INTERIM REPORT

SECOND QUARTER AND FIRST HALF OF 2015

NORWEGIAN PROPERTY

IMPORTANT EVENTS IN THE SECOND QUARTER OF 2015

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

Rental income up by 27.1 per cent

The major development projects are virtually complete, and a number of new tenants moved into their premises during the second quarter of 2015. Overall rental income rose from NOK 187.8 million in the same period of last year to NOK 219.7 million, an increase of 27.1 per cent when the sale of Finnestadveien 44 and Maridalsveien 323 is taken into account. Operating profit before fair-value adjustments came to NOK 172.8 million. Profit before tax and fair-value adjustments was NOK 50.9 million.

Epra NAV up by NOK 0.22 per share in the second quarter

Positive fair-value adjustments for investment properties totalled NOK 81.3 million, while positive fair-value adjustments for financial derivatives came to NOK 116.6 million. After NOK 75 million in tax expense, net profit for the period came to NOK 173.9 million. That yielded ordinary earnings per share (EPS) of NOK 0.32 for the second quarter. Carried equity per share came to NOK 10.24 at 30 June, up from NOK 9.91 at 31 March (Epra NAV: NOK 11.42 and Epra NNNAV: NOK 10.77 at 30 June 2015).

Letting and development projects

Nineteen new and expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 46.8 million. Contractual rental income (run rate) at 30 June totalled NOK 906.2 million.

The biggest leases awarded during the quarter were:

- 7 559 square metres in Monier – Verkstedveien 1 for the e-health division of the Norwegian Directorate of Health, with expected occupation in 2015 and a term of 5.2 years.
- about 4 800 square metres of offices and associated parking in Verkstedveien 3 at Skøyen for Codan Forsikring extended by five years to September 2022.
- 1 248 square metres in the Terminal Building (Stranden 1) for new tenant Rocksource Exploration, with expected occupation in July 2015 and a term of 4.5 years.
- about 2 900 square metres of offices in the Workshops (Stranden 3) at Aker Brygge after 30 June for McCann Worldgroup, with expected occupation in November 2015 and a term of 5.3 years.
- 1 194 square metres in Monier – Verkstedveien 1 at Skøyen after 30 June for Mars/Wrigley/Royal Canin, with expected occupation in November 2015 and a term of 10.2 years.

When leases awarded immediately after 30 June are taken into account, the overall letting ratio for the three development projects at Aker Brygge is now 94 per cent, up from 89 per cent at 31 March 2015. The overall letting ratio for Monier – Verkstedveien 1 at Skøyen is now 73 per cent, up from 45 per cent at 31 March.

Property sales

Norwegian Property entered into an agreement in July on the sale of Lysaker Torg 35 to KLP Eiendom. The agreed gross value of the property is NOK 601.5 million, which represents an increase of NOK 56.6 million (10.4 per cent) from the valuation at 31 March 2015. This sale is in line with the company's strategy for active management of its portfolio, and reflects the strong transaction market.

CEO resigns

Olav Line resigned as CEO in June 2015 to join another company. The board has appointed finance and investment director Svein Hov Skjelle as acting CEO.

KEY FIGURES

Profit and loss		2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Gross income	NOK mill.	219.7	187.8	419.7	368.9	738.6
Operating profit before adm. expenses	NOK mill.	184.4	157.3	351.5	307.8	602.6
Operating profit before value adj.	NOK mill.	172.8	141.9	325.6	276.4	539.1
Profit before income tax and value adj.	NOK mill.	50.9	43.2	101.9	85.2	157.6
Profit before income tax	NOK mill.	248.9	108.5	448.6	29.5	129.7
Profit after income tax	NOK mill.	173.9	83.4	318.9	8.2	225.3
EPRA-earnings[1]	NOK mill.	37.2	31.5	74.4	62.2	115.0

Balance sheet		2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Market value of investment portfolio	NOK mill.	16 455.3	15 780.1	16 455.3	15 780.1	15 796.5
Equity	NOK mill.	5 613.1	5 070.2	5 613.1	5 070.2	5 290.2
Interest bearing debt	NOK mill.	9 951.5	9 749.9	9 951.5	9 749.9	9 635.4
Equity ratio	Per cent	33.6	31.6	33.6	31.6	32.9
Pre-tax return on equity (annualized)	Per cent	18.6	8.6	16.8	1.2	2.5

Cash flow		2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Cash flow from operating activities	NOK mill.	28.1	27.0	107.2	29.2	-71.2
Cash position	NOK mill.	7.8	14.3	7.8	14.3	21.7

Key numbers; per share		2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
No. of shares issued	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	0.45	0.20	0.82	0.05	0.24
Basic earnings (EPS)[2]	NOK	0.32	0.15	0.58	0.02	0.41
EPRA-earnings[2]	NOK	0.07	0.06	0.14	0.11	0.21
Operating cash flow	NOK	0.05	0.05	0.20	0.05	-0.13
Interest bearing debt	NOK	18.15	17.78	18.15	17.78	17.57
NAV (book value of equity)	NOK	**10.24**	**9.25**	**10.24**	**9.25**	**9.65**
Deferred property tax[3]	NOK	0.35	0.18	0.35	0.18	0.23
Fair value of financial derivative instruments[4]	NOK	0.83	0.93	0.83	0.93	1.09
EPRA NAV[5]	NOK	**11.42**	**10.35**	**11.42**	**10.35**	**10.97**
Fair value of deferred tax[6]	NOK	0.24	0.41	0.24	0.41	0.27
Fair value of financial derivative instruments[7]	NOK	-0.83	-0.93	-0.83	-0.93	-1.09
Fair value of debt[8]	NOK	-0.06	-0.06	-0.06	-0.06	-0.06
EPRA NNNAV[9]	NOK	**10.77**	**9.78**	**10.77**	**9.78**	**10.08**

[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 NNNAV ("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 SECOND QUARTER OF 2015

Rental income for Norwegian Property totalled NOK 219.7 million in the second quarter of 2015. That compares with NOK 187.8 million for the same period of 2014. Adjusted for property sales during 2014, this represented a rise of NOK 46.8 million in rental income for the second quarter of 2015. The increase related primarily to the phasing-in of current development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 17 million (NOK 17.7 million[10])) for the quarter. Other property-related expenses came to NOK 18.3 million (NOK 12.8 million). Owner administrative expenses were NOK 11.7 million (NOK 15.4 million). Operating profit before fair-value adjustments thereby amounted to NOK 172.8 million (NOK 141.9 million) for the second quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 81.3 million (NOK 180.2 million).

Net realised financial expenses came to NOK 121.8 million (NOK 98.7 million) for the second quarter, including NOK 8.1 million in expenses related to refinancing the bond loan in connection with the sale of the Lysaker Torg 35 property. Since market interest rates rose during the second quarter, the profit component related to fair-value adjustments for financial derivatives increased by NOK 116.6 million (decreased by NOK 114.9 million).

Pre-tax profit for the second quarter was NOK 248.9 million (NOK 108.5 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 75 million (NOK 25.1 million). Net profit was thereby NOK 173.9 million (NOK 83.4 million).

RESULTS FOR THE FIRST HALF OF 2015

Rental income for Norwegian Property totalled NOK 419.7 million in the first half of 2015. That compares with NOK 368.9 million for the same period of 2014. Adjusted for property sales during 2014, this represented a rise of NOK 80.3 million in rental income for the first half. The increase related primarily to the phasing-in of current development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 31.7 million (NOK 31.7 million) for the first half. Other property-related expenses came to NOK 36.5 million (NOK 29.4 million), while administrative expenses were NOK 25.9 million (NOK 31.5 million). Operating profit before fair-value adjustments thereby amounted to NOK 325.6 million (NOK 276.4 million) for the first half.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 182.5 million (NOK 109.9 million).

Net realised financial expenses came to NOK 223.7 million (NOK 191.2 million) for the first half. The profit component related to fair-value adjustments for financial derivatives increased by NOK 164.2 million (decreased by NOK 165.6 million).

Pre-tax profit for the first half was NOK 448.6 million (NOK 29.5 million). Calculated non-payable tax expense for the first half was NOK 129.7 million (NOK 21.2 million). Net profit was thereby NOK 318.9 million (NOK 8.2 million).

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

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 June is based on an average of the two valuations.

At 30 June, the group's portfolio of investment properties was valued at NOK 16 455.3 million (NOK 15 780.1 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 106.1 million at 30 June, and recognised at fair value. An agreement was entered into on 1 July 2015 to sell the Lysaker Torg 35 property. Plans call for this transaction to be closed in the third quarter of 2015. This property is valued in the accounts at its estimated sales value and classified as an investment property held for sale.

The fair-value adjustment came to NOK 81.3 million in the second quarter, and totalled NOK 184.6 million for the development properties Stranden 1, 3 and 5 at Aker Brygge and Verkstedveien 1 at Skøyen. These development projects were virtually completed during the first half of 2015. Some of the later leases for development projects have been signed with tenants who are not subject to VAT. Total expenses for development projects increased by NOK 63 million related to VAT and some minor tenant-related alterations of the premises. The net negative adjustment to the fair value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 178.5 million, and related primarily to properties in Stavanger and to Snarøyveien 36 at Fornebu. The letting market in Stavanger is demanding, and affected by a focus on costs and uncertainty in the oil and offshore sector. The Oslo West corridor, including Fornebu, is also affected by rather more uncertain trends for vacancy and letting levels. Other properties had a fair-value adjustment of NOK 75.2 million.

CASH FLOW

Net operational cash flow before financial items came to NOK 28.1 million (NOK 27 million) for the second quarter, and NOK 107.2 million (NOK 29.2 million) in the first half.

Investment in fixed assets totalled NOK 165.9 million (NOK 498.9 million) in the second quarter, and largely embraced capital spending in the property portfolio related to the conversion of several large properties. The figure for the first half came to NOK 420.5 million (NOK 898 million).

Net cash flow from financing activities after the increase in interest-bearing debt was NOK 103.5 million (NOK 459.7 million) for the second quarter and NOK 299.4 million (NOK 820.6 million) in the first half.

The net decrease in cash and cash equivalents was NOK 34.3 million (NOK 12.1 million) for the quarter and NOK 13.8 million (NOK 48.2 million) in the first half.

BALANCE SHEET

The company held NOK 7.8 million in cash and cash equivalents at 30 June (NOK 14.3 million). In addition came NOK 256.3 million (NOK 938.2 million) in unutilised credit facilities. Equity totalled NOK 5 613.1 million (NOK 5 070.2 million), representing an equity ratio of 33.6 per cent (31.6 per cent). Carried equity per share was NOK 10.24 (NOK 9.25). Equity per share was NOK 11.42 (NOK 10.35) based on the Epra NAV standard and NOK 10.77 (NOK 9.78) based on Epra NNNAV. Outstanding shares at 30 June totalled 548 425 596 (548 425 596).

FINANCING

KEY FIGURES

The table below presents key figures related to interest-bearing debt and hedges at 30 June 2015.

Interest bearing debt and hedging		30.06.2015	30.06.2014	31.12.2014
Interest bearing debt	NOK mill.	**9 951.5**	9 749.9	9 635.4
Cash and cash equivalents	NOK mill.	**7.8**	14.3	21.7
Interest hedging ratio (%)	Per cent	**62.9**	79.0	68.0
Unused credit and overdraft facilities	NOK mill.	**256.3**	938.2	558.0
Average time to maturity, hedging	Year	**4.5**	4.3	4.6
Average interest rate (incl. margin and capitalized cost)	Per cent	**4.49**	4.46	4.57
Average margin	Per cent	**1.41**	1.43	1.40
Average residual term, borrowing	Year	**2.2**	2.6	2.8
Property value	NOK mill.	**16 455.3**	15 780.1	15 796.5
Interest bearing debt / value (LTV)	Per cent	**60.5**	61.8	61.0
Net interest bearing debt / value (net LTV)	Per cent	**60.4**	61.7	60.9

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 30 June 2015.

Maturity profile interest hedges		< 1 year	1 > 2 years	2 > 3 years	3 > 4 years	4 > 5 years	> 5 years
Amount	NOK mill.	3 717	400	1 100	950	1 200	2 600
Average interest rate	Per cent	1.2	2.9	3.9	4.6	4.6	4.0
Share of total liabilities	Per cent	37	4	11	10	12	26

Norwegian Property has historically had a very high interest hedge ratio, but some increase in debt during the quarter as a result of investments and adjustments to interest-rate derivatives meant that the effective hedge ratio was down to 62.9 per cent at 30 June. 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 9 951.5 million (NOK 9 749.9 million) at 30 June. A bond loan of NOK 350 million was redeemed early during May in connection with the sale of the Lysaker Torg 35 property. This loan has been refinanced through a NOK 360 million expansion in revolving credits on the same terms as the rest of the facility.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy was around 8.2 per cent of total space in the Oslo area at 30 June, according to Akershus Eiendom. Demand for offices is restrained as a result of weaker economic growth. Rental figures published by business daily Dagens Næringsliv (DN) show a slightly downward trend for rents in most parts of Oslo. The downturn is regarded as somewhat greater in Lysaker, Fornebu and areas further south. Limited newbuilding activity, conversion of certain older office premises into residential accommodation and expectations of some recovery in economic growth mean that overall vacancy is expected to level off. Akershus Eiendom thereby expects rents to remain relatively stable or fall weakly in the city centre, but to show a rather greater decline in peripheral zones as a result of increased subletting.

Demand remains weak in Stavanger as a result of low crude prices and a focus on costs in the oil and offshore sector. Although newbuilding activity is declining, competition remains strong and the market demanding.

Activity in the transaction market set a new record in the second quarter. Prime yield fell further and is now estimated to be around 4.25 per cent. The biggest buyer categories are foreign investors and life insurance companies. Long-term interest rates rose somewhat during the quarter. But persistently good access to capital and great interest from various buyer categories indicate that the level of activity in the transaction market will continue to be good.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 39 office and commercial properties at 30 June. These are located in central areas of Oslo and Bærum (90.8 per cent of gross current rental income at 30 June), at Gardermoen (3.1 per cent of gross rental income) and in Stavanger (6.1 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 906.2 million at 30 June, an increase of NOK 52.8 million from NOK 853.4 million at 1 April. Vacancy in the property portfolio (space without rental income) totalled 19.5 per cent of total space at 30 June, down from 23.2 per cent at 1 April. This reduction primarily reflected the phasing-in of current development projects at Aker Brygge and Skøyen in Oslo. Remaining vacancy relates largely to properties in Stavanger and the Verkstedveien 1 development project at Skøyen, which was completed in the second quarter. The proportion of unlet space in the buildings which have been undergoing conversion at Aker Brygge and Skøyen was 12.7 per cent.

Nineteen leases were awarded or renegotiated during the second quarter, with a combined annual value of about NOK 46.8 million. The average remaining term of the leases is 5.7 years. The average rent adjustment factor for the consumer price index is 99.9 per cent for the total portfolio.

ENVIRONMENTAL ACTION AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company reported for the fourth time to the Carbon Disclosure Project during the second quarter. Its most substantial measures for reducing carbon emissions have been implemented in connection with the big development projects at Aker Brygge and Skøyen, and the bulk of the effect of these actions will first be included in next year’s reporting. The energy centre with seawater pump at Aker Brygge is now replacing electricity consumption with renewable energy for heating and cooling in several of the rehabilitated buildings.

The company has reported energy consumption and carbon emissions for 29 of 41 buildings this year. Energy consumption was reduced by eight per cent from 2013 to 2014, and carbon emissions declined by 27.3 per cent.

Norwegian Property has also reported for the first time in accordance with the global real estate sustainability benchmark (GRESB).

SHAREHOLDER INFORMATION

The company had 1 769 registered shareholders at 30 June, a decrease of 162 from 31 March. Non-Norwegian shareholders held 63.4 per cent of the share capital at 30 June, up from 62.7 per cent at 31 March. The number of shares traded during the second quarter increased from the preceding period, and averaged 2 045 851 shares per day. Corresponding daily turnover was 1.1 million in 2014 and 0.5 million in 2013. The company's share capital totalled NOK 274 223 416 at 30 June, divided between 548 446 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property ASA held 21 236 as treasury shares at 30 June. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 June are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO L	48.09	263 724 869	ORD	CYP
2	FOLKETRYGDFONDET	13.48	73 951 642	ORD	NOR
3	NIAM V PROSJEKT AS c/o Langham Hall UK	12.30	67 437 425	ORD	NOR
4	DnB NOR MARKETS. AKS DNB Bank ASA	5.26	28 849 426	ORD	NOR
5	The Bank of New York BNY MELLON A/C APG A	4.33	23 730 241	NOM	NLD
6	BNP Paribas Sec. Ser S/A BP2S LUX/FIM LUX	1.19	6 546 680	NOM	LUX
7	STATE STREET BANK AN A/C WEST NON-TREATY	0.84	4 625 927	NOM	USA
8	STATE STREET BANK AN A/C CLIENT OMNIBUS F	0.83	4 564 456	NOM	USA
9	BNP Paribas Sec. Ser S/A TR PROPERTY INVE	0.79	4 325 659	NOM	GBR
10	The Bank of New York BNY MELLON	0.51	2 815 068	NOM	USA
11	STATE STREET BANK & S/A SSB CLIENT OMNI	0.47	2 581 158	NOM	USA
12	J.P. Morgan Chase Ba A/C VANGUARD BBH LEN	0.43	2 352 360	NOM	USA
13	KLP AKSJE NORGE INDE	0.39	2 148 947	ORD	NOR
14	KAS BANK NV S/A CLIENT ACC TREAT	0.29	1 596 685	NOM	NLD
15	THE NORTHERN TRUST C NON-TREATY ACCOUNT	0.29	1 568 269	NOM	GBR
16	JP Morgan Bank Luxem JPML SA RE CLT ASSET	0.28	1 539 456	NOM	LUX
17	STATE STREET BANK & S/A SSB CLIENT OMNI	0.27	1 500 000	NOM	USA
18	SKANDINAVISKA ENSKIL A/C FINNISH RESIDENT	0.27	1 462 000	NOM	FIN
19	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000	ORD	NOR
20	NIKI AS	0.23	1 250 000	ORD	NOR
	Total 20 largest shareholders	**90.80**	**497 970 268**		**6/20 NOR**

ORGANISATION

The annual general meeting in April 2015 elected Espen Westeren and Marianne Heien Blystad as new directors. In addition, the board comprises Henrik A Christensen (chair), Bjørn Henningsen (deputy chair) and Cecilie Astrup Fredriksen.

Olav Line resigned as CEO in June 2015 to join another company. The board has appointed finance and investment director Svein Hov Skjelle as acting CEO.

RISK AND UNCERTAINTY FACTORS

Through its activities, Norwegian Property is exposed to market risk related to demand for commercial premises, the supply of new buildings in the market and how these factors influence lettings and vacancy in the portfolio. The group's rental income is also influenced by the general level of inflation, since annual rents are adjusted once a year in line with the increase in the consumer price index. For leases where part of the rent is turnover-based, the level of rent over and above the minimum amount will vary with tenant turnover.

Current development projects, now in their final phase, mean that vacancy in the portfolio is temporarily high, with the associated loss of rental income. In addition to tying up space during the development period, these projects also pose risks related to cost overruns, delays, delivery shortfalls, negative market trends, and possible failure to lease the premises after completion. The group has established a separate department to manage planned and current development projects, and has developed tools for project management and execution. In addition, the organisation benefits from external project expertise which complements its own in-house resources.

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

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

OUTLOOK

Vacancy in Oslo is increasing somewhat, and rents are tending to decline in most sub-markets. The letting market in Stavanger remains very demanding. Growth in the Norwegian economy is likely to be slower during 2015 than in earlier years, but expectations indicate that the level of activity could rise from as early as 2016.

Capital availability remains good in the transaction market, and the level of activity set a new record during the second quarter. Long-term market interest rates have tended to rise somewhat during the quarter, but downward pressure persisted on the level of yield in transactions – particularly for properties with long-term leases. As Norwegian Property's major projects reach completion, it is concentrating greater attention on expansion opportunities. However, the company is experiencing very stiff competition in the transaction market over those objects it regards as relevant. Given the strength of the transaction market, the disposal of certain properties is under continuous assessment.

Rental income is expected to rise during 2015 in step with the completion of the development projects and the continued phasing-in of new leases. Certain buildings still have a high level of vacancy because some large tenants are moving out, but the company's vacancy is becoming increasingly concentrated in Stavanger as new leases are awarded for the Oslo portfolio. The board's overall ambition is for a gradual improvement in operational results through 2015. In line with the expected improvement in operational results, the resumption of dividend payments will be assessed by the board during 2015 in accordance with the mandate from this year's AGM.

DECLARATION BY THE BOARD OF DIRECTORS AND THE CEO

The board and the CEO have today considered and approved the directors' report for the first half and the summary consolidated half-year financial statements for Norwegian Property ASA at 30 June 2015. The consolidated financial statements for the first half have been prepared in accordance with IAS 34 Interim reporting as approved by the EU and additional Norwegian information requirements pursuant to the Norwegian Securities Trading Act.

To the best of the board's and the CEO's knowledge, the interim financial statements for the first half of 2015 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group at 30 June 2015.

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

The board of directors of Norwegian Property ASA

Oslo, 9 July 2015

FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Gross income		**219.7**	**187.8**	**419.7**	**368.9**	**738.6**
Maintenance and other operating expenses		-17.0	-17.7	-31.7	-31.7	-60.4
Other property-related expenses		-18.3	-12.8	-36.5	-29.4	-75.6
Total property-related expenses		**-35.3**	**-30.5**	**-68.2**	**-61.1**	**-136.0**
Administrative expenses		-11.7	-15.4	-25.9	-31.5	-63.5
Total operating expenses		**-47.0**	**-45.9**	**-94.1**	**-92.5**	**-199.5**
Operating profit before value adjustments		**172.8**	**141.9**	**325.6**	**276.4**	**539.1**
Change in market value of investment property	3	81.3	180.2	182.5	109.9	354.8
Operating profit		**254.1**	**322.1**	**508.1**	**386.3**	**893.9**
Financial income	2	0.1	0.3	0.5	1.1	1.7
Financial cost	2	-121.9	-99.0	-224.2	-192.3	-383.2
Realized net financial items		**-121.8**	**-98.7**	**-223.7**	**-191.2**	**-381.5**
Change in market value of financial derivative instruments	2, 4	116.6	-114.9	164.2	-165.6	-382.7
Net financial items		**-5.2**	**-213.6**	**-59.5**	**-356.8**	**-764.2**
Profit before income tax		**248.9**	**108.5**	**448.6**	**29.5**	**129.7**
Income tax	7	-75.0	-25.1	-129.7	-21.2	95.6
Profit for the period		**173.9**	**83.4**	**318.9**	**8.2**	**225.3**
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		**173.9**	**83.4**	**318.9**	**8.2**	**225.3**
Value adjustment of owner-occupied property	3	3.4	4.1	4.0	4.5	7.4
Total other comprehensive income		**3.4**	**4.1**	**4.0**	**4.5**	**7.4**
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		**177.3**	**87.5**	**322.9**	**12.7**	**232.7**
Total comprehensive income attributable to shareholders of the parent company		177.3	87.5	322.9	12.7	232.7
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.06.2015	30.06.2014	31.12.2014
ASSETS				
Financial derivative instruments	4	8.8	12.8	6.6
Investment property	3	15 771.2	14 971.2	15 695.1
Owner-occupied property	3	106.1	96.8	101.5
Other fixed assets		45.0	43.3	43.9
Total non-current assets		**15 931.1**	**15 124.2**	**15 847.1**
Financial derivative instruments	4	0.1	-	-
Receivables		169.3	180.7	192.1
Cash and cash equivalents	6	7.8	14.3	21.7
Investment property held for sale	3	578.0	712.0	-
Total current assets		**755.2**	**907.0**	**213.8**
Total assets		**16 686.3**	**16 031.2**	**16 060.9**
EQUITY AND LIABILITIES				
Share capital		274.3	274.2	274.2
Share premium		3 412.3	3 412.3	3 412.3
Other paid in equity		6 440.1	6 440.1	6 440.1
Retained earnings		-4 513.5	-5 056.4	-4 836.3
Total equity		**5 613.1**	**5 070.2**	**5 290.2**
Deferred tax	7	198.5	181.5	67.4
Financial derivative instruments	4	634.5	710.2	824.6
Interest bearing liabilities	6	9 924.3	5 662.3	9 621.9
Other liabilities		2.6	-	-
Total non-current liabilities		**10 760.0**	**6 554.0**	**10 513.8**
Financial derivative instruments	4	0.1	-	2.7
Interest bearing liabilities	6	27.2	4 087.6	13.5
Other liabilities		286.0	319.4	240.8
Total current liabilities		**313.2**	**4 407.0**	**256.9**
Total liabilities		**11 073.2**	**10 961.0**	**10 770.8**
Total equity and liabilities		**16 686.3**	**16 031.2**	**16 060.9**

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 31.12.2013	**274.2**	**3 412.2**	**6 440.1**	**-5 069.1**	**5 057.5**
Total comprehensive income	-	-	-	12.7	12.7
Total equity 30.06.2014	**274.2**	**3 412.2**	**6 440.1**	**-5 056.4**	**5 070.2**
Total comprehensive income	-	-	-	219.9	219.9
Total equity 31.12.2014	**274.2**	**3 412.2**	**6 440.1**	**-4 836.5**	**5 290.2**
Total comprehensive income	-	-	-	322.9	322.9
Total equity 30.06.2015	**274.2**	**3 412.2**	**6 440.1**	**-4 513.5**	**5 613.1**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Profit before income tax		248.9	108.5	448.6	29.5	129.7
Depreciation of tangible assets		2.2	1.8	4.4	3.8	8.2
Fair value adjustment of investment property	3	-81.3	-180.2	-182.5	-109.9	-354.8
Fair value adjustment of financial derivative instruments	4	-128.3	105.7	-194.9	110.4	233.7
Agio/disagio		-	0.2	-	0.4	1.0
Change in short-term items		-13.4	-9.0	31.6	-5.1	-89.0
Net cash flow from operating activities		**28.1**	**27.0**	**107.2**	**29.2**	**-71.2**
Received cash from sale of investment property		-	-	-	0.4	1 032.4
Payments for purchase of investment property and other fixed assets		-165.9	-498.9	-420.5	-898.3	-1 693.9
Net cash flow from investing activities		**-165.9**	**-498.9**	**-420.5**	**-898.0**	**-661.6**
Net change of interest bearing debt	6	103.5	459.7	299.4	820.6	692.6
Net cash flow from financial activities		**103.5**	**459.7**	**299.4**	**820.6**	**692.6**
Net change in cash and cash equivalents		**-34.3**	**-12.1**	**-13.8**	**-48.2**	**-40.2**
Cash and cash equivalents at the beginning of the period		42.1	26.6	21.7	62.9	62.9
Exchange rate effects		-	-0.2	-	-0.4	-1.0
Cash and cash equivalents at the end of the period		**7.8**	**14.3**	**7.8**	**14.3**	**21.7**

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 2014. 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 2014. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2014.

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 2014.

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 9 July 2015. 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	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Interest income on bank deposits	0.1	0.3	0.5	1.0	1.7
Total financial income	**0.1**	**0.3**	**0.5**	**1.0**	**1.7**
Interest expense on borrowings	-121.9	-98.7	-224.2	-191.7	-382.2
Currency loss on bank deposits	-	-0.2	-	-0.4	-1.0
Total financial cost	**-121.9**	**-98.9**	**-224.2**	**-192.2**	**-383.2**
Realized net financial items	**-121.8**	**-98.7**	**-223.7**	**-191.2**	**-381.5**
Change in market value of financial derivative instruments	116.6	-114.9	164.2	-165.6	-382.7
Net financial items	**-5.2**	**-213.6**	**-59.5**	**-356.8**	**-764.2**

NOTE 3: INVESTMENT PROPERTY

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

Amounts in NOK million	Note	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Total value of investment property, opening balance		16 178.8	15 098.2	15 796.5	14 762.6	14 762.6
Disposals of properties at book value	1	-	-	-	-	-1 043.7
Additions through acquisition and on-going investments of properties		190.9	498.1	469.9	904.3	1 702.3
Total fair value adjustment of investment property		81.3	180.2	182.5	109.9	354.8
Fair value adjustment of properties sold	1	0.1	-	1.8	-0.4	12.2
Fair value adjustment of owner-occupied property		4.2	3.6	4.6	3.6	8.3
Total value of investment property, ending balance	2	**16 455.3**	**15 780.1**	**16 455.3**	**15 780.1**	**15 796.5**
Of which owner-occupied property	3	-578.0	-712.0	-578.0	-712.0	-
Book value of investment property		**15 877.3**	**15 068.1**	**15 877.3**	**15 068.1**	**15 796.5**
Total value of investment property, opening balance	4	-106.1	-96.8	-106.1	-96.8	-101.5
Disposals of properties at book value		**15 771.2**	**14 971.2**	**15 771.2**	**14 971.2**	**15 695.1**

1) Disposals in 2014 apply to Finnestadveien 44 and Maridalsveien 323, as well as minor adjustments related to prior year disposals.

2) The group has no significant contractual obligations for construction contracts related to investment properties at 30 June 2015 (30 June 2014: NOK 900 million and 31 December 2014: NOK 375 million).

3) In the second quarter of 2015 Norwegian Property received an offer for the property Lysaker Torg 35. At 1 July an agreement to sell the property was signed. The transaction is expected to be completed in the third quarter of 2015. The sales value is estimated to NOK 578 million after tax adjustment related to form of ownership. In the accounts at the end of the second quarter, the property is valued at the estimated sales value and classified as an asset held for sale. In the second quarter 2014, Norwegian Property received an offer for the property Finnestadveien 44 in Stavanger. In July 2014, an agreement to sell the property was signed. The sales value was estimated to NOK 712 million. In the accounts at the end of the second quarter of 2014, the property is valued at the estimated sales value and classified as an asset held for sale. The transaction was completed in the third quarter of 2014.

4) 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	30.06.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 771.2	15 771.2
Owner-occupied property	-	-	106.1	106.1
Investment property held for sale	-	-	578.0	578.0
Total	**-**	**-**	**16 455.3**	**16 455.3**

Amounts in NOK million	30.06.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 971.2	14 971.2
Owner-occupied property	-	-	96.8	96.8
Investment property held for sale	-	-	712.0	712.0
Total	**-**	**-**	**15 780.1**	**15 780.1**

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 2014 and 2015.

NOTE 4: FINANCIAL DERIVATIVES

Change in net derivatives in the balance sheet (mainly interest rate 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	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Net book value of derivatives, opening balance	-754.0	-591.6	-820.6	-586.9	-586.9
Buyout of derivatives	11.6	9.2	30.7	55.1	149.0
Fair value adjustments of derivatives	116.6	-114.9	164.2	-165.6	-382.7
Net book value of derivatives, ending balance	**-625.7**	**-697.4**	**-625.7**	**-697.4**	**-820.6**
Of which classified as non-current assets	8.8	12.8	8.8	12.8	6.6
Of which classified as non-current liabilities	0.1	-	0.1	-	-
Of which classified as current liabilities	-634.5	-710.2	-634.5	-710.2	-824.6
Net book value of derivatives, opening balance	-0.1	-	-0.1	-	-2.7

NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.06.2015		30.06.2014	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	8.8	8.8	12.8	12.8
Current receivables	158.7	158.7	96.5	96.5
Cash and cash equivalents	7.8	7.8	14.3	14.3
Total financial assets	**175.3**	**175.3**	**123.6**	**123.6**
Non-current derivatives	634.5	634.5	710.2	710.2
Non-current interest-bearing liabilities	9 924.3	9 969.3	5 662.3	5 699.4
Current derivatives	0.1	0.1	-	-
Current interest-bearing liabilities	27.2	28.5	4 087.6	4 092.7
Other current liabilities	278.7	278.7	274.6	274.6
Total financial liabilities	**10 864.8**	**10 911.1**	**10 734.8**	**10 777.0**

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	30.06.2015			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	8.8	-	8.8
Current derivatives (assets)	-	0.1	-	0.1
Non-current derivatives (liabilities)	-	-634.5	-	-634.5
Current derivatives (liabilities)	-	-0.1	-	-0.1
Total	**-**	**-625.8**	**-**	**-625.8**

Amounts in NOK million	30.06.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	12.8	-	12.8
Non-current derivatives (liabilities)	-	-710.2	-	-710.2
Total	**-**	**-697.4**	**-**	**-697.4**

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 2014 and 2015.

NOTE 6: NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Loan facilities at par value, opening balance		9 864.8	9 337.2	9 668.8	8 976.3	8 976.3
Increase of loan facilities		461.7	758.0	661.7	1 133.3	2 204.8
Reduction of loan facilities		-358.2	-298.3	-362.3	-312.7	-1 512.3
Loan facilities at par value, ending balance		**9 968.3**	**9 797.0**	**9 968.3**	**9 797.0**	**9 668.8**
Capitalized borrowing cost		-16.8	-47.0	-16.8	-47.0	-33.6
Book value of interest-bearing debt		**9 951.4**	**9 749.9**	**9 951.4**	**9 749.9**	**9 635.3**
Of which classified as non-current liabilities		9 924.3	5 662.3	9 924.3	5 662.3	9 621.9
Of which classified as current liabilities		27.2	4 087.6	27.2	4 087.6	13.5
Interest-bearing debt	1	-9 951.4	-9 749.9	-9 951.4	-9 749.9	-9 635.3
Cash and cash equivalents		7.8	14.3	7.8	14.3	21.7
Net interest-bearing position		**-9 943.6**	**-9 735.6**	**-9 943.6**	**-9 735.6**	**-9 613.7**

1) Undrawn credit facilities amounted to NOK 256.3 million at 30 June 2015, NOK 938.2 million at 30 June 2014 and NOK 558 million at 31 December 2014.

The group 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 percent of the company's interest-bearing debt at any time shall be hegded. At 30 June 2015 were 63 percent of such loans secured (30 June 2014: 79 percent). The total average margin on variable rate loans was 141 basis points (30 June 2014: 143 basis points). The loan portfolio has an average interest rate of 4.49

per cent (30 June 2014: 4.46 per cent), and average remaining duration was 2.2 years (30 June 2014: 2.6 years). Average remaining maturity of hedging contracts was 4.5 years (30 June 2014: 4.3 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	2Q 2015	2Q 2014	1H 2015	1H 2014	Year 2014
Profit before income tax		248.9	108.5	448.6	29.5	129.7
Income tax calculated at 27 per cent		67.2	29.3	121.1	8.0	35.0
Temporary differences		7.8	-4.2	8.6	13.3	-130.7
Income tax		**75.0**	**25.1**	**129.7**	**21.2**	**-95.6**
Deferred tax, opening balance		122.3	156.4	67.4	160.2	160.2
Recognized through profit and loss		75.0	25.1	129.7	21.2	-95.6
Recognized through comprehensive income		1.2		1.5		2.7
Deferred tax, ending balance		**198.5**	**181.5**	**198.5**	**181.5**	**67.4**

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 in 2015.

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 2014).

NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE

On 1 July 2015 Norwegian Property entered into an agreement for the sale of the property Lysaker Torg 35 (see Note 3). The sales value amounted to NOK 578 million after adjustment for tax related to form of ownership. The property is in the accounts at the end of the second quarter of 2015 valued at their estimated realizable value and classified as an asset held for sale. The transaction is planned to be completed in the third quarter of 2015.

There are no other significant events after 30 June 2015 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.

CONTACT INFORMATION

NORWEGIAN PROPERTY ASA

Postal address: P.O. Box 1657 Vika, NO-0120 Oslo, Norway

Visiting address: Grundingen 6, Aker Brygge Oslo, Norway

Telephone: +47 22 83 40 20 | Fax: +47 22 83 40 21 | www.npro.no

IR & MEDIA RELATIONS

Svein Hov Skjelle, Acting CEO / EVP & CFO
+47 930 55 566 | shs@npro.no

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