HALF YEAR REPORT 2024

Steen & Strøm's shopping center portfolio is showing a moderate improvement of its financial performance compared to the same period last year, driven by indexation and increasing retailer across the portfolio. The group is showing a solid financial position, with a net loan to value ratio of 23.9% (24.0% on 31 December 2023), emphasized by our BBB+ rating with a "positive outlook" (S&P).

Operating Performance

Year to date retailer sales in our shopping centers are up +1.3% on a comparable portfolio basis, of which Norway +0.8%, Denmark +1.3% and Sweden +1.6%. The increase mainly derives from two prime assets, Emporia +3.0% and Oslo City +2.8%, but also supported by Bryggen in Vejle +8.7%. With regards to segments, the most significant contributor to growth was "Health & Beauty" with 10.6%, followed by "Others" (mainly supermarkets and cinemas) with +2.0%.

Gross rental income (GRI) increased by +2.7% on a like-for-like basis, despite the positive effect of indexation of 3,8%. On a non like for like basis, including the FX effect and disposal in Sweden (Galleria Boulevard), total GRI increased by +2.5% and amounted to MNOK 770.8 (MNOK 751.8 as of June 2023).

Like-for-like increase in net rental income (NRI) was +0.4%, positively influenced by indexation, increased variable revenues and lower rent discounts, offset by an intermediate increase in net vacancy and higher legal costs due to Field's department store case. Total NRI increased by +0.9% and landed at MNOK 675.2 (MNOK 669.3 as of June 2023), influenced by a strengthened DKK compared to NOK.

The group generated operating income of MNOK 582.1 (MNOK -372.7 as of June 2023) and pre-tax profits of MNOK 508.2 (MNOK -290.7) in the first half of 2023.

The strengthening in operating income and pre-tax profits from last year is deriving from a general, limited decline in fair value of our investment properties. Share of earnings in equity investment has been reduced, from MNOK 44.6 in H1 2023 to MNOK -36,1 in H1 2024.

Portfolio Value

Investment properties and projects were valued at MNOK 26 415 on 30 June 2024 (MNOK 27 549 on 30 June 2023). Reduction in values is mainly driven by increasing discount rates as a result of the current market uncertainties and increased interest rates, leading to the total negative adjustment in our results of MNOK 37.6 in H1 2024.

The property portfolio valuation is performed by an independent external appraiser and corresponds to an average net initial yield of 5.1% (4.7%).

Debt and Financing

Net debt amounted to NOK 6.6 billion on 30 June 2024 (NOK 7.6 billion on 30 June 2023), resulting in a net debt to EBITDA (excl. fair value adjustments) ratio of 5.3x. Average maturity of the Group's debt was 12.1 years, and the hedging ratio 92% per 30 June 24. Average cost of debt was approximately 1.85% in H1 2024, and interest coverage ratio landed at 6.6x.