Interim report
Fourth quarter and full year 2018

31.12.2018

NORWEGIAN PROPERTY ASA

Important events in the fourth quarter of 2018

Positive rental income trend

Overall rental income came to NOK 200.9 million, up from NOK 193.5 million in the fourth quarter of 2017. Income from the properties at Aker Brygge in Oslo rose by 4.8 per cent in the fourth quarter of 2018 and by 6.6 per cent for the full year compared with 2017.

Profit up before tax and fair-value adjustments

Profit before tax and fair-value adjustments came to NOK 85.1 million (NOK 79.8 million). This increase related primarily to the growth in rental income and a reduction in realised net financial items.

Valuation of investment properties and financial derivatives

The valuation of the property portfolio resulted in an unrealised positive fair-value adjustment of NOK 113.1 million (NOK 280 million), related primarily to rising market rents in the areas where the group has the bulk of its property assets. Some reduction in market interest rates contributed to a negative fair-value adjustment of NOK 14.8 million (positive at NOK 16.7 million) for financial derivatives.

Net profit of NOK 238.3 million and ordinary EPS of NOK 0.43

Pre-tax profit came to NOK 183.4 million (NOK 376.5 million). After a reduction of NOK 54.9 million in the provision for deferred tax, net profit for the period came to NOK 238.3 million. That yielded ordinary earnings per share (EPS) of NOK 0.43 for the fourth quarter. Carried equity per share came to NOK 14.59 at 31 December 2018, up from NOK 14.22 at 30 September.

New leases

Leases with a total annual rental income of NOK 22 million were awarded in the fourth quarter of 2018.

These include three new leases covering about 2 700 sq.m in the Fondbygget at Aker Brygge. A new lease signed at Sandakerveien 130 for about 1 700 sq.m means that this property is now refurbished, converted to a multiuser building and fully leased.

Several property transactions

Norwegian Property entered into an agreement in late December 2018 to buy Vinslottet, the former Norwegian State Wine and Spirit Monopoly plant at Hasle in Oslo. After current upgrading, this property will provide some 8 800 sq.m of commercial space for restaurants, services and retail, plus 47 parking spaces in the basement. The floors above are being converted into 223 residential units, almost all of them sold. NOK 222 million was the purchase price. While the commercial premises are due for completion in the fourth quarter of 2019, the residential units will be finished between then and the second quarter of 2020. The property is centrally located in the Hasle district, close to residential properties, schools, offices and hotels and in the immediate vicinity of the metro.

Agreements were also entered into during the fourth quarter on the purchase of additional commercial units totalling about 2 100 sq.m for offices, services and retail, as well as 17 parking spaces, in the Stranden property at Aker Brygge. Takeover occurred before the end of the year. The gross property value totals NOK 170.1 million.

During December, Norwegian Property agreed and completed the sale of the Grenseveien 19 and 21, Maskinveien 32 and Svanholmen 2 properties for an asset value of NOK 237 million. These properties are located at Forus outside Stavanger. In addition, a 50 per cent interest was sold in the Badehusgata 33-39 property in central Stavanger, and this property will be recognised in the financial statements in future as a joint venture in accordance with the equity method. The gross asset value of this property was NOK 280 million. These sales are in line with Norwegian Property's strategy of concentrating its capital in areas which offer synergies with the rest of the portfolio, own staffing and other comparative advantages in relation to competitors. Capital liberated by the sales in Stavanger has been used to grow in the core areas of the Oslo region.

Dividend

The board has resolved to pay a dividend of NOK 0.07 per share for the fourth quarter of 2018.

Key figures

The table below presents key financial figures[1] for the group.

Profit and loss		4Q-18	4Q-17	31.12.18	31.12.17
Revenues	NOK mill.	200.9	193.5	798.9	784.3
Operating profit before admin expenses	NOK mill.	167.1	161.9	661.4	660.3
Operating profit before value adjustments	NOK mill.	148.4	148.8	604.6	606.6
Profit before income tax and value adjustments	NOK mill.	85.1	79.8	345.0	316.8
Profit before income tax	NOK mill.	183.4	376.5	577.4	1 407.0
Profit after income tax	NOK mill.	238.3	261.9	490.6	1 348.7

Balance sheet		4Q-18	4Q-17	31.12.18	31.12.17
Market value of property portfolio [2]	NOK mill.	15 590.9	15 360.5	15 590.9	15 360.5
Total equity	NOK mill.	8 002.8	7 654.8	8 002.8	7 654.8
Interest-bearing debt	NOK mill.	7 833.4	6 950.4	7 833.4	6 950.4
Equity ratio	Per cent	46.9	49.1	46.9	49.1
Pre-tax return on equity	Per cent	9.4	21.3	7.4	19.9

Cash flow		4Q-18	4Q-17	31.12.18	31.12.17
Net cash flow from operating activities	NOK mill.	82.7	10.2	419.7	234.6
Cash and cash equivalents	NOK mill.	124.6	89.2	124.6	89.2

Key figures; per share		4Q-18	4Q-17	31.12.18	31.12.17
Number of shares issued, end of the period	Number	548 425 596	548 425 596	548 425 596	548 425 596
Average number of shares in the period	Number	548 425 596	548 425 596	548 425 596	548 425 596
Profit before income tax	NOK	0.33	0.69	1.05	2.57
Earnings per share (EPS)	NOK	0.43	0.48	0.89	2.46
Net cash flow from operating activities	NOK	0.15	0.02	0.77	0.43
Interest-bearing debt	NOK	14.28	12.67	14.28	12.67
NAV, book value	NOK	14.59	13.96	14.59	13.96
Deferred property tax	NOK	1.19	1.12	1.19	1.12
Fair value of fin. derivative instruments	NOK	0.22	0.32	0.22	0.32
NAV, adjusted	NOK	16.01	15.40	16.01	15.40
Fair value of deferred tax	NOK	(0.62)	(0.52)	(0.62)	(0.52)
Fair value of fin. derivative instruments	NOK	(0.26)	(0.38)	(0.26)	(0.38)
Fair value of debt	NOK	(0.00)	(0.03)	(0.00)	(0.03)
NNNAV	NOK	15.13	14.47	15.13	14.47

[1] Figures not derived directly from the accounts are explained in the list of definitions at the end of this report. When calculating key figures per share related to profit and cash flow, the numbers are divided by the average number of shares in the period, while key figures per share related to the balance sheet are divided by the number of shares at the end of the period.
[2] Market value in the balance sheet excluding value of joint ventures recognised in accordance with the equity method.

Financial developments

Results

Operating revenue

Operating revenue for Norwegian Property totalled NOK 200.9 million in the fourth quarter. That compares with NOK 193.5 million for the same period of 2017 and represents an increase of NOK 7.4 million for the fourth quarter. Operating revenue for the full year totalled NOK 798.9 million compared with NOK 784.3 million for 2017.

Revenues from the properties at Aker Brygge rose by 4.8 per cent in the period. The increase on an annual basis was 6.6 per cent.

Operating costs

Property-related operational expenses totalled NOK 16.7 million (NOK 17 million) for the quarter and NOK 71.7 million (NOK 66 million) for the year. The rate of Oslo's property tax was increased from two to three per mille in 2018.

Other property-related expenses came to NOK 17.1 million (NOK 14.5 million) for the quarter and NOK 65.8 million (NOK 58 million) for the year. The figure for 2018 includes increased operating costs for vacated space at Snarøyveien 36.

Owner administrative expenses were NOK 19 million (NOK 13.2 million) for the quarter and NOK 57.1 million (NOK 53.7 million) for the year.

Operating profit before fair-value adjustments

On the basis of the above, operating profit before fair-value adjustments amounted to NOK 148.4 million (NOK 148.8 million) for the quarter and NOK 604.6 million (NOK 606.6 million) for the year.

Fair-value adjustments for investment property

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 113.1 million (NOK 280 million) for the quarter and NOK 161.1 million (NOK 1 046.7 million) for the year. The total market value of the property portfolio carried in the balance sheet, excluding the joint venture, amounted to NOK 15 590.9 million at 31 December 2018.

Net financial items

Net realised financial expenses came to NOK 63.3 million (NOK 68.9 million) for the quarter and NOK 259.6 million (NOK 289.9 million) for the year. This reduction primarily reflected refinancing activities implemented in 2017 and at the beginning of 2018.

Reduced market rents in the fourth quarter meant a negative fair-value adjustment for financial derivatives of NOK 14.8 million (positive at NOK 16.7 million). Interest market rates rose for the year as a whole which, together with reduced residual times to maturity, contributed to a positive fair-value adjustment for financial derivatives of NOK 71.3 million (NOK 43.6 million).

Profit for the period

Pre-tax profit was NOK 183.4 million (NOK 376.5 million) for the quarter and NOK 577.4 million (NOK 1 407 million) for the year. A reduction in the provision for non-payable deferred tax expense for the quarter was NOK 54.9 million (increase of NOK 114.6 million). This reduction related to the sale of properties. For the full year, the provision was up by NOK 86.8 million (NOK 58.3 million). Net profit was thereby NOK 238.3 million (NOK 261.9 million) for the quarter and NOK 490.6 million (NOK 1 348.7 million) for the year.

Balance sheet

The carrying amount of the group's total assets in the balance sheet was NOK 17 064.3 million (NOK 15 576.2 million), with investment property accounting for NOK 14 573.7 million (NOK 15 289.8 million), properties used by the owner for NOK 75.6 million (NOK 70.8 million) and investment property held for sale for NOK 941.6 million. Inventory related to the housing project at Hasle amounted to NOK 815.5 million.

The company held NOK 124.6 million (NOK 89.2 million) in cash and cash equivalents. In addition, the group had interest-bearing receivables of NOK 354 million at 31 December 2018, including NOK 200 million related to temporary financing of the joint venture and NOK 154 million related to postponed settlement for the sale of property in December 2018. Total receivables of NOK 354 million were redeemed in January 2019.

Total interest-bearing liabilities in the balance sheet came to 7 833.4 million (NOK 6 950.4 million), with non-current interest-bearing liabilities totalling NOK 4 679.6 million (NOK 6 940.5 million) and current interest-bearing liabilities amounting to NOK 3 153.8 million (NOK 9.9 million). NOK 850 million of current interest-bearing liabilities at 31 December 2018 related to properties covered by agreements to sell in 2019 and to temporary financing of the joint venture. Other current interest-bearing liabilities related to facilities maturing in the fourth quarter of 2019, which will be refinanced during the year, and construction loans for residential units to be sold in 2019.

Financial derivatives accounted for a net liability item of NOK 156.5 million (NOK 230.9 million), where NOK 164.8 million (NOK 233.6 million) was classified as liabilities and NOK 8.3 million (NOK 2.7 million) as assets.

Equity at 31 December totalled NOK 8 002.8 million (NOK 7 654.8 million), representing an equity ratio of 46.9 per cent (49.1 per cent). Carried equity per share was NOK 14.59 (NOK 13.96). Outstanding shares at 31 December totalled 548 425 596 (548 425 596).

Cash flow

Net operational cash flow was positive at NOK 82.7 million (NOK 10.2 million) for the quarter and NOK 419.7 million (NOK 234.6 million) for the year.

The cash effect of investing in fixed assets came to NOK 433.2 million (NOK 33.3 million) in the fourth quarter, and related to the acquisition of the Hasle project and commercial units at Aker Brygge as well as adjustments for lessees associated with new and renegotiated leases and ongoing operational investment. Investment for the full year totalled NOK 582.2 million (NOK 187.5 million). The cash effect of sales of fixed assets came to NOK 110.6 million for both quarter and year, and related to property sales in Stavanger.

Net cash flow from financing activities was positive at NOK 209.7 million (negative at NOK 147.1 million) after an increase of NOK 248.1 million in interest-bearing debt and a dividend payment of NOK 38.4 million. For the full year, net cash flow from financing activities was positive at NOK 87.3 million (negative at NOK 4.1 million) after an increase of NOK 240.8 million in interest-bearing debt and dividend payments of NOK 153.6 million.

Cash and cash equivalents showed a net reduction of NOK 30.1 million (NOK 170.1 million) for the quarter and a net increase of NOK 35.4 million (NOK 43 million) for the year.

Financing

Key figures

The table below presents key figures related to interest-bearing debt and hedges at 31 December 2018.

Interest bearing debt and hedging		31.12.18	31.12.17
Interest-bearing debt [1]	NOK mill.	7 201.9	6 950.4
Cash and cash equivalents	NOK mill.	124.6	89.2
Interest-bearing receivables	NOK mill.	354.0	-
Interest-hedging ratio	Per cent	60.3	62.4
Unutilised credit facilities	NOK mill.	650.0	900.0
interest hedge agreements	Years	4.2	3.9
Average interest rate	Per cent	3.62	3.48
Average interest margin	Per cent	1.38	1.39
Remaining time to maturity for interest-bearing debt	Years	2.3	3.3
Market value of property portfolio	NOK mill.	15 590.9	15 360.5
Gross debt to asset ratio (gross LTV)	Per cent	46.2	45.2
Net debt to asset ratio (net LTV) [2]	Per cent	43.1	44.7

[1] Excluding NOK 631.5 million in construction loans for the housing project at Hasle in Oslo.
[2] Interest-bearing debt excluding construction loans for the housing project at Hasle less cash and interest-bearing receivables in relation to the market value of the investment property portfolio. The housing project is accounted for as inventory of NOK 815.5 million.

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 833.4 million (NOK 6 950.4 million) at 31 December, including construction loans of NOK 631.5 million for the Hasle housing project. In addition, the company had undrawn credit facilities of NOK 650 million (NOK 900 million).

In addition to regular instalments, a temporary drawing of NOK 250 million on bank facilities was made in the fourth quarter. This was repaid at the beginning of 2019 following the redemption of seller credits related to the sale of the Stavanger portfolio. A construction loan with drawings of NOK 631.5 million was taken over in connection with the acquisition of the Hasle project. The ceiling for the construction loan totals NOK 1 125 million.

Interest hedges

The table below presents the maturity structure for interest-rate hedges on the group's interest-bearing debt at 31 December 2018.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest[1] (prosent)	Share of total liabilities (prosent)
< 1 year	3 200	1.1	44
1 > 2 year	550	3.2	8
2 > 3 year	900	3.9	13
3 > 4 year	650	3.4	9
4 > 5 year	500	2.2	7
> 5 year	1 400	2.1	19
Total	7 200	2.1	100

[1] Average basic interest for amount due.

Market and operations

Commercial property market

Office vacancy in Oslo is estimated to be just under 5.5 per cent, and is somewhat lower in both the city centre and the Nydalen district. Vacancy is expected to decline over the next few years as a result of decisions already taken to convert space to other applications (primarily residential and hotel), limited newbuild activity and continued growth in employment. Activity in the letting market is good. Rents are rising in a number of areas. Declining vacancy is expected to be positive for rent developments in the time to come.

In Stavanger, interest in city centre space is rising, while new office areas outside the centre are to be further developed.

The level of activity in the transaction market was high in 2018, with many property transactions in various segments at good yield levels. Long-term market interest rates rose slightly in 2018. Further increases in these rates are expected to have a negative 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 still 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 30 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (94.5 per cent of ongoing annual rental income at 31 December), at Gardermoen (four per cent) and in Stavanger (1.5 per cent). The group's properties primarily comprise offices with associated warehousing and parking, and retail and restaurant space.

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 accountting valuation at 31 December 2018 is based on an average of the two valuations.

At 31 December, the group's portfolio of investment properties, excluding the joint venture, was valued at NOK 15 590.9 million (NOK 15 360.5 million). Investment properties held for sale and properties used by the owner were carried separately on the balance sheet at NOK 941.6 million and NOK 75.6 million respectively, and recognised at fair value. Investment properties held for sale relate to premises at Skøyen and Gardermoen, which are covered by agreements to sell in 2019. Fair-value adjustments recognised in profit and loss for the investment properties in the fourth quarter were positive at NOK 113.1 million.

Total ongoing annual rental income (run rate) from the portfolio was NOK 769.2 million at 31 December, down by NOK 20.6 million from 1 October. This related primarily to the sale of properties in Stavanger and the expiry of a lease in the Fund Building at Aker Brygge, where a significant proportion of this space has been relet with effect in 2019.

Overall financial vacancy in the property portfolio totalled 4.7 per cent. This vacancy related to a great extent to Snarøyveien 36 at Fornebu in Bærum local authority.

The weighted average remaining duration of the leases is 3.9 years.

The average rent adjustment factor for the consumer price index is 99.7 per cent for the total portfolio.

Shareholder information

The company had 1 479 registered shareholders at 31 December, down by 27 from 30 September.

Non-Norwegian shareholders held 68.3 per cent of the share capital at 31 December, a slight decrease from 30 September.

The number of shares traded during the fourth quarter averaged 67 380 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 company's share capital totalled NOK 274 223 416 at 31 December, divided between 548 446 832 shares with a par value of NOK 0.50 per share.

Norwegian Property ASA held 21 236 shares in the company as treasury shares at 31 December.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 December 2018 are presented below.

Shareholder	Type of acc.	Coun-try	Number of shares	Share
GEVERAN TRADING CO LTD	ORD	CYP	326 468 339	59.53
FOLKETRYGDFONDET	ORD	NOR	73 751 642	13.45
NIAM V PROSJEKT AS	ORD	NOR	67 437 425	12.30
THE BANK OF NEW YORK MELLON SA/NV	NOM	NLD	23 131 995	4.22
DANSKE BANK AS	NOM	USA	4 285 692	0.78
STATE STREET BANK AND TRUST COMP	ORD	NOR	3 481 459	0.63
SALT VALUE AS	NOM	USA	2 017 969	0.37
NIKI AS	ORD	NOR	2 000 000	0.36
THE BANK OF NEW YORK MELLON SA/NV	NOM	GBR	1 752 264	0.32
GOLDMAN SACHS INTERNATIONAL	ORD	NOR	1 656 436	0.30
KAS BANK N.V.	ORD	NOR	1 591 737	0.29
ECKHOFF HOLDING AS	NOM	LUX	1 489 780	0.27
MATHIAS HOLDING AS	ORD	NOR	1 400 000	0.26
STATE STREET BANK AND TRUST COMP	NOM	FIN	1 377 813	0.25
EIKA NORGE	NOM	NLD	1 364 325	0.25
ESPEDAL & CO AS	ORD	NOR	1 264 767	0.23
MORGAN STANLEY INVESTMENT FUNDS	ORD	NOR	1 207 608	0.22
JPMORGAN CHASE BANK, N.A., LONDON	ORD	NOR	1 102 326	0.20
SANDEN AS	NOM	USA	1 000 000	0.18
BANAN II AS	ORD	GBR	1 000 000	0.18
OTHER			29 665 255	5.41
Total number of shares			548 446 832	100.00

Outlook

Norwegian Property delivers strong and stable results from its operations. The company is experiencing high 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. Activity in the letting market is also reviving in parts of Stavanger. Valuation 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.

During 2018, the company concentrated its business through the sale of properties outside the core areas. At the same time, the portfolio in these core areas was strengthened through property purchases. A number of new commercial units have been acquired at Aker Brygge. Capital liberated through sales in Stavanger has also been applied to investing in an interesting project at Hasle, where the group has the opportunity to exploit its expertise from Aker Brygge in a comparable property combining residential units, commercial premises and retail. The group is working actively on continued expansion of the portfolio, partly in the wake of agreed property sales at Skøyen and Gardermoen due to be implemented in 2019. Several interesting long-term development opportunities in the existing property portfolio are also being pursued.

Although the Norwegian economy is strong, some uncertainty prevails over a tightening of the housing market and a high level of household debt. Long-term interest rates are at a historically low level, but have risen somewhat over the past year. 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 are expected to help compensate for this.

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.

The company's goal is to pay 30-50 per cent of ordinary profit after tax payable but before fair-value adjustments to shareholders in the form of dividend. Before the dividend is set, an assessment is made of the group's financial position and prospects, including a possible increase in capital requirements for investment in properties and changes to the revenue base as a result of property sales.

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	4Q-18	4Q-17	31.12.18	31.12.17
Revenue		200.9	193.5	798.9	784.3
Property-related operational expenses		(16.7)	(17.0)	(71.7)	(66.0)
Other property-related expenses		(17.1)	(14.5)	(65.8)	(58.0)
Total property-related expenses		(33.8)	(31.5)	(137.5)	(124.0)
Administrative expenses		(19.0)	(13.2)	(57.1)	(53.7)
Total operating expenses		(52.7)	(44.7)	(194.6)	(177.7)
Share of profit in joint ventures	6	0.3	-	0.3	-
Operating profit before fair-value adjustments		148.4	148.8	604.6	606.6
Change in market value of investment property	4	113.1	280.0	161.1	1 046.7
Operating profit		261.5	428.7	765.7	1 653.3
Financial income	10	2.3	0.6	3.6	2.5
Financial cost	10	(65.5)	(69.5)	(263.2)	(292.4)
Realised net financial items		(63.3)	(68.9)	(259.6)	(289.9)
Change in market value of financial derivative instruments	7, 10	(14.8)	16.7	71.3	43.6
Net financial items		(78.1)	(52.2)	(188.3)	(246.3)
Profit before income tax		183.4	376.5	577.4	1 407.0
Income tax	11	54.9	(114.6)	(86.8)	(58.3)
Profit for the period		238.3	261.9	490.6	1 348.7
Profit attributable to non-controlling interests		-	-	-	-
Profit attributable to shareholders of the parent company		238.3	261.9	490.6	1 348.7

Amounts in NOK million	Note	4Q-18	4Q-17	31.12.18	31.12.17
Value adjustment of owner-occupied property, net of tax	4	(0.1)	3.0	4.8	3.7
Total other comprehensive income		(0.1)	3.0	4.8	3.7
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-
Total comprehensive income		238.2	264.9	495.4	1 352.3
Total comprehensive income attributable to shareholders of the parent company		238.2	264.9	495.4	1 352.3
Total comprehensive income attributable to non-controlling interests		-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	31.12.18	31.12.17
Financial derivative instruments	7	8.1	2.3
Investment property	4	14 573.7	15 289.8
Owner-occupied property	4	75.6	70.8
Other fixed assets		39.2	42.3
Investment in joint ventures	6	30.1	-
Receivables	6	10.0	-
Total non-current assets		14 736.7	15 405.1
Financial derivative instruments	7	0.2	0.4
Receivables	6, 9	445.7	81.4
Property related inventory	5	815.5	-
Cash and cash equivalents	9	124.6	89.2
Investment property held for sale	4	941.6	-
Total current assets		2 327.7	171.1
Total assets		17 064.3	15 576.2
Share capital		274.2	274.2
Share premium		2 295.2	2 295.2
Other paid in equity		7 563.5	7 557.3
Retained earnings		(2 130.1)	(2 471.9)
Total equity		8 002.8	7 654.8
Deferred tax	11	615.9	531.5
Financial derivative instruments	7	163.2	233.1
Interest bearing liabilities	9	4 679.6	6 940.5
Other liabilities		2.3	57.4
Total non-current liabilities		5 461.0	7 762.5
Financial derivative instruments	7	1.6	0.5
Interest bearing liabilities	9	3 153.8	9.9
Other liabilities		445.1	148.6
Total current liabilities		3 600.5	159.0
Total liabilities		9 061.5	7 921.4
Total equity and liabilities		17 064.3	15 576.2

Consolidated condensed statement of changes in equity

Amounts in NOK million		Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity	31.12.16	274.2	2 295.2	7 557.3	(3 637.8)	6 488.9
Total comprehensive income		-	-	-	1 352.3	1 352.3
Paid dividend		-	-	-	(186.5)	(186.5)
Total equity	31.12.17	274.2	2 295.2	7 557.3	(2 471.9)	7 654.8
Total comprehensive income		-	-	-	495.4	495.4
Employee share-option scheme		-	-	6.2	-	6.2
Paid dividend		-	-	-	(153.6)	(153.6)
Total equity	31.12.18	274.2	2 295.2	7 563.5	(2 130.1)	8 002.8

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	4Q-18	4Q-17	31.12.18	31.12.17
Profit before income tax		183.4	376.6	577.4	1 407.0
Depreciation of tangible assets		6.0	2.7	10.1	7.5
Fair value adjustment of investment property	4	(113.1)	(280.0)	(161.1)	(1 046.7)
Fair value adjustment of financial derivative instruments	7	14.9	(34.1)	(74.5)	(105.5)
Change in short-term items		(8.5)	(54.9)	67.7	(27.8)
Net cash flow from operating activities		82.7	10.2	419.7	234.6
Received in connection with sale of investment property		110.6	-	110.6	-
Payments for purchase of investment property and other fixed assets		(433.2)	(33.3)	(582.2)	(187.5)
Net cash flow from investing activities		(322.5)	(33.3)	(471.6)	(187.5)
Net change in interest-bearing debt		248.1	(103.2)	240.8	182.4
Paid dividend		(38.4)	(43.9)	(153.6)	(186.5)
Net cash flow from financial activities		209.7	(147.1)	87.3	(4.1)
Net change in cash and cash equivalents		(30.1)	(170.1)	35.4	43.0
Cash and cash equivalents at the beginning of the period		154.7	259.3	89.2	46.2
Cash and cash equivalents at the end of the period		124.6	89.2	124.6	89.2

Notes to the condensed financial statements

NOTE 1: General information

The Norwegian Property ASA real estate group owns commercial properties in the Oslo and Stavanger 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 6 February 2019. This 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 2017.

The Annual General Meeting in 2019, which approves the annual report for 2018, will be held on 11 April 2019.

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 signifycant 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 2017. 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 2017.

Norwegian Property acquired a company in 2018 which has residential units/flats under construction (inventory) in Oslo. The accounting principles applied in the interim financial statements for inventory and revenue recognition are described in note 5. Note 3 presents segment information for the new business area. Norwegian Property also established a joint venture in 2018 related to a property in Stavanger. The accounting principles applied for joint ventures in the interim financial statements are described in note 6.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2017, but the group has implemented the following new standards and changes of standards in the 2018 interim financial statement:

- IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. Under IFRS 9, financial assets are classified into three categories: fair value through other comprehensive income, fair value through profit and amortised cost. The measurement category is determined on initial recognition of the asset. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of the individual instrument. Equity instruments shall initially be measured at fair value. The company may elect to present value changes in other comprehensive income, but the choice is binding and subsequent gain or loss cannot be reclassified to income. Impairment due to credit risk should be recognised based on expected loss rather than the current model where losses must be incurred. For financial liabilities, the standard is based on IAS 39. The biggest change is where the fair value option is adopted for financial liabilities, the changes in fair value due to changes in own credit risk are recognised in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting by linking hedging effectiveness more closely to management's risk control and provides a greater scope for assessment. Meanwhile hedge documentation is still required. The standard is effective for the financial year 2018. The implementation of the standard entails some changes in note information for Norwegian Property.

- IFRS 15 Income from customer contracts is related to revenue recognition. The standard requires a division of the customer contract in the individual performance obligations. A performance obligation can be a product or a service. Revenue is recognised when a customer obtains control of the product or service and thus can determine the use and receive the benefits of the product or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for the financial year 2018. Implementation of the standard has not had a material effect on the accounts of Norwegian Property, as the group's income is mainly accounted for in accordance with IAS 17. See note 5 for accounting principles for the housing business acquired at year-end 2018.

Important new standards and interpretations not yet implemented:

- 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 will be no significant changes in the accounting. The group has some minor lease agreements that will be affected by the new standard. The changes at the beginning of 2019 are specified in note 4.

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 fourth quarter of 2018 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	200.9	-	-	200.9
Total property-related expenses	(33.8)	-	-	(33.8)
Administrative expenses	-	-	(19.0)	(19.0)
Share of profit in joint ventures	0.3	-	-	0.3
Change in market value of investment property	113.1	-	-	113.1
Operating profit	280.4	-	(19.0)	261.5
Net financial items			(78.1)	(78.1)
Profit before income tax			(97.0)	183.4
Income tax			54.9	54.9
Profit for the period			(42.1)	238.3

Segment information relating to income statement items in 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 as of 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

Investment property

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

Amounts in NOK million	Note	4Q-18	4Q-17	31.12.18	31.12.17
Total value of investment property, opening balance		15 570.9	15 036.4	15 360.5	14 112.1
Sale of investment property at book value	1	(237.0)	-	(237.0)	-
Transfer to joint venture at book value	2	(280.0)	-	(280.0)	-
Investment in properties		419.9	34.7	577.7	188.0
Fair value adjustments of investment property		113.1	280.0	161.1	1 046.7
Fair value adjustments related to sold inv. property		4.6	5.9	3.7	10.4
Recognised in other compreh. income for the period		(0.6)	3.5	4.8	3.3
Total value of investment property, closing balance		15 590.9	15 360.5	15 590.9	15 360.5
Of which investment property held for sale	3	(941.6)	-	(941.6)	-
Investment property, not held for sale		14 649.3	15 360.5	14 649.3	15 360.5
Of which owner-occupied property	4	(75.6)	(70.8)	(75.6)	(70.8)
Book value of investment property		14 573.7	15 289.7	14 573.7	15 289.7

[1] Related to the sale of properties on Forus near Stavanger in the fourth quarter of 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 certain properties with takeover on expiry of leases in 2019. This applies to Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo, as well as properties at Oslo Airport Gardermoen. 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
		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
		31.12.17		
Investment property	-	-	15 289.7	15 289.7
Owner-occupied property	-	-	70.8	70.8
Total	-	-	15 360.5	15 360.5

[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 2017 and 2018.

Other fixed assets and leases

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

Amounts in NOK million	31.12.18	31.12.17
Energy distribution system (Aker Brygge)	31.3	33.3
Other assets	7.9	9.0
Other fixed assets	39.2	42.3

IFRS 16 Lease accounting comes 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 will be 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 will not be produced.

NOTE 5: Inventory

The group's business includes a property-related inventory intended for future sale. This inventory comprises residential units under construction or development for such sale. Generally speaking, this type of inventory can cover land, properties for onward sale, and property under development and construction.

On 27 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 December 2018, with completion and onward sale in 2019 and 2020. Virtually all the units have been sold on to end users.

The inventory is valued at the lower of acquisition cost and net realisable value. Acquisition cost includes all expenditures for purchase and construction as well as other expenses incurred to bring the inventory to its present condition. Construction costs include direct expenditures on construction of the property as well as indirect fixed and variable costs incurred during development and construction. Borrowing expenses are included in the acquisition cost until the properties are ready for sale. Capitalisation of borrowing costs begins when the property has received planning permission. Capitalisation of other direct attributable costs begins when it is more likely than not that a project will be realised. The net realisable value is the estimated sales price in the ordinary way of business, based on the market price at the reporting date and discounted for the time value of money, less estimated costs for completion and sales. When properties are sold, the carrying amount is recognised as a project cost in the profit and loss account for the same period as the associated revenue is realised. Revenue from residential property sales is recognised at the transaction date. Where residential units are concerned, risk and control are considered to be transferred on delivery to the buyer.

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

Amounts in NOK million	2018	2017
Book value, opening balance	-	-
Purchase of company	815.5	-
Book value, closing balance	(815.5)	-

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

Amounts in NOK million	31.12.18	31.12.17
Land for development	-	-
Project under construction/development	815.5	-
Completed units	-	-
Total carrying amount of property related inventory	(815.5)	-

NOTE 6: Joint ventures

Norwegian Property sold a 50 per cent interest in the Badehusgata 33-39 property in Stavanger on 14 December 2018. This property was originally acquired on 9 June 2006. The group's only investment in joint ventures during 2018 relates to this property.

Joint ownership arrangements are classified in two categories - joint operation and joint ventures. In the former case, the parties with joint control have rights to the assets and responsibility for the liabilities in the arrangement. In a joint venture, the parties with joint control have the right to the net assets in the arrangement. The group has no investments recognised as joint operations, only an investment classified as a joint venture.

The classification depends on the contractual rights and obligations of each party. Joint control normally requires unanimity between the parties. The group classifies its investments on the basis of an analysis of its degree of control and other underlying conditions. An assessment is made in this context of voting rights, ownership structure and the relative strength of the parties. Should changes occur to the underlying conditions, an assessment must be made of whether these require changes to the accounting classification.

The group's share of the company's net profit is presented in accordance with the equity method on a separate line in the consolidated profit and loss account, and the investment is similarly recognised on a separate line under fixed assets in the balance sheet.

The group's share of gain and loss from transactions with the joint venture are eliminated. Accounting principles in the joint venture are changed when necessary to accord with the accounting principles applied by the group.

A transaction which involves a change of control from joint venture to subsidiary will be recognised as a disposal where gain or loss is recognised in the profit and loss account as profit/loss from the joint venture.

This year's change in the carrying amount of the investment in the joint venture is specified in the table below.

Amounts in NOK million	2018	2017
Book value, opening balance	-	-
New joint ventures during the year	29.8	-
Share of profit for the year	0.3	-
Book value, closing balance	30.1	-

The joint venture had no off-balance-sheet contractual liabilities at 31 December.

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

Amounts in NOK million	4Q-18	4Q-17	31.12.18	31.12.17
Revenue	0.9	-	0.9	-
Total property-related expenses	(0.6)	-	(0.6)	-
Change in market value of investment property	0.8	-	0.8	-
Operating profit	1.1	-	1.1	-
Net financial items	(0.6)	-	(0.6)	-
Profit before income tax	0.5	-	0.5	-
Income tax	-	-	-	-
Profit for the period	0.5	-	0.5	-
The groups share of profit for the period	0.3	-	0.3	-

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

Amounts in NOK million	31.12.18	31.12.17
Investment property	280.8	-
Receivables	0.9	-
Cash and cash equivalents	0.9	-
Interest bearing liabilities	(200.0)	-
Loans from shareholders	(20.0)	-
Other liabilities	(2.5)	-
Total equity	(60.1)	-
The groups share of total equity	(30.1)	-

At 31 December 2018, Norwegian Property had provided an interest-bearing loan of NOK 200 million to the joint venture. This loan was redeemed in its entirety on 4 January 2019 with the establishment of a correspondding external bank facility in the joint venture. The loan is recognised in the Norwegian Property balance sheet under other current liabilities at 31 December 2018. In addition to their equity interest, the participants in the joint venture have provided a long-term shareholder loan totalling NOK 20 million to the business. Norwegian Property has classified its NOK 10 million share under other non-current liabilities in the balance sheet at 31 December 2018.

The sale of the interest in the subsidiary and the transition to a joint venture had no significant effect on profits in the fourth quarter of 2018. In earlier accounting periods, the property has been valued at fair value as an investment property and the asset value assumed for the sale did not vary significantly from the previous valuation.

NOTE 7: Financial derivatives

Change in net derivatives in the balance sheet (mainly interest-rate derivatives) is specified in the table below[1].

Amounts in NOK million	4Q-18	4Q-17	31.12.18	31.12.17
Net book value of derivatives, opening balance	(141.5)	(265.0)	(230.9)	(336.4)
Buyout of derivatives	(0.1)	17.4	3.1	62.0
Fair value adjustments of derivatives	(14.8)	16.7	71.3	43.6
Net book value of derivatives, closing balance	(156.4)	(230.9)	(156.4)	(230.9)
Of which classified as non-current assets	8.1	2.3	8.1	2.3
Of which classified as current assets	0.2	0.4	0.2	0.4
Of which classified as non-current liabilities	(163.2)	(233.1)	(163.2)	(233.1)
Of which classified as current liabilities	(1.6)	(0.5)	(1.6)	(0.5)

[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	31.12.18		31.12.17	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	8.1	8.1	2.3	2.3
Non-current receivables	10.0	10.0	-	-
Current derivatives	0.2	0.2	0.4	0.4
Current receivables	445.7	445.7	81.4	81.4
Cash and cash equivalents	124.6	124.6	89.2	89.2
Total financial assets	588.6	588.6	173.3	173.3
Non-current derivatives	163.2	163.2	233.1	233.1
Non-current interest-bearing liabilities	4 679.6	4 676.5	6 940.5	6 959.5
Current derivatives	1.6	1.6	0.5	0.5
Current interest-bearing liabilities	3 153.8	3 159.9	9.9	9.9
Other current liabilities	441.5	441.5	132.0	132.0
Total financial liabilities	8 439.6	8 442.6	7 316.0	7 335.0

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
		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)
		31.12.17		
Non-current derivatives (assets)	-	2.3	-	2.3
Current derivatives (assets)	-	0.4	-	0.4
Non-current derivatives (liabilities)	-	(233.1)	-	(233.1)
Current derivatives (liabilities)	-	(0.5)	-	(0.5)
Total	-	(230.9)	-	(230.9)

[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 2017 and 2018.

NOTE 9: Net interest-bearing position

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

Amounts in NOK million	Note	4Q-18	4Q-17	31.12.18	31.12.17
Loan facilities at par value, opening balance		6 967.4	7 077.8	6 974.7	6 792.3
Increase in loan facilities		879.6	1 400.0	873.7	3 366.0
Reduction in loan facilities		-	(1 503.2)	(1.3)	(3 183.6)
Loan facilities at par value, closing balance	1	7 847.0	6 974.7	7 847.0	6 974.7
Capitalised borrowing cost		(13.7)	(24.3)	(13.7)	(24.3)
Book value of interest-bearing debt		7 833.3	6 950.4	7 833.3	6 950.4
Of which classified as non-current liabilities		4 679.6	6 940.5	4 679.6	6 940.5
Of which classified as current liabilities		3 153.8	9.9	3 153.8	9.9
Interest-bearing debt		(7 833.3)	(6 950.4)	(7 833.3)	(6 950.4)
Interest-bearing receivable	2	354.0	-	354.0	-
Cash and cash equivalents		124.6	89.2	124.6	89.2
Net interest-bearing position		(7 354.8)	(6 861.1)	(7 354.8)	(6 861.1)

[1] *Unutilised credit facilities amounted to NOK 650 million at 31 December 2018 and NOK 900 million at 31 December 2017.*
[2] *Related to loans for joint ventures of NOK 200 million referred to in note 6, and deferred settlement of NOK 154 million in connection with the sale of properties on Forus at Stavanger in December 2018. At year-end 2018, the total receivable of NOK 354 million was classified as other short-term receivables in the balance sheet of Norwegian Property, and is fully repaid on 4 January 2019.*

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 31 December 2018, 60.3 per cent of such loans was secured (31 December 2017: 62.4 per cent). The total average interest margin on loans was 138 basis points (139 basis points). The loan portfolio has an average interest rate of 3.62 per cent (3.48 per cent), and remaining time to maturity for interest-bearing debt was 2.3 years (3.3 years). Remaining time to maturity for interest hedging agreements was 4.2 years (3.9 years).

NOTE 10: Net financial items

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

Amounts in NOK million	4Q-18	4Q-17	31.12.18	31.12.17
Interest income on bank deposits and receivables	2.3	0.6	3.6	2.5
Total financial income	2.3	0.6	3.6	2.5
Interest expense on borrowings	(65.5)	(69.5)	(263.2)	(292.4)
Total financial cost	(65.5)	(69.5)	(263.2)	(292.4)
Realised net financial items	(63.3)	(68.9)	(259.6)	(289.9)
Change in market value of financial derivative instruments	(14.8)	16.7	71.3	43.6
Net financial items	(78.1)	(52.2)	(188.3)	(246.3)

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	4Q-18	4Q-17	31.12.18	31.12.17
Profit before income tax		183.4	376.5	577.4	1 407.0
Income tax calculated at 23 per cent (24 per cent for 2017)		42.2	90.4	132.8	337.7
Changed tax rate on the closing balance	1	(28.0)	(23.3)	(28.0)	(23.3)
Temporary differences		(69.1)	47.5	(18.0)	(256.1)
Income tax		(54.9)	114.6	86.8	58.3
Deferred tax, opening balance		674.7	416.0	531.5	472.1
Recognised through profit and loss		(54.9)	114.6	86.8	58.3
Addition by purchase of company		(3.7)	-	(3.7)	-
Recognised through comprehensive income		(0.1)	0.9	1.3	1.1
Deferred tax, closing balance		615.9	531.5	615.9	531.5

[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. Similarly, the corporate tax rate in Norway was reduced from 24 per cent to 23 per cent at the beginning of 2018. Deferred tax at year-end 2017 has therefore been calculated on the basis of a tax rate of 23 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 will affect 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 2018.

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 14 and 19 to the financial statements for 2017).

NOTE 13: Events after the balance sheet date

In accordance with the mandate from the annual general meeting in 2018 the board decided on 6 February 2019 that a dividend of NOK 0.07 per share will be paid after the presentation of the accounts at the end of the fourth quarter of 2018.

No other significant events have occurred after the balance sheet date at 31 December 2018.

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 cate-gory 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

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