STEEN & STRØM: FIRST HALF-YEAR RESULT 2020

Steen & Strøm's shopping center portfolio has experienced a downwards trend in our financial performance throughout 1H 2020, driven by the Covid-19 pandemic. The group's net loan to value is at a low level of 32.8% (31.2%) and low funding costs, where average interest cost for the group was 1.8% in H1 2020 (1.8%), confirming our solid financial position. The recovery in our portfolio, ignited at the end of Q2, has continued throughout the summer, where majority of our centers have posted positive turnover development compared to last year, and even very strong sales evolution in Norway

At the end of June, footfall was 89% of the same period last year; while sales were indicating recovery in Denmark and Sweden (88% of the same period last year) and Norway month of June showed an impressive +8%. Those encouraging numbers have been confirmed throughout the summer. Performances vary across our portfolio, based on different restrictions and catchment areas. As a reminder, Norwegian centers were partly closed for more than a month in Q2, but benefited from border closure effects, while Danish centers were fully closed during the period 18 March to 11 of May. Our Swedish centers were not closed.

Gross rental income decreased by -1.4%, and amounted to MNOK 897.6 (910.8).
LFL decrease was -7.0%.

Net rental income decreased by -1.3%, and landed at MNOK 816.1 (826.7). Like-for-like decrease in net rental income was -6.6 %, and financial vacancy ratio ended at 6.2%.

The group generated operating income of MNOK -547 (MNOK 595) and pre-tax profits of MNOK -722 (MNOK 537) in the first half of the year.

The reduction in operating income and pre-tax profits from last year is deriving from changes in fair value of our investment properties, from MNOK -160 in 1H 2019 to MNOK -1 309 in 1H 2020. The decrease in fair value corresponds to an adjustment of -3.4%

Investment properties and projects were valued at MNOK 37 844 as of 30 June 2020 (MNOK 36 477 31 December 2019). The increase stems from positive foreign exchange effect from our Swedish and Danish assets of MNOK 2 459, which more than offsets the negative fair value adjustments highlighted above.

The property portfolio valuation is performed by independent external appraisers and is based on an average yield of 4.6% (4.5%).

Net interest bearing debt amounted to MNOK 13 013 as of 30 June 2020 (MNOK 12 207 at 31 December 2019), where foreign exchange effect of MNOK 835 is the main explanation of the increase.