

# Interim report

## Third quarter 2020



Aker Brygge, Oslo

30.09.2020

NORWEGIAN PROPERTY ASA

## Important events in the third quarter of 2020

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### Acquisition of Nordr Eiendom completed

Norwegian Property completed the acquisition of Nordr Eiendom (formerly Veidekke Eiendom) together with Fredensborg and Union Real Estate Fund III in the third quarter. Norwegian Property and Fredensborg are equal partners with shares of 42.5 per cent each. Union owns 15 per cent. During the third quarter, the investor group jointly funded NOK 2.4 billion in new equity. At 30 September, Nordr Eiendom had 1 498 flats under construction and a land bank of about 15 500 units in Norway and Sweden.

A total of 873 residential units are expected to be completed during the final quarter of 2020 and the four quarters of 2021 in both wholly and partly owned projects in Norway and Sweden.

### NOK 1.1 billion private placement completed

During the third quarter, Norwegian Property completed a private placement with gross proceeds of about NOK 1.1 billion in connection with the acquisition of Nordr Eiendom. The private placement will be followed by a repair issue potentially amounting to NOK 28.2 million in the fourth quarter of 2020.

### Revenues and new leases

New leases with a total annual rental income of NOK 22.5 million were signed or extended in the third quarter. Expired leases totalled NOK 16.9 million. The net increase in annual rents from leases during the quarter was therefore NOK 5.6 million.

The total ongoing annual rental income (run rate) from the company's whole property portfolio was NOK 673.8 million at 30 September. That represented an increase of NOK 7.8 million from 30 June.

Overall rental income amounted to NOK 175.8 million for the third quarter, up from NOK 172 million in the second quarter.

### 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 353.1 million. The positive impact related mainly to yield compression for the company's attractive Oslo CBD properties.

Long-term market interest rates saw no substantial change in the third quarter, and a reduction in the remaining time to maturity resulted in a positive fair-value adjustment of NOK 14.7 million for interest-rate derivatives.

### Net profit of NOK 342 million and ordinary EPS of NOK 0.64

Net profit for the third quarter came to NOK 342 million after the positive fair-value adjustments for investment properties and interest-rate-derivatives. That meant third-quarter earnings per share (EPS) were NOK 0.64. Book value of equity per share at 30 September 2020 was NOK 15.88.

### Financing activities

The NOK 1 335 million NPRO-06 bond loan was refinanced in the third quarter. In addition to available funding in the existing revolving credit facility with Nordea, SEB and DNB, two new bilateral RCFs have been established with SEB and DNB respectively.

The company also issued a new NOK 500 million bond in the third quarter. The proceeds will be used to refinance the NOK 471 million NPRO-12 bond, which falls due in the fourth quarter.

### Acquisition of Snarøyveien 30 agreed

In October 2020, Norwegian Property entered into an agreement with Telenor Real Estate for the acquisition of the latter's property at Snarøyveien 30. Among its tenants, this includes the head office of the Telenor group. With a very attractive location at Fornebu next to the company's Fornebu Works building at Snarøyveien 36, this property consists of 153 000 square metres of office space. It also has a large parking facility of 45 000 square metres. The agreed gross value of the property is NOK 5 450 million. Total annual rental income (run rate) is estimated to be NOK 335 million at 1 January 2021. Takeover is expected during December 2020. The acquisition will significantly increase and strengthen Norwegian Property's commercial property portfolio, and is in line with the company's ambition to grow in its core areas. It builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to Aker Brygge and Nydalen.

### Dividend

Given the company's investment in Nordr Eiendom and the acquisition of the Snarøyveien 30 property, as well as the extraordinary conditions created by the Covid-19 pandemic, the board has resolved to pay no dividend for the third quarter of 2020.

### **Effects of Covid-19 on the business**

Apart from major events and travel, Norwegian Covid-19 containment measures were eased during the end of the second quarter and early in the third quarter. After an increase in positive test rates for Oslo and some local regions during the third quarter, further major easing of the Covid-19 containment measures have been put on hold and some additional local restrictions have been implemented.

Restrictions implemented during the pandemic have particularly affected retailers, restaurants and service providers. Total provisions of approximately NOK 16 million have been made in interim financial statements for the year to date in 2020 to take account of the estimated negative effects on income and operating costs related to such tenants.

## Key figures

The table below presents key financial figures<sup>1</sup> for the company.

Profit and loss		3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Revenues	NOK mill.	176.6	185.7	1 371.4	556.5	1 118.0
Operating profit before admin expenses	NOK mill.	149.5	158.5	1 279.0	470.1	1 000.8
Operating profit before value adjustments	NOK mill.	128.3	151.7	432.6	440.9	651.4
Profit before income tax and value adjustments	NOK mill.	67.9	85.3	241.6	245.5	397.4
Profit before income tax	NOK mill.	435.7	243.7	154.4	768.6	1 253.7
Profit after income tax	NOK mill.	342.0	201.0	71.1	610.6	1 006.7
Balance sheet		3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Market value of property portfolio	NOK mill.	16 786.5	15 532.8	16 786.5	15 532.8	16 558.3
Total equity	NOK mill.	9 384.4	7 867.3	9 384.4	7 867.3	8 233.9
Interest-bearing debt	NOK mill.	7 391.9	7 668.0	7 391.9	7 668.0	8 157.4
Equity ratio	Per cent	51.4	46.8	51.4	46.8	46.4
Pre-tax return on equity	Per cent	19.8	12.3	3.5	12.9	15.4
Cash flow		3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Net cash flow from operating activities	NOK mill.	113.4	36.1	925.7	(7.4)	354.9
Cash and cash equivalents	NOK mill.	285.7	76.7	285.7	76.7	281.8
Key figures; per share		3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Number of shares outstanding, end of the period	Mill. shares	591.1	493.6	591.1	493.6	493.6
Average number of shares in the period	Mill. shares	533.9	532.8	507.1	540.6	540.6
Profit before income tax	NOK	0.82	0.46	0.30	1.42	2.32
Earnings per share (EPS)	NOK	0.64	0.38	0.14	1.13	1.86
Net cash flow from operating activities	NOK	0.21	0.07	1.83	(0.01)	0.66
Interest-bearing debt	NOK	12.51	15.53	12.51	15.53	16.53
NAV, book value	NOK	15.88	15.94	15.88	15.94	16.68
Deferred property tax	NOK	1.45	1.55	1.45	1.55	1.65
Fair value of fin. derivative instruments	NOK	0.35	0.21	0.35	0.21	0.12
NAV, adjusted	NOK	17.68	17.70	17.68	17.70	18.45
Fair value of deferred tax	NOK	(0.73)	(0.72)	(0.73)	(0.72)	(0.98)
Fair value of fin. derivative instruments	NOK	(0.41)	(0.24)	(0.41)	(0.24)	(0.14)
Fair value of debt	NOK	(0.04)	(0.05)	(0.04)	(0.05)	(0.05)
NNNAV	NOK	16.50	16.68	16.50	16.68	17.29

<sup>1</sup> 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 any joint venture, which is accounted for using the equity method.

## Financial developments

### Results

#### Operating revenue

Rental income from commercial properties amounted to NOK 175.8 million in the third quarter (NOK 185.7 million<sup>2</sup>). On a like-for-like basis, that represented a reduction of NOK 8.8 million from the same period of last year. Year-to-date rental income at 30 September totalled NOK 515.5 million (NOK 556.5 million), representing a like-for-like reduction of NOK 22.4 million. The revenue reduction in 2020 relates mainly to the effects of the Covid-19 shutdown on turnover-based rents and the expiration of a major lease in the Snarøyveien 36 property during the fourth quarter of 2019. A total provision of approximately NOK 8 million has been made for the year to date in 2020 to take account of the estimated negative effects on income related to the Covid-19 pandemic.

Retail and restaurant turnover at Aker Brygge in Oslo was down by 18 per cent for the third quarter and by 23.4 per cent for the year to date from the same periods of 2019. These reductions related to the effects of the Covid-19 pandemic.

The residential development project at Hasle in Oslo was completed in the second quarter, when the final units were delivered. In the third quarter, some parking spaces were delivered and settlement of project costs was made. Pre-tax profit for the project at Hasle was NOK 2.7 million for the third quarter and NOK 55.6 million for the year to date.

#### Operating costs

Property-related operational expenses totalled NOK 13.8 million (NOK 15.9 million) for the third quarter and NOK 42.8 million (NOK 47.9 million) for the year to date. Other property-related expenses came to NOK 13.2 million (NOK 11.3 million) for the quarter and NOK 49.7 million (NOK 38.4 million) for the year to date. Provisions totalling NOK 8 million have been made in the year to date in 2020 for losses on claims and other costs during the year to date owing to the Covid-19 pandemic and the effects of the shutdown.

Administrative expenses were NOK 10.2 million (NOK 11.4 million) for the quarter and NOK 33 million (NOK 38 million) for the year to date.

<sup>2</sup> Figures in brackets refer to the corresponding period of the year before.

#### Share of profit from joint ventures

On 1 September 2020, Norwegian Property and its partners completed the acquisition of Veidekke Eiendom and rebranded the company to Nordr Eiendom. Norwegian Property's share is presented in accordance with the equity method in the income statement and balance sheet.

At 30 September, Nordr Eiendom had 1 498 flats under construction and a land bank of about 15 500 units in Norway and Sweden. The land bank is mainly located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden. Norwegian Property and Fredensborg are equal partners with a share of 42.5 per cent each, and Union owns 15 per cent.

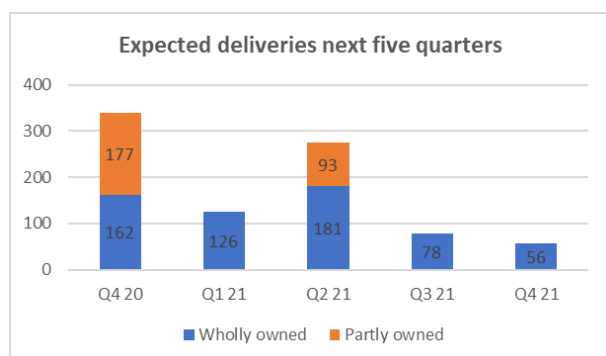
During the third quarter, 237 residential units were sold. Construction started on 52 units in the quarter, all in Sweden. A total of 69 units were delivered, divided between 15 in Norway and 54 in Sweden.

Income recognition from the sale of residential units is based in accordance with the IFRS on the completed contract method. Not many units were planned for delivery in September. Norwegian Property's share of net profit related to Nordr Eiendom for the period since the acquisition in the third quarter was negative at NOK 13 million and the share of net assets in the balance sheet at 30 September was NOK 1 021.3 million. The table below presents the quarterly development of the project portfolio for Nordr Eiendom over the past five quarters.

Project portfolio Nordr Eiendom	3Q-19	4Q-19	1Q-20	2Q-20	3Q-20
Units sold	170	200	214	179	237
Construction starts	192	154	149	338	52
Units completed	660	255	358	215	43
Units delivered <sup>1</sup>	660	255	358	215	69
Units under construction	1 676	1 575	1 366	1 489	1 498
Sales ratio, units under construction (per cent)	82	81	77	71	73
Completed unsold units	53	44	39	33	21
Sales value, units sold in the period	912	1 026	1 126	849	1 272
Sales value, units under constr. (NOK mill.)	11 582	9 264	8 537	8 693	8 725

<sup>1</sup> Of which 20 units were delivered after the takeover in September 2020.

The figure below presents the expected completions during the next five quarters, based on the best estimate for the timing of projects. A total of 873 residential units are expected to be completed during the final quarter of 2020 and the four quarters of 2021 in both wholly and partly owned projects in Norway and Sweden.



### Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 128.3 million (NOK 151.7 million) for the third quarter and NOK 432.6 million (NOK 440.9 million) for the year to date.

### Fair-value adjustments for investment property

Valuation of the property portfolio yielded a positive unrealised fair-value adjustment of NOK 353.1 million (NOK 155.9 million) for the third quarter and NOK 105 million (NOK 511 million) for the year to date. The positive impact related mainly to yield compression for Norwegian Property's major Oslo CBD properties. The total market value of the property portfolio carried on the balance sheet at 30 September 2020 amounted to NOK 16 786.5 million.

### Net financial items

Net realised financial expenses came to NOK 60.4 million (NOK 66.4 million) for the third quarter and NOK 191.1 million (NOK 195.5 million) for the year to date. Floating interest rates have been at a very low level in 2020.

Long-term market interest rates did not change substantially in the third quarter, and a reduction in the remaining time to maturity resulted in a positive fair-value adjustment of NOK 14.7 million (NOK 2.5 million) for interest-rate derivatives. The year-to-date fair-value adjustment was negative at NOK 192.2 million (positive change of NOK 12.2 million).

### Profit for the period

Pre-tax profit was NOK 435.7 million (NOK 243.7 million) for the quarter and NOK 154.4 million (NOK 768.6 million) for the year to date. The increase in non-payable deferred tax was NOK 93.7 million (NOK 42.7 million) for the quarter and NOK 83.3 million (NOK 158.1 million) for the year to date. Net profit was thereby NOK 342 million (NOK 201 million) for the quarter and NOK 71.1 million (NOK 610.6 million) for the year to date.

### Balance sheet

The carrying amount of the company's total assets in the balance sheet was NOK 18 252.8 million (NOK 16 820.9 million), with investment property accounting for NOK 16 694.2 million (NOK 15 401.8 million) and properties used by the owner for NOK 92.3 million (NOK 85 million).

The carrying amount of investment in joint ventures was NOK 1 021.3 million (NOK 38.9 million).

Norwegian Property held NOK 285.7 million (NOK 76.7 million) in cash and cash equivalents at 30 September.

Total interest-bearing liabilities in the balance sheet came to 7 391.9 million (NOK 7 668 million), with non-current interest-bearing liabilities totalling NOK 6 422.6 million (NOK 4 806.7 million) and current interest-bearing liabilities amounting to NOK 969.3 million (NOK 2 861.4 million).

Financial derivatives accounted for a net liability item of NOK 267.7 million (NOK 134 million), with NOK 302.1 million (NOK 140.3 million) classified as liabilities and NOK 34.4 million (NOK 6.3 million) as assets.

Equity at 30 September totalled NOK 9 384.4 million (NOK 7 867.3 million), representing an equity ratio of 51.4 per cent (46.8 per cent). Book value of equity per share was NOK 15.88 (NOK 15.94). Outstanding shares at 30 September totalled 597 353 453 (548 446 832). Treasury shares totalled 6 250 000, and 591 103 453 shares were held by external shareholders.

### Cash flow

Net operational cash flow was NOK 113.4 million (NOK 36.1 million) for the quarter and NOK 925.7 million (negative at NOK 7.4 million) for the year to date. Cash earnings in the quarter amounted to NOK 82 million. Payments related to the residential project at Hasle came to NOK 26.3 million, and the positive change in other short-term items amounted to NOK 57.7 million.



Investment in fixed assets came to NOK 22 million (NOK 193.8 million) for the quarter, related to adjustments for lessees associated with new and renegotiated leases and ongoing operational investments. Investment totalled NOK 192.1 million (NOK 293 million) for the year to date. The investment in Nordr Eiendom amounted to NOK 1 020.1 million in the third quarter.

Net cash flow from financing activities was positive at NOK 1 009.6 million (NOK 105.4 million) for the quarter, following a reduction of NOK 85.4 million in interest-bearing debt and a private equity placement with net proceeds of NOK 1 095 million. For the year to date, the figure was NOK 290.5 million (negative at NOK 924.5 million) following a reduction of NOK 770 million in interest-bearing debt, NOK 34.6 million in dividend and the private equity placement.

Cash and cash equivalents showed an increase of NOK 81 million (reduction of NOK 52.3 million) for the quarter and NOK 3.9 million (reduction of NOK 47.9 million) for the year to date.

## Financing

### Key figures

The table below presents key figures related to interest-bearing debt and hedges at 30 September 2020.

Interest bearing debt and hedging		30.09.20	30.09.19	31.12.19
Interest-bearing debt <sup>1</sup>	NOK mill.	7 391.9	6 790.1	7 494.5
Cash and cash equivalents	NOK mill.	285.7	76.7	281.8
Interest-hedging ratio	Per cent	78.5	62.3	69.4
Unutilised credit facilities	NOK mill.	210.0	500.0	150.0
Remaining time to maturity for interest hedge agreements	Years	4.7	5.1	4.9
Average interest rate	Per cent	3.14	3.49	3.50
Average interest margin	Per cent	1.19	1.23	1.22
Remaining time to maturity for interest-bearing debt	Years	2.5	2.6	2.7
Market value of property portfolio	NOK mill.	16 786.5	15 532.8	16 558.3
Gross debt to asset ratio (gross LTV)	Per cent	44.0	43.7	45.3
Net debt to asset ratio (net LTV) <sup>2</sup>	Per cent	42.3	43.2	43.6

<sup>1</sup> Excluding construction loan financing for the residential project at Hasle in Oslo, amounting to NOK 877.9 million at 30 September 2019 and NOK 662.9 million at 31 December 2019.

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

### Private placement and subsequent offering

During the third quarter, Norwegian Property completed a private placement with gross proceeds of NOK 1 101 499 784.10 in connection with the acquisition of Nordr Eiendom. The subscription price was set at NOK 11.30 per share. The private placement was underwritten by Geveran Trading Co Ltd, and was directed at Geveran and other existing shareholders. Following the private placement, the share capital is NOK 298 676 726.50 divided into 597 353 453 shares, each with a par value of NOK 0.5.

Norwegian Property intends to carry out a subsequent offering of up to 2 492 143 new shares at the same subscription price as in the private placement. This will be directed at shareholders in the company at 21 August 2020, as registered in the Norwegian Central Securities Depository (VPS) for two days thereafter, who were not allocated shares in the private placement and who are not resident in a jurisdiction where such an offering would be unlawful or would, in jurisdictions other than Norway, require any prospectus, filing, registration or similar action.

### Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 391.9 million (NOK 7 668 million) at 30 September. In addition, the company had undrawn credit and overdraft facilities of NOK 210 million (NOK 500 million).

Current interest-bearing debt at 30 September includes the NPRO-12 bond loan of NOK 471 million maturing in the fourth quarter of 2020. Norwegian Property issued a new NOK 500 million secured bond with a tenor of five years. The proceeds will be used to refinance the NPRO-12 bond loan.

### Interest hedges

The table below presents the maturity structure of interest-rate hedges for the company's interest-bearing debt at 30 September 2020.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest <sup>1</sup> (per cent)	Share of total liabilities (per cent)
< 1 year	2 772	1.3	37
1 > 2 year	650	3.4	9
2 > 3 year	500	2.2	7
3 > 4 year	400	1.9	5
4 > 5 year	1 005	2.5	13
> 5 year	2 150	1.9	29
<b>Total</b>	<b>7 477</b>	<b>1.9</b>	<b>100</b>

<sup>1</sup> Average base interest rate for the matured amount.



## Market and operations

### Commercial property market

Office vacancy in Oslo is 5.6 per cent overall and four per cent in the city centre. Moderate vacancy rates in the past few years have contributed to positive trends for rents. The level of activity in the transaction market has been high for several years, with many properties changing hands in various segments at strong yield levels. Prime yield for Oslo is estimated to be about 3.5 per cent. Several transactions in Oslo's CBD were disclosed in the third quarter and, assuming the indicated yields are correct, prime yield in the Oslo CBD will be below 3.5 per cent at 31 December 2020.

The Covid-19 pandemic has adversely affected many businesses in 2020. Access to loan capital on favourable terms and activity in the property transaction market improved in the third quarter. Loan margins in both bank and bond markets are almost back to pre-Covid-19 levels.

During the quarter, the 10-year interest rate varied between 0.80 and 1.07 per cent. Risk is still connected to the long-term effects of the pandemic. In addition, financial markets are affected by the forthcoming US presidential election.

### The property portfolio

#### Key figures

Norwegian Property owned 28 investment properties at 30 September. These are primarily located in central areas of the Oslo region. The company's properties mainly comprise office premises as well as retail and restaurant space, with associated warehousing and parking related to the office areas.

The total ongoing annual rental income (run rate) from the company's whole property portfolio at 30 September was NOK 673.8 million. That represented an increase of NOK 7.8 million from 30 June. Overall financial vacancy in the property portfolio totalled 9.6 per cent, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 4.4 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 30 September. Major ongoing conversion projects at the end of the quarter are specified in the table below.

Area	Property	Tenant	Area (sqm)	Completion date
Aker Brygge, Oslo	Stranden	Adv.firmaet Berggaard	680	Q4-20
Fornebu, Bærum	Snarøyveien 36	Nordr Eiendom	1 419	Q4-20

### New leases

New leases with a total annual rental income of NOK 17.6 million were awarded in the third quarter, while existing leases totalling NOK 4.9 million were extended. Expired leases totalled NOK 16.9 million. The net increase in annual rents from leases during the quarter was therefore NOK 5.6 million.

### Property transactions

#### Nordr Eiendom

Norwegian Property agreed during the second quarter to acquire Nordr Eiendom together with Fredensborg and Union Real Estate Fund III. Norwegian Property and Fredensborg are equal partners with a share of 42.5 per cent each. Union owns 15 per cent. The investor group jointly funded NOK 2.6 billion in new equity in the third quarter. The transaction was completed on 1 September.

In the third quarter, 237 units were sold, construction started on 52 and 69 were delivered. At 30 September, Nordr Eiendom had 1 498 flats under construction and 73 per cent of these were sold. Net units in the land bank at 30 September amounted to about 15 500, divided between some 5 150 in Norway and 10 350 in Sweden. The land bank is primarily located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

Norwegian Property's share of the net profit is presented in accordance with the equity method on a separate line in the consolidated income statement, and the investment will similarly be recognised on a separate line under fixed assets in the balance sheet.

#### Snarøyveien 30

In October 2020, Norwegian Property entered into an agreement with Telenor Real Estate for the purchase of the property at Snarøyveien 30, which includes the head office of the Telenor group. With a very attractive location at Fornebu outside central Oslo, this property consists of 153 000 square metres of office space. A large parking facility of 45 000 square metres contributes to the attractiveness of the property. The

agreed gross value of the property is NOK 5 450 million. Total annual rental income (run rate) is estimated to be NOK 335 million at 1 January 2021. Takeover is expected in December 2020.

This acquisition will significantly increase and strengthen Norwegian Property's commercial property portfolio, and the acquisition is in line with the company's ambition to grow in its core areas. The acquisition builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to Aker Brygge and Nydalen. Norwegian Property already owns the neighbouring 58 000-square-metre Fornebu Works property at Snarøyveien 36 and, after the acquisition of Snarøyveien 30, will have a significant portfolio at Fornebu with opportunities for synergies related to both the rental business and property operations.

### Valuation of the property portfolio

Two independent valuers have valued all the properties in the company's portfolio, based on the same methods and principles applied in previous periods. The accounting valuation at 30 September 2020 is based on an average of the two valuations.

At 30 September, the company's portfolio of investment properties was valued at NOK 16 786.5 million (NOK 15 532.8 million). Properties used by the owner were carried separately on the balance sheet at NOK 92.3 million, and recognised at fair value. Fair-value adjustments recognised in profit and loss for the investment properties were positive at NOK 353.1 million for the third quarter.

### Environmental and corporate social responsibility (CSR)

In 2020, Norwegian Property has secured a Breeam in use certification of Excellent for the Snarøyveien 36 property.

### EGM approve a NOK 1.1 billion private placement

An extraordinary general meeting was held on 10 August 2020 to approve a private placement in connection with the acquisition of Nordr Eiendom. On 23 August 2020, Norwegian Property completed a private placement with gross proceeds of NOK 1.1 billion. The subscription price was set at NOK 11.30. The private placement was underwritten by Geveran Trading Co Ltd and directed at Geveran and other existing shareholders. Following registration of the new share capital pertaining to the private placement, the company will have a share capital of NOK 298 676 726.50 divided into 597 353 453 shares, each with a par value of NOK 0.5.

Norwegian Property will carry out a subsequent offering of up to 2 492 143 new shares, at the same subscription price as in the private placement, directed at shareholders in the company who were not allocated shares in the private placement.

### Shareholder information

Norwegian Property had 1 537 registered shareholders at 30 September, up by 21 from 30 June.

Non-Norwegian shareholders held 82 per cent of the share capital at 30 September, unchanged from 30 June.

The number of shares traded during the third quarter averaged 37 033 per day. For 2019 as a whole, the daily average was 327 999 shares. Corresponding daily turnover in 2018 was 175 071 shares.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 September 2020 are presented below.

Shareholder	Type of acc.	Country	Number of shares	Share
GEVERAN TRADING CO LTD	ORD	CYP	480 976 626	80.52
FOLKETRYGDFONDET	ORD	NOR	88 372 525	14.79
NORWEGIAN PROPERTY ASA	ORD	NOR	6 250 000	1.05
DANSKE BANK AS	ORD	DNK	4 259 939	0.71
SANDEN AS	ORD	NOR	1 442 478	0.24
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	LUX	1 019 717	0.17
BANAN II AS	ORD	NOR	1 000 000	0.17
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	763 640	0.13
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	723 936	0.12
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	607 777	0.10
VATNE	ORD	NOR	501 608	0.08
ECKHOFF HOLDING AS	ORD	NOR	346 090	0.06
STATE STREET BANK AND TRUST COMP	NOM	USA	320 934	0.05
KAS BANK N.V.	NOM	NLD	302 981	0.05
KAS BANK N.V.	NOM	NLD	260 614	0.04
CAMVECTI HOLDING AS	ORD	NOR	254 401	0.04
CLEARSTREAM BANKING S.A.	NOM	LUX	240 344	0.04
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.04
JP MORGAN SECURITIES PLC	ORD	GBR	233 254	0.04
VIK	ORD	NOR	226 516	0.04
OTHER			9 014 633	1.51
Total number of shares			597 353 453	100.00

## Outlook

Norwegian Property manages modern and flexible properties located in attractive clusters near public transport hubs. The company has delivered strong and stable results from its operations and from fair value changes for its properties over a long period. In 2020, the Covid-19 pandemic has adversely affected many businesses, especially service providers, retailers and restaurants. This has had a negative impact on Norwegian Property and other property companies. Norwegian Property's financial position is sound, with a high equity ratio and a relatively low loan-to-value ratio. A highly diversified portfolio of tenants in both the public sector and various private business segments helps to make the company well positioned for dealing with these challenges.

Several interesting long-term development opportunities are being pursued by Norwegian Property in its existing commercial property portfolio. The company has concentrated its business by selling properties outside the core areas while strengthening its portfolio in the priority areas. Its ambition is to continue this process, with further expansions of the portfolio. The company will also consider opportunities in segments other than its traditional commercial property involvement. In line with this ambition, Norwegian Property completed the acquisition of Nordr Eiendom in the third quarter in collaboration with industrial and financial partners. Nordr Eiendom has flats under construction and a substantial land bank in Norway and Sweden. In October 2020, Norwegian Property also entered into an agreement to acquire the large and attractive commercial property at Snarøyveien 30 at Fornebu outside central Oslo. Norwegian Property regards these transactions as particularly attractive opportunities to expand and develop its business.

## Interim accounts

## Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Rental income	3	175.8	185.7	515.5	556.5	735.1
Income from sale of residential units	3	0.8	-	855.9	-	382.9
<b>Revenues</b>		<b>176.6</b>	<b>185.7</b>	<b>1 371.4</b>	<b>556.5</b>	<b>1 118.0</b>
Property-related operational expenses		(13.8)	(15.9)	(42.8)	(47.9)	(63.8)
Other property-related expenses		(13.2)	(11.3)	(49.7)	(38.4)	(53.4)
<b>Total property-related expenses</b>		<b>(27.1)</b>	<b>(27.2)</b>	<b>(92.4)</b>	<b>(86.3)</b>	<b>(117.2)</b>
Project cost from sale of residential units	5	1.9	-	(800.4)	-	(357.4)
Administrative expenses		(10.2)	(11.4)	(33.0)	(38.0)	(48.8)
<b>Total operating expenses</b>		<b>(35.3)</b>	<b>(38.6)</b>	<b>(925.8)</b>	<b>(124.3)</b>	<b>(523.4)</b>
Share of profit in joint ventures	6	(13.0)	4.5	(13.0)	8.8	56.8
<b>Operating profit before fair-value adjustments</b>		<b>128.3</b>	<b>151.7</b>	<b>432.6</b>	<b>440.9</b>	<b>651.4</b>
Change in market value of investment property	4	353.1	155.9	105.0	511.0	786.8
<b>Operating profit</b>		<b>481.5</b>	<b>307.5</b>	<b>537.7</b>	<b>951.9</b>	<b>1 438.1</b>
Financial income	10	0.4	0.5	2.6	3.8	4.6
Financial cost	10	(60.9)	(66.9)	(193.7)	(199.3)	(258.6)
<b>Realised net financial items</b>		<b>(60.4)</b>	<b>(66.4)</b>	<b>(191.1)</b>	<b>(195.5)</b>	<b>(253.9)</b>
Change in market value of financial derivative instruments	7, 10	14.7	2.5	(192.2)	12.2	69.5
<b>Net financial items</b>		<b>(45.8)</b>	<b>(63.8)</b>	<b>(383.2)</b>	<b>(183.3)</b>	<b>(184.4)</b>
<b>Profit before income tax</b>		<b>435.7</b>	<b>243.7</b>	<b>154.4</b>	<b>768.6</b>	<b>1 253.7</b>
Income tax	11	(93.7)	(42.7)	(83.3)	(158.1)	(247.0)
<b>Profit for the period</b>		<b>342.0</b>	<b>201.0</b>	<b>71.1</b>	<b>610.6</b>	<b>1 006.7</b>
Profit attributable to non-controlling interests		-	-	-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>342.0</b>	<b>201.0</b>	<b>71.1</b>	<b>610.6</b>	<b>1 006.7</b>
<b>Amounts in NOK million</b>	<b>Note</b>	<b>3Q-20</b>	<b>3Q-19</b>	<b>30.09.20</b>	<b>30.09.19</b>	<b>30.09.19</b>
Value adjustment of owner-occupied property	4	3.1	(0.7)	3.4	7.3	11.5
Currency changes on translation of foreign operations	6	14.2	-	14.2	-	-
<b>Total other comprehensive income</b>		<b>17.3</b>	<b>(0.7)</b>	<b>17.6</b>	<b>7.3</b>	<b>11.5</b>
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		<b>359.3</b>	<b>200.3</b>	<b>88.7</b>	<b>617.9</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>359.3</b>	<b>200.3</b>	<b>88.7</b>	<b>617.9</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Consolidated condensed balance sheet

Amounts in NOK million	Note	30.09.2020	30.09.2019	31.12.2019
Financial derivative instruments	7	34.4	6.3	16.2
Investment property	4	16 694.2	15 401.8	16 469.3
Owner-occupied property	4	92.3	85.0	89.0
Other fixed assets	4	38.0	40.6	40.5
Investment in joint ventures	6	1 021.3	38.9	-
Receivables	6	13.0	10.6	-
<b>Total non-current assets</b>		<b>17 893.3</b>	<b>15 583.3</b>	<b>16 615.0</b>
Financial derivative instruments	7	0.0	(0.0)	1.0
Receivables	6, 9	73.8	92.6	128.8
Property related inventory	5	-	1 022.3	708.5
Cash and cash equivalents	9	285.7	76.7	281.8
Investment property held for sale	4	-	46.0	-
<b>Total current assets</b>		<b>359.6</b>	<b>1 237.6</b>	<b>1 120.1</b>
<b>Total assets</b>		<b>18 252.8</b>	<b>16 820.9</b>	<b>17 735.1</b>
Share capital		1 348.2	246.8	246.8
Share premium		1 671.6	1 678.1	1 678.1
Other paid in equity		7 562.0	7 559.8	7 560.7
Retained earnings		(1 197.5)	(1 617.3)	(1 251.6)
<b>Total equity</b>		<b>9 384.4</b>	<b>7 867.3</b>	<b>8 233.9</b>
Deferred tax	11	950.3	776.1	866.1
Financial derivative instruments	7	290.8	140.3	92.6
Interest bearing liabilities	9	6 422.6	4 806.7	5 690.5
Other liabilities		4.3	5.4	5.3
<b>Total non-current liabilities</b>		<b>7 668.0</b>	<b>5 728.5</b>	<b>6 654.5</b>
Financial derivative instruments	7	11.3	(0.0)	-
Interest bearing liabilities	9	969.3	2 861.4	2 466.8
Other liabilities		219.8	363.8	379.8
<b>Total current liabilities</b>		<b>1 200.4</b>	<b>3 225.2</b>	<b>2 846.7</b>
<b>Total liabilities</b>		<b>8 868.4</b>	<b>8 953.6</b>	<b>9 501.2</b>
<b>Total equity and liabilities</b>		<b>18 252.8</b>	<b>16 820.9</b>	<b>17 735.1</b>

## 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	31.12.18	274.2	-	2 295.2	7 557.3	(2 123.9)	8 002.8
Total comprehensive income		-	-	-	-	617.9	617.9
Employee share-option scheme		-	-	-	2.5	-	2.5
Purchase of treasury shares <sup>1</sup>		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares <sup>2</sup>		(24.3)	24.3	-	-	-	-
Paid dividend		-	-	-	-	(111.3)	(111.3)
Total equity	30.09.19	249.9	(3.1)	1 678.1	7 559.8	(1 617.3)	7 867.3
Total comprehensive income		-	-	-	-	400.3	400.3
Employee share-option scheme		-	-	-	0.9	-	0.9
Paid dividend		-	-	-	-	(34.6)	(34.6)
Total equity	31.12.19	249.9	(3.1)	1 678.1	7 560.7	(1 251.6)	8 233.9
Total comprehensive income		-	-	-	-	88.7	88.7
Employee share-option scheme		-	-	-	1.3	-	1.3
Share issue <sup>3</sup>		1 101.5	-	(6.5)	-	-	1 095.0
Paid dividend		-	-	-	-	(34.6)	(34.6)
Total equity	30.09.20	1 351.4	(3.1)	1 671.6	7 562.0	(1 197.5)	9 384.4

<sup>1</sup> Norwegian Property purchased 54 800 000 treasury shares for NOK 11.75 in the second quarter of 2019. Costs amounted 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.

<sup>2</sup> 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.

<sup>3</sup> An Extraordinary General Meeting was held on 10 August 2020 to approve a private placement. On 23 August 2020 Norwegian Property completed the private placement with a gross proceeds of NOK 1 101 499 784.10. Following the private placement, the company has a share capital of NOK 298 676 726.50 divided into 597 353 453 shares, each with a par value of NOK 0.5. Costs amounted to NOK 6.5 million

## Consolidated condensed statement of cash flow

Amounts in NOK million	Note	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Profit before income tax		432.1	243.7	150.8	768.6	1 253.7
Depreciation of tangible assets		1.1	1.5	4.1	4.9	7.7
Fair value adjustment of investment property	3	(353.1)	(155.9)	(105.0)	(511.0)	(786.8)
Fair value adjustment of financial derivative instruments	4	(14.7)	(12.8)	192.2	(22.5)	(81.0)
Profit for joint venture	6	16.5	-	16.5	-	(56.8)
Change in property related inventory	5	(26.3)	(69.4)	600.3	(236.7)	61.4
Change in short-term items		57.7	28.9	66.7	(10.7)	(43.4)
Net cash flow from operating activities		113.4	36.1	925.7	(7.4)	354.9
Received in connection with sale of investment property		-	-	-	823.0	957.9
Payments for purchase of investment property and other fixed assets		(22.0)	(193.8)	(192.1)	(293.0)	(1 040.2)
Other investment activities		(1 020.1)	-	(1 020.1)	354.0	354.0
Net cash flow from investing activities		(1 042.0)	(193.8)	(1 212.2)	884.0	271.7
Net change in interest-bearing debt	6	(85.4)	140.0	(770.0)	(168.7)	321.0
Capital increase		1 095.0	-	1 095.0	-	-
Paid dividend		-	(34.6)	(34.6)	(111.3)	(145.9)
Other financing activities		-	-	-	(644.5)	(644.5)
Net cash flow from financial activities		1 009.6	105.4	290.5	(924.5)	(469.4)
Net change in cash and cash equivalents		81.0	(52.3)	3.9	(47.9)	157.2
Cash and cash equivalents at the beginning of the period		204.7	129.0	281.8	124.6	124.6
Cash and cash equivalents at the end of the period		285.7	76.7	285.7	76.7	281.8

## 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 20 October 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 2019.

### NOTE 2: Accounting policies

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

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a 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 2019. 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 2019.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2019. Norwegian Property has not implemented any new standards or changes of standards in the 2020 interim financial statement. 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 the Oslo region. From the end of 2018, the company has also had a portfolio of residential units under construction in Oslo. In the third quarter of 2020 the company also made an investment related to a 42,5 per cent share in the residential development company Nordr Eiendom.

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



Segment information relating to income statement items in the third quarter of 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	175.8	0.8	-	176.6
Project cost from sale of residential units	-	1.9	-	1.9
Total property-related expenses	(27.6)	0.5	-	(27.1)
Administrative expenses	-	-	(10.2)	(10.2)
Share of profit in joint ventures	-	(13.0)	-	(13.0)
Change in market value of investment property	353.1	-	-	353.1
Operating profit	501.4	(9.7)	(10.2)	481.5
Net financial items			(45.8)	(45.8)
Profit before income tax			(55.9)	435.7
Income tax			(93.7)	(93.7)
Profit for the period			(149.6)	342.0

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

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

Segment information relating to income statement items year to date 30 September 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	515.5	855.9	-	1 371.4
Project cost from sale of residential units	-	(800.4)	-	(800.4)
Total property-related expenses	(92.8)	0.4	-	(92.4)
Administrative expenses	-	-	(33.0)	(33.0)
Share of profit in joint ventures	-	(13.0)	-	(13.0)
Change in market value of investment property	105.0	-	-	105.0
Operating profit	527.7	43.0	(33.0)	537.7
Net financial items			(383.2)	(383.2)
Profit before income tax			(416.3)	154.4
Income tax			(83.3)	(83.3)
Profit for the period			(499.6)	71.1

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	556.5	-	-	556.5
Project cost from sale of residential units	-	-	-	-
Total property-related expenses	(85.7)	(0.6)	-	(86.3)
Administrative expenses	-	-	(38.0)	(38.0)
Share of profit in joint ventures	8.8	-	-	8.8
Change in market value of investment property	511.0	-	-	511.0
Operating profit	990.5	(0.6)	(38.0)	951.9
Net financial items			(183.3)	(183.3)
Profit before income tax			(221.3)	768.6
Income tax			(158.1)	(158.1)
Profit for the period			(379.4)	610.6

Segment information relating to income statement items for the full year 2019 is specified in the table below.

	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 related to balance sheet items at 30 September 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	16 786.5	-	-	16 786.5
Other fixed assets	36.9	-	1.1	38.0
Investment in joint ventures	-	1 021.3	-	1 021.3
Receivables	85.3	1.5	-	86.8
Property related inventory	-	-	-	-
Cash and cash equivalents	-	-	285.7	285.7
Deferred tax	-	-	(950.3)	(950.3)
Financial derivative instruments	-	-	(267.7)	(267.7)
Interest bearing liabilities	-	-	(7 391.9)	(7 391.9)
Other liabilities	(136.8)	(1.3)	(86.0)	(224.1)
Total equity			(9 384.4)	(9 384.4)

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	15 532.8	-	-	15 532.8
Other fixed assets	39.0	-	1.6	40.6
Investment in joint ventures	38.9	-	-	38.9
Receivables	103.3	-	-	103.3
Property related inventory	-	1 022.3	-	1 022.3
Cash and cash equivalents	-	-	76.7	76.7
Deferred tax	-	-	(776.1)	(776.1)
Financial derivative instruments	-	-	(134.0)	(134.0)
Interest bearing liabilities	-	-	(7 668.0)	(7 668.0)
Other liabilities	(143.8)	(150.2)	(75.2)	(369.2)
Total equity			(7 867.3)	(7 867.3)

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

	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	127.3	1.5	-	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	(354.8)	(111.0)	80.7	(385.1)
Total equity			(8 233.9)	(8 233.9)

#### 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	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Total value of investment property, opening balance		16 421.2	15 181.2	16 558.3	15 590.9	15 590.9
Sale of investment property at book value	1	-	-	-	(878.0)	(941.6)
Investment in properties		8.6	196.8	119.8	293.5	1 086.6
Fair value adjustments of investment property		353.1	155.9	105.0	511.0	786.8
Fair value adjustments related to sold investment property		-	-	-	7.0	22.3
Recognised in other comprehensive income for the period		3.7	(1.1)	3.3	8.4	13.4
Total value of investment property, closing balance		16 786.5	15 532.8	16 786.5	15 532.8	16 558.3
Of which investment property held for sale	2	-	(46.0)	-	(46.0)	-
Investment property, not held for sale		16 786.5	15 486.8	16 786.5	15 486.8	16 558.3
Of which owner-occupied property	3	(92.3)	(85.0)	(92.3)	(85.0)	(89.0)
Book value of investment property		16 694.2	15 401.8	16 694.2	15 401.8	16 469.3

<sup>1</sup> Applies to the sale of properties at Skøyen in Oslo and Oslo Airport Gardermoen in 2019.

<sup>2</sup> Properties sold in 2019 at Oslo Airport Gardermoen were classified as investment properties held for sale and valued at the present value of the contractual cash flows.

<sup>3</sup> 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 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>	Total
	30.09.20			
Investment property	-	-	16 694.2	16 694.2
Owner-occupied property	-	-	92.3	92.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16 786.5</b>	<b>16 786.5</b>
	30.09.19			
Investment property	-	-	15 401.8	15 401.8
Owner-occupied property	-	-	85.0	85.0
Investment property held for sale	-	-	46.0	46.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>15 532.8</b>	<b>15 532.8</b>
	31.12.19			
Investment property	-	-	16 469.3	16 469.3
Owner-occupied property	-	-	89.0	89.0
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16 558.3</b>	<b>16 558.3</b>

<sup>1</sup> 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 2019 and 2020.

#### Other fixed assets and leases

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

Amounts in NOK million	30.09.20	30.09.19	31.12.19
Aker Br. energy distr. syst.	30.7	29.8	31.4
Other assets	7.3	10.8	9.1
<b>Other fixed assets</b>	<b>38.0</b>	<b>40.6</b>	<b>40.5</b>

According to IFRS 16 significant leases are capitalised. The beneficial right is recognised as an asset under other tangible fixed assets, with the lease obligation recognised as a liability under other liabilities in the balance sheet. The carrying amount of the company's leases are specified below.

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

Amounts in NOK million	30.09.20	30.09.19	31.12.2019
Book value, opening balance	708.5	815.5	815.5
Purchase of company	-	-	-
Accrued cost during the period	91.8	206.8	250.4
Cost from sale of residential units	(800.4)	-	(357.4)
<b>Book value, closing balance</b>	<b>-</b>	<b>1 022.3</b>	<b>708.5</b>

Amounts in NOK million	Leases for company		Total
	cars	Leases for offices	
Carrying amount of rental obligation 31.12.2019	0.3	4.1	4.4
Addition in 2020	-	-	-
Installments in 2020	(0.2)	(1.0)	(1.2)
Carrying amount of rental obligation 30.09.2020	0.1	3.1	3.2

<sup>1</sup> Includes a lease for an office space of about 500 sqm.

<sup>2</sup> Includes cars used in connection with operation of the company's properties.

#### NOTE 5: Inventory

The inventory comprises residential units under construction at Hasle in Oslo. At 30 September 2020 all units are sold and delivered on to end users.

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

Amounts in NOK million	30.09.20	30.09.19	31.12.2019
Land for development	-	-	-
Project under construction/development	-	1 022.3	708.5
Completed units	-	-	-
Total carrying amount of property related inventory	-	1 022.3	708.5

#### NOTE 6: Joint ventures

On 1 September 2020, Norwegian Property acquired Nordr Eiendom together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg are equal partners with a share of 42.5 per cent each Union own 15 per cent. At the end of the third quarter of 2020 Nordr Eiendom had 1 498 flats under construction and a land bank of about 15 500 units in Norway and Sweden. The land bank is largely located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

In 2019, Norwegian Property owned a 50 per cent stake in the property Badehusgata 33-39 in Stavanger.

On 18 December 2019, the ownership interest in the property was sold.

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

Amounts in NOK million	30.09.20	30.09.19	31.12.19
Book value, opening balance	-	30.1	30.1
Share of profit for the period	(13.0)	8.8	8.7
Currency changes	14.2	-	-
Acquisition of joint ventures	1 020.1	-	-
Disposal of joint ventures	-	-	(38.8)
Book value, closing balance	1 021.3	38.9	-

The currency risk associated with Nordr Eiendom's business in Sweden is not hedged.

Norwegian Property's share of profit in joint ventures is specified in the table below.

Amounts in NOK million	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Revenue	59.4	4.4	59.4	14.8	18.7
Project cost from sale of residential units	(55.9)	-	(55.9)	-	-
Other operating expenses	(34.5)	(1.9)	(34.5)	(5.1)	(7.0)
Share of profit in joint ventures	6.2	-	6.2	-	-
Change in market value of investment property	-	11.6	-	20.5	20.5
Operating profit	(24.8)	14.0	(24.8)	30.1	32.3
Net financial items	(14.1)	(2.5)	(14.1)	(7.6)	(10.0)
Profit before income tax	(38.9)	11.6	(38.9)	22.5	22.2
Income tax	8.4	(2.5)	8.4	(5.0)	(4.9)
Profit for the period	(30.5)	9.0	(30.5)	17.6	17.3
The groups share of profit for the period	(13.0)	4.5	(13.0)	8.8	8.7
The groups share of gain from disposal for the period	-	-	-	-	48.1
The groups total share of profit for the period	(13.0)	4.5	(13.0)	8.8	56.8

Norwegian Property's share of equity in joint ventures is specified in the table below.

Amounts in NOK million	30.09.20	30.09.19	31.12.19
Investment property	-	305.6	-
Other fixed assets	109.0	-	-
Investment in joint ventures	1 249.1	-	-
Land bank and residential projects	8 021.2	-	-
Receivables	789.5	1.3	-
Cash and cash equivalents	805.3	0.7	-
Deferred tax	49.7	(5.0)	-
Interest bearing liabilities	(6 662.2)	(200.0)	-
Other liabilities	(1 958.5)	(24.8)	-
<b>Total equity</b>	<b>(2 403.1)</b>	<b>(77.9)</b>	<b>-</b>
The groups share of total equity	(1 021.3)	(38.9)	-

#### NOTE 7: Financial derivatives

Change in net derivatives in the balance sheet (mainly interest-rate derivatives) is specified in the table below<sup>1</sup>.

Amounts in NOK million	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Net book value of derivatives, opening balance	(282.4)	(146.8)	(75.5)	(156.5)	(156.5)
Buyout of derivatives	-	10.3	-	10.3	11.5
Fair value adjustments of derivatives	14.7	2.5	(192.2)	12.2	69.5
<b>Net book value of derivatives, closing balance</b>	<b>(267.7)</b>	<b>(134.0)</b>	<b>(267.7)</b>	<b>(134.0)</b>	<b>(75.5)</b>
Of which classified as non-current assets	34.4	6.3	34.4	6.3	16.2
Of which classified as current assets	0.0	(0.0)	0.0	(0.0)	1.0
Of which classified as non-current liabilities	(290.8)	(140.3)	(290.8)	(140.3)	(92.6)
Of which classified as current liabilities	(11.3)	0.0	(11.3)	0.0	-

<sup>1</sup> All interest-rate derivatives are cash flow hedges, and Norwegian Property does not use hedge accounting for these derivatives.

#### NOTE 8: Financial instruments

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

Amounts in NOK million	30.09.2020		30.09.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-current derivatives	34.4	34.4	6.3	6.3	16.2	16.2
Non-current receivables	13.0	13.0	10.6	10.6	-	-
Current derivatives	0.0	0.0	(0.0)	(0.0)	1.0	1.0
Current receivables	73.8	73.8	92.6	92.6	128.8	128.8
Cash and cash equivalents	285.7	285.7	76.7	76.7	281.8	281.8
<b>Total financial assets</b>	<b>407.0</b>	<b>407.0</b>	<b>186.2</b>	<b>186.2</b>	<b>427.7</b>	<b>427.7</b>
Non-current derivatives	290.8	290.8	140.3	140.3	92.6	92.6
Non-current interest-bearing liabilities	6 422.6	6 451.5	4 806.7	4 815.7	5 690.5	5 679.3
Current derivatives	11.3	11.3	(0.0)	(0.0)	-	-
Current interest-bearing liabilities	969.3	967.7	2 861.4	2 879.1	2 466.8	2 483.6
Other current liabilities	215.9	215.9	362.2	362.2	376.1	376.1
<b>Total financial liabilities</b>	<b>7 909.9</b>	<b>7 937.2</b>	<b>8 170.5</b>	<b>8 197.2</b>	<b>8 626.1</b>	<b>8 631.7</b>

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 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>	Total
	30.09.20			
Non-current derivatives (assets)	-	34.4	-	34.4
Non-current derivatives (liabilities)	-	(290.8)	-	(290.8)
Current derivatives (liabilities)	-	(11.3)	-	(11.3)
<b>Total</b>	-	<b>(267.7)</b>	-	<b>(267.7)</b>
	30.09.19			
Non-current derivatives (assets)	-	6.3	-	6.3
Non-current derivatives (liabilities)	-	(140.3)	-	(140.3)
Current derivatives (liabilities)	-	0.0	-	0.0
<b>Total</b>	-	<b>(134.0)</b>	-	<b>(134.0)</b>
	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)
<b>Total</b>	-	<b>(75.5)</b>	-	<b>(75.5)</b>

<sup>1</sup> 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 2019 and 2020.

## NOTE 9: Net interest-bearing position

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

Amounts in NOK million	Note	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Loan facilities at par value, opening balance		7 483.5	7 538.4	8 168.1	7 847.1	7 847.1
Net change of loan facilities		(85.5)	140.0	(770.0)	(168.7)	321.0
Loan facilities at par value, closing balance	1	7 398.0	7 678.4	7 398.0	7 678.4	8 168.1
Capitalised borrowing cost		(6.1)	(10.4)	(6.1)	(10.4)	(10.7)
Book value of interest-bearing debt		7 391.9	7 668.0	7 391.9	7 668.0	8 157.4
Of which classified as non-current liabilities		6 422.6	4 806.7	6 422.6	4 806.7	5 690.5
Of which classified as current liabilities		969.3	2 861.4	969.3	2 861.4	2 466.8
Interest-bearing debt		(7 391.9)	(7 668.0)	(7 391.9)	(7 668.0)	(8 157.4)
Interest-bearing receivable	2	13.0	10.6	13.0	10.6	-
Cash and cash equivalents		285.7	76.7	285.7	76.7	281.8
<b>Net interest-bearing position</b>		<b>(7 093.2)</b>	<b>(7 580.7)</b>	<b>(7 093.2)</b>	<b>(7 580.7)</b>	<b>(7 875.6)</b>

<sup>1</sup> Unutilised credit facilities was NOK 210 million at 30 September 2020, NOK 500 million at 30 September 2019 and NOK 150 million at 31 December 2019.

<sup>2</sup> Interest-bearing receivables are related to loans to joint ventures and deferred settlement in connection with the sale of joint ventures.



Norwegian Property is exposed to interest rate risk on floating-rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 per cent of the company's interest-bearing debt at any time will be hedged. At 30 September 2020, 78.5 per cent of such loans was secured (30 September 2019: 62.3 per cent). The total average

interest margin on loans was 119 basis points (123 basis points). The loan portfolio has an average interest rate of 3.14 per cent (3.49 per cent), and remaining time to maturity for interest-bearing debt was 2.5 years (2.6 years). Remaining time to maturity for interest hedging agreements was 4.7 years (5.1 years).

#### NOTE 10: Net financial items

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

Amounts in NOK million	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Interest income on bank deposits and receivables	0.4	0.5	2.6	3.8	4.6
Total financial income	0.4	0.5	2.6	3.8	4.6
Interest expense on borrowings	(60.9)	(66.9)	(193.7)	(199.3)	(258.6)
Total financial cost	(60.9)	(66.9)	(193.7)	(199.3)	(258.6)
Realised net financial items	(60.4)	(66.4)	(191.1)	(195.5)	(253.9)
Change in market value of financial derivative instruments	14.7	2.5	(192.2)	12.2	69.5
Net financial items	(45.8)	(63.8)	(383.2)	(183.3)	(184.4)

#### 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	3Q-20	3Q-19	30.09.20	30.09.19	31.12.19
Profit before income tax	432.1	243.7	150.8	768.6	1 253.7
Income tax calculated at 22 per cent	95.1	53.6	33.2	169.1	275.8
Differences between financial accounts and tax accounts	(1.3)	(10.9)	50.1	(11.0)	(28.8)
Income tax	93.7	42.7	83.3	158.1	247.0
Deferred tax, opening balance	855.8	733.5	866.1	615.9	615.9
Recognised through profit and loss	93.7	42.7	83.3	158.1	247.0
Recognised through comprehensive income	0.9	(0.2)	0.9	2.1	3.2
Deferred tax, closing balance	950.3	776.1	950.3	776.1	866.1

With effect from 2019, amendments were 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.

#### NOTE 12: Related-party disclosures

A private equity placement of NOK 1.1 billion in connection with the acquisition of Nordr Eiendom were completed in the third quarter 2020. The private placement was underwritten by Norwegian Property's largest shareholder Geveran Trading Co. Ltd. and the underwriting fee paid was NOK 3.8 million.

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 (see note 21 and 22 to the financial statements for 2019).

No other agreements or significant transactions with related parties have been carried out in 2020.

#### NOTE 13: Events after the balance sheet date

No significant events have occurred after the balance sheet date at 30 September 2020.

Intercompany balances and transactions with subsidiaries (which are related parties of Norwegian

## 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 company'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 company's share of the company's profit after tax is presented according to the equity method on a separate line in the company'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 company's strategy or operational choices. The ability to influence another party is normally achieved through ownership, through participation in 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](http://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 2019. 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.*