

# Interim report

## First quarter 2020



Lille Grensen 7, Oslo

31.03.2020

NORWEGIAN PROPERTY ASA

## Important events in the first quarter of 2020

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### Revenues continue to grow due to delivery of residential units at Hasle

Total revenues came to NOK 564,9 million in the quarter, compared to 191.6 million first quarter last year. The increase is mainly driven by delivery of residential units at Hasle and acquisition of Lille Grensen 7 end of last quarter.

Overall rental income came to NOK 167.7 million for the first quarter, representing a like-for-like reduction of NOK 7 million from the same period of last year.

Seventy-three out of a total of 223 units were delivered in the first quarter for the residential project at Hasle in Oslo. The remaining 81 units are due for delivery in the second quarter of 2020. Sales revenues from residential units in the first quarter came to NOK 397.2 million and the pre-tax profit was NOK 25.4 million.

### Net loss of NOK 100.8 million and negative ordinary EPS of NOK 0.20

The pre-tax loss came to NOK 100.3 million (profit of NOK 220.3 million). After NOK 0.5 million in provision for deferred tax, net loss for the period came to NOK 100.3 million. That meant first-quarter earnings per share (EPS) were negative at NOK 0.20. Carried equity per share at 31 March 2020 was NOK 16.41, down from NOK 16.68 at 31 December 2019.

### Profit before tax and fair-value adjustments of NOK 78.4 million

Profit before tax and fair-value adjustments came to NOK 78.4 million, compared with NOK 85.2 million for the first quarter of 2019.

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

The valuation of the property portfolio resulted in an unrealised positive fair-value adjustment of NOK 13.5 million (NOK 124.7 million). Long-term market interest rates are significantly reduced, and the fair-value adjustment for interest-rate derivatives was negative by NOK 192.2 million (positive at NOK 10.3 million).

### New leases

Leases with a total annual rental income of NOK 15.1 million were awarded or extended in the first quarter. Expired leases totalled NOK 16.6 million.

### Property transactions

Norwegian Property acquired additional commercial office space at Aker Brygge in the first quarter for a purchase price of NOK 22.7 million.

### Financing activities

Norwegian Property raised NOK 119 million through a tap issue in the NPRO-07 bond during the first quarter. The new bond loan of NOK 460 million placed in the fourth quarter of 2019 was settled in the first quarter.

### Effects of Covid-19 on the business

Norwegian Property focuses on the health and safety of employees, tenants, visitors and suppliers. It follows the government's recommendations to help prevent the spread of the virus, and has implemented routines to ensure compliance with these in daily operations. Norwegian Property is fully operational, with many employees working from home. Operating personnel handle the day-to-day operation of the properties as far as possible, based on ordinary routines. The company has an ongoing residential development project at Hasle in Oslo as well as some smaller refurbishment projects for the commercial properties, which are not adversely affected to a significant extent.

Many businesses and tenants have been put in a stressful financial position by the shutdown. The Norwegian government has established a compensation scheme for companies which partially covers unavoidable fixed costs. This scheme secures the basis for further operation at many companies. The company also has a dialogue with tenants to assess the need for additional individual measures.

In the first quarter accounts, a provision of NOK 9 million has been made to take account of estimated negative effects on income and operating costs for the company at the balance sheet date. The uncertainty which exists is expected to affect property values in the future. Falling oil prices in the first quarter also contributed to increasing market uncertainty. After several years with positive value changes, valuations for the first quarter of 2020 showed a flat trend. The pandemic and the shutdown have particularly affected retailers, restaurants and service providers. Norwegian Property's annual rental income (run rate) from such tenants was NOK 133.2 million from a total run-rate for the company's whole property portfolio of NOK 659.9 million at 31 March.

### Dividend

Given the extraordinary conditions developing as a result of the Covid-19 pandemic, the board has resolved to pay no dividend for the first quarter of 2020.

## Key figures

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

Profit and loss		1Q-20	1Q-19	31.12.19
Revenues	NOK mill.	564.9	191.6	1 118.0
Operating profit before admin expenses	NOK mill.	529.9	161.8	1 000.8
Operating profit before value adjustments	NOK mill.	145.1	149.1	651.4
Profit before income tax and value adjustments	NOK mill.	78.4	85.2	397.4
Profit before income tax	NOK mill.	(100.3)	220.3	1 253.7
Profit after income tax	NOK mill.	(100.8)	169.3	1 006.7
Balance sheet		1Q-20	1Q-19	31.12.19
Market value of property portfolio	NOK mill.	16 647.5	14 872.9	16 558.3
Total equity	NOK mill.	8 100.5	8 134.8	8 233.9
Interest-bearing debt	NOK mill.	7 838.2	7 029.5	8 157.4
Equity ratio	Per cent	46.5	49.7	46.4
Pre-tax return on equity	Per cent	(4.9)	10.9	15.4
Cash flow		1Q-20	1Q-19	31.12.19
Net cash flow from operating activities	NOK mill.	382.9	13.8	354.9
Cash and cash equivalents	NOK mill.	196.6	445.9	281.8
Key figures; per share		1Q-20	1Q-19	31.12.19
Number of shares outstanding, end of the period	Mill. shares	493.6	548.4	493.6
Average number of shares in the period	Mill. shares	493.6	548.4	540.6
Profit before income tax	NOK	(0.20)	0.40	2.32
Earnings per share (EPS)	NOK	(0.20)	0.31	1.86
Net cash flow from operating activities	NOK	0.78	0.03	0.66
Interest-bearing debt	NOK	15.88	12.82	16.53
NAV, book value	NOK	16.41	14.83	16.68
Deferred property tax	NOK	1.68	1.19	1.65
Fair value of fin. derivative instruments	NOK	0.42	0.22	0.12
NAV, adjusted	NOK	18.51	16.25	18.45
Fair value of deferred tax	NOK	(0.96)	(0.62)	(0.98)
Fair value of fin. derivative instruments	NOK	(0.49)	(0.26)	(0.14)
Fair value of debt	NOK	(0.05)	(0.00)	(0.05)
NNNAV	NOK	17.01	15.37	17.29

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

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

## Financial developments

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### Results

#### Operating revenue

Operating revenue for Norwegian Property in the first quarter related to leasing commercial property and sales of residential units, and totalled NOK 564.9 million. That compares with NOK 191.6 million for the same period of 2019, which does not include revenue from sales of residential units.

Rental income from commercial properties amounted to NOK 167.7 million in the first quarter (NOK 191.6 million).<sup>2</sup> On a like-for-like basis, that represented a reduction of NOK 7 million from the same period of last year. A provision of NOK 4 million has been made for the expected reduction in turnover-based rents during the first quarter, owing to the Covid-19 pandemic and the effects of the shutdown.

Norwegian Property has a residential development project at Hasle in Oslo. This includes 223 flats, which have all been sold on to end users. Seventy-three units were delivered in the first quarter of 2020, 69 units were delivered in 2019 and the remaining 81 units are due for delivery in the second quarter of 2020. Sales revenues from residential units in the first quarter came to NOK 397.2 million. The pre-tax profit was NOK 25.4 million.

Tenant turnover related to retail and restaurant activities at Aker Brygge in Oslo during the first quarter was down by 14.1 per cent from the same period of last year. The reduction is related to the period in March after the shutdown.

#### Operating costs

Property-related operational expenses totalled NOK 14.4 million (NOK 15.7 million) for the first quarter. Other property-related expenses came to NOK 20.6 million (NOK 14 million) for the quarter. Provisions totalling NOK 5 million have been made for losses on claims and other costs in the first quarter owing to the Covid-19 pandemic and the effects of the shutdown. Administrative expenses were NOK 13.2 million (NOK 14.4 million) for the quarter.

#### Share of profit from joint ventures

Norwegian Property has no ownership interests in joint ventures in 2020. The company's share of net profit from joint ventures in the first quarter of 2019 was NOK 1.6 million.

#### Operating profit before fair-value adjustments

Operating profit before fair-value adjustments amounted to NOK 145.1 million (NOK 149.1 million) for the first quarter.

#### Fair-value adjustments for investment property

The uncertainty which exists is considered to have an adverse effect on property values. After several years of positive value changes, valuations for the first quarter of 2020 show a flat trend. Valuation of the property portfolio yielded a minor unrealised fair-value increase of NOK 13.5 million (NOK 124.7 million) for the quarter. The total market value of the property portfolio carried on the balance sheet amounted to NOK 16 647.5 million at 31 March 2020.

#### Net financial items

Net realised financial expenses came to NOK 66.7 million (NOK 63.9 million) for the quarter.

Long-term market interest rates were significantly reduced in the first quarter, and the fair-value adjustment for interest-rate derivatives showed a negative change of NOK 192.2 million (positive at NOK 10.3 million).

#### Profit for the period

The pre-tax loss was NOK 100.3 million (profit of NOK 220.3 million) for the quarter. The increase in non-payable deferred tax for the quarter was NOK 0.5 million (NOK 51 million). The net loss was thereby NOK 100.8 million (profit of NOK 169.3 million) for the quarter.

#### Balance sheet

The carrying amount of the company's total assets in the balance sheet was NOK 17 410.3 million (NOK 16 367.9 million), with investment property accounting for NOK 16 557 million (NOK 14 736.8 million) and properties used by the owner for NOK 90.5 million

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

(NOK 76.7 million). Until its completion, the residential project at Hasle in Oslo is recognised as inventory with a carrying amount of NOK 394.6 million at 31 March (NOK 882.7 million).

Norwegian Property held NOK 196.6 million (NOK 445.9 million) in cash and cash equivalents at 31 March.

Total interest-bearing liabilities in the balance sheet came to 7 838.2 million (NOK 7 029.5 million), with non-current interest-bearing liabilities totalling NOK 5 672.6 million (NOK 4 692.6 million) and current interest-bearing liabilities amounting to NOK 2 165.5 million (NOK 2 336.9 million). NOK 360.9 million in construction loans related to the residential project at Hasle is included in its entirety in current interest-bearing liabilities.

Financial derivatives accounted for a net liability item of NOK 267.7 million (NOK 146.2 million), with NOK 298.5 million (NOK 153.7 million) classified as liabilities and NOK 30.8 million (NOK 7.5 million) as assets.

Equity at 31 December totalled NOK 8 100.5 million (NOK 8 134.8 million), representing an equity ratio of 46.5 per cent (49.7 per cent). Carried equity per share was NOK 16.41 (NOK 14.83). Outstanding shares at 31 March totalled 499 875 596 (548 446 832). Treasury shares totalled 6 250 000, so that 493 625 596 shares were held by external shareholders.

At 31 March 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 difficult to assess the duration and extent of the pandemic at this moment.

## Cash flow

Net operational cash flow was NOK 382.9 million (NOK 13.8 million) for the quarter. Cash earnings amounted to NOK 79.6 million in the quarter, with NOK 25.4 million related to the sale of residential units. The change in property-related inventory related to the residential project at Hasle came to NOK 270.5 million and the positive change in other short-term items amounted to NOK 32.8 million.

Investment in fixed assets came to NOK 110.2 million (NOK 24.6 million) for the quarter, related to NOK 22.7 million for the acquisition of additional commercial office space at Aker Brygge, NOK 36.1 million related to completion of the commercial part of the Hasle

project, and NOK 51.3 million related to adjustments for lessees associated with new and renegotiated leases and ongoing operational investments.

Net cash flow from financing activities was negative at NOK 358 million (NOK 844.9 million) for the first quarter following a reduction of NOK 323.4 million in interest-bearing debt and the payment of NOK 34.6 million in dividend.

Cash and cash equivalents showed a net reduction of NOK 85.2 million (net increase of NOK 321.4 million) for the quarter.

## Financing

### Key figures

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

Interest bearing debt and hedging		31.03.20	31.03.19	31.12.19
Interest-bearing debt <sup>1</sup>	NOK mill.	7 477.3	6 352.2	7 494.5
Cash and cash equivalents	NOK mill.	196.6	445.9	281.8
Interest-bearing receivables	NOK mill.	-	10.2	-
Interest-hedging ratio	Per cent	76.3	62.9	69.4
Unutilised credit facilities	NOK mill.	750.0	800.0	150.0
Remaining time to maturity for interest hedge agreements	Years	5.0	3.9	4.9
Average interest rate	Per cent	3.48	3.85	3.50
Average interest margin	Per cent	1.20	1.40	1.22
Remaining time to maturity for interest-bearing debt	Years	2.6	2.4	2.7
Market value of property portfolio	NOK mill.	16 647.5	14 872.9	16 558.3
Gross debt to asset ratio (gross LTV)	Per cent	44.9	42.7	45.3
Net debt to asset ratio (net LTV) <sup>2</sup>	Per cent	43.7	39.6	43.6

<sup>1</sup> Excluding NOK 360.9 million (31 March 2019: NOK 677.3 million) in construction loan financing for the residential project at Hasle in Oslo.

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

### Interest-bearing liabilities

Interest-bearing liabilities totalled NOK 7 838.2 million (NOK 7 029.5 million) at 31 March, including construction loans of NOK 360.9 million for the residential project at Hasle (the total construction loan facility is NOK 1 125 million). In addition, the company had undrawn credit and overdraft facilities of NOK 750 million (NOK 800 million) at 31 March.

Current interest-bearing debt at 31 December related primarily to bond loans totalling NOK 1 806 million which mature in the next 12 months, as well as to the NOK 360.9 million construction loan for the residential project at Hasle which will be completed in 2020. Short-term bond loans relate to the NPRO-06 loan of NOK 1 335 million maturing in the third quarter of 2020 and the NPRO-12 loan of NOK 471 million maturing in the fourth quarter of 2020. The company is working on refinancing this debt.

Norwegian Property raised NOK 119 million through a tap issue in the NPRO-07 bond during the first quarter. The new bond loan of NOK 460 million placed in the fourth quarter of 2019 was settled in the first quarter.

### Interest hedges

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

Maturity profile of interest hedges	Amount (NOK mill.)	Interest <sup>1</sup> (per cent)	Share of total liabilities (per cent)
< 1 year	2 472	2.2	33
1 > 2 year	300	2.2	4
2 > 3 year	650	3.4	9
3 > 4 year	600	2.1	8
4 > 5 year	1 105	2.4	15
> 5 year	2 350	2.0	31
Total	7 477	2.2	100

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

## Market and operations

### Commercial property market

Office vacancy in Oslo is at a low level, and was 5.5 per cent at the start of 2020. It was 3.7 per cent in the city centre. Declining vacancy has contributed to a positive trend for rents.

The level of activity in the transaction market has been high for several years, with many property transactions in various segments at strong yield levels. Prime yield for Oslo at the start of the year is estimated to be about 3.75 per cent.

The effects of the Covid-19 pandemic have adversely affected many businesses towards the end of the first quarter of 2020. The price of oil also fell significantly in the first quarter of 2020, which had a very negative impact on the oil sector. If these conditions persist, demand and rents for premises will be affected. Access to loan capital on favourable terms and the activity in the property transaction market are also expected to be affected.

The pandemic and oil price drop resulted in reduced long-term interest rates during the first quarter. While the 10-year interest rate was around two per cent at 31 December, it came to one per cent at 31 March. Short-term interest rates have also fallen.

### The property portfolio

#### Key figures

Norwegian Property owned a total of 28 investment properties at 31 March. 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 659.9 million at 31 March. That represented a reduction of NOK 25.6 million from 31 December. Overall financial vacancy in the property portfolio totalled 11.9 per cent, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 4.9 years, and the average rent adjustment factor for the consumer price index was 99.9 per cent for the total portfolio.

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

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

#### New leases

New leases with a total annual rental income of NOK 10.1 million were awarded in the first quarter, while existing leases totalling NOK 5 million were extended. Expired leases totalled NOK 16.6 million. The net reduction in annual rents from leases during the quarter was therefore NOK 1.5 million.

#### Property transactions

Norwegian Property acquired additional commercial office space at Aker Brygge (Dokkbygningen) in the first quarter for a purchase price of NOK 22.7 million.

#### 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 31 March 2020 is based on an average of the two valuations.

At 31 March, the company's portfolio of investment properties was valued at NOK 16 647.5 million (NOK 14 872.9 million). Properties used by the owner were carried separately on the balance sheet at NOK 90.5 million, and recognised at fair value. Fair-value adjustments recognised in profit and loss for the investment properties were positive at NOK 13.5 million for the first quarter.

At 31 March 2020, uncertainty when valuing investment properties had increased owing to the ongoing pandemic. It is difficult to assess the duration and extent of the pandemic at this moment, and therefore the impact on the future operating profit, the development of market prices and so forth.

## Environmental and corporate social responsibility (CSR)

Norwegian Property's annual report, which was released on 20 March, includes a report on the company's environmental and social responsibility. The annual climate report is available at [www.npro.no](http://www.npro.no).

### AGM held

The annual general meeting was held on 16 April 2020. All resolutions were adopted as proposed in the notice of the meeting. The AGM re-elected Merete Haugli as chair of the board and Bjørn Henningsen as deputy chair. Kathrine Astrup Fredriksen, Cecilie Astrup Fredriksen, Lars Erich Nilsen and Carl Erik Krefting were re-elected as directors. Anders Buchardt was elected as a new director. All were elected until the next AGM in 2021.

### Shareholder information

Norwegian Property had 1 263 registered shareholders at 31 March, up by 148 from 31 December.

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

The number of shares traded during the first quarter averaged 21 863 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 31 March 2020 are presented below.

Shareholder	Type of acc.	Country	Number of shares	Share
GEVERAN TRADING CO				
LTD	ORD	CYP	398 855 580	79.79
FOLKETRYGDFONDET	ORD	NOR	73 951 642	14.79
NORWEGIAN PROPERTY				
ASA	ORD	NOR	6 250 000	1.25
DANSKE BANK AS	ORD	DEN	3 378 881	0.68
J.P. MORGAN BANK				
LUXEMBOURG S.A.	NOM	LUX	1 047 285	0.21
SANDEN AS	ORD	NOR	1 000 000	0.20
BANAN II AS	ORD	NOR	1 000 000	0.20
SIJOITUSRAHASTO UB				
EUROOPPA REIT	ORD	FIN	763 640	0.15
MORGAN STANLEY & CO.				
INTERNATIONAL	ORD	GBR	718 010	0.14
KAS BANK N.V.	NOM	NLD	700 016	0.14
SIJOITUSRAHASTO UB				
GLOBAL REIT	ORD	FIN	607 777	0.12
STATE STREET BANK AND				
TRUST COMP	NOM	USA	500 569	0.10
NORDEA BANK ABP				
CARNEGIE	NOM	SWE	378 349	0.08
FASTIGHETFOND				
NORDEN	ORD	SWE	300 000	0.06
CLEARSTREAM BANKING				
S.A.	NOM	LUX	296 280	0.06
STATE STREET BANK AND				
TRUST COMP	NOM	GBR	235 440	0.05
JP MORGAN SECURITIES				
PLC	ORD	GBR	228 365	0.05
VIK	ORD	NOR	226 516	0.05
CAMVECTI HOLDING AS	ORD	NOR	211 556	0.04
J.P. MORGAN BANK				
LUXEMBOURG S.A.	NOM	SWE	209 959	0.04
OTHER			9 015 731	1.80
Total number of shares			499 875 596	100.00

<sup>1</sup> Norwegian Property held 6 250 000 treasury shares at 31 March 2020.



## 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 company has concentrated its business by selling properties outside the core areas while strengthening its portfolio in the priority areas. The company's ambition is to continue this process with further expansions of the portfolio. The company will going forward consider opportunities within other segments than the traditional commercial property segment. Several interesting long-term development opportunities in the existing property portfolio are also being pursued. Consequently, the company will call for a general meeting where it will be proposed to amend the purpose set out in the company's articles of association.

The Covid-19 pandemic adversely affected many businesses towards the end of the first quarter of 2020, especially service providers, retailers and restaurants. This will also have a negative impact on Norwegian Property and other property companies. The company is working intensively to manage the situation in cooperation with tenants. At the same time, the price of oil fell significantly in the first quarter of 2020. This has had a negative impact on the important Norwegian oil sector and, if it persists, the demand for premises from this sector will be affected.

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 the company being well positioned to handle the uncertainty and challenges ahead.

## Interim accounts

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

Amounts in NOK million	Note	1Q-20	1Q-19	31.12.19
Rental income	3	167.7	191.6	735.1
Income from sale of residential units	3	397.2	-	382.9
<b>Revenues</b>		<b>564.9</b>	<b>191.6</b>	<b>1 118.0</b>
Property-related operational expenses		(14.4)	(15.7)	(63.8)
Other property-related expenses		(20.6)	(14.0)	(53.4)
<b>Total property-related expenses</b>		<b>(34.9)</b>	<b>(29.7)</b>	<b>(117.2)</b>
Project cost from sale of residential units	5	(371.7)	-	(357.4)
Administrative expenses		(13.2)	(14.4)	(48.8)
<b>Total operating expenses</b>		<b>(419.8)</b>	<b>(44.1)</b>	<b>(523.4)</b>
Share of profit in joint ventures	6	-	1.6	56.8
<b>Operating profit before fair-value adjustments</b>		<b>145.1</b>	<b>149.1</b>	<b>651.4</b>
Change in market value of investment property	4	13.5	124.7	786.8
<b>Operating profit</b>		<b>158.6</b>	<b>273.8</b>	<b>1 438.1</b>
Financial income	10	1.4	1.5	4.6
Financial cost	10	(68.1)	(65.4)	(258.6)
<b>Realised net financial items</b>		<b>(66.7)</b>	<b>(63.9)</b>	<b>(253.9)</b>
Change in market value of financial derivative instruments	7, 10	(192.2)	10.3	69.5
<b>Net financial items</b>		<b>(258.9)</b>	<b>(53.6)</b>	<b>(184.4)</b>
<b>Profit before income tax</b>		<b>(100.3)</b>	<b>220.3</b>	<b>1 253.7</b>
Income tax	11	(0.5)	(51.0)	(247.0)
<b>Profit for the period</b>		<b>(100.8)</b>	<b>169.3</b>	<b>1 006.7</b>
Profit attributable to non-controlling interests		-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>(100.8)</b>	<b>169.3</b>	<b>1 006.7</b>

  

Amounts in NOK million	Note	1Q-20	1Q-19	31.03.19
Value adjustment of owner-occupied property	4	1.5	0.3	11.5
<b>Total other comprehensive income</b>		<b>1.5</b>	<b>0.3</b>	<b>11.5</b>
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-
<b>Total comprehensive income</b>		<b>(99.3)</b>	<b>169.6</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>(99.3)</b>	<b>169.6</b>	<b>1 018.2</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>-</b>

## Consolidated condensed balance sheet

Amounts in NOK million	Note	31.03.2020	31.03.2019	31.12.2019
Financial derivative instruments	7	30.8	7.5	16.2
Investment property	4	16 557.0	14 736.8	16 469.3
Owner-occupied property	4	90.5	76.7	89.0
Other fixed assets	4	39.9	43.1	40.5
Investment in joint ventures	6	-	31.7	-
Receivables	6	13.0	10.2	-
<b>Total non-current assets</b>		<b>16 731.2</b>	<b>14 906.0</b>	<b>16 615.0</b>
Financial derivative instruments	7	0.0	0.1	1.0
Receivables	6, 9	88.0	73.8	128.8
Property related inventory	5	394.6	882.7	708.5
Cash and cash equivalents	9	196.6	445.9	281.8
Investment property held for sale	4	-	59.4	-
<b>Total current assets</b>		<b>679.2</b>	<b>1 461.9</b>	<b>1 120.1</b>
<b>Total assets</b>		<b>17 410.3</b>	<b>16 367.9</b>	<b>17 735.1</b>
Share capital		246.8	274.2	246.8
Share premium		1 678.1	2 295.2	1 678.1
Other paid in equity		7 561.1	7 558.1	7 560.7
Retained earnings		(1 385.5)	(1 992.7)	(1 251.6)
<b>Total equity</b>		<b>8 100.5</b>	<b>8 134.8</b>	<b>8 233.9</b>
Deferred tax	11	867.0	667.0	866.1
Financial derivative instruments	7	279.6	153.0	92.6
Interest bearing liabilities	9	5 672.6	4 692.6	5 690.5
Other liabilities		5.0	6.2	5.3
<b>Total non-current liabilities</b>		<b>6 824.3</b>	<b>5 518.7</b>	<b>6 654.5</b>
Financial derivative instruments	7	18.9	0.8	-
Interest bearing liabilities	9	2 165.5	2 336.9	2 466.8
Other liabilities		301.2	376.7	379.8
<b>Total current liabilities</b>		<b>2 485.6</b>	<b>2 714.4</b>	<b>2 846.7</b>
<b>Total liabilities</b>		<b>9 309.9</b>	<b>8 233.1</b>	<b>9 501.2</b>
<b>Total equity and liabilities</b>		<b>17 410.3</b>	<b>16 367.9</b>	<b>17 735.1</b>

## Consolidated condensed statement of changes in equity

Amounts in NOK million		Share capital	Treasury shares	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity	31.12.18	274.2	-	2 295.2	7 557.3	(2 123.9)	8 002.8
Total comprehensive income		-	-	-	-	169.6	169.6
Employee share-option scheme		-	-	-	0.8	-	0.8
Paid dividend		-	-	-	-	(38.4)	(38.4)
Total equity	31.03.19	274.2	-	2 295.2	7 558.1	(1 992.7)	8 134.8
Total comprehensive income		-	-	-	-	848.6	848.6
Employee share-option scheme		-	-	-	2.6	-	2.6
Paid dividend		-	-	-	-	(107.5)	(107.5)
Purchase of treasury shares <sup>1</sup>		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares <sup>2</sup>		(24.3)	24.3	-	-	-	-
Total equity	31.12.19	249.9	(3.1)	1 678.1	7 560.7	(1 251.6)	8 233.9
Total comprehensive income		-	-	-	-	(99.3)	(99.3)
Employee share-option scheme		-	-	-	0.4	-	0.4
Paid dividend		-	-	-	-	(34.6)	(34.6)
Total equity	31.03.20	249.9	(3.1)	1 678.1	7 561.1	(1 385.5)	8 100.5

<sup>1</sup> 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.

<sup>2</sup> At an extraordinary general meeting on June 28, 2019, it was resolved to reduce the share capital by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798. The amount reduced was used to delete 48 571 236 treasury shares. The share capital thus amounts to NOK 249 937 798, divided into 499 875 596 shares, each with a nominal value of NOK 0.50. The company owns 6 250 000 treasury shares from the end of the second quarter 2019. 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	1Q-20	1Q-19	31.12.19
Profit before income tax		(100.3)	220.3	1 253.7
Depreciation of tangible assets		1.2	1.7	7.7
Fair value adjustment of investment property	3	(13.5)	(124.7)	(786.8)
Fair value adjustment of financial derivative instruments	4	192.2	(10.3)	(81.0)
Profit for joint venture	6	-	-	(56.8)
Change in property related inventory	5	270.5	(67.2)	61.4
Change in short-term items		32.8	(5.9)	(43.4)
Net cash flow from operating activities		382.9	13.8	354.9
Received in connection with sale of investment property		-	823.0	957.9
Payments for purchase of investment property and other fixed assets		(110.1)	(24.6)	(1 040.2)
Other investment activities		-	354.0	354.0
Net cash flow from investing activities		(110.1)	1 152.4	271.7
Net change in interest-bearing debt	6	(323.4)	(806.5)	321.0
Paid dividend		(34.6)	(38.4)	(145.9)
Other financing activities		-	-	(644.5)
Net cash flow from financial activities		(358.0)	(844.9)	(469.4)
Net change in cash and cash equivalents		(85.2)	321.4	157.2
Cash and cash equivalents at the beginning of the period		281.8	124.6	124.6
Cash and cash equivalents at the end of the period		196.6	445.9	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 29 April 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. The company also has a portfolio of residential units under construction in Oslo. This business was acquired at the end of 2018.

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 first quarter of 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	167.7	397.2	-	564.9
Project cost from sale of residential units	-	(371.7)	-	(371.7)
Total property-related expenses	(34.8)	(0.1)	-	(34.9)
Administrative expenses	-	-	(13.2)	(13.2)
Share of profit in joint ventures	-	-	-	-
Change in market value of investment property	13.5	-	-	13.5
Operating profit	146.4	25.4	(13.2)	158.6
Net financial items			(258.9)	(258.9)
Profit before income tax			(272.1)	(100.3)
Income tax			(0.5)	(0.5)
Profit for the period			(272.6)	(100.8)

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Revenue	191.6	-	-	191.6
Project cost from sale of residential units	-	-	-	-
Total property-related expenses	(29.5)	(0.2)	-	(29.7)
Administrative expenses	-	-	(14.4)	(14.4)
Share of profit in joint ventures	1.6	-	-	1.6
Change in market value of investment property	124.7	-	-	124.7
Operating profit	288.4	(0.2)	(14.4)	273.8
Net financial items			(53.6)	(53.6)
Profit before income tax			(67.9)	220.3
Income tax			(51.0)	(51.0)
Profit for the period			(118.9)	169.3

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

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

Segment information related to balance sheet items at 31 March 2020 is specified in the table below.

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	16 647.5	-	-	16 647.5
Other fixed assets	38.6	-	1.3	39.9
Investment in joint ventures	-	-	-	-
Receivables	99.2	1.8	-	101.0
Property related inventory	-	394.6	-	394.6
Cash and cash equivalents	-	-	196.6	196.6
Deferred tax	-	-	(867.0)	(867.0)
Financial derivative instruments	-	-	(267.7)	(267.7)
Interest bearing liabilities	-	-	(7 838.2)	(7 838.2)
Other liabilities	(144.0)	(67.9)	(94.3)	(306.2)
Total equity			(8 100.5)	(8 100.5)

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	14 872.9	-	-	14 872.9
Other fixed assets	41.1	-	2.0	43.1
Investment in joint ventures	31.7	-	-	31.7
Receivables	84.0	-	-	84.0
Property related inventory	-	882.7	-	882.7
Cash and cash equivalents	-	-	445.9	445.9
Deferred tax	-	-	(667.0)	(667.0)
Financial derivative instruments	-	-	(146.1)	(146.1)
Interest bearing liabilities	-	-	(7 029.5)	(7 029.5)
Other liabilities	(131.0)	(168.9)	(83.0)	(382.9)
Total equity			(8 134.8)	(8 134.8)

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

Amounts in NOK million	Commercial properties	Residential properties	Group	Total
Investment property	16 558.3	-	-	16 558.3
Other fixed assets	39.2	-	1.3	40.5
Investment in joint ventures	-	-	-	-
Receivables	127.3	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	1Q-20	1Q-19	31.03.20	31.03.19	31.12.19
Total value of investment property, opening balance		16 558.3	15 590.9	16 558.3	15 590.9	15 590.9
Sale of investment property at book value	1	-	(878.0)	-	(878.0)	(941.6)
Investment in properties		74.0	28.2	74.0	28.2	1 086.6
Fair value adjustments of investment property		13.5	124.7	13.5	124.7	786.8
Fair value adjustments related to sold investment property		-	6.9	-	6.9	22.3
Recognised in other comprehensive income for the period		1.6	0.1	1.6	0.1	13.4
Total value of investment property, closing balance		16 647.5	14 872.9	16 647.5	14 872.9	16 558.3
Of which investment property held for sale	2	-	(59.4)	-	(59.4)	-
Investment property, not held for sale		16 647.5	14 813.5	16 647.5	14 813.5	16 558.3
Of which owner-occupied property	3	(90.5)	(76.7)	(90.5)	(76.7)	(89.0)
Book value of investment property		16 557.0	14 736.8	16 557.0	14 736.8	16 469.3

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

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

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

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

Amounts in NOK million	Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>	Total
	31.03.20			
Investment property	-	-	16 557.0	16 557.0
Owner-occupied property	-	-	90.5	90.5
Investment property held for sale	-	-	-	-
Total	-	-	16 647.5	16 647.5
	31.03.19			
Investment property	-	-	14 736.8	14 736.8
Owner-occupied property	-	-	76.7	76.7
Investment property held for sale	-	-	59.4	59.4
Total	-	-	14 872.9	14 872.9
	31.12.19			
Investment property	-	-	16 469.3	16 469.3
Owner-occupied property	-	-	89.0	89.0
Investment property held for sale	-	-	-	-
Total	-	-	16 558.3	16 558.3

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



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

### Other fixed assets and leases

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

Amounts in NOK million	31.03.20	31.03.19	31.12.19
Aker Br. energy distr. syst.	31.2	30.8	31.4
Other assets	8.7	12.3	9.1
Other fixed assets	39.9	43.1	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.

Amounts in NOK million	Leases for company cars	Leases for offices	Total
Carrying amount of rental obligation 31.12.2019	0.3	4.1	4.4
Addition in 2020	-	-	-
Installments in 2020	(0.1)	(0.3)	(0.4)
Carrying amount of rental obligation 31.03.2020	0.2	3.8	4.0

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

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

### NOTE 5: Inventory

The inventory comprises residential units under construction at Hasle in Oslo. All units have been sold on to end users. In the fourth quarter of 2019 69 units were delivered, and 73 units were delivered in the first quarter of 2020. Eighty-one of a total 223 units is scheduled to be delivered in the second quarter of 2020.

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

Amounts in NOK million	31.03.20	31.03.19	31.12.2019
Book value, opening balance	708.5	815.5	815.5
Purchase of company	-	-	-
Accrued cost during the period	57.7	67.2	250.4
Cost from sale of residential units	(371.7)	-	(357.4)
Book value, closing balance	394.6	882.7	708.5

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

Amounts in NOK million	31.03.20	31.03.19	31.12.2019
Land for development	-	-	-
Project under construction/development	394.6	882.7	708.5
Completed units	-	-	-
Total carrying amount of property related inventory	394.6	882.7	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	31.03.20	31.03.19	31.12.19
Book value, opening balance	-	30.1	30.1
New joint ventures	-	-	-
Share of profit for the period	-	1.6	8.7
Disposal of joint ventures	-	-	(38.8)
Book value, closing balance	-	31.7	-

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

Amounts in NOK million	1Q-20	1Q-19	31.12.19
Revenue	-	5.1	18.7
Total property-related expenses	-	(1.6)	(7.0)
Change in market value of investment property	-	3.5	20.5
Operating profit	-	7.0	32.3
Net financial items	-	(2.6)	(10.0)
Profit before income tax	-	4.4	22.2
Income tax	-	(1.2)	(4.9)
Profit for the period	-	3.2	17.3
The groups share of profit for the period	-	1.6	8.7
The groups share of gain from disposal for the period	-	-	48.1
The groups share of total equity	-	1.6	56.8

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

Amounts in NOK million	31.03.20	31.03.19	31.12.19
Investment property	-	284.4	-
Receivables	-	1.4	-
Cash and cash equivalents	-	4.9	-
Deferred tax	-	(1.2)	-
Interest bearing liabilities	-	(200.0)	-
Other liabilities	-	(20.4)	-
Total equity	-	(63.4)	-
The groups share of total equity	-	(31.7)	-

**NOTE 7: Financial derivatives**

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

Amounts in NOK million	1Q-20	1Q-19	31.12.19
Net book value of derivatives, opening balance	(75.5)	(156.5)	(156.5)
Buyout of derivatives	-	-	11.5
Fair value adjustments of derivatives	(192.2)	10.3	69.5
Net book value of derivatives, closing balance	(267.7)	(146.2)	(75.5)
Of which classified as non-current assets	30.8	7.5	16.2
Of which classified as current assets	0.0	0.1	1.0
Of which classified as non-current liabilities	(279.6)	(153.0)	(92.6)
Of which classified as current liabilities	(18.9)	(0.8)	-

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

**NOTE 8: Financial instruments**

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

Amounts in NOK million	31.03.2020		31.03.2019			31.12.2019		
	Book value	Fair value	Book value	Fair value	value	Book value	Fair value	value
Non-current derivatives	30.8	30.8	7.5	7.5		16.2		16.2
Non-current receivables	13.0	13.0	10.2	10.2		-		-
Current derivatives	0.0	0.0	0.1	0.1		1.0		1.0
Current receivables	88.0	88.0	73.8	73.8		128.8		128.8
Cash and cash equivalents	196.6	196.6	445.9	445.9		281.8		281.8
<b>Total financial assets</b>	<b>328.4</b>	<b>328.4</b>	<b>537.5</b>	<b>537.5</b>		<b>427.7</b>		<b>427.7</b>
Non-current derivatives	279.6	279.6	153.0	153.0		92.6		92.6
Non-current interest-bearing liabilities	5 672.6	5 684.2	4 692.6	4 689.5		5 690.5		5 679.3
Current derivatives	18.9	18.9	0.8	0.8		-		-
Current interest-bearing liabilities	2 165.5	2 182.3	2 336.9	2 340.9		2 466.8		2 483.6
Other current liabilities	297.9	297.9	376.1	376.1		376.1		376.1
<b>Total financial liabilities</b>	<b>8 434.6</b>	<b>8 463.0</b>	<b>7 559.4</b>	<b>7 560.3</b>		<b>8 626.1</b>		<b>8 631.7</b>

The estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. Account is taken of the estimated difference between the current margin and market conditions (market value higher than the book value of debt in the listing indicates a negative equity effect when the applicable borrowing margin is less favourable than current market conditions). The fair

value of financial derivatives (interest-rate and currency derivatives), is the estimated present value of future cash flows, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are carried principally at fair value and subsequently measured at amortised cost. However, discounting is not usually considered to have any significant effect on these types of assets and liabilities.

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

Amounts in NOK million	Level 1 <sup>1</sup>	Level 2 <sup>1</sup>	Level 3 <sup>1</sup>	Total
	31.03.20			
Non-current derivatives (assets)	-	30.8	-	30.8
Current derivatives (assets)	-	0.0	-	0.0
Non-current derivatives (liabilities)	-	(279.6)	-	(279.6)
Current derivatives (liabilities)	-	(18.9)	-	(18.9)
<b>Total</b>	<b>-</b>	<b>(267.7)</b>	<b>-</b>	<b>(267.7)</b>
31.03.19				
Non-current derivatives (assets)	-	7.5	-	7.5
Current derivatives (assets)	-	0.1	-	0.1
Non-current derivatives (liabilities)	-	(153.0)	-	(153.0)
Current derivatives (liabilities)	-	(0.8)	-	(0.8)
<b>Total</b>	<b>-</b>	<b>(146.1)</b>	<b>-</b>	<b>(146.1)</b>
31.12.19				
Non-current derivatives (assets)	-	16.2	-	16.2
Current derivatives (assets)	-	1.0	-	1.0
Non-current derivatives (liabilities)	-	(92.6)	-	(92.6)
Current derivatives (liabilities)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(75.5)</b>	<b>-</b>	<b>(75.5)</b>

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

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

#### NOTE 9: Net interest-bearing position

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

Amounts in NOK million	Note	1Q-20	1Q-19	31.12.19
Loan facilities at par value, opening balance		8 168.1	7 847.1	7 847.1
Net change of loan facilities		(323.4)	(806.4)	321.0
Loan facilities at par value, closing balance	1	7 844.7	7 040.7	8 168.1
Capitalised borrowing cost		(6.5)	(11.1)	(10.7)
Book value of interest-bearing debt		7 838.2	7 029.6	8 157.4
Of which classified as non-current liabilities		5 672.6	4 692.6	5 690.5
Of which classified as current liabilities		2 165.5	2 336.9	2 466.8
Interest-bearing debt		(7 838.2)	(7 029.6)	(8 157.4)
Interest-bearing receivable	2	13.2	10.2	-
Cash and cash equivalents		196.6	445.9	281.8
Net interest-bearing position		(7 628.4)	(6 573.4)	(7 875.6)

<sup>1</sup> *Unutilised credit facilities amounted to NOK 750 million at 31 March 2020, NOK 150 million at 31 December 2019 and NOK 800 million at 31 March 2019.*

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

Norwegian Property is exposed to interest rate risk on floating-rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 per cent of the company's interest-bearing debt at any time will be hedged. At 31 March 2020, 76.3 per cent of such loans was secured (31 March 2019: 62.9 per cent). The total average interest margin

on loans was 120 basis points (140 basis points). The loan portfolio has an average interest rate of 3.48 per cent (3.85 per cent), and remaining time to maturity for interest-bearing debt was 2.6 years (2.4 years). Remaining time to maturity for interest hedging agreements was 5.0 years (3.9 years).

#### NOTE 10: Net financial items

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

Amounts in NOK million	1Q-20	1Q-19	31.12.19
Interest income on bank deposits and receivables	1.4	1.5	4.6
Total financial income	1.4	1.5	4.6
Interest expense on borrowings	(68.1)	(65.4)	(258.6)
Total financial cost	(68.1)	(65.4)	(258.6)
Realised net financial items	(66.7)	(63.9)	(253.9)
Change in market value of financial derivative instruments	(192.2)	10.3	69.5
Net financial items	(258.9)	(53.6)	(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	1Q-20	1Q-19	31.12.19
Profit before income tax	(100.3)	220.3	1 253.7
Income tax calculated at 22 per cent	(22.1)	48.5	275.8
Differences between financial accounts and tax accounts	22.6	2.5	(28.8)
Income tax	0.5	51.0	247.0
Deferred tax, opening balance	866.1	615.9	615.9
Recognised through profit and loss	0.5	51.0	247.0
Recognised through comprehensive income	0.4	0.1	3.2
Deferred tax, closing balance	867.0	667.0	866.1

With effect from 2019, amendments were made to the rules on limiting interest deductions under Norwegian tax legislation. The limitation has been extended to include external interest payments for taxpayers in a group. The change affects Norwegian Property, which

has a foreign controlling shareholder. Norwegian Property has carry-forwards losses as well as balances in profit and loss accounts. These tax positions can be used to minimise the effect on tax payable.

**NOTE 12: Related-party disclosures**

No agreements or significant transactions with related parties have been carried out in 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 31 March 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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### Contact information

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### Further information

For further information on Norwegian Property, including presentation material relating to this interim report and financial information, please visit [www.npro.no](http://www.npro.no).

### Disclaimer

*The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property's Annual Report for 2019. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Norwegian Property disclaims any and all liability in this respect.*