

Interim report

Second quarter and first half 2021



Aker Brygge Marina, Oslo

30.06.2021

NORWEGIAN PROPERTY ASA

Highlights in the second quarter of 2021

Revenues

Following the acquisition of Snarøyveien 30 in December 2020, the overall rental income for the second quarter of 2021 showed significant growth compared with the same period last year. The rental income amounted to NOK 228.6 million for the second quarter, up from NOK 172 million in the corresponding period of 2020.

Net profit of NOK 175.8 million and EPS of NOK 0.27

The net profit for the second quarter was NOK 175.8 million after positive fair-value adjustments for investment properties of NOK 65.8 million. This resulted in second quarter earnings per share (EPS) of NOK 0.27. The book value of equity per share as at 30 June 2021 was NOK 18.53.

New leases and run rate

Net new leases for the quarter was NOK 31.3 million. New leases with a total annual rental income of NOK 35.7 million were signed or extended in the second quarter, while expired leases totalled NOK 4.4 million.

The total annual rental income (run rate) was NOK 983 million as at 1 July 2021.

Change in the market value of investment properties and financial derivatives

The positive fair-value adjustment of investment property was NOK 65.8 million in the second quarter,

related to minor yield and market rent changes as well as new and improved leases.

Long-term market interest rates did not change significantly during the second quarter. The fair-value adjustment for financial derivatives was negative by NOK 8.9 million.

Share in Nordr

Norwegian Property has a 40.6 per cent share (joint venture) in the residential development company Nordr. A total of 249 residential units were delivered in the second quarter. A total of 949 units are expected to be delivered over the next five quarters in both wholly and partly owned projects in Norway and Sweden. Norwegian Property's share of profit from Nordr in the second quarter was NOK 47.2 million.

Property transaction

Norwegian Property has bought the Felix property at Aker Brygge in Oslo in the second quarter. The acquisition is in line with Norwegian Property's ambitions to grow in its core areas. The property is located on the lower floors of the Fondbygget building. After the purchase, Norwegian Property owns all the business units in the building. The premises amount to approximately 5,400 sq.m. and are currently rented out as a conference centre. The agreed gross value for the property was NOK 172 million, and the closing of the transaction was completed on 31 May.

Dividend

The board has resolved to pay a dividend of NOK 0.10 per share for the second quarter of 2021.

Key figures

The table below presents the key financial figures¹ for the group.

Profit and loss		2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Revenues	NOK mill.	228.6	630.0	454.3	1,194.8	1,564.5
Operating profit before administrative expenses	NOK mill.	198.8	599.6	393.2	1,129.5	1,457.8
Operating profit before value adjustments	NOK mill.	231.9	159.2	422.4	304.3	610.3
Profit before income tax and value adjustments	NOK mill.	150.6	95.3	259.4	173.7	349.7
Profit before income tax	NOK mill.	207.5	(181.0)	623.0	(281.3)	2,075.6
Profit after income tax	NOK mill.	175.8	(170.1)	510.4	(270.9)	1,675.9
Balance sheet		2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Market value of property portfolio	NOK mill.	23,987.4	16,421.2	23,987.4	16,421.2	23,450.0
Total equity	NOK mill.	11,924.6	7,929.7	11,924.6	7,929.7	11,560.9
Interest-bearing debt	NOK mill.	11,748.4	7,478.0	11,748.4	7,478.0	12,097.1
Equity ratio	Per cent	47.0	47.2	47.0	47.2	45.5
Pre-tax return on equity	Per cent	7.1	(4.9)	10.6	(4.9)	21.0
Cash flow		2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Net cash flow from operating activities	NOK mill.	16.7	429.3	195.1	812.2	1,007.8
Cash and cash equivalents	NOK mill.	132.6	204.7	132.6	204.7	665.8
Key figures; per share		2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Number of shares outstanding, end of the period	Mill. shares	643.6	493.6	643.6	493.6	643.6
Average number of shares in the period	Mill. shares	643.6	493.6	643.6	493.6	619.9
Profit before income tax	NOK	0.32	(0.37)	0.97	(0.57)	3.35
Earnings per share (EPS)	NOK	0.27	(0.34)	0.79	(0.55)	2.70
Net cash flow from operating activities	NOK	0.03	0.87	0.30	1.65	1.63
Interest-bearing debt	NOK	18.25	15.15	18.25	15.15	18.80
NAV, book value	NOK	18.53	16.06	18.53	16.06	17.96
Deferred property tax	NOK	1.93	1.58	1.93	1.58	1.86
Fair value of financial derivative instruments	NOK	0.11	0.45	0.11	0.45	0.21
Revaluation of investments in joint ventures	NOK	1.67	-	1.67	-	1.44
NAV, adjusted	NOK	22.24	18.09	22.24	18.09	21.48
Fair value of deferred tax	NOK	(1.20)	(0.87)	(1.20)	(0.87)	(1.30)
Fair value of financial derivative instruments	NOK	(0.13)	(0.51)	(0.13)	(0.51)	(0.25)
Fair value of debt	NOK	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
NNNAV	NOK	20.87	16.67	20.87	16.67	19.89

¹ Figures which do not derive directly from the financial statements are explained in the overview of definitions at the end of the report. When calculating the 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.

During the second half of 2021, Norwegian Property will start reporting on the EPRA performance measures. These performance measures include the EPRA NAV metrics NRV, NTA and NDV. The EPRA NAV metrics will replace the current calculation of NNNAV.

Financial developments

Results

Operating revenue

The rental income from commercial properties amounted to NOK 228.6 million in the second quarter (NOK 172 million²). Adjusted for new and divested properties (like-for-like revenue), this represented a reduction of NOK 5.8 million from the same period of 2020. The revenue reduction mainly related to the expiry of the Telia lease agreement at Sandakerveien 140. Rental income for the first half of 2021 totalled NOK 454.3 million (NOK 339.7 million), representing a like-for-like reduction of NOK 11.2 million.

Retail and restaurant turnover at Aker Brygge in Oslo was down by 4.4 per cent for the second quarter from the same period of 2020. These reductions were related to the more negative effects of the COVID-19 shutdowns in 2021 compared with last year. There is also a similar development for retail turnover for Vinslottet at Hasle in Oslo, with a reduction of 7.8 per cent.

Operating costs

Property-related operational expenses totalled NOK 14.9 million (NOK 14.6 million) for the second quarter and NOK 31.2 million in the first half (NOK 29 million). Other property-related expenses came to NOK 14.8 million (NOK 15.9 million) for the quarter and NOK 29.9 million for the first half (NOK 36.4 million). Administrative expenses were NOK 14.2 million (NOK 9.7 million) for the quarter and NOK 26.2 million in the first half (NOK 22.9 million).

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	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Nordr	47.2	-	55.6	-	(4.9)
Forusbeen 35	0.1	-	(0.2)	-	-
Badehusgata 33-39	-	-	-	-	4.5
Total share of profit	47.3	-	55.4	-	(0.4)

² The figures in brackets refer to the corresponding period of the previous year.

Nordr

Norwegian Property's share of the net profit/loss relating to Nordr was NOK 47.2 million for the second quarter and NOK 55.6 million for the first half year. Norwegian Property's share of net assets in the balance sheet as at 30 June was NOK 1,048.8 million. In accordance with the IFRS, income recognition from the sale of residential units is based on the completed contract method.

As at 30 June, Nordr had 1,570 flats under construction and a land bank of about 15,300 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.

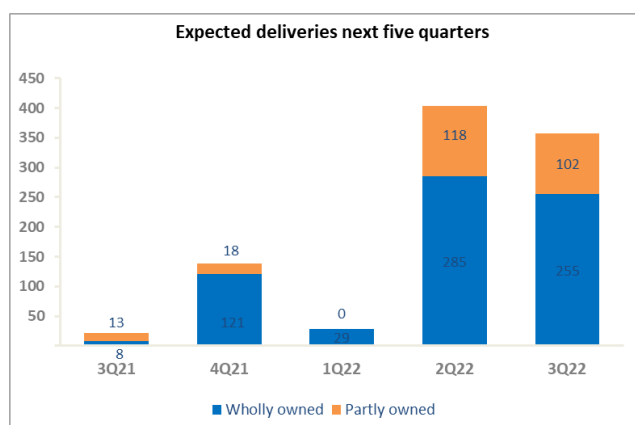
During the second quarter, sales agreements were entered into regarding 198 residential units. The construction started on 196 units in the quarter. A total of 249 units were delivered, with 220 in Norway and 29 in Sweden.

The table below presents the quarterly development of the project portfolio for Nordr over the past five quarters.

Project portfolio Nordr	2Q-20	3Q-20	4Q-20	1Q-21	2Q-21
Units sold	179	237	452	330	198
Construction starts	338	52	520	206	196
Units completed	215	43	204	135	284
Units delivered ¹	215	69	212	143	249
Units under construction	1,489	1,270	1,586	1,657	1,570
Sales ratio, units under construction (per cent)	71	72	74	80	88
Completed unsold units	33	21	19	11	46
Sales value, units sold in the period	849	1,272	2,740	1,915	1,252
Sales value, units under constr. (NOK mill.)	8,693	8,522	10,866	10,176	9,263

¹ Of which 20 of the 69 units delivered in total during the third quarter were delivered after the takeover in September 2020.

The figure below shows the expected completions during the next five quarters, based on the best estimate for the timing of the projects. A total of 949 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 was a substantial increase in the values compared to the values at the time of the acquisition. The value uplift increased the NAV metrics for Norwegian Property but does not affect the book value of the investment.

Forusbeen 35

A joint venture for the property at Forusbeen 35 in Stavanger was established in cooperation with the local residential developer Base Bolig as at 31 December 2020. The property has been rezoned from a commercial building to a combined residential and commercial property. The residential units are expected to be put on sale in 2021/2022.

Norwegian Property's share of the net profit/loss relating to Forusbeen 35 was positive at NOK 0.1 million for the second quarter and negative at NOK 0.2 million for the first half year.

Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 231.9 million (NOK 159.2 million) for the second quarter and NOK 422.4 million (NOK 304.3 million) in the first half.

Fair-value adjustments for investment property

Valuation of the property portfolio yielded a positive unrealised fair-value adjustment of NOK 65.8 million (negative at NOK 261.6 million) in the second quarter, related to minor yield and market rent changes as well as new and improved leases. The total market value of the property portfolio as at 30 June 2021 amounted to NOK 23,987.4 million.

Net financial items

Net realised financial expenses came to NOK 81.3 million (NOK 63.9 million) for the second quarter and NOK 163.1 million (NOK 130.6 million) in the first half.

Long-term market interest rates did not change significantly during the second quarter. The fair-value adjustment for financial derivatives was negative by NOK 8.9 million (NOK 14.7 million). The positive fair-value adjustment in the first half was NOK 87.4 million (negative change of NOK 206.9 million).

Profit for the period

Pre-tax profit was NOK 207.5 million (negative at NOK 181 million) for the second quarter and NOK 623 million (negative at NOK 281.3 million) in the first half. The increase in non-payable deferred tax was NOK 31.7 million (reduction of NOK 10.9 million) for the quarter and NOK 112.5 million (reduction of NOK 10.4 million) in the first half. Net profit in the second quarter was thereby NOK 175.8 million (negative at NOK 170.1 million) and NOK 510.4 million (negative at NOK 270.9 million) in the first half.

Balance sheet

Total assets in the balance sheet were NOK 25,394.7 million (NOK 16,792.3 million), with investment properties accounting for NOK 23,573.8 million (NOK 16,332.6 million) and properties used by the owner for NOK 100.5 million (NOK 88.6 million). Non-current receivables amounted to NOK 313.1 million, related to the rental guarantee provided by the seller of the property at Snarøyveien 30.

Investment in joint ventures was NOK 1,048.8 million as at 30 June 2021.

Norwegian Property held NOK 132.6 million (NOK 204.7 million) in cash and cash equivalents as at 30 June.

Total interest-bearing liabilities in the balance sheet came to 11,748.4 million (NOK 7,478 million), with non-current interest-bearing liabilities totalling NOK 10,721 million (NOK 5,672.9 million) and current interest-bearing liabilities amounting to NOK 1,027.5 million (NOK 1,805.1 million).

Financial derivatives accounted for a net liability item of NOK 89.7 million (NOK 282.4 million), with NOK 100.7 million (NOK 319 million) classified as liabilities and NOK 11 million (NOK 36.7 million) as assets.

Equity as at 30 June totalled NOK 11,924.6 million (NOK 7,929.7 million), representing an equity ratio of 47 per cent (47.2 per cent). The book value of equity per share was NOK 18.53 (NOK 16.06). Outstanding shares as at 30 June totalled 649,825,596 (499,875,596). Treasury shares totalled 6,250,000, and 643,575,596 shares were held by external shareholders.

Cash flow

Net operational cash flow was NOK 16.7 million (NOK 429.3 million) for the quarter and NOK 195.1 million (812.2 million) in the first half. Cash earnings in the quarter amounted to NOK 104.7 million. The negative change in other short-term items amounted to NOK 88.1 million, mainly related to rental income for the second quarter paid in advance in the first quarter.

Investment in fixed assets came to NOK 192 million (NOK 60.1 million) for the quarter, where NOK 161.4 million related to the acquisition of the Felix property at Aker Brygge and NOK 30.6 million related to the adjustments for lessees associated with new and renegotiated leases and ongoing operational investments. Investment totalled NOK 248.2 million (NOK 170.1 million) in the first half.

Net cash flow from financing activities was positive at NOK 85.3 million (negative at NOK 361.2 million) for the quarter, following an increase of NOK 149.6 million in interest-bearing debt and NOK 64.4 million in dividend. For the first half, net cash flow from financing activities was negative at NOK 480.1 million (NOK 719.2 million). Cash and cash equivalents showed a reduction of NOK 90.1 million (increase of NOK 8.1 million) for the quarter and a reduction of NOK 533.2 million (NOK 77.1 million) in the first half.

Financing

Key figures

The table below presents the key figures related to interest-bearing debt and hedges as at 30 June 2021.

Interest bearing debt and hedging		30.06.21	30.06.20	31.12.20
Interest-bearing debt ¹	NOK mill.	11,748.4	7,478.0	12,097.1
Cash and cash equivalents	NOK mill.	132.6	204.7	665.8
Interest-bearing receivables ²	NOK mill.	107.9	13.0	99.9
Interest-hedging ratio	Per cent	75.6	77.6	75.5
Unutilised credit facilities	NOK mill.	1,400.0	1,460.0	910.0
Remaining time to maturity for interest hedge agreements	Years	6.5	4.8	6.7
Average interest rate	Per cent	2.77	3.25	2.94
Average interest margin	Per cent	1.37	1.20	1.39
Remaining time to maturity for interest-bearing debt	Years	4.7	2.4	4.7
Market value of the property portfolio	NOK mill.	23,987.4	16,421.2	23,450.0
Gross debt to asset ratio (gross LTV)	Per cent	49.0	45.5	51.6
Net debt to asset ratio (net LTV) ³	Per cent	48.0	44.2	48.3

¹ Interest-bearing receivables as at 30 June 2021 are related to a short-term seller credit and loans of NOK 94.9 million to the joint venture for Forusbeen 35 and a seller credit of NOK 13 million related to the sale of Badehusgata 33-39.

² Interest-bearing debt less the liquid assets and interest-bearing receivables in relation to the market value of the property portfolio.

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 11,748.4 million (NOK 7,478 million) as at 30 June. In addition, the company had undrawn credit and overdraft facilities of NOK 1,400 million (NOK 1,460 million).

Interest hedges

The table below presents the maturity structure of interest-rate hedges for the company's interest-bearing debt as at 30 June 2021.

Maturity profile of interest hedges	Amount (NOK mill.)	Interest ¹ (per cent)	Share of total liabilities (per cent)
< 1 year	2,701	0.5	23
1 > 2 year	1,050	3.0	9
2 > 3 year	500	1.5	4
3 > 4 year	1,005	2.0	9
4 > 5 year	800	1.4	7
> 5 year	5,542	1.4	48
Total	11,598	1.4	100

¹ Average base interest rate for the matured amount.

Market and operations

Commercial property market

Norwegian Property estimate the office vacancy in Oslo at 6.1 per cent overall and 5.3 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 6.7 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 3.25 per cent.

Access to financing was good in the second quarter. Loan margins in the bond market are back to pre-COVID-19 levels, and liquidity has been good for issuers of bonds.

During the quarter, the 10-year swap interest rate varied between 1.82 and 1.67 per cent. There are still risks concerning the long-term effects of the pandemic, and how quick the recovery will take place.

Effects of the COVID-19 pandemic

The government introduced strong national and local infection control measures early in 2021, which again in particular affected retailers, restaurants and service providers. Similar to last year, Norwegian Property does not expect to receive any significant turnover-based rent beyond the minimum rents from such tenants in 2021.

Norway has experienced a reduction in COVID-19 infection rates during the second quarter, as a significant part of the population has been vaccinated. The vaccination process is expected to be completed in the third quarter, so that most domestic activities can return to normal during the second half of the year.

The property portfolio

Key figures

Norwegian Property owned 29 investment properties as at 30 June 2021. 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 along with the associated warehousing and parking for the office areas.

Total ongoing annual rental income (run rate) from the company's whole property portfolio was NOK 983

million as at 1 July 2021. That represented an increase of NOK 7 million since 1 April 2021. NOK 82 million is related to the rental guarantee provided by the seller of the property at Snarøyveien 30. The overall financial vacancy in the property portfolio totalled 6.6 per cent, which is primarily related to the properties Snarøyveien 36 and Sandakerveien 140. The weighted average remaining duration of the leases was 5.5 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 construction as at 30 June. Ongoing projects at the end of the quarter are specified in the table below.

Area	Property	Tenant	Area (sqm)	Completion date
Fornebu, Bærum	Snarøyveien 30	ABB	13,000	Q1-22
CBD, Oslo	Lille Grensen 7	Palmer Group	550	Q4-21
Aker Brygge, Oslo	Verkstedhallene	EconPartner	800	Q3-21
Aker Brygge, Oslo	Verkstedhallene	Maverix Media	650	Q3-21
Aker Brygge, Oslo	Verkstedhallene	Mirai Techn.	950	Q3-21

New leases

New leases with a total annual rental income of NOK 18.1 million were awarded in the second quarter, while existing leases totalling NOK 17.6 million were extended. Expired leases totalled NOK 4.4 million. The net increase in annual rents from leases during the quarter was therefore NOK 31.3 million.

Property transaction

Norwegian Property has bought the Felix property at Aker Brygge in Oslo in the second quarter. The acquisition is in line with Norwegian Property's ambitions to grow in its core areas. The property is located on the lower floors of the Fondbygget building, and has an entrance from the ground floor at Bryggetorget. After the purchase, Norwegian Property owns all the business units in the building. Norwegian Property has become owner of all the shares in Bryggetorget Invest AS, which owns the shares in the real estate company, Bryggetorget 3 AS. The premises amount to approximately 5,400 sq.m. and are currently rented out as a conference centre. The agreed gross value for the property was NOK 172 million. Closing of the transaction was completed on 31 May.

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 the previous

periods. The accounting valuation as at 30 June 2021 is based on an average of the two valuations.

As at 30 June, the company's portfolio of investment properties was valued at NOK 23,987.4 million (NOK 16,421.2 million). The rent guarantee receivables and properties used by the owner were carried separately in the balance sheet at NOK 313.1 million and NOK 100.5 million respectively, and recognised at fair value. Fair-value adjustments recognised in the profit and loss for the investment properties were positive at NOK 65.8 million for the second quarter. This represents a 0.3 per cent change from the value as at 31 March 2020 and the cost of investments for the period.

Environmental and corporate social responsibility (CSR)

Norway's first electric boat marina was opened at Aker Brygge in June. The chargers were installed by BKK. It is possible to rent an electric boat for a day from Green Boats. Alternatively Kruser offers membership in an electric boat pool and has eight berths in the electric boat harbour. Instead of owning your own boat, you as a member can reserve and use an environmentally friendly electric boat. With plenty of space, minimal engine noise and long range, the boats are well suited for everything from one person to larger groups. The boats are emission-free in use, and they emit neither exhaust nor environmentally harmful antifouling.

Switching to electric boats will contribute to reducing climate emissions.

Shareholder information

Norwegian Property had 1,643 registered shareholders as at 30 June, which is an increase of 20 since 31 March 2021.

Non-Norwegian shareholders held 82 per cent of the share capital as at 30 June, which has been unchanged since 31 March.

The number of shares traded during the second quarter averaged 36,907 per day. The corresponding daily turnover in 2020 was 47,410 shares.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) as at 30 June 2021 are presented below.

Shareholder	Type of acc.	Natio-nality	Number of shares	Share
GEVERAN TRADING CO				
LTD	ORD	CYP	523,101,043	80.50
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
SKANDINAVISKA				
ENSKILDA BANKEN AB	NOM	FIN	884,883	0.14
MORGAN STANLEY &				
CO. INTERNATIONAL	ORD	GBR	823,715	0.13
CACEIS BANK	NOM	NLD	811,156	0.12
SKANDINAVISKA				
ENSKILDA BANKEN AB	NOM	FIN	697,296	0.11
SELVA AS	ORD	NOR	467,254	0.07
CARUCEL INVEST AS	ORD	NOR	356,664	0.05
MATTIS AS	ORD	NOR	346,691	0.05
ECKHOFF HOLDING AS	ORD	NOR	346,090	0.05
SURFSIDE HOLDING AS	ORD	NOR	300,000	0.05
FUNDER	ORD	NOR	296,000	0.05
J.P. MORGAN BANK				
LUXEMBOURG S.A.	NOM	SWE	284,244	0.04
CAMVECTI HOLDING AS	ORD	NOR	275,686	0.04
INTERTRADE SHIPPING				
AS	ORD	NOR	250,000	0.04
J.P. MORGAN				
SECURITIES PLC	ORD	GBR	246,260	0.04
OTHER			10,879,165	1.67
Total number of shares			649,825,596	100.00

Risk and uncertainty factors

Through its activities, Norwegian Property is exposed to market risk related to demand for commercial premises and how this influences rents and vacancy in the portfolio.

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

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

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

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

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 three clusters for commercial properties, Oslo CBD, Nydalen and Fornebu, in addition to the investment in the residential developer Nordr.

Norwegian Property has a strategy for growth in its core commercial property business as well as an ambition to consider opportunities in other property segments. Norwegian Property will continue its efforts to expand and develop its business through additional acquisitions and by pursuing several interesting long-term development opportunities in the existing property portfolio.

Declaration by the board of directors and the CEO

The board and the CEO have today considered and approved the directors' report for the first half of 2021 and the summary consolidated half-year financial statements for Norwegian Property ASA as at 30 June 2021. The consolidated financial statements for the first half have been prepared in accordance with IAS 34 Interim reporting as approved by the EU and additional Norwegian information requirements pursuant to the Norwegian Securities Trading Act.

To the best of the board's and the CEO's knowledge, the interim financial statements for the first half of 2021 have been prepared in accordance with the applicable accounting standards, and the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group as at 30 June 2021.

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

Oslo, 8 July 2021

The board of directors and the CEO of Norwegian Property ASA


Merete Haugli
Chair


Bjorn Henningsen
Deputy chair


Cecilie Astrup Fredriksen
Director


Kathrine Astrup Fredriksen
Director


Carl Erik Krefling
Director


Lars Erich Nilsen
Director


Anders Buchardt
Director


Bent Oustad
CEO

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Rental income	3	228.6	172.0	454.3	339.7	708.6
Income from the sale of residential units	3	-	458.0	-	855.2	855.9
Revenues		228.6	630.0	454.3	1,194.8	1,564.5
Property-related operational expenses		(14.9)	(14.6)	(31.2)	(29.0)	(51.6)
Other property-related expenses		(14.8)	(15.9)	(29.9)	(36.4)	(55.1)
Total property-related expenses		(29.8)	(30.4)	(61.1)	(65.4)	(106.7)
Project cost from sale of residential units	5	-	(430.6)	-	(802.3)	(800.4)
Administrative expenses		(14.2)	(9.7)	(26.2)	(22.9)	(46.8)
Total operating expenses		(43.9)	(470.7)	(87.3)	(890.5)	(953.8)
Share of profit in joint ventures	6	47.3	-	55.4	-	(0.4)
Operating profit before fair-value adjustments		231.9	159.2	422.4	304.3	610.3
Change in market value of investment property and rental guarantee	4	65.8	(261.6)	276.2	(248.1)	1,827.5
Operating profit		297.8	(102.4)	698.6	56.2	2,437.8
Financial income	10	3.4	0.8	6.9	2.2	4.2
Financial cost	10	(84.7)	(64.7)	(170.0)	(132.8)	(264.8)
Realised net financial items		(81.3)	(63.9)	(163.1)	(130.6)	(260.6)
Change in market value of financial derivative instruments	7, 10	(8.9)	(14.7)	87.4	(206.9)	(101.6)
Net financial items		(90.2)	(78.6)	(75.7)	(337.5)	(362.2)
Profit before income tax		207.5	(181.0)	623.0	(281.3)	2,075.6
Income tax	11	(31.7)	10.9	(112.5)	10.4	(399.7)
Profit for the period		175.8	(170.1)	510.4	(270.9)	1,675.9
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		175.8	(170.1)	510.4	(270.9)	1,675.9

Amounts in NOK million	Note	2Q-21	2Q-20	30.06.21	30.06.20	30.06.20
Value adjustment of owner-occupied property, net of tax	4	(3.5)	(1.2)	2.8	0.3	7.8
Other comprehensive income that will not be reclassified to profit or loss, net of tax		(3.5)	(1.2)	2.8	0.3	7.8
Currency changes on translation of foreign joint venture operations	6	(15.2)	-	(20.5)	-	(1.6)
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		(15.2)	-	(20.5)	-	(1.6)
Total comprehensive income		157.2	(171.3)	492.7	(270.6)	1,682.1
Total comprehensive income attributable to shareholders of the parent company		157.2	(171.3)	492.7	(270.6)	1,682.1
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	30.06.2021	30.06.2020	31.12.2020
Financial derivative instruments	7	11.0	36.7	25.5
Investment property	4	23,573.8	16,332.6	23,087.6
Owner-occupied property	4	100.5	88.6	97.6
Other fixed assets	4	36.0	38.9	37.8
Investment in joint ventures	6	1,048.8	-	1,013.6
Rental guarantee receivables	4	313.1	0.0	264.8
Other receivables		-	13.0	-
Total non-current assets		25,083.2	16,509.8	24,527.0
Receivables	9	178.9	76.8	195.8
Property related inventory	5	-	1.1	-
Cash and cash equivalents	9	132.6	204.7	665.8
Total current assets		311.5	282.5	861.7
Total assets		25,394.7	16,792.3	25,388.6
Share capital		321.8	246.8	321.8
Share premium		3,280.1	1,678.1	3,280.7
Other paid in equity		7,562.9	7,561.6	7,562.5
Retained earnings		759.9	(1,556.7)	395.9
Total equity		11,924.6	7,929.7	11,560.9
Deferred tax	11	1,381.4	855.8	1,268.0
Financial derivative instruments	7	100.6	304.0	199.8
Interest bearing liabilities	9	10,721.0	5,672.9	10,700.6
Other liabilities		3.5	4.6	4.4
Total non-current liabilities		12,206.5	6,837.3	12,172.8
Financial derivative instruments	7	0.1	15.0	2.8
Interest bearing liabilities	9	1,027.5	1,805.1	1,396.4
Other liabilities		236.1	205.2	255.6
Total current liabilities		1,263.6	2,025.3	1,654.9
Total liabilities		13,470.1	8,862.6	13,827.7
Total equity and liabilities		25,394.7	16,792.3	25,388.6

Consolidated condensed statement of changes in equity

Amounts in NOK million		Share capital	Treasury shares ¹	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity	31.12.19	249.9	(3.1)	1,678.1	7,560.7	(1,251.6)	8,233.9
Total comprehensive income		-	-	-	-	(270.6)	(270.6)
Employee share-option scheme		-	-	-	0.9	-	0.9
Paid dividend		-	-	-	-	(34.6)	(34.6)
Total equity	30.06.20	249.9	(3.1)	1,678.1	7,561.6	(1,556.7)	7,929.7
Total comprehensive income		-	-	-	-	1,952.7	1,952.7
Employee share-option scheme		-	-	-	0.9	-	0.9
Share issue ²		75.0	-	1,602.7	-	-	1,677.7
Total equity	31.12.20	324.9	(3.1)	3,280.7	7,562.5	395.9	11,560.9
Total comprehensive income		-	-	-	-	492.7	492.7
Employee share-option scheme		-	-	-	0.4	-	0.4
Share issue ²		-	-	(0.7)	-	-	(0.7)
Paid dividend		-	-	-	-	(128.7)	(128.7)
Total equity	30.06.21	324.9	(3.1)	3,280.1	7,562.9	759.9	11,924.6

¹ The company owns 6,250,000 treasury shares.

² 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. In 2021, the NOK 0.7 million change is related to accrued costs.

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Profit before income tax		207.5	(181.0)	623.0	(281.3)	2,075.6
Depreciation of tangible assets		1.4	1.8	2.7	2.9	5.6
Fair value adj. of investment property and rental guarantee	3	(65.8)	261.6	(276.2)	248.1	(1,827.5)
Fair value adjustment of financial derivative instruments	4	8.9	14.7	(87.4)	206.9	101.6
Profit for joint venture	6	(47.3)	-	(55.4)	-	1.6
Change in property related inventory/net working capital	5	-	356.1	-	626.6	600.0
Change in short-term items		(88.1)	(23.8)	(11.5)	9.0	50.9
Net cash flow from operating activities		16.7	429.3	195.1	812.2	1,007.8
Payments for purchase of inv. property and other fixed assets		(192.0)	(60.1)	(248.2)	(170.1)	(5,197.4)
Other investment activities		-	-	-	-	(1,020.1)
Net cash flow from investing activities		(192.0)	(60.1)	(248.2)	(170.1)	(6,217.5)
Net change in interest-bearing debt	6	149.6	(361.2)	(350.8)	(684.6)	3,950.6
Capital increase		(0.0)	-	(0.7)	-	1,677.7
Paid dividend		(64.4)	-	(128.7)	(34.6)	(34.6)
Net cash flow from financial activities		85.3	(361.2)	(480.1)	(719.2)	5,593.7
Net change in cash and cash equivalents		(90.1)	8.1	(533.2)	(77.1)	384.0
Cash and cash equivalents at the beginning of the period		222.7	196.6	665.8	281.8	281.8
Cash and cash equivalents at the end of the period		132.6	204.7	132.6	204.7	665.8

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 share (joint venture) in the residential development company Nordr. Nordr has residential units under construction and a land bank in the largest Norwegian and Swedish cities. In Stavanger, Norwegian Property has a joint venture for the development of a property with a combined residential and commercial purpose.

The holding company, Norwegian Property ASA, is a public limited company with its headquarters located 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 8 July 2021. The report has not been audited.

In accordance with the requirements of 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 2020.

NOTE 2: Accounting policies

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

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities primarily relate 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 the applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report are in accordance with the principles applied in preparing the annual accounts for 2020. 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 2020.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2020. Norwegian Property has not implemented any new standards or changes of standards in the 2021 interim financial statement. There are no material new standards and interpretations not yet implemented.

NOTE 3: Segment information

Commercial properties

Norwegian Property's primary business is the ownership and management of commercial properties in the Oslo region.

Residential properties

From 2018, the company had a portfolio of residential units under construction at Hasle in Oslo. The project was completed in 2020. In the third quarter of 2020 the company made an investment in the residential development company Nordr. In Stavanger, Norwegian Property has a joint venture for the development of a property with a combined residential and commercial purpose (Forusbeen 35).

Financial segment information

The segmentation of operating profit, excluding the 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.

The segment information relating to income statement items in the second quarter of 2021 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	228.6	-	-	228.6
Total property-related expenses	(29.8)	-	-	(29.8)
Administrative expenses	-	-	(14.2)	(14.2)
Share of profit in joint ventures	0.1	47.2	-	47.3
Change in market value of investment property	65.8	-	-	65.8
Operating profit	264.7	47.2	(14.2)	297.8
Net financial items			(90.2)	(90.2)
Profit before income tax			(104.4)	207.6
Income tax			(31.7)	(31.7)
Profit for the period			(136.1)	175.8

The segment information relating to income statement items in the second quarter of 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	172.0	458.0	-	630.0
Project cost from the sale of residential units	-	(430.6)	-	(430.6)
Total property-related expenses	(30.4)	-	-	(30.4)
Administrative expenses	-	-	(9.7)	(9.7)
Change in market value of investment property	(261.6)	-	-	(261.6)
Operating profit	(120.1)	27.3	(9.7)	(102.4)
Net financial items			(78.6)	(78.6)
Profit before income tax			(88.3)	(181.0)
Income tax			10.9	10.9
Profit for the period			(77.4)	(170.1)

The segment information relating to income statement items in the first half of 2021 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	454.3	-	-	454.3
Total property-related expenses	(61.1)	-	-	(61.1)
Administrative expenses	-	-	(26.2)	(26.2)
Share of profit in joint ventures	(0.2)	55.6	-	55.4
Change in market value of investment property	276.2	-	-	276.2
Operating profit	669.3	55.6	(26.2)	698.6
Net financial items			(75.7)	(75.7)
Profit before income tax			(101.9)	622.9
Income tax			(112.5)	(112.5)
Profit for the period			(214.4)	510.4

The segment information relating to income statement items in the first half of 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	339.7	855.2	-	1,194.8
Project cost from the sale of residential units	-	(802.3)	-	(802.3)
Total property-related expenses	(65.3)	(0.1)	-	(65.4)
Administrative expenses	-	-	(22.9)	(22.9)
Change in market value of investment property	(248.1)	-	-	(248.1)
Operating profit	26.3	52.8	(22.9)	56.2
Net financial items			(337.5)	(337.5)
Profit before income tax			(360.3)	(281.3)
Income tax			10.4	10.4
Profit for the period			(349.9)	(270.9)

The 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 the 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

The segment information related to balance sheet items as at 30 June 2021 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	23,674.3	-	-	23,674.3
Other fixed assets	34.1	-	1.9	36.0
Investment in joint ventures	-	1,048.8	-	1,048.8
Receivables	492.0	-	-	492.0
Cash and cash equivalents	-	-	132.6	132.6
Deferred tax	-	-	(1,381.4)	(1,381.4)
Financial derivative instruments	-	-	(89.7)	(89.7)
Interest bearing liabilities	-	-	(11,748.4)	(11,748.4)
Other liabilities	(102.6)	-	(137.0)	(239.6)
Total equity			(11,924.6)	(11,924.6)

The segment information related to balance sheet items as at 30 June 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	16,421.2	-	-	16,421.2
Other fixed assets	37.6	-	1.3	38.9
Receivables	75.0	1.8	-	76.8
Property related inventory	-	1.1	-	1.1
Cash and cash equivalents	-	-	204.7	204.7
Deferred tax	-	-	(855.8)	(855.8)
Financial derivative instruments	-	-	(282.3)	(282.3)
Interest bearing liabilities	-	-	(7,478.0)	(7,478.0)
Other liabilities	(47.6)	(67.9)	(94.3)	(209.8)
Total equity			(7,929.7)	(7,929.7)

The segment information related to balance sheet items as 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
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)

NOTE 4: Investment property, rental guarantees and other fixed assets

Investment property and rental guarantees

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

Amounts in NOK million	Note	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Total value of investment property and rental guarantees, opening balance		23,726.4	16,647.5	23,450.0	16,558.3	16,558.3
Fair value adjustments of investment property		67.4	(261.6)	238.8	(248.1)	1,827.5
Fair value adjustments of rental guarantees	1	(1.6)	-	37.4	-	-
Total fair value adjustments of investment property and rental guarantees		65.8	(261.6)	276.2	(248.1)	1,827.5
Fair value adjustments of owner-occupied investment property, recognised in other comprehensive income		(4.8)	(1.9)	2.9	(0.3)	8.7
Interest income on rental guarantee receivables	1	2.3	-	4.6	-	0.7
Investment in properties	2	191.3	37.3	247.5	111.3	5,141.6
Payments related to the rental guarantee		6.3	-	6.3	-	-
Sale/transfer of investment property at book value	3	-	-	-	-	(86.9)
Total value of investment property and rental guarantees, closing balance		23,987.4	16,421.2	23,987.4	16,421.2	23,450.0
Of which is book value of investment property		23,573.8	16,332.6	23,573.8	16,332.6	23,087.6
Of which is book value of owner-occupied inv. property	4	100.5	88.6	100.5	88.6	97.6
Of which is book value of rental guarantee receivables	1	313.1	-	313.1	-	264.8

¹ An estimated value related to the rental guarantee provided by the seller of the property at Snarøyveien 30 is presented as a receivable in the balance sheet. The seller guarantees an agreed level for the rent and common costs of vacant premises from the takeover in 2020 until mid-2027.

² Includes the large purchase of the property at Snarøyveien 30 in 2020. The acquisition is for accounting purposes not treated as a business combination, but rather as an ordinary purchase of an investment property.

³ Applies to the sale of Forusbeen 35 at year-end 2020 to a joint venture where Norwegian Property owns 50 per cent.

⁴ Owner-occupied property is accounted for at fair value and revaluation is included in other comprehensive income.

Investment property and rental guarantees at fair value through profit or loss is specified in the following table broken down by the valuation method.

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
	30.06.21			
Investment property	-	-	23,573.8	23,573.8
Owner-occupied property	-	-	100.5	100.5
Rental guarantee receivables	-	-	313.1	313.1
Total	-	-	23,987.4	23,987.4
	30.06.20			
Investment property	-	-	16,332.6	16,332.6
Owner-occupied property	-	-	88.6	88.6
Total	-	-	16,421.2	16,421.2
	31.12.20			
Investment property	-	-	23,087.6	23,087.6
Owner-occupied property	-	-	97.6	97.6
Rental guarantee receivables	-	-	264.8	264.8
Total	-	-	23,450.0	23,450.0

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

The company's policy is to make transfers between levels at the time of the incident or circumstance which caused the transfer. No movements between the levels have occurred in 2020 and 2021.

Other fixed assets

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

Amounts in NOK million	30.06.21	30.06.20	31.12.20
Energy production and distribution system at Aker Brygge in Oslo	29.6	31.1	30.1
Other assets	6.4	7.8	7.7
Other fixed assets	36.0	38.9	37.8

NOTE 5: Inventory

The change in the balance sheet item for inventories is in its entirety related to a project which was previously under development at Hasle, as specified in the table below. All the units were sold and delivered to the end users in 2019 and 2020.

Amounts in NOK million	30.06.21	30.06.20	31.12.20
Book value, opening balance	-	708.5	708.5
Accrued cost during the period	-	94.8	91.8
Cost from the sale of residential units	-	(802.3)	(800.4)
Book value, closing balance	-	1.1	-

NOTE 6: Joint ventures

Nordr

In 2020, Norwegian Property acquired Nordr 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. Norwegian

Property owns 40.6 per cent of all shares in the company. Nordr 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.

Forusbeen 35

In 2020 the property at Forusbeen 35 in Stavanger underwent 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 2020.

Other joint ventures

In 2019, Norwegian Property owned a 50 per cent stake in the property at Badehusgata 33-39 in Stavanger. In December 2019, the ownership interest in the property was sold. The final settlement of the transaction was made in 2020.

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

Amounts in NOK million	Nordr	Forusbeen 35	Total 30.06.21	Total 30.06.20	Total 31.12.20
Book value, opening balance	1,013.6	-	1,013.6	-	-
Share of profit for the period	55.6	(0.2)	55.4	-	(4.9)
Currency changes ¹	(20.5)	-	(20.5)	-	(1.5)
Acquisition of joint ventures	-	-	-	-	1,020.1
Reduction in receivables	-	0.2	0.2	-	-
Book value, closing balance	1,048.8	-	1,048.8	-	1,013.6

¹ The currency risk associated with the Nordr business in Sweden is not hedged.

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

Amounts in NOK million	Nordr	Forusbeen 35	Total 2Q-21 ¹	Total 2Q-20
Revenue	1,194.9	0.6	1,195.5	-
Project cost from sale of residential units	(984.9)	-	(984.9)	-
Other operating expenses	(87.3)	(1.2)	(88.5)	-
Share of profit in joint ventures	42.6	-	42.6	-
Operating profit	165.3	(0.6)	164.7	-
Net financial items	(27.6)	0.8	(26.8)	-
Profit before income tax	137.7	0.2	137.9	-
Income tax	(24.2)	(0.0)	(24.2)	-
Profit for the period	113.5	0.2	113.6	-
Share of profit for the period	47.2	0.1	47.3	-
The groups total share of profit for the period	47.2	0.1	47.3	-

¹ The groups share of profit for 2021 is related to Nordr and Forusbeen 35.

Norwegian Property's share of profit in joint ventures for the first half and full year is specified in the table below.

Amounts in NOK million	Nordr	Forusbeen 35	Total 30.06.21 ¹	Total 30.06.20	Total 31.12.20 ²
Revenue	1,712.7	1.3	1,714.0	-	1,483.5
Project cost from sale of residential units	(1,362.5)	-	(1,362.5)	-	(1,351.5)
Other operating expenses	(220.5)	(1.8)	(222.3)	-	(233.0)
Share of profit in joint ventures	65.8	-	65.8	-	116.0
Operating profit	195.4	(0.5)	194.9	-	15.1
Net financial items	(41.0)	-	(41.0)	-	(35.3)
Profit before income tax	154.5	(0.5)	154.0	-	(20.2)
Income tax	(23.0)	0.1	(22.9)	-	4.5
Profit for the period	131.4	(0.4)	131.0	-	(15.7)
Share of profit for the period	55.6	(0.2)	55.4	-	(4.9)
Share of gain from disposal for the period	-	-	-	-	4.5
The groups total share of profit for the period	55.6	(0.2)	55.4	-	(0.4)

¹ The groups share of profit for 2021 is related to Nordr and Forusbeen 35.

² The groups share of profit before gain from disposal for 2020 is related to Nordr, and the groups share of gain from disposal 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	Forusbeen 35	Total 30.06.21	Total 30.06.20	Total 31.12.20
Investment property	-	27.5	27.5	-	21.7
Other fixed assets	28.8	-	28.8	-	87.2
Investment in joint ventures	1,409.0	-	1,409.0	-	1,189.5
Property related inventory	7,974.3	79.9	8,054.2	-	7,139.1
Receivables	899.4	-	899.4	-	1,372.5
Cash and cash equivalents	1,127.9	0.1	1,127.9	-	951.6
Deferred tax	(150.2)	0.1	(150.1)	-	(97.6)
Interest bearing liabilities	(5,706.5)	-	(5,706.5)	-	(5,769.8)
Shareholder debt ¹	-	(104.5)	(104.5)	-	(86.9)
Other liabilities	(3,099.3)	(3.4)	(3,102.7)	-	(2,405.1)
Total equity	(2,483.4)	0.4	(2,483.0)	-	(2,402.2)
The groups share of total equity ²	(1,048.8)	-	(1,048.8)	-	(1,013.6)

¹ 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 of NOK 86.9 million. Other debt to shareholders amounts to NOK 17.6 million.

² The NOK 0.2 million share of negative equity for Forusbeen 35 is accounted for as a reduction of receivables.

NOTE 7: Financial derivatives

Change in net derivatives in the balance sheet (interest-rate derivatives) is specified in the table below¹.

Amounts in NOK million	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Net book value of derivatives, opening balance	(80.8)	(267.7)	(177.1)	(75.5)	(75.5)
Fair value adjustments of derivatives	(8.9)	(14.7)	87.4	(206.9)	(101.6)
Net book value of derivatives, closing balance	(89.7)	(282.4)	(89.7)	(282.4)	(177.1)
Of which classified as non-current assets	11.0	36.7	11.0	36.7	25.5
Of which classified as non-current liabilities	(100.6)	(304.0)	(100.6)	(304.0)	(199.8)
Of which classified as current liabilities	(0.1)	(15.0)	(0.1)	(15.0)	(2.8)

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

NOTE 8: Financial instruments

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

Amounts in NOK million	30.06.2021		30.06.2020		31.12.2020	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-current derivatives	11.0	11.0	36.7	36.7	25.5	25.5
Non-current receivables	313.1	313.1	13.0	13.0	264.8	264.8
Current receivables	120.5	120.5	15.4	15.4	116.3	116.3
Cash and cash equivalents	132.6	132.6	204.7	204.7	665.8	665.8
Total financial assets	577.2	577.2	269.7	269.7	1,072.5	1,072.5
Non-current derivatives	100.6	100.6	304.0	304.0	199.8	199.8
Non-current interest-bearing liabilities	10,721.0	10,751.6	5,672.9	5,686.8	10,700.6	10,729.8
Other non-current liabilities	2.0	2.0	2.2	2.2	2.1	2.1
Current derivatives	0.1	0.1	15.0	15.0	2.8	2.8
Current interest-bearing liabilities	1,027.5	1,025.0	1,805.1	1,815.1	1,396.4	1,395.8
Other current liabilities	196.8	196.8	167.8	167.8	214.4	214.4
Total financial liabilities	12,048.0	12,076.1	7,966.9	7,990.9	12,516.1	12,544.7

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 which is calculated by using quoted swap curves and exchange rates as 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 the valuation method.

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
	30.06.21			
Non-current derivatives (assets)	-	11.0	313.1	324.1
Non-current derivatives (liabilities)	-	(100.6)	-	(100.6)
Current derivatives (liabilities)	-	(0.1)	-	(0.1)
Total	-	(89.7)	313.1	223.4
	30.06.20			
Non-current derivatives (assets)	-	36.7	-	36.7
Non-current derivatives (liabilities)	-	(304.0)	-	(304.0)
Current derivatives (liabilities)	-	(15.0)	-	(15.0)
Total	-	(282.3)	-	(282.3)
	31.12.20			
Non-current derivatives (assets)	-	25.5	264.8	290.3
Non-current derivatives (liabilities)	-	(199.8)	-	(199.8)
Current derivatives (liabilities)	-	(2.8)	-	(2.8)
Total	-	(177.0)	264.8	87.8

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

The company's policy is to make transfers between levels at the time of the incident or circumstance which caused the transfer. No movements between the levels have occurred in 2020 and 2021.

NOTE 9: Net interest-bearing position

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

Amounts in NOK million	Note	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Loan facilities at par value, opening balance		11,619.7	7,844.7	12,118.7	8,168.1	8,168.1
Net change of loan facilities		150.3	(361.2)	(348.7)	(684.6)	3,950.7
Loan facilities at par value, closing balance	1	11,770.0	7,483.5	11,770.0	7,483.5	12,118.7
Capitalised borrowing cost		(21.6)	(5.5)	(21.6)	(5.5)	(21.6)
Book value of interest-bearing debt		11,748.4	7,478.0	11,748.4	7,478.0	12,097.1
Of which classified as non-current liabilities		10,721.0	5,672.9	10,721.0	5,672.9	10,700.6
Of which classified as current liabilities		1,027.5	1,805.1	1,027.5	1,805.1	1,396.4
Interest-bearing debt		(11,748.4)	(7,478.0)	(11,748.4)	(7,478.0)	(12,097.1)
Interest-bearing receivable	2	107.9	13.0	107.9	13.0	99.9
Cash and cash equivalents		132.6	204.7	132.6	204.7	665.8
Net interest-bearing position		(11,507.9)	(7,260.3)	(11,507.9)	(7,260.3)	(11,331.3)

¹ *Unutilised credit facilities was NOK 1,400 million as at 30 June 2021, NOK 910 million as at 31 December 2020 and NOK 1,460 million as at 30 June 2020.*

² *Interest-bearing receivables as at 30 June 2021 and 31 December 2020 are related to short-term seller credit and loans to the joint venture for Forusbeen 35 of NOK 94.9 million and a seller credit related to the sale of Bادهusgata 33-39 of NOK 13 million.*

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. As at 30 June 2021, 75.6 per cent of such loans was secured (30 June 2020: 77.6 per cent). The remaining time to maturity for interest hedging agreements was 6.5 years (4.8 years).

The total average interest margin on loans was 137 basis points (120 basis points). The loan portfolio has an average interest rate of 2.77 per cent (3.25 per cent), and the remaining time to maturity for interest-bearing debt was 4.7 years (2.4 years).

NOTE 10: Net financial items

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

Amounts in NOK million	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Interest income on bank deposits and receivables	1.1	0.8	2.3	2.2	3.5
Other financial income	2.3	-	4.6	-	0.7
Total financial income	3.4	0.8	6.9	2.2	4.2
Interest expense on borrowings	(84.7)	(64.7)	(170.0)	(132.8)	(264.8)
Total financial cost	(84.7)	(64.7)	(170.0)	(132.8)	(264.8)
Realised net financial items	(81.3)	(63.9)	(163.1)	(130.6)	(260.6)
Change in the market value of financial derivative instruments	(8.9)	(14.7)	87.4	(206.9)	(101.6)
Net financial items	(90.2)	(78.6)	(75.7)	(337.5)	(362.2)

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	2Q-21	2Q-20	30.06.21	30.06.20	31.12.20
Profit before income tax	207.5	(181.0)	623.0	(281.3)	2,075.6
Income tax calculated at 22 per cent	45.7	(39.8)	137.0	(61.9)	456.6
Differences between financial accounts and tax accounts	(13.9)	28.9	(24.5)	51.5	(56.9)
Income tax	31.7	(10.9)	112.5	(10.4)	399.7
Deferred tax, opening balance	1,350.6	867.0	1,268.0	866.1	866.1
Recognised through profit and loss	31.7	(10.9)	112.5	(10.4)	399.7
Recognised through comprehensive income	(1.0)	(0.3)	0.8	0.1	2.2
Deferred tax, closing balance	1,381.3	855.8	1,381.3	855.8	1,268.0

NOTE 12: Related-party disclosures

No agreements or significant transactions with related parties have been carried out in 2021.

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 2020).

NOTE 13: Events after the balance sheet date

In accordance with the mandate from the annual general meeting in 2021 the board decided on 8 July 2021 that a dividend of NOK 0.10 per share will be paid for the second quarter of 2021.

No other significant events have occurred after the balance sheet date as at 30 June 2021.

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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For further information on Norwegian Property, including presentation material relating to this interim report and financial information, please visit www.npro.no.

Disclaimer

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property's Annual Report for 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.