

# Interim report

## Fourth quarter and full year 2020



Snarøyveien 30, Fornebu

31.12.2020

NORWEGIAN PROPERTY ASA

## Important events in the fourth quarter of 2020

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### Net profit of NOK 1 604.8 million and ordinary EPS of NOK 2.59

Net profit for the fourth quarter was NOK 1 604.8 million after the positive fair-value adjustments for investment properties and interest-rate-derivatives. That meant fourth-quarter earnings per share (EPS) were NOK 2.59. The book value of equity per share at 31 December 2020 was NOK 17.96.

### 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 1 722.5 million. The significant positive change related mainly to yield compression for the company's attractive properties in the CBD and Fornebu.

Long-term market interest rates increased in the fourth quarter, which resulted in a positive fair-value adjustment of NOK 90.6 million for interest-rate derivatives.

### Revenues and new leases

New leases with a total annual rental income of NOK 33.8 million were signed or extended in the fourth quarter. Expired leases totalled NOK 43.9 million, including the lease for Telia at Gullhaugveien 9-13.

Total ongoing annual rental income (run rate) from the company's whole property portfolio after the acquisition of the property at Snarøyveien 30 was NOK 983 million at 1 January 2021. That represented an increase of NOK 309 million from 1 October 2020.

Overall rental income amounted to NOK 193.1 million for the fourth quarter, up from NOK 178.6 million in the corresponding period of the year before.

### Share of profit and loss from Nordr Eiendom

Norwegian Property's share of profit from Nordr Eiendom in the fourth quarter was NOK 8.1 million. A total of 212 residential units were delivered in the fourth quarter, and a total of 783 units are expected to be delivered over the next five quarters in both wholly and partly owned projects in Norway and Sweden.

Independent appraisers have valued all the plots in the company's portfolio, and there has been a substantial uplift in the values compared to the values at the time of the acquisition. The uplift in values increase the

adjusted NAV and NNNNAV for Norwegian Property, but does not affect the book value of the investment at 31 December 2020.

### Acquisition of Snarøyveien 30 completed

In October 2020, Norwegian Property entered into an agreement with Telenor Real Estate for the acquisition of the latter's property at Snarøyveien 30. Tenants include 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 a total of 198 000 gross leasable areas (GLA), of which 144 000 GLA is offices, 46 000 GLA is parking and 9 000 GLA is other. The agreed gross value of the property was NOK 5 450 million. Closing of the transaction was completed at 1 December 2020. Total annual rental income (run rate) at closing was NOK 329 million. The acquisition significantly increased and strengthened 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 the CBD and Nydalen.

### Development project for Forusbeen 35 in Stavanger

The Forusbeen 35 property at Forus in Stavanger has been re-zoned from a commercial building to a combined residential and commercial property in cooperation with the local residential developer Base Bolig. The residential units will be put on sale in 2021. The development project will be a joint venture between Norwegian Property and Base Bolig.

### Financing activities

A bond of NOK 471 million was refinanced with a new bond of NOK 500 million issued in the third quarter and with settlement in the fourth quarter.

In the fourth quarter the company issued a 10-year NOK 3 542 million bilateral loan secured by a mortgage on Snarøyveien 30 and a total of NOK 1 250 million in bond loans secured by a mortgage on the group's property Verkstedhallen at Aker Brygge.

In November 2020, Norwegian Property ASA completed a private placement with gross proceeds of NOK 557.3 million in connection with the acquisition of Snarøyveien 30. A repair issue amounting to NOK 28.2 million was also completed in November, following the third quarter NOK 1.1 billion private placement in connection with the acquisition of Nordr Eiendom.

### **Dividend**

The board has resolved to pay a dividend of NOK 0.10 per share for 2020.

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

Like most other countries, Norway experienced a second wave of Covid-19 infections during the fourth quarter of 2020. In January 2021, outbreaks of a mutated Covid-19 virus have occurred. The Government has introduced new national and local infection control measures, which have again affected retailers, restaurants and service providers.

Norwegian Property's turnover-based rental income related to retailers, restaurants and service providers has been reduced by approximately NOK 10 million during the Covid-19 pandemic in 2020.

Norwegian Property has completed several successful transactions in the financial market in 2020, including both equity, bank loans and bonds. This shows that the capital market has worked well for the company despite the Covid-19 crisis.

## Key figures

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

Profit and loss		4Q-20	4Q-19	31.12.20	31.12.19
Revenues	NOK mill.	193.1	561.5	1 564.5	1 118.0
Operating profit before admin expenses	NOK mill.	178.8	530.7	1 457.8	1 000.8
Operating profit before value adjustments	NOK mill.	177.7	210.4	610.3	651.4
Profit before income tax and value adjustments	NOK mill.	108.1	152.0	349.7	397.4
Profit before income tax	NOK mill.	1 921.2	485.1	2 075.6	1 253.7
Profit after income tax	NOK mill.	1 604.8	396.1	1 675.9	1 006.7
Balance sheet		4Q-20	4Q-19	31.12.20	31.12.19
Market value of property portfolio	NOK mill.	23 450.0	16 558.3	23 450.0	16 558.3
Total equity	NOK mill.	11 560.9	8 233.9	11 560.9	8 233.9
Interest-bearing debt	NOK mill.	12 097.1	8 157.4	12 097.1	8 157.4
Equity ratio	Per cent	45.5	46.4	45.5	46.4
Pre-tax return on equity	Per cent	77.6	23.9	21.0	15.4
Cash flow		4Q-20	4Q-19	31.12.20	31.12.19
Net cash flow from operating activities	NOK mill.	82.1	362.3	1 007.8	354.9
Cash and cash equivalents	NOK mill.	665.8	281.8	665.8	281.8
Key figures; per share		4Q-20	4Q-19	31.12.20	31.12.19
Number of shares outstanding, end of the period	Mill. shares	643.6	493.6	643.6	493.6
Average number of shares in the period	Mill. shares	619.9	493.6	535.5	540.6
Profit before income tax	NOK	3.10	0.98	3.88	2.32
Earnings per share (EPS)	NOK	2.59	0.80	3.13	1.86
Net cash flow from operating activities	NOK	0.13	0.73	1.88	0.66
Interest-bearing debt	NOK	18.80	16.53	18.80	16.53
NAV, book value	NOK	17.96	16.68	17.96	16.68
Deferred property tax	NOK	1.86	1.65	1.86	1.65
Fair value of fin. derivative instruments	NOK	0.21	0.12	0.21	0.12
Revaluation of investments in joint ventures	NOK	1.44	-	1.44	-
NAV, adjusted	NOK	21.48	18.45	21.48	18.45
Fair value of deferred tax	NOK	(1.30)	(0.98)	(1.30)	(0.98)
Fair value of fin. derivative instruments	NOK	(0.25)	(0.14)	(0.25)	(0.14)
Fair value of debt	NOK	(0.04)	(0.05)	(0.04)	(0.05)
NNNAV	NOK	19.89	17.29	19.89	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 193.1 million in the fourth quarter (NOK 178.6 million<sup>2</sup>). Adjusted for new and divested properties (like-for-like revenue), that represented a reduction of NOK 3 million from the same period of 2019. For the full year, rental income totalled NOK 708.6 million (NOK 735.1 million), representing a like-for-like reduction of NOK 25.4 million. The revenue reduction in 2020 related 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 revenue reduction of approximately NOK 10 million has been made in 2020 to take account of the estimated negative effects on turnover-based rental income related to the Covid-19 pandemic.

Retail and restaurant turnover at Aker Brygge in Oslo was down by 39.7 per cent for the fourth quarter and by 27.3 per cent for the full year 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 of 2020, when the final units were delivered. Project revenues for the full year 2020 were NOK 855.9 million (NOK 382.9 million), and the net profit for the project came to NOK 56.1 million (NOK 24.8 million).

#### Operating costs

Property-related operational expenses totalled NOK 8.9 million (NOK 15.9 million) for the fourth quarter and NOK 51.6 million (NOK 63.8 million) for the year. Operating and maintenance activities in 2020 were more limited than usual owing to the Covid-19 pandemic. Other property-related expenses came to NOK 5.4 million (NOK 15 million) for the quarter and NOK 55.1 million (NOK 53.4 million) for the year. Fourth quarter costs were affected by a significantly lower level of activity than normal for retail and restaurants in the pre-Christmas period. Realised losses on claims and increases in provisions for such losses were NOK 7 million in 2020.

Administrative expenses were NOK 13.7 million (NOK 10.8 million) for the quarter and NOK 46.8 million (NOK 48.8 million) for the year.

#### Share of profit and loss from joint ventures

The table below presents a summary of Norwegian Property's share of profit and loss from joint ventures.

Amounts in NOK million	4Q-20	4Q-19	31.12.20	31.12.19
Nordr Eiendom	8.1	-	(4.9)	-
Badehusgata 33-39	4.5	48.0	4.5	56.8
Total share of profit	12.6	48.0	(0.4)	56.8

The share in the joint venture for the property at Badehusgata 33-39 was sold in the fourth quarter of 2019, with the final settlement for the transaction completed in 2020. A joint venture for the property at Forusbeen 35 was established at 31 December 2020, without any effects on profit and loss for 2020.

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 based on an ownership interest of 42.5 per cent preference shares.

At 31 December, Nordr Eiendom had 1 586 flats under construction and a land bank of about 15 200 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.

During the fourth quarter, sales agreements were entered into related to 452 residential units. Construction started on 520 units in the quarter. A total of 212 units were delivered, divided between 139 in Norway and 73 in Sweden.

In accordance with the IFRS, income recognition from the sale of residential units is based on the completed contract method. Norwegian Property's share of the net profit/loss relating to Nordr Eiendom was NOK 8.1 million for the fourth quarter and its share of net assets in the balance sheet at 31 December was NOK 1 013.6 million. The table below presents the quarterly development of the project portfolio for Nordr Eiendom over the past five quarters.

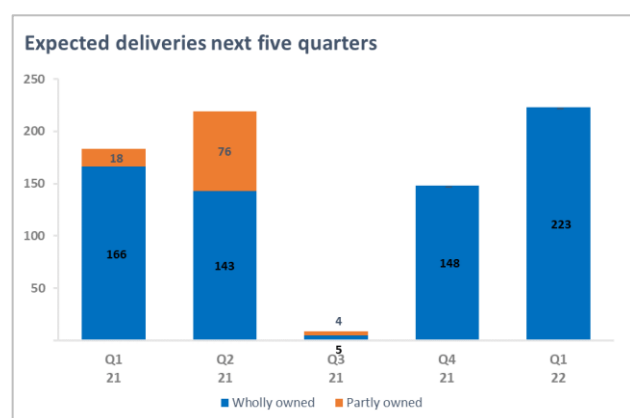
<sup>2</sup> Figures in brackets refer to the corresponding period of the year before.

Project portfolio Nordr Eiendom	4Q-19	1Q-20	2Q-20	3Q-20	3Q-20 <sup>1</sup>	4Q-20
Units sold	200	214	179	237	237	452
Construction starts	154	149	338	52	52	520
Units completed	255	358	215	43	43	204
Units delivered <sup>2</sup>	255	358	215	69	69	212
Units under construction	1 575	1 366	1 489	1 498	1 270	1 586
Sales ratio, units under construction (per cent)	81	77	71	73	72	74
Completed unsold units	44	39	33	21	21	19
Sales value, units sold in the period	1 026	1 126	849	1 272	1 272	2 740
Sales value, units under constr. (NOK mill.)	9 264	8 537	8 693	8 725	8 522	10 866

<sup>1</sup> The figures for the third quarter of 2020 have been updated in relation to a coordination of definitions.

<sup>2</sup> Of which 20 of the 69 units delivered in all during the third quarter were delivered after the takeover in September 2020.

The figure below presents expected completions during the next five quarters, based on the best estimate for the timing of projects. A total of 783 residential units are expected to be completed during the next five quarters in both wholly and partly owned projects in Norway and Sweden.



Independent appraisers have valued all the plots in the company's portfolio, and there has been a substantial uplift in the values compared to the values at the time of the acquisition. The uplift in values increase the adjusted NAV and NNNAV for Norwegian Property, but does not affect the book value of the investment at 31 December 2020.

### Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 177.7 million (NOK 210.4 million) for the fourth quarter and NOK 610.3 million (NOK 651.4 million) for the year.

### Fair-value adjustments for investment property

Valuation of the property portfolio yielded a positive unrealised fair-value adjustment of NOK 1 722.5 million (NOK 275.8 million) for the fourth quarter and NOK 1 827.5 million (NOK 786.8 million) for the year. The

significant positive impact related mainly to yield compression for the company's attractive properties in the Oslo CBD and Fornebu. The total market value of the property portfolio at 31 December 2020 amounted to NOK 23 450 million.

### Net financial items

Net realised financial expenses came to NOK 69.6 million (NOK 58.4 million) for the fourth quarter and NOK 260.6 million (NOK 253.9 million) for the year. Floating interest rates were very low in 2020. Interest-bearing debt increased in the fourth quarter related to the purchase of the property at Snarøyveien 30.

Long-term market interest rates increased in the fourth quarter, which resulted in a positive fair-value adjustment of NOK 90.6 million for interest-rate derivatives (NOK 57.3 million). The fair-value adjustment for the year was negative at NOK 101.6 million (positive change of NOK 69.5 million).

### Profit for the period

Pre-tax profit was NOK 1 921.2 million (NOK 485.1 million) for the quarter and NOK 2 075.6 million (NOK 1 253.7 million) for the year. The increase in non-payable deferred tax was NOK 316.4 million (NOK 88.9 million) for the quarter and NOK 399.7 million (NOK 247 million) for the year. Net profit was thereby NOK 1 604.8 million (NOK 396.1 million) for the quarter and NOK 1 675.9 million (NOK 1 006.7 million) for the year.

### Balance sheet

Total assets in the balance sheet was NOK 25 388.6 million (NOK 17 735.1 million), with investment properties accounting for NOK 23 087.6 million (NOK 16 469.3 million) and properties used by the owner for NOK 97.6 million (NOK 89 million). Non-current receivables amounted to NOK 264.8 million, related to the rental guarantee provided by the seller of the property at Snarøyveien 30.

Investment in joint ventures was NOK 1 013.6 million at year end.

Norwegian Property held NOK 665.8 million (NOK 281.8 million) in cash and cash equivalents at 31 December.

Total interest-bearing liabilities in the balance sheet came to 12 097.1 million (NOK 8 157.4 million), with non-current interest-bearing liabilities totalling NOK 10 700.6 million (NOK 5 690.5 million) and current

interest-bearing liabilities amounting to NOK 1 396.4 million (NOK 2 466.8 million).

Financial derivatives accounted for a net liability item of NOK 177.1 million (NOK 75.5 million), with NOK 202.6 million (NOK 92.6 million) classified as liabilities and NOK 25.5 million (NOK 17.2 million) as assets.

Equity at 31 December totalled NOK 11 560.9 million (NOK 8 233.9 million), representing an equity ratio of 45.5 per cent (46.4 per cent). The book value of equity per share was NOK 17.96 (NOK 16.68). Outstanding shares at 31 December totalled 649 825 596 (548 446 832). Treasury shares totalled 6 250 000, and 643 575 596 shares were held by external shareholders.

### Cash flow

Net operational cash flow was NOK 82.1 million (NOK 362.3 million) for the quarter and NOK 1 007.8 million (NOK 354.9 million) for the year. Cash earnings in the quarter amounted to NOK 98.3 million. The negative change in other short-term items amounted to NOK 16.2 million.

Investment in fixed assets came to NOK 5 005.3 million (NOK 747.2 million) for the quarter, related to the acquisition of Snarøyveien 30 and adjustments for lessees associated with new and renegotiated leases and ongoing operational investments. Property-related investments totalled NOK 5 197.4 million (NOK 1 040.2 million) for the year, and the investment in Nordr Eiendom came to NOK 1 020.1 million.

Net cash flow from financing activities was positive at NOK 5 303.3 million (NOK 455.1 million) for the quarter, following an increase of NOK 4 720.6 million in interest-bearing debt and equity issues with net proceeds of NOK 582.7 million. For the year, the figure was NOK 5 593.8 million (negative at NOK 469.4 million) following an increase of NOK 3 950.6 million in interest-bearing debt, NOK 34.6 million in dividend and equity issues of NOK 1 677.7.

Cash and cash equivalents showed an increase of NOK 380.1 million (NOK 205.1 million) for the quarter and NOK 384.1 million (NOK 157.2 million) for the year.

## Financing

### Key figures

The table below presents key figures related to interest-bearing debt and hedges at 31 December 2020.

Interest bearing debt and hedging		31.12.20	31.12.19
Interest-bearing debt <sup>1</sup>	NOK mill.	12 097.1	7 494.5
Cash and cash equivalents	NOK mill.	665.8	281.8
Interest-bearing receivables <sup>2</sup>	NOK mill.	99.9	13.0
Interest-hedging ratio	Per cent	75.5	69.4
facilities	NOK mill.	910.0	150.0
Remaining time to maturity for interest hedge agreements	Years	6.7	4.9
Average interest rate	Per cent	2.94	3.50
Average interest margin	Per cent	1.39	1.22
Remaining time to maturity for interest-bearing debt	Years	4.7	2.7
Market value of property portfolio	NOK mill.	23 450.0	16 558.3
Gross debt to asset ratio (gross LTV)	Per cent	51.6	45.3
Net debt to asset ratio (net LTV) <sup>3</sup>	Per cent	48.3	43.5

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

<sup>2</sup> Interest-bearing receivables at 31 December 2020 are related to short-term seller credits of NOK 86.9 million to the joint venture for Forusbeen 35 and a seller credit of NOK 13 million related to the sale of Bادهusgata 33-39 (unchanged from 31 December 2019).

<sup>3</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**

A private placement with gross proceeds of NOK 557.3 million was completed in November 2020 in connection with the acquisition of Snarøyveien 30. In December 2020, a subsequent offering with gross proceeds of NOK 28.2 million was completed in connection with the acquisition of Nordr Eiendom.

**Interest-bearing liabilities**

Interest-bearing liabilities totalled NOK 12 097.1 million (NOK 8 157.4 million) at 31 December. In addition, the company had undrawn credit and overdraft facilities of NOK 910 million (NOK 150 million).

The acquisition of Snarøyveien 30 was financed through a combination of a NOK 3 542 million 10-year bilateral loan secured by a mortgage on the property, NOK 1 250 million in bond loans secured by a mortgage on the group's properties at Aker Brygge and new equity of NOK 557.3 million.

**Interest hedges**

The table below presents the maturity structure of interest-rate hedges for the company's interest-bearing debt at 31 December 2020.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest <sup>1</sup> (per cent)	Share of total liabilities (per cent)
< 1 year	3 850	1,1	32
1 > 2 year	650	3,4	5
2 > 3 year	500	2,2	4
3 > 4 year	1 005	1,6	8
4 > 5 year	400	2,5	3
> 5 year	5 692	1,4	47
<b>Total</b>	<b>12 097</b>	<b>1,5</b>	<b>100</b>

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



## Market and operations

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### Commercial property market

Office vacancy in Oslo is 6.3 per cent overall and 4.1 per cent in the city centre. Moderate vacancy rates in the past few years have contributed to positive trends for rents. Office vacancy at Fornebu is 8.1 per cent. 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 the Oslo CBD is estimated to be about 3.3 per cent.

The Covid-19 pandemic adversely affected many businesses in 2020. Access to loan capital on favourable terms and activity in the property transaction market were very difficult before the summer. Conditions improved in the third quarter, and this effect continued in the fourth 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 0.87 and 1.28 per cent. Risk is still connected to the long-term effects of the pandemic, and will depend on how quickly vaccines are distributed.

### The property portfolio

#### Key figures

Norwegian Property owned 29 investment properties at 31 December 2020. 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.

Total ongoing annual rental income (run rate) from the company's whole property portfolio after the acquisition of the property at Snarøyveien 30 was NOK 983 million at 1 January 2021. That represented an increase of NOK 309 million from 1 October 2020. NOK 80 million is related to the rental guarantee provided by the seller of the property at Snarøyveien 30. Overall financial vacancy in the property portfolio totalled 7.2 per cent, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 5.9 years, and the average rent adjustment factor for the consumer price index was 98.4 per cent for the total portfolio.

The key figures above do not include space under conversion at 31 December. Ongoing conversion projects at the end of the quarter was mainly related to

a project for the tenant SATS HiYoga of 1 087 square meters at Aker Brygge (Dokkbygget), which will be completed in the second quarter of 2021.

### New leases

New leases with a total annual rental income of NOK 16.4 million were awarded in the fourth quarter, while existing leases totalling NOK 17.4 million were extended. Expired leases totalled NOK 43.9 million, including the lease for Telia at Gullhaugveien 9-13. The net reduction in annual rents from leases during the quarter was therefore NOK 10.1 million.

### Property transactions and development projects

#### 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 a total of 198 000 gross leasable areas (GLA), of which 144 000 GLA is offices, 9 000 GLA is other and 46 000 GLA is parking. The agreed gross value of the property was NOK 5 450 million. Total annual rental income (run rate) at 1 January 2021 was NOK 335 million. The takeover took place on 1 December 2020. This acquisition builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to the CBD and Nydalen. Norwegian Property already owns the neighbouring 58 000-square-metre Fornebu Works property at Snarøyveien 36, and the acquisition of Snarøyveien 30 gives it a significant portfolio at Fornebu with opportunities for synergies related to both the rental business and property operations.

#### Forusbeen 35

The Forusbeen 35 property at Forus in Stavanger has been re-zoned from a commercial building to a combined residential and commercial property. Norwegian Property owns the project as a joint venture with the local residential developer Base Bolig from 31 December 2020. Approximately 250 new housing units will be built in the form of terraced houses and flats in combination with a commercial building. The seven storey commercial building of approximately 5 600 square metres will consist of public-oriented activities on the ground floor and offices on the other floors. The Montessori school in Stavanger will continue its

activities on the property. The residential units will be put up for sale in 2021.

### Valuation of the property portfolio

Two independent appraisers 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 31 December 2020 is based on an average of the two valuations.

At 31 December, the company's portfolio of investment properties was valued at NOK 23 450 million (NOK 16 558.3 million). Rent guarantee receivables and properties used by the owner were carried separately on the balance sheet at NOK 264.8 million and NOK 97.6 million respectively, and recognised at fair value. Fair-value adjustments recognised in profit and loss for the investment properties were positive at NOK 1 722.5 million for the fourth quarter. This represents an eight per cent change from the value at 30 September and the cost of investments for the period. The change is 7.1 per cent when adjusted for the income recognition effect of the reduction in purchase price because the tax depreciation basis for Snarøyveien 30 is lower than its market value.

The increase in property values mainly reflects a significant contraction in yields during the year. The key interest rate in Norway was reduced from 1.5 to zero per cent in the first half of 2020. Lower interest rates contributed to a significant yield compression in the Norwegian market during the second half of 2020, not least in the Oslo region where the Norwegian Property portfolio is located. Following the uncertainties created by Covid-19, activity in the transaction market was low during the first half of 2020. Yields were relatively stable and the yield gap increased. In the second half of 2020, activity in the transaction market increased and a number of transactions have confirmed the contraction in yields.

### Environmental and corporate social responsibility (CSR)

Attention has been concentrated on the Covid-19 pandemic and on infection control for both tenants and employees.

In 2020, Norwegian Property secured a Breeam in use certification of Excellent for the Snarøyveien 36 property, and the newly acquired Snarøyveien 30 has a Breeam in use certification of Very Good.

### Shareholder information

Norwegian Property had 1 623 registered shareholders at 31 December, up by 86 from 30 September.

Non-Norwegian shareholders held 82 per cent of the share capital at 31 December, unchanged from 30 September.

The number of shares traded during the fourth quarter averaged 79 201 per day. For 2020 as a whole, the daily average was 47 410 shares. Corresponding daily turnover in 2019 was 327 999 shares.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 December 2020 are presented below.

Shareholder	Type of acc. try	Coun-	Number of shares	Share
GEVERAN TRADING CO				
LTD	ORD	CYP	521 840 723	80.30
FOLKETRYGDFONDET	ORD	NOR	95 766 570	14.74
NORWEGIAN PROPERTY				
ASA	ORD	NOR	6 250 000	0.96
DANSKE BANK AS	ORD	DNK	4 262 801	0.66
BANAN II AS	ORD	NOR	1 596 000	0.25
SANDEN AS	ORD	NOR	1 584 078	0.24
PACTUM AS	ORD	NOR	1 022 213	0.16
SKANDINAVISKA				
ENSKILDA BANKEN AB	NOM	FIN	884 883	0.14
KAS BANK N.V.	NOM	NLD	811 156	0.12
MORGAN STANLEY & CO. INTERNATIONAL				
ORD	GBR		767 151	0.12
SKANDINAVISKA				
ENSKILDA BANKEN AB	NOM	FIN	697 296	0.11
J.P. MORGAN BANK				
LUXEMBOURG S.A.	NOM	LUX	487 105	0.07
SELSA AS	ORD	NOR	357 605	0.06
CARUCEL INVEST AS	ORD	NOR	356 664	0.05
ECKHOFF HOLDING AS	ORD	NOR	346 090	0.05
BANQUE DE				
LUXEMBOURG S.A.	NOM	LUX	342 203	0.05
FUNDER	ORD	NOR	296 000	0.05
AVANZA BANK AB	NOM	SWE	291 143	0.04
J.P. MORGAN BANK				
LUXEMBOURG S.A.	NOM	SWE	284 244	0.04
CAMVECTI HOLDING AS	ORD	NOR	275 686	0.04
OTHER			11 305 985	1.74
Total number of shares			649 825 596	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.

The company has a strategy for growth in its core commercial property business as well as an ambition to consider opportunities in other property segments. In line with these ambitions, Norwegian Property acquired a large and attractive commercial property at Fornebu outside central Oslo in 2020. The acquisition significantly increases and strengthens Norwegian

Property's commercial property portfolio. It also builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to the CBD and Nydalen. Norwegian Property also acquired Nordr Eiendom together with partners in 2020. Nordr Eiendom has flats under construction and a large land bank in Norway and Sweden. The transaction was considered an attractive opportunity to develop the business in collaboration with industrial and financial partners to share the development risk. Norwegian Property will continue its efforts to expand and develop its business, both in the form of considering additional acquisitions and by pursuing several interesting long-term development opportunities in the existing property portfolio.

## Interim accounts

### Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	4Q-20	4Q-19	31.12.20	31.12.19
Rental income	3	193.1	178.6	708.6	735.1
Income from sale of residential units	3	-	382.9	855.9	382.9
<b>Revenues</b>		<b>193.1</b>	<b>561.5</b>	<b>1 564.5</b>	<b>1 118.0</b>
Property-related operational expenses		(8.9)	(15.9)	(51.6)	(63.8)
Other property-related expenses		(5.4)	(15.0)	(55.1)	(53.4)
<b>Total property-related expenses</b>		<b>(14.3)</b>	<b>(30.9)</b>	<b>(106.7)</b>	<b>(117.2)</b>
Project cost from sale of residential units	5	0.0	(357.4)	(800.4)	(357.4)
Administrative expenses		(13.7)	(10.8)	(46.8)	(48.8)
<b>Total operating expenses</b>		<b>(28.0)</b>	<b>(399.1)</b>	<b>(953.8)</b>	<b>(523.4)</b>
Share of profit in joint ventures	6	12.6	48.0	(0.4)	56.8
<b>Operating profit before fair-value adjustments</b>		<b>177.7</b>	<b>210.4</b>	<b>610.3</b>	<b>651.4</b>
Change in market value of investment property	4	1 722.5	275.8	1 827.5	786.8
<b>Operating profit</b>		<b>1 900.2</b>	<b>486.2</b>	<b>2 437.8</b>	<b>1 438.1</b>
Financial income	10	1.5	0.8	4.2	4.6
Financial cost	10	(71.1)	(59.3)	(264.8)	(258.6)
<b>Realised net financial items</b>		<b>(69.6)</b>	<b>(58.4)</b>	<b>(260.6)</b>	<b>(253.9)</b>
Change in market value of financial derivative instruments	7, 10	90.6	57.3	(101.6)	69.5
<b>Net financial items</b>		<b>21.0</b>	<b>(1.1)</b>	<b>(362.2)</b>	<b>(184.4)</b>
<b>Profit before income tax</b>		<b>1 921.2</b>	<b>485.1</b>	<b>2 075.6</b>	<b>1 253.7</b>
Income tax	11	(316.4)	(88.9)	(399.7)	(247.0)
<b>Profit for the period</b>		<b>1 604.8</b>	<b>396.1</b>	<b>1 675.9</b>	<b>1 006.7</b>
Profit attributable to non-controlling interests		-	-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>1 604.8</b>	<b>396.1</b>	<b>1 675.9</b>	<b>1 006.7</b>

Amounts in NOK million	Note	4Q-20	4Q-19	31.12.20	31.12.19
Value adjustment of owner-occupied property	4	4.4	4.2	7.8	11.5
Currency changes on translation of foreign joint venture operations	6	(15.8)	-	(1.6)	-
<b>Total other comprehensive income</b>		<b>(11.4)</b>	<b>4.2</b>	<b>6.2</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>1 593.4</b>	<b>400.3</b>	<b>1 682.1</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>1 593.4</b>	<b>400.3</b>	<b>1 682.1</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Consolidated condensed balance sheet

Amounts in NOK million	Note	31.12.2020	31.12.2019
Financial derivative instruments	7	25.5	16.2
Investment property	4	23 087.6	16 469.3
Owner-occupied property	4	97.6	89.0
Other fixed assets	4	37.8	40.5
Investment in joint ventures	6	1 013.6	-
Receivables	4	264.8	0.0
<b>Total non-current assets</b>		<b>24 527.0</b>	<b>16 615.0</b>
Financial derivative instruments	7	-	1.0
Receivables	9	195.8	128.8
Property related inventory	5	-	708.5
Cash and cash equivalents	9	665.8	281.8
<b>Total current assets</b>		<b>861.7</b>	<b>1 120.1</b>
<b>Total assets</b>		<b>25 388.6</b>	<b>17 735.1</b>
Share capital		321.8	246.8
Share premium		3 280.7	1 678.1
Other paid in equity		7 562.5	7 560.7
Retained earnings		395.9	(1 251.6)
<b>Total equity</b>		<b>11 560.9</b>	<b>8 233.9</b>
Deferred tax	11	1 268.0	866.1
Financial derivative instruments	7	199.8	92.6
Interest bearing liabilities	9	10 700.6	5 690.5
Other liabilities		4.4	5.3
<b>Total non-current liabilities</b>		<b>12 172.8</b>	<b>6 654.5</b>
Financial derivative instruments	7	2.8	-
Interest bearing liabilities	9	1 396.4	2 466.8
Other liabilities		255.6	379.8
<b>Total current liabilities</b>		<b>1 654.9</b>	<b>2 846.7</b>
<b>Total liabilities</b>		<b>13 827.7</b>	<b>9 501.2</b>
<b>Total equity and liabilities</b>		<b>25 388.6</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		-	-	-	-	1 018.2	1 018.2
Employee share-option scheme		-	-	-	3.4	-	3.4
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		-	-	-	-	(145.9)	(145.9)
Total equity	31.12.19	249.9	(3.1)	1 678.1	7 560.7	(1 251.6)	8 233.9
Total comprehensive income		-	-	-	-	1 682.1	1 682.1
Employee share-option scheme		-	-	-	1.8	-	1.8
Share issue <sup>3</sup>		75.0	-	1 602.6	-	-	1 677.7
Paid dividend		-	-	-	-	(34.6)	(34.6)
Total equity	31.12.20	324.9	(3.1)	3 280.7	7 562.5	395.9	11 560.9

<sup>1</sup> Norwegian Property purchased 54 800 000 treasury shares in 2019. 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> The share capital was reduced by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798 in 2019. The amount reduced was used to delete 48 571 236 treasury shares. The share capital amounted to NOK 249 937 798 after the changes made, divided into 499 875 596 shares, each with a nominal value of NOK 0.50. The company owned 6 250 000 treasury shares at the end of 2019.

<sup>3</sup> Issues of new equity in 2020 added a total net proceeds of NOK 1 677.7 million related to 149 950 000 new shares, each with a nominal value of NOK 0.50. Following the equity issues in 2020, the company has a share capital of NOK 324 912 798 divided into 649 825 596 shares, each with a par value of NOK 0.5.

## Consolidated condensed statement of cash flow

Amounts in NOK million	Note	4Q-20	4Q-19	31.12.20	31.12.19
Profit before income tax		1 921.2	485.1	2 075.6	1 253.7
Depreciation of tangible assets		1.5	2.8	5.6	7.7
Fair value adjustment of investment property	3	(1 722.5)	(275.8)	(1 827.5)	(786.8)
Fair value adjustment of financial derivative instruments	4	(90.6)	(58.5)	101.6	(81.0)
Profit for joint venture	6	(11.3)	(56.8)	1.6	(56.8)
Change in property related inventory/net working capital	5	(0.4)	298.2	600.0	61.4
Change in short-term items		(15.8)	(32.7)	50.9	(43.4)
Net cash flow from operating activities		82.1	362.3	1 007.8	354.9
Received in connection with sale of investment property		-	134.9	-	957.9
Payments for purchase of investment property and other fixed assets		(5 005.3)	(747.2)	(5 197.4)	(1 040.2)
Other investment activities		(0.0)	-	(1 020.1)	354.0
Net cash flow from investing activities		(5 005.3)	(612.3)	(6 217.5)	271.7
Net change in interest-bearing debt	6	4 720.6	489.7	3 950.6	321.0
Capital increase		582.7	-	1 677.7	-
Paid dividend		-	(34.6)	(34.6)	(145.9)
Other financing activities		-	-	-	(644.5)
Net cash flow from financial activities		5 303.3	455.1	5 593.8	(469.4)
Net change in cash and cash equivalents		380.1	205.1	384.1	157.2
Cash and cash equivalents at the beginning of the period		285.7	76.7	281.8	124.6
Cash and cash equivalents at the end of the period		665.8	281.8	665.8	281.8

## Notes to the condensed financial statements

### NOTE 1: General information

The Norwegian Property ASA real estate group primarily owns commercial properties in the Oslo region. Norwegian Property also owns a joint venture share in the residential development company Nordr Eiendom. Nordr Eiendom has residential units under construction and a land bank in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

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 4 February 2021. 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.

The Annual General Meeting in 2021, which approves the Annual Report for 2020, will be held on 16 April 2021.

### 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. The project is completed in 2020. In the third quarter of 2020 the company made a 42.5 per cent investment of preference shares in the residential development company Nordr Eiendom. The Forusbeen 35 property at Forus in Stavanger has undergone a re-regulation from a commercial building to a property with a combined residential and commercial purpose in 2020. Norwegian Property owns the project as a joint venture from the end of the year.

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 fourth quarter of 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	193.1	-	-	193.1
Project cost from sale of residential units	-	0.0	-	0.0
Total property-related expenses	(14.3)	-	-	(14.3)
Administrative expenses	-	-	(13.7)	(13.7)
Share of profit in joint ventures	4.5	8.1	-	12.6
Change in market value of investment property	1 722.5	-	-	1 722.5
Operating profit	1 905.8	8.1	(13.7)	1 900.2
Net financial items			21.0	21.0
Profit before income tax			7.3	1 921.2
Income tax			(316.4)	(316.4)
Profit for the period			(309.1)	1 604.8

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 for the full year 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	708.6	855.9	-	1 564.5
Project cost from sale of residential units	-	(800.4)	-	(800.4)
Total property-related expenses	(107.2)	0.5	-	(106.7)
Administrative expenses	-	-	(46.8)	(46.8)
Share of profit in joint ventures	4.5	(4.9)	-	(0.4)
Change in market value of investment property	1 827.5	-	-	1 827.5
Operating profit	2 433.4	51.2	(46.8)	2 437.8
Net financial items			(362.2)	(362.2)
Profit before income tax			(409.0)	2 075.6
Income tax			(399.7)	(399.7)
Profit for the period			(808.7)	1 675.9



Segment information relating to income statement items for the full year 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 related to balance sheet items at 31 December 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	23 185.2	-	-	23 185.2
Other fixed assets	35.8	-	2.0	37.8
Investment in joint ventures	-	1 013.6	-	1 013.6
Receivables	458.8	-	1.9	460.6
Property related inventory	-	-	-	-
Cash and cash equivalents	-	-	665.8	665.8
Deferred tax	-	-	(1 268.0)	(1 268.0)
Financial derivative instruments	-	-	(177.0)	(177.0)
Interest bearing liabilities	-	-	(12 097.1)	(12 097.1)
Other liabilities	(169.6)	(1.0)	(89.5)	(260.0)
Total equity			(11 560.9)	(11 560.9)

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	4Q-20	4Q-19	31.12.20	31.12.19
Total value of investment property, opening balance		16 786.5	15 532.8	16 558.3	15 590.9
Sale/transfer of investment property at book value	1	(86.9)	(46.0)	(86.9)	(941.6)
Investment in properties	2	5 021.8	793.1	5 141.6	1 086.6
Fair value adjustments of investment property		1 722.5	275.8	1 827.5	786.8
Fair value adjustments related to sold investment property		-	(2.3)	-	22.3
Guarantee rent interest income	3	0.7	-	0.7	-
Recognised in other comprehensive income for the period		5.3	5.0	8.7	13.4
Total value of investment property, closing balance		23 450.0	16 558.3	23 450.0	16 558.3
Of which rent guarantee receivables	3	264.8	-	264.8	-
Of which owner-occupied property	4	97.6	89.0	97.6	89.0
Book value of investment property		23 087.6	16 469.3	23 087.6	16 469.3

<sup>1</sup> Applies to the sale of Forusbeen 35 at year-end 2020 to a joint venture where Norwegian Property owns 50 per cent. Sale of properties in 2019 applies to properties at Skøyen in Oslo and Oslo Airport Gardermoen.

<sup>2</sup> Includes the large purchase of the property at Snarøyveien 30. The acquisition is for accounting purposes not treated as a business combination, but as an ordinary purchase of an investment property.

<sup>3</sup> An estimated value of NOK 264.1 million related to the rental guarantee provided by the seller of the property at Snarøyveien 30 is presented as a receivable in the balance sheet at 31 December 2020. The seller of the property guarantees an agreed level for rent and common costs of vacant premises from the takeover and until medio 2027. The value of the receivable is calculated as the discounted value of expected payments under the rental guarantee. Payments under the guarantee will be accounted for against the receivable and the receivable will be updated with any changes of the initial estimate. Interest income on the receivable in 2020 amounts to NOK 0.7 million.

<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
	31.12.20			
Investment property	-	-	23 087.6	23 087.6
Owner-occupied property	-	-	97.6	97.6
Total	-	-	23 185.2	23 185.2
31.12.19				
Investment property	-	-	16 469.3	16 469.3
Owner-occupied property	-	-	89.0	89.0
Total	-	-	16 558.3	16 558.3

<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.

Amounts in NOK million	31.12.20	31.12.19
Aker Br. energy distr. syst.	30.1	31.4
Other assets	7.7	9.1
Other fixed assets	37.8	40.5

**Other fixed assets and leases**

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

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.

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	1.0	-	1.0
Installments in 2020	(0.4)	(1.2)	(1.6)
Carrying amount of rental obligation 31.12.2020	0.9	2.9	3.9

<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. All units are sold and delivered on to end users in 2019 and 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	31.12.20	31.12.19
Book value, opening balance	708.5	815.5
Accrued cost during the period	91.8	250.4
Cost from sale of residential units	(800.4)	(357.4)
Book value, closing balance	-	708.5

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	31.12.20	31.12.19
Land for development	-	-
Project under construction/development	-	708.5
Completed units	-	-
Total carrying amount of property related inventory	-	708.5

#### NOTE 6: Joint ventures

In 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 of preference shares each Union own 15 per cent. Nordr Eiendom has flats under construction and a substantial land bank 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. In December 2019, the ownership interest in the property was sold.

At year-end 2020 the property at Forusbeen 35 in Stavanger has undergone a re-regulation from a commercial building to a property with a combined

residential and commercial purpose. Norwegian Property sold a 50 per cent share in the project to Base Bolig, and thus owns the project as a joint venture from the end of the year.

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

Amounts in NOK million	31.12.20	31.12.19
Book value, opening balance	-	30.1
Share of profit for the period	(4.9)	8.7
Currency changes	(1.5)	-
Acquisition of joint ventures	1 020.1	-
Disposal of joint ventures	-	(38.8)
Book value, closing balance	1 013.6	-

The currency risk associated with Nordr Eiendom 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	4Q-20 <sup>1</sup>	4Q-19 <sup>2</sup>	31.12.20 <sup>1</sup>	31.12.19 <sup>2</sup>
Revenue	1 424.1	4.0	1 483.5	18.7
Project cost from sale of residential units	(1 295.6)	-	(1 351.5)	-
Other operating expenses	(198.5)	(1.9)	(233.0)	(7.0)
Share of profit in joint ventures	109.8	-	116.0	-
Change in market value of investment property	-	-	-	20.5
Operating profit	39.8	2.1	15.1	32.3
Net financial items	(21.2)	(2.4)	(35.3)	(10.0)
Profit before income tax	18.7	(0.3)	(20.2)	22.2
Income tax	(3.8)	0.1	4.5	(4.9)
Profit for the period	14.8	(0.2)	(15.7)	17.3
Share of profit for the period	8.1	(0.1)	(4.9)	8.7
Share of gain from disposal for the period	4.5	48.1	4.5	48.1
The groups total share of profit for the period	12.6	48.0	(0.4)	56.8

<sup>1</sup> The groups share of profit before gain from disposal for 2020 is related to Nordr Eiendom, and the groups share of gain from disposal is related to Badehusgata 33-39. NOK 749 million of the revenue for Nordr Eiendom in 2020 is related to the sale of residential units, NOK 714 million is related to the sale of plots and NOK 20.5 million is related to other revenues.

<sup>2</sup> The group's total share of profit for 2019 is related to Badehusgata 33-39.

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

Amounts in NOK million	Nordr Eiendom	Forusbeen 35	Sum 31.12.20	Sum 31.12.19
Investment property	-	86.9	86.9	-
Other fixed assets	87.2	-	87.2	-
Investment in joint ventures	1 189.5	-	1 189.5	-
Land bank and residential projects	7 073.9	-	7 073.9	-
Receivables	1 372.5	-	1 372.5	-
Cash and cash equivalents	951.6	-	951.6	-
Deferred tax	(97.6)	-	(97.6)	-
Interest bearing liabilities	(5 769.8)	-	(5 769.8)	-
Shareholder seller credit <sup>1</sup>	-	(86.9)	(86.9)	-
Other liabilities	(2 405.1)	-	(2 405.1)	-
Total equity	(2 402.2)	-	(2 402.2)	-
The groups share of total equity	(1 013.6)	-	(1 013.6)	-

<sup>1</sup> Upon establishing the joint venture for the Forusbeen 35 property in cooperation with Base Bolig, Norwegian Property has granted a short-term interest-bearing seller credit to the joint venture corresponding to the agreed property value.

## 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	4Q-20	4Q-19	31.12.20	31.12.19
Net book value of derivatives, opening balance	(267.7)	(134.0)	(75.5)	(156.5)
Buyout of derivatives	-	1.2	-	11.5
Fair value adjustments of derivatives	90.6	57.3	(101.6)	69.5
Net book value of derivatives, closing balance	(177.1)	(75.5)	(177.1)	(75.5)
Of which classified as non-current assets	25.5	16.2	25.5	16.2
Of which classified as current assets	-	1.0	-	1.0
Of which classified as non-current liabilities	(199.8)	(92.6)	(199.8)	(92.6)
Of which classified as current liabilities	(2.8)	-	(2.8)	-

<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	31.12.2020		31.12.2019	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	25.5	25.5	16.2	16.2
Non-current receivables	264.8	264.8	0.0	0.0
Current derivatives	-	-	1.0	1.0
Current receivables	116.3	116.3	13.7	13.7
Cash and cash equivalents	665.8	665.8	281.8	281.8
<b>Total financial assets</b>	<b>1 072.5</b>	<b>1 072.5</b>	<b>312.6</b>	<b>312.6</b>
Non-current derivatives	199.8	199.8	92.6	92.6
Non-current interest-bearing liabilities	10 700.6	10 729.8	5 690.5	5 701.7
Other non-current liabilities	2.1	2.1	2.2	2.2
Current derivatives	2.8	2.8	-	-
Current interest-bearing liabilities	1 396.4	1 395.8	2 466.8	2 483.6
Other current liabilities	214.4	214.4	258.2	258.2
<b>Total financial liabilities</b>	<b>12 516.2</b>	<b>12 544.8</b>	<b>8 510.4</b>	<b>8 538.4</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
	31.12.20			
Non-current derivatives (assets)	-	25.5	-	25.5
Current derivatives (assets)	-	-	264.8	264.8
Non-current derivatives (liabilities)	-	(199.8)	-	(199.8)
Current derivatives (liabilities)	-	(2.8)	-	(2.8)
<b>Total</b>	<b>-</b>	<b>(177.0)</b>	<b>264.8</b>	<b>87.8</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>-</b>	<b>(75.5)</b>	<b>-</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	4Q-20	4Q-19	31.12.20	31.12.19
Loan facilities at par value, opening balance		7 398.0	7 678.4	8 168.1	7 847.1
Net change of loan facilities		4 720.7	489.7	3 950.7	321.0
Loan facilities at par value, closing balance	1	12 118.7	8 168.1	12 118.7	8 168.1
Capitalised borrowing cost		(21.6)	(10.7)	(21.6)	(10.7)
Book value of interest-bearing debt		12 097.1	8 157.4	12 097.1	8 157.4
Of which classified as non-current liabilities		10 700.6	5 690.5	10 700.6	5 690.5
Of which classified as current liabilities		1 396.4	2 466.8	1 396.4	2 466.8
Interest-bearing debt		(12 097.1)	(8 157.4)	(12 097.1)	(8 157.4)
Interest-bearing receivable	2	99.9	13.0	99.9	13.0
Cash and cash equivalents		665.8	281.8	665.8	281.8
Net interest-bearing position		(11 331.3)	(7 862.6)	(11 331.4)	(7 862.6)

<sup>1</sup> Unutilised credit facilities was NOK 910 million at 31 December 2020 and NOK 150 million at 31 December 2019.

<sup>2</sup> Interest-bearing receivables at 31 December 2020 are related to short-term seller credits to the joint venture for Forusbeen 35 of NOK 86.9 million and a seller credit related to the sale of Badehusgata 33-39 of NOK 13 million. At 31 December 2019 the interest-bearing receivable is related to the NOK 13 million seller credit for Badehusgata 33-39.

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 31 December 2020, 75.5 per cent of such loans was secured (31 December 2019: 69.4 per cent). The total average interest margin on loans was 139 basis points (122 basis points). The loan portfolio has an average interest rate of 2.94 per

cent (3.50 per cent), and remaining time to maturity for interest-bearing debt was 4.7 years (2.7 years). Remaining time to maturity for interest hedging agreements was 6.7 years (2.7 years).

**NOTE 10: Net financial items**

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

Amounts in NOK million	4Q-20	4Q-19	31.12.20	31.12.19
Interest income on bank deposits and receivables	0.8	0.8	3.5	4.6
Other financial income	0.7	-	0.7	-
Total financial income	1.5	0.8	4.2	4.6
Interest expense on borrowings	(71.1)	(59.3)	(264.8)	(258.6)
Total financial cost	(71.1)	(59.3)	(264.8)	(258.6)
Realised net financial items	(69.6)	(58.4)	(260.6)	(253.9)
Change in market value of financial derivative instruments	90.6	57.3	(101.6)	69.5
Net financial items	21.0	(1.1)	(362.2)	(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	4Q-20	4Q-19	31.12.20	31.12.19
Profit before income tax	1 921.2	485.1	2 075.6	1 253.7
Income tax calculated at 22 per cent	422.7	106.7	456.6	275.8
Differences between financial accounts and tax accounts	(106.3)	(17.8)	(56.9)	(28.8)
Income tax	316.4	88.9	399.7	247.0
Deferred tax, opening balance	950.3	776.1	866.1	615.9
Recognised through profit and loss	316.4	88.9	399.7	247.0
Recognised through comprehensive income	1.3	1.1	2.2	3.2
Deferred tax, closing balance	1 268.0	866.1	1 268.0	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.

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

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

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

In accordance with the mandate from the annual general meeting in 2020 the board decided on 4 February 2021 that a dividend of NOK 0.10 per share will be paid for 2020.

No other significant events have occurred after the balance sheet date at 31 December 2020.

## 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 appraiser	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.*