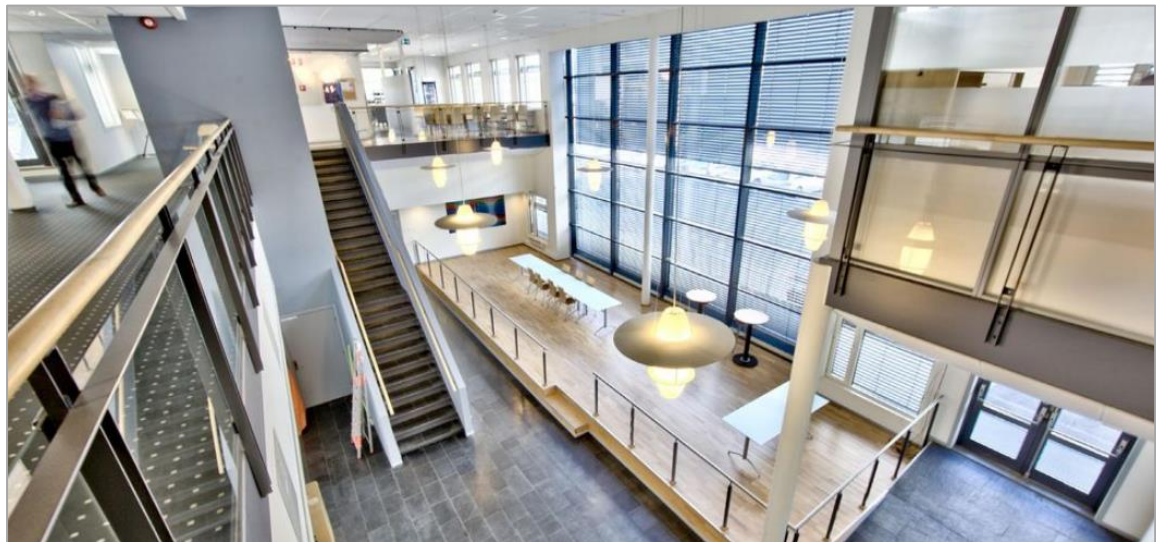


Interim report

Second quarter and first half 2019



Sandakerveien 130, Nydalen, Oslo

30.06.2019

NORWEGIAN PROPERTY ASA

Important events in the second quarter of 2019

Life-for-like increase in rental income

Overall rental income came to NOK 179.2 million for the second quarter, representing a like-for-like increase of NOK 9 million from the same period of last year.

Profit before tax and fair-value adjustments of NOK 75 million

Profit before tax and fair-value adjustments came to NOK 75 million, compared with NOK 84.3 million for the second quarter of 2018. The change relates to the sale of properties, respectively on 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 230.4 million (negative at NOK 29.7 million for the corresponding period in 2018), after expectations for market rents and required returns continued to strengthen in the areas where the group has the bulk of its property assets.

Long-term market interest rates had not significantly changed at 30 June compared with 31 March, and the fair-value adjustment for interest-rate derivatives showed a flat trend for the period (NOK 0.7 million in reduced fair value compared with a minor increase of NOK 2.4 million in the same period of last year).

Net profit of NOK 240.3 million and ordinary EPS of NOK 0.45

Pre-tax profit came to NOK 304.7 million (NOK 57 million). After an increase of NOK 64.4 million in the provision for deferred tax, net profit for the period came to NOK 240.3 million. That yielded ordinary earnings per share (EPS) of NOK 0.45 for the second quarter. Carried equity per share came to NOK 15.60 at 30 June 2019, up from NOK 14.83 at 31 March.

New leases

Leases with a total annual rental income of NOK 54 million were awarded or extended in the second quarter of 2019.

Buyback and deletion of shares

Pursuant to the mandate from the annual general meeting in 2019, Norwegian Property ASA made shareholders an offer to buy back up to 10 per cent of the outstanding shares in the company, representing up to 54 800 000 shares. The offer was implemented as a book building exercise with an offer price of NOK 11.75 per share, representing a premium of 10.3 per cent on the market price at the offer date.

Acceptances totalling more than 10 per cent of the outstanding shares were received and, after an allocation, the company bought back 54 800 000 shares at a price of NOK 11.75 per share. Shares bought back have largely been deleted from the register following a decision by an extraordinary general meeting held in the second quarter to reduce the company's capitalisation.

Refinancing of interest-bearing debt

During second quarter, Norwegian Property refinanced a term loan of NOK 1 502.2 million in DNB and Danske Bank with maturity in the fourth quarter of 2019.

Bond loans were expanded and issued during the second quarter for a total of NOK 1 110 million in the form of new bonds amounting to NOK 950 million and the expansion of existing bonds by NOK 160 million. In addition, a term loan of NOK 530 million was established in Skandinaviske Enskilda Banken.

Dividend

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

Key figures

The table below presents key financial figures¹ for the group.

Profit and loss		2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Revenues	NOK mill.	179.2	198.8	370.7	395.9	798.9
Operating profit before admin expenses	NOK mill.	149.8	163.2	311.6	325.9	661.4
Operating profit before value adjustments	NOK mill.	140.2	150.3	289.3	299.5	604.6
Profit before income tax and value adjustments	NOK mill.	75.0	84.3	160.2	168.7	345.0
Profit before income tax	NOK mill.	304.7	57.0	525.0	198.6	577.4
Profit after income tax	NOK mill.	240.3	32.7	409.6	124.9	490.6
Balance sheet		2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Market value of property portfolio	NOK mill.	15 181.2	15 434.6	15 181.2	15 434.6	15 590.9
Total equity	NOK mill.	7 700.7	7 707.7	7 700.7	7 707.7	8 002.8
Interest-bearing debt	NOK mill.	7 528.0	6 951.4	7 528.0	6 951.4	7 833.4
Equity ratio	Per cent	46.8	49.2	46.8	49.2	46.9
Pre-tax return on equity	Per cent	15.5	3.0	13.4	5.2	7.4
Cash flow		2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Net cash flow from operating activities	NOK mill.	(57.2)	59.3	(43.4)	194.7	419.7
Cash and cash equivalents	NOK mill.	129.0	110.5	129.0	110.5	124.6
Key figures; per share		2Q-19	2Q-18	30.06.19	30.06.18	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	0.57	0.10	0.97	0.36	1.05
Earnings per share (EPS)	NOK	0.45	0.06	0.76	0.23	0.89
Net cash flow from operating activities	NOK	(0.11)	0.11	(0.08)	0.36	0.77
Interest-bearing debt	NOK	15.25	12.68	15.25	12.68	14.28
NAV, book value	NOK	15.60	14.05	15.60	14.05	14.59
Deferred property tax	NOK	1.48	1.15	1.48	1.15	1.19
Fair value of fin. derivative instruments	NOK	0.23	0.26	0.23	0.26	0.22
NAV, adjusted	NOK	17.32	15.47	17.32	15.47	16.01
Fair value of deferred tax	NOK	(0.75)	(0.50)	(0.75)	(0.50)	(0.62)
Fair value of fin. derivative instruments	NOK	(0.27)	(0.30)	(0.27)	(0.30)	(0.26)
Fair value of debt	NOK	(0.05)	(0.02)	(0.05)	(0.02)	(0.00)
NNNAV	NOK	16.25	14.64	16.25	14.64	15.13

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. The number of shares when calculating key figures is exclusive of treasury shares.

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 179.2 million in the second quarter. That compares with NOK 198.8 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 9 million for the second quarter. Operating revenues for the first half totalled NOK 370.7 million (NOK 395.9 million²), representing a like-for-like increase of NOK 15.4 million.

The tenants' turnover related to retail and F&B at Aker Brygge in Oslo fell by 7.5 per cent in the second quarter compared to the same period last year. For the first six months, the reduction is 3.3 per cent. The decrease is mainly driven by lower income from F&B, compared with the high turnover during last year's extraordinarily good weather period in the second quarter.

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 16.3 million (NOK 18.7 million) for the second quarter and NOK 32 million in the first half (NOK 36.6 million). Other property-related expenses came to NOK 13.1 million (NOK 17 million) for the quarter and NOK 27.1 million (NOK 33.4 million) in the first half.

Owner administrative expenses were NOK 12.2 million (NOK 12.9 million) for the quarter and NOK 26.6 million (NOK 26.4 million) in the first half.

Share of profit from joint venture

The group's share of net profit from the joint venture was NOK 2.7 million for the quarter and NOK 4.3 million in the first half, 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 140.2 million

(NOK 150.3 million) for the quarter and NOK 289.3 million (NOK 299.5 million) in the first half.

Fair-value adjustments for investment property

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 230.4 million (decrease of NOK 29.7 million) for the quarter and NOK 355.1 million (decrease of NOK 18.7 million) in the first half. Expectations for market rents and required returns have strengthened during 2019 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 15 181.2 million at 30 June 2019.

Net financial items

Net realised financial expenses came to NOK 65.2 million (NOK 66 million) for the quarter and NOK 129.1 million (NOK 130.7 million) in the first half. NOK 2.5 million was expensed during the second quarter in relation to the implemented refinancing.

Long-term market interest rates had not significantly changed at 30 June compared with 31 March, and the fair-value adjustment for interest-rate derivatives showed a minor negative adjustment of NOK 0.7 million (increase of NOK 2.4 million). For the first half as a whole, a reduction in residual times to maturity contributed to a positive fair-value adjustment of NOK 9.7 million (NOK 48.6 million) for financial derivatives.

Profit for the period

Pre-tax profit was NOK 304.7 million (NOK 57 million) for the quarter and NOK 525 million (NOK 198.6 million) in the first half. The increase in the provision for non-payable deferred tax expense for the quarter was NOK 64.4 million (NOK 24.3 million) and NOK 115.4 million (NOK 73.7 million) in the first half. Net profit was thereby NOK 240.3 million (NOK 32.7 million) for the quarter and NOK 409.6 million (NOK 124.9 million) in the first half.

Balance sheet

The carrying amount of the group's total assets in the balance sheet was NOK 16 440.4 million (NOK 15 680.9 million), with investment property accounting for NOK 15 042.1 million (NOK 14 466.2 million), properties used by the owner for NOK 86.2 million (NOK 72.7

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

million) and investment property held for sale for NOK 52.9 million (NOK 895.7 million). Until its completion, the housing project at Hasle in Oslo is recognised as inventory with a carrying amount of NOK 950 million at 30 June.

The company held NOK 129 million (NOK 110.5 million) in cash and cash equivalents.

Total interest-bearing liabilities in the balance sheet came to 7 528 million (NOK 6 951.4 million), with non-current interest-bearing liabilities totalling NOK 6 610.1 million (NOK 6 344.5 million) and current interest-bearing liabilities amounting to NOK 918 million (NOK 606.9 million). NOK 787.6 million in construction loans related to the housing project at Hasle is included in interest-bearing liabilities. Of this, NOK 217.6 million is non-current liabilities and NOK 570 million is current liabilities.

Financial derivatives accounted for a net liability item of NOK 146.8 million (NOK 179 million), with NOK 153.1 million (NOK 191 million) classified as liabilities and NOK 6.3 million (NOK 12 million) as assets.

Equity at 30 June totalled NOK 7 700.7 million (NOK 7 707.8 million), representing an equity ratio of 46.8 per cent (49.2 per cent). Carried equity per share was NOK 15.60 (NOK 14.05). Outstanding shares at 30 June totalled 499 875 596 (548 446 832) after the decision to delete treasury shares. Treasury shares totalled 6 250 000, so that 493 625 596 shares were held by ordinary shareholders.

Cash flow

Net operational cash flow was negative at NOK 57.2 million (positive at NOK 59.3 million) for the quarter and NOK 43.4 million (positive at NOK 194.7 million) in the first half. Investment in property-related inventory related to the housing project at Hasle in Oslo was the main reason for the negative change.

The cash effect of investing in fixed assets came to NOK 74.6 million (NOK 54.8 million) for the quarter, and related to the commercial part of the Hasle project, adjustments for lessees associated with new and renegotiated leases, and ongoing operational investment. Investment totalled NOK 99.2 million (NOK 91.7 million) in the first half. The cash effect of fixed asset sales in the first six months came to NOK 823 million related to properties at Skøyen in Oslo and NOK 354 million in settlement of seller credits and temporary financing of joint ventures related to the properties sold in Stavanger.

Net cash flow from financing activities was negative at NOK 185.1 million (NOK 40.6 million) in the second quarter following a rise of NOK 497.8 million in interest-bearing debt, NOK 38.4 million in dividend and NOK 644.5 million in buyback of own shares. For the first half, the figure was negative at NOK 1 030 million (NOK 81.8 million) following a reduction of NOK 308.7 million in interest-bearing debt, NOK 76.8 million in dividend and the effect of the above-mentioned share buyback.

Cash and cash equivalents showed a net reduction of NOK 316.9 million (NOK 36.1 million) for the quarter and a net increase of NOK 4.4 million (NOK 21.2 million) in the first half.

Financing

Key figures

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

Interest bearing debt and hedging		30.06.19	30.06.18	31.12.18
Interest-bearing debt ¹	NOK mill.	6 740.4	6 951.4	7 201.9
Cash and cash equivalents	NOK mill.	129.0	110.5	124.6
Interest-bearing receivables		10.3	-	354.0
Interest-hedging ratio	Per cent	62.3	61.0	60.3
Unutilised credit facilities	NOK mill.	550.0	900.0	650.0
maturity for interest hedge agreements	Years	4.8	4.2	4.2
Average interest rate	Per cent	3.63	3.65	3.62
Average interest margin	Per cent	1.22	1.38	1.38
maturity for interest-bearing debt	Years	2.9	2.9	2.3
Market value of property portfolio	NOK mill.	15 181.2	15 434.6	15 590.9
Gross debt to asset ratio (gross LTV)	Per cent	44.4	45.0	46.2
Net debt to asset ratio (net LTV) ²	Per cent	43.5	44.3	43.1

¹ Excluding NOK 787.6 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.

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 528 million (NOK 6 951.4 million) at 30 June, including construction loans of NOK 787.6 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 550 million (NOK 900 million).

Current interest-bearing debt at 30 June related almost entirely to a bond loan of NOK 350 million maturing in the fourth quarter of 2019 as well as the share of the construction loan relating to homes which will be sold in 2019.

Norwegian Property refinanced a credit facility in DNB and Danske Bank which matured in the fourth quarter of 2019 and had been drawn down by NOK 1 502.2 million at 1 April. A three-year credit facility of NOK 530 million has been established in Skandinaviske Enskilda Banken, and NOK 1 110 million was raised in new or expanded bond loans during the second quarter. NOK 89 million was issued in the NPRO 07 bond loan maturing in the second quarter of 2024, and NOK 71 million in the NPRO 12 bond loan maturing in the fourth quarter of 2020. Furthermore, NOK 950 million was issued as new senior secured bonds in three tranches of NOK 500 million, NOK 300 million and NOK 150 million respectively. The time to maturity for these tranches is three, five and seven years respectively.

Interest hedges

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

Maturity profile of interest hedges	Amount (NOK mill.)	Interest ¹ (per cent)	Share of total liabilities (per cent)
< 1 year	2 540	1.7	38
1 > 2 year	800	3.8	12
2 > 3 year	200	2.6	3
3 > 4 year	1 050	3.0	16
4 > 5 year	500	1.8	7
> 5 year	1 650	2.2	24
Total	6 740	2.3	100

¹ Average base interest rate for the matured amount.

Market and operations

Commercial property market

Office vacancy in Oslo was 4.6 per cent in the second quarter, its lowest level since 2008. It was 3.1 per cent in the city centre. Vacancy is expected to decline further 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.

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 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 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 30 June. These are primarily located in central areas of the Oslo region. The group's properties mainly 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 accounting valuation at 30 June 2019 is based on an average of the two valuations.

At 30 June, the group's portfolio of investment properties, excluding the joint venture, was valued at NOK 15 181.2 million (NOK 15 434.6 million). Investment properties held for sale and properties used by the owner were carried separately on the balance sheet at NOK 52.9 million and NOK 86.2 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 230.4 million for the second quarter and NOK 355.1 million in the first half.

Total ongoing annual rental income (run rate) from the portfolio was NOK 705.1 million at 30 June, up by NOK 32.6 million from 1 April, primarily related to the tenancy start for agreements in the property Drammensveien 60.

Overall financial vacancy in the property portfolio totalled 5.2 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 4.8 years.

The average rent adjustment factor for the consumer price index is 99.8 per cent for the total portfolio.

Environment and corporate social responsibility (CSR)

The company will report to the Carbon Disclosure Project for the seventh time in the third quarter of 2019.

Norwegian Property has an environmental strategy with performance targets for the period up to 2022. The effect of the energy centre with a seawater pump at Aker Brygge is measured by looking at how much energy it delivers in relation to the amount consumed. This effect has improved from 2.1 times in 2016 to 2.9 in 2018. Where the remainder of the property portfolio is concerned, energy consumption per square metre declined by 11 per cent from 2016 to 2018, and carbon emissions per square metre are down by 17 per cent.

Shareholder information

Pursuant to the mandate from the annual general meeting in 2019, Norwegian Property ASA made shareholders an offer in the second quarter to buy back up to 10 per cent of the outstanding shares in the company, representing up to 54 800 000 shares. The offer was implemented as a book building exercise with an offer price of NOK 11.75 per share, representing a premium of 10.3 per cent on the market price at the offer date.

Buyback acceptances totalling 57 862 854 shares at NOK 11.75 per share were received. After an allocation, the company bought back 54 800 000 shares at the above-mentioned price per share. Shares bought back have largely been deleted from the

register following a decision by an extraordinary general meeting held in the second quarter to reduce the company's capital.

Following the capital reduction, the company's share capital at 30 June totalled NOK 249 937 798, divided between 499 875 596 shares with a nominal value of NOK 0.50. The company held 6 250 000 treasury shares.

The company had 1 231 registered shareholders at 30 June, down by 255 from 31 March.

Non-Norwegian shareholders held 62.3 per cent of the share capital at 30 June, a slight decrease from 31 December.

The number of shares traded during the second quarter averaged 626 167 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 June 2019 are presented below (before the deletion of treasury shares).

Shareholder	Type of acc.	Country	Number of shares	Share
GEVERAN TRADING CO LTD	ORD	CYP	329 147 372	60.01
FOLKETRYGDFONDET	ORD	NOR	73 951 642	13.48
NIAM V PROSJEKT AS	ORD	NOR	67 437 425	12.30
TREASURY SHARES (NORW. PROPERTY ASA)	ORD	NOR	54 821 236	10.00
DANSKE BANK AS	ORD	DNK	2 830 532	0.52
MORGAN STANLEY INVESTMENT FUNDS	ORD	LUX	1 297 608	0.24
THE BANK OF NEW YORK MELLON SA/NV	NOM	NLD	1 262 838	0.23
SANDEN AS	ORD	NOR	1 000 000	0.18
BANAN II AS	ORD	NOR	1 000 000	0.18
SIJOITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.14
STATE STREET BANK AND TRUST COMP	NOM	USA	719 939	0.13
KAS BANK N.V.	NOM	NLD	716 239	0.13
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	713 918	0.13
SIJOITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.11
CANOMARO REAL ESTATE AS	ORD	NOR	452 870	0.08
BARCLAYS CAPITAL SEC. LTD FIRM	ORD	GBR	317 481	0.06
CLEARSTREAM BANKING S.A.	NOM	LUX	295 164	0.05
STATE STREET BANK AND TRUST COMP	NOM	USA	235 440	0.04
SOLBERG INVEST & CONSULT AS	ORD	NOR	233 445	0.04
VIK, ERIK MARTIN	ORD	NOR	226 516	0.04
CAMVECTI HOLDING AS	ORD	NOR	211 556	0.04
OTHER			10 204 194	1.86
Total number of shares			548 446 832	100.00

Risk and uncertainty factors

Through its activities, Norwegian Property is exposed to market risk related to demand for commercial premises and how this influences rents and vacancy in the portfolio. The company is experiencing low vacancy, good activity in the letting market and rising rent levels in its core areas in Oslo.

The group's rental income is influenced by the general level of inflation, since annual rents are adjusted once a year in line with the increase in the consumer price index. For leases where part of the rent is turnover-based, the level of rent over and above the minimum amount will vary with tenant turnover.

Implementing large development projects creates vacant space on a temporary basis, with associated loss of rental income as well as risk related to cost overruns, delays, delivery shortfalls, negative market trends, and reletting. The group has established routines for project management and execution.

The group's financial risks relate primarily to changes in profits and equity as a result of developments in rental income, adjustments to the fair value of the property portfolio, the effect of interest rate changes on profits and liquidity, liquidity risk, and profit effects when refinancing the group's debt. Some of the group's credit facilities incorporate covenants related to financial figures, including the loan-to-value ratio and interest cover. Hedging is utilised to dampen the effect of interest rate changes on profits and liquidity. An increase in market interest rates will accordingly have a limited impact on the group's interest expenses. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and ongoing short-term fluctuations in working capital requirements.

Norwegian Property's portfolio of office properties is characterised by high quality, with a financially sound and diversified set of tenants. The latter normally pay rent quarterly in advance. In addition, most leases require security for rent payments either in the form of a deposit account or a bank guarantee. As a result, the risk of direct losses from defaults or payment problems is limited and relates primarily to reletting of premises.

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 the 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 in relation to both developments in the international economy and over a tightening of the Norwegian housing market with a high level of household debt. Long-term interest rates are at a historically low level, but rates have risen somewhat over the past year with a flattening out in the last part of the period. 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 positive effects on the 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.

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.

Declaration by the board of directors and the CEO

The board and the CEO have today considered and approved the directors' report for the first half of 2018 and the summary consolidated half-year financial statements for Norwegian Property ASA at 30 June 2019. The consolidated financial statements for the first half have been prepared in accordance with IAS 34 Interim reporting as approved by the EU and additional Norwegian information requirements pursuant to the Norwegian Securities Trading Act.

To the best of the board's and the CEO's knowledge, the interim financial statements for the first half of 2019 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group at 30 June 2019.

To the best of the board's and the CEO's knowledge, the directors' half-year report provides a true and fair overview of important events in the accounting period and their influence on the financial statements for the first half. To the best of the board's and the CEO's knowledge, the description of the most important risk factors and uncertainties facing the business in the next accounting period and of significant transactions with related parties also provides a true and fair overview.

The board of directors and CEO of Norwegian Property ASA

Oslo, 9 July 2019

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Revenue		179.2	198.8	370.7	395.9	798.9
Property-related operational expenses		(16.3)	(18.7)	(32.0)	(36.6)	(71.7)
Other property-related expenses		(13.1)	(17.0)	(27.1)	(33.4)	(65.8)
Total property-related expenses		(29.4)	(35.6)	(59.2)	(70.0)	(137.5)
Administrative expenses		(12.2)	(12.9)	(26.6)	(26.4)	(57.1)
Total operating expenses		(41.7)	(48.5)	(85.8)	(96.4)	(194.6)
Share of profit in joint ventures	6	2.7	-	4.3	-	0.3
Operating profit before fair-value adjustments		140.2	150.3	289.3	299.5	604.6
Change in market value of investment property	4	230.4	(29.7)	355.1	(18.7)	161.1
Operating profit		370.6	120.6	644.4	280.8	765.7
Financial income	10	1.7	0.4	3.3	1.0	3.6
Financial cost	10	(66.9)	(66.4)	(132.4)	(131.7)	(263.2)
Realised net financial items		(65.2)	(66.0)	(129.1)	(130.7)	(259.6)
Change in market value of financial derivative instruments	7, 10	(0.7)	2.4	9.7	48.6	71.3
Net financial items		(65.9)	(63.6)	(119.4)	(82.2)	(188.3)
Profit before income tax		304.7	57.0	525.0	198.6	577.4
Income tax	11	(64.4)	(24.3)	(115.4)	(73.7)	(86.8)
Profit for the period		240.3	32.7	409.6	124.9	490.6
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		240.3	32.7	409.6	124.9	490.6

Amounts in NOK million	Note	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Value adjustment of owner-occupied property	4	7.7	0.5	8.0	2.0	4.8
Total other comprehensive income		7.7	0.5	8.0	2.0	4.8
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		248.0	33.2	417.6	126.9	495.4
Total comprehensive income attributable to shareholders of the parent company		248.0	33.2	417.6	126.9	495.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	30.06.19	30.06.18	31.12.18
Financial derivative instruments	7	6.3	11.3	8.1
Investment property	4	15 042.1	14 466.2	14 573.7
Owner-occupied property	4	86.2	72.7	75.6
Other fixed assets		41.4	45.4	39.2
Investment in joint ventures	6	34.4	-	30.1
Receivables	6	10.3	-	10.0
Total non-current assets		15 220.7	14 595.6	14 736.7
Financial derivative instruments	7	0.0	0.7	0.2
Receivables	6, 9	87.7	78.5	445.7
Property related inventory	5	950.0	-	815.5
Cash and cash equivalents	9	129.0	110.5	124.6
Investment property held for sale	4	52.9	895.7	941.6
Total current assets		1 219.6	1 085.3	2 327.7
Total assets		16 440.4	15 680.9	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		(1 781.5)	(2 419.0)	(2 123.9)
Total equity		7 700.7	7 707.7	8 002.8
Deferred tax	11	733.5	605.8	615.9
Financial derivative instruments	7	140.0	191.0	163.2
Interest bearing liabilities	9	6 610.1	6 344.5	4 679.6
Other liabilities		5.8	2.3	2.3
Total non-current liabilities		7 489.4	7 143.6	5 461.0
Financial derivative instruments	7	13.1	-	1.6
Interest bearing liabilities	9	918.0	606.9	3 153.8
Other liabilities		319.3	222.6	445.2
Total current liabilities		1 250.3	829.5	3 600.6
Total liabilities		8 739.7	7 973.1	9 061.5
Total equity and liabilities		16 440.4	15 680.9	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		-	-	-	-	126.9	126.9
Employee share-option scheme		-	-	-	-	2.8	2.8
Paid dividend		-	-	-	-	(76.8)	(76.8)
Total equity	30.06.18	274.2	-	2 295.2	7 557.3	(2 419.0)	7 707.7
Total comprehensive income		-	-	-	-	368.5	368.5
Employee share-option scheme		-	-	-	-	3.4	3.4
Paid dividend		-	-	-	-	(76.8)	(76.8)
Total equity	31.12.18	274.2	-	2 295.2	7 557.3	(2 123.9)	8 002.8
Total comprehensive income		-	-	-	-	417.6	417.6
Employee share-option scheme		-	-	-	-	1.6	1.6
Paid dividend		-	-	-	-	(76.8)	(76.8)
Purchase of treasury shares ¹		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares ²		(24.3)	24.3	-	-	-	-
Total equity	30.06.19	249.9	(3.1)	1 678.1	7 557.3	(1 781.5)	7 700.7

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 at the end of the second quarter of 2019. The capital reduction is registered in the Register of Business Enterprises on 29 June 2019, and the creditor deadline is six weeks from that date.

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Profit before income tax		304.7	57.0	525.0	198.6	577.4
Depreciation of tangible assets		1.7	1.5	3.3	2.9	10.1
Fair value adjustment of investment property	3	(230.4)	29.7	(355.1)	18.7	(161.1)
Fair value adjustment of financial derivative instruments	4	0.7	(5.8)	(9.7)	(51.9)	(74.5)
Change in property related inventory	5	(100.2)	-	(167.3)	-	-
Change in short-term items		(33.7)	(23.1)	(39.6)	26.5	67.7
Net cash flow from operating activities		(57.2)	59.3	(43.4)	194.7	419.7
Received in connection with sale of investment property		-	-	823.0	-	110.6
Payments for purchase of investment property and other fixed assets		(74.6)	(54.8)	(99.2)	(91.7)	(582.2)
Other investment activities		-	-	354.0	-	-
Net cash flow from investing activities		(74.6)	(54.8)	1 077.8	(91.7)	(471.6)
Net change in interest-bearing debt	6	497.8	(2.2)	(308.7)	(5.1)	240.8
Paid dividend		(38.4)	(38.4)	(76.8)	(76.8)	(153.6)
Other financing activities		(644.5)	-	(644.5)	-	-
Net cash flow from financial activities		(185.1)	(40.6)	(1 030.0)	(81.8)	87.3
Net change in cash and cash equivalents		(316.9)	(36.1)	4.4	21.2	35.4
Cash and cash equivalents at the beginning of the period		445.9	146.5	124.6	89.2	89.2
Cash and cash equivalents at the end of the period		129.0	110.5	129.0	110.5	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 9 July 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 second quarter of 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	179.2	-	-	179.2
Total property-related expenses	(29.1)	(0.3)	-	(29.4)
Administrative expenses	-	-	(12.2)	(12.2)
Share of profit in joint ventures	2.7	-	-	2.7
Change in market value of investment property	230.4	-	-	230.4
Operating profit	383.1	(0.3)	(12.2)	370.6
Net financial items			(65.9)	(65.9)
Profit before income tax			(78.1)	304.7
Income tax			(64.4)	(64.4)
Profit for the period			(142.5)	240.3

Segment information relating to income statement items in the first half year of 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	370.7	-	-	370.7
Total property-related expenses	(58.7)	(0.5)	-	(59.2)
Administrative expenses	-	-	(26.6)	(26.6)
Share of profit in joint ventures	4.3	-	-	4.3
Change in market value of investment property	355.1	-	-	355.1
Operating profit	671.5	(0.5)	(26.6)	644.4
Net financial items			(119.4)	(119.4)
Profit before income tax			(146.1)	525.0
Income tax			(115.4)	(115.4)
Profit for the period			(261.4)	409.6

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 as of 30 June 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	15 181.2	-	-	15 181.2
Other fixed assets	39.8	-	1.6	41.4
Investment in joint ventures	34.4	-	-	34.4
Receivables	98.0	-	-	98.0
Property related inventory	-	950.0	-	950.0
Cash and cash equivalents	-	-	129.0	129.0
Deferred tax	-	-	(733.5)	(733.5)
Financial derivative instruments	-	-	(146.8)	(146.8)
Interest bearing liabilities	-	-	(7 528.0)	(7 528.0)
Other liabilities	(99.7)	(150.2)	(75.2)	(325.1)
Total equity			(7 700.7)	(7 700.7)

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	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Total value of investment property, opening balance		14 872.9	15 410.1	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		68.4	54.8	96.6	91.7	577.7
Fair value adjustments of investment property		230.4	(29.7)	355.1	(18.7)	161.1
Fair value adjustments related to sold investment property		0.1	(0.8)	7.0	(0.8)	3.7
Recognised in other comprehensive income for the period		9.4	0.3	9.5	1.9	4.8
Total value of investment property, closing balance		15 181.2	15 434.6	15 181.2	15 434.6	15 590.9
Of which investment property held for sale	3	(52.9)	(895.7)	(52.9)	(895.7)	(941.6)
Investment property, not held for sale		15 128.3	14 538.9	15 128.3	14 538.9	14 649.3
Of which owner-occupied property	4	(86.2)	(72.7)	(86.2)	(72.7)	(75.6)
Book value of investment property		15 042.1	14 466.2	15 042.1	14 466.2	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 Bادهusgata 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
	30.06.19			
Investment property	-	-	15 042.1	15 042.1
Owner-occupied property	-	-	86.2	86.2
Investment property held for sale	-	-	52.9	52.9
Total	-	-	15 181.2	15 181.2
30.06.18				
Investment property	-	-	14 466.2	14 466.2
Owner-occupied property	-	-	72.7	72.7
Investment property held for sale	-	-	895.7	895.7
Total	-	-	15 434.6	15 434.6
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	30.06.19	30.06.18	31.12.18
Aker Br. energy distr. syst.	30.3	32.3	31.3
Other assets	11.1	13.1	7.9
Other fixed assets	41.4	45.4	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 com-pany 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. Virtually all the units have been sold on to end users.

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	30.06.19	30.06.18	31.12.18
Book value, opening balance	815.5	-	-
Purchase of company	-	-	815.5
Accrued cost during the period	134.5	-	-
Book value, closing balance	950.0	-	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	30.06.19	30.06.18	31.12.18
Land for development	-	-	-
Project under construction/development	950.0	-	815.5
Completed units	-	-	-
Total carrying amount of property related inventory	950.0	-	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	30.06.19	30.06.18	31.12.18
Book value, opening balance	30.1	-	-
New joint ventures	-	-	29.8
Share of profit for the period	4.3	-	0.3
Book value, closing balance	34.4	-	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	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Revenue	5.3	-	10.4	-	0.9
Total property-related expenses	(1.6)	-	(3.2)	-	(0.6)
Change in market value of investment property	5.5	-	9.0	-	0.8
Operating profit	9.1	-	16.1	-	1.1
Net financial items	(2.5)	-	(5.1)	-	(0.6)
Profit before income tax	6.6	-	11.0	-	0.5
Income tax	(1.2)	-	(2.4)	-	-
Profit for the period	5.3	-	8.5	-	0.5
The groups share of profit for the period	2.7	-	4.3	-	0.3

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

Amounts in NOK million	30.06.19	30.06.18	31.12.18
Investment property	290.4	-	280.8
Receivables	1.3	-	0.9
Cash and cash equivalents	2.4	-	0.9
Deferred tax	(2.4)	-	-
Interest bearing liabilities	(200.0)	-	(200.0)
Interest bearing liabilities	(20.7)	-	(20.0)
Other liabilities	(2.3)	-	(2.5)
Total equity	(68.7)	-	(60.1)
The groups share of total equity	(34.3)	-	(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	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Net book value of derivatives, opening balance	(146.1)	(184.8)	(156.5)	(230.9)	(230.9)
Buyout of derivatives	-	3.4	-	3.3	3.1
Fair value adjustments of derivatives	(0.7)	2.4	9.7	48.6	71.3
Net book value of derivatives, closing balance	(146.8)	(179.0)	(146.8)	(179.0)	(156.5)
Of which classified as non-current assets	6.3	11.3	6.3	11.3	8.1
Of which classified as current assets	-	0.7	-	0.7	0.2
Of which classified as non-current liabilities	(140.0)	(191.0)	(140.0)	(191.0)	(163.2)
Of which classified as current liabilities	(13.1)	-	(13.1)	-	(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	30.06.19		30.06.18		31.12.18	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-current derivatives	6.3	6.3	11.3	11.3	8.1	8.1
Non-current receivables	10.3	10.3	-	-	10.0	10.0
Current derivatives	-	-	0.7	0.7	0.2	0.2
Current receivables	87.7	87.7	78.5	78.5	445.7	445.7
Cash and cash equivalents	129.0	129.0	110.5	110.5	124.6	124.6
Total financial assets	233.3	233.3	200.9	200.9	588.6	588.6
Non-current derivatives	140.0	140.0	191.0	191.0	163.2	163.2
Non-current interest-bearing liabilities	6 610.1	6 635.7	6 344.5	6 361.2	4 679.6	4 676.5
Current derivatives	13.1	13.1	-	-	1.6	1.6
Current interest-bearing liabilities	918.0	919.1	606.9	607.0	3 153.8	3 159.9
Other current liabilities	315.0	315.0	220.4	220.4	441.5	441.5
Total financial liabilities	7 996.1	8 022.8	7 362.8	7 379.6	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
	30.06.19			
Non-current derivatives (assets)	-	6.3	-	6.3
Current derivatives (assets)	-	-	-	-
Non-current derivatives (liabilities)	-	(140.0)	-	(140.0)
Current derivatives (liabilities)	-	(13.1)	-	(13.1)
Total	-	(146.8)	-	(146.8)
	30.06.18			
Non-current derivatives (assets)	-	11.3	-	11.3
Current derivatives (assets)	-	0.7	-	0.7
Non-current derivatives (liabilities)	-	(191.0)	-	(191.0)
Current derivatives (liabilities)	-	-	-	-
Total	-	(179.0)	-	(179.0)
	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	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Loan facilities at par value, opening balance		7 040.6	6 971.8	7 847.1	6 974.7	6 974.7
Net change of loan facilities		497.8	(2.2)	(308.7)	(5.1)	872.4
Loan facilities at par value, closing balance	1	7 538.4	6 969.6	7 538.4	6 969.6	7 847.1
Capitalised borrowing cost		(10.4)	(18.2)	(10.4)	(18.2)	(13.7)
Book value of interest-bearing debt		7 528.0	6 951.4	7 528.0	6 951.4	7 833.4
Of which classified as non-current liabilities		6 610.1	6 344.5	6 610.1	6 344.5	4 679.6
Of which classified as current liabilities		918.0	606.9	918.0	606.9	3 153.8
Interest-bearing debt		(7 528.0)	(6 951.4)	(7 528.0)	(6 951.4)	(7 833.4)
Interest-bearing receivable	2	10.3	-	10.3	-	354.0
Cash and cash equivalents		129.0	110.5	129.0	110.5	124.6
Net interest-bearing position		(7 388.7)	(6 840.9)	(7 388.7)	(6 840.9)	(7 354.8)

¹ Unutilised credit facilities amounted to NOK 550 million at 30 June 2019, NOK 900 million at 30 June 2018 and NOK 650 million at 31 December 2018.

² Related to loans to joint ventures at 30 June 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 June 2019, 62.3 per cent of such loans was secured (30 June 2018: 61.0 per cent). The total average interest margin on loans was 122

basis points (138 basis points). The loan portfolio has an average interest rate of 3.63 per cent (3.65 per cent), and remaining time to maturity for interest-bearing debt was 2.9 years (2.9 years). Remaining time to maturity for interest hedging agreements was 4.8 years (4.2 years).

NOTE 10: Net financial items

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

Amounts in NOK million	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Interest income on bank deposits and receivables	1.7	0.4	3.3	1.0	3.6
Total financial income	1.7	0.4	3.3	1.0	3.6
Interest expense on borrowings	(66.9)	(66.4)	(132.4)	(131.7)	(263.2)
Total financial cost	(66.9)	(66.4)	(132.4)	(131.7)	(263.2)
Realised net financial items	(65.2)	(66.0)	(129.1)	(130.7)	(259.6)
Change in market value of financial derivative instruments	(0.7)	2.4	9.7	48.6	71.3
Net financial items	(65.9)	(63.6)	(119.4)	(82.2)	(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	2Q-19	2Q-18	30.06.19	30.06.18	31.12.18
Profit before income tax		304.7	57.0	525.0	198.6	577.4
Income tax calculated at 22 per cent (23 per cent for 2018)		67.0	13.1	115.5	45.7	132.8
Changed tax rate on the closing balance	1	-	-	-	-	(28.0)
Differences between financial accounts and tax accounts		(2.7)	11.2	(0.1)	28.0	(18.0)
Income tax		64.4	24.3	115.4	73.7	86.8
Deferred tax, opening balance		667.0	581.3	615.9	531.5	531.5
Recognised through profit and loss		64.4	24.3	115.4	73.7	86.8
Addition by purchase of company		-	-	-	-	(3.7)
Recognised through comprehensive income		2.1	0.2	2.2	0.6	1.3
Deferred tax, closing balance		733.5	605.8	733.5	605.8	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 9 July 2019 that a dividend of NOK 0.07 per share will be paid after the presentation of the accounts at the end of the second quarter of 2019.

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