

Interim report

Third quarter 2019



Snarøyveien 36 («Fornebu Works»), Bærum

30.09.2019

NORWEGIAN PROPERTY ASA

Important events in the third quarter of 2019

Life-for-like increase in rental income

Overall rental income came to NOK 185.7 million for the third quarter, representing a like-for-like increase of NOK 10.6 million from the same period of last year.

Profit before tax and fair-value adjustments of NOK 85.3 million

Profit before tax and fair-value adjustments came to NOK 85.3 million, compared with NOK 91.1 million for the third quarter of 2018. The change relates primarily to the sale of properties at Skøyen and in Stavanger.

Positive change in market value of investment properties

The valuation of the property portfolio resulted in an unrealised positive fair-value adjustment of NOK 155.9 million (NOK 66.7 million), after the award of new and improved leases and expectations for higher market rents in the areas where the group has the bulk of its property assets.

Long-term market interest rates had not significantly changed at 30 September compared with 30 June, and the fair-value adjustment for interest-rate derivatives showed a flat trend for the period (NOK 2.5 million in positive effect on profit compared with NOK 37.6 million for the same period of last year).

Net profit of NOK 201 million and ordinary EPS of NOK 0.38

Pre-tax profit came to NOK 243.7 million (NOK 195,4 million). After a provision of NOK 42.7 million for deferred tax, net profit for the period came to NOK 201 million. That yielded ordinary earnings per share (EPS) of NOK 0.38 for the third quarter. Carried equity per share came to NOK 15.94 at 30 September 2019, up from NOK 15.62 at 30 June.

New leases

New leases in the third quarter amount to NOK 20 million. Extension of leases was NOK 13 million and expiry of leases NOK 7 million. Leases with a total net annual rental income of NOK 26 million were awarded.

Status of the development project at Hasle

The company acquired a development project at Hasle in Oslo during the fourth quarter of 2018, covering the construction of a mixed-use property with residential, commercial and retail components. This property comprises 223 flats, which have all be sold on to end users with estimated delivery dates in the fourth quarter of 2019 and the first half of 2020. The shopping centre covers some 8 800 square metres of commercial space and opens in the fourth quarter of 2019.

Property transactions

The portfolio of properties in the core areas Aker Brygge and Nydalen was expanded in the third quarter through the acquisition of new commercial units in the Stranden property at Aker Brygge and the purchase of the Gjerdrums vei 5 commercial property in Nydalen with an associated residential property at Gjerdrums vei 3. The new properties connects with the group's existing property holdings and has the potential for further development. The acquisitions in the third quarter have a gross asset value of NOK 125 million, and accord with Norwegian Property's strategy of focusing the company's capital on areas which offer synergies with the rest of the portfolio.

Refinancing of interest-bearing debt

Norwegian Property signed agreements for a three-year credit facility of NOK 1 billion during the third quarter with Nordea, SEB and DNB, as well as an agreement for a new five-year bond loan of NOK 505 million. These new facilities are being used to refinance existing debt and for general company purposes. Both loans were disbursed at the beginning of October 2019.

Dividend

The board has resolved to pay a dividend of NOK 0.07 per share for the third quarter of 2019.

Reduction of share capital completed and treasury shares deleted on 15 October 2019

On June 28, 2019, the General Meeting resolved to reduce the share capital through the deletion of treasury shares acquired through the repurchase of shares in the company. The creditor deadline has expired and the company has finally deleted 48 571 236 of its treasury shares with effect from 15 October 2019. After the deletion, the company owns 6 250 000 treasury shares, and the total number of shares amounts to 499 875 596.

Key figures

The table below presents key financial figures¹ for the group.

Profit and loss		3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Revenues	NOK mill.	185.7	202.2	556.5	598.0	798.9
Operating profit before admin expenses	NOK mill.	158.5	168.4	470.1	494.3	661.4
Operating profit before value adjustments	NOK mill.	151.7	156.7	440.9	456.2	604.6
Profit before income tax and value adjustments	NOK mill.	85.3	91.1	245.5	259.8	345.0
Profit before income tax	NOK mill.	243.7	195.4	768.6	394.0	577.4
Profit after income tax	NOK mill.	201.0	127.4	610.6	252.3	490.6
Balance sheet		3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Market value of property portfolio	NOK mill.	15 532.8	15 571.0	15 532.8	15 571.0	15 590.9
Total equity	NOK mill.	7 867.3	7 801.1	7 867.3	7 801.1	8 002.8
Interest-bearing debt	NOK mill.	7 668.0	6 951.9	7 668.0	6 951.9	7 833.4
Equity ratio	Per cent	46.8	49.2	46.8	49.2	46.9
Pre-tax return on equity	Per cent	12.3	10.1	12.9	6.8	7.4
Cash flow		3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Net cash flow from operating activities	NOK mill.	36.1	142.2	(7.4)	337.0	419.7
Cash and cash equivalents	NOK mill.	76.7	154.7	76.7	154.7	124.6
Key figures; per share		3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Number of shares issued, end of the period	Mill. shares	493.6	548.4	493.6	548.4	548.4
Average number of shares in the period	Mill. shares	532.8	548.4	540.6	548.4	548.4
Profit before income tax	NOK	0.46	0.36	1.42	0.72	1.05
Earnings per share (EPS)	NOK	0.38	0.23	1.13	0.46	0.89
Net cash flow from operating activities	NOK	0.07	0.26	(0.01)	0.61	0.77
Interest-bearing debt	NOK	15.53	12.68	15.53	12.68	14.28
NAV, book value	NOK	15.94	14.22	15.94	14.22	14.59
Deferred property tax	NOK	1.55	1.20	1.55	1.20	1.19
Fair value of fin. derivative instruments	NOK	0.21	0.20	0.21	0.20	0.22
NAV, adjusted	NOK	17.70	15.62	17.70	15.62	16.01
Fair value of deferred tax	NOK	(0.72)	(0.43)	(0.72)	(0.43)	(0.62)
Fair value of fin. derivative instruments	NOK	(0.24)	(0.23)	(0.24)	(0.23)	(0.26)
Fair value of debt	NOK	(0.05)	(0.03)	(0.05)	(0.03)	(0.00)
NNNAV	NOK	16.68	14.93	16.68	14.93	15.13

¹ Figures which do not derive directly from the financial statements are explained in the overview of definitions at the end of the report. When calculating key figures per share, the figures related to profit and cash flow have been divided by the average number of shares for the period, and those related to the balance sheet by the number of shares at the end of the period. The number of shares excludes treasury shares.

The market value of the property portfolio is the sum of the carrying amount in the balance sheet excluding the carrying amount of the joint venture, which is accounted for using the equity method.

Financial developments

Results

Operating revenue

Operating revenue for Norwegian Property totalled NOK 185.7 million in the third quarter. That compares with NOK 202.2 million for the same period of 2018. This reduction relates to the sale of properties in Stavanger and at Skøyen in Oslo. On a like-for-like basis, the change represents an increase in operating revenue of NOK 10.6 million for the third quarter.

Tenant turnover related to retail and restaurant activities at Aker Brygge in Oslo during the third quarter was up by 1.9 per cent from the same period of last year. This increase was driven primarily by restaurant earnings.

Operating costs

Following the sale of properties, property-related operating costs have declined in 2019 compared with last year. Operations-related property costs totalled NOK 15.9 million (NOK 18.4 million²) for the third quarter. Other property-related expenses came to NOK 11.3 million (NOK 15.3 million). Owner administrative expenses were NOK 11.4 million (NOK 11.7 million) for the quarter.

Share of profit from joint venture

The group's share of net profit from the joint venture was NOK 4.5 million for the quarter, and relates to the Badehusgata 33-39 property in central Stavanger. This joint venture was established in the fourth quarter of 2018.

Operating profit before fair-value adjustments

On the basis of the above, operating profit before fair-value adjustments amounted to NOK 151.7 million (NOK 156.7 million) for the quarter.

Fair-value adjustments for investment property

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 155.9 million (NOK 66.7 million) for the quarter. Several new and improved leases were awarded during the quarter, and expectations for market rents have strengthened in the

areas where the group has the bulk of its property assets.

The total market value of the property portfolio carried on the balance sheet, excluding the joint venture, amounted to NOK 15 532.8 million at 30 September 2019.

Net financial items

Net realised financial expenses came to NOK 66.4 million (NOK 65.6 million) for the quarter.

Long-term market interest rates had not significantly changed at 30 September compared with 30 June, and the fair-value adjustment for interest-rate derivatives showed a minor positive adjustment of NOK 2.5 million (NOK 37.6 million).

Profit for the period

Pre-tax profit was NOK 243.7 million (NOK 195.4 million) for the quarter. The increase in the provision for non-payable deferred tax expense for the quarter was NOK 42.7 million (NOK 68 million). Net profit was thereby NOK 201 million (NOK 127.4 million) for the quarter.

Balance sheet

The carrying amount of the group's total assets in the balance sheet was NOK 16 820.9 million (NOK 15 860.8 million), with investment property accounting for NOK 15 401.8 million (NOK 14 609.3 million), properties used by the owner for NOK 85 million (NOK 76.2 million) and investment property held for sale for NOK 46 million (NOK 885.5 million). Until its completion, the housing project at Hasle in Oslo is recognised as inventory with a carrying amount of NOK 1 022.3 million at 30 September.

The company held NOK 76.7 million (NOK 154.7 million) in cash and cash equivalents.

Total interest-bearing liabilities in the balance sheet came to 7 668 million (NOK 6 951.9 million), with non-current interest-bearing liabilities totalling NOK 4 806.7 million (NOK 6 344.5 million) and current interest-bearing liabilities amounting to NOK 2 861.4 million (NOK 607.5 million). NOK 877.9 million in construction

² Figures in brackets refer to the corresponding period of the year before.

loans related to the housing project at Hasle is included in its entirety in current interest-bearing liabilities.

Financial derivatives accounted for a net liability item of NOK 134 million (NOK 141.5 million), with NOK 140.3 million (NOK 163.4 million) classified as liabilities and NOK 6.3 million (NOK 21.9 million) as assets.

Equity at 30 September totalled NOK 7 867.3 million (NOK 7 801.1 million), representing an equity ratio of 46.8 per cent (49.2 per cent). Carried equity per share was NOK 15.94 (NOK 14.22). Outstanding shares at 30 September totalled 499 875 596 (548 446 832). Treasury shares totalled 6 250 000, so that 493 625 596 shares were held by external shareholders.

Cash flow

Net operational cash flow was NOK 36.1 million (NOK 142.2 million) for the quarter. Investment in property-related inventory related to the housing project at Hasle in Oslo was the main reason for the reduction from 2018.

The cash effect of investing in fixed assets came to NOK 193.8 million (NOK 57.4 million) for the quarter. Acquisition of properties at Aker Brygge and in Nydalen accounted for NOK 121 million. Other investment related to the commercial part of the Hasle project, adjustments for lessees associated with new and renegotiated leases, and ongoing operational investments.

Net cash flow from financing activities was positive at NOK 105.4 million (negative at NOK 40.6 million) in the third quarter following a rise of NOK 140 million in interest-bearing debt and the payment of NOK 34.6 million in dividend.

Cash and cash equivalents showed a net reduction of NOK 52.3 million (net increase of NOK 44.3 million) for the quarter.

Financing

Key figures

The table below presents key figures related to interest-bearing debt and hedges at 30 September 2019.

Interest bearing debt and hedging		30.09.19	30.09.18	31.12.18
Interest-bearing debt ¹	NOK mill.	6 790.1	6 951.9	7 201.9
Cash and cash equivalents	NOK mill.	76.7	154.7	124.6
Interest-bearing receivables	NOK mill.	10.6	-	354.0
Interest-hedging ratio	Per cent	62.3	62.6	60.3
Unutilised credit facilities	NOK mill.	500.0	900.0	650.0
Remaining time to maturity for interest hedge agreements	Years	5.1	4.0	4.2
Average interest rate	Per cent	3.49	3.61	3.62
Average interest margin	Per cent	1.23	1.38	1.38
Remaining time to maturity for interest-bearing debt	Years	2.6	2.7	2.3
Market value of property portfolio	NOK mill.	15 532.8	15 571.0	15 590.9
Gross debt to asset ratio (gross LTV)	Per cent	43.7	44.6	46.2
Net debt to asset ratio (net LTV) ²	Per cent	43.2	43.7	43.1

¹ Excluding NOK 877.9 million (31 December 2018: NOK 631.5 million) in construction loan financing for the housing project at Hasle in Oslo.

² Interest-bearing debt excluding construction loan financing for the housing project at Hasle less liquid assets and interest-bearing receivables in relation to the market value of the property portfolio. The housing project is recognised as inventory.

The key figures above are calculated at 30 September 2019. If account is taken of the refinancing agreed in September but disbursed in October, one effect would be that the remaining time to maturity for interest-bearing liabilities rises to 2.9 years. Undrawn credit facilities would increase to NOK 750 million.

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 668 million (NOK 6 951.9 million) at 30 September, including construction loans of NOK 877.9 million for the Hasle housing project (the total construction loan facility is NOK 1 125 million). In addition, the company had undrawn credit and overdraft facilities of NOK 500 million (NOK 900 million).

Current interest-bearing debt at 30 September related primarily to bond loans totalling NOK 1 685 million which mature in the next 12 months as well as to the NOK 877.9 million construction loan for that part of the Hasle housing project which will be completed during the same period.

Norwegian Property signed an agreement for a three-year credit facility of NOK 1 billion in the third quarter with Nordea, SEB and DNB, as well as an agreement for a new five-year bond loan of NOK 505 million. These new facilities will be used to refinance existing liabilities and for general company purposes, and were disbursed at the beginning of October.

Interest hedges

The table below presents the maturity structure in interest-rate hedges for the group's interest-bearing debt at 30 September 2019.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest ¹ (per cent)	Share of total liabilities (per cent)
< 1 year	1 485	0.9	22
1 > 2 year	1 100	3.4	16
2 > 3 year	650	3.4	10
3 > 4 year	500	2.2	7
4 > 5 year	400	1.9	6
> 5 year	2 655	2.2	39
Total	6 790	2.2	100

¹ Average base interest rate for the matured amount.

Market and operations

Commercial property market

Office vacancy in Oslo has fallen to a low level, and was 4.9 per cent in the third quarter. It was 3.7 per cent in the city centre. Declining vacancy has contributed to a positive trend for rents.

The level of activity in the transaction market has been high for several years, with many property transactions in various segments at good yield levels. Long-term market interest rates rose slightly over the past year, but with a flattening-out in the last part of the period. Increases in these rates are assumed to have a potential effect on investor willingness to accept exposure to investment property. However, many buyer groups are active and hunting for good objects. Prime yield for Oslo is estimated to be about 3.75 per cent, with downward pressure on yields for secondary properties.

The property portfolio

Norwegian Property owned a total of 29 investment properties at 30 September. These are primarily located in central areas of the Oslo region. The group's properties mainly comprise offices, retail and restaurant space and warehousing and parking associated with the offices.

Two independent valuers have valued all the properties in the group's portfolio, based on the same methods and principles applied in previous periods. The accounting valuation at 30 September 2019 is based on an average of the two valuations.

At 30 September, the group's portfolio of investment properties, excluding the joint venture, was valued at NOK 15 531.8 million (NOK 15 571 million). Investment properties held for sale and properties used by the owner were carried separately on the balance sheet at NOK 46 million and NOK 85 million respectively, and recognised at fair value. Investment properties held for sale relate to premises at Gardermoen, which are covered by agreements to sell at the end of 2019. Fair-value adjustments recognised in profit and loss for the investment properties were positive at NOK 154.9 million for the third quarter.

The company acquired a development project at Hasle in Oslo during the fourth quarter of 2018, covering the construction of a mixed-use property with residential, commercial and retail components. This property comprises 223 flats, which have all be sold on to end

users. The delivery plan indicates that 72 flats will have been delivered in the fourth quarter of 2019, 72 in the first quarter of 2020 and 79 in the second quarter. Sales revenue for all the flats totals about NOK 1.2 billion. The shopping centre covers some 8 800 square metres of commercial space and opens on 24 October 2019.

Total ongoing annual rental income (run rate) from the group's whole property portfolio was NOK 718.3 million at 30 September, up by NOK 13.2 million from 1 July. Overall financial vacancy in the property portfolio totalled 5.0 per cent. This vacancy related mainly to Snarøyveien 36 at Fornebu in Bærum local authority and Badehusgata 33-39 in Stavanger. The weighted average remaining duration of the leases is 4.5 years. The average rent adjustment factor for the consumer price index is 99.8 per cent for the total portfolio.

Board changes

After NIAM sold all its shares in Norwegian Property during the third quarter of 2019, Kjell Sagstad opted to resign from the board. He is senior director of NIAM, investment director and head of the company's Norwegian business. Sagstad has been a director of Norwegian Property since 2016.

Shareholder information

The company had 1 243 registered shareholders at 30 September, up by 12 from 30 June.

Non-Norwegian shareholders held 74.8 per cent of the share capital at 30 September, an increase from 30 June. The share amounts to 83.6 per cent adjusted for treasury shares that were deleted on 15 October 2019.

The number of shares traded during the third quarter averaged 1 076 765 per day. For 2018 as a whole, the daily average was 175 071 shares. Corresponding daily turnover was 227 590 shares in 2017 and 338 534 in 2016.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 September 2019 are presented below.

Shareholder	Type of acc.	Country	Number of shares	Share at 30 Sept.	Pro-forma share ²
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	72.56	79.61
FOLKETRYGDFONDET NORWEGIAN PROPERTY ASA	ORD	NOR	73 551 642	13.41	14.71
DANSKE BANK AS	ORD	NOR	54 821 236	10.00	1.25
MORGAN STANLEY INVESTMENT FUNDS	ORD	DNK	3 385 343	0.62	0.68
SANDEN AS	ORD	LUX	1 190 999	0.22	0.24
BANAN II AS	NOM	NLD	1 000 000	0.18	0.20
SJOITUSRAHASTO UB EUROOPPA REIT	ORD	NOR	763 640	0.14	0.15
KAS BANK N.V.	ORD	NOR	716 239	0.13	0.14
MORGAN STANLEY & CO. INTERNATIONAL	ORD	FIN	699 925	0.13	0.14
STATE STREET BANK AND TRUST COMP	NOM	USA	648 865	0.12	0.13
SJOITUSRAHASTO UB GLOBAL REIT	NOM	NLD	607 777	0.11	0.12
ALFRED BERG FASTIGHETSFOND	ORD	GBR	300 000	0.05	0.06
CLEARSTREAM BANKING S.A.	ORD	FIN	299 274	0.05	0.06
AVANZA BANK AB	ORD	NOR	265 230	0.05	0.05
STATE STREET BANK AND TRUST COMP	ORD	GBR	235 440	0.04	0.05
SOLBERG INVEST & CONSULT AS	NOM	LUX	233 445	0.04	0.05
VIK, ERIK MARTIN	NOM	USA	226 516	0.04	0.05
JP MORGAN SECURITIES PLC	ORD	NOR	216 523	0.04	0.04
NORDNET BANK AB	ORD	NOR	215 004	0.04	0.04
ANDRE			10 137 067	1.85	2.03
Total number of shares ¹			548 446 832	100.00	100.00

¹ The number of shares shown are before the mandated deletion of shares from the register. During the second quarter, pursuant to the mandate from the 2019 AGM, a buyback was conducted of 10 per cent of the issued shares in the company - constituting 54 800 000 shares. Shares bought back have largely been deleted from the register following a resolution by an extraordinary general meeting held in the second quarter to reduce the company's capitalisation. Share capital in the company after this reduction totals NOK 249 937 798 divided between 499 875 596 shares with a nominal value of NOK 0.50 per share. Following the deletion decision, the company holds 6 250 000 treasury shares. The deletion is registered as completed on 15 October 2019.

² The overview of pro forma shares shows the ownership interest at 30 September, adjusted for the deletion of shares completed in October.

Outlook

Norwegian Property delivers good and stable results from its operations. The company is experiencing good demand for space with rising market rents, and vacancy is low. Modern offices located close to public transport hubs are attractive and achieve good rents. The office market in central areas of Oslo is strong, and is expected to continue making progress with low vacancy and good rents.

The value of the property portfolio has developed positively over a number of years. The company's financial position is sound, with a high equity ratio and low loan-to-value ratio.

Norwegian Property has concentrated its business by selling properties outside the core areas while strengthening its portfolio in the priority areas. A number of new commercial units have been acquired at Aker Brygge, and an investment has been made in a very interesting project at Hasle where the group has the opportunity to exploit its expertise from Aker Brygge in a comparable multi-use property with residential units, commercial premises and retail. The group is working actively on further expansion of the portfolio, and several interesting long-term development opportunities in the existing property portfolio are also being pursued.

Although the Norwegian economy is strong, some uncertainty prevails both over international developments and a tightening of the domestic housing market with a high level of household debt. Long-term interest rates are still at low levels. They have declined in recent years, with a slight rise in the last part of the period. Short-term interest rates rose during the third quarter. Generally speaking, that could lead to increased financing costs and yield levels. On the other hand, the transaction market is active, with a high level of demand from both Norwegian and foreign investors. Yield compression has flattened out somewhat, but development opportunities in the portfolio and a strong letting market have a positive effect on valuations.

Norwegian Property is well positioned, with properties in attractive areas, a solid tenant base, a number of interesting development opportunities and a sound financial position.

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Revenue		185.7	202.2	556.5	598.0	798.9
Property-related operational expenses		(15.9)	(18.4)	(47.9)	(55.0)	(71.7)
Other property-related expenses		(11.3)	(15.3)	(38.4)	(48.7)	(65.8)
Total property-related expenses		(27.2)	(33.7)	(86.3)	(103.7)	(137.5)
Administrative expenses		(11.4)	(11.7)	(38.0)	(38.1)	(57.1)
Total operating expenses		(38.6)	(45.5)	(124.3)	(141.9)	(194.6)
Share of profit in joint ventures	6	4.5	-	8.8	-	0.3
Operating profit before fair-value adjustments		151.7	156.7	440.9	456.2	604.6
Change in market value of investment property	4	155.9	66.7	511.0	48.0	161.1
Operating profit		307.5	223.4	951.9	504.2	765.7
Financial income	10	0.5	0.4	3.8	1.4	3.6
Financial cost	10	(66.9)	(66.0)	(199.3)	(197.7)	(263.2)
Realised net financial items		(66.4)	(65.6)	(195.5)	(196.4)	(259.6)
Change in market value of financial derivative instruments	7, 10	2.5	37.6	12.2	86.2	71.3
Net financial items		(63.8)	(28.0)	(183.3)	(110.2)	(188.3)
Profit before income tax		243.7	195.4	768.6	394.0	577.4
Income tax	11	(42.7)	(68.0)	(158.1)	(141.7)	(86.8)
Profit for the period		201.0	127.4	610.6	252.3	490.6
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		201.0	127.4	610.6	252.3	490.6

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Value adjustment of owner-occupied property	4	(0.7)	2.9	7.3	4.9	4.8
Total other comprehensive income		(0.7)	2.9	7.3	4.9	4.8
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		200.3	130.3	617.9	257.2	495.4
Total comprehensive income attributable to shareholders of the parent company		200.3	130.3	617.9	257.2	495.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	30.09.19	30.09.18	31.12.18
Financial derivative instruments	7	6.3	21.4	8.1
Investment property	4	15 401.8	14 609.3	14 573.7
Owner-occupied property	4	85.0	76.2	75.6
Other fixed assets		40.6	44.0	39.2
Investment in joint ventures	6	38.9	-	30.1
Receivables	6	10.6	-	10.0
Total non-current assets		15 583.3	14 750.8	14 736.7
Financial derivative instruments	7	-	0.5	0.2
Receivables	6, 9	92.6	69.3	445.7
Property related inventory	5	1 022.3	-	815.5
Cash and cash equivalents	9	76.7	154.7	124.6
Investment property held for sale	4	46.0	885.5	941.6
Total current assets		1 237.6	1 110.0	2 327.7
Total assets		16 820.9	15 860.8	17 064.3
Share capital		246.8	274.2	274.2
Share premium		1 678.1	2 295.2	2 295.2
Other paid in equity		7 557.3	7 557.3	7 557.3
Retained earnings		(1 614.8)	(2 325.6)	(2 123.9)
Total equity		7 867.3	7 801.1	8 002.8
Deferred tax	11	776.1	674.7	615.9
Financial derivative instruments	7	140.3	161.0	163.2
Interest bearing liabilities	9	4 806.7	6 344.4	4 679.6
Other liabilities		5.4	2.3	2.3
Total non-current liabilities		5 728.5	7 182.4	5 461.0
Financial derivative instruments	7	-	2.4	1.6
Interest bearing liabilities	9	2 861.4	607.5	3 153.8
Other liabilities		363.7	267.4	445.2
Total current liabilities		3 225.1	877.3	3 600.6
Total liabilities		8 953.5	8 059.7	9 061.5
Total equity and liabilities		16 820.9	15 860.8	17 064.3

Consolidated condensed statement of changes in equity

Amounts in NOK million		Share capital	Treasury shares	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity	31.12.17	274.2	-	2 295.2	7 557.3	(2 471.9)	7 654.8
Total comprehensive income		-	-	-	-	257.2	257.2
Employee share-option scheme		-	-	-	-	4.3	4.3
Paid dividend		-	-	-	-	(115.2)	(115.2)
Total equity	30.09.18	274.2	-	2 295.2	7 557.3	(2 325.6)	7 801.1
Total comprehensive income		-	-	-	-	238.2	238.2
Employee share-option scheme		-	-	-	-	1.9	1.9
Paid dividend		-	-	-	-	(38.4)	(38.4)
Total equity	31.12.18	274.2	-	2 295.2	7 557.3	(2 123.9)	8 002.8
Total comprehensive income		-	-	-	-	617.9	617.9
Employee share-option scheme		-	-	-	-	2.5	2.5
Paid dividend		-	-	-	-	(111.3)	(111.3)
Purchase of treasury shares ¹		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares ²		(24.3)	24.3	-	-	-	-
Total equity	30.09.19	249.9	(3.1)	1 678.1	7 557.3	(1 614.8)	7 867.3

¹ The company has purchased 54 800 000 treasury shares for NOK 11.75 in the second quarter of 2019. Costs amount to NOK 0.6 million. Prior to the purchase, the company owned 21 236 treasury shares, and the total holding of treasury shares after the purchase was 54 821 236.

² At an extraordinary general meeting on June 28, 2019, it was resolved to reduce the share capital by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798. The amount reduced was used to delete 48 571 236 treasury shares. The share capital thus amounts to NOK 249 937 798, divided into 499 875 596 shares, each with a nominal value of NOK 0.50. The company owns 6 250 000 treasury shares from the end of the second quarter 2019. The capital reduction is registered in the Register of Business Enterprises on June 29, 2019, and final deletion of the shares is registered on 15 October 2019 after the expiry of the creditor deadline.

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Profit before income tax		243.7	195.4	768.6	394.0	577.4
Depreciation of tangible assets		1.5	1.3	4.9	4.2	10.1
Fair value adjustment of investment property	3	(155.9)	(66.7)	(511.0)	(48.0)	(161.1)
Fair value adjustment of financial derivative instruments	4	(12.8)	(37.5)	(22.5)	(89.4)	(74.5)
Change in property related inventory	5	(69.4)	-	(236.7)	-	-
Change in short-term items		28.9	49.8	(10.7)	76.2	67.7
Net cash flow from operating activities		36.1	142.2	(7.4)	337.0	419.7
Received in connection with sale of investment property		-	-	823.0	-	110.6
Payments for purchase of investment property and other fixed assets		(193.8)	(57.4)	(293.0)	(149.0)	(582.2)
Other investment activities		-	-	354.0	-	-
Net cash flow from investing activities		(193.8)	(57.4)	884.0	(149.0)	(471.6)
Net change in interest-bearing debt	6	140.0	(2.2)	(168.7)	(7.3)	240.8
Paid dividend		(34.6)	(38.4)	(111.3)	(115.2)	(153.6)
Other financing activities		-	-	(644.5)	-	-
Net cash flow from financial activities		105.4	(40.6)	(924.5)	(122.4)	87.3
Net change in cash and cash equivalents		(52.3)	44.3	(47.9)	65.5	35.4
Cash and cash equivalents at the beginning of the period		129.0	110.5	124.6	89.2	89.2
Cash and cash equivalents at the end of the period		76.7	154.7	76.7	154.7	124.6

Notes to the condensed financial statements

NOTE 1: General information

The Norwegian Property ASA real estate group primarily owns commercial and residential properties in the Oslo region. The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

The interim report of Norwegian Property ASA was approved at a board meeting on 23 October 2019. The report has not been audited.

In accordance with the requirements of the section 3, sub-section 3 of the Norwegian Accounting Act, Norwegian Property presents annual statements on corporate governance and social responsibility. The latest disclosures are contained in the annual report for 2018.

NOTE 2: Accounting policies

The financial statements include Norwegian Property ASA and subsidiaries. Sold properties are included in the accounts until the completion of the transactions. Acquired properties are included in the financial statements from the date of acquisition.

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate primarily to the valuation of investment property.

This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report accord with the principles applied in preparing the annual accounts for 2018. The interim report presents condensed financial statements, and does not contain

all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2018.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2018, but the group has implemented the following new standards and changes of standards in the 2019 interim financial statement:

- IFRS 16 Leases were issued in January 2016 and come into effect from the financial year 2019. As a result, almost all leases will be capitalised, since the distinction between financial and operational leases is removed. According to the new standard, both an asset (the right to use the leased object) and a financial liability (the value of future lease payments) will be capitalised. The only exceptions are short-term or low-value leases. For the landlord, there is no significant changes in the accounting. The group has some minor lease agreements that has been affected by the new standard. The changes at the beginning of 2019 are specified in note 4.

There are no material new standards and interpretations not yet implemented.

NOTE 3: Segment information

Norwegian Property's primary business is the ownership and management of commercial properties in Norway (the Oslo and Stavanger regions). The group also has a portfolio of residential units under construction in Oslo. This housing business was acquired at the end of the fourth quarter of 2018. For earlier periods, the group was assumed to operate in a single segment only and one geographical market, and no further segment information was therefore prepared.

The segmentation of operating profit, excluding administrative owner costs, reflects the division into commercial property and residential property segments from the fourth quarter of 2018. A similar division has also been made for all balance sheet items apart from those related to group functions, financing of the group and tax positions.

Segment information relating to income statement items in the third quarter of 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	185.7	-	-	185.7
Total property-related expenses	(27.0)	(0.2)	-	(27.2)
Administrative expenses	-	-	(11.4)	(11.4)
Share of profit in joint ventures	4.5	-	-	4.5
Change in market value of investment property	155.9	-	-	155.9
Operating profit	319.1	(0.2)	(11.4)	307.5
Net financial items			(63.8)	(63.8)
Profit before income tax			(75.2)	243.7
Income tax			(42.7)	(42.7)
Profit for the period			(117.9)	201.0

Segment information relating to income statement items year-to-date at 30. September 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	556.5	-	-	556.5
Total property-related expenses	(85.7)	(0.6)	-	(86.3)
Administrative expenses	-	-	(38.0)	(38.0)
Share of profit in joint ventures	8.8	-	-	8.8
Change in market value of investment property	511.0	-	-	511.0
Operating profit	990.6	(0.6)	(38.0)	951.9
Net financial items			(183.3)	(183.3)
Profit before income tax			(221.3)	768.6
Income tax			(158.1)	(158.1)
Profit for the period			(379.4)	610.6

Segment information relating to income statement items for the full year 2018 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	798.9	-	-	798.9
Total property-related expenses	(137.5)	-	-	(137.5)
Administrative expenses	-	-	(57.1)	(57.1)
Share of profit in joint ventures	0.3	-	-	0.3
Change in market value of investment property	161.1	-	-	161.1
Operating profit	822.8	-	(57.1)	765.7
Net financial items			(188.3)	(188.3)
Profit before income tax			(245.4)	577.4
Income tax			(86.8)	(86.8)
Profit for the period			(332.2)	490.6

Segment information related to balance sheet items at 30 September 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	15 532.8	-	-	15 532.8
Other fixed assets	39.0	-	1.6	40.6
Investment in joint ventures	38.9	-	-	38.9
Receivables	103.3	-	-	103.3
Property related inventory	-	1 022.3	-	1 022.3
Cash and cash equivalents	-	-	76.7	76.7
Deferred tax	-	-	(776.1)	(776.1)
Financial derivative instruments	-	-	(134.0)	(134.0)
Interest bearing liabilities	-	-	(7 668.0)	(7 668.0)
Other liabilities	(143.5)	(150.5)	(75.2)	(369.1)
Total equity			(7 867.3)	(7 867.3)

Segment information related to balance sheet items at 31 December 2018 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	15 590.9	-	-	15 590.9
Other fixed assets	36.7	-	2.5	39.2
Investment in joint ventures	30.1	-	-	30.1
Receivables	455.7	-	-	455.7
Property related inventory	-	815.5	-	815.5
Cash and cash equivalents	-	-	124.6	124.6
Deferred tax	-	-	(615.9)	(615.9)
Financial derivative instruments	-	-	(156.5)	(156.5)
Interest bearing liabilities	-	-	(7 833.4)	(7 833.4)
Other liabilities	(191.5)	(170.9)	(85.0)	(447.4)
Total equity			(8 002.8)	(8 002.8)

NOTE 4: Investment property and other fixed assets

Investeringseiendom Investment property

Changes in the carrying amount of investment property are specified in the table below.

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Total value of investment property, opening balance		15 181.2	15 434.6	15 590.9	15 360.5	15 360.5
Sale of investment property at book value	1	-	-	(878.0)	-	(237.0)
Transfer to joint venture at book value	2	-	-	-	-	(280.0)
Investment in properties		196.8	66.2	293.5	157.8	577.7
Fair value adjustments of investment property		155.9	66.7	511.0	48.0	161.1
Fair value adjustments related to sold investment property		-	-	7.0	(0.8)	3.7
Recognised in other comprehensive income for the period		(1.1)	3.4	8.4	5.4	4.8
Total value of investment property, closing balance		15 532.8	15 571.0	15 532.8	15 571.0	15 590.9
Of which investment property held for sale	3	(46.0)	(885.5)	(46.0)	(885.5)	(941.6)
Investment property, not held for sale		15 486.8	14 685.5	15 486.8	14 685.5	14 649.3
Of which owner-occupied property	4	(85.0)	(76.2)	(85.0)	(76.2)	(75.6)
Book value of investment property		15 401.8	14 609.3	15 401.8	14 609.3	14 573.7

¹ Applies to the sale of properties at Skøyen in Oslo in 2019, and properties in Stavanger in 2018.

² Related to the sale of a 50 per cent share in the property Badehusgata 33-39 in Stavanger in the fourth quarter of 2018. At year-end 2018, the property was recognized as a joint venture. See note 6.

³ Norwegian Property has entered into an agreement for the sale of properties at Oslo Airport Gardermoen with takeover on expiry of leases at year-end 2019. The properties are classified as investment property held for sale in the balance sheet, valued at the present value of the contractual cash flows

⁴ Owner-occupied property is accounted for at fair value and revaluation is included in other comprehensive income.

Investment property at fair value through profit or loss is specified in the following table broken down by valuation method.

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
30.09.19				
Investment property	-	-	15 401.8	15 401.8
Owner-occupied property	-	-	85.0	85.0
Investment property held for sale	-	-	46.0	46.0
Total	-	-	15 532.8	15 532.8
30.09.18				
Investment property	-	-	14 609.3	14 609.3
Owner-occupied property	-	-	76.2	76.2
Investment property held for sale	-	-	885.5	885.5
Total	-	-	15 571.0	15 571.0
31.12.18				
Investment property	-	-	14 573.7	14 573.7
Owner-occupied property	-	-	75.6	75.6
Investment property held for sale	-	-	941.6	941.6
Total	-	-	15 590.9	15 590.9

¹ Level 1: Observable market value for similar assets or liabilities, Level 2: Significant other observable inputs for similar assets, Level 3: Significant other unobservable inputs

The company's policy is to make transfers between levels at the time of the incident or circumstance which caused the transfer. No movements between levels have occurred in 2018 and 2019.

Other fixed assets and leases

Other tangible fixed assets in the balance sheet are specified in the table below.

Amounts in NOK million	30.09.19	30.09.18	31.12.18
Aker Br. energy distr. syst.	29.8	31.8	31.3
Other assets	10.8	12.2	7.9
Other fixed assets	40.6	44.0	39.2

IFRS 16 Lease accounting came into effect from the 2019 accounting year. This standard means that significant leases will be capitalised after the distinction between financial and operational leases is eliminated. IFRS 16 envisages that both an asset (the right to use the leased object) and a financial liability (the value of future rent payments) are capitalised.

The group's leases affected by the new standard, and changes at 1 January 2019, are specified below.

Amounts in NOK million	Leases for company cars	Leases for office space	Total
Present value of the lease obligation 31.12.2018	0.4	5.1	5.5
- Short-term leases	-	-	-
- Leases with low rent	-	-	-
Carrying amount of lease obligation 01.01.2019	0.4	5.1	5.5

Capitalised leases include a lease for an office space of about 500 sq.m. In addition, the company leases some cars used in connection with operation of the group's properties.

The beneficial right is recognised in 2019 as an asset under other tangible fixed assets, with the lease obligation recognised as a liability under other liabilities in the balance sheet. Comparable figures for 2018 is not prepared.

NOTE 5: Inventory

The group's business includes a property-related inventory intended for future sale. This inventory comprises residential units under construction.

At the end of December 2018, Norwegian Property acquired a company which has 223 residential units/flats under construction at Hasle in Oslo. These units were under construction at 31 March 2019, with completion and onward sale in 2019 and 2020. All units have been sold on to end users.

The change in the balance sheet item inventories for the period is in its entirety related to the project at Hasle, as specified in the table below.

Amounts in NOK million	30.09.19	30.09.18	31.12.18
Book value, opening balance	815.5	-	-
Purchase of company	-	-	815.5
Accrued cost during the period	206.8	-	-
Book value, closing balance	1 022.3	-	815.5

At the end of the period, the entire inventory is related to a project under construction/development, as specified in the table below.

Amounts in NOK million	30.09.19	30.09.18	31.12.18
Land for development	-	-	-
Project under construction/development	1 022.3	-	815.5
Completed units	-	-	-
Total carrying amount of property related inventory	1 022.3	-	815.5

NOTE 6: Joint ventures

In December 2018 Norwegian Property sold a 50 per cent interest in the Badehusgata 33-39 property in Stavanger. This property was originally acquired in 2006. The group's only investment in joint ventures relates to this property.

The change in the carrying amount of investments in joint ventures are specified in the table below for the period.

Amounts in NOK million	30.09.19	30.09.18	31.12.18
Book value, opening balance	30.1	-	-
New joint ventures	-	-	29.8
Share of profit for the period	8.8	-	0.3
Book value, closing balance	38.9	-	30.1

The joint venture had no off-balance-sheet contractual liabilities at the end of the period.

The group's share of profit in joint ventures is specified in the table below.

Amounts in NOK million	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Revenue	4.4	-	14.8	-	0.9
Total property-related expenses	(1.9)	-	(5.1)	-	(0.6)
Change in market value of investment property	11.6	-	20.5	-	0.8
Operating profit	14.1	-	30.2	-	1.1
Net financial items	(2.5)	-	(7.6)	-	(0.6)
Profit before income tax	11.6	-	22.6	-	0.5
Income tax	(2.5)	-	(5.0)	-	-
Profit for the period	9.1	-	17.6	-	0.5
The groups share of profit for the period	4.5	-	8.8	-	0.3

The group's share of equity in joint ventures is specified in the table below.

Amounts in NOK million	30.09.19	30.09.18	31.12.18
Investment property	305.6	-	280.8
Receivables	1.3	-	0.9
Cash and cash equivalents	0.7	-	0.9
Deferred tax	(5.0)	-	-
Interest bearing liabilities	(200.0)	-	(200.0)
Interest bearing liabilities	(21.0)	-	(20.0)
Other liabilities	(3.8)	-	(2.5)
Total equity	(77.9)	-	(60.1)
The groups share of total equity	(38.9)	-	(30.1)

NOTE 7: Financial derivatives

Change in net derivatives in the balance sheet (mainly interest-rate derivatives) is specified in the table below¹.

Amounts in NOK million	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Net book value of derivatives, opening balance	(146.8)	(179.0)	(156.5)	(230.9)	(230.9)
Buyout of derivatives	10.3	(0.1)	10.3	3.2	3.1
Fair value adjustments of derivatives	2.5	37.6	12.2	86.2	71.3
Net book value of derivatives, closing balance	(134.0)	(141.5)	(134.0)	(141.5)	(156.5)
Of which classified as non-current assets	6.3	21.4	6.3	21.4	8.1
Of which classified as current assets	-	0.5	-	0.5	0.2
Of which classified as non-current liabilities	(140.3)	(161.0)	(140.3)	(161.0)	(163.2)
Of which classified as current liabilities	-	(2.4)	-	(2.4)	(1.6)

¹ All group interest-rate derivatives are cash flow hedges, and the group does not use hedge accounting for these derivatives.

NOTE 8: Financial instruments

Book value and fair value of financial instruments are specified in the table below.

Amounts in NOK million	30.09.19		30.09.18			31.12.18		
	Book value	Fair value	Book value	Fair value	value	Book value	Fair value	value
Non-current derivatives	6.3	6.3	21.4	21.4		8.1		8.1
Non-current receivables	10.6	10.6	-	-		10.0		10.0
Current derivatives	-	-	0.5	0.5		0.2		0.2
Current receivables	92.6	92.6	69.3	69.3		445.7		445.7
Cash and cash equivalents	76.7	76.7	154.7	154.7		124.6		124.6
Total financial assets	186.2	186.2	245.9	245.9		588.6		588.6
Non-current derivatives	140.3	140.3	161.0	161.0		163.2		163.2
Non-current interest-bearing liabilities	4 806.7	4 815.7	6 344.4	6 360.0		4 679.6		4 676.5
Current derivatives	-	-	2.4	2.4		1.6		1.6
Current interest-bearing liabilities	2 861.4	2 879.1	607.5	607.6		3 153.8		3 159.9
Other current liabilities	362.2	362.2	264.4	264.4		441.5		441.5
Total financial liabilities	8 170.5	8 197.2	7 379.7	7 395.4		8 439.6		8 442.6

The estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. Account is taken of the estimated difference between the current margin and market conditions (market value higher than the book value of debt in the listing indicates a negative equity effect when the applicable borrowing margin is less favourable than current market conditions). The fair

value of financial derivatives (interest-rate and currency derivatives), is the estimated present value of future cash flows, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are carried principally at fair value and subsequently measured at amortised cost. However, discounting is not usually considered to have any significant effect on these types of assets and liabilities.

Financial instruments at fair value through profit or loss are specified in the table below, by valuation method.

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
30.09.19				
Non-current derivatives (assets)	-	6.3	-	6.3
Current derivatives (assets)	-	-	-	-
Non-current derivatives (liabilities)	-	(140.3)	-	(140.3)
Current derivatives (liabilities)	-	-	-	-
Total	-	(134.0)	-	(134.0)
30.09.18				
Non-current derivatives (assets)	-	21.4	-	21.4
Current derivatives (assets)	-	0.5	-	0.5
Non-current derivatives (liabilities)	-	(161.0)	-	(161.0)
Current derivatives (liabilities)	-	(2.4)	-	(2.4)
Total	-	(141.5)	-	(141.5)
31.12.18				
Non-current derivatives (assets)	-	8.1	-	8.1
Current derivatives (assets)	-	0.2	-	0.2
Non-current derivatives (liabilities)	-	(163.2)	-	(163.2)
Current derivatives (liabilities)	-	(1.6)	-	(1.6)
Total	-	(156.5)	-	(156.5)

¹ Level 1: Observable market value for similar assets or liabilities, Level 2: Significant other observable inputs for similar assets, Level 3: Significant other unobservable inputs

The company's policy is to make transfers between levels at the time of the incident or circumstance, which caused the transfer. No movements between levels have occurred in 2018 and 2019.

NOTE 9: Net interest-bearing position

Change in the net interest-bearing position is specified in the table below.

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Loan facilities at par value, opening balance		7 538.4	6 969.6	7 847.1	6 974.7	6 974.7
Net change of loan facilities		140.0	(2.2)	(168.7)	(7.3)	872.4
Loan facilities at par value, closing balance	1	7 678.4	6 967.4	7 678.4	6 967.4	7 847.1
Capitalised borrowing cost		(10.4)	(15.6)	(10.4)	(15.6)	(13.7)
Book value of interest-bearing debt		7 668.0	6 951.9	7 668.0	6 951.9	7 833.4
Of which classified as non-current liabilities		4 806.7	6 344.4	4 806.7	6 344.4	4 679.6
Of which classified as current liabilities		2 861.4	607.5	2 861.4	607.5	3 153.8
Interest-bearing debt		(7 668.0)	(6 951.9)	(7 668.0)	(6 951.9)	(7 833.4)
Interest-bearing receivable	2	10.6	-	10.6	-	354.0
Cash and cash equivalents		76.7	154.7	76.7	154.7	124.6
Net interest-bearing position		(7 580.7)	(6 797.1)	(7 580.7)	(6 797.1)	(7 354.8)

¹ Unutilised credit facilities amounted to NOK 500 million at 30 September 2019, NOK 900 million at 30 September 2018 and NOK 650 million at 31 December 2018.

² Related to loans to joint ventures at 30 September 2019. At 31 December 2018 interest-bearing receivables are related to loans to joint ventures and deferred settlement in connection with the sale of properties in Stavanger.

The group is exposed to interest rate risk on floating-rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 per cent of the company's interest-bearing debt at any time will be hedged. At 30 September 2019, 62.3 per cent of such loans was secured (30 September 2018: 62.6 per cent). The total average interest margin on

loans was 123 basis points (138 basis points). The loan portfolio has an average interest rate of 3.49 per cent (3.61 per cent), and remaining time to maturity for interest-bearing debt was 2.6 years (2.7 years). Remaining time to maturity for interest hedging agreements was 5.1 years (4.0 years).

NOTE 10: Net financial items

A breakdown of net financial items in the income statement is presented below.

Amounts in NOK million	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Interest income on bank deposits and receivables	0.5	0.4	3.8	1.4	3.6
Total financial income	0.5	0.4	3.8	1.4	3.6
Interest expense on borrowings	(66.9)	(66.0)	(199.3)	(197.7)	(263.2)
Total financial cost	(66.9)	(66.0)	(199.3)	(197.7)	(263.2)
Realised net financial items	(66.4)	(65.6)	(195.5)	(196.4)	(259.6)
Change in market value of financial derivative instruments	2.5	37.6	12.2	86.2	71.3
Net financial items	(63.8)	(28.0)	(183.3)	(110.2)	(188.3)

NOTE 11: Deferred tax and income tax

The change in deferred tax and tax expense is presented in the table below.

Amounts in NOK million	Note	3Q-19	3Q-18	30.09.19	30.09.18	31.12.18
Profit before income tax		243.7	195.4	768.6	394.0	577.4
Income tax calculated at 22 per cent (23 per cent for 2018)		53.6	44.9	169.1	90.6	132.8
Changed tax rate on the closing balance	1	-	-	-	-	(28.0)
Differences between financial accounts and tax accounts		(10.9)	23.0	(11.0)	51.0	(18.0)
Income tax		42.7	68.0	158.1	141.7	86.8
Deferred tax, opening balance		733.5	605.8	615.9	531.5	531.5
Recognised through profit and loss		42.7	68.0	158.1	141.7	86.8
Addition by purchase of company		-	-	-	-	(3.7)
Recognised through comprehensive income		(0.2)	0.9	2.1	1.5	1.3
Deferred tax, closing balance		776.1	674.7	776.1	674.7	615.9

¹ The corporate tax rate in Norway is reduced from 23 per cent to 22 per cent at the beginning of 2019. Deferred tax at year-end 2018 is therefore calculated on the basis of a tax rate of 22 per cent.

With effect from 2019, amendments have been made to the rules on limiting interest deductions under Norwegian tax legislation. The limitation has been extended to include external interest payments for taxpayers in a group. The change affects Norwegian

Property, which has a foreign controlling shareholder. Norwegian Property has large losses to carry forward, and these can be used to control the effect on tax payable from a reduction in interest payments recognised as tax deductible.

NOTE 12: Related-party disclosures

No agreements or significant transactions with related parties have been carried out in 2019.

Intercompany balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial matters related to directors and senior management are described in the annual financial statements of the group (see note 21 and 22 to the financial statements for 2018).

NOTE 13: Events after the balance sheet date

In accordance with the mandate from the annual general meeting in 2019 the board decided on 23 October 2019 that a dividend of NOK 0.07 per share

will be paid after the presentation of the accounts at the end of the third quarter of 2019.

On June 28, 2019, the General Meeting resolved to reduce the share capital by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798. The creditor deadline has expired and the capital reduction has been completed after the end of the third quarter of 2019. The company has deleted 48 571 236 of its own shares with effect from 15 October 2019. After the deletion, the company owns 6 250 000 own shares and the total number of shares is 499 875 596.

No other significant events have occurred after the balance sheet date at 30 September 2019.

Definitions

Below is an explanation of figures and notions mentioned in the interim report, which are not derived directly from the accounts.

Run rate for annual rent	Contracted annualised rental income for the property portfolio at the balance sheet date.
Weighted remaining duration of leases	Remaining contractual rent of current leases at the balance sheet date divided by the total contractual rent for the entire lease term.
Space vacancy	Space which does not generate rent at the balance sheet date divided by total space.
Financial vacancy rate	Annualised market rent for space that, at the balance sheet date, do not generate rental income divided by total annualised rent for total space (contract rent for leased space and market rent for vacant space).
Gross yield	Gross yield on the balance sheet date for a property or portfolio of properties is calculated as contractual annualised rental income divided by market value.
Net yield	When calculating net yield, maintenance and property-related costs are deducted from contractual annualised rental income, which is then divided by the market value.
Prime yield	Yield for a fully leased property of best structural quality, with tenants in the best category and in the best location.
Property-related operational expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
Other property-related expenses	Other property-related expenses include income-related costs related to leasing, marketing and so forth, the owner's share of service charges, project-related property costs and depreciation related to the properties.
Administrative expenses	Administrative expenses relate to costs which are not directly related to the operation and leasing of properties, and include costs related to the overall ownership and corporate functions.
Operating profit before administrative expenses	Revenues net of property expenses.
Profit before income tax and value adjustments	Profit before tax, adjusted for fair value adjustments of investment properties and financial derivatives.
Like for like	Change in rental income from one period to another based on the same income generating property portfolio, with rental income adjusted for purchases and sales of properties.
Independent valuers	Akershus Eiendom and Cushman & Wakefield.
Market value of property portfolio	The market value of all the group's properties regardless of accounting classification.
Interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less holdings of own bonds.
Net interest-bearing debt	Interest-bearing debt, less holdings of bonds as well as cash and cash equivalents.
Equity ratio	Total equity divided by total equity and liabilities.
Pre-tax return on equity	Annualised pre-tax profit in the period divided by average total equity for the period in the balance sheet.

Unutilised credit facilities	The difference between total available credit facilities, based on the current loan agreements, and amounts at the balance sheet date which are deducted and accounted for as interest-bearing debt in the balance sheet.
Interest hedging ratio	The share of interest-bearing liabilities hedged at the balance sheet date.
Base interest rate	A weighted average of the fixed and floating average interest-rates at the balance sheet date. The fixed average interest rate is calculated as the weighted average of the fixed interest rate paid by the company in relation to outstanding interest-rate contracts and loans. The floating average interest-rate is calculated as the weighted average of the Nibor rate paid on interest-bearing debt. The interest-rate base does not include accrued finance charges or margin.
Average interest rate	Weighted average interest rate on interest-bearing debt and fixed-rate interest agreements at the balance sheet date.
Average interest margin	The weighted average of the interest margin on the outstanding interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest-bearing debt	Weighted remaining period until maturity for interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest hedge agreements	The weighted remaining period until maturity for interest hedge agreements at the balance sheet date.
LTV	Debt to asset ratio (loan to value).
Gross debt to asset ratio (gross LTV)	Interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Net debt to asset ratio (net LTV)	Net interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Earnings per share (EPS)	Net earnings for the period divided by the average number of shares during the period. Diluted earnings per share are identical to basic earnings per share, unless otherwise specified.
NAV, book value	Net asset value, the book value of total equity in the balance sheet.
NAV, adjusted	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax related to fair value adjustments of investment properties and for fair value of financial instruments after tax in the balance sheet.
NNNAV	In relation to the Adjusted NAV, NNNAV (triple net asset value) includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.
Related party	A related party has significant influence on the group's strategy or operational choices. The ability to influence another party is normally achieved through ownership, through participation in group decision-making bodies and management, or through agreements.
Events after the balance sheet date	Significant events after the balance sheet date which provide information on conditions which existed at the balance sheet date, resulting in adjustments to the financial statements, or events after the balance sheet date which do not require such adjustments.
Oslo CBD	Oslo Central Business District is considered the most attractive area for office space in Oslo. The area is usually limited to the districts of Aker Brygge, Tjuvholmen and Vika.

Other information

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Further information

For further information on Norwegian Property, including presentation material relating to this interim report and financial information, please visit www.npro.no.

Disclaimer

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property's Annual Report for 2018. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Norwegian Property disclaims any and all liability in this respect.