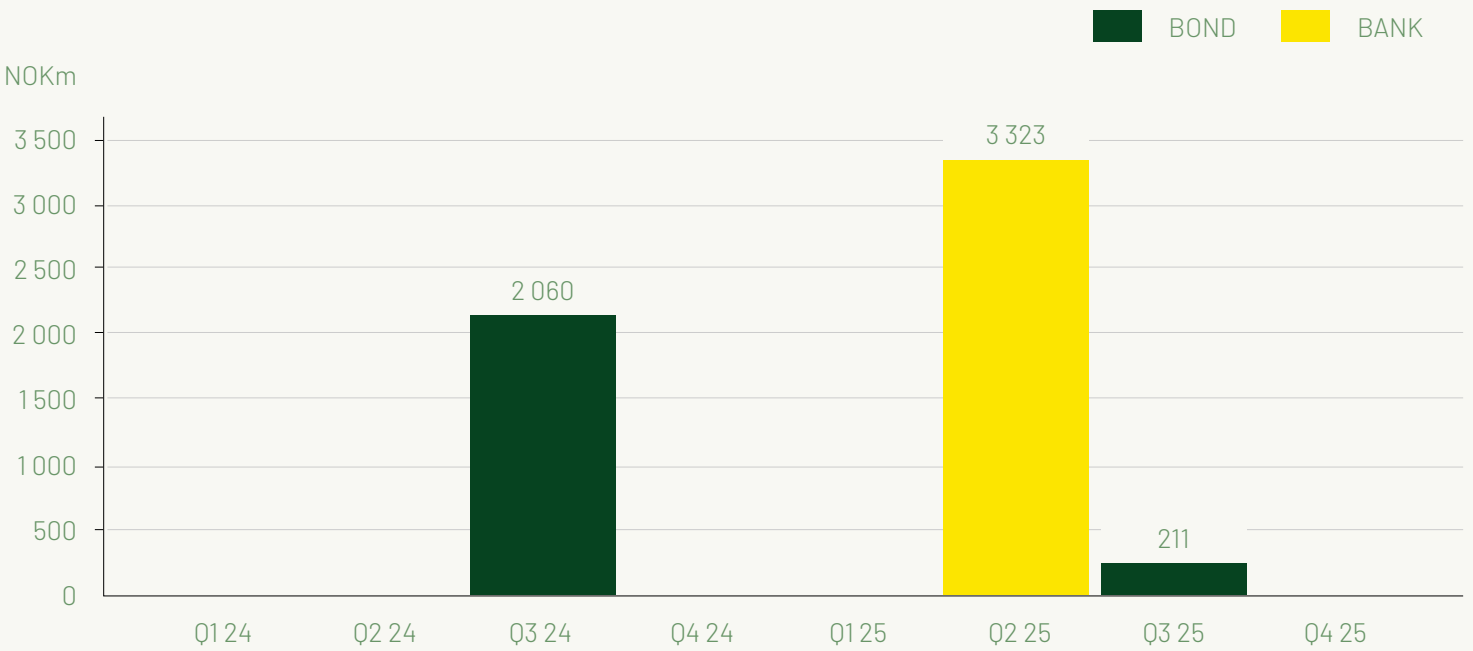


The bond loan in Public Property Sub-Holding 6 AS NOKm 425 was partially repaid the 12th July 2023 with NOKm 76.4. In the consolidated balance sheet the repaid amount is classified as other current liabilities, and the remaining amount refinanced is presented in Bonds

## Hedged interest rate of total bank debt

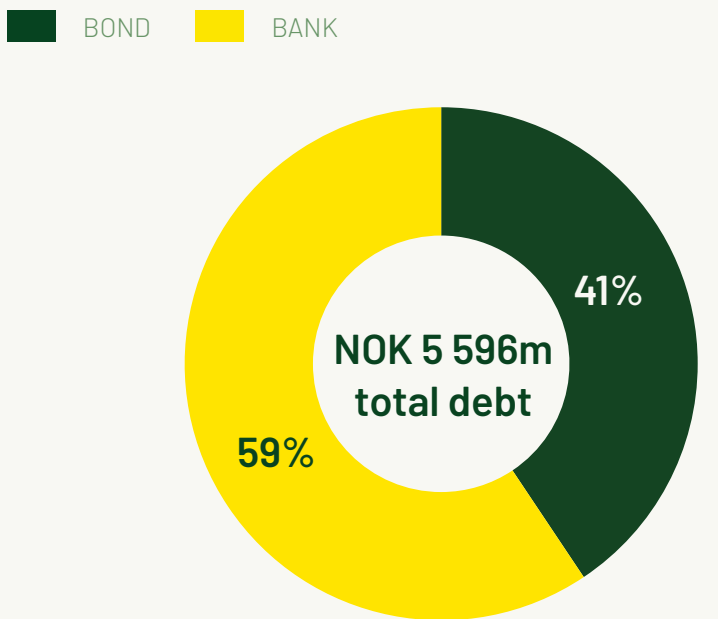


## Debt maturity structure



The bank loan has an annual installment profile between 0 percent and 6 percent paid semiyearly, depending on the loan to value of the structure.

## Bank vs. bond







FAGFORBUNDET



**CONSOLIDATED FINANCIAL  
STATEMENTS - NGAAP  
PUBLIC PROPERTY INVEST AS**

**CONSOLIDATED  
INCOME  
STATEMENT  
NGAAP**

	YTD 2023	2022
<b>Operating income and operating expenses</b>		
Rental income	291 148 342	505 083 196
Other operating income	188 670	508 750
<b>Total income</b>	<b>291 337 012</b>	<b>505 591 946</b>
Payroll expenses	832 122	4 275 477
Depreciation and amortisation expense	113 251 811	210 811 379
Impairment loss	388 866 180	187 864 916
Other operating expenses	39 853 835	94 635 507
<b>Total expenses</b>	<b>542 803 948</b>	<b>497 587 279</b>
<b>Operating profit</b>	<b>-251 466 936</b>	<b>8 004 667</b>
<b>Financial income and expenses</b>		
Other interest income	677 765	2 160 686
Other financial income	5 647	158 440
Interest expenses	132 043 872	226 176 093
Financial expenses	0	3 386
<b>Net financial items</b>	<b>-131 360 460</b>	<b>-223 860 353</b>
<b>Net profit before tax</b>	<b>-382 827 396</b>	<b>-215 855 686</b>
Income tax expense	-84 221 373	-47 577 478
<b>Net profit after tax</b>	<b>-298 606 023</b>	<b>-168 278 208</b>
<b>Net profit or loss</b>	<b>-298 606 023</b>	<b>-168 278 208</b>
<b>Majority share</b>	<b>-298 606 023</b>	<b>-168 278 208</b>
<b>Attributable to</b>		
Other equity	0	0
Transferred from other equity	298 606 023	168 278 208
<b>Total allocated</b>	<b>-298 606 023</b>	<b>-168 278 208</b>

**CONSOLIDATED  
BALANCE SHEET  
NGAAP**

<b>Assets</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>Non-current assets</b>		
Tangible non-current assets		
Buildings and land	10 084 510 726	10 571 009 131
<b>Total tangible non-current assets</b>	<b>10 084 510 726</b>	<b>10 571 009 131</b>
<b>Non-current financial assets</b>		
Other long-term receivables	7 582 869	6 596 427
<b>Total financial fixed assets</b>	<b>7 582 869</b>	<b>6 596 428</b>
<b>Total non-current assets</b>	<b>10 092 093 596</b>	<b>10 577 605 558</b>
<b>Current assets</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>Debtors</b>		
Accounts receivables	3 556 073	12 576 965
Other short-term receivables	11 901 446	20 055 521
<b>Total debtors</b>	<b>15 457 519</b>	<b>32 632 486</b>
Cash and cash equivalents	217 964 306	176 504 792
<b>Total current assets</b>	<b>233 421 824</b>	<b>209 137 278</b>
<b>Total assets</b>	<b>10 325 515 420</b>	<b>10 786 742 836</b>

<b>Equity and liabilities</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>Paid-in capital</b>		
Share capital	3 596 583	3 596 583
Share premium reserve	3 591 130 552	3 591 130 552
<b>Total paid-up equity</b>	<b>3 594 727 135</b>	<b>3 594 727 134</b>
<b>Retained earnings</b>		
Other equity	-468 954 978	-170 348 954
<b>Total retained earnings</b>	<b>-468 954 978</b>	<b>-170 348 954</b>
<b>Total equity</b>	<b>3 125 772 157</b>	<b>3 424 378 180</b>
<b>Liabilities</b>		
<b>Provisions</b>		
Deferred tax	1 457 373 016	1 543 292 607
Other provisions	0	746 510
<b>Total provisions</b>	<b>1 457 373 016</b>	<b>1 544 039 117</b>
<b>Other non-current liabilities</b>		
Bonds	2 606 649 653	3 011 221 443
Liabilities to financial institutions	2 955 745 748	2 681 921 501
Other non-current liabilities	37 729 782	39 204 415
<b>Total non-current liabilities</b>	<b>5 600 125 183</b>	<b>5 732 347 359</b>
<b>Current liabilities</b>		
Trade payables	21 532 002	20 556 509
Public duties payable	1 108 700	666 649
Other current liabilities	119 604 363	64 755 021
<b>Total current liabilities</b>	<b>142 245 065</b>	<b>85 978 180</b>
<b>Total liabilities</b>	<b>7 285 293 823</b>	<b>7 362 364 656</b>
<b>Total equity and liabilities</b>	<b>10 325 515 420</b>	<b>10 786 742 836</b>

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