

INTERIM REPORT
THIRD QUARTER 2017



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE THIRD QUARTER OF 2017

Rental income affected by sale of properties

Overall rental income for the third quarter came to NOK 197.7 million, up slightly from the first and second quarters but down from NOK 229.7 million in the third quarter of 2016. The reduction from last year reflected net property sales. Operating profit before fair-value adjustments came to NOK 154.7 million.

Net profit of NOK 616.2 million and ordinary earnings per share (EPS) of NOK 1.12

Positive fair-value adjustments for investment properties totalled NOK 326.4 million, while positive fair-value adjustments for financial derivatives came to NOK 9.1 million. After a reduction of NOK 198.6 million in provision for deferred tax, net profit for the period came to NOK 616.2 million. That yielded ordinary earnings per share (EPS) of NOK 1.12 for the third quarter. Carried equity per share came to NOK 13.55 at 30 September 2017, up from NOK 12.50 at 30 June 2017 (Epra NAV: NOK 14.87 and Epra NNAV: NOK 13.96 at 30 September 2017).

Leases

Leases with a total annual rental income of NOK 4 million were awarded in the third quarter of 2017.

Financing

Norwegian Property refinanced bond loans during the period:

- A five-year senior secured bond loan of NOK 570 million was issued in September with a fixed interest rate of NOK 2.525 per cent, corresponding to a credit margin of NOK 1.19 per cent.
- At the same time, existing bond loans amounting to NOK 455 million were redeemed early.

The average term to maturity for the debt has thereby risen from 2.6 years at 30 June 2017 to 2.8 years at 30 September. The average interest rate fell from 3.8 per cent at 30 June to 3.76 per cent at 30 September.

Dividend

The board has resolved to pay a dividend of NOK 0.08 per share for the third quarter of 2017.

Employed new CEO

In October, the board employed Bent Oustad as new CEO in Norwegian Property ASA after Svein Hov Skjelle, who retires at the end of 2017. Oustad joins the company as of 1 January 2018.



KEY FIGURES¹

Profit and loss		3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Revenues	NOK mill.	197.7	229.7	590.8	696.6	900.9
Operating profit before admin expenses	NOK mill.	166.2	200.8	498.4	610.8	790.1
Operating profit before value adjustments	NOK mill.	154.7	185.9	457.9	569.4	732.8
Profit before income tax and value adjust	NOK mill.	82.1	85.4	236.9	260.8	331.3
Profit before income tax	NOK mill.	417.6	260.7	1 030.5	799.6	977.4
Profit after income tax	NOK mill.	616.2	195.7	1 086.7	584.3	764.5
EPRA-earnings	NOK mill.	62.4	64.1	180.1	195.6	251.8

Balance sheet		3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Market value of property portfolio	NOK mill.	15 036.4	14 529.9	15 036.4	14 529.9	14 112.1
Total equity	NOK mill.	7 433.7	6 309.3	7 433.7	6 309.3	6 488.9
Interest-bearing debt	NOK mill.	7 054.7	7 414.2	7 054.7	7 414.2	6 767.2
Equity ratio	Per cent	48.1	42.1	48.1	42.1	45.3
Pre-tax return on equity	Per cent	24.0	17.3	19.7	17.6	15.9

Cash flow		3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Net cash flow from operating activities	NOK mill.	120.4	58.2	224.3	227.5	137.7
Cash and cash equivalents	NOK mill.	259.2	316.3	259.2	316.3	46.2

Key numbers; per share		3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Number of shares issued, end of the period	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Average number of shares in the period	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Profit before income tax	NOK	0.76	0.48	1.88	1.46	1.78
Earnings per share (EPS)	NOK	1.12	0.36	1.98	1.07	1.39
EPRA-earnings	NOK	0.11	0.12	0.33	0.36	0.45
Net cash flow from operating activities	NOK	0.22	0.12	0.41	0.43	0.25
Interest-bearing debt	NOK	12.86	13.52	12.86	13.52	12.34
NAV	NOK	13.55	11.50	13.55	11.50	11.83
Deferred property tax	NOK	0.95	0.64	0.95	0.64	0.61
Fair value of fin. derivative instruments	NOK	0.37	0.69	0.37	0.69	0.47
EPRA NAV	NOK	14.87	12.83	14.87	12.83	12.91
Fair value of deferred tax	NOK	(0.44)	0.08	(0.44)	0.08	0.22
Fair value of fin. derivative instruments	NOK	(0.43)	(0.69)	(0.43)	(0.69)	(0.55)
Fair value of debt	NOK	(0.03)	-	(0.03)	-	(0.01)
EPRA NNAV	NOK	13.96	12.22	13.96	12.22	12.56

¹ Figures not derived directly from the accounts are explained in the list of definitions at the end of this report. When calculating key figures per share related to profit and cash flow, the numbers are divided by the average number of shares in the period, while key figures per share related to the balance sheet are divided by the number of shares at the end of the period.



FINANCIAL PERFORMANCE

RESULTS FOR THE THIRD QUARTER OF 2017

Operating revenue for Norwegian Property totalled NOK 197.7 million in the third quarter. This compares with the NOK 229.7 million achieved for the same period of 2016. On a like-for-like basis, that represents a reduction of NOK 6.8 million in rental income for the third quarter. This relates primarily to the Drammensveien 60 and Sandakerveien 130 properties, which are being readied for new tenants and re-letting.

Operations-related property costs totalled NOK 16.2 million (NOK 15 million²) for the quarter. Other property-related expenses came to NOK 15.3 million (NOK 13.9 million). Owner administrative expenses were NOK 11.5 million (NOK 14.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 154.7 million (NOK 185.9 million) for the third quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 326.4 million (NOK 78.3 million).

Net realised financial expenses came to NOK 72.6 million (NOK 100.5 million) for the third quarter. Expenses related to the early redemption of refinanced debt came to NOK 2.9 million. Market interest rates showed no significant change during the third quarter, and a reduction in residual times to maturity meant that the profit component related to fair-value adjustments for financial derivatives made a positive contribution of NOK 9.1 million (NOK 97 million).

Pre-tax profit for the third quarter was NOK 417.6 million (NOK 260.7 million). The reduction in the provision for non-payable deferred tax expense for the quarter was NOK 198.6 million (NOK 65 million). This reduction primarily reflected tax-related expensing for completed development projects. Net profit was thereby NOK 616.2 million (NOK 195.7 million).

VALUATION OF THE PROPERTIES

Two independent valuers have valued all the properties in the group's portfolio, based on the same methods and principles applied in previous periods. The accounting valuation at 30 September 2017 is based on an average of the two valuations.

At 30 September, the group's portfolio of investment properties was valued at NOK 15 036.4 million (NOK 14 529.9 million). Properties used by the owner were carried separately on the balance sheet in the amount of NOK 67.3 million at 30 September, and recognised at fair value.

The positive fair-value adjustment came to NOK 326.4 million in the third quarter. 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 26.6 million. Other properties had a positive fair-value adjustment of NOK 353 million.

CASH FLOW

Net operational cash flow before financial items was positive at NOK 120.4 million (NOK 58.2 million) for the third quarter.

Investment in fixed assets came to NOK 61.1 million (NOK 254.7 million) for the third quarter, and applied to adjustments for lessees associated with new and renegotiated leases as well as ongoing capital spending.

Net cash flow from financing activities was positive at NOK 83 million (negative at NOK 2 016.5 million) after a net increase of NOK 121.3 million in interest-bearing debt and a dividend payment of NOK 38.4 million.

The net increase in cash and cash equivalents was NOK 142.3 million (NOK 300.3 million).

² Figures in brackets refer to the corresponding period of the year before.



BALANCE SHEET

The company held NOK 259.2 million (NOK 316.3 million) in cash and cash equivalents at 30 September. In addition came NOK 900 million (NOK 1 058 million) in unutilised credit facilities. Equity totalled NOK 7 433.7 million (NOK 6 309.3 million), representing an equity ratio of 48.1 per cent (42.1 per cent). Carried equity per share was NOK 13.55 (NOK 11.50). Equity per share was NOK 14.87 (NOK 12.83) based on the Epra NAV standard and NOK 13.96 (NOK 12.22) based on Epra NNAV. Outstanding shares at 30 September totalled 548 425 596 (548 425 596).

FINANCING

KEY FIGURES¹

The table below presents key figures related to interest-bearing debt and hedges at the end of the period.

Interest bearing debt and hedging		30.09.2017	30.09.2016	31.12.2016
Interest-bearing debt	NOK mill.	7 054.7	7 414.2	6 767.2
Cash and cash equivalents	NOK mill.	259.2	316.3	46.2
Interest-hedging ratio	Per cent	61.7	66.8	63.3
Unutilised credit facilities	NOK mill.	900.0	1 058.0	1 058.0
Remaining time to maturity for interest hedge agreements	Years	4.1	3.8	4.1
Average interest rate	Per cent	3.76	4.52	4.20
Average interest margin	Per cent	1.54	1.59	1.64
Remaining time to maturity for interest-bearing debt	Years	2.8	1.7	2.3
Market value of property portfolio	NOK mill.	15 036.4	14 529.9	14 112.1
Gross debt to asset ratio (gross LTV)	Per cent	46.9	51.0	48.0
Net debt to asset ratio (net LTV)	Per cent	45.2	48.9	47.6

INTEREST HEDGES

The table below presents key figures related to interest-bearing debt and hedges at 30 September 2017.

Maturity profile of interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year	Total
Amount	NOK mill.	2 705	750	650	1 100	650	1 200	7 055
Average basic interest for amount due	Per cent	0.7	1.9	4.0	3.4	3.4	2.2	2.1
Share of total liabilities	Per cent	38	11	9	16	9	17	100

Norwegian Property's interest hedge ratio is currently 61.7 per cent. The company works continuously to tailor interest hedges to a lower level of interest rates.

INTEREST-BEARING LIABILITIES

The carrying amount of interest-bearing liabilities in the balance sheet totalled NOK 7 054.7 million (NOK 7 414.2 million) at 30 September.

Norwegian Property has no loan facilities which mature in 2017, but has a substantial facility maturing in 2018. NOK 1 706.5 million of the interest-bearing debt carried on the balance sheet is classed as current, which matures less than one year from the balance sheet date. In connection with general company financing and refinancing of existing debt, Norwegian Property has issued several new bond loans in 2017. As part of this process, the company received the proceeds of two new bond loans with a total face value of NOK 870 million during the third quarter. At the start of the period, the proceeds were received from a new NOK 300 million seven-year senior secured bond loan raised in the



Norwegian bond market at a fixed interest rate of NOK 2.93 per cent. A new five-year senior secured bond loan of NOK 570 million was also issued during September at an interest rate of 2.525 per cent in the Norwegian bond market. In September, the NPRO02 (ISIN NO0010695034) and NPRO03 (ISIN NO0010695026) bond loans were redeemed early at a total nominal value of NOK 455 million as part of the refinancing of debt with a short remaining time to maturity (the original redemption date was January 2018).

OPERATIONS

COMMERCIAL PROPERTY MARKET

Estimated office vacancy in Oslo continues to be about seven per cent. Vacancy is somewhat lower in the city centre and the Nydalen district, and is expected to decline over the next few years as a result of space being converted to other applications (primarily residential), limited newbuild activity and continued growth in employment. Activity in the letting market is high. Rental levels are rising in a number of areas, such as the city centre and Nydalen where vacant space is below the general figure for Oslo. Declining vacant space is expected to be positive for rental development in the time to come.

Demand for commercial property is still cautious in Stavanger. Norwegian Property is experiencing greater activity in the letting market, both close to the city centre and at Forus.

Activity in the transaction market was good during the third quarter. Many buyer groups are still active and hunting for good objects. Prime yield was unchanged during the quarter at 3.75 per cent, but downward pressure continued to be exerted on yields for secondary properties. A good dynamic in the letting market is positive for the valuations.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 32 office and commercial properties at 30 September. These are located in central areas of Oslo and Bærum (91.3 per cent of ongoing annual rental income at 30 September), at Gardermoen (3.7 per cent) and in Stavanger (5.0 per cent). The group's properties primarily comprise offices with associated warehousing and parking, and retail and restaurant space.

Total ongoing annual rental income (run rate) from the portfolio was NOK 796.5 million at 30 September, up by NOK 14.5 million on a like-by-like basis from 1 July. Vacancy in the property portfolio totalled 17.6 per cent of total space at 30 September excluding Forusbeen 35, where a change-of-use process for the property has begun. When leases due to commence in the future are taken into account, vacancy amounted to 13.6 per cent and related to a great extent to properties in Stavanger.

The weighted average remaining duration of the leases is 4.4 years. The average rent adjustment factor for the consumer price index is 99.8 per cent for the total portfolio.

SHAREHOLDER INFORMATION

The company had 1 809 registered shareholders at 30 September, up by 226 from 30 June. Non-Norwegian shareholders held 67 per cent of the share capital at 30 September, unchanged from 30 June. The number of shares traded during the third quarter averaged 486 241 shares per day. Corresponding daily turnover was 0.3 million in 2016, 0.9 million in 2015 and 1.1 million in 2014. 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 ASA 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 (per cent)	Number of shares	Account type	Nationality
1	GEVERAN TRADING CO L	57.98	317 969 937		CYP
2	FOLKETRYGDFONDET	13.48	73 951 642		NOR
3	NIAM V PROSJEKT AS c/o Langham Hall UK	12.30	67 437 425		NOR
4	The Bank of New York STICHTING DEPOSITARY	4.33	23 730 241	NOM	NLD
5	State Street Bank an A/C WEST NON-TREATY	0.73	4 015 027	NOM	USA
6	CEK HOLDING AS	0.59	3 255 807		NOR
7	State Street Bank an S/A SSB CLIENT OMNI	0.40	2 220 811	NOM	USA
8	State Street Bank an A/C CLIENT OMNIBUS F	0.33	1 817 958	NOM	USA
9	NIKI AS	0.32	1 750 000		NOR
10	BNP Paribas Securiti S/A TR PROPERTY INVE	0.30	1 641 484	NOM	GBR
11	J.P. Morgan Bank Lux JPML SA RE CLT ASSET	0.29	1 608 501	NOM	LUX
12	SALT VALUE AS	0.29	1 580 929		NOR
13	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000		NOR
14	KAS Bank N.V. S/A CLIENT ACC TREAT	0.25	1 359 000	NOM	NLD
15	Espedal & Co AS	0.23	1 264 767		NOR
16	Skandinaviska Enskil SEB AB. UCITS V - Fi	0.22	1 225 331	NOM	FIN
17	DnB NOR MARKETS. AKS DNB Bank ASA	0.22	1 218 743		NOR
18	Skandinaviska Enskil a/c SEB AIF - Finnis	0.19	1 050 000	NOM	SWE
19	SANDEN A/S	0.18	1 000 000		NOR
20	ECKHOFF HOLDING AS	0.18	1 000 000		NOR
Total 20 largest shareholders		93.07	510 497 603		10/20 NOR

ORGANISATION

In October 2017, the board employed Bent Oustad as new CEO in Norwegian Property ASA after Svein Hov Skjelle, who retires at the end of 2017. Oustad joins the company as of 1 January 2018. He comes from the position as a partner in ABG Sundal Collier (ABGSC), where he has worked in various positions within the finance and corporate finance department with a focus on real estate. He has extensive experience from transactions and property management. From 2003, he was responsible for establishing the asset management function for the real estate funds of ABGSC. Since 2010, Oustad has been appointed head of real estate in ABGSC, and been responsible for both funds and listed real estate within the group.

OUTLOOK

Vacancy in Oslo is now estimated at seven per cent, and is expected to continue declining as a result of growth in employment, conversion of space to other applications and extremely limited newbuild activity. Activity in Stavanger's letting market is growing.

The Oslo portfolio, which now accounts for 95 per cent of the property value in the group, has little vacancy. Operationally, the company is devoting particular attention to properties with high vacancy (as in Stavanger) and where leases are approaching their expiry date. Norwegian Property has entered into several agreements with other property players on developing the company's properties where this is considered to offer potential added value for the company. These partnerships cover properties in Stavanger, Nydalen and Fornebu. The company is also working actively with other long-term development opportunities in the portfolio – particularly in Nydalen, where exciting developments are looming. In a demanding transaction market, the board is concentrating on opportunities which strengthen the company's position in its core areas – which are primarily Oslo's central business district and Nydalen.

The AGM renewed the board's mandate to determine dividend payments between AGMs. A dividend of NOK 0.08 has been approved by the board for the third quarter of 2017. The ambition for dividend payments is to make stable and rising progress.



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Note	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Revenue		197.7	229.7	590.8	696.6	900.9
Property-related operational expenses		(16.2)	(15.0)	(49.0)	(43.6)	(54.2)
Other property-related expenses		(15.3)	(13.9)	(43.5)	(42.2)	(56.6)
Total property-related expenses		(31.5)	(28.9)	(92.5)	(85.8)	(110.8)
Administrative expenses		(11.5)	(14.9)	(40.5)	(41.4)	(57.3)
Total operating expenses		(43.0)	(43.8)	(132.9)	(127.2)	(168.1)
Operating profit before fair-value adjustments		154.7	185.9	457.9	569.4	732.8
Change in market value of investment property	3	326.4	78.3	766.7	444.3	475.1
Operating profit		481.1	264.2	1 224.6	1 013.7	1 207.9
Financial income	2	0.5	0.2	1.9	0.3	1.1
Financial cost	2	(73.0)	(100.6)	(222.9)	(308.8)	(402.6)
Realised net financial items		(72.6)	(100.5)	(221.0)	(308.6)	(401.6)
Change in market value of financial derivative instruments	2, 4	9.1	97.0	26.9	94.5	171.0
Net financial items		(63.5)	(3.5)	(194.1)	(214.1)	(230.5)
Profit before income tax		417.6	260.7	1 030.5	799.6	977.4
Income tax	7	198.6	(65.0)	56.2	(215.3)	(212.9)
Profit for the period		616.2	195.7	1 086.7	584.3	764.5
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		616.2	195.7	1 086.7	584.3	764.5
Value adjustment of owner-occupied property	3	1.9	0.3	0.7	2.2	1.7
Total other comprehensive income		1.9	0.3	0.7	2.2	1.7
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		618.1	196.0	1 087.4	586.5	766.2
Total comprehensive income attributable to shareholders of the parent company		618.1	196.0	1 087.4	586.5	766.2
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.09.2017	30.09.2016	31.12.2016
Financial derivative instruments	4	1.7	3.3	6.6
Investment property	3	14 969.1	13 935.2	14 025.1
Owner-occupied property	3	67.3	88.2	87.0
Other fixed assets		46.0	46.4	48.8
Total non-current assets		15 084.2	14 073.0	14 167.5
Financial derivative instruments	4	1.0	2.2	1.6
Receivables		97.7	109.4	115.9
Cash and cash equivalents	6	259.2	316.3	46.2
Investment property held for sale	3	-	506.5	-
Total current assets		358.0	934.3	163.8
Total assets		15 442.1	15 007.3	14 331.2
Share capital		274.2	274.2	274.2
Share premium		2 295.2	3 412.3	2 295.2
Other paid in equity		7 557.3	6 440.1	7 557.3
Retained earnings		(2 692.9)	(3 817.4)	(3 637.8)
Total equity		7 433.7	6 309.3	6 488.9
Deferred tax	7	416.1	474.7	472.1
Financial derivative instruments	4	265.3	502.7	338.9
Interest bearing liabilities	6	5 348.2	-	6 755.8
Other liabilities	3	57.4	57.6	57.5
Total non-current liabilities		6 087.0	1 035.0	7 624.2
Financial derivative instruments	4	2.4	5.9	5.7
Interest bearing liabilities	6	1 706.5	7 414.2	11.4
Other liabilities		212.6	243.0	201.1
Total current liabilities		1 921.5	7 663.1	218.2
Total liabilities		8 008.5	8 698.1	7 842.4
Total equity and liabilities		15 442.1	15 007.3	14 331.2



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 31.12.2015	274.2	3 412.2	6 440.1	(4 349.1)	5 777.5
Total comprehensive income	-	-	-	586.5	586.5
Paid dividend	-	-	-	(54.8)	(54.8)
Total equity 30.09.2016	274.2	3 412.3	6 440.1	(3 817.4)	6 309.3
Total comprehensive income	-	(1 117.2)	1 117.2	179.7	179.7
Paid dividend	-	-	-	-	-
Total equity 31.12.2016	274.2	2 295.2	7 557.3	(3 637.8)	6 488.9
Total comprehensive income	-	-	-	1 087.4	1 087.4
Paid dividend	-	-	-	(142.6)	(142.6)
Total equity 30.09.2017	274.2	2 295.2	7 557.3	(2 692.9)	7 433.7

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Profit before income tax		417.6	260.7	1 030.5	799.6	977.4
Depreciation of tangible assets		1.6	2.4	4.9	7.3	9.0
Fair value adjustment of investment property	3	(326.4)	(78.3)	(766.7)	(444.3)	(475.1)
Fair value adjustment of financial derivative instruments	4	(10.1)	(164.5)	(71.4)	(163.0)	(329.7)
Change in short-term items		37.7	38.0	27.0	27.9	(43.9)
Net cash flow from operating activities		120.4	58.2	224.3	227.5	137.7
Received cash from sale of investment property		-	2 513.3	-	2 543.0	3 039.3
Payments for purchase of investment property and other fixed assets		(61.1)	(254.7)	(154.3)	(345.4)	(391.7)
Net cash flow from investing activities		(61.1)	2 258.6	(154.3)	2 197.6	2 647.6
Net change in interest-bearing debt	6	121.3	(1 989.1)	285.6	(2 109.8)	(2 740.1)
Paid dividend		(38.4)	(27.4)	(142.6)	(54.8)	(54.8)
Net cash flow from financial activities		83.0	(2 016.5)	143.0	(2 164.6)	(2 794.9)
Net change in cash and cash equivalents		142.3	300.3	213.0	260.5	(9.6)
Cash and cash equivalents at the beginning of the period		117.0	16.0	46.2	55.8	55.8
Cash and cash equivalents at the end of the period		259.2	316.3	259.2	316.3	46.2



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Norwegian Property ASA real estate group owns commercial properties in the Oslo and Stavanger 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.

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 2016. 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 2016. No significant changes have been made to accounting policies from those used when preparing the financial statements for 2016.

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 2016.

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.

Norwegian Property's business consists of the 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 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.

The interim report of Norwegian Property ASA was approved at a board meeting on 19 October 2017. This report has not been audited.

NOTE 2 - NET FINANCIAL ITEMS

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

Amounts in NOK million	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Interest income on bank deposits	0.5	0.2	1.9	0.3	1.1
Total financial income	0.5	0.2	1.9	0.3	1.1
Interest expense on borrowings	(73.0)	(100.6)	(222.9)	(308.8)	(402.6)
Total financial cost	(73.0)	(100.6)	(222.9)	(308.8)	(402.6)
Realised net financial items	(72.6)	(100.5)	(221.0)	(308.5)	(401.6)
Change in market value of financial derivative instruments	9.1	97.0	26.9	94.5	171.0
Net financial items	(63.5)	(3.5)	(194.1)	(214.1)	(230.5)



NOTE 3 - INVESTMENT PROPERTY

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

Amounts in NOK million	Note	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Total value of investment property, opening balance		14 643.8	16 680.2	14 112.1	16 256.2	16 256.2
Disposals of properties at book value	1	-	(2 510.1)	-	(2 539.1)	(3 033.8)
Additions through acquisition of and on-going investment in properties		61.0	254.9	153.3	339.8	381.3
Recognised in the income statement for the period		329.4	105.0	771.3	471.3	507.9
Recognised in other comprehensive income for the period		2.2	(0.1)	(0.2)	1.7	0.5
Total value of investment property, closing balance	2	15 036.4	14 529.9	15 036.4	14 529.9	14 112.1
Of which investment property held for sale	3	-	(506.5)	-	(506.5)	-
Investment property not held for sale		15 036.4	14 023.4	15 036.4	14 023.4	14 112.1
Of which owner-occupied property	4	(67.3)	(88.2)	(67.3)	(88.2)	(87.0)
Book value of investment property		14 969.1	13 935.2	14 969.1	13 935.2	14 025.1

¹ Disposals in 2016 apply to Strandsvingen 10, Stortingsgata 6, Verkstedveien 1, Verkstedveien 3 and Drammensveien 134.

² Norwegian Property has entered into an agreement to sell Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo. The agreed takeover date is March 2019 on the expiry of the lease for the properties, and Norwegian Property is entitled to rental income and has operating responsibility for the properties until then. These properties are classified in the balance sheet as ordinary investment property at the present value of the contractual cash flows. Classification as investment properties held for sale is subject to expected realisation within one year from the balance sheet date.

³ In the third quarter of 2016, Norwegian Property entered into an agreement to sell the Stortingsgata 6 property. The transaction was completed in the early in the fourth quarter of 2016, and the property was valued at the transaction value at the end of the third quarter of 2016.

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	30.09.2017			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 969.1	14 969.1
Owner-occupied property	-	-	67.3	67.3
Total	-	-	15 036.4	15 036.4

Amounts in NOK million	30.09.2016			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	13 935.2	13 935.2
Owner-occupied property	-	-	88.2	88.2
Investment property held for sale	-	-	506.5	506.5
Total	-	-	14 529.9	14 529.9

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 2016 and 2017.



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	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Net book value of derivatives, opening balance	(275.1)	(667.7)	(336.4)	(666.1)	(666.1)
Buyout of derivatives	1.0	67.5	44.6	68.5	158.6
Fair value adjustments of derivatives	9.1	97.0	26.9	94.5	171.0
Net book value of derivatives, closing balance	(265.0)	(503.2)	(265.0)	(503.2)	(336.4)
Of which classified as non-current assets	1.7	3.3	1.7	3.3	6.6
Of which classified as current assets	1.0	2.2	1.0	2.2	1.6
Of which classified as non-current liabilities	(265.3)	(502.7)	(265.3)	(502.7)	(338.9)
Of which classified as current liabilities	(2.4)	(5.9)	(2.4)	(5.9)	(5.7)

NOTE 5 - FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.09.2017		30.09.2016	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	1.7	1.7	3.3	3.3
Current derivatives	1.0	1.0	2.2	2.2
Current receivables	97.7	97.7	109.4	109.4
Cash and cash equivalents	259.2	259.2	316.3	316.3
Total financial assets	359.6	359.6	431.1	431.1
Non-current derivatives	265.3	265.3	502.7	502.7
Non-current interest-bearing liabilities	5 348.2	5 367.1	-	-
Current derivatives	2.4	2.4	5.9	5.9
Current interest-bearing liabilities	1 706.5	1 706.5	7 414.2	7 411.8
Other current liabilities	211.7	211.7	239.2	239.2
Total financial liabilities	7 534.2	7 553.1	8 162.1	8 159.7

The estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. Account is taken of the estimated difference between the current margin and market conditions (market value higher than the book value of debt in the listing indicates a negative equity effect when the applicable borrowing margin is less favourable than current market conditions). The fair value of financial derivatives (interest-rate and currency derivatives), is the estimated present value of future cash flows, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are carried principally at fair value and subsequently measured at amortised cost. However, discounting is not usually considered to have any significant effect on these types of assets and liabilities.



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

Amounts in NOK million	30.09.2017			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	1.7	-	1.7
Current derivatives (assets)	-	1.0	-	1.0
Non-current derivatives (liabilities)	-	(265.3)	-	(265.3)
Current derivatives (liabilities)	-	(2.4)	-	(2.4)
Total	-	(265.0)	-	(265.0)

Amounts in NOK million	30.06.2016			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	3.3	-	3.3
Current derivatives (assets)	-	2.2	-	2.2
Non-current derivatives (liabilities)	-	(502.7)	-	(502.7)
Current derivatives (liabilities)	-	(5.9)	-	(5.9)
Total	-	(503.2)	-	(503.2)

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 2016 and 2017.

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 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Loan facilities at par value, opening balance		6 956.5	9 411.7	6 792.3	9 532.4	9 532.4
Increase in loan facilities		424.0	-	1 511.0	-	3 635.0
Reduction in loan facilities		(302.7)	(1 989.1)	(1 225.4)	(2 109.8)	(6 375.1)
Loan facilities at par value, closing balance		7 077.8	7 422.6	7 077.8	7 422.6	6 792.3
Capitalised borrowing cost		(23.2)	(8.4)	(23.2)	(8.4)	(25.1)
Book value of interest-bearing debt		7 054.7	7 414.2	7 054.7	7 414.2	6 767.2
Of which classified as non-current liabilities		5 348.2	-	5 348.2	-	6 755.8
Of which classified as current liabilities		1 706.5	7 414.2	1 706.5	7 414.2	11.4
Interest-bearing debt	1	(7 054.7)	(7 414.2)	(7 054.7)	(7 414.2)	(6 767.2)
Cash and cash equivalents		259.2	316.3	259.2	316.3	46.2
Net interest-bearing position		(6 795.4)	(7 097.9)	(6 795.4)	(7 097.9)	(6 720.9)

¹ Unutilised credit facilities amounted to NOK 900 million at 30 September 2017, NOK 389,9 million at 30 September 2016 and NOK 1 058 million at 31 December 2016.

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 per cent of the company's interest-bearing debt at any time will be hedged. At 30 September 2017, 61.7 per cent of such loans was secured (30 September 2016: 66.8 per cent). The total average interest margin on variable-rate loans was 154 basis points (159 basis points). The loan portfolio has an average interest rate of 3.76 per cent (4.52 per cent), and remaining time to maturity for interest-bearing debt was 2.8 years (1.7 years). Remaining time to maturity for interest hedging agreements was 4.1 years (3.8 years).



NOTE 7 - DEFERRED TAX AND INCOME TAX

The change in deferred tax and tax expense is presented in the table below.

Amounts in NOK million	Note	3Q 2017	3Q 2016	YTD 2017	YTD 2016	Year 2016
Profit before income tax		417.6	260.7	1 030.5	799.6	977.4
Income tax calculated at 24 per cent (25 per cent for 2016)		100.2	65.2	247.3	199.9	244.3
Changed tax rate on the closing balance	1	-	-	-	-	(19.7)
Temporary differences		(298.8)	(0.2)	(303.6)	15.4	(11.8)
Income tax		(198.6)	65.0	(56.2)	215.3	212.9
Deferred tax, opening balance		614.0	409.7	472.1	258.7	258.7
Recognised through profit and loss		(198.6)	65.0	(56.2)	215.3	212.9
Recognised through comprehensive income		0.6	-	0.2	0.7	0.6
Deferred tax, closing balance		416.0	474.7	416.0	474.7	472.1

¹ The company tax rate in Norway was reduced from 25 to 24 per cent at the beginning of 2017. Deferred tax at 31 December 2016 is therefore calculated on the basis of a tax rate of 24 per cent.

NOTE 8 - RELATED-PARTY DISCLOSURES

No agreements or significant transactions with related parties have been carried out in 2017.

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 2016).

NOTE 9 - EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the mandate from the annual general meeting in 2017 the board decided on 19 October 2017 that a dividend of NOK 0.08 per share will be paid on the basis of accounts at 30 September 2017.

In October 2017, the board employed Bent Oustad as new CEO in Norwegian Property ASA after Svein Hov Skjelle, who retires at the end of 2017. Oustad joins the company as of 1 January 2018.

No other significant events have occurred after the balance sheet date at 30 September 2017.



DEFINITIONS

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.
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.
EPRA-earnings	Calculation based on the period's profit after tax, adjusted for changes in the value of investment properties and financial derivatives, as well as income tax expense for adjustments made.
Like for like	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 group'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	Net asset value, the book value of total equity in the balance sheet.
EPRA NAV	EPRA (European Public Real-Estate Association) recommendations for calculating 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.
EPRA NNNAV	EPRA recommendations for the calculation of NAV where EPRA NNNAV (triple net asset value) in relation to the EPRA NAV includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.
Related party	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, through participation in group 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.



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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 2016. 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.

