

INTERIM REPORT

THIRD QUARTER 2014



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE THIRD QUARTER OF 2014

PHASING-IN OF COMPLETED PROJECTS BOOSTS RENTAL INCOME

Positive results and fair-value adjustments for investment properties increase equity per share by NOK 0.38

A number of premises were completed and occupied by new tenants during the third quarter of 2014, and overall rental income rose from NOK 172 million in the same period of last year to NOK 187 million. Rental income rose by 11.5 per cent when the sale of Finnestadveien 44 and Maridalsveien 323 is taken into account. Operating profit before fair-value adjustments came to NOK 139.5 million. Profit before tax and fair-value adjustments was NOK 40.3 million.

Positive fair-value adjustments for investment properties totalled NOK 89.8 million, while negative fair-value adjustments for financial derivatives came to NOK 24.1 million. After NOK 101.6 million in negative tax expense, net profit for the period came to NOK 207.6 million. This yielded ordinary earnings per share (EPS) of NOK 0.38 for the third quarter. Carried equity per share came to NOK 9.62 at 30 September, up from NOK 9.25 at 30 June (Epra NAV: NOK 10.70 and Epra NNAV: 10.05 at 30 September 2014).

Seasonal slow-down in letting activity

Fifteen new or expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 21.5 million. The most important leases covered 1 840 square metres to Sektor Gruppen AS in the Verkstedveien 1 development project (previously Drammensveien 134 – new building) and an extension for 1 200 square metres to Konstali Helsenor AS in Bryggegata 7-9.

The overall letting ratio for the development projects at Aker Brygge is now 81 per cent, up from 78 per cent at 1 July. A total of 9 500 square metres of offices and 2 800 square metres of commercial premises remained unlet at 30 September in the three projects at Aker Brygge. The overall letting ratio for Verkstedveien 1 at Skøyen is now 41 per cent, up from 36 per cent at 30 June.

The development projects

Work is in full swing with the projects at Stranden 1, Stranden 5 and Verkstedveien 1 in Oslo. These properties remain largely without rental income while conversion continues, but the retailing space is being opened up gradually during the third and fourth quarters. The office part of Stranden 3 has been completed.

New board

Share purchases by Geveran Trading Co Ltd during the late summer made it the largest shareholder in Norwegian Property. In September, this company called for an extraordinary general meeting to elect a new board. That meeting took place in October, and the new board comprises Henrik A Christensen, Bjørn Henningsen, Nils K Selte, Camilla Hagen Sørli and Cecilie Astrup Fredriksen. Espen D Westeren was elected as an alternate director.

Portfolio changes and positive fair value development

The sale of two properties was finalised during the third quarter.

- Finnestadveien 44 in Stavanger was sold in early August 2014 to WP Carey at a gross property value of NOK 733 million.
- Maridalsveien 323 in Nydalen, Oslo, was sold in September 2014 to a company established by Ness, Risan og Partners at a gross property value of NOK 344 million.

Refinancing on favourable terms

Norwegian Property entered into an agreement in early October on extending its credit facility with Danske Bank / DNB to December 2016. The commercial terms are marginally improved from the previous agreement.



KEY FIGURES

Profit and loss		3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Gross income	NOK mill.	187.0	172.0	556.0	600.2	769.8
Operating profit before adm. expenses	NOK mill.	155.2	139.5	463.0	512.1	647.7
Operating profit before value adj.	NOK mill.	139.5	123.7	415.9	465.4	586.9
Profit before income tax and value adj.	NOK mill.	40.3	20.2	125.5	152.8	174.4
Profit before income tax	NOK mill.	106.0	17.7	135.5	-218.2	-287.6
Profit after income tax	NOK mill.	207.6	21.5	215.8	-174.4	-230.9
EPRA-earnings ¹	NOK mill.	29.4	14.5	91.6	110.0	125.6

Balance sheet		3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Market value of investment portfolio	NOK mill.	15 230.5	14 444.1	15 230.5	14 444.1	14 762.6
Equity	NOK mill.	5 277.7	5 113.0	5 277.7	5 113.0	5 057.5
Interest bearing debt	NOK mill.	9 209.4	8 631.5	9 209.4	8 631.5	8 947.4
Equity ratio	Per cent	34.2	34.7	34.2	34.7	33.6
Pre-tax return on equity (annualized)	Per cent	8.2	1.3	3.5	-5.5	-5.5

Cash flow		3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Cash flow from operating activities	NOK mill.	-84.5	-25.6	-55.4	22.3	45.9
Cash position	NOK mill.	10.9	85.6	10.9	85.6	62.9

Key numbers; per share		3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
No. of shares issued at end of period	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Average number of shares in period	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Pre-tax profit ²	NOK	0.19	0.03	0.25	-0.40	-0.52
Basic earnings (EPS) ²	NOK	0.38	0.04	0.39	-0.32	-0.42
EPRA-earnings ²	NOK	0.05	0.03	0.17	0.20	0.23
Operating cash flow	NOK	-0.15	-0.05	-0.10	0.04	0.08
Interest bearing debt	NOK	16.79	15.74	16.79	15.74	16.31
NAV (book value of equity)	NOK	9.62	9.32	9.62	9.32	9.22
Deferred property tax ³	NOK	0.17	0.11	0.17	0.11	0.08
Fair value of financial derivative instruments ⁴	NOK	0.91	0.76	0.91	0.76	0.77
EPRA NAV⁵	NOK	10.70	10.19	10.70	10.19	10.07
Fair value of deferred tax ⁶	NOK	0.31	0.39	0.31	0.39	0.41
Fair value of financial derivative instruments ⁷	NOK	-0.91	-0.76	-0.91	-0.76	-0.77
Fair value of debt ⁸	NOK	-0.05	0.03	-0.05	0.03	-
EPRA NNAV⁹	NOK	10.05	9.86	10.05	9.86	9.71

¹ Calculated on the basis of net income, adjusted for the change in value of investment properties and financial instruments, and the tax cost of the adjustments made.

² Diluted earnings per share are the same as the basic earnings per share.

³ Adjusts for carrying amount of deferred tax related to fair value adjustments of investment properties (not deferred taxes of tax depreciation in the period of ownership).

⁴ Adjusts for fair value in the balance sheet of financial instruments after taxes.

⁵ EPRA (European Public Real-Estate Association) recommendations to the calculation of NAV at an ordinary long-term operational perspective to the business.

⁶ Adjusts for the estimated fair value of deferred tax, including tax depreciation differences, tax losses- and gain/loss accounts carry forward.

⁷ Adds fair value in the balance sheet for financial instruments after tax, which is deducted from EPRA NAV.

⁸ Adjustment for the estimated fair value of debt in accordance with the principles described in Note 5 to the financial statements.

⁹ EPRA recommendations to the calculation of NAV where EPRA NNAV ("triple net asset value") in relation to the EPRA NAV include estimated realizable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.



FINANCIAL PERFORMANCE

RESULTS FOR THE THIRD QUARTER OF 2014

Rental income for Norwegian Property totalled NOK 187 million in the third quarter of 2014. That compares with NOK 172 million for the same period of 2013. Adjusted for property sales during the period, this represented an increase of NOK 19.8 million in rental income for the third quarter of 2014.

Maintenance and other operating costs totalled NOK 15 million (NOK 18.8 million¹⁰) for the quarter. Other property-related expenses came to NOK 16.9 million (NOK 13.7 million), while owner administrative expenses were NOK 15.7 million (NOK 15.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 139.5 million (NOK 123.7 million) for the third quarter.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 89.8 million (reduction of NOK 66.1 million).

Net realised financial expenses came to NOK 99.2 million (NOK 103.5 million) for the third quarter. NOK 7 million was expensed with respect to previously capitalised start-up costs for redeemed and refinanced debt. Market interest rates fell during the third quarter, and the profit component related to fair-value changes in financial derivatives was accordingly reduced by NOK 24.1 million (increased by NOK 63.5 million).

The pre-tax profit for the third quarter was NOK 106 million (NOK 17.7 million). The change in the provision for non-payable deferred tax expense for the quarter was positive at NOK 101.6 million (NOK 3.8 million). This positive change related to property sales and tax-related expensed project costs. Net profit was thereby NOK 207.6 million (NOK 21.5 million).

VALUATION OF PROPERTIES

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

At 30 September, the group's portfolio of investment properties was valued at NOK 15 230.5 million (NOK 14 444.1 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 96.3 million at 30 September, and recognised at fair value.

The positive fair-value adjustment came to NOK 89.8 million in the third quarter, and was NOK 100.4 million in all for the development properties Stranden 1, 3 and 5 at Aker Brygge and Verkstedveien 1 at Skøyen. The negative change in the value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 55.7 million. Other properties had a positive fair-value change of NOK 45.1 million.

CASH FLOW

Net cash flow from operating activities before financial items was NOK 84.5 million (NOK 25.6 million) for the third quarter.

Net investment in non-current assets in the third quarter totalled NOK 397.1 million (NOK 320.7 million), and primarily embraced investments in the property portfolio related to the development of certain large properties. The net amount received from the sale of the Finnestadveien 44 and Maridalsveien 323 investment properties was NOK 1 032.4 million in the third quarter (NOK 10 million).

Net cash flow from financing activities was NOK 553.9 million (NOK 13.5 million) for the third quarter after the redemption of interest-bearing debt following property sales.

¹⁰ Figures in brackets refer to the corresponding period of the year before.



The net decrease in cash and cash equivalents was NOK 3.1 million (increase of NOK 50.1 million) for the quarter.

BALANCE SHEET

The company held NOK 10.9 million in cash and cash equivalents at 30 September (NOK 85.5 million). In addition came NOK 916.7 million (NOK 1 716 million) in unutilised credit facilities. Equity totalled NOK 5 277.7 million (NOK 5 113 million), representing an equity ratio of 34.2 per cent (34.7 per cent). Carried equity per share was NOK 9.62 (NOK 9.32). Equity per share was NOK 10.70 (NOK 10.19) based on the Epra NAV standard and NOK 10.05 (NOK 9.86) based on Epra NNNAV. Outstanding shares at 30 September totalled 548 425 596 (548 425 596).

FINANCING

The table below presents interest-bearing debt and hedges at 30 September 2014.

Interest bearing debt and hedging as of 30 September 2014		
Interest bearing debt	NOK million	9 209.4
Cash and cash equivalents	NOK million	10.9
Interest hedging ratio (%)	Per cent	83.9
Unused credit and overdraft facilities	NOK million	916.7
Average time to maturity, hedging	Year	4.2
Average interest rate (incl. margin and capitalized cost)	Per cent	4.33
Average margin	Per cent	1.44
Average residual term, borrowing	Year	2.4
Property value	NOK million	15 230.5
Interest bearing debt / value (LTV)	Per cent	60.5
Net interest bearing debt / value (net LTV)	Per cent	60.4

INTEREST HEDGES

Maturity profile interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year
Amount	NOK million	1 843	750	1 550	1 100	1 200	2 800
Average interest rate	Per cent	1.7	3.2	3.7	4.3	4.8	4.2
Share of total liabilities	Per cent	20	8	17	12	13	30

The effect of interest rate derivatives with a forward start represents an additional 94 basis points.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 83.7 per cent at 30 September. That represented an increase from the second quarter as a result of reduced debt following property sales. The company works continuously to tailor interest hedges to a lower level of interest rates.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities after capitalised costs totalled NOK 9 209.4 million (NOK 8 631.5 million) at 30 September.

The company issued a new secured bond loan totalling NOK 350 million with a five-year term in the Norwegian bond market during October. The loan has an interest rate of three months Nibor plus a margin of 0.98 per cent. It is secured through a first priority mortgage on the Bryggegate 7-9 and Holmensgate 1 properties within a 66 per cent loan-to-value ratio. Used to refinance existing credit facilities on favourable terms, the loan contributes to a further differentiation of the group's financing on favourable terms.



Norwegian Property entered into an agreement in October with Danske Bank and DNB on extending the credit facility from its original maturity in June 2015 to December 2016. At 30 September, the total loan volume was about NOK 4.4 billion, including drawn and undrawn credit facilities. The commercial terms are marginally improved in the extended agreement.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy was around seven per cent of total space in the Oslo area at 30 September, according to Akershus Eiendom. That was unchanged from 1 July. Construction starts and completions for new premises are expected to remain low over the next few years. At the same time, the trend towards converting space into residential accommodation is continuing. Although demand for space has also declined somewhat, the low level of availability indicates a reduction in vacant space and limited risk for a fall in rents over the next few years.

Demand in Stavanger continues to be affected by the focus on costs in the oil and offshore sector. Good availability of land and tendencies towards some increase in vacant space continued to put pressure on rents. In line with some reduction in demand, newbuilding activity is also likely to fall. Overall, therefore, relatively stable rents are expected in the time to come.

Long-term interest rates for swaps declined again during the third quarter. Good capital availability in both bank and bond markets also means that loan margins have fallen, so that overall borrowing costs for new property financing are continuing to decline. Akershus Eiendom forecasts an overall transaction volume of NOK 50 billion for the year, not counting the stock exchange listing of Entra Eiendom. Increased interest from external investors as well as good and stable access to external capital indicate that the level of activity in the transaction market will remain good.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 39 office and commercial properties at 30 September. These are located in central areas of Oslo and Bærum (83.7 per cent of gross current rental income at 30 September), at Gardermoen (3.7 per cent of gross rental income) and in Stavanger (12.6 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and retail and restaurant space.

Total contractual rental income from the portfolio was NOK 732.1 million at 30 September, a reduction of NOK 45.8 million from NOK 777.9 million at 1 July following the disposal of Finnstadveien 44 and Maridalsveien 323. Vacancy in the property portfolio (commercial space without rental income) totalled 24.9 per cent of total space at 30 September, up from 23.9 per cent at 1 July following the sale of the two fully leased properties (proforma vacancy was 26.0 per cent). Vacancy also includes expanded space in rehabilitation projects which has not been included earlier. The buildings being converted at Aker Brygge and Skøyen had a vacancy of 71.5 per cent at 30 September. Vacancy for immediately available space was 11.4 per cent at 30 September.

A total of 15 new leases were awarded or renegotiated during the third quarter, with a combined annual value of about NOK 21.5 million. The average remaining term of the leases is 6.1 years. The average rent adjustment factor for the consumer price index is 97.8 per cent of the total portfolio.



SHAREHOLDER INFORMATION

The company had 1 710 registered shareholders at 30 September, an increase of 184 from 30 June 2013. Non-Norwegian shareholders held 67 per cent of the share capital at 30 September, up from 60.7 per cent at 30 June. The number of shares traded during the third quarter averaged 1.8 million per day, compared with a 2013 average of 0.5 million per day. The company's share capital totalled NOK 274 223 416 at 30 September, divided between 548 446 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property held 21 236 as treasury shares at 30 September. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 September are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO L	27.74	152 157 204	ORD	CYP
2	CANICA AS	13.13	72 008 232	ORD	NOR
3	FOLKETRYGDFONDET	8.49	46 551 642	ORD	NOR
4	THE BANK OF NEW YORK BNY MELLON A/C APG A	4.33	23 730 241	NOM	NLD
5	STATE STREET BANK & S/A SSB CLIENT OMNIBUS	3.22	17 684 751	NOM	USA
6	SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	3.18	17 448 146	NOM	SWE
7	STATE STREET BANK AN A/C CLIENT OMNIBUS F	2.99	16 423 429	NOM	USA
8	THE BANK OF NEW YORK BNY MELLON	1.97	10 814 557	NOM	USA
9	BNP PARIBAS SEC. SER S/A BP2S LUX/FIM/LUX	1.78	9 786 433	NOM	LUX
10	STATE STREET BANK & A/C CLIENT FUND NUM	1.68	9 214 034	NOM	USA
11	STATE STREET BANK AN A/C WEST NON-TREATY	1.33	7 267 029	NOM	USA
12	VERDIPAPIRFONDET DNB	1.29	7 096 407	ORD	NOR
13	VERDIPAPIRFONDET DNB	1.24	6 775 405	ORD	NOR
14	BNP PARIBAS SEC. SER S/A TR PROPERTY INV	0.97	5 325 659	NOM	GBR
15	MERRILL LYNCH INTERN C/O MLI GEF NON TREATY	0.86	4 714 293	NOM	GBR
16	FONDSFINANS SPAR	0.82	4 500 000	ORD	NOR
17	KLP AKSJE NORGE IND	0.81	4 454 595	ORD	NOR
18	J.P. MORGAN CHASE BA NORDEA TREATY ACCOUNT	0.75	4 126 021	NOM	GBR
19	STATE STREET BANK & S/A SSB CLIENT OM04	0.71	3 913 715	NOM	USA
20	J.P. MORGAN CHASE BA NORDEA RE:NON-TREATY	0.68	3 715 765	NOM	GBR
Total 20 largest shareholders		77.99	427 707 558		6/20 NOR

ELECTION OF NEW BOARD

After Geveran Trading Co Ltd had acquired a total of 144 959 048 shares, corresponding to about 26.4 per cent of the company's shares and votes, this shareholder requested on 18 September 2014 that an extraordinary general meeting of Norwegian Property ASA be called for the election of new directors and members of the nomination committee. An extraordinary general meeting of Norwegian Property ASA was held on 10 October 2014. A new board for the company was elected in accordance with the recommendation from the company's nomination committee. The new board comprises chair Henrik A Christensen and directors Bjørn Henningsen, Nils K Selte, Camilla Hagen Sørli and Cecilie Astrup Fredriksen. Espen D Westernen was elected as an alternate director. All the directors are new with the exception of Nils K Selte, who has served as both chair and director since December 2008. The nomination committee consists hereafter of chair Marianne E Johnsen as well as members Jan Ole Stangeland and Espen D Westernen.



OUTLOOK

The balance between supply and demand for office premises in Oslo remains good. Vacancy is stable or declining, indicating stable or slightly rising letting and limited risk for a fall in rents. The market in Stavanger is characterised by a more cautious attitude in the oil and offshore sector. Capital availability remains good, and both interest rates and loan margins declined during the quarter. This indicates that the robust transaction market will continue, and that the basis exists for the value of commercial property to continue making good progress.

Completion of the major development projects in Oslo is approaching. The final projects at Stranden 1, Stranden 5 and Verkstedveien 1 (previously Drammensveien 134, new building) will be completed gradually up to 1 April 2015. Upgrading and conversion work is also under way at several of the company's other properties. As a result, substantial space remains temporarily without rental income. But a steadily increasing letting ratio for the development projects will ensure growth in future rental income. The highest rents in the new projects are being achieved at Aker Brygge, where only 12 300 square metres of the original 78 600 square metres remain unlet.

Both project and letting risk decline as the projects are completed. But Norwegian Property is paying close attention to remaining project execution and management. At the same time, work on leasing vacant space in the portfolio and in premises being completed in connection with the extensive upgrading projects has top priority. The market outlook in Stavanger is rather more uncertain, and work continues on the strategic process for optimising utilisation of each property and future ownership of the portfolio.

The company is increasingly concentrating its attention on growth opportunities after the completion of the major projects. In light of the new owner position, the new board and the general state of capital markets, the new board has initiated a strategy process to strengthen the focus on expansion opportunities even further.

Rental income is expected to rise gradually during 2014 and early 2015 in step with the completion of the development projects and the phasing-in of the leases awarded. However, the company's financial results will continue to be affected for a time by strategic vacancy and by the execution of the current development projects.

The board of directors of Norwegian Property ASA

Oslo, 23 October 2014



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Gross income		187.0	172.0	556.0	600.2	769.8
Maintenance and other operating expenses		-15.0	-18.8	-46.7	-47.3	-58.0
Other property-related expenses		-16.9	-13.7	-46.2	-40.6	-64.1
Total property-related expenses		-31.9	-32.5	-92.9	-87.9	-122.1
Administrative expenses		-15.7	-15.9	-47.1	-46.7	-60.7
Total operating expenses		-47.5	-48.4	-140.1	-134.6	-182.8
Operating profit before value adjustments		139.5	123.7	415.9	465.5	586.9
Change in market value of investment property	3	89.8	-66.1	199.7	-507.9	-562.6
Other gain/loss		-	-	-	-	2.7
Operating profit		229.3	57.6	615.6	-42.4	27.0
Financial income	2	0.3	4.9	1.3	19.7	20.0
Financial cost	2	-99.4	-108.4	-291.7	-332.3	-432.6
Realized net financial items		-99.2	-103.5	-290.4	-312.6	-412.5
Change in market value of financial derivative instruments	2, 4	-24.1	63.5	-189.7	136.9	97.9
Net financial items		-123.3	-39.9	-480.1	-175.7	-314.6
Profit before income tax		106.0	17.7	135.5	-218.0	-287.6
Income tax	7	101.6	3.8	80.4	43.8	56.7
Profit for the period		207.6	21.5	215.8	-174.2	-230.9
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		207.6	21.5	215.8	-174.2	-230.9
Value adjustment of owner-occupied property	3	-0.1	-0.9	4.4	3.2	4.3
Total other comprehensive income		-0.1	-0.9	4.4	3.2	4.3
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		207.5	20.6	220.2	-171.0	-226.6
Total comprehensive income attributable to shareholders of the parent company		207.5	20.6	220.2	-171.0	-226.6
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.09.2014	30.09.2013	31.12.2013
ASSETS				
Financial derivative instruments	4	2.4	8.2	15.6
Investment property	3	15 134.2	14 392.4	14 709.9
Owner-occupied property	3	96.3	51.7	52.7
Other fixed assets		43.6	63.3	52.2
Total non-current assets		15 276.6	14 515.6	14 830.5
Receivables		149.7	114.0	153.2
Cash and cash equivalents	6	10.9	85.5	62.9
Total current assets		160.7	199.5	216.1
Total assets		15 437.3	14 715.1	15 046.6
EQUITY AND LIABILITIES				
Share capital		274.2	274.2	274.2
Share premium		3 412.3	3 412.2	3 412.3
Other paid in equity		6 440.1	6 440.1	6 440.1
Retained earnings		-4 848.9	-5 013.5	-5 069.1
Total equity		5 277.7	5 113.0	5 057.5
Deferred tax	7	79.9	173.1	160.2
Financial derivative instruments	4	684.5	585.1	602.2
Interest bearing liabilities	6	5 339.2	7 673.4	8 917.4
Total non-current liabilities		6 103.6	8 431.6	9 679.9
Financial derivative instruments	4	2.9	1.9	0.3
Interest bearing liabilities	6	3 870.2	958.2	30.0
Other liabilities		182.9	210.5	278.9
Total current liabilities		4 056.0	1 170.5	309.2
Total liabilities		10 159.6	9 602.1	9 989.1
Total equity and liabilities		15 437.3	14 715.1	15 046.6



CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity 31.12.2012	274.2	3 412.3	6 440.1	-4 732.9	5 393.7
Total comprehensive income	-	-	-	-171.0	-171.0
Paid dividends	-	-	-	-109.7	-109.7
Total equity 30.09.2013	274.2	3 412.3	6 440.1	-5 013.6	5 113.0
Total comprehensive income	-	-	-	-55.5	-55.5
Total equity 31.12.2013	274.2	3 412.3	6 440.1	-5 069.2	5 057.5
Total comprehensive income	-	-	-	220.2	220.2
Total equity 30.09.2014	274.2	3 412.3	6 440.1	-4 848.9	5 277.7

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Profit before income tax		106.0	17.7	135.5	-218.0	-287.6
Depreciation of tangible assets		1.7	1.4	5.6	4.3	6.0
Fair value adjustment of investment property	3	-89.8	66.1	-199.7	507.9	562.6
Fair value adjustment of financial derivative instruments	4	-12.4	-83.9	98.0	-187.5	-179.4
Agio/disagio		0.3	0.3	0.7	-	-0.1
Change in short-term items		-90.3	-27.2	-95.5	-84.3	-55.9
Net cash flow from operating activities		-84.5	-25.6	-55.4	22.3	45.9
Received cash from sale of investment property		1 032.4	10.0	1 032.8	704.1	704.1
Payments for purchase of investment property and other fixed assets		-397.1	-320.7	-1 295.5	-847.8	-1 211.0
Other investment activities		-	400.0	-	400.0	400.0
Net cash flow from investing activities		635.3	89.3	-262.7	256.2	-106.9
Net change of interest bearing debt	6	-553.9	-13.5	266.8	-795.4	-478.4
Paid dividend		-	-	-	-109.7	-109.7
Net cash flow from financial activities		-553.9	-13.5	266.8	-905.1	-588.1
Net change in cash and cash equivalents		-3.1	50.1	-51.2	-626.6	-649.0
Cash and cash equivalents at the beginning of the period		14.3	35.8	62.9	712.0	712.0
Exchange rate effects		-0.3	-0.3	-0.7	0.1	-0.1
Cash and cash equivalents at the end of the period		10.9	85.5	10.9	85.5	62.9



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Norwegian Property ASA is a real estate group, established in 2006. The group owns commercial properties in Oslo and Stavanger. The holding company, Norwegian Property ASA, is a public limited company with its headquarters in Grundingen 6, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

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 is in accordance with the principles applied in the preparation of the annual accounts for 2013. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2013. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2013.

In accordance with the requirements of the Accounting Act § 3-3c Norwegian Property prepares an annual report on corporate social responsibility. The latest report is contained in the annual report for 2013.

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 acquisition.

Norwegian Property's business consists of ownership and management of commercial properties in Norway. No material differences in risks and returns exist in the economic environments in which the company operates. Consequently, the company is only present in one business segment and one geographic market, and no further segment information has been prepared.

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are primarily related to the valuation of investment property.

The interim report of Norwegian Property ASA was approved at a Board meeting on 23 October 2014. This report has not been audited.

NOTE 2 NET FINANCIAL ITEMS

Below is a breakdown of net financial items in the income statement.

Amounts in NOK million	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Interest income on bank deposits	0.3	0.9	1.3	5.0	5.3
Interest income on seller's credit	-	4.6	-	14.6	14.6
Currency gain on bank deposits	-	-0.6	-	0.1	-
Total financial income	0.3	4.9	1.3	19.7	20.0
Interest expense on borrowings	-99.2	-108.6	-291.0	-332.3	-432.4
Currency loss on bank deposits	-0.3	0.1	-0.7	-	-0.1
Total financial cost	-99.4	-108.5	-291.7	-332.3	-432.5
Realized net financial items	-99.2	-103.5	-290.4	-312.6	-412.5
Change in market value of financial derivative instruments	-24.1	63.5	-189.7	136.9	97.9
Net financial items	-123.3	-39.9	-480.1	-175.7	-314.6



NOTE 3 INVESTMENT PROPERTY

Changes in the carrying amount of investment property is specified in the table below.

Amounts in NOK million	Note	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Total value of investment property, opening balance		15 780.1	14 206.6	14 762.6	14 852.5	14 852.5
Disposals of properties at book value	1	-1 043.9	-	-1 043.9	-693.7	-693.7
Additions through acquisition and on-going investments of properties		395.4	314.7	1 299.7	799.7	1 172.4
Total fair value adjustment of investment property		89.8	-66.1	199.7	-507.9	-562.6
Fair value adjustment of properties sold	1	9.6	-10.0	9.3	-8.9	-9.2
Fair value adjustment of owner-occupied property		-0.5	-1.2	3.1	2.5	3.4
Total value of investment property, ending balance	2	15 230.5	14 444.1	15 230.5	14 444.1	14 762.6
Of which owner-occupied property	3	-96.3	-51.7	-96.3	-51.7	-52.7
Book value of investment property		15 134.2	14 392.4	15 134.2	14 392.4	14 709.9

1) Disposals in 2014 apply to Finnstadveien 44 and Maridalsveien 323, as well as minor adjustments related to prior year disposals. Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property.

2) Contractual obligations for construction contracts related to investment property amounts to NOK 607 million at 30 September 2014 (31 December 2013: NOK 1 552 million).

Norwegian Property is sued by the contractor Seltor Øst AS in connection with a final settlement of the completed development project in Bryggegata 9 at Aker Brygge in Oslo. The contractor has submitted a claim, which is not accepted by Norwegian Property, amounted to NOK 12.0 million (excluding VAT). Norwegian Property has filed a counterclaim of NOK 3.7 million (excluding VAT). Assessment of the need for provisions in the accounts of Norwegian Property are based on best estimates.

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	30.09.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 134.2	15 134.2
Owner-occupied property	-	-	96.3	96.3
Total	-	-	15 230.5	15 230.5

Amounts in NOK million	30.09.2013			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 392.4	14 392.4
Owner-occupied property	-	-	51.7	51.7
Total	-	-	14 444.1	14 444.1

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 circumstances that caused the transfer. There have been no movements between levels in 2013 and 2014.



NOTE 4 FINANCIAL DERIVATIVES

Change in net derivatives in the balance sheet (interest rate and currency derivatives) is specified in the table below. All group interest rate derivatives are cash flow hedges, and the group does not use hedge accounting for these derivatives.

Amounts in NOK million	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Net book value of derivatives, opening balance	-697.4	-662.8	-586.9	-766.4	-766.4
Buyout of derivatives	36.5	20.4	91.7	50.6	81.5
Fair value adjustments of derivatives	-24.1	63.5	-189.7	136.9	97.9
Net book value of derivatives, ending balance	-684.9	-578.8	-684.9	-578.8	-586.9
Of which classified as non-current assets	2.4	8.2	2.4	8.2	15.6
Of which classified as non-current liabilities	-684.5	-585.1	-684.5	-585.1	-602.2
Of which classified as current liabilities	-2.9	-1.9	-2.9	-1.9	-0.3

NOTE 5 FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.09.2014		30.09.2013	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	2.4	2.4	8.2	8.2
Current receivables	183.2	183.2	114.0	114.0
Cash and cash equivalents	10.9	10.9	85.5	85.5
Total financial assets	196.6	196.6	207.7	207.7
Non-current derivatives	684.5	684.5	585.1	585.1
Non-current interest-bearing liabilities	5 339.2	5 379.0	7 673.4	7 649.2
Current derivatives	2.9	2.9	1.9	1.9
Current interest-bearing liabilities	3 870.2	3 871.2	958.2	956.0
Other current liabilities	153.8	153.8	174.5	174.5
Total financial liabilities	10 050.6	10 091.4	9 393.1	9 366.7

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. It is taken into account the estimated difference between the current margin and market conditions (lower market value than book value of debt in the listing indicates a positive equity effect when applicable borrowing margin is more favorable than the current market conditions). Fair value of financial derivatives, including forward currency contracts swaps and interest rate swaps, 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 principally carried at fair value and subsequently measured at amortized cost. However, discounting is usually not considered to have any significant effect on this type 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	30.09.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	2.4	-	2.4
Non-current derivatives (liabilities)	-	-684.5	-	-684.5
Current derivatives (liabilities)	-	-2.9	-	-2.9
Total	-	-684.9	-	-684.9

Amounts in NOK million	30.09.2013			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	8.2	-	8.2
Non-current derivatives (liabilities)	-	-585.1	-	-585.1
Current derivatives (liabilities)	-	-1.9	-	-1.9
Total	-	-578.8	-	-578.8

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 circumstances that caused the transfer. There have been no movements between levels in 2013 and 2014.

NOTE 6 NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Loan facilities at par value, opening balance		9 797.0	8 672.8	8 976.3	9 454.7	9 454.7
Increase of loan facilities		321.5	500.0	1 454.8	500.0	955.0
Reduction of loan facilities		-875.4	-513.6	-1 188.1	-1 295.5	-1 433.4
Loan facilities at par value, ending balance		9 243.1	8 659.2	9 243.1	8 659.2	8 976.3
Capitalized borrowing cost		-33.7	-27.7	-33.7	-27.7	-28.9
Book value of interest-bearing debt		9 209.4	8 631.5	9 209.4	8 631.5	8 947.4
Of which classified as non-current liabilities		5 339.2	7 673.4	5 339.2	7 673.4	8 917.4
Of which classified as current liabilities		3 870.2	958.2	3 870.2	958.2	30.0
Interest-bearing debt	1	-9 209.4	-8 631.5	-9 209.4	-8 631.5	-8 947.4
Cash and cash equivalents		10.9	85.5	10.9	85.5	62.9
Net interest-bearing position		-9 198.4	-8 546.0	-9 198.4	-8 546.0	-8 884.5

1) Undrawn credit facilities amounted to NOK 916.7 million at 30 September 2014, NOK 1 716 million at 30 September 2013 and NOK 1 116 million at 31 December 2013.

The group is exposed to interest rate risk on floating rate borrowings. The policy of Norwegian Property is a minimum of 70 percent of the company's interest bearing debt must be hedged. At 30 September 2014 were 84 percent of such loans secured (30 September 2013: 97 percent). The total average margin on variable rate loans was 144 basis points (30 September 2013: 141 basis points). The loan portfolio has an average interest rate of 4.33 per cent (30 September 2013: 5.17 per cent). Average remaining maturity of hedging contracts was 4.2 years (30 September 2013: 4.9 years).



NOTE 7 DEFERRED TAX AND INCOME TAX

Change in deferred tax and tax expense is specified in the table below.

Amounts in NOK million	Note	3Q 2014	3Q 2013	YTD 2014	YTD 2013	Year 2013
Profit before income tax		106.0	17.7	135.5	-218.2	-287.6
Income tax calculated at 27 per cent (28 per cent for 2013)		28.6	4.9	36.6	-61.1	-80.5
Change in tax rate	1	-	-	-	-	-5.9
Temporary differences		-122.4	6.8	-109.1	37.5	36.5
Permanent differences		-7.9	-15.5	-7.9	-20.3	-6.7
Income tax		-101.6	-3.8	-80.4	-43.8	-56.7
Deferred tax, opening balance		181.5	177.0	160.2	217.0	217.0
Recognized through profit and loss		-101.6	-3.8	-80.4	-43.8	-56.7
Deferred tax, ending balance		79.9	173.1	79.9	173.1	160.2

1) Company tax rate in Norway is reduced from 28 percent to 27 percent at the beginning of 2014. Deferred tax liabilities at year-end 2013 are calculated based on a tax rate of 27 percent.

NOTE 8 RELATED-PARTY DISCLOSURES

A related party has significant influence on the group's strategy or operational choices. The ability to influence another party is normally achieved through ownership, participation in group decision-making bodies and management or through agreements.

No new agreements or significant transactions with related parties are carried out so far in 2014.

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 of the group (see note 14 and 19 to the financial statements for 2013).

NOTE 9 EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date on 30 September 2014, Norwegian Property has entered into an agreement for the extension of a credit facility with Danske Bank / DNB until December 2016. The commercial terms are marginally improved from the previous agreement. The facility was originally due in June 2015. Drawings on the facility amounted to NOK 3 834.4 million, excluding capitalized costs, and are classified as current liabilities in the balance sheet at the end of the third quarter of 2014.

The company has also issued a new 5 year bond totaling NOK 350 million. The loan is issued with an interest of 3 month NIBOR plus 0.98 per cent. The loan is secured by first priority pledge in the properties Bryggegate 7-9 and Holmensgate 1 based on an LTV of 66 per cent. The purpose of the bond is refinancing of the property at favorable terms, and the bond contributes to further diversification of the group's financial funding.

There are no other significant events after 30 September 2014 that provides information of conditions that existed at the balance sheet date resulting in adjustments of the financial statements, or events after the balance sheet date that do not require such adjustments.



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

DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA (“the Company”) expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property’s Annual Report for 2013. 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.

