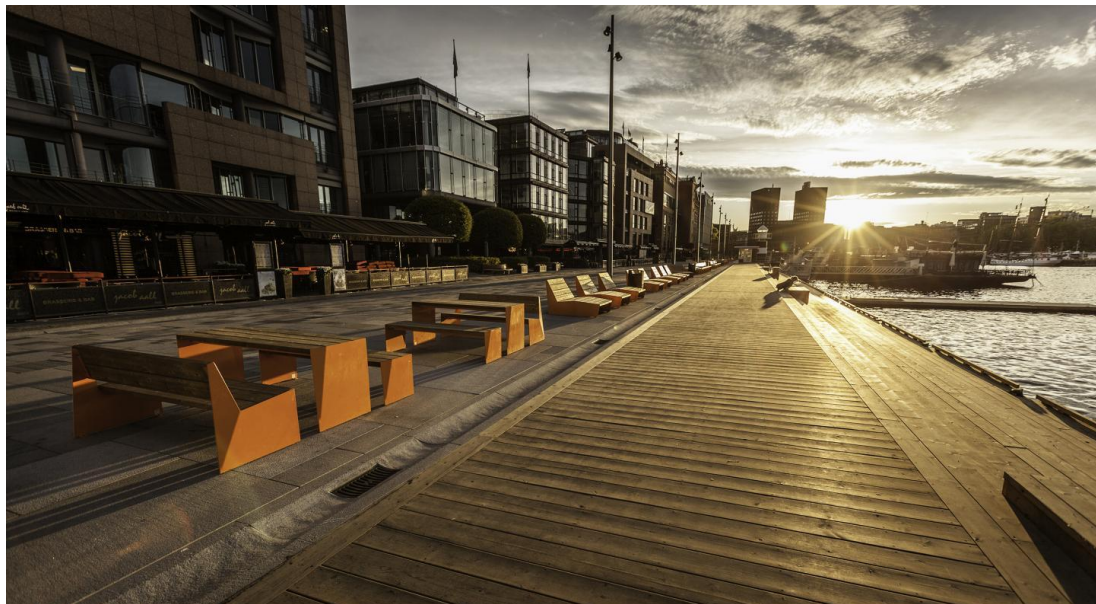


Interim report

Second quarter and first half 2020



Aker Brygge, Oslo

30.06.2020

NORWEGIAN PROPERTY ASA

Important events in the second quarter of 2020

Revenues continuing to grow

Total revenues came to NOK 630 million in the second quarter (NOK 179.2 million).¹ The increase was mainly driven by the acquisition of Lille Grensen 7 at the end of last year and the delivery of residential units at Hasle.

Overall rental income amounted to NOK 172 million for the second quarter, representing a like-for-like reduction of NOK 6.6 million from last year.

The final 81 of 223 units for the residential project at Hasle in Oslo were delivered in the second quarter. Sales revenues in the second quarter came to NOK 458 million and pre-tax profit was NOK 27.3 million.

Profit before tax and fair-value adjustments of NOK 95.3 million

Profit before tax and fair-value adjustments came to NOK 95.3 million, compared with NOK 75 million for the second quarter of 2019. The increase related to the growth in revenues.

Net loss of NOK 170.1 million and negative ordinary EPS of NOK 0.34

The net loss for the period came to NOK 170.1 million (profit of NOK 240.3 million) after negative fair-value adjustments for investment properties and interest-rate-derivatives. That meant second-quarter earnings per share (EPS) were negative at NOK 0.34. Carried equity per share at 30 June 2020 was NOK 16.06, down from NOK 16.41 at 31 March.

Change in market value of investment properties and interest-rate derivatives

The valuation of the property portfolio resulted in an unrealised negative fair-value adjustment of NOK 261.6 million (positive change of NOK 230.4 million). The negative impact related mainly to two factors - changes in market rent for certain buildings and yields for retail premises. Long-term market interest rates have declined, and the fair-value adjustment for interest-rate derivatives was negative at NOK 14.7 million (NOK 0.7 million).

New leases

New leases with a total annual rental income of NOK 33.6 million were signed or extended in the second quarter. Expired leases totalled NOK 12.9 million. The net increase in annual rents from leases during the quarter was therefore NOK 20.7 million.

Financing activities

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

Transactions

Norwegian Property agreed in the second quarter of 2020 to acquire Veidekke Eiendom together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg will be equal partners with shares of 42.5 per cent each, Union will own 15 per cent. The transaction is expected to be completed in September 2020.

At the start of 2020, Veidekke Eiendom had 1 575 flats under construction and a land bank of about 15 500 units in Norway and Sweden. The land bank is largely located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

This investment is in line with Norwegian Property's communicated ambitions and strategy for growth. The company regards the transaction as a good opportunity to continue developing the business in collaboration with industrial and financial partners to share the development risk.

Extraordinary General Meetings

An EGM was held on 25 May 2020 to adjust the Articles of Association. An EGM will be held on 10 August 2020 to propose a proxy to increase the share capital with up to 20 per cent of the company's existing share capital in order to have flexibility for the financing of the Veidekke Eiendom transaction.

Dividend

Given the extraordinary conditions created by the Covid-19 pandemic and the company's recent investment in Veidekke Eiendom, the board has

¹ Figures in brackets refer to the corresponding period of the year before.

resolved to pay no dividend for the second quarter of 2020.

Effects of Covid-19 on the business

Some community functions and businesses in Norway were shut down from mid-March as a result of the Covid-19 outbreak. This affected many businesses during the second quarter. The shutdown began to be eased towards the end of the quarter. Apart from major events and travel, Norwegian life was mostly back to normal at 30 June. Citizens from most part of Europe will be permitted to enter Norway from 15 July.

During the second quarter, Norwegian Property focused on the health and safety of employees, tenants, visitors and suppliers. It observed the government's recommendations to help prevent the spread of the virus. Ongoing development and refurbishment projects have not been adversely affected to any significant extent.

Many businesses and tenants were put in a stressful financial position by the shutdown during the second quarter. The Norwegian government has implemented

a compensation scheme for companies, which partially covers unavoidable fixed costs. The scheme has secured the basis for continued operation at many companies.

Total provisions of NOK 5 million have been made in the second-quarter financial statements to take account of the estimated negative effects on income and operating costs for the company at the balance sheet date. The shutdown has particularly affected retailers, restaurants and service providers. Norwegian Property's annual rental income (run rate) at 30 June from such tenants was NOK 135 million. Total run rate for the company's whole property portfolio of NOK 666 million.

The existing uncertainty affected property values in the second quarter. After several years with positive changes, valuations for the second quarter of 2020 showed a negative trend. The negative impact is mainly related to two factors, change in market rent for certain buildings and change in yields for retail premises.

Key figures

The table below presents key financial figures² for the company.

Profit and loss		2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Revenues	NOK mill.	630.0	179.2	1 194.8	370.7	1 118.0
Operating profit before admin expenses	NOK mill.	599.6	149.8	1 129.5	311.6	1 000.8
Operating profit before value adjustments	NOK mill.	159.2	140.2	304.3	289.3	651.4
Profit before income tax and value adjustments	NOK mill.	95.3	75.0	173.7	160.2	397.4
Profit before income tax	NOK mill.	(181.0)	304.7	(281.3)	525.0	1 253.7
Profit after income tax	NOK mill.	(170.1)	240.3	(270.9)	409.6	1 006.7
Balance sheet		2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Market value of property portfolio	NOK mill.	16 421.2	15 181.2	16 421.2	15 181.2	16 558.3
Total equity	NOK mill.	7 929.7	7 700.6	7 929.7	7 700.6	8 233.9
Interest-bearing debt	NOK mill.	7 478.0	7 528.0	7 478.0	7 528.0	8 157.4
Equity ratio	Per cent	47.2	46.8	47.2	46.8	46.4
Pre-tax return on equity	Per cent	(9.0)	15.5	(7.0)	13.4	15.4
Cash flow		2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Net cash flow from operating activities	NOK mill.	429.3	(57.2)	812.2	(43.4)	354.9
Cash and cash equivalents	NOK mill.	204.7	129.0	204.7	129.0	281.8
Key figures; per share		2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Number of shares outstanding, end of the period	Mill. shares	493.6	493.6	493.6	493.6	493.6
Average number of shares in the period	Mill. shares	493.6	532.8	493.6	540.6	540.6
Profit before income tax	NOK	(0.37)	0.57	(0.57)	0.97	2.32
Earnings per share (EPS)	NOK	(0.34)	0.45	(0.55)	0.76	1.86
Net cash flow from operating activities	NOK	0.87	(0.11)	1.65	(0.08)	0.66
Interest-bearing debt	NOK	15.15	15.25	15.15	15.25	16.53
NAV, book value	NOK	16.06	15.60	16.06	15.60	16.68
Deferred property tax	NOK	1.58	1.48	1.58	1.48	1.65
Fair value of fin. derivative instruments	NOK	0.45	0.23	0.45	0.23	0.12
NAV, adjusted	NOK	18.09	17.32	18.09	17.32	18.45
Fair value of deferred tax	NOK	(0.87)	(0.75)	(0.87)	(0.75)	(0.98)
Fair value of fin. derivative instruments	NOK	(0.51)	(0.27)	(0.51)	(0.27)	(0.14)
Fair value of debt	NOK	(0.04)	(0.05)	(0.04)	(0.05)	(0.05)
NNNAV	NOK	16.67	16.25	16.67	16.25	17.29

² 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

Operating revenue for Norwegian Property in the second quarter related to leasing commercial property and sales of residential units, and totalled NOK 630 million. That compares with NOK 179.2 million for the same period of 2019, excluding revenue from sales of residential units. Operating revenues for the first half totalled NOK 1 194.8 million (NOK 370.7 million).

Rental income from commercial properties amounted to NOK 172 million in the second quarter (NOK 179.2 million). On a like-for-like basis, that represented a reduction of NOK 6.6 million from the same period of last year. A provision of NOK 3 million has been made for the expected reduction in turnover-based rents during the second quarter, owing to the Covid-19 pandemic and the effects of the shutdown. Rental income for the first half totalled NOK 339.7 million (NOK 370.7 million), representing a like-for-like reduction of NOK 13.6 million. A total provision of NOK 7 million has been made for the expected reduction in turnover-based rents in the first half year.

The residential development project at Hasle in Oslo was completed in the second quarter, when the final 81 of 223 units were delivered. Sales revenues from residential units came to NOK 458 million. The pre-tax profit was NOK 27.3 million. Sales revenues for the first half totalled NOK 1 194.8 million, with a pre-tax profit of NOK 52.8 million.

Turnover for retail and restaurant tenants at Aker Brygge in Oslo during the second quarter was down by 33 per cent from the same period of last year. This reduction related to the effects of the Covid-19 shutdown.

Operating costs

Property-related operational expenses totalled NOK 14.6 million (NOK 16.3 million) for the second quarter and NOK 29 million in the first half (NOK 32 million). Other property-related expenses came to NOK 15.9 million (NOK 13.1 million) for the quarter and NOK 36.4 million (NOK 27.1 million) in the first half. Provisions totalling NOK 2 million have been made for losses on claims and other costs in the second quarter owing to the Covid-19 pandemic and the effects of the shutdown.

Administrative expenses were NOK 9.7 million (NOK 12.2 million) for the quarter and NOK 22.9 million (NOK 26.6 million) in the first half.

Share of profit from joint ventures and associates

Norwegian Property had no ownership interests in joint ventures and associates in the first half of 2020. The company's share of net profit from joint ventures was NOK 2.7 million for the second quarter of 2019 and NOK 4.3 million in the first half of 2019.

During the second quarter of 2020, Norwegian Property agreed to acquire Veidekke Eiendom together with partners. This transaction is expected to be completed in September 2020. Norwegian Property's share will be presented in accordance with the equity method in the income statement and balance sheet.

Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 159.2 million (NOK 140.2 million) for the second quarter and NOK 304.3 million (NOK 289.3 million) in the first half.

Fair-value adjustments for investment property

After several years of positive changes, valuations for the second quarter of 2020 showed a negative trend. The negative impact related mainly to two factors, changes in market rent for certain buildings and yields for retail premises. Valuation of the property portfolio yielded a negative unrealised fair-value adjustment of NOK 261.6 million (positive change of NOK 230.4 million) for the second quarter and NOK 248.1 million (positive change of NOK 355.1 million) in the first half. The total market value of the property portfolio carried on the balance sheet at 30 June 2020 amounted to NOK 16 421.2 million.

Net financial items

Net realised financial expenses came to NOK 63.9 million (NOK 65.2 million) for the quarter and NOK 130.6 million (NOK 129.1 million) in the first half.

Long-term market interest rates were reduced in the second quarter, and the fair-value adjustment for interest-rate derivatives showed a negative change of NOK 14.7 million (NOK 0.7 million) for the quarter and NOK 206.9 million (positive change of NOK 9.7 million) in the first half.

Profit for the period

The pre-tax loss was NOK 181.0 million (profit of NOK 304.7 million) for the quarter and NOK 281.3 million (profit of NOK 525 million) in the first half. The reduction in non-payable deferred tax was NOK 10.9 million (increase of NOK 64.4 million) for the quarter and NOK 10.4 million (increase of NOK 115.4 million) in the first half. The net loss was thereby NOK 170.1 million (profit of NOK 240.3 million) for the quarter and NOK 270.9 million (profit of NOK 409.6 million) in the first half.

Balance sheet

The carrying amount of the company's total assets in the balance sheet was NOK 16 792.3 million (NOK 16 440.4 million), with investment property accounting for NOK 16 332.6 million (NOK 15 042.1 million) and properties used by the owner for NOK 88.6 million (NOK 86.2 million).

Norwegian Property held NOK 204.7 million (NOK 129 million) in cash and cash equivalents at 30 June.

Total interest-bearing liabilities in the balance sheet came to 7 478 million (NOK 7 528 million), with non-current interest-bearing liabilities totalling NOK 5 672.9 million (NOK 6 610.1 million) and current interest-bearing liabilities amounting to NOK 1 805.1 million (NOK 918 million).

Financial derivatives accounted for a net liability item of NOK 282.4 million (NOK 146.8 million), with NOK 319 million (NOK 153.1 million) classified as liabilities and NOK 36.7 million (NOK 6.3 million) as assets.

Equity at 30 June totalled NOK 7 929.7 million (NOK 7 700.6 million), representing an equity ratio of 47.2 per cent (46.8 per cent). Carried equity per share was NOK 16.06 (NOK 15.60). Outstanding shares at 30 June totalled 499 875 596 (548 446 832). Treasury shares totalled 6 250 000 and 493 625 596 shares were held by external shareholders.

Cash flow

Net operational cash flow was NOK 429.3 million (negative at NOK 57.2 million) for the quarter and NOK 812.2 million (negative at NOK 43.4 million) in the first half. Cash earnings amounted to NOK 97 million in the quarter, with NOK 27.3 million related to the sale of residential units. The change in property-related inventory relating to the residential project at Hasle came to NOK 356.1 million and the negative change in other short-term items amounted to NOK 23.8 million.

Investment in fixed assets came to NOK 60.1 million (NOK 74.6 million) for the quarter, related to adjustments for lessees associated with new and renegotiated leases and ongoing operational investments. Investment totalled NOK 170.1 million (NOK 99.2 million) in the first half.

Net cash flow from financing activities was negative at NOK 361.2 million (NOK 185.1 million) for the quarter following a reduction in interest-bearing debt. For the first half, the figure was negative at NOK 719.2 million (NOK 1 030 million) following a reduction of NOK 684.6 million in interest-bearing debt and NOK 34.6 million in dividend.

Cash and cash equivalents showed an increase of NOK 8.1 million (reduction of NOK 316.9 million) for the quarter and a reduction of NOK 77.1 million (increase of NOK 4.4 million) in the first half.

Financing

Key figures

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

Interest bearing debt and hedging		30.06.20	30.06.19	31.12.19
Interest-bearing debt ¹	NOK mill.	7 478.0	6 740.4	7 494.5
Cash and cash equivalents	NOK mill.	204.7	129.0	281.8
Interest-hedging ratio	Per cent	77.6	62.3	69.4
Unutilised credit facilities	NOK mill.	1 460.0	550.0	150.0
Remaining time to maturity for interest hedge agreements	Years	4.8	4.8	4.9
Average interest rate	Per cent	3.25	3.63	3.50
Average interest margin	Per cent	1.20	1.22	1.22
Remaining time to maturity for interest-bearing debt	Years	2.4	2.9	2.7
Market value of property portfolio	NOK mill.	16 421.2	15 181.2	16 558.3
Gross debt to asset ratio (gross LTV)	Per cent	45.5	44.4	45.3
Net debt to asset ratio (net LTV) ²	Per cent	44.3	43.6	43.6

¹ Excluding construction loan financing for the residential project at Hasle in Oslo, amounting to NOK 787.6 million at 30 June 2019 and NOK 662.9 million at 31 December 2019.

² 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.

Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 478 million (NOK 7 528 million) at 30 June. In addition, the company had undrawn credit and overdraft facilities of NOK 750 million (NOK 550 million) at 30 June.

Current interest-bearing debt at 30 June related primarily to bond loans totalling NOK 1 806 million which mature in the next 12 months. Short-term bond loans relate to the NPRO-06 bond loan of NOK 1 335 million maturing in July 2020 and the NPRO-12 bond loan of NOK 471 million maturing in the fourth quarter of 2020.

Attention in the second quarter was concentrated on refinancing the NOK 1 335 million NPRO-06 bond loan due for repayment on 6 July. The company has entered into bilateral loan agreements with SEB and DNB for RCFs of NOK 510 million and NOK 200 million respectively. Both RCFs have a one-year maturity. Together with the undrawn amount of NOK 750 million in the existing RCF with Nordea, SEB and DNB these agreements covered the amount due in July. The company is working to refinance the NOK 471 million NPRO-12 bond loan due in the fourth quarter.

Interest hedges

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

Maturity profile of interest hedges	Amount (NOK mill.)	Interest ¹ (per cent)	Share of total liabilities (per cent)
< 1 year	2 572	1.8	34
1 > 2 year	200	2.6	3
2 > 3 year	1 050	3.0	14
3 > 4 year	500	1.5	7
4 > 5 year	1 005	2.0	13
> 5 year	2 150	1.8	29
Total	7 477	2.0	100

¹ Average base interest rate for the matured amount.

Market and operations

Commercial property market

Office vacancy in Oslo is low at five per cent overall and 3.4 per cent in the city centre. Declining vacancy has contributed to a positive trend for rents. The level of activity in the transaction market has been high for several years, with many property transactions in various segments at strong yield levels. Prime yield for Oslo is estimated to be about 3.75 per cent.

The effects of the Covid-19 pandemic adversely affected many businesses in the first half of 2020. Oil prices have also fallen in 2020, with a negative impact on the oil sector. Access to loan capital on favourable terms and the activity in the property transaction market have also been affected.

During the first half of the quarter the 10-year interest rate declined from 0.99 per cent to a low point of 0.58 per cent in mid-May. Since then the effects of the coronavirus crisis on the Norwegian economy have lightened. Unemployment fell during the quarter, oil prices has risen and the NOK has strengthened. Long interest rates have increased to 0.90 per cent. However, a considerable degree of uncertainty persists.

The property portfolio

Key figures

Norwegian Property owned 28 investment properties at 30 June. 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 was NOK 666.2 million at 30 June. That represented an increase of NOK 6.3 million from 31 March. Overall financial vacancy in the property portfolio totalled 10.2 per cent, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 4.7 years, and the average rent adjustment factor for the consumer price index was 99.9 per cent for the total portfolio.

The key figures above do not include space under conversion at 30 June. Major ongoing conversion projects at the end of the quarter are specified in the table below.

Area	Property	Tenant	Area (sqm)	Completion date
Aker Brygge, Oslo	Stranden	Adv.firmaet Berngaard	680	Q3-20

New leases

New leases with a total annual rental income of NOK 10.3 million were awarded in the second quarter, while existing leases totalling NOK 23.3 million were extended. Expired leases totalled NOK 12.9 million. The net increase in annual rents from leases during the quarter was therefore NOK 20.7 million.

Property transactions

In the second quarter of 2020, Norwegian Property agreed to acquire Veidekke Eiendom together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg will be equal partners with a share of 42.5 per cent each Union will own 15 per cent. The investor group will jointly fund NOK 2.6 billion in new equity, and Veidekke Eiendom will be financed with NOK 5.7 billion of debt.

The transaction is expected to be completed in September 2020. Norwegian Property's share of the net profit will be presented in accordance with the equity method on a separate line in the consolidated income statement, and the investment will similarly be recognised on a separate line under fixed assets in the balance sheet.

At the start of 2020, Veidekke Eiendom had 1 575 flats under construction and a land bank of about 15 500 units in Norway and Sweden. The land bank is largely located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

The investment is in line with Norwegian Property's communicated ambitions and strategy for growth, and the group's low LTV provides a good platform for investments. The company regards the transaction as a good opportunity to continue developing the business in collaboration with industrial and financial partners to share the development risk.

Valuation of the property portfolio

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

At 30 June, the company's portfolio of investment properties was valued at NOK 16 421.2 million (NOK 15 181.2 million). Properties used by the owner were carried separately on the balance sheet at NOK 88.6 million, and recognised at fair value. Fair-value adjustments recognised in profit and loss for the investment properties were negative at NOK 261.6 million for the second quarter.

Environmental and corporate social responsibility (CSR)

Norwegian Property has obtained a BREEAM in use certification of Excellent for the Snarøyveien 36 property.

Extraordinary General Meetings

EGM held on 25 May 2020

An Extraordinary General Meeting was held on 25 May 2020. Resolutions were adopted as proposed in the notice of the meeting. The General Meeting resolved to amend section 3 of the Articles of Association to read as follows: "The Company operates in management, acquisitions, sales and development of real estate and infrastructure, including participation in other companies and through trading and investment in interest/units and securities, as well as businesses which are related to such."

Anne Lise E. Gryte was elected as the new chair of the Nomination Committee, and Marianne E. Johnsen was re-elected as a member of the Committee.

EGM to be held on 10 August 2020

Reference is made to Norwegian Property's disclosure on 16 June 2020 and NPRO Holding AS NOK 1.1 billion acquisition of 42.5 per cent of Veidekke Eiendom which is expected to be completed in September 2020. The board of Norwegian Property ASA will propose that the General Meeting resolves a proxy to increase the share capital with up to 20 per cent of the company's existing share capital in order to have maximum flexibility in respect financing of the transaction. The proxy will come in addition to the proxies granted at the Ordinary General Meeting earlier this year. The Extraordinary General Meeting will be held on 10 August 2020 according to separate notice. No decision has yet been

made in respect of how the Veidekke Eiendom transaction will be financed.

Shareholder information

Norwegian Property had 1 407 registered shareholders at 30 June, up by 144 from 31 March.

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

The number of shares traded during the second quarter averaged 28 829 per day. For 2019 as a whole, the daily average was 327 999 shares. Corresponding daily turnover in 2018 was 175 071 shares.

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

Shareholder	Type of acc.	Country	Number of shares	Share
GEVERAN TRADING CO LTD	ORD	CYP	399 155 839	79.85
FOLKETRYGDFONDET	ORD	NOR	73 951 642	14.79
NORWEGIAN PROPERTY ASA	ORD	NOR	6 250 000	1.25
DANSKE BANK AS	ORD	DNK	3 378 881	0.68
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	LUX	1 019 717	0.20
SANDEN AS	ORD	NOR	1 000 000	0.20
BANAN II AS	ORD	NOR	1 000 000	0.20
SIJOITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.15
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	726 286	0.15
SIJOITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.12
KAS BANK N.V.	NOM	NLD	562 595	0.11
STATE STREET BANK AND TRUST COMP	NOM	USA	402 485	0.08
NORDEA BANK ABP	NOM	SWE	378 349	0.08
CLEARSTREAM BANKING S.A.	NOM	LUX	294 504	0.06
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.05
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	LUX	229 632	0.05
ERIK MARTIN VIK	ORD	NOR	226 516	0.05
CAMVECTI HOLDING AS	ORD	NOR	211 556	0.04
VIGGO BENKESTOK FLYGEL VATNE	ORD	NOR	211 000	0.04
LGT BANK AG	NOM	LIE	200 000	0.04
OTHER			9 069 737	1.81
Total number of shares			499 875 596	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 company is experiencing low vacancy, good activity in the letting market and rising rent levels in its core areas in Oslo.

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

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

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

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

At 30 June 2020, uncertainty when valuing the balance sheet items had increased owing to the ongoing

pandemic. This is a particular issue for the valuation of investment properties, and applies to both future operating profit and the development of market prices since it is still difficult to assess the future effects of the pandemic.

Outlook

Norwegian Property has delivered strong and stable results from its operations and positive fair value changes for its properties over a long period. The company has experienced good demand for modern and attractive offices located close to public transport hubs at rising office market rents.

The Covid-19 pandemic adversely affected many businesses in the first half of 2020, especially service providers, retailers and restaurants. This has had a negative impact on Norwegian Property and other property companies. Norwegian Property's financial position is sound, with a high equity ratio and a relatively low loan-to-value ratio. The company has a highly diversified portfolio of tenants in both the public sector and various private business segments. This contributes to it being well positioned for handling these challenges.

Norwegian Property is pursuing several interesting long-term development opportunities in the existing commercial property portfolio. The company has concentrated its business by selling properties outside the core areas while strengthening the portfolio in the priority areas. Its ambition is to continue this process with further expansions of the portfolio. The company will also consider opportunities in other segments than traditional commercial property. In line with this ambition, Norwegian Property agreed during the second quarter of 2020 to acquire Veidekke Eiendom in collaboration with industrial and financial partners. Veidekke Eiendom has flats under construction and a substantial land bank in Norway and Sweden. Norwegian Property regards the transaction as an attractive opportunity to expand and continue developing its business.

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 2020 and the summary consolidated half-year financial statements for Norwegian Property ASA at 30 June 2020. 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 2020 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group at 30 June 2020.

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

The board of directors and CEO of Norwegian Property ASA

Oslo, 9 July 2020

Interim accounts

Consolidated condensed income statement and statement of comprehensive income

Amounts in NOK million	Note	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Rental income	3	172.0	179.2	339.7	370.7	735.1
Income from sale of residential units	3	458.0	-	855.2	-	382.9
Revenues		630.0	179.2	1 194.8	370.7	1 118.0
Property-related operational expenses		(14.6)	(16.3)	(29.0)	(32.0)	(63.8)
Other property-related expenses		(15.9)	(13.1)	(36.4)	(27.1)	(53.4)
Total property-related expenses		(30.4)	(29.4)	(65.4)	(59.2)	(117.2)
Project cost from sale of residential units	5	(430.6)	-	(802.3)	-	(357.4)
Administrative expenses		(9.7)	(12.2)	(22.9)	(26.6)	(48.8)
Total operating expenses		(470.7)	(41.7)	(890.5)	(85.8)	(523.4)
Share of profit in joint ventures	6	-	2.7	-	4.3	56.8
Operating profit before fair-value adjustments		159.2	140.2	304.3	289.3	651.4
Change in market value of investment property	4	(261.6)	230.4	(248.1)	355.1	786.8
Operating profit		(102.4)	370.6	56.2	644.4	1 438.1
Financial income	10	0.8	1.7	2.2	3.3	4.6
Financial cost	10	(64.7)	(66.9)	(132.8)	(132.4)	(258.6)
Realised net financial items		(63.9)	(65.2)	(130.6)	(129.1)	(253.9)
Change in market value of financial derivative instruments	7, 10	(14.7)	(0.7)	(206.9)	9.7	69.5
Net financial items		(78.6)	(65.9)	(337.5)	(119.4)	(184.4)
Profit before income tax		(181.0)	304.7	(281.3)	525.0	1 253.7
Income tax	11	10.9	(64.4)	10.4	(115.4)	(247.0)
Profit for the period		(170.1)	240.3	(270.9)	409.6	1 006.7
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		(170.1)	240.3	(270.9)	409.6	1 006.7

Amounts in NOK million	Note	2Q-20	2Q-19	30.06.20	30.06.19	30.06.19
Value adjustment of owner-occupied property	4	(1.2)	7.7	0.3	8.0	11.5
Total other comprehensive income		(1.2)	7.7	0.3	8.0	11.5
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		(171.3)	248.0	(270.6)	417.6	1 018.2
Total comprehensive income attributable to shareholders of the parent company		(171.3)	248.0	(270.6)	417.6	1 018.2
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

Consolidated condensed balance sheet

Amounts in NOK million	Note	30.06.2020	30.06.2019	31.12.2019
Financial derivative instruments	7	36.7	6.3	16.2
Investment property	4	16 332.6	15 042.1	16 469.3
Owner-occupied property	4	88.6	86.2	89.0
Other fixed assets	4	38.9	41.4	40.5
Investment in joint ventures	6	-	34.4	-
Receivables	6	13.0	10.3	-
Total non-current assets		16 509.8	15 220.7	16 615.0
Financial derivative instruments	7	0.0	0.0	1.0
Receivables	6, 9	76.8	87.7	128.8
Property related inventory	5	1.1	950.0	708.5
Cash and cash equivalents	9	204.7	129.0	281.8
Investment property held for sale	4	-	52.9	-
Total current assets		282.5	1 219.6	1 120.1
Total assets		16 792.3	16 440.4	17 735.1
Share capital		246.8	246.8	246.8
Share premium		1 678.1	1 678.1	1 678.1
Other paid in equity		7 561.6	7 558.9	7 560.7
Retained earnings		(1 556.7)	(1 783.1)	(1 251.6)
Total equity		7 929.7	7 700.6	8 233.9
Deferred tax	11	855.8	733.5	866.1
Financial derivative instruments	7	304.0	140.0	92.6
Interest bearing liabilities	9	5 672.9	6 610.1	5 690.5
Other liabilities		4.6	5.8	5.3
Total non-current liabilities		6 837.3	7 489.4	6 654.5
Financial derivative instruments	7	15.0	13.1	-
Interest bearing liabilities	9	1 805.1	918.0	2 466.8
Other liabilities		205.2	319.4	379.8
Total current liabilities		2 025.3	1 250.4	2 846.7
Total liabilities		8 862.6	8 739.8	9 501.2
Total equity and liabilities		16 792.3	16 440.4	17 735.1

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		-	-	-	-	417.6	417.6
Employee share-option scheme		-	-	-	1.6	-	1.6
Purchase of treasury shares 1		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares 2		(24.3)	24.3	-	-	-	-
Paid dividend		-	-	-	-	(76.8)	(76.8)
Total equity	30.06.19	249.9	(3.1)	1 678.1	7 558.9	(1 783.1)	7 700.6
Total comprehensive income		-	-	-	-	600.6	600.6
Employee share-option scheme		-	-	-	1.8	-	1.8
Paid dividend		-	-	-	-	(69.1)	(69.1)
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

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

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

Consolidated condensed statement of cash flow

Amounts in NOK million	Note	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Profit before income tax		(181.0)	304.7	(281.3)	525.0	1 253.7
Depreciation of tangible assets		1.8	1.7	2.9	3.3	7.7
Fair value adjustment of investment property	3	261.6	(230.4)	248.1	(355.1)	(786.8)
Fair value adjustment of financial derivative instruments	4	14.7	0.7	206.9	(9.7)	(81.0)
Profit for joint venture	6	-	-	-	-	(56.8)
Change in property related inventory	5	356.1	(100.2)	626.6	(167.3)	61.4
Change in short-term items		(23.8)	(33.7)	9.0	(39.6)	(43.4)
Net cash flow from operating activities		429.3	(57.2)	812.2	(43.4)	354.9
Received in connection with sale of investment property		-	-	-	823.0	957.9
Payments for purchase of investment property and other fixed assets		(60.1)	(74.6)	(170.1)	(99.2)	(1 040.2)
Other investment activities		-	-	-	354.0	354.0
Net cash flow from investing activities		(60.1)	(74.6)	(170.1)	1 077.8	271.7
Net change in interest-bearing debt	6	(361.2)	497.8	(684.6)	(308.7)	321.0
Paid dividend		-	(38.4)	(34.6)	(76.8)	(145.9)
Other financing activities		-	(644.5)	-	(644.5)	(644.5)
Net cash flow from financial activities		(361.2)	(185.1)	(719.2)	(1 030.0)	(469.4)
Net change in cash and cash equivalents		8.1	(316.9)	(77.1)	4.4	157.2
Cash and cash equivalents at the beginning of the period		196.6	445.9	281.8	124.6	124.6
Cash and cash equivalents at the end of the period		204.7	129.0	204.7	129.0	281.8

Notes to the condensed financial statements

NOTE 1: General information

The Norwegian Property ASA real estate group primarily owns commercial and residential properties in the Oslo region. The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

The interim report of Norwegian Property ASA was approved at a board meeting on 9 July 2020. The report has not been audited.

In accordance with the requirements of the section 3, sub-section 3 of the Norwegian Accounting Act, Norwegian Property presents annual statements on corporate governance and social responsibility. The latest disclosures are contained in the annual report for 2019.

NOTE 2: Accounting policies

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

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the

carrying amounts of assets and liabilities relate primarily to the valuation of investment property.

This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report accord with the principles applied in preparing the annual accounts for 2019. The interim report presents condensed financial statements, and does not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2019.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2019. Norwegian Property has not implemented any new standards or changes of standards in the 2020 interim financial statement. There are no material new standards and interpretations not yet implemented.

NOTE 3: Segment information

Norwegian Property's primary business is the ownership and management of commercial properties in the Oslo region. From the end of 2018, the company has also had a portfolio of residential units under construction in Oslo.

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 second quarter of 2020 is specified in the table below.

	Commercial properties	Residential properties	Group	Total
Revenue	172.0	458.0	-	630.0
Project cost from sale of residential units	-	(430.6)	-	(430.6)
Total property-related expenses	(30.4)	-	-	(30.4)
Administrative expenses	-	-	(9.7)	(9.7)
Share of profit in joint ventures	-	-	-	-
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)

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

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

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

	Commercial properties	Residential properties	Group	Total
Revenue	339.7	855.2	-	1 194.8
Project cost from sale of residential units	-	(802.3)	-	(802.3)
Total property-related expenses	(65.3)	(0.1)	-	(65.4)
Administrative expenses	-	-	(22.9)	(22.9)
Share of profit in joint ventures	-	-	-	-
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)

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

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

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

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

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

	Commercial properties	Residential properties	Group	Total
Investment property	16 421.2	-	-	16 421.2
Other fixed assets	37.6	-	1.3	38.9
Investment in joint ventures	-	-	-	-
Receivables	88.0	1.8	-	89.8
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)

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

	Commercial properties	Residential properties	Group	Total
Investment property	15 181.2	-	-	15 181.2
Other fixed assets	39.8	-	1.6	41.4
Investment in joint ventures	34.4	-	-	34.4
Receivables	98.0	-	-	98.0
Property related inventory	-	950.0	-	950.0
Cash and cash equivalents	-	-	129.0	129.0
Deferred tax	-	-	(733.5)	(733.5)
Financial derivative instruments	-	-	(146.8)	(146.8)
Interest bearing liabilities	-	-	(7 528.0)	(7 528.0)
Other liabilities	(99.7)	(150.2)	(75.2)	(325.2)
Total equity			(7 700.6)	(7 700.6)

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	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Total value of investment property, opening balance		16 647.5	14 872.9	16 558.3	15 590.9	15 590.9
Sale of investment property at book value	1	-	-	-	(878.0)	(941.6)
Investment in properties		37.3	68.4	111.3	96.6	1 086.6
Fair value adjustments of investment property		(261.6)	230.4	(248.1)	355.1	786.8
Fair value adjustments related to sold investment property		-	0.1	-	7.0	22.3
Recognised in other comprehensive income for the period		(1.9)	9.4	(0.3)	9.5	13.4
Total value of investment property, closing balance		16 421.2	15 181.2	16 421.2	15 181.2	16 558.3
Of which investment property held for sale	2	-	(52.9)	-	(52.9)	-
Investment property, not held for sale		16 421.2	15 128.3	16 421.2	15 128.3	16 558.3
Of which owner-occupied property	3	(88.6)	(86.2)	(88.6)	(86.2)	(89.0)
Book value of investment property		16 332.6	15 042.1	16 332.6	15 042.1	16 469.3

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

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

³ Owner-occupied property is accounted for at fair value and revaluation is included in other comprehensive income.

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

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
	30.06.20			
Investment property	-	-	16 332.6	16 332.6
Owner-occupied property	-	-	88.6	88.6
Total	-	-	16 421.2	16 421.2
	30.06.19			
Investment property	-	-	15 042.1	15 042.1
Owner-occupied property	-	-	86.2	86.2
Investment property held for sale	-	-	52.9	52.9
Total	-	-	15 181.2	15 181.2
	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

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

The company's policy is to make transfers between levels at the time of the incident or circumstance which caused the transfer. No movements between levels have occurred in 2019 and 2020.

Other fixed assets and leases

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

Amounts in NOK million	30.06.20	30.06.19	31.12.19
Aker Br. energy distr. syst.	31.1	30.3	31.4
Other assets	7.8	12.3	9.1
Other fixed assets	38.9	41.4	40.5

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

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

Amounts in NOK million	30.06.20	30.06.19	31.12.2019
Book value, opening balance	708.5	815.5	815.5
Purchase of company	-	-	-
Accrued cost during the period	94.8	134.5	250.4
Cost from sale of residential units	(802.3)	-	(357.4)
Book value, closing balance	1.1	950.0	708.5

Amounts in NOK million	Leases		Total
	for company	Leases for offices	
Carrying amount of rental obligation 31.12.2019	0.3	4.1	4.4
Addition in 2020	-	-	-
Installments in 2020	(0.1)	(0.6)	(0.7)
Carrying amount of rental obligation 30.06.2020	0.2	3.5	3.7

¹ Includes a lease for an office space of about 500 sqm.

² Includes cars used in connection with operation of the company's properties.

NOTE 5: Inventory

The inventory comprises residential units under construction at Hasle in Oslo. At 30 June 2020 all units are sold and delivered on to end users, and remaining inventory in the balance sheet is related to car parking spaces.

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

Amounts in NOK million	30.06.20	30.06.19	31.12.2019
Land for development	-	-	-
Project under construction/development	1.1	950.0	708.5
Completed units	-	-	-
Total carrying amount of property related inventory	1.1	950.0	708.5

NOTE 6: Joint ventures

In 2018 and 2019, Norwegian Property owned a 50 per cent stake in the property Badehusgata 33-39 in Stavanger. On 18 December 2019, the ownership interest in the property was sold, so that from the end of 2019 the company has no investments in joint ventures.

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

Amounts in NOK million	30.06.20	30.06.19	31.12.19
Book value, opening	-	30.1	30.1
Share of profit for the period	-	4.3	8.7
Disposal of joint ventures	-	-	(38.8)
Book value, closing balance	-	34.4	-

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

Amounts in NOK million	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Revenue	-	5.3	-	10.4	18.7
Total property-related expenses	-	(1.6)	-	(3.2)	(7.0)
Change in market value of investment property	-	5.5	-	9.0	20.5
Operating profit	-	9.1	-	16.1	32.3
Net financial items	-	(2.5)	-	(5.1)	(10.0)
Profit before income tax	-	6.6	-	11.0	22.2
Income tax	-	(1.2)	-	(2.4)	(4.9)
Profit for the period	-	5.3	-	8.5	17.3
The groups share of profit for the period	-	2.7	-	4.3	8.7
The groups share of gain from disposal for the period	-	-	-	-	48.1
The groups share of total equity	-	2.7	-	4.3	56.8

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

Amounts in NOK million	30.06.20	30.06.19	31.12.19
Investment property	-	290.4	-
Receivables	-	1.3	-
Cash and cash equivalents	-	2.4	-
Deferred tax	-	(2.4)	-
Interest bearing liabilities	-	(200.0)	-
Loans from shareholders	-	(20.7)	-
Other liabilities	-	(2.3)	-
Total equity	-	(68.7)	-
The groups share of total equity	-	(34.4)	-

NOTE 7: Financial derivatives

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

Amounts in NOK million	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Net book value of derivatives, opening balance	(267.7)	(146.1)	(75.5)	(156.5)	(156.5)
Buyout of derivatives	-	-	-	-	11.5
Fair value adjustments of derivatives	(14.7)	(0.7)	(206.9)	9.7	69.5
Net book value of derivatives, closing balance	(282.4)	(146.8)	(282.4)	(146.8)	(75.5)
Of which classified as non-current assets	36.7	6.3	36.7	6.3	16.2
Of which classified as current assets	-	-	-	-	1.0
Of which classified as non-current liabilities	(304.0)	(140.0)	(304.0)	(140.0)	(92.6)
Of which classified as current liabilities	(15.0)	(13.1)	(15.0)	(13.1)	-

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

NOTE 8: Financial instruments

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

Amounts in NOK million	30.06.2020		30.06.2019		31.12.2019	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-current derivatives	36.7	36.7	6.3	6.3	16.2	16.2
Non-current receivables	13.0	13.0	10.3	10.3	-	-
Current derivatives	-	-	-	-	1.0	1.0
Current receivables	76.8	76.8	87.7	87.7	128.8	128.8
Cash and cash equivalents	204.7	204.7	129.0	129.0	281.8	281.8
Total financial assets	331.1	331.1	233.3	233.3	427.7	427.7
Non-current derivatives	304.0	304.0	140.0	140.0	92.6	92.6
Non-current interest-bearing liabilities	5 672.9	5 686.8	6 610.1	6 635.7	5 690.5	5 679.3
Current derivatives	15.0	15.0	13.1	13.1	-	-
Current interest-bearing liabilities	1 805.1	1 815.1	918.0	919.1	2 466.8	2 483.6
Other current liabilities	197.0	197.0	315.0	315.0	376.1	376.1
Total financial liabilities	7 993.9	8 017.8	7 996.1	8 022.8	8 626.1	8 631.7

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, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are carried principally at fair value and subsequently measured at amortised cost. However, discounting is not usually considered to have any significant effect on these types of assets and liabilities.

Financial instruments at fair value through profit or loss are specified in the table below, by valuation method.

Amounts in NOK million	Level 1 ¹	Level 2 ¹	Level 3 ¹	Total
	30.06.20			
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)
30.06.19				
Non-current derivatives (assets)	-	6.3	-	6.3
Non-current derivatives (liabilities)	-	(140.0)	-	(140.0)
Current derivatives (liabilities)	-	(13.1)	-	(13.1)
Total	-	(146.8)	-	(146.8)
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)
Total	-	(75.5)	-	(75.5)

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

The company's policy is to make transfers between levels at the time of the incident or circumstance, which caused the transfer. No movements between levels have occurred in 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	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Loan facilities at par value, opening balance		7 844.7	7 040.6	8 168.1	7 847.1	7 847.1
Net change of loan facilities		(361.2)	497.8	(684.6)	(308.7)	321.0
Loan facilities at par value, closing balance	1	7 483.5	7 538.4	7 483.4	7 538.4	8 168.1
Capitalised borrowing cost		(5.5)	(10.4)	(5.5)	(10.4)	(10.7)
Book value of interest-bearing debt		7 478.0	7 528.0	7 478.0	7 528.0	8 157.4
Of which classified as non-current liabilities		5 672.9	6 610.1	5 672.9	6 610.1	5 690.5
Of which classified as current liabilities		1 805.1	918.0	1 805.1	918.0	2 466.8
Interest-bearing debt		(7 478.0)	(7 528.0)	(7 478.0)	(7 528.0)	(8 157.4)
Interest-bearing receivable	2	13.0	10.3	13.0	10.3	-
Cash and cash equivalents		204.7	129.0	204.7	129.0	281.8
Net interest-bearing position		(7 260.3)	(7 388.7)	(7 260.3)	(7 388.7)	(7 875.6)

¹ Unutilised credit facilities was NOK 1 460 million at 30 June 2020, NOK 550 million at 30 June 2019 and NOK 150 million at 31 December 2019.

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

Norwegian Property is exposed to interest rate risk on floating-rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 per cent of the company's interest-bearing debt at any time will be hedged. At 30 June 2020, 77.6 per cent of such loans was secured (30 June 2019: 62.3 per cent). The total average interest margin on loans

was 120 basis points (122 basis points). The loan portfolio has an average interest rate of 3.25 per cent (3.63 per cent), and remaining time to maturity for interest-bearing debt was 2.4 years (2.9 years). Remaining time to maturity for interest hedging agreements was 4.8 years (4.8 years).

NOTE 10: Net financial items

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

Amounts in NOK million	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Interest income on bank deposits and receivables	0.8	1.7	2.2	3.3	4.6
Total financial income	0.8	1.7	2.2	3.3	4.6
Interest expense on borrowings	(64.7)	(66.9)	(132.8)	(132.4)	(258.6)
Total financial cost	(64.7)	(66.9)	(132.8)	(132.4)	(258.6)
Realised net financial items	(63.9)	(65.2)	(130.6)	(129.1)	(253.9)
Change in market value of financial derivative instruments	(14.7)	(0.7)	(206.9)	9.7	69.5
Net financial items	(78.6)	(65.9)	(337.5)	(119.4)	(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	2Q-20	2Q-19	30.06.20	30.06.19	31.12.19
Profit before income tax	(181.0)	304.7	(281.3)	525.0	1 253.7
Income tax calculated at 22 per cent	(39.8)	67.0	(61.9)	115.5	275.8
Differences between financial accounts and tax accounts	29.0	(2.7)	51.5	(0.1)	(28.8)
Income tax	(10.9)	64.4	(10.4)	115.4	247.0
Deferred tax, opening balance	867.0	667.0	866.1	615.9	615.9
Recognised through profit and loss	(10.9)	64.4	(10.4)	115.4	247.0
Recognised through comprehensive income	(0.3)	2.1	0.1	2.2	3.2
Deferred tax, closing balance	855.8	733.5	855.8	733.5	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. Norwegian Property has carry-forwards losses, and these tax positions can be used to minimise the effect on tax payable.

NOTE 12: Related-party disclosures

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

No significant events have occurred after the balance sheet date at 30 June 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 valuers	Akershus Eiendom and Cushman & Wakefield.
Market value of property portfolio	The market value of all the company's properties regardless of accounting classification.
Interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less holdings of own bonds.
Net interest-bearing debt	Interest-bearing debt, less holdings of bonds as well as cash and cash equivalents.
Equity ratio	Total equity divided by total equity and liabilities.
Pre-tax return on equity	Annualised pre-tax profit in the period divided by average total equity for the period in the balance sheet.
Unutilised credit facilities	The difference between total available credit facilities, based on the current loan agreements, and amounts at the balance sheet date which are deducted and accounted for as interest-bearing debt in the balance sheet.
Interest hedging ratio	The share of interest-bearing liabilities hedged at the balance sheet date.

Base interest rate	A weighted average of the fixed and floating average interest-rates at the balance sheet date. The fixed average interest rate is calculated as the weighted average of the fixed interest rate paid by the company in relation to outstanding interest-rate contracts and loans. The floating average interest-rate is calculated as the weighted average of the Nibor rate paid on interest-bearing debt. The interest-rate base does not include accrued finance charges or margin.
Average interest rate	Weighted average interest rate on interest-bearing debt and fixed-rate interest agreements at the balance sheet date.
Average interest margin	The weighted average of the interest margin on the outstanding interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest-bearing debt	Weighted remaining period until maturity for interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest hedge agreements	The weighted remaining period until maturity for interest hedge agreements at the balance sheet date.
LTV	Debt to asset ratio (loan to value).
Gross debt to asset ratio (gross LTV)	Interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Net debt to asset ratio (net LTV)	Net interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Earnings per share (EPS)	Net earnings for the period divided by the average number of shares during the period. Diluted earnings per share are identical to basic earnings per share, unless otherwise specified.
NAV, book value	Net asset value, the book value of total equity in the balance sheet.
NAV, adjusted	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax related to fair value adjustments of investment properties and for fair value of financial instruments after tax in the balance sheet.
NNNAV	In relation to the Adjusted NAV, NNNAV (triple net asset value) includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.
Joint venture (JV)	A joint venture (JV) is an economic activity regulated by an agreement between two or more participants so that they have joint control over the business. The company's share of the company's profit after tax is presented according to the equity method on a separate line in the company's profit and loss account, and the investment is recognised on a separate line under fixed assets in the balance sheet.
Related party	A related party has significant influence on the company's strategy or operational choices. The ability to influence another party is normally achieved through ownership, through participation in decision-making bodies and management, or through agreements.
Events after the balance sheet date	Significant events after the balance sheet date which provide information on conditions which existed at the balance sheet date, resulting in adjustments to the financial statements, or events after the balance sheet date which do not require such adjustments.
Oslo CBD	Oslo Central Business District is considered the most attractive area for office space in Oslo. The area is usually limited to the districts of Aker Brygge, Tjuvholmen and Vika.

Other information

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

Disclaimer

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