

Interim report

Fourth quarter and full year 2019



Bøkkerveien 4 («Vinslottet»), Oslo

31.12.2019

NORWEGIAN PROPERTY ASA

Important events in the fourth quarter of 2019

Net profit of NOK 396.1 million and ordinary EPS of NOK 0.74

Pre-tax profit came to NOK 485.1 million (NOK 183.4 million). After NOK 88.9 million in provision for deferred tax, net profit for the period came to NOK 396.1 million. That represented fourth-quarter earnings per share (EPS) of NOK 0.74. Carried equity per share at 31 December 2019 was NOK 16.68, up from NOK 15.94 at the end of the third quarter.

Rental income

Overall rental income came to NOK 178.6 million for the fourth quarter, representing a small like-for-like increase from the same period of last year. Like-for-like rental income for the full year grew by NOK 28.3 million.

Income and profit from house sales

The company acquired a development project with residential, commercial and retail components at Hasle in Oslo during 2018. The Vinslottet shopping centre opened in the fourth quarter of 2019. In addition, the property has 223 flats which have now all be sold on to end users. Sixty-nine units were delivered in the fourth quarter, with the remainder due for delivery during the first half of 2020. Sales revenues from residential units in the fourth quarter came to NOK 382.9 million and the pre-tax profit was NOK 25.4 million.

Profit before tax and fair-value adjustments of NOK 152 million

Profit before tax and fair-value adjustments came to NOK 152 million, compared with NOK 85.1 million for the fourth quarter of 2018. The change relates primarily to the sale of flats in the project at Hasle and gain on the sale of the joint venture in Stavanger.

Positive change in market value of investment properties and interest rate derivatives

The valuation of the property portfolio resulted in an unrealised positive fair-value adjustment of NOK 275.8 million (NOK 113.1 million) after the award of new and

improved leases and expectations for higher market rents in the areas where the group has the bulk of its property assets.

Long-term market interest rates rose in the fourth quarter, and the fair-value adjustment for interest-rate derivatives showed a positive trend of NOK 57.3 million (negative at NOK 14.8 million).

New leases

Leases with a total annual rental income of NOK 43 million were awarded or extended in the fourth quarter. Expired leases totalled NOK 79 million, primarily related to the expiry of Akastor's lease at Snarøyveien 36.

Property transactions

The portfolio of properties in the core area of Oslo's central business district (CBD) was expanded in the fourth quarter through the acquisition of the Lille Grensen 7 property with a gross asset value of NOK 710 million.

Agreement was reached in 2018 on cancelling long ground leases for the company's properties at Oslo Airport Gardermoen on the expiry of the SAS lease in December 2019, and on transferring the buildings for just over NOK 40 million. The Badehusgata 33-39 property in Stavanger was also sold in December 2019. Norwegian Property owned 50 per cent of this property through a joint venture. The gross asset value for the transaction was NOK 430 million, and the sales gain in the fourth-quarter accounts amounted to NOK 48.1 million.

These transactions accord with the ambition to grow in the core areas, and to focus the company's capital on areas which offer synergies, own staffing or other comparative advantages.

Financing activities

Norwegian Property placed a new five-year bond loan of NOK 460 million in the fourth quarter. This is being used to part-finance property purchases and for general company purposes.

Dividend

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

Key figures

The table below presents key financial figures¹ for the group.

Profit and loss		4Q-19	4Q-18	31.12.19	31.12.18
Revenues	NOK mill.	561.5	200.9	1 118.0	798.9
Operating profit before admin expenses	NOK mill.	530.7	167.1	1 000.8	661.4
Operating profit before value adjustments	NOK mill.	210.4	148.4	651.4	604.6
Profit before income tax and value adjustments	NOK mill.	152.0	85.1	397.4	345.0
Profit before income tax	NOK mill.	485.1	183.4	1 253.7	577.4
Profit after income tax	NOK mill.	396.1	238.3	1 006.7	490.6
Balance sheet		4Q-19	4Q-18	31.12.19	31.12.18
Market value of property portfolio	NOK mill.	16 558.3	15 590.9	16 558.3	15 590.9
Total equity	NOK mill.	8 233.9	8 002.8	8 233.9	8 002.8
Interest-bearing debt	NOK mill.	8 157.4	7 833.4	8 157.4	7 833.4
Equity ratio	Per cent	46.4	46.9	46.4	46.9
Pre-tax return on equity	Per cent	23.9	9.4	15.4	7.4
Cash flow		4Q-19	4Q-18	31.12.19	31.12.18
Net cash flow from operating activities	NOK mill.	362.3	82.7	354.9	419.7
Cash and cash equivalents	NOK mill.	281.8	124.6	281.8	124.6
Key figures; per share		4Q-19	4Q-18	31.12.19	31.12.18
Number of shares issued, end of the period	Mill. shares	493.6	548.4	493.6	548.4
Average number of shares in the period	Mill. shares	532.8	548.4	540.6	548.4
Profit before income tax	NOK	0.91	0.33	2.32	1.05
Earnings per share (EPS)	NOK	0.74	0.43	1.86	0.89
Net cash flow from operating activities	NOK	0.68	0.15	0.66	0.77
Interest-bearing debt	NOK	16.53	14.28	16.53	14.28
NAV, book value	NOK	16.68	14.59	16.68	14.59
Deferred property tax	NOK	1.65	1.19	1.65	1.19
Fair value of fin. derivative instruments	NOK	0.12	0.22	0.12	0.22
NAV, adjusted	NOK	18.45	16.01	18.45	16.01
Fair value of deferred tax	NOK	(0.98)	(0.62)	(0.98)	(0.62)
Fair value of fin. derivative instruments	NOK	(0.14)	(0.26)	(0.14)	(0.26)
Fair value of debt	NOK	(0.05)	(0.00)	(0.05)	(0.00)
NNNAV	NOK	17.29	15.13	17.29	15.13

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

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

Financial developments

Results

Operating revenue

Operating revenue for Norwegian Property in the fourth quarter related to leasing commercial property and housing sales, and totalled NOK 561.5 million. That compares with NOK 200.9 million for the same period of 2018. Total revenue for the year came to NOK 1 118 million (NOK 798.9 million). Operating revenues for 2018 do not include revenue from housing sales.

Rental income from commercial properties amounted to NOK 178.6 million in the fourth quarter (NOK 200.9 million). On a like-by-like basis, that represented an increase of NOK 2.1 million from the same period of last year. For the full year, rental income came to NOK 735.1 million (NOK 798,9 million²), up by NOK 28.3 million on a like-by-like basis.

The company acquired a development project with residential, commercial and retail components at Hasle in Oslo during the fourth quarter of 2018. The Vinslottet shopping centre, covering about 8 800 square meters, opened in the fourth quarter of 2019. In addition, the property has 223 flats which have now all be sold on to end users. Sixty-nine units were delivered in the fourth quarter of 2019, with the remainder due for delivery during the first half of 2020. Sales revenue from residential units in the fourth quarter and for the year came to NOK 382.9 million, which contributed to a pre-tax profit of NOK 25.5 million in the fourth quarter and NOK 24.8 million for the year.

Tenant turnover related to retail and restaurant activities at Aker Brygge in Oslo during the fourth quarter was up by 3.4 per cent from the same period of last year. This increase was driven primarily by restaurant earnings. On an annual basis, the rise in total tenant turnover was on a par with 2018.

Operating costs

Following the sale of properties, operations-related property costs fell in 2019 compared with the year before. Property-related operational expenses totalled NOK 15.9 million (NOK 16.7 million) for the fourth quarter and NOK 63.8 million (NOK 71.7 million) for the

full year. Other property-related expenses came to NOK 15 million (NOK 17.1 million) for the quarter and NOK 53.4 million (NOK 65.8 million) for the year. Owner administrative expenses were NOK 10.8 million (NOK 19 million) for the quarter and NOK 48.8 million (NOK 57.1 million) for the year.

Share of profit from joint ventures

The group's share of net profit from joint ventures was NOK 48 million (NOK 0.3 million) for the quarter and NOK 56.8 million (NOK 0.3 million) for the year. This profit component relates to the Bادهusgata 33-39 property in central Stavanger. The joint venture was established in the fourth quarter of 2018 and the property was sold in the fourth quarter of 2019. The gain on the sale came to NOK 48.1 million.

Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 210.4 million (NOK 148.4 million) for the quarter and NOK 651.4 million for the year (NOK 604.6 million). This change largely reflects the profit on the sale of flats in the project at Hasle and gain on the disposal of the joint venture in Stavanger.

Fair-value adjustments for investment property

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 275.8 million (NOK 113.1 million) for the quarter and NOK 786.8 million (NOK 161.1 million) for the year. Several new and improved leases were awarded during the quarter, and expectations for market rents have strengthened in the areas where the group has the bulk of its property assets.

The total market value of the property portfolio carried on the balance sheet amounted to NOK 16 558.3 million at 31 December 2019.

Net financial items

Net realised financial expenses came to NOK 58.4 million (NOK 63.3 million) for the quarter and NOK 253.9 million (NOK 259.6 million) for the year. Costs for the quarter were positively affected by NOK 3 million in one-off effects.

Long-term market interest rates increased in the fourth quarter, and the fair-value adjustment for interest-rate

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

derivatives showed a positive change of NOK 57.3 million (negative at NOK 14.8 million). The fair value adjustment for the full year was NOK 69.5 million (NOK 71.3 million), related to a reduction in the remaining time to maturity for interest-rate derivatives and some increase in market interest rates.

Profit for the period

Pre-tax profit was NOK 485.1 million (NOK 183.4 million) for the quarter and NOK 1 253.7 million (NOK 577.4 million) for the year. The increase in non-payable deferred tax for the quarter was NOK 88.9 million (reduction of NOK 54.9 million) and the increase in provisions for the year was NOK 247.0 million (NOK 86.8 million). Net profit was thereby NOK 396.1 million (NOK 238.3 million) for the quarter and NOK 1 006.7 million (NOK 490.6 million) for the year.

Balance sheet

The carrying amount of the group's total assets in the balance sheet was NOK 17 735.1 million (NOK 17 064.3 million), with investment property accounting for NOK 16 469.3 million (NOK 14 573.7 million) and properties used by the owner for NOK 89 million (NOK 75.6 million). Investment property held for sale totalling NOK 941.6 million at 31 December 2018 related to agreed sales implemented in 2019. Until its completion, the housing project at Hasle in Oslo is recognised as inventory with a carrying amount of NOK 708.5 million at 31 December.

The company held NOK 281.8 million (NOK 124.6 million) in cash and cash equivalents at 31 December.

Total interest-bearing liabilities in the balance sheet came to 8 157.4 million (NOK 7 833.4 million), with non-current interest-bearing liabilities totalling NOK 5 690.5 million (NOK 4 679.6 million) and current interest-bearing liabilities amounting to NOK 2 466.8 million (NOK 3 153.8 million). NOK 662.9 million in construction loans related to the housing project at Hasle is included in its entirety in current interest-bearing liabilities.

Financial derivatives accounted for a net liability item of NOK 75.5 million (NOK 156.4 million), with NOK 92.6 million (NOK 164.8 million) classified as liabilities and NOK 17.2 million (NOK 8.3 million) as assets.

Equity at 31 December totalled NOK 8 233.9 million (NOK 8 002.8 million), representing an equity ratio of 46.4 per cent (46.9 per cent). Carried equity per share was NOK 16.68 (NOK 14.59). Outstanding shares at 31 December totalled 499 875 596 (548 446 832).

Treasury shares totalled 6 250 000, so that 493 625 596 shares were held by external shareholders.

Cash flow

Net operational cash flow was NOK 362.3 million (NOK 82.7 million) for the quarter and NOK 354.9 million (NOK 419.7 million) for the year. Cash earnings amounted to NOK 96.9 million in the quarter, with NOK 25.4 million related to housing sales. The change in property-related inventory related to the housing project at Hasle came to NOK 298.2 million and negative change in other short-term items amounted to NOK 32.7 million.

Cash flow from property sales in the quarter amounted to NOK 134.9 million (NOK 110.6 million), related to the disposal of the holding in Badehusgata 33-39 in Stavanger and properties at Gardermoen. Where the year was concerned, receipts from property sales came to NOK 957.9 million (NOK 110.6 million). The cash effect of investing in fixed assets came to NOK 747.2 million (NOK 433.2 million) for the quarter, related to the acquisition of the Lille Grensen 7 property, completion of the commercial part of the Hasle project, adjustments for lessees associated with new and renegotiated leases, and ongoing operational investments. Investment for the year came to NOK 1 040.2 million (NOK 582.2 million).

Net cash flow from financing activities was positive at NOK 455.1 million (NOK 209.7 million) for the fourth quarter following a rise of NOK 489.7 million in interest-bearing debt and the payment of NOK 34.6 million in dividend. Net cash flow from financing activities for the full year was negative at NOK 469.4 million (positive at NOK 87.3 million) following a rise of NOK 321 million in interest-bearing debt, payment of NOK 145.9 million in dividend, and NOK 644.5 million in redemption of shares.

Cash and cash equivalents showed a net increase of NOK 205.1 million (net reduction of NOK 30.1 million) for the quarter and an increase of NOK 157.2 million (NOK 35.4 million) for the year.

Financing

Key figures

The table below presents key figures related to interest-bearing debt and hedges at 31 December 2019.

Interest bearing debt and hedging		31.12.19	31.12.18
Interest-bearing debt ¹	NOK mill.	7 494.5	7 201.9
Cash and cash equivalents	NOK mill.	281.8	124.6
Interest-bearing receivables	NOK mill.	-	354.0
Interest-hedging ratio	Per cent	69.4	60.3
Unutilised credit facilities	NOK mill.	150.0	650.0
maturity for interest hedge agreements	Years	4.9	4.2
Average interest rate	Per cent	3.50	3.62
Average interest margin	Per cent	1.22	1.38
maturity for interest-bearing debt	Years	2.7	2.3
Market value of property portfolio	NOK mill.	16 558.3	15 590.9
Gross debt to asset ratio (gross LTV)	Per cent	45.3	46.2
Net debt to asset ratio (net LTV) ²	Per cent	43.6	43.1

¹ Excluding NOK 662.9 million (31 December 2018: NOK 631.5 million) in construction loan financing for the housing project at Hasle in Oslo.

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

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 8 157.4 million (NOK 7 833.4 million) at 31 December, including construction loans of NOK 662.9 million for the Hasle housing project (the total construction loan facility is NOK 1 125 million). In addition, the company had undrawn credit and overdraft facilities of NOK 150 million (NOK 650 million) at 31 December.

Current interest-bearing debt at 31 December related primarily to bond loans totalling NOK 1 806 million which mature in the next 12 months, as well as to the NOK 662.9 million construction loan for the Hasle housing project which will be completed during the same period.

Norwegian Property signed an agreement for a new five-year bond loan of NOK 460 million in the fourth quarter, with the funds received on 17 January 2020. This loan will be used to part-finance property purchases and for general company purposes.

Interest hedges

The table below presents the maturity structure in interest-rate hedges for the group's interest-bearing debt at 31 December 2019.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest ¹ (per cent)	Share of total liabilities (per cent)
< 1 year	2 390	1.7	32
1 > 2 year	900	3.9	12
2 > 3 year	650	3.4	9
3 > 4 year	500	2.2	7
4 > 5 year	1 005	1.6	13
> 5 year	2 050	2.0	27
Total	7 495	2.2	100

¹ Average base interest rate for the matured amount.

Market and operations

Commercial property market

Office vacancy in Oslo has continued to decline, and was 5.5 per cent in the fourth quarter. It was 3.7 per cent in the city centre. Declining vacancy has contributed to a positive trend for rents.

The level of activity in the transaction market has been high for several years, with many property transactions in various segments at strong yield levels. Long-term interest rates remain low, with the 10-year rate at its lowest for the year in August. An increase up to 31 December meant the level then was almost unchanged from the end of 2018. Shorter interest rates rose steadily over the past year, and are now almost equal to the long-term rates. Increases in market interest rates are assumed to affect 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

Key figures

Norwegian Property owned a total of 28 investment properties at 31 December. These are primarily located in central areas of the Oslo region. The group's properties mainly comprise office premises as well as retail and restaurant space, with associated warehousing and parking related to the office areas.

Total ongoing annual rental income (run rate) from the group's whole property portfolio was NOK 685.5 million at 31 December. That represented a reduction of NOK 32.8 million from 1 October, related primarily to the expiry of Akastor's lease at Snarøyveien 36 and the termination of ground leases for the company's properties at Oslo Airport Gardermoen on the expiry of the SAS lease in December 2019. New lease awards, renegotiations, the commencement of previously awarded leases and property acquisitions compensate for the reduction. Overall financial vacancy in the property portfolio totalled 9.5 per cent, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 4.8 years, and the average rent adjustment factor for the consumer price index was 99.9 per cent for the total portfolio.

The key figures above do not include space under conversion at 31 December. The biggest conversion projects at that date are specified in the table below.

Area	Property	Tenant	Area (sqm)	Completion date
Aker Brygge, Oslo	Verkstedhallene	Business Village	2 700	Q1-20
Aker Brygge, Oslo	Fondbygget	BNP Paribas	2 700	Q2-20
Aker Brygge, Oslo	Stranden	Adv.firmaet Berggaard	700	Q2/Q3-20
CBD, Oslo	Lille Grensen 7	Accenture	500	Q2-20
Fornebu, Bærum	Snarøyveien 36	Ericsson	1 500	Q2-20

New leases

New leases with a total annual rental income of NOK 22 million were awarded in the fourth quarter, while existing leases totalling NOK 21 million were extended. Expired leases totalled NOK 79 million, primarily related to the expiry of Akastor's lease at Snarøyveien 36. The net reduction in annual rents from leases during the quarter was therefore NOK 36 million.

Property transactions

The portfolio of properties in the core area of Oslo's CBD was expanded in the fourth quarter through the acquisition of the Lille Grensen 7 property with a gross asset value of NOK 710 million, with deduction of the tax discount as well as remaining investment and guarantee rent for vacant space. Comprising some 6 900 square meters of office and retail space, the property has a very central location in downtown Oslo, with views of the Storting (parliament) and Karl Johans gate, and in the immediate vicinity of the metro. The acquisition is in line with the ambition to expand in the core areas, where synergies exist with rest of the portfolio.

Agreement was reached with Avinor in 2018 on cancelling long ground leases at Oslo Airport Gardermoen. The cancellation came into effect on December 2019 with the expiry of the SAS lease. Avinor has taken over the buildings on the leased land for just over NOK 40 million. Badehusgata 33-39 in Stavanger was also sold. Norwegian Property owned 50 per cent of this property through a joint venture with Camar Eiendom and Agera Eiendomspartner. The gross asset value for the transaction was NOK 430 million, and the sales gain in the fourth-quarter accounts amounted to NOK 48.1 million. This disposal is in line with Norwegian Property's strategy of concentrating the company's capital on areas which offer synergies, own staffing or other comparative advantages.

Following the sale, exposure to the Stavanger region relates to the Forusbeen 35 development property, where a project joint venture has been agreed with Base Gruppen.

Valuation of the property portfolio

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 31 December 2019 is based on an average of the two valuations.

At 31 December, the group's portfolio of investment properties, excluding joint ventures, was valued at NOK 16 558.3 million (NOK 15 590.9 million). Properties used by the owner were carried separately on the balance sheet at NOK 89 million, and recognised at fair value. Fair-value adjustments recognised in profit and loss for the investment properties were positive at NOK 275.8 million for the fourth quarter.

Environment and corporate social responsibility (CSR)

Norwegian Property worked during 2019 on a strategy for sustainability. This is now based on the UN sustainable development goals for 2030, and the board has chosen to concentrate on four of these targets:

- decent work and economic growth (no 8)
- sustainable cities and communities (no 11)
- climate action (no 13)
- life below water (no 14).

A strategy with specific goals has been drawn up and will be presented in more detail in the annual report for 2019.

The result of the company's reporting for 2019 to the Carbon Disclosure Project was published on 20 January 2020. Norwegian Property participated for the eighth time and received a B classification.

Shareholder information

The company had 1 223 registered shareholders at 31 December, down by 20 from 30 September 2019.

Non-Norwegian shareholders held 82.1 per cent of the share capital at 31 December, an increase from 30 September.

The number of shares traded during the fourth quarter averaged 21 863 per day. For 2019 as a whole, the daily average was 398 718 shares. Corresponding daily turnover in 2018 was 175 071 shares.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 December 2019 are presented below.

Shareholder	Type of acc.	Country	Number of shares	Share
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	79.61
FOLKETRYGDFONDET	ORD	NOR	73 951 642	14.79
NORWEGIAN PROPERTY				
ASA ¹	ORD	NOR	6 250 000	1.25
DANSKE BANK AS	ORD	DNK	3 210 224	0.64
MORGAN STANLEY				
INVESTMENT FUNDS	ORD	LUX	1 034 229	0.21
SANDEN AS	ORD	NOR	1 000 000	0.20
BANAN II AS	ORD	NOR	1 000 000	0.20
SIJOITUSRAHASTO UB				
EUROOPPA REIT	ORD	FIN	763 640	0.15
KAS BANK N.V.	NOM	NLD	716 239	0.14
MORGAN STANLEY & CO.				
INTERNATIONAL	ORD	GBR	714 499	0.14
STATE STREET BANK AND TRUST COMP				
	NOM	USA	670 769	0.13
SIJOITUSRAHASTO UB				
GLOBAL REIT	ORD	FIN	607 777	0.12
NORDEA BANK ABP	NOM	SWE	386 349	0.08
AVANZA BANK AB	NOM	SWE	333 725	0.07
NORDNET BANK AB	NOM	SWE	312 135	0.06
SWEDBANK AB	NOM	SWE	307 390	0.06
CARNEGIE				
FASTIGHETFOND				
NORDEN	ORD	SWE	300 000	0.06
CLEARSTREAM BANKING				
S.A.	NOM	LUX	294 280	0.06
STATE STREET BANK AND TRUST COMP				
	NOM	GBR	235 440	0.05
SOLBERG INVEST & CONSULT AS				
	ORD	NOR	233 445	0.05
ANDRE			9 621 146	1.92
Total number of shares			499 875 596	100.00

¹ The company held 6 250 000 treasury shares at 31 December 2019.

Outlook

Norwegian Property delivers good and stable results from its operations. The company is experiencing good demand for space at rising office market rents in the CBD, and vacancy in the portfolio 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, with low vacancy and good rents. At the same time, parts of the retail market in Oslo are perceived to be a little challenging. Norwegian Property is strengthening its work to ensure stable future growth in the retail market.

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 a relatively low loan-to-value ratio. Norwegian Property has concentrated its business by selling properties outside the core areas while strengthening its portfolio in the priority areas. 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.

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

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	4Q-19	4Q-18	31.12.19	31.12.18
Rental income	3	178.6	200.9	735.1	798.9
Income from sale of residential units	3	382.9	-	382.9	-
Revenues		561.5	200.9	1 118.0	798.9
Property-related operational expenses		(15.9)	(16.7)	(63.8)	(71.7)
Other property-related expenses		(15.0)	(17.1)	(53.4)	(65.8)
Total property-related expenses		(30.9)	(33.8)	(117.2)	(137.5)
Project cost from sale of residential units	5	(357.4)	-	(357.4)	-
Administrative expenses		(10.8)	(19.0)	(48.8)	(57.1)
Total operating expenses		(399.1)	(52.7)	(523.4)	(194.6)
Share of profit in joint ventures	6	48.0	0.3	56.8	0.3
Operating profit before fair-value adjustments		210.4	148.4	651.4	604.6
Change in market value of investment property	4	275.8	113.1	786.8	161.1
Operating profit		486.2	261.5	1 438.1	765.7
Financial income	10	0.8	2.3	4.6	3.6
Financial cost	10	(59.3)	(65.5)	(258.6)	(263.2)
Realised net financial items		(58.4)	(63.3)	(253.9)	(259.6)
Change in market value of financial derivative instruments	7, 10	57.3	(14.8)	69.5	71.3
Net financial items		(1.1)	(78.1)	(184.4)	(188.3)
Profit before income tax		485.1	183.4	1 253.7	577.4
Income tax	11	(88.9)	54.9	(247.0)	(86.8)
Profit for the period		396.1	238.3	1 006.7	490.6
Profit attributable to non-controlling interests		-	-	-	-
Profit attributable to shareholders of the parent company		396.1	238.3	1 006.7	490.6

Amounts in NOK million	Note	4Q-19	4Q-18	31.12.19	31.12.18
Value adjustment of owner-occupied property	4	4.2	(0.1)	11.5	4.8
Total other comprehensive income		4.2	(0.1)	11.5	4.8
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-
Total comprehensive income		400.3	238.2	1 018.2	495.4
Total comprehensive income attributable to shareholders of the parent company		400.3	238.2	1 018.2	495.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	31.12.2019	31.12.2018
Financial derivative instruments	7	16.2	8.1
Investment property	4	16 469.3	14 573.7
Owner-occupied property	4	89.0	75.6
Other fixed assets	4	40.5	39.2
Investment in joint ventures	6	-	30.1
Receivables	6	-	10.0
Total non-current assets		16 615.0	14 736.7
Financial derivative instruments	7	1.0	0.2
Receivables	6, 9	128.8	445.7
Property related inventory	5	708.5	815.5
Cash and cash equivalents	9	281.8	124.6
Investment property held for sale	4	-	941.6
Total current assets		1 120.1	2 327.7
Total assets		17 735.1	17 064.3
Share capital		246.8	274.2
Share premium		1 678.0	2 295.1
Other paid in equity		7 566.8	7 563.4
Retained earnings		(1 257.6)	(2 129.9)
Total equity		8 233.9	8 002.8
Deferred tax	11	866.1	615.9
Financial derivative instruments	7	92.6	163.2
Interest bearing liabilities	9	5 690.5	4 679.6
Other liabilities		5.3	2.3
Total non-current liabilities		6 654.5	5 461.0
Financial derivative instruments	7	-	1.6
Interest bearing liabilities	9	2 466.8	3 153.8
Other liabilities		379.9	445.2
Total current liabilities		2 846.7	3 600.6
Total liabilities		9 501.3	9 061.5
Total equity and liabilities		17 735.1	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	-	2 295.1	7 557.2	(2 471.7)	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	-	2 295.1	7 563.4	(2 129.9)	8 002.8
Total comprehensive income		-	-	-	-	1 018.2	1 018.2
Employee share-option scheme		-	-	-	3.4	-	3.4
Paid dividend		-	-	-	-	(145.9)	(145.9)
Purchase of treasury shares ¹		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares ²		(24.3)	24.3	-	-	-	-
Total equity	31.12.19	249.9	(3.1)	1 678.0	7 566.8	(1 257.6)	8 233.9

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

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

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	4Q-19	4Q-18	31.12.19	31.12.18
Profit before income tax		485.1	183.4	1 253.7	577.4
Depreciation of tangible assets		2.8	6.0	7.7	10.1
Fair value adjustment of investment property	3	(275.8)	(113.1)	(786.8)	(161.1)
Fair value adjustment of financial derivative instruments	4	(58.5)	14.9	(81.0)	(74.5)
Profit for joint venture	6	(56.8)	-	(56.8)	-
Change in property related inventory	5	298.2	-	61.4	-
Change in short-term items		(32.7)	(8.5)	(43.4)	67.7
Net cash flow from operating activities		362.3	82.7	354.9	419.7
Received in connection with sale of investment property		134.9	110.6	957.9	110.6
Payments for purchase of investment property and other fixed assets		(747.2)	(433.2)	(1 040.2)	(582.2)
Other investment activities		-	-	354.0	-
Net cash flow from investing activities		(612.3)	(322.5)	271.7	(471.6)
Net change in interest-bearing debt	6	489.7	248.1	321.0	240.8
Paid dividend		(34.6)	(38.4)	(145.9)	(153.6)
Other financing activities		-	-	(644.5)	-
Net cash flow from financial activities		455.1	209.7	(469.4)	87.3
Net change in cash and cash equivalents		205.1	(30.1)	157.2	35.4
Cash and cash equivalents at the beginning of the period		76.7	154.7	124.6	89.2
Cash and cash equivalents at the end of the period		281.8	124.6	281.8	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 6 February 2020. 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.

The Annual General Meeting in 2020, which approves the Annual Report for 2019, will be held on 16 April 2020.

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 fourth quarter of 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	178.6	382.9	-	561.5
Project cost from sale of residential units	-	(357.4)	-	(357.4)
Total property-related expenses	(30.8)	(0.1)	-	(30.9)
Administrative expenses	-	-	(10.8)	(10.8)
Share of profit in joint ventures	48.0	-	-	48.0
Change in market value of investment property	275.8	-	-	275.8
Operating profit	471.6	25.4	(10.8)	486.2
Net financial items			(1.1)	(1.1)
Profit before income tax			(11.9)	485.1
Income tax			(88.9)	(88.9)
Profit for the period			(100.9)	396.1

Segment information relating to income statement items year-to-date at 31 December 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	735.1	382.9	-	1 118.0
Project cost from sale of residential units	-	(357.4)	-	(357.4)
Total property-related expenses	(116.5)	(0.7)	-	(117.2)
Administrative expenses	-	-	(48.8)	(48.8)
Share of profit in joint ventures	56.8	-	-	56.8
Change in market value of investment property	786.8	-	-	786.8
Operating profit	1 462.1	24.8	(48.8)	1 438.1
Net financial items			(184.4)	(184.4)
Profit before income tax			(233.2)	1 253.7
Income tax			(247.0)	(247.0)
Profit for the period			(480.2)	1 006.7

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
Project cost from sale of residential units	-	-	-	-
Total property-related expenses	(137.5)	-	-	(137.5)
Administrative expenses	-	-	(57.1)	(57.1)
Share of profit in joint ventures	0.3	-	-	0.3
Change in market value of investment property	161.1	-	-	161.1
Operating profit	822.8	-	(57.1)	765.7
Net financial items			(188.3)	(188.3)
Profit before income tax			(245.4)	577.4
Income tax			(86.8)	(86.8)
Profit for the period			(332.2)	490.6

Segment information related to balance sheet items at 31 December 2019 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	16 558.3	-	-	16 558.3
Other fixed assets	39.2	-	1.3	40.5
Investment in joint ventures	-	-	-	-
Receivables	127.2	1.6	-	128.8
Property related inventory	-	708.5	-	708.5
Cash and cash equivalents	-	-	281.8	281.8
Deferred tax	-	-	(866.1)	(866.1)
Financial derivative instruments	-	-	(75.5)	(75.5)
Interest bearing liabilities	-	-	(8 157.4)	(8 157.4)
Other liabilities	(189.9)	(120.1)	(75.2)	(385.2)
Total equity			(8 233.9)	(8 233.9)

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	15 590.9	-	-	15 590.9
Other fixed assets	36.7	-	2.5	39.2
Investment in joint ventures	30.1	-	-	30.1
Receivables	455.7	-	-	455.7
Property related inventory	-	815.5	-	815.5
Cash and cash equivalents	-	-	124.6	124.6
Deferred tax	-	-	(615.9)	(615.9)
Financial derivative instruments	-	-	(156.5)	(156.5)
Interest bearing liabilities	-	-	(7 833.4)	(7 833.4)
Other liabilities	(191.5)	(170.9)	(85.0)	(447.5)
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-19	4Q-18	31.12.19	31.12.18
Total value of investment property, opening balance		15 532.8	15 570.9	15 590.9	15 360.5
Sale of investment property at book value	1	(46.0)	(237.0)	(941.6)	(237.0)
Transfer to joint venture at book value	2	-	(280.0)	-	(280.0)
Investment in properties		793.1	419.9	1 086.6	577.7
Fair value adjustments of investment property		275.8	113.1	786.8	161.1
Fair value adjustments related to sold investment property		(2.3)	4.6	22.3	3.7
Recognised in other comprehensive income for the period		5.0	(0.6)	13.4	4.8
Total value of investment property, closing balance		16 558.3	15 590.9	16 558.3	15 590.9
Of which investment property held for sale	3	-	(941.6)	-	(941.6)
Investment property, not held for sale		16 558.3	14 649.3	16 558.3	14 649.3
Of which owner-occupied property	4	(89.0)	(75.6)	(89.0)	(75.6)
Book value of investment property		16 469.3	14 573.7	16 469.3	14 573.7

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

² Related to the sale of a 50 per cent share in the property Badehusgata 33-39 in Stavanger in 2018. The property is recognized as a joint venture. See note 6.

³ At the end of 2018, properties sold in 2019 are classified as investment properties held for sale and 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
	31.12.19			
Investment property	-	-	16 469.3	16 469.3
Owner-occupied property	-	-	89.0	89.0
Investment property held for sale	-	-	-	-
Total	-	-	16 558.3	16 558.3
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	31.12.19	31.12.18
Aker Br. energy distr. syst.	31.4	31.8
Other assets	9.1	7.4
Other fixed assets	40.5	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 that have been affected by the new standard, the changes at the beginning of 2019 and the changes in the year 2019, are specified below.

Amounts in NOK million	Leases for		Total
	company cars	Leases for offices	
Net present value of leases 31.12.2018	0.7	5.1	5.8
- Short-term leases	-	-	-
- Leases with low rent	-	-	-
Carrying amount of rental obligation 01.01.2019	0.7	5.1	5.8
Addition in 2019	-	-	-
Installments in 2019	(0.4)	(1.0)	(1.4)
Carrying amount of rental obligation 31.12.2019	0.3	4.1	4.4

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. All units have been sold on to end users. In the fourth quarter of 2019, 69 units were delivered. Remaining units will be delivered in the first half of 2020.

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

Amounts in NOK million	31.12.19	31.12.18
Book value, opening balance	815.5	-
Purchase of company	-	815.5
Accrued cost during the period	250.4	-
Cost of units sold	(357.4)	-
Book value, closing balance	708.5	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	31.12.19	31.12.18
Land for development	-	-
Project under construction/development	708.5	815.5
Completed units	-	-
Total carrying amount of property related inventory	708.5	815.5

NOTE 6: Joint ventures

In December 2018, Norwegian Property sold a 50 per cent stake in the property Badehusgata 33-39 in Stavanger, and established a joint venture (JV). The property was originally acquired in 2006. The group's only investment in JV during the period is related to this property. On December 18, 2019, the ownership interest in the property was sold, so that at the end of 2019 the group has no investments in JV.

Amounts in NOK million	31.12.19	31.12.18
Book value, opening balance	30.1	-
New joint ventures	-	29.8
Share of profit for the period	8.7	0.3
Disposal of joint ventures	(38.8)	-
Book value, closing balance	-	30.1

The joint venture did not have any off-balance sheet contract obligations during the period.

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

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

Amounts in NOK million	4Q-19	4Q-18	31.12.19	31.12.18
Revenue	4.0	0.9	18.7	0.9
Total property-related expenses	(1.9)	(0.6)	(7.0)	(0.6)
Change in market value of investment property	-	0.8	20.5	0.8
Operating profit	2.1	1.1	32.3	1.1
Net financial items	(2.4)	(0.6)	(10.0)	(0.6)
Profit before income tax	(0.3)	0.5	22.2	0.5
Income tax	0.1	-	(4.9)	-
Profit for the period	(0.2)	0.5	17.3	0.5
The groups share of profit for the period	(0.1)	0.3	8.7	0.3
The groups share of gain from disposal for the period	48.1	-	48.1	-
The groups share of total equity	48.0	0.3	56.8	0.3

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

Amounts in NOK million	31.12.19	18.12.19	31.12.18
Investment property	-	319.9	280.8
Receivables	-	6.2	0.9
Cash and cash equivalents	-	0.8	0.9
Deferred tax	-	(4.9)	-
Interest bearing liabilities	-	(215.0)	(200.0)
Interest bearing liabilities	-	(21.2)	(20.0)
Other liabilities	-	(8.2)	(2.5)
Total equity	-	(77.5)	(60.1)
The groups share of total equity	-	(38.8)	(30.1)
Share of sales amount at disposal as of 18 December 2019		86.9	
The groups share of gain at disposal		48.1	

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-19	4Q-18	31.12.19	31.12.18
Net book value of derivatives, opening balance	(134.0)	(141.5)	(156.5)	(230.9)
Buyout of derivatives	1.2	(0.1)	11.5	3.1
Fair value adjustments of derivatives	57.3	(14.8)	69.5	71.3
Net book value of derivatives, closing balance	(75.5)	(156.4)	(75.5)	(156.5)
Of which classified as non-current assets	16.2	8.1	16.2	8.1
Of which classified as current assets	1.0	0.2	1.0	0.2
Of which classified as non-current liabilities	(92.6)	(163.2)	(92.6)	(163.2)
Of which classified as current liabilities	-	(1.6)	-	(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	31.12.2019		31.12.2018	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	16.2	16.2	8.1	8.1
Non-current receivables	-	-	10.0	10.0
Current derivatives	1.0	1.0	0.2	0.2
Current receivables	128.8	128.8	445.7	445.7
Cash and cash equivalents	281.8	281.8	124.6	124.6
Total financial assets	427.7	427.7	588.6	588.6
Non-current derivatives	92.6	92.6	163.2	163.2
Non-current interest-bearing liabilities	5 690.5	5 701.7	4 679.6	4 676.5
Current derivatives	-	-	1.6	1.6
Current interest-bearing liabilities	2 466.8	2 483.6	3 153.8	3 159.9
Other current liabilities	376.9	376.9	441.5	441.5
Total financial liabilities	8 626.8	8 654.8	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
	31.12.19			
Non-current derivatives (assets)	-	16.2	-	16.2
Current derivatives (assets)	-	1.0	-	1.0
Non-current derivatives (liabilities)	-	(92.6)	-	(92.6)
Current derivatives (liabilities)	-	-	-	-
Total	-	(75.5)	-	(75.5)
		31.12.18		
Non-current derivatives (assets)	-	8.1	-	8.1
Current derivatives (assets)	-	0.2	-	0.2
Non-current derivatives (liabilities)	-	(163.2)	-	(163.2)
Current derivatives (liabilities)	-	(1.6)	-	(1.6)
Total	-	(156.5)	-	(156.5)

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

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

NOTE 9: Net interest-bearing position

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

Amounts in NOK million	Note	4Q-19	4Q-18	31.12.19	31.12.18
Loan facilities at par value, opening balance		7 678.4	6 967.4	7 847.1	6 974.7
Net change of loan facilities		489.7	879.6	321.0	872.4
Loan facilities at par value, closing balance	1	8 168.1	7 847.0	8 168.1	7 847.1
Capitalised borrowing cost		(10.7)	(13.7)	(10.7)	(13.7)
Book value of interest-bearing debt		8 157.4	7 833.4	8 157.4	7 833.4
Of which classified as non-current liabilities		5 690.5	4 679.6	5 690.5	4 679.6
Of which classified as current liabilities		2 466.8	3 153.8	2 466.8	3 153.8
Interest-bearing debt		(8 157.4)	(7 833.4)	(8 157.4)	(7 833.4)
Interest-bearing receivable	2	-	10.0	-	10.0
Cash and cash equivalents		281.8	124.6	281.8	124.6
Net interest-bearing position		(7 875.6)	(7 698.8)	(7 875.6)	(7 698.8)

¹ Unutilised credit facilities amounted to NOK 150 million at 31 December 2019 and NOK 650 million at 31 December 2018.

² At 31 December 2018 interest-bearing receivables were 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 31 December 2019, 69.4 per cent of such loans was secured (31 December 2018: 60.3 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 3.50 per cent (3.62 per cent), and remaining time to maturity for interest-bearing debt was 2.7 years (2.3 years). Remaining time to maturity for interest hedging agreements was 4.9 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	4Q-19	4Q-18	31.12.19	31.12.18
Interest income on bank deposits and receivables	0.8	2.3	4.6	3.6
Total financial income	0.8	2.3	4.6	3.6
Interest expense on borrowings	(59.3)	(65.5)	(258.6)	(263.2)
Total financial cost	(59.3)	(65.5)	(258.6)	(263.2)
Realised net financial items	(58.4)	(63.3)	(253.9)	(259.6)
Change in market value of financial derivative instruments	57.3	(14.8)	69.5	71.3
Net financial items	(1.1)	(78.1)	(184.4)	(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	4Q-19	4Q-18	31.12.19	31.12.18
Profit before income tax		485.1	183.4	1 253.7	577.4
Income tax calculated at 22 per cent (23 per cent for 2018)		106.7	42.2	275.8	132.8
Changed tax rate on the closing balance	1	-	(28.0)	-	(28.0)
Differences between financial accounts and tax accounts		(17.8)	(69.1)	(28.8)	(18.0)
Income tax		88.9	(54.9)	247.0	86.8
Deferred tax, opening balance		776.1	674.7	615.9	531.5
Recognised through profit and loss		88.9	(54.9)	247.0	86.8
Addition by purchase of company		-	(3.7)	-	(3.7)
Recognised through comprehensive income		1.1	(0.1)	3.2	1.3
Deferred tax, closing balance		866.1	615.9	866.1	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 carry-forwards losses as well as balances in profit and loss accounts. These tax positions can be used to minimise the effect on tax payable.

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 6 February 2020 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 2019.

No other significant events have occurred after the balance sheet date at 31 December 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-by-like basis	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.
Joint venture (JV)	A joint venture (JV) is an economic activity regulated by an agreement between two or more participants so that they have joint control over the business. The group's share of the company's profit after tax is presented according to the equity method on a separate line in the group's profit and loss account, and the investment is recognised on a separate line under fixed assets in the balance sheet.
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.