Half-year report

Q2 2023

Baltic Sea Properties

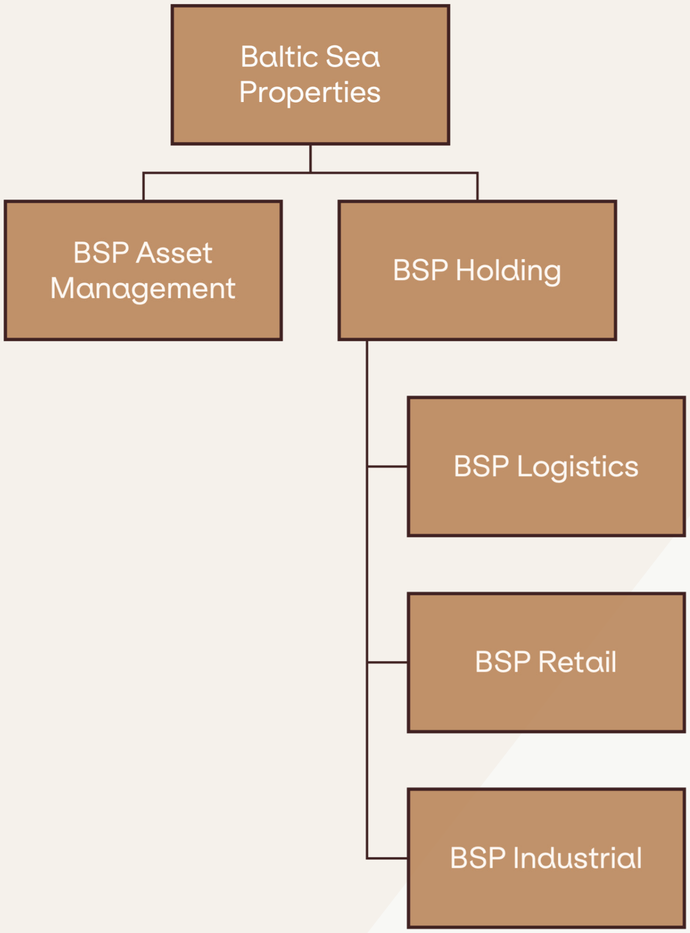
BALTIC SEA PROPERTIES

About us

Baltic Sea Properties is a Norwegian public listed, open-ended and fully integrated investment company. The company is among the Baltics' leading real estate investors and developers – owning a diversified cash flow generating portfolio of modern real estate in the logistics, industrial and commercial segments.

Our strategy is to develop long-term relationships with strong clients and to hold high-quality assets in attractive locations. We grow our portfolio by own developments and acquisitions with the objective to maximise shareholder values and the company's dividend capacity.

The property management is conducted through fully-owned subsidiaries by a professional management team with deep knowledge of the Baltic real estate market



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BALTIC SEA PROPERTIES

Our Vision

Our vision is to be the preferred real estate partner and leading investment company in the region.

We will achieve this by staying true to our mission and values.

Our Mission

Our mission is to foster a great team, to provide high quality and sustainable solutions for our partners, thus creating superior long-term value and returns for our shareholders.

Our Values

- **Commitment** to our people and their professional development.
- Focusing on **innovation and value creation.**
- **Respect** for our social and physical environment.
- **Accountability and fairness** with our stakeholders.
- **Reliability and integrity** in all we do

Highlights

Half-year (first half) report 2023

We are excited to present our mid-year report, highlighting a consistent growth even amid turbulent market conditions at the close of the second quarter. We are proud to report that our rental income from the property portfolio has seen a noteworthy increase of 24% compared to the same period last year, reinforcing our resilience and adaptability.

Strategic investments and sustainable initiatives drive continuous performance

As we navigate through an environment of increasing interest rates, high inflation, and geopolitical uncertainty, our strategic planning have allowed us to preserve a solid financial position. We are optimistic that our quality portfolio and new developments will be key in continuing the strong cash flow that has been a hallmark of our recent years. We remain steadfast in our disciplined approach to growth. Below, we outline key events for the company thus far in 2023:

- Completed the installation of solar panels (photovoltaic cells) on the roof of our Klaipėda Business Park, another step in our commitment to sustainability.
- We successfully finalised the construction and handover of the Oribalt expansion project.
- Contuined on our BREEAM In-Use certification strategy, reflecting our dedication to environmental responsibility.
- Transition from GAAP to International Financial Reporting Standards (IFRS) in our financial reporting to increase transparency for investors and other stakeholders.
- Distribution of NOK 1.60 per share in dividend to shareholders in June.
- Significant progress with development project pipeline including preliminary agreements for Liepu Parkas development.

Subsequent event: Expansion of terminal and extension of term

On the 22nd of August 203, we had the great pleasure to announce a new large-scale expansion project of 17,255 sqm for our existing client, Rhenus Logistics. With the new project, we are entering into a new 15-year lease for both the existing and new areas, starting from the expected handover in 2025. The agreement is strengthening our ties with a top global logistics operator, and we are happy to see that our client is expanding their business. Upon completion, the over 35,600 sqm facility will become one of the Baltic region's leading logistics centers.

Road ahead

The introduction of new large scale development projects marks a significant milestone for BSP and provides us an immediate opportunity to contuine delivering new, modern facilities for our valued clients as well as expanding our portfolio with quality assets. We hold deep confidence in our internal expertise and steadfastly maintain that our foundational business principles will navigate us successfully through the current market volatility. In fact, we see these challenges as chances to further demonstrate our industry leadership and to seize new opportunities that arise.

As we continue to adapt to the ever-changing market landscape, our commitment to offering you transparent and reliable updates on our progress remains.

We are sincerely grateful for your ongoing support and faith in our company, and we are energised by the prospects that lay before us.

From all of us in BSP, we hope you enjoy the remainder of your summer.

Company (EUR)	2023 Jan-Jun	2022 Jan-Jun	2022 Jan - Dec
Rental income (mEUR)	3.97	3.2	6.88
Income From Property Management (IFPM) (mEUR)	1.66	1.55	2.93
Annualised Return on Equity inc. dividend (ROE) - YTD	6.8%	13.6%	12.2%
Investment properties value (mEUR)	97.69	92.37	96.67
Loan to Value investment portfolio (LTV) (excl. cash, mezzanine facilities & seller credit)	55.08%	50.74%	53.9 %

BSP Park - Vilnius A4 (top) | Illustration of Rhenus expansion
Klaipėda Business Park (bottom) | Installation of solar panels during the Summer of 2023

Financial overview

Q2 2023

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- Net Asset Value (NAV)
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Please note:

Unless stated otherwise, the financial figures presented in this chapter have been prepared using the same IFRS principles as described in the company's Annual Report 2022 (available for download on balticsea.no). The consolidated statements presented in this quarterly report are however simplified from the IFRS requirements.

Please note that the quarterly/half-yearly figures in this report are unaudited.

Key figures group

Half-year (Q2) report 2023 (unaudited)

Per share	30.06.2023	30.06.2022	31.12.2022	31.12.2021
Net Asset Value (NAV) in NOK	69.82	58.47	62.11	53.93
NAV in EUR	5.97	5.65	5.91	5.40
YTD Return NAV incl. dividend (EUR)	3.44 %	6.80 %	12.18 %	20.79 %
YTD Return NAV incl. dividend (NOK)	14.42 %	10.60%	18.08 %	15.24 %
Dividend distributed (NOK)	1.60	1,50	1.50	1.50
Last transaction price per date (NOK)	50.00	47.40	50.00	50.50
Number of shares issued	6 688 232	6 688 232	6 688 232	6 688 232
EURNOK rate, balance sheet date [1]	11.70	10.35	10.51	9.99
EURNOK rate, YTD average [2]	11.32	9.98	10.10	10.16

1) EURNOK rate per balance sheet date is used when converting balance sheet figures.
2) EURNOK YTD average rate is used when converting P&L figures.

Group key figures (MNOK)	30.06.2023	30.06.2022	31.12.2022	31.12.2021
Fair value of portfolio	1 148	956	1 016	754
Value of equity based on NAV - BSP method	466	390	414	360
Value of equity based on NAV - BSP method (EUR)	39.8	37.7	39.5	36.1
Gross rent income per date	45.0	31.9	69.5	63.8
Net income from property management (IFPM)	18.8	15.5	29,7	26,3
Annualised contracted rent	94.1	79.9	88,4	66,46
NOI yield (investment projects)	7.90 %	7.60 %	7.88 %	7.60 %
Dividend yield	2.30 %	2.20 %	2.50%	2.80%
Occupancy rate	99 %	99 %	99 %	98 %
WAULT (years)	9.6 yrs	9.1 yrs	9.1 yrs	10.1 yrs
IBD (incl. mezzanine & seller credit)	690	541	604	406
LTV investment portfolio (incl. mezzanine & seller credit)	60.10 %	56.66 %	59.42 %	53.9%
Net LTV (inc. Cash)	57.51 %	54.31 %	56.95 %	50.3 %
Interest cost coverge ratio (ICR) - inc. Group finance	2.34	3.63	2.39	2.45
Interest cost coverge ratio (ICR) - SPV finance	2.92	4.30	4.22	4.50

Terms/abbreviations used in this report:

- Fair value of portfolio = valuation of the real estate assets
- NOI = Net operating income from property portfolio (incl.internal property management expenses)
- NOI yield = NOI / Market value of the investment portfolio excluding development land value (land bank).
- Net rent = Income from rental activity from property portfolio minus (-) all unrecovered property expenses (not including internal property management fees).
- IFPM (Income From Property Management) = Profit/loss before tax excluding depreciations, profit/loss/value movements on properties, realised investments, currency and other financial instruments.
- PFPM yield = Profit from Property Management/ Net Asset Value (NAV)
- IBD = Interest-Bearing Debt – all outstanding debt to credit institutions and/or other credit facilities
- LTV = Loan to Value ratio
- EBITDA = Earnings before interest, tax, depreciation and amortisation
- WAULT = Weighted average unexpired lease term
- Interest cost ratio (ICR) inc. group finance- Group EBITDA/all interest paid
- Interest cost ratio (ICR) SPV finance - Consolidated EBITDA of real estate subsidiaries/interest paid from real estate finance

Financial results

Half-year (Q2) report 2023

So far in 2023 we have continued our trend of generating steady cash flow, bolstered by a remarkable 24 % increase in rental income of mEUR 0.77 compared to the first half of 2022. This substantial growth can be attributed to the successful introduction of new developments and investment assets throughout 2022/2023 and CPI adjustments on existing leases.

Direct ownership costs in the first half of 2023 increased up to mEUR 0.12 (0.11) due to a larger portfolio. In total our net rent from operations has increased significantly to mEUR 3.85 (3.08).

Central administration costs have increased compared to last year with aprox. mEUR 0.08 while other operating costs has decreased with mEUR 0.29. In sum, total operating expenses are similar to that of last year.

Profit before tax for the 1H 23 at mEUR 1.4 is considerably weaker than of same period last year (3.5) which mainly derives from last years jump in value of our interest rate swap arrangments and unrealised value increase on our investment projects.

Rising interest rates

The significant increase in the EURIBOR during 2022 and 2023, reflecting the overall trend across the markets, has resulted in higher funding cost for BSP so far in 2023 compared to last year. In comparison, the interest costs for the first half of the year were mEUR 1.28, up from 0.62. Despite our substantially increased loan portfolio, interest expenses have risen sharply with the Euribor going from 0% to almost 4% in less than a year. Our hedging arrangements have effectively shielded us from the added costs that have arisen in 2023, but it's important to note that most of these arrangements are set to expire by the end of the year. Nonetheless, we expect that maintaining moderate leverage in our growth approach, coupled with our scaling efforts, will lead to sustained cash flow and a steady financial performance in the future.

In total, we are happy that our net income from property management for the first half of 2023 was mEUR 1.66 (1.55) up from same period last year, especially given the increased interest costs and it highlights the importance of continuing on our growth strategy.

Financing

We see that higher interest rates and pressure on valuations present large challenges for highly leveraged real estate companies, affecting their free cash flow and financing covenants. However, we have been proactive in optimising our capital structure to mitigate these effects. In BSP, we have maintained a disciplined approach to leverage throughout our operations. Our capital structure has been carefully optimised to strike a balance between keeping cash reserves and developing new projects and delivering consistent dividends to our valued shareholders. We remain confident that our solid platform will enable us to sustain our growth strategy, even in the face of a changing interest rate landscape.

Valuations

The valuations of our properties are determined by two independent valuators using the standard method of discounted cash flow (DCF) analysis, which is consistent with our usual practice. As of June 30th, 2023, our portfolio has been valued at MEUR 98.13 in the NAV calculation. This figure is based on valuations provided by Newsec and Oberhaus on the same date and has been adjusted by management for additional investments not included in the initial valuations.

During the first half of the year, we recorded a net decrease of approximately mEUR 0.1 in total for the fair value of our investment properties, due to higher discount rates in valuations and other current uncapitalised repairs. Comparing like-for-like, the valuation yield or discount rate has seen a slight increase since our valuations on December 31st, 2022, with a new average NOI yield of approximately 7.90%.

Per end of period 30th of June 2023 (EUR)	30/06/2023	30/06/2022	2022
Rental income	3 974 243	3 201 200	6 881 875
Property expenses ex mng	-119 315	-114 975	-216 210
Net rent	**3 854 929**	**3 086 225**	**6 665 665**
Other operating income	22 680	76 268	112 605
Administration cost	-628 538	-546 182	-1 292 393
Other operating cost	-245 987	-370 318	-774 425
Net realised interest cost & finance expenses	-1 340 744	-689 257	-1 774 968
Net income from property management (IFPM)	**1 662 339**	**1 556 736**	**2 936 484**
Change in fair value of investment properties	-78 219	1 389 671	1 707 720
Changes in value of financial instruments	-152 238	533 521	1 019 107
Realised changes in value of investment properties	-	-	-197 979
Depreciation, amortisation and impairment	-44 686	-9 881	-
Net currency exchange differences	11 542	-1 342	97 137
Profit before tax	**1 398 739**	**3 468 705**	**5 562 469**
Current tax	-55 543	-53 120	-116 955
Deferred tax	-133 670	-445 970	-795 039
Profit from continued operations	**1 209 525**	**2 969 615**	**4 650 475**

Financing

Half-year (Q2) report 2023

	Debt maturity			Interest Swap maturity		
Year	EUR	Share %	Interest margin	EUR	Share %	Swap fixed rate
0-1 year				17 305 324	88.03 %	0.58 %
1-3 years				2 354 042	11.97 %	0.72 %
4-5 years	53 937 907	91.46 %	2.19 %			
Total funding real estate portfolio[1]	53 937 907	91.46 %	2.19 %	19 659 366	36.45 %	0.60 %
Mezzanine[2]	1 708 817	2.90 %	9.30 %			
Seller credit[3]	3 324 800	5.64 %	8.00 %			
Sum loan	**58 971 525**	**100 %**	**2.72 %**	**19 659 366**	**33.34 %**	**0.60 %**

[1)] Weighted average bank interest margin is 2.19 % + 3-months EURIBOR (per 30th of June 2023). The interest swap is against 3-months EURIBOR.

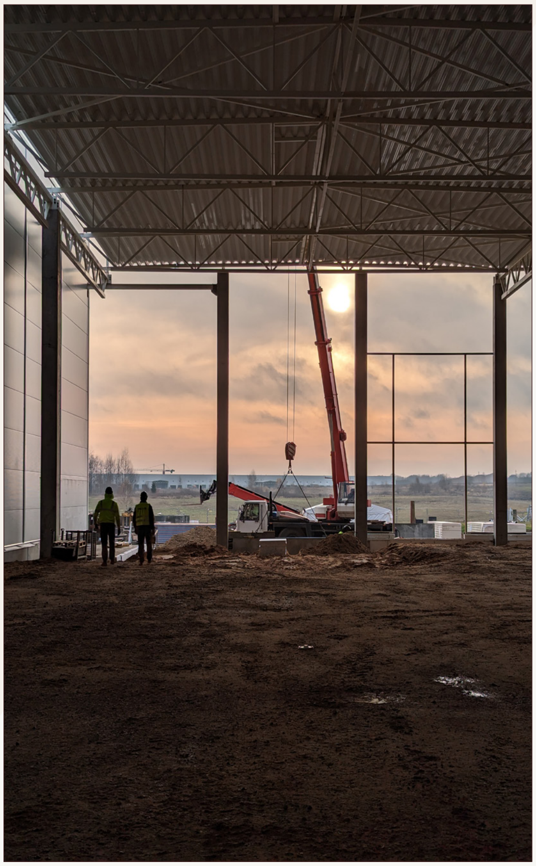
[2)] Interest rate for the mezzanine loan is including margin. Mezzanine loan was renewed and increased to MEUR 5.0 in July 2022 and MEUR 3.0 was repaid in November 2022 (credit facility is still available if needed). The loan facility expires in September 2024

[3)] Interest rate for the seller credit is including margin. Interest cost all-inclusive. Seller credit is related to the transaction of Grandus SC and expires at the end of 2023.

Loan financing	30/06/2023	31/12/2022
Interest-bearing debt incl. mezzanine loan and seller credit (MEUR)	58.9	57.4
LTV incl. mezzanine loan and seller credit	60.10 %	59.38 %
Interest-bearing debt excl.mezzanine loan and seller credit (MEUR)	53.9	52.1
LTV excl. mezzanine loan and seller credit	54.97 %	53.92 %
12-month running interest margin all loans (margin)*	2.73 %	2.73 %
Interest rate hedging ratio	33.34 %	39.74 %
Interest rate coverage (ICR) - group	2.34	2.39
Interest rate coverage (ICR) - SPV finance	2.92	4.5
Time until maturity interest-bearing debt (weighted)	3.92 yrs	4.4 yrs
Time until maturity interest hedging contracts (weighted)	0.66 yrs	1.3 yrs

* Excl. 3-months EURIBOR & swap agreements

(MEUR)	30/06/2023	31/12/2022
Interest-bearing debt, total	58.9	57.4
Interest-bearing debt, bank loan	53.9	52.1
Interest-bearing debt, mezzanine	1.7	2.1
Interest-bearing debt, seller credit	3.3	3.2
LTV, total	60.10 %	59.38 %



Oribalt | Expansion area while under construction (completed Spring 2023)

Net realised interest cost & finance expenses	1H-2023		1H-2022	
	NOK	EUR	NOK	EUR
Interest expenses				
Interest on RE portfolio	14 490 237	1 280 060	3 920 617	392 936
SWAP costs			1 172 875	117 549
SWAP income	-2 314 911	-204 498	-	
Interest mezzanine inc. Contract fee	935 167	82 612	1 085 839	108 826
Interest seller's credit	1 435 816	126 839	-	
Sum interest expenses	**14 546 309**	**1 285 013**	**6 179 330**	**619 311**

Concept visualisation | Liepų Street, Klaipėda

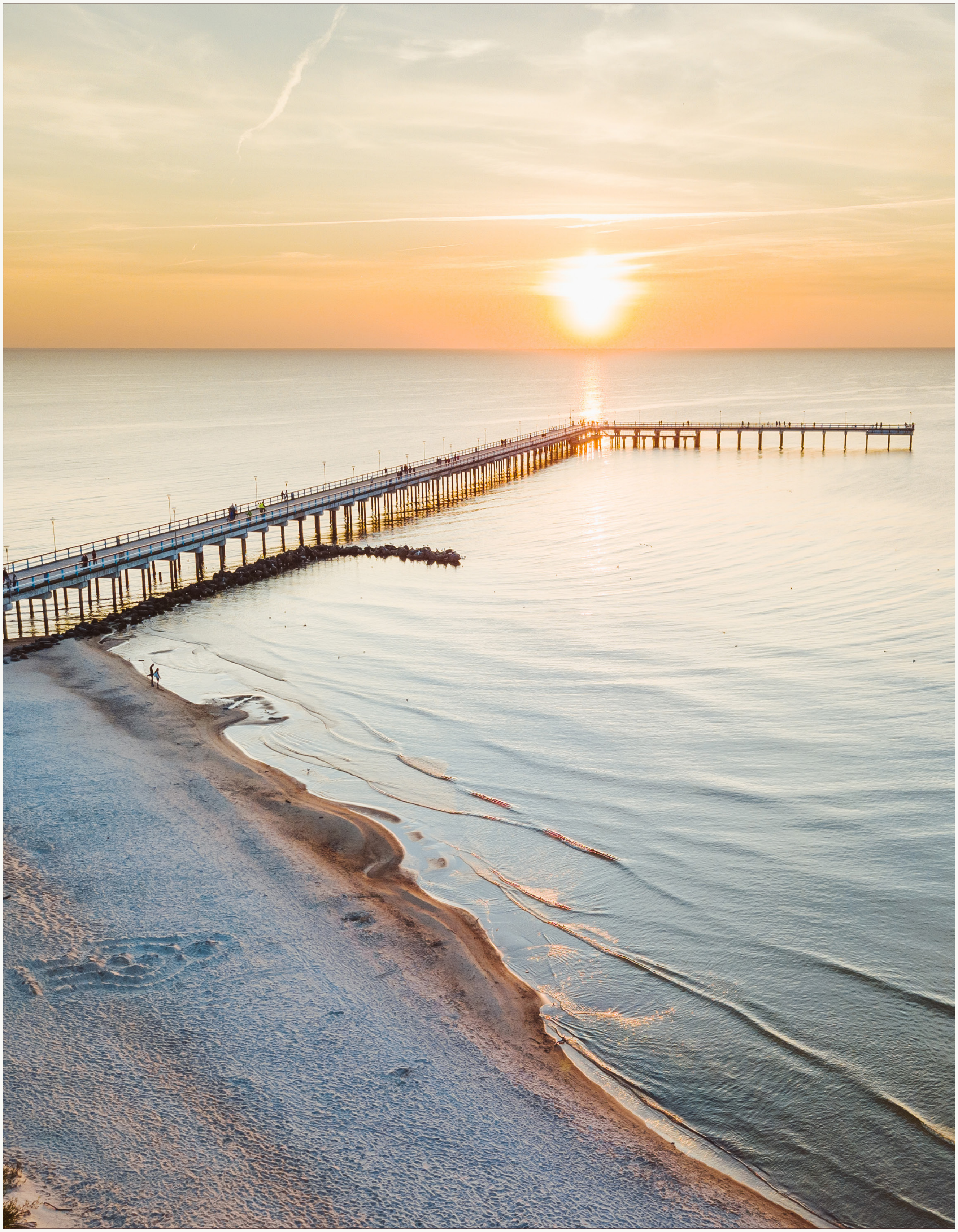
Liepų Parkas (3.6 hectare) | Retail and business park

Comprehensive income & Net Asset Value

Half-year (Q2) report 2023

Income from Property management	**Q2-2023** *Unaudited*	**Q2-2022** *Unaudited*	**31/12/2022**	**Q2-2023** *Unaudited*	**Q2-2022** *Unaudited*	**31/12/2022**
Currency	EUR thousand	EUR thousand	EUR thousand	NOK thousand	NOK thousand	NOK thousand
Rental income	3 974	3 201	6 882	44 988	31 941	69 521
Property expenses ex mng	-119	-115	-216	-1 351	-1 147	-2 184
Net rent	**3 855**	**3 086**	**6 666**	**43 638**	**30 794**	**67 337**
				0		
Other operating income	23	76	113	257	761	1 138
Administration cost	-629	-546	-1 292	-7 115	-5 450	-13 056
Other operating cost	-246	-370	-774	-2 785	-3 695	-8 046
Net realised interest cost & finance expenses	-1 341	-689	-1 775	-15 177	-6 877	-17 931
Net income from property management (IFPM)	**1 662**	**1 557**	**2 936**	**18 818**	**15 533**	**29 442**
				0		
Changes in value of investment properties	-78	1 390	1 708	-885	13 866	17 252
Changes in value of financial instruments	-152	534	1 019	-1 723	5 323	10 295
Realised changes in value of investment properties	0	0	-198	0	0	-2 000
Depreciation, amortisation and impairment	-45	-10	-22	-506	-99	-222
Net currency exchange differences	12	-1	97	131	-13	981
Profit before tax	**1 399**	**3 469**	**5 518**	**15 834**	**34 610**	**55 748**
Current tax	-56	-53	-117	-629	-530	-1 181
Deferred tax	-134	-446	-795	-1 513	-4 450	-8 032
Profit from continued operations	**1 210**	**2 970**	**4 606**	**13 692**	**29 630**	**46 535**

Net asset value	**Q2-2023** *Unaudited*	**Q2-2022** *Unaudited*	**31/12/2022**	**Q2-2023** *Unaudited*	**Q2-2022** *Unaudited*	**31/12/2022**
Currency	EUR	EUR	EUR	NOK	NOK	NOK
Equity as recognised in balance sheet	**38 963**	**36 881**	**38 586**	**456 017**	**381 663**	**405 682**
Pr share	5.83	5.52	5.78	68.29	57.15	60.75
Net Asset Value - BSP method						
Equity as recognised in balance sheet	38 963	36 881	38 586	456 017	381 663	405 682
Deferred tax according to balance sheet (-)	4 195	3 846	4 068	49 103	39 800	42 772
Equity excluding deferred tax	43 158	40 727	42 654	505 120	421 463	448 454
Deferred tax according to BSP orignal NAV definition (-)	3 319	3 024	3 203	38 843	31 294	32 032
Net asset value - BSP Method	**39 839**	**37 703**	**39 451**	**466 277**	**390 169**	**416 422**
Pr share	5.97	5.65	5.91	69.82	58.47	62.11



Palanga | Klaipėda County

Net Asset Value (NAV)

Net Asset Value (NAV) is a measure of the fair value of the company's net assets on an on-going long-term basis, calculated as the total value of the company's assets minus the total value of its liabilities, with certain adjustments.

Public and private real estate companies and real estate funds use slightly different adjustment principles when calculating their NAV. Below is therefore an explanation of how NAV is calculated in Baltic Sea Properties.

Assets valuation and adjustments for NAV:

- Investment (income generating) property and development land is valued and included using the most recent market value based on independent valuations (using discounted cash flow method.)
- External financial investments are valued and included at their most recently published/recorded NAV (alternatively most recent transaction price if NAV is not available.)
- Development property, unfinished construction and other assets are valued and included at book value (cost price less depreciation)

Liabilities adjustments for NAV:

- Financial liabilities are valued and included at book value.
- Deferred tax liabilities are valued and included at 50 % of the deferred profit tax calculated on the difference between the current property market value and tax book value. (This adjustment principle is based on market practice and a deemed fair value basis)
- Interest rate swaps are valued and included at book value.
- Other liabilities are valued and included at book value.

Net Asset Value (NAV) per share development	30/06/2023	31/12/2022	31/12/2021	31/12/2020
NAV (NOK) - BSP method (IFRS)	69.82	62.11	53.93	48.08
Dividend (NOK)	1.60	1.50	1.50	1.00
Return on equity inc. dividend YTD (NOK)	14.42%	18.08 %	15.24 %	
NAV (EUR) - BSP method (IFRS)	5.97	5.91	5.40	4.59
Dividend (EUR)	0.15	0.15	0.15	0.10
Return on equity inc. dividend YTD (EUR)	3.44%	12.18 %	20.79 %	
Applied EURNOK conversion rate	11.70	10.51	9.98	10.47

Vilnius | Gediminas' Tower

Investment portfolio

Q2 2023

- Rent roll
- Investment strategy
- Sustainability BREEAM — Certification status
- Market update from Newsec Baltics

Rent roll

Client list

Contracted rent roll

Company	Segment	Client	Contractual annualised rent (EUR)[1]	GLA	WAULT
BSP LP	Logistics	Girteka		17 149	2.5
BSP LP II	Logistics	Vinges		21 929	15.3
BSP LP IV5	Logistics	Rhenus		18 226	16.9
BSP LP V[2]	Logistics	Delamode		13 205	11.8
BSP LP VI [4]	Logistics	Oribalt		9 629	12.4
BSP LP VII[3]	Logistics	DPD		1 771	14.3
BSP LP VIII[3]	Logistics	DPD		2 370	19.3
Klaipeda Business Park (KVP)	Industrial	Multiple		23 990	3.7
BSP RP I	Retail	Multiple		1 337	2.5
BSP RP V	Retail	Maxima		3 021	9.6
BSP Grandus	Retail	Multiple		11 437	4.5
Sum			8 044 049	124 064	9.5

1) Contractual annualised rent in this table is CPI-adjusted for 2023.
2) The expansion project for Delamode was completed in September 2022.
3) The development projects for DPD were completed in October 2022.
4) The expansion project for Oribalt was completed in March 2023.
5) The expansion project for Rhenus facilitates a lease extension of 15 years, commencing from the date of handover of the expanded premises. Rent income for expansion is not included in contractual rent.

Terms/abbreviations used in the table above:

- GLA: Leasable area.
- Contractual annualised rent: Group contracted annual rent including from projects under development.

Portfolio based on rental income

High-profile clients

Portfolio based on GLA

Investment strategy

Investing in Baltic Sea Properties gives an investor exposure to high-yielding, quality commercial real estate assets in the Baltic region.

We have a clear strategy for sustainable growth, ambitions to achieve economy of scale and believe the attractive yield spread to the Nordics will still enable both high cash yield returns and value growth potential.

Our overall goals and objectives are to:

01 Target an average annual net IRR (internal rate of return) of 10-15 %

02 Continually integrate leading sustainability & ESG principles

03 Monitor and investigate strategic M&A opportunities

04 Sustain a growing, high quality and balanced investment portfolio

05 Continually identify, balance, mitigate and manage risks

Our development approach

01
Client focus

Our projects are designed according to our clients' current and future needs. We offer our partners reliability, flexibility and value innovation - allowing us to grow together.

02
Attractive locations

We own and acquire development land in strategic locations for current and future park and portfolio expansion.

03
Quality real estate

We design and build our projects with a focus on superior design, quality materials, modern technology and sustainability.

04
Long-term

We believe in long-term partnership with strong clients and are committed to increasing the lifecycle value of our assets.

Sustainability in development

Building for the future — a holistic approach to new developments.

We are working actively with both building- and system-optimising solutions to improve the sustainability and reduce the carbon emission footprint of our operations.

We focus on the long-term longevity of our buildings and optimising our strategic locations. That is why we always design the buildings in our new developments to be durable for the long-term, focusing on high-quality material and solutions which offer building flexibility and adaptability for business and operational changes, different clients, and lease cycles over its lifespan.

We believe transition of the sustainability and quality in the operations should be imbedded in the development of buildings, also for industrial and logistics. Hence, at an early stage in the process in our built-to-suit developments, we offer a variety of sustainability solutions to our clients, including but not limited to:

BREEAM In-Use "Very Good" certification as a minimum

Efficiency-focused designs, emphasising longevity and flexibility for future adaptions

Solar panels, geothermal heating and heat pumps

Waste, recycling and smart water systems

Internal and external LED-lighting in all buildings

Delamode terminal
BREEAM In-Use: "Very good"

Oribalt terminal
BREEAM In-Use: "Very good"

Rhenus terminal
BREEAM In-Use: "Very good"

Maxima retail stores
BREEAM In-Use: "Good"

DPD - Šiauliai
Status: Ongoing

DPD - Telšiai
Status: Ongoing

Klaipėda Business Park
Status: Planning

Grandus Shopping Centre

Vingės terminal

Girteka terminal

BREEAM®

BREEAM is an environmental assessment and rating system that measures a building's sustainability performance across categories like energy use, water consumption, materials, and waste, aiming to promote sustainable building practices and reduce environmental impact. The resulting rating indicates the building's sustainability performance and can be used to demonstrate a commitment to sustainability and improve long-term building performance.

Market Update

Provided by Kristina Živatkauskaitė and Mindaugas Kulbokas at Newsec Baltics (22 August 2023)

Navigating economic momentum

The economic slowdown in Lithuania has raised concerns as GDP growth begins to decelerate. This shift in economic momentum reflects a combination of both internal and external factors that are shaping the country's economic landscape. Internally, changes in consumer and business sentiment may significantly impact economic growth. An uptick in caution among consumers and businesses may lead to reduced consumption and decreased investment, contributing to the overall economic slowdown. External factors also play a vital role in Lithuania's economic performance. Global economic conditions, trade relationships, and geopolitical events can impact the country's export-oriented economy. In 2023, Lithuania experienced contrasting economic shifts. The GDP contracted by 2.5% in Q1 but exhibited a slight 0.6% rebound in Q2. Export growth's slowdown garnered attention, particularly impacting the manufacturing sector. Despite an anticipated slowdown, wages expanded by 13.3% in Q1, ultimately outpacing inflation. The labor market sustained its strength, with unemployment briefly rising to 7.7% in Q1 before receding to 5.9% in Q2. As the year progresses, the rebound witnessed in Q2 GDP suggests a potential trend towards recovery, but uncertainties remain. Lithuania's economic future lies at the crossroads of multiple factors, including domestic demand, interest rates, ECB policies, and global trade dynamics. A proactive approach to adapting to changing conditions, fostering resilience, and maintaining a balance between various economic objectives will be crucial for navigating uncertainties and building a path toward robust and sustainable economic growth.

Robust job market in Lithuania

Lithuania's job market remains strong and balanced. The year of 2023 has seen the highest employment numbers ever recorded and the level of unemployment has remained steady. What's noteworthy is that across most sectors, the employment situation seems quite balanced.

Stagnation: Balancing stability and concerns

Stagnation in the commercial real estate market can have mixed effects. It can provide price stability and help businesses plan their budgets. However, it can also signal economic troubles if it persists, impacting investor confidence, job creation, and construction. New development projects might slow down, affecting growth and economy, investor confidence, and the sustainability of the real estate sector. While stability is good, prolonged stagnation needs to be managed carefully for its broader implications. Proactive actions during periods of slowdown and stability are key to achieving continued success.

Baltic investment market face uncertainty

The year 2022 already saw a slowdown in the Baltic investment market as nearly 840 million EUR were invested in the commercial and residential real estate segments. The investment market struggled to meet expectations due to the prevailing geopolitical situation.

The year 2023 commenced with similar constraints on investment market growth. The ongoing Russian invasion of Ukraine since February 2022, coupled with persistent regional uncertainty, economic turbulence, rising interest rates, and similar risk factors, hindered investor decisions. The first half of 2023 saw a slower pace, with only 225 million EUR invested in the Baltic region. Remarkably, Lithuania alone managed to maintain the long-term average, accumulating more than 70% of the region's investments. The main reason for the decline was the slowdown in investments in Latvia and Estonia. While predicting the total investment volume for the entirety of 2023 remains challenging, it is anticipated that the more active second half of the year will drive at least 500-600 million euros of investments throughout the region for the entire year. However, this may be achieved only through larger deals in the market. Unfortunately, the recent trend is on the opposite side, with deals generally being very small. As a result, achieving this goal will be quite challenging, but the possibility remains.

Significant Baltic deals were concluded in Lithuania during the first half of 2023

Q1 of 2023 saw a sluggish pace dominated by investments in the office segment, highlighted by ASG Business Centre (10,700 sqm GLA) and Domus PRO office and retail centre (16,000 sqm GLA) acquisitions in Vilnius, Lithuania. The Finnish investment company Titanium acquired the former for an undisclosed amount, while Prosperus Asset Management secured the latter for 23.5 million EUR.

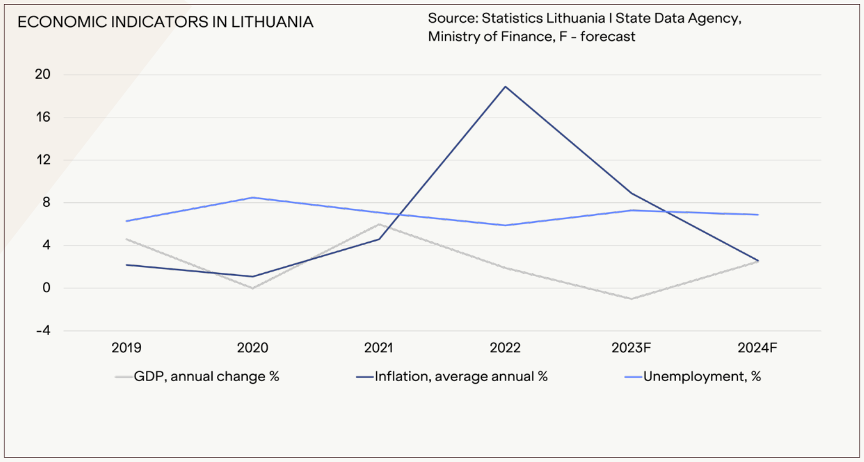
In Q2 of 2023, activity picked up both in terms of total volume and the number of deals. The office and hotel segments took the lead. Duetto I&II office buildings (16,825 sqm GLA) changed hands as Baltic Horizon sold them to East Capital for 37 million EUR. Additionally, Link business centre (9,000 sqm GLA) found a new owner within the Baltic states.

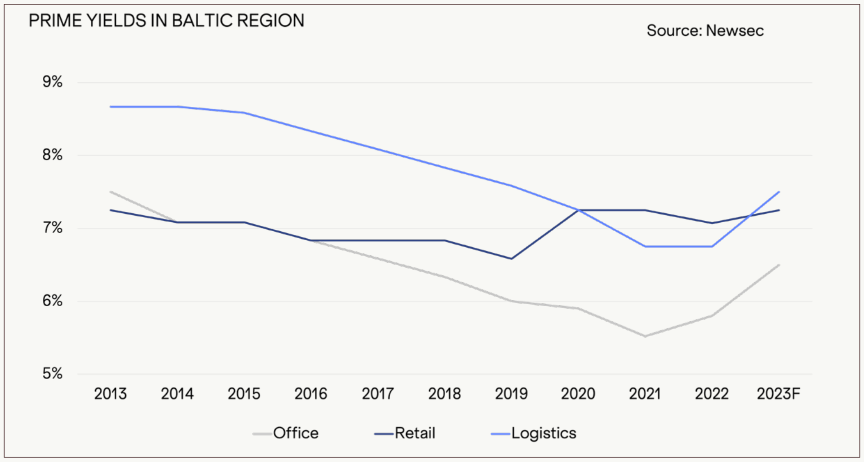
Prominent logistics and industrial projects are drawing significant attention

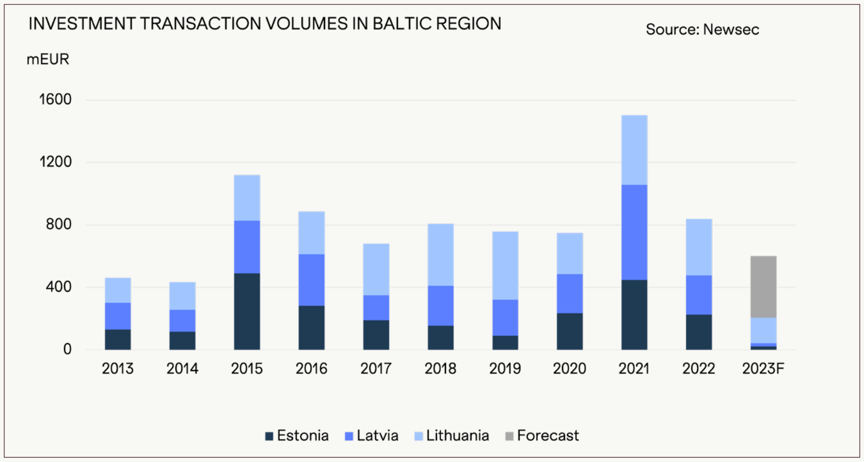
The logistics and industrial segment has gained substantial attention due to latest announcements of expansive projects in Lithuania. Nevertheless, these projects are primarily built-to-own or built-to-suit, which means they do contribute to the creation of new modern speculative premises stock, and do not add to the speculative market supply. Therefore, the vacancy rate in the L&I segment remains low, and the choice of available modern premises for rent is quite limited.

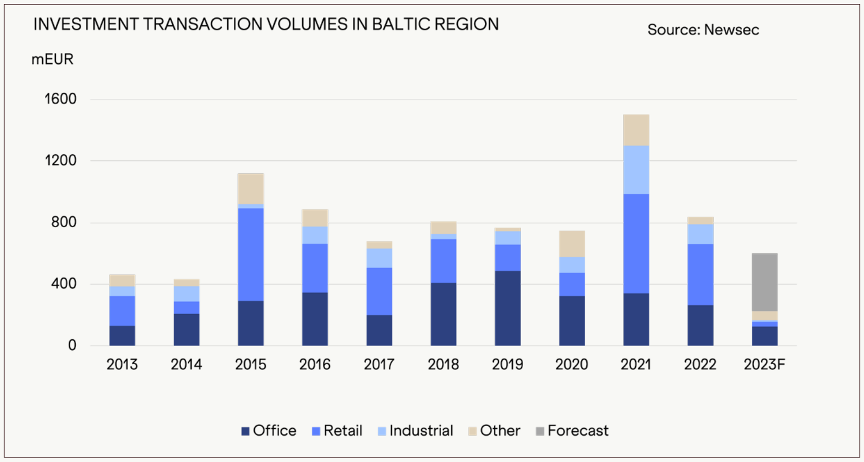
Stabilized construction costs

Construction prices have stabilized but remain high and continue to pressure developers to find creative approaches. Modern solutions, meeting sustainability requirements and a choice to "invest now and get a return later" are reflected in new projects' investment budgets.


ECONOMIC INDICATORS IN LITHUANIA
Source: Statistics Lithuania I State Data Agency, Ministry of Finance, F - forecast
20
16
12
8
4
0
-4
2019
2020
2021
2022
2023F
2024F
GDP, annual change %
Inflation, average annual %
Unemployment, %


PRIME YIELDS IN BALTIC REGION
Source: Newsec
9%
8%
7%
6%
5%
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023F
Office
Retail
Logistics


INVESTMENT TRANSACTION VOLUMES IN BALTIC REGION
Source: Newsec
mEUR
1600
1200
800
400
0
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023F
Estonia
Latvia
Lithuania
Forecast


INVESTMENT TRANSACTION VOLUMES IN BALTIC REGION
Source: Newsec
mEUR
1600
1200
800
400
0
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023F
Office
Retail
Industrial
Other
Forecast

Financial statements

1H 2023

Risks and uncertainty factors

Baltic Sea Properties' risks and approach to risk management is thoroughly described in the annual report for 2022. The Annual Report 2022 can be downloaded from the company's website (https://balticsea.no/for-investors/#financial-reporting).

Subsequent events

On the evening of 22nd of August 2023, Baltic Sea Properties signed a binding agreement with its largest tenant Rhenus Group regarding expansion of the existing logistic terminal with 17,255 sqm.

The expansion project includes a new 17,255 sqm logistic terminal including cross docking area of approx. 4,800 sqm. The property will be certified in accordance with the sustainability rating scheme BREEAM and a photovoltaic cell facility will be installed on the roof of the expanded area. Total project cost is estimated to be around MEUR 15.0 (apx. MNOK 170). Estimated handover to the tentant is in the second or third quarter of 2025.

The terms of the agreement include a 15-year lease for both the existing and new area starting from expected handover in 2025. Upon completion, the over 35,600 sqm facility will become one of the Baltic region's leading logistics centers.

Outlook

The current geopolitical environment, underscored by Russia's invasion of Ukraine, introduces a layer of uncertainty that extends to markets across the globe. Being in Lithuania, we are attentive to the regional dynamics, yet our operations have remained steadfast and focused. China's economic situation and the recent surge in inflation and interest rates are global challenges, adding a layer of complexity to our investment landscape.

Despite these external pressures, we have maintained a robust position. Our exclusive investments in Lithuania—a stable and growing market—are strategically significant. This year, we have already distributed dividends, affirming the resilience of our operations amidst wider economic fluctuations.

Our new expansion agreement with Rhenus Logistics, announced in a separate stock market statement on the evening before this report's publishing, represents a significant positive development that is set to bring additional revenue streams to our business.

Our solid financing continues to be a foundational strength of our company, even as market conditions prompt a more cautious stance on real estate valuations and bank covenants. We are vigilant but optimistic, and we continue to execute our strategy with the same disciplined approach that has served us well thus far.

As we navigate through the remainder of the year, we will leverage our deep local knowledge, strong partnerships, and operational expertise to make strategic decisions that uphold the long-term strength and stability of our investments in Lithuania.

Responsibility statement

The undersigned declare that to the best of their knowledge, the condensed set of financial statements for Baltic Sea Properties AS for the period from 1st of January to 30th of June 2023 have been prepared in accordance with applicable accounting standards, and that the information in the accounts provides a true and fair view of the company's and the group's assets, liabilities, financial position, and overall result as of 30th of June 2023.

The undersigned further declare that to the best of their knowledge, this unaudited interim report for Baltic Sea Properties AS provides a true and fair overview of the development, results, and position of the company and the group as of 30th of June 2023.

Oslo, the 23rd of August 2023

James Andrew Clarke
Chairman of the Board

John Afseth
Board Member

John David Mosvold
Board Member

Bjørn Bjøro
Board Member

Lars Christian Berger
CEO

Consolidated statement of profit or loss

Amounts in NOK thousand

Year to date	Note	30 June 2023	31 December 2022	30 June 2022
		Unaudited		*Unaudited*
Rental income	5	44 988	69 521	31 941
Gain from sale of fixed assets	3	0	0	0
Other income		257	1 138	761
Total operating income		**45 245**	**70 659**	**32 702**
Payroll and related costs		7 115	13 056	5 450
Depreciation, amortisation and impairment		506	219	99
Other operating expenses		4 135	11 789	4 842
Total operating expenses		**11 756**	**25 063**	**10 390**
Change in fair value of investment properties	3	**(885)**	**17 252**	**13 866**
Operating profit		**32 604**	**62 847**	**36 177**
Change in fair value of financial instruments	6	(1 723)	10 295	5 323
Financial income		116	456	3
Financial expenses	4, 6	(15 293)	(18 387)	(6 877)
Net currency exchange differences		131	981	(13)
Net financial income (cost)		**(16 770)**	**(6 654)**	**(1 565)**
Profit before income tax		**15 834**	**56 193**	**34 612**
Income tax expense		629	1 181	530
Change in deferred tax liability/asset		1 513	8 032	4 450
Profit for the period		**13 692**	**46 979**	**29 633**

Earnings per share	30 June 2023	31 December 2022	30 June 2022
Basic	2.05	7.04	4.44
Diluted	2.05	7.04	4.44

Profit is attributable to:	30 June 2023	31 December 2022	30 June 2022
- Owners of Baltic Sea Properties group	13 692	46 979	29 633
- Non-controlling interests	-	-	-

Consolidated statement of comprehensive income

Amounts in NOK thousand

Year to date	30 June 2023	31 December 2022	30 June 2022
	Unaudited		*Unaudited*
Profit for the period	**13 692**	**46 979**	**29 633**
Other comprehensive income not to be reclassified to profit and loss			
Foreign currency translation differences	47 241	21 020	14 347
	47 241	**21 020**	**14 347**
Total comprehensive income for the period	**60 933**	**68 000**	**43 980**
Total comprehensive income is attributable to:			
- Owners of Baltic Sea Properties group	60 933	68 000	43 980
- Non-controlling interests	0	-	-
	60 933	**68 000**	**43 980**

Consolidated statement of financial position

Amounts in NOK thousand

Per date	Note	30 June 2023	31 December 2022	30 June 2022
		Unaudited		*Unaudited*
Assets				
Investment property	3	1 175 064	1 040 278	979 142
Other operating assets		1 429	1 727	1 054
Right-of-use assets	3	184	231	289
Financial derivatives, non-current	6	5 462	6 581	2 007
Other financial non-current assets		-	-	-
Long-term receivables	5	149	134	14
Total non-current assets		**1 182 287**	**1 048 952**	**982 505**
Trade receivables	5	3 434	4 071	2 932
Financial derivatives, current	6	-	-	-
Other receivables and other current assets	5	5 847	3 726	5 939
Cash and cash equivalents	5	51 305	44 083	41 314
Total current assets		**60 586**	**51 880**	**50 185**
Investment property held for sale		**-**	**-**	**-**
Total assets		**1 242 873**	**1 100 832**	**1 032 690**

Consolidated statement of financial position

Amounts in NOK thousand

Per date	Note	30 June 2023	31 December 2022	30 June 2022
		Unaudited		*Unaudited*
Equity				
Share capital		669	669	669
Share premium		118 788	118 788	119 018
Other paid-in equity		-1	-1	-1
Total paid-in equity		**119 456**	**119 456**	**119 686**
Retained earnings		336 561	286 226	261 977
Total equity		**456 017**	**405 682**	**381 663**
Liabilities				
Deferred tax liabilities		49 103	42 772	39 800
Interest-bearing liabilities	4	636 176	541 659	472 072
Lease liabilities, non-current	3	26 535	23 919	23 406
Financial derivatives, non-current	6	-	-	-
Other non-current provisions		149	134	226
Total non-current liabilities		**711 963**	**608 483**	**535 505**
Lease liabilities, current	3	220	220	242
Interest-bearing liabilities, current	4	52 516	60 150	68 839
Trade payables	5	4 769	8 149	12 103
Income tax payable		2 773	2 132	2 639
Financial derivatives, current	6	-	-	-
Other current liabilities	5	14 615	16 014	31 700
Total current liabilities		**74 893**	**86 666**	**115 523**
Total equity and liabilities		**1 242 873**	**1 100 832**	**1 032 690**

Consolidated statement of changes in equity

Amounts in NOK thousand

	Attributable to owners of Baltic Sea Properties AS						
	Share capital	Share premium reserve	Other paid-in equity	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2022	**669**	**118 788**	**(2)**	**228 029**	**347 485**	**-**	**347 485**
Net profit for the period	-	-	-	46 979	46 979	-	46 979
Capital increase	-	-	-	-	-	-	-
Share based payments	-	-	-	230	231	-	231
Other comprehensive income for the period	-	-	-	21 020	21 020	-	21 020
Total comprehensive income in the period	**-**	**-**	**-**	**68 000**	**68 000**	**-**	**68 000**
Transactions with owners of the company:							
Transaction with non-controlling interests	-	-	-	-	-	-	
Dividends paid	-	-	-	(10 032)	(10 032)	-	(10 032)
Equity at 1 January 2023	**669**	**118 788**	**(1)**	**286 227**	**405 683**	**-**	**405 683**

	Share capital	Share premium reserve	Other paid-in equity	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2023	**669**	**118 788**	**(1)**	**286 226**	**405 682**	**-**	**405 682**
Net profit for the period	-	-	-	13 692	13 692	-	13 692
Capital increase	-	-	-	-	-	-	-
Share based payments	-	-	-	89	89	-	89
Other comprehensive income for the period	-	-	-	47 241	47 241	-	47 241
Total comprehensive income in the period	**-**	**-**	**-**	**60 933**	**60 933**	**-**	**60 933**
Transactions with owners of the company:							
Transaction with non-controlling interests	-	-	-	-	-	-	-
Dividends paid	-	-	-	(10 687)	(10 687)	-	(10 687)
Equity at 30 June 2023 *(Unaudited)*	**669**	**118 788**	**(1)**	**336 561**	**456 017**	**-**	**456 017**

Consolidated statement of cash flows

Amounts in NOK thousand

Year to date	Note	30 June 2023	31 December 2022	30 June 2022
		Unaudited		*Unaudited*
Profit for the period before tax		**15 834**	**56 193**	**34 612**
Adjustments for:				
Changes in value of investment properties	3	885	(17 252)	(13 866)
Gain from sale of fixed assets	3	-	-	-
Depreciation, amortisation and impairment	3	506	219	99
Changes in fair value of derivatives		1 723	(10 295)	(5 323)
Financial income		(116)	(456)	(3)
Financial expenses		15 293	18 387	6 877
Net currency exchange differences		(131)	(981)	13
Changes in trade receivables & payables	5	(2 744)	13 856	6 941
Changes in other accruals	5	(3 535)	863	15 926
Taxes paid (net)		12	1 332	(956)
Net cash flows from operating activities		**27 728**	**61 864**	**44 320**
Proceeds from property transactions	3	-	-	-
Investments in investment property	3	(16 895)	(211 165)	(167 164)
Investments in property, plant and equipment	3	-	-	-
Proceeds from sale of shares and other equity instruments		-	-	-
Acquisition of other investments		-	(629)	-
Interest received		116	162	3
Net cash flows from investing activities		**(16 779)**	**(211 632)**	**(167 161)**
Proceeds from interest-bearing debt	4	33 132	244 603	127 799
Repayment of interest-bearing debt	4	(13 449)	(76 274)	(10 619)
Repayments of lease liabilities	4	-	(207)	-
Dividends paid to company's shareholders		(10 687)	(10 032)	-
Interest paid		(14 821)	(15 929)	(5 805)
Net cash flows from financing activities		**(5 825)**	**142 161**	**111 376**
Net change in cash and cash equivalents		**5 124**	**(7 607)**	**(11 465)**
Effects of foreign exchange on cash and cash equivalents		2 098	(1 100)	(11)
Cash and cash equivalents at the beginning of the period		**44 083**	**52 790**	**52 791**
Cash and cash equivalents at the end of the period		**51 305**	**44 083**	**41 314**

Selected notes to the interim consolidated financial statements

Baltic Sea Properties Group - Half-year report 2023

Note 1 Basis of preparation and accounting principles

The interim consolidated financial statements of Baltic Sea Properties AS have been prepared in accordance with international accounting principles (IFRS) as approved by the EU, with additional information as required by the Norwegian Accounting Act as per 30.06.2023. The accounting principles that have been used in the preparation of the interim financial state- ments are in conformity with the principles used in preparation of the annual financial statements for 2022.

Baltic Sea Properties first presented its financial statements in accordance with IFRS in the Annual Report 2022. We refer to note 30 of the Annual Report 2022 for further information about the conversion process and the accounting
principles applied.

The report covers Baltic Sea Properties AS and its subsidiaries. The interim consolidated financial statements have not been audited.

Note 2 Segment information and rental income

The group has one operational segment as there are no material differences in risk and returns in the economic environments in which the company operates. The property portfolio consists of properties in Lithuania and internal reporting is consolidated into one reporting segment.

Rental income	Segment	Geography	30/06/2023	30/06/2022
Income from tenants	Investment property	Lithuania	44 988 299	31 940 776
Total rental income			**44 988 299**	**31 940 776**

Customers that aggregate 10 % or more of the Group's total revenues are disclosed in the table below	30/06/2023	30/06/2022
Logistics tenant 1	6 637 818	5 408 722
Logistics tenant 2	6 396 992	5 491 679
Logistics tenant 3	5 675 487	4 895 291

Lease management

The group mainly enters into long-term lease contracts with solid counterparties. The lease contracts mainly has fixed rent and include CPI increases.

Note 3 Investment property

Bi-annually, per 30 June and 31 December, Baltic Sea Properties collects valuations of its properties from two independent valuators (Oberhaus and Newsec). When determining property values for accounting and NAV purposes, the valuation method is based on the average of the two valuations for each property/portfolio. However, the company also conducts its own value assessments, and in certain instances, where there are reasons for applying an amended value estimate than the average of the external valuations, the company will use its own best estimate to reflect the correct market value per balance date. In these instances, the reasoning behind the chosen value must be explained. The valuation is carried out by the company's own employees and approved by the company's board.

Key factors are current income and expenses for the property, market rent and yield. A set of macroeconomic assumptions is used as a basis, but beyond this, each individual property and area is measured separately. To determine the yield, the property's location, attractiveness, quality, the general property market and credit market, the tenant's assumed solvency and the lease agreement structure are assessed. This model uses a number of significant unobservable parameters and is included at level 3 in the valuation hierarchy. These parameters include the following:

Future rental payments

These are estimated based on the actual location, type and condition of the building. The estimates are supported by existing lease agreements, as well as recently concluded lease agreements for similar properties in the same area.

Required rate of return (Yield)

Yield refers to the annual rate of return on an investment property, expressed as a percentage of the property's purchase price or current market value. It is a key metric used by investors to evaluate the performance of a property and compare it to other investment opportunities.Yield is typically calculated by dividing the property's annual net income (rental income minus expenses) by its purchase price or current market value. This provides an indication of the investment's profitability and potential cash flow.There are two primary types of yield in commercial real estate:

1. **Gross Yield** = (Annual Rental Income / Property Purchase Price or Market Value) x 100.
   This is the annual rental income generated by a property as a percentage of its purchase price or current market value, without accounting for expenses like maintenance, property management fees, and vacancy rates.

2. **Net Yield** = (Annual Net Income / Property Purchase Price or Market Value) x 100.
   This is a more accurate representation of the actual return on investment as it factors in expenses like maintenance, property management fees, and vacancy rates. It is the annual net income generated by a property as a percentage of its purchase price or current market value.

Yield is just one of the many factors investors consider when evaluating commercial real estate investments. Other important factors include location, property type, tenant quality, and market conditions.

Estimated vacancy

This is determined based on actual market conditions and expected market conditions at the end of existing lease agreements.

Ownership expenses

Ownership expenses are estimated based on lease agreement, estimated maintenance costs to maintain the building's capacity over its economic life.

Investment properties in balance sheet	**30 June 2023**	**31 December 2022**	**30 June 2022**
Investment properties measured at fair value	1 148 491 364	1 002 753 675	902 078 745
Investment properties under construction measured at cost	-	13 614 919	53 704 647
Investment properties excl. right-of-use asset, investment property	1 148 491 364	1 016 368 594	955 783 392
Right-of-use asset, investment property (cf. IFRS 16)	26 572 227	23 909 386	23 358 210
Sum	**1 175 063 591**	**1 040 277 981**	**979 141 602**

Investment properties measured at fair value	**30 June 2023**	**31 December 2022**	**30 June 2022**
Opening balance	1 016 368 594	751 914 664	751 914 664
Purchase of investment property	11 607 362	195 839 578	116 490 572
Sale of investment property	-	-	-
Capital expenditure on investment properties	5 287 422	1 710 182	524 052
Net gains/losses from fair value adjustments in the period	-698 865	5 133 302	1 549 999
Currency effects	115 926 851	48 155 949	31 599 459
Fair value per 31.12	**1 148 491 364**	**1 002 753 675**	**902 078 745**
Investment properties held for continued investment, measured at fair value	1 148 491 364	1 002 753 675	902 078 745
Investment properties held for sale, measured at fair value	-	-	-
Closing balance investment properties measured at fair value	**1 148 491 364**	**1 002 753 675**	**902 078 745**

Overview of inputs for valuation	30 June 2023	31 December 2022	30 June 2022
Valuation Level	3	3	3
Valuation model	DCF	DCF	DCF
Fair Value	1 148 491 364	1 002 753 675	751 914 664
Number of square meters (including developments under construction)	124 064	124 064	123 800
WAULT	9.5	9.10	9.04
Contracted rent at balance date measured in NOK	94 147 554	84 573 522	79 928 392
Actual vacancy	99.5%	99%	99%
Net Yield (interval)	7%-10%	7.00%-9.75%	6.25%-9.10%
Currency	11.7040	10.5138	10.3485

Sensitivity analysis

	30/06/2023	
Sensitivity - Valuations (market value)	Value change (+)	Value change (-)
Exit yield:		
+/- 0.25 percentage points	- 31 771 234	33 737 442
+/- 0.50 percentage points	- 63 542 468	67 474 883

Currency risk

The group has financial risk linked to the conversion of subsidiaries in Lithuania (EUR) to the presentation currency (NOK).

Sensitivity - Net Asset Value	Value change (+)	Value change (-)
Increase/decrease NOK/EUR - balance date +- 5%	23 314 000	-23 314 000
Increase/decrease NOK/EUR - balance date +- 10%	46 628 000	- 46 628 000

Adjusted valuations for the purpose of the financial statements

The average fair value of investment properties estimated by external valuators have been adjusted to arrive at the fair value booked. The adjustments have been made to reflect the uncertainties related to future capital expenditure requirements and assumed risk related to contract renewals. See reconciliation of adjustments below.

	Asset 1	Asset 2	Asset 3	Asset 4	Asset 5
Average fair value estimated by external valuers	118 151 880	142 525 460	201 601 400	9 421 720	17 790 080
Adjustment 1	*-4 154 920*				
Adjustment 2		*-438 900*			
Adjustment 3			*-7 164 654*		
Adjustment 4				*-292 600*	
Adjustment 5					*-2 337 742*
Fair value booked per 30.06.23	113 996 960	142 086 560	194 436 746	9 129 120	15 452 338

Investment properties under construction measured at cost

BSP assess that the fair value of their properties under construction cannot be measured reliably and as such measure these at cost until completion. The cost is considered to better reflect the underlying value of the investment property as the uncertainty related to the estimation of the fair value is deemed to be substantial. The properties under construction will be measured at fair value when its fair value is reliably measurable or construction is completed, whichever is earlier.

Investment properties under construction measured at cost	30 June 2023	31 December 2022	30 June 2022
Opening balance	-	-	-
Capital expenditure on investment properties under construction	-	13 614 919	53 704 647
Book value investment properties under construction measured at cost	**-**	**13 614 919**	**53 704 647**
Book value of investment property pledged as security for debt	**1 121 418 760**	**989 138 304**	**902 078 745**

Information regarding leased investment properties:

As of 30/06/2023 the BSP portfolio includes 6 leased land plots. All leased land plots are on long-term leases. The leases are accounted for in line with IFRS 16 and IAS 40. Refer to note 18 of the Annual Report 2022 for further information. The land leases are regulated annually in accordance with municipal decisions.

Note 4 Interest bearing liabilities

	30 June 2023	31 December 2022	30 June 2022
Interest-bearing debt	688 692 078	601 809 445	540 911 224
Bank deposits	-51 304 793	-44 083 195	-41 314 251
Financial derivatives	-5 461 821	-6 581 187	-2 007 099
Net interest-bearing debt	**631 925 464**	**551 145 063**	**497 589 874**
Investment properties (excl. additions related to IFRS 16)	1 148 491 364	1 016 368 594	955 783 392
Group Net LTV	**55.0 %**	**54.2 %**	**52.1 %**

Covenant requirements

All bank loans, except for UAB Grandus, are financed by Luminor Bank while UAB Grandus is financed by SEB. The group was not in breach of covenants at the end of the 1H 2023.

Luminor:
- LTV*: Max 70 % (consolidated)
- DSCR**: Minimum 1.20 (consolidated)
- Debt / EBITDA***: Max 10.0 (consolidated)

SEB:
- LTV*: Max 60 %
- DSCR**: Minimum 1.20

Abbreviations explained:
** LTV = Loan-to-value.*
*** DSCR = The coverage ratio of EBITDA*** over total debt payment per year. In the BSP Group, this is only applied for the real estate SPV's holding assets with Mortgage. Hence, central administration and company costs in management companies and Holding companies are not part of EBITDA calculation for bank covenants.*
**** EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization.*

The group's investment properties (cf. note 3) are pledged as security for the loans related to the investment properties.

Refinancing of the group's bank debt in March/May 2021 and in July 2022:

In March 2021, the company signed a binding term sheet with Luminor Bank on new financing for all subsidiaries. The loan agreement for the companies BSP Retail Property V UAB, BSP Logistic Property IV UAB, BSP Logistic Property V UAB and BSP Logistic Property VI UAB was signed in March 2021. The loan agreement for BSP Logistic Property and BSP Logistic Property II was signed in the end of May 2021.

The main conditions for the new loan were as follows:
- Interest rate: 2.05% + 3-month Euribor (minimum 0)
- Installment profile 20 years
- Financial covenants (main points):
  - LTV*: Max 70 % (consolidated)
  - DSCR**: Minimum 1.20 (consolidated)
  - Debt / EBITDA***: Max 10.0 (consolidated)

The respective real estate SPV's are operating as guarantees of the combined loan portfolio with mortgages on the Group's properties.

In July 2022, the entire loan portfolio renewed its term to May 2027. Furthermore, a drawdown of mEUR 3.2 was made at 2.25% + 3-month Euribor releasing cash for new investments. In addition, a new 25-year amortisation schedule was implemented for the loan portfolio. During 2023 the group has re-leveraged around mEUR 1.2.

After the re-financing, the average bank margin for the group financing is 2.17% (including SEB financing for Grandus shopping centre at 2.55% margin) + 3-month Euribor.

Abbreviations explained:
** LTV = Loan-to-value.*
*** DSCR = The coverage ratio of EBITDA*** over total debt payment per year. In the BSP Group, this is only applied for the real estate SPV's holding assets with Mortgage. Hence, central administration and company costs in management companies and Holding companies are not part of EBITDA calculation for bank covenants.*
**** EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization.*

Note 5 Classification and measurement of financial assets and liabilities

The table below provides an overview of the classification of the group's financial assets and liabilities, and shows the valuation hierarchy for financial instruments that are measured at fair value. The table also shows the balance sheet values and fair value for the group's financial instruments.

30 June 2023	Valuation hierarchy level	Financial instruments at fair value over profit and loss	Financial instruments at amortized cost	Total book value	Total fair value
Assets					
Financial fixed assets	2	-	149 245	149 245	149 245
Accounts receivable and other receivables	2	-	9 280 811	9 280 811	9 280 811
Bank deposits and cash	1	-	51 304 793	51 304 793	51 304 793
Interest rate swap	2	5 461 821	-	5 461 821	5 461 821
Total financial assets		**5 461 821**	**60 734 849**	**66 196 670**	**66 196 670**
Liabilities					
Debt to credit institutions	2	-	-688 692 078	-688 692 078	-688 692 078
Accounts payable and other debts	2	-	-19 532 943	-19 532 943	-19 532 943
Interest rate swap	2	-	-	-	-
Total financial liabilities		**-**	**-708 225 021**	**-708 225 021**	**-708 225 021**
Valuation level 1 (net)		-	51 304 793	51 304 793	51 304 793
Valuation level 2 (net)		5 461 821	-698 794 965	-693 333 144	-693 333 144
Valuation level 3 (net)		-	-	-	-

31 December 2022	Valuation hierarchy level	Financial instruments at fair value over profit and loss	Financial instruments at amortized cost	Total book value	Total fair value
Assets					
Financial fixed assets	2	-	134 068	134 068	134 068
Accounts receivable and other receivables	2	-	7 796 744	7 796 744	7 796 744
Bank deposits and cash	1	-	44 083 195	44 083 195	44 083 195
Interest rate swap	2	6 581 187	-	6 581 187	6 581 187
Total financial assets		**6 581 187**	**52 014 007**	**58 595 194**	**58 595 194**
Liabilities					
Debt to credit institutions	2	-	-601 809 445	-601 809 445	-601 809 445
Accounts payable and other debts	2	-	-24 297 383	-24 297 383	-24 297 383
Interest rate swap	2	-	-	-	-
Total financial liabilities		**-**	**-626 106 828**	**-626 106 828**	**-626 106 828**
Valuation level 1 (net)		-	44 083 195	44 083 195	44 083 195
Valuation level 2 (net)		6 581 187	-618 176 016	-611 594 829	-611 594 829
Valuation level 3 (net)		-	-	-	-

Fair value hierarchy
The Group uses the following hierarchy to classify assets and liabilities, based on the input to the valuation methods used to measure and disclose their fair value.

Level 1: Use of quoted prices in active markets for identical assets and liabilities.
Level 2: Use of valuation methods with observable market data as input.
Level 3: Use of valuation methods where input is based on a significant degree of unobservable market data.

Valuation of financial instruments is performed by the group's finance department, in consultation with an external advisor. The valuation methods used are adapted to each financial instrument, and aim to make the most of the information available in the market.

Fair value of financial instruments measured at fair value in the balance sheet
Measurement of the fair value of the group's interest rate swaps and hedging instruments is valued based on inputs classified at level 2. The fair value of interest rate swaps and hedging instruments is estimated based on observable forward rates and yield curves, and confirmed by the financial institution with which the company has entered into the agreements.

Fair value of financial instruments measured at amortized cost in the balance sheet
In addition to the above-mentioned financial assets and liabilities which are carried in the balance sheet at fair value, the group's other financial assets and liabilities (financial instruments) are carried on the balance sheet at amortized cost. The fair value of these financial instruments as shown in the table above is expected to be approximately equal to the book value (amortized cost). The carrying value of bank deposits and cash is approximately equal to fair value due to the fact that these instruments have a short maturity. Correspondingly, the book value of receivables and trade payables is approximately equal to fair value as they are entered into under normal conditions and discounting is not assumed to have a significant effect. Bank loans are measured at the fair value of future cash flows, where account is taken of the assumed difference between the current margin and market conditions.

Note 6 Interest rate swap agreements

In order to adapt the debt portfolio to the group's target interest rate profile, the following financial instruments are used:

Interest rate swap agreement

Agreement to exchange interest terms for a specific nominal amount over a specific number of periods.

The financial instruments are measured at fair value on the reporting date. Changes in value during the accounting period are booked in profit or loss.

Instruments as of 30.06.2023	Type	Expiration year	Contract amount (principal)	Average interest rate
Interest rate swap	Pays fixed and receives floating	10/01/2024	13 055 324	0,58%
Interest rate swap	Pays fixed and receives floating	10/01/2024	4 250 000	0,58%
Interest cap rate	Pays fixed	10/01/2025	1 088 737	
Interest rate swap	Pays fixed and receives floating	28/07/2025	1 265 305	0,72%

Instruments as of 31.12.2022	Type	Expiration year	Contract amount (principal)	Average interest rate
Interest rate swap	Pays fixed and receives floating	10/01/2024	13 898 000	0,58%
Interest rate swap	Pays fixed and receives floating	10/01/2024	4 515 000	0,58%
Interest cap rate	Pays fixed	10/01/2025	1 251 247	
Interest rate swap	Pays fixed and receives floating	28/07/2025	1 591 567	0,72%

Note 7 Uncertain liabilities

In 2011, the tax authorities requested information from the parent company regarding previously deducted issue costs related to the balance sheet for 2006. The parent company was then able to reduce its carry forward loss by NOK 23,688,757. This was part of the issue/facilitation fee that was considered to be part of the investment and therefore not gave a tax deduction. Furthermore, the decision states that additional tax of 30% of the tax of NOK 23,688,757, a total of NOK 1,989,856, will be effected in the first year the company makes a tax profit. There is thus a contingent liability of NOK 1,989,856 for which there is no provision in the accounts as the company considers it less than 50% likely that it will make a tax profit. This assessment is based on the fact that the company's main source of income is dividends from subsidiaries, which are not subject to taxation.

Per 31.12.2022, the parent company had a deferred tax asset of MNOK 14 which the company has chosen to not book in its balance sheet as it not expects to come in a position of taxation where it will be able to make use of the tax asset.

Kernavė | Medieval capital of the Grand Duchy of Lithuania
(UNESCO World Heritage Site)

Property portfolio

Q2 2023

- Client mix
- Presentation of our properties
- Land bank

Client mix

Distribution of rent income

LOGISTICS & DISTRIBUTION

RHENUS LOGISTICS
dpd
Girteka LOGISTICS
delamode International Logistics
Vingės Terminalas

56.3 %

RETAIL

GRANDUS
MAXIMA

17.3 %

INDUSTRIAL

onninen
EURO PART
WÜRTH

18.5 %

PHARMACEUTICAL

Oribalt

7.9 %

BSP Park - Vilnius A4 | Logistics

Client: Rhenus Logistics
Location: Highway A4, Vilnius, Lithuania
GLA: 18 226 m²
Expansion area: 17 255 m²
Maturity lease agreement: 2040 (15 years from handover in 2025)

The property was finalised in June 2017 and further expanded in 2020. It is currently leased by UAB Rhenus Logistics, a subsidiary of the Rhenus Group. In August 2023, we agreed on an expansion project of 17 255 m² with expected handover in Q2/Q3 2025. Upon completion the logistics terminal will be approx. 35 600 m².

The Rhenus Group is one of Europe's biggest transportation groups, and UAB Rhenus Logistics covers the group's operations in the Baltics and part of the East European network.

BSP Park - Vilnius A3 | Logistics

Client:	**Vingės Terminalas**
Location:	**Highway A3, Vilnius, Lithuania**
GLA:	**21 929 m^2**
Maturity lease agreement:	**2038**

The property is strategically located along the highway between Vilnius og Minsk in Belarus.

Vingės Terminalas is a local logistics company within the the Vingės Logistics Group, operating within export, transit, order processing and goods transport. The company has a wide spectre of clients in Europe and CEE.

BSP Park - Vilnius East | Logistics

Client:	**Girteka Logistics**
Location:	**Highway A3, Vilnius, Lithuania**
GLA:	**17 149 m²**
Maturity lease agreement:	**2026**

The property is leased by Girteka Logistics, one of Europe's leading transportation companies, strategically located by Vilnius International Airport.

The property has a land area of 42 907 m² with 11 458 m² storage, 2 014 m² frozen storage, 3 348 m² cold storage and 1 134 m² office.

BSP Park - Vilnius West | Logistics

Client:	**Delamode Baltics**
Location:	**Highway A1, Vilnius, Lithuania**
GLA:	**13 205 m²**
Maturity lease agreement:	**2035**

The property was finalised in August 2020 and is currently leased by Delamode Baltics, a dynamic supplier of freight forwarding-solutions to the global market.

In July 2021, BSP signed an agreement with Delamode to expand the facility. The expansion project (apx. 4 780 m^2) was completed in September 2022.

BSP Park - Vilnius A1 | Logistics

Client: Oribalt
Location: Highway A1, Vilnius, Lithuania
GLA: 9 625 m^2
Maturity lease agreement: 2035

The property was finalised in August 2020 and is currently leased by Oribalt. An expansion area of apx. 2 800 m^2 was handed over to the client in 2023.

Oribalt offers a wide spectre of logistics solutions for pharmaceutical producers, including storage, distribution, transportation and direct delivery.

Small frame | Terminal after expansion

Klaipėda Business Park (KVP) | Business park

Clients: Multiple (27)
Location: Klaipėda, Lithuania
GLA: 23 990 m²
Maturity lease agreement: 2022-2035

Klaipėda Business Park (KVP) offers its tenants industrial, commercial and office spaces within the Free Economic Zone of Klaipėda.

The property was acquired by BSP in April 2021.

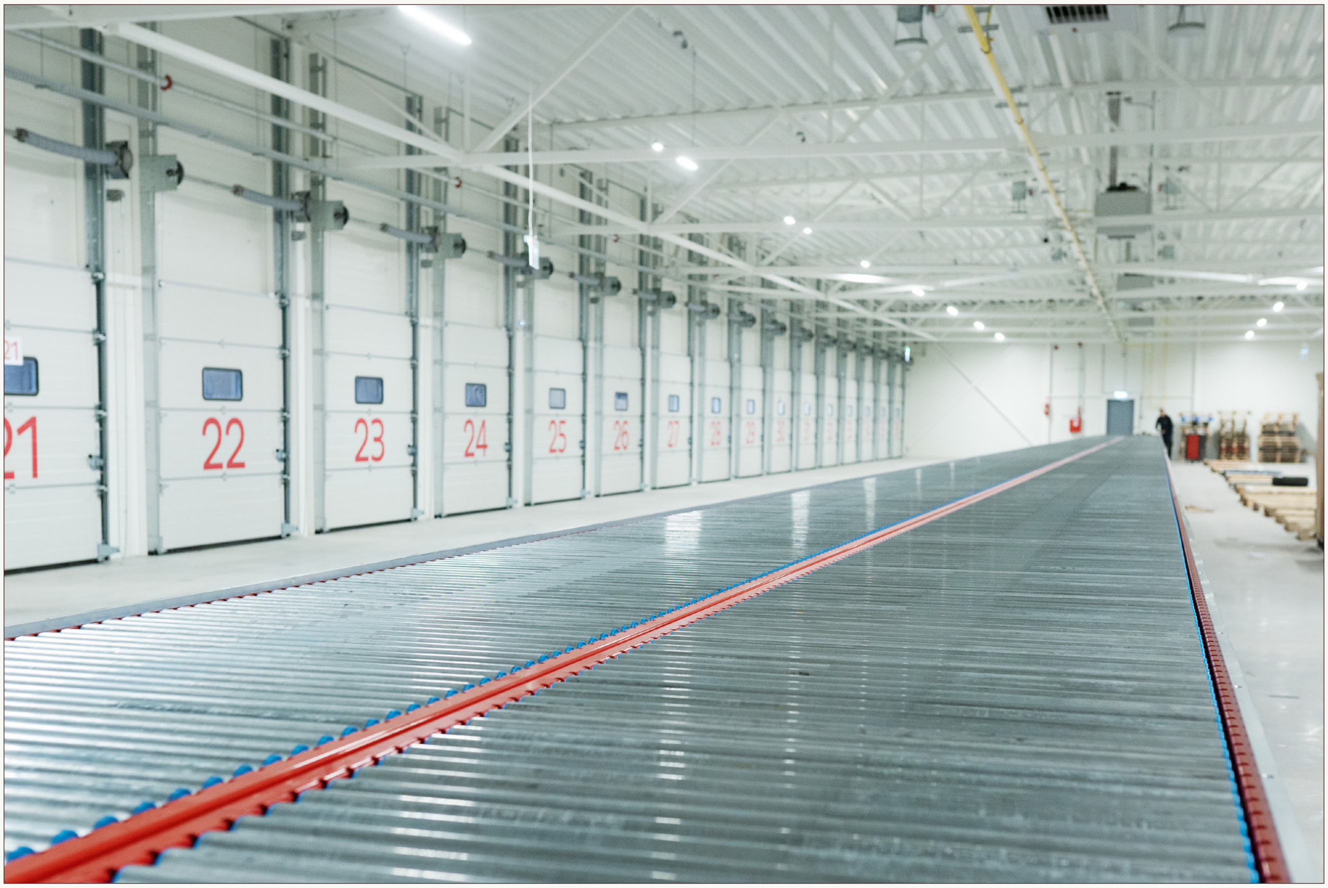
RP 1/RP 5 | Retail

Main clients:	Maxima/Multi-tenant
Location:	Lithuania
GLA:	4 358 m²
Maturity lease agreements:	2022 - 2034

DPD | Logistics

Client: DPD
Location: Šiauliai & Telšiai, Lithuania
GLA: 4 141 m²
Maturity lease agreements: 2042 & 2037

In October 2022 we delivered two new terminals to DPD, one of the world's largest distribution operators, and the official opening ceremony was held on the 18th of November.



Grandus | Retail

Clients: Multiple
Location: Klaipėda, Lithuania
GLA: 11 437 m^2
Maturity lease agreements: 2022-2032

Grandus is a neighborhood shopping center located along one of the main access road to the center of Klaipėda. The center is located in the immediate vicinity of a larger residential area that ensures good access to visitors every day.

Land bank | Development

Type:	**Land plots for development**
Locations:	**Vilnius and Klaipėda, Lithuania**
Area:	**17.9 hectare**
Zoning:	**Commercial**
Project:	**Design & planning**

Strategically located land plots along strategic road networks near Vilnius and Klaipėda.

Liepų Parkas
(3.6 hectare)
Liepų Street, Klaipėda

By Oribalt terminal
(6.9 hectare)
Highway A1, Vilnius

By Rhenus terminal
reserved for expansion (4.1 hectare)
Highway A4, Vilnius

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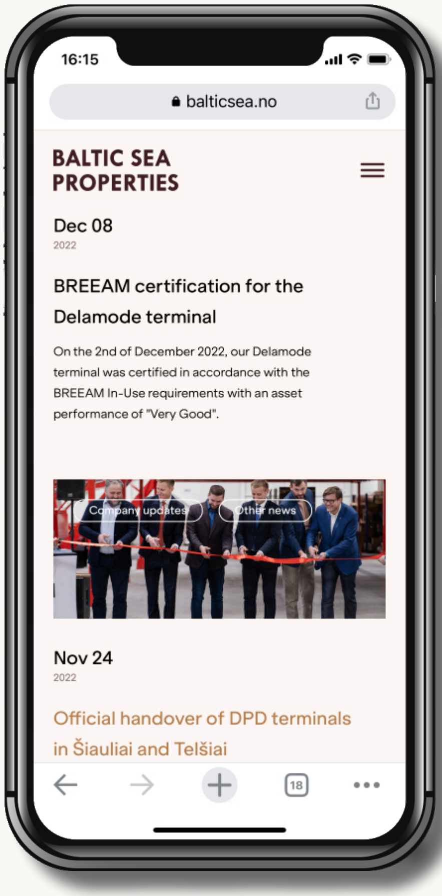

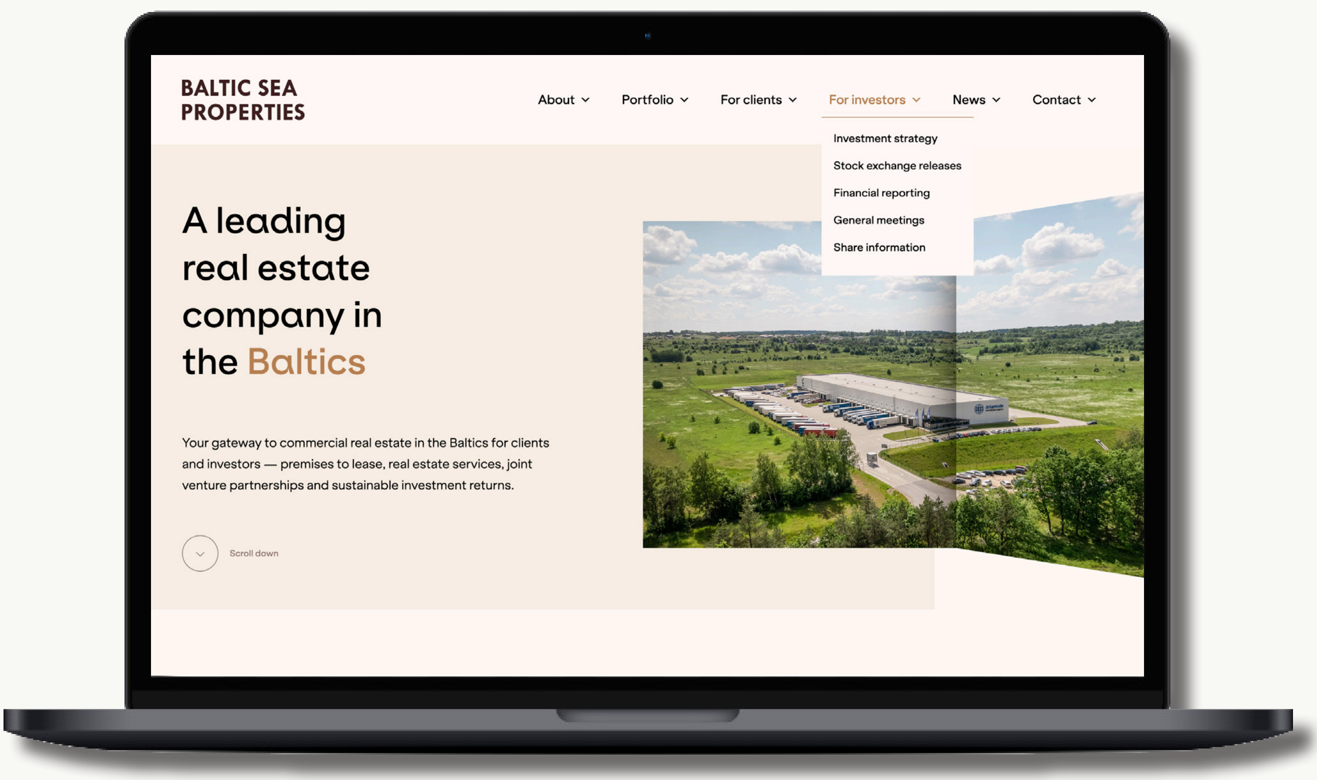

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Baltics Developers logistics"

for three consecutive years!

2022 : 1st place
2021 : 1st place
2020 : 1st place

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Baltic Sea Properties AS has since 2017 been listed for trading on Merkur Market/Euronext Growth Oslo, a MTF under Oslo Stock Exchange.

Since Euronext's acquisition of Oslo Stock Exchange in June 2019, trading at Euronext Growth Oslo has been migrated to Euronext's trading system Optiq. The trading system gives all trading on Euronext marketplaces in Europe access to trading on the marketplaces under Oslo Stock Exchange. Pricing data is available on live.euronext.com were trades are updateed in real-time.

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BALTIC SEA PROPERTIES

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