

INTERIM REPORT

SECOND QUARTER AND FIRST HALF OF 2014



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE SECOND QUARTER OF 2014

GROWING RENTAL INCOME FROM PHASING IN LEASES

Rental income up from first to second quarters

A number of premises were completed and occupied by new tenants during the second quarter of 2014, and overall rental income rose from NOK 181.1 million in the first quarter to NOK 187.8 million. Operating profit before fair-value adjustments came to NOK 141.9 million. Profit before tax and fair-value adjustments came to NOK 43.2 million.

Positive fair-value adjustments for investment properties totalled NOK 180.2 million, while negative fair-value adjustments for financial derivatives came to NOK 114.9 million. After NOK 25.1 million in tax expense, net profit for the period came to NOK 83.4 million. This yielded ordinary earnings per share (EPS) of NOK 0.15 for the second quarter. Carried equity per share came to NOK 9.25 per share at 30 June, up from NOK 9.09 per share at 31 March (Epra: NOK 10.35 at 30 June).

Letting activity high

Eighteen new or expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 56.9 million.

The most important leases awarded during the period were:

- new lease for 2 900 square metres to Protector Forsikring for 10 years in Fondbygningen at Aker Brygge, Oslo
- new lease for 3 200 square metres to Oslo Universitetssykehus HF for 8 years at Gullhaug Torg 3 in Nydalen, Oslo
- extension of 1.5 years for 10 800 square metres with Skanska Norge AS at Drammensveien 60, Oslo
- new lease for 1 100 square metres to Expo Nova for 10 years at Verkstedveien 1 (previously Drammensveien 134, new building)

The overall letting ratio for the development projects at Aker Brygge is now 78 per cent, up from 76 per cent at 31 March. A total of 10 100 square meters of offices and 4 400 square metres of commercial premises remained unlet at 30 June in the three ongoing projects. The overall letting ratio at Verkstedveien 1 is 36 per cent, up from 32 per cent at 31 March.

The development projects

The project at Finnestadveien 44 in Stavanger was completed and taken over by the tenant in mid-June. It has been executed on schedule and 17 per cent below the original budget.

Work is in full swing with the projects at Stranden 1, Stranden 5 and Verkstedveien 1 (formerly Drammensveien 134 – new building) in Oslo. These properties remain largely without rental income while conversion is under way, and no changes have occurred to progress or forecasts since the previous report. The final phase of Stranden 3 will be completed at the beginning of the third quarter of 2014.

Stavanger – property sale and strategic process

Norwegian Property entered into an agreement in early July on the sale of the Finnestadveien 44 property in Stavanger to WP Carey Inc at a gross property value of NOK 733 million. This was NOK 42 million higher than the valuation at 31 March 2014. Following the disposal, the group's properties in Stavanger are valued at NOK 1 255.8 million or 8.3 per cent of its total portfolio. Tenants in several of the remaining Stavanger properties have either moved out or intended to depart during 2015. The company is working on various options for the individual properties, including leasing, big projects or conversion to other uses. At the same time, a strategic assessment process for future ownership of the Stavanger portfolio has been initiated.

Improved customer satisfaction

The results of this year's customer satisfaction survey conducted by Norwegian Tenant index shows an improvement from 69 to 76.



KEY FIGURES

| Profit and loss | | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|--|-----------|---------|---------|---------|---------|-----------|
| Gross income | NOK mill. | 187.8 | 203.4 | 368.9 | 428.2 | 769.8 |
| Operating profit before adm. expenses | NOK mill. | 157.3 | 174.2 | 307.8 | 372.7 | 647.7 |
| Operating profit before value adjustments | NOK mill. | 141.9 | 160.3 | 276.4 | 341.9 | 586.9 |
| Profit before income tax and value adjustments | NOK mill. | 43.2 | 56.1 | 85.2 | 132.7 | 174.4 |
| Profit before income tax | NOK mill. | 108.5 | 114.6 | 29.5 | -235.7 | -287.6 |
| Profit after income tax | NOK mill. | 83.4 | 75.4 | 8.2 | -195.7 | -230.9 |
| EPRA-earnings ¹ | NOK mill. | 31.5 | 40.4 | 62.2 | 95.5 | 125.6 |

| Balance sheet | | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|---------------------------------------|-----------|----------|----------|----------|----------|-----------|
| Market value of investment portfolio | NOK mill. | 15 780.1 | 14 206.6 | 15 780.1 | 14 206.6 | 14 762.6 |
| Equity | NOK mill. | 5 070.2 | 5 092.4 | 5 070.2 | 5 092.4 | 5 057.5 |
| Interest bearing debt | NOK mill. | 9 749.9 | 8 644.3 | 9 749.9 | 8 644.3 | 8 947.4 |
| Equity ratio | % | 31.6 | 34.3 | 31.6 | 34.3 | 33.6 |
| Pre-tax return on equity (annualized) | % | 8.6 | 8.7 | 1.2 | -9.0 | -5.5 |

| Cash flow | | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|-------------------------------------|-----------|---------|---------|---------|---------|-----------|
| Cash flow from operating activities | NOK mill. | 27.0 | 26.8 | 29.2 | 47.9 | 45.9 |
| Cash position | NOK mill. | 14.3 | 35.8 | 14.3 | 35.8 | 62.9 |

| Key numbers, shares | | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|---|--------|--------------|-------------|-------------|-------------|-------------|
| No. of shares issued | Antall | 548 425 596 | 548 425 596 | 548 425 596 | 548 425 596 | 548 425 596 |
| Average number of shares in period | Antall | 548 425 596 | 548 425 596 | 548 425 596 | 548 425 596 | 548 425 596 |
| Pre-tax profit per share ² | NOK | 0.20 | 0.21 | 0.05 | -0.43 | -0.52 |
| Basic earnings per share (EPS) ² | NOK | 0.15 | 0.14 | 0.02 | -0.36 | -0.42 |
| EPRA-earnings per share ² | NOK | 0.06 | 0.07 | 0.11 | 0.17 | 0.23 |
| Operating cash flow per share | NOK | 0.05 | 0.05 | 0.05 | 0.09 | 0.08 |
| Interest bearing debt per share | NOK | 17.78 | 15.76 | 17.78 | 15.76 | 16.31 |
| Book value per share | NOK | 9.25 | 9.29 | 9.25 | 9.29 | 9.22 |
| Deferred property tax per share | NOK | 0.18 | 0.14 | 0.18 | 0.14 | 0.08 |
| Financial derivative instr. per share | NOK | 0.93 | 0.87 | 0.93 | 0.87 | 0.77 |
| Net asset value per share (EPRA)³ | NOK | 10.35 | 10.29 | 10.35 | 10.29 | 10.07 |

¹ Calculated on the basis of profit or loss after tax, adjusted for the change in value of investment properties and financial instruments, as well as tax cost of adjustments made.

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

³ Ordinary book value of equity per share adjusted for deferred property tax-, any goodwill- and financial derivative instruments per share. Financial derivative instruments per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.



FINANCIAL PERFORMANCE

RESULTS FOR THE SECOND QUARTER OF 2014

Rental income for Norwegian Property totalled NOK 187.8 million in the second quarter of 2014. That compares with NOK 203.4 million for the same period of 2013. Adjusted for payments received on the termination of leases in the second quarter of 2013, this represented an increase of NOK 5.2 million in rental income for the second quarter of 2014.

Maintenance and other operating costs totalled NOK 17.7 million (NOK 12.4 million⁴) for the quarter. Other property-related expenses came to NOK 12.8 million (NOK 16.9 million), while owner administrative expenses were NOK 15.4 million (NOK 13.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 141.9 million (NOK 160.3 million) for the second quarter.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 180.2 million (NOK 1.4 million).

Net realised financial expenses came to NOK 98.7 million (NOK 104.2 million) for the second quarter. Market interest rates fell during the second quarter, and the fair value of financial derivatives accordingly declined by NOK 114.9 million (increase of NOK 57.2 million).

The pre-tax profit for the second quarter was NOK 108.5 million (NOK 114.6 million). Calculated non-payable tax expense for the quarter was NOK 25.1 million (NOK 39.2 million). Net profit was thereby NOK 83.4 million (NOK 75.4 million).

RESULTS FOR THE FIRST HALF OF 2014

Rental income for Norwegian Property totalled NOK 368.9 million for the first six months of 2014. That compares with NOK 428.2 million in the same period of 2013. Adjusted for purchase and sale of properties and for payments received on the termination of leases in the period, this represented a decline of NOK 33.6 million in rental income for the first half of 2014. That primarily reflected increased vacancy as a result of current rehabilitation projects.

Maintenance and other operating costs totalled NOK 31.7 million (NOK 28.6 million) for the period. Other property-related expenses came to NOK 29.4 million (NOK 26.9 million), while administrative expenses were NOK 31.5 million (NOK 30.8 million). Operating profit before fair-value adjustments thereby amounted to NOK 276.4 million (NOK 341.9 million) for the first half.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 109.9 million (decrease of NOK 441.8 million).

Net realised financial expenses came to NOK 191.2 million (NOK 209.1 million) for the first half. The fair value of financial derivatives decreased by NOK 165.6 million (increase of NOK 73.4 million) during the first half.

Pre-tax profit for the first half was NOK 29.5 million (loss of NOK 235.7 million). Calculated non-payable tax expense was NOK 21.2 million (tax income of NOK 40 million). Net profit for the period was thereby NOK 8.2 million (loss of NOK 195.7 million).

⁴ 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 2014 is based on an average of the two valuations.

At 30 June 2014, the group's portfolio of investment properties was valued at NOK 15 780.1 million (NOK 14 206.6 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 96.8 million at 30 June, and recognised at fair value.

The positive fair-value adjustment came to NOK 180.2 million in the second quarter, and was NOK 172.2 million in all for the development properties Stranden 1, 3 and 5 at Aker Brygge, Verkstedveien 1 at Skøyen and Finnestadveien 44 in Stavanger. The negative change in the value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 54.2 million. Other properties had a positive fair-value change of NOK 62.2 million.

CASH FLOW

Net cash flow from operating activities before financial items was NOK 27 million (NOK 26.8 million) for the second quarter and NOK 29.2 million (NOK 47.9 million) in the first half.

Net investment in non-current assets in the second quarter totalled NOK 498.9 million (NOK 308.3 million), and primarily embraced investment in the property portfolio related to the development of certain large properties. The corresponding figure for the first half was NOK 898 million (NOK 527.1 million).

Net cash flow from financing activities was NOK 459.7 million (negative at NOK 17.7 million) for the second quarter after an increase in interest-bearing debt. It was positive in the first half at NOK 820.6 million (negative at NOK 891.6 million) owing to a rise in interest-bearing debt.

The net decrease in cash and cash equivalents was NOK 12.1 million (NOK 299.1 million) for the second quarter and NOK 48.2 million (NOK 676.7 million) in the first half.

BALANCE SHEET

The company held NOK 14.3 million in cash and cash equivalents at 30 June (NOK 35.8 million). In addition came NOK 938.2 million (NOK 1 613.2 million) in unutilised credit facilities. Equity totalled NOK 5 070.2 million (NOK 5 092.4 million), representing an equity ratio of 31.6 per cent (34.3 per cent). Carried equity per share was NOK 9.25 (NOK 9.29). Equity per share based on the Epra standard was NOK 10.35 (NOK 10.29). Outstanding shares at 30 June totalled 548 425 596 (548 425 596).



FINANCING

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

| Interest bearing debt and hedging as of 30 June 2014 | | |
|---|-------------|--------------|
| | | 30 June 2014 |
| Interest bearing debt | NOK million | 9 749.9 |
| Cash and cash equivalents | NOK million | 14.3 |
| Interest hedging ratio (%) | Per cent | 79.0 |
| Unused credit and overdraft facilities | NOK million | 938.2 |
| Average time to maturity, hedging | Year | 4.3 |
| Average interest rate (incl. margin and capitalized cost) | Per cent | 4.46 |
| Average margin | Per cent | 1.43 |
| Average residual term, borrowing | Year | 2.6 |
| Property value | NOK million | 15 780.1 |
| Interest bearing debt / value (LTV) | Per cent | 61.8 |
| Net interest bearing debt / value (net LTV) | Per cent | 61.7 |

INTEREST HEDGES

| Maturity profile interest hedges | | < 1 year | 1 > 2 years | 2 > 3 years | 3 > 4 years | 4 > 5 years | > 5 years |
|----------------------------------|-------------|----------|-------------|-------------|-------------|-------------|-----------|
| Amount | NOK million | 2 027 | 1 073 | 700 | 1 200 | 1 250 | 3 500 |
| Average interest rate | Per cent | 1,8 | 2,8 | 3,3 | 4,0 | 4,7 | 4,3 |
| Share of total liabilities | Per cent | 21 | 11 | 7 | 12 | 13 | 36 |

The effect of interest rate derivatives with a forward start represents an additional 77 basis points.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 79 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 9 749.9 million (NOK 8 644.3 million) at 30 June 2014.

The company issued a new secured bond loan totalling NOK 350 million with a five-year term in the Norwegian bond market. The loan has an interest rate of three months Nibor plus a margin of 1.3 per cent. It is secured through a first priority mortgage on the Lysaker Torg 35 property within a 68 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.



OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy was around seven per cent of total space in the Oslo area at 30 June, according to Akershus Eiendom. Only 61 000 square metres of office space are expected to be completed during 2014, or about a third of the figure for a “normal” year. Construction starts and completions for new premises are still expected to be 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, this indicates a slight reduction in vacant space and limited risk for a fall in rents over the next few years. Tenants remain selective with regard to location and quality.

Demand in Stavanger has moderated a little as a result of some slowdown in the oil sector, even though large properties are still being sought in the market. Good availability of land and completion of a number of new commercial buildings continue to put pressure on rents. A reduction in new construction activity is also expected as a result of the moderation in demand. Overall, relatively stable rents are accordingly expected in the time to come.

The trend towards easier access to financing for commercial property is continuing, with the result that borrowing margins for new loans are lower. In addition, long-term interest rates swaps fell substantially during the second quarter. Overall borrowing costs for property finance were therefore substantially lower at 30 June than at 1 January. As a result, Akershus Eiendom has reduced its estimates for prime yield from 5.25 to five per cent at 1 July. Relatively few transactions were reported in the second quarter, but market players report a high level of activity which could lead to transactions in the rest of the year. Increased interest from external investors and 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 41 office and commercial properties at 30 June. These are located in central areas of Oslo and Bærum (78.7 per cent of gross current rental income at 30 June 2014), at Gardermoen (3.5 per cent of gross rental income) and in Stavanger (17.7 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 777.9 million at 30 June 2014, an increase of NOK 25.6 million from NOK 752.3 million at 1 April. Vacancy in the property portfolio (commercial space without rental income) totalled 23.9 per cent of total space at 30 June 2014, down from 25.2 per cent at 1 April. 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 74.1 per cent at 30 June 2014. Vacancy for immediately available space was 10.9 per cent at 30 June 2014, down from 12.4 per cent at 1 April.

A total of 18 new leases were awarded or renegotiated during the second quarter, with a combined annual value of about NOK 56.9 million. The average remaining term of the leases is 6.8 years. The average rent adjustment factor for the consumer price index is 97.9 per cent of the total portfolio.

ENVIRONMENTAL ACTION AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company reported for the third time to the Carbon Disclosure Project during the second quarter. Its most significant measures for reducing carbon emissions are being implemented in connection with the big development projects at Aker Brygge and Skøyen, and the results will therefore be excluded from reporting until this work has been completed. A total reduction in energy consumption of six per cent from 2011 to 2013 has been achieved on that part of the portfolio not included in the conversions. Measures adopted in four buildings during 2012 took effect for energy consumption in 2013. An average energy saving of 34 per cent was achieved for these buildings.

Norwegian Property plans to participate from 2015 in the global rating of side effect burden (GRSEB), which collects and compares results for environmental action and CSR.



SHAREHOLDER INFORMATION

The company had 1 526 registered shareholders at 30 June, a decrease of 27 from 31 March. Non-Norwegian shareholders held 60.7 per cent of the share capital at 30 June, down from 63.7 per cent at 31 March. The number of shares traded during the second quarter averaged 0.7 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 June, 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 June. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 June 2014 are presented below.

| # | Name | Share (%) | No. of shares | Account type | Nationality |
|--------------------------------------|---|--------------|--------------------|--------------|-----------------|
| 1 | CANICA AS | 10.80 | 59 208 232 | ORD | NOR |
| 2 | FOLKETRYGDFONDET | 9.07 | 49 751 642 | ORD | NOR |
| 3 | SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT | 4.92 | 26 973 101 | NOM | SWE |
| 4 | APG AIFMD (TAX) BNY MELLON | 4.33 | 23 730 241 | ORD | NLD |
| 5 | STATE STREET BANK AN A/C CLIENT OMNIBUS F | 3.94 | 21 615 821 | NOM | USA |
| 6 | STATE STREET BANK & S/A SSB CLIENT OMNIBUS | 3.73 | 20 474 944 | NOM | USA |
| 7 | BNP PARIBAS SEC. SER S/A BP2S LUX/FIM/LUX | 3.28 | 18 004 553 | NOM | LUX |
| 8 | CITIBANK, N.A. S/A STICHTING PGGM D | 3.21 | 17 597 315 | NOM | NLD |
| 9 | THE BANK OF NEW YORK BNY MELLON | 2.76 | 15 127 194 | NOM | USA |
| 10 | DNB NOR BANK ASA EGENHANDELSKONTO DNB NOR MARKETS | 2.61 | 14 324 590 | ORD | NOR |
| 11 | FONDSFINANS SPAR | 2.48 | 13 600 000 | ORD | NOR |
| 12 | STATE STREET BANK & A/C CLIENT FUND NUMBER | 2.25 | 12 314 123 | NOM | USA |
| 13 | VERDIPAPIRFONDET DNB | 1.86 | 10 177 245 | ORD | NOR |
| 14 | VERDIPAPIRFONDET DNB | 1.69 | 9 275 862 | ORD | NOR |
| 15 | STATE STREET BANK & SSB, : ISHARES EUROPE | 1.60 | 8 800 428 | NOM | IRL |
| 16 | ILMARINEN MUTUAL PEN BNY MELLON | 1.50 | 8 225 409 | ORD | FIN |
| 17 | STATE STREET BANK AN A/C WEST NON-TREATY | 1.28 | 7 027 292 | NOM | USA |
| 18 | BNP PARIBAS SEC. SER S/A TR PROPERTY INV | 1.26 | 6 921 567 | NOM | GBR |
| 19 | J.P. MORGAN CHASE BA LUXEMBOURG OFFSHORE | 1.20 | 6 604 389 | NOM | LUX |
| 20 | MERRILL LYNCH INTERN C/O MLI GEF NON TREATY | 1.13 | 6 221 932 | NOM | GBR |
| Total 20 largest shareholders | | 64.90 | 355 975 880 | | 6/20 NOR |

ORGANISATION

Tore Heldrup Rasmussen has been appointed to a new position as Executive Vice President Commercial of Norwegian Property ASA. He has a long and extensive experience from business development, marketing and sales in Procter & Gamble, Orkla, and during the last twelve years as partner in MarkUp/Implement Consulting Group. He also has experience from several board positions, including ten years as member of the board of directors of NSB (Norwegian State Railways). Rasmussen will assume the position in August 2014.

RISK AND UNCERTAINTY FACTORS

Through its activities, Norwegian Property is exposed to market risk related to the demand for commercial premises, the supply of new buildings in the market and how these 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 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, and liquidity risks 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

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 over the quarter. This indicates that the robust transaction market will continue, and that the basis exists for continued good progress with the value of commercial property.

Norwegian Property has historically focused on high-quality properties close to traffic hubs in the most central and attractive areas of Oslo and Stavanger. Since 2012, the group has pursued a substantial investment programme with its properties, particularly at Aker Brygge and Skøyen, in order to modernise the property portfolio and meet the requirements of the best-paying tenants for new premises. The Finnestadveien 44 project was completed on schedule and below budget during the second quarter, and Stranden 3 at Aker Brygge in Oslo will be finalised in the third quarter. The Stranden 1, Stranden 5 and Verkstedveien 1 (previously Drammensveien 134, new building) projects will be completed gradually up to 31 March 2015. Upgrading and conversion work is also under way at several of the company's other properties. Substantial space is still temporarily without rental income, but a steadily increasing letting ratio for the development projects ensures growth in future rental income. The highest rents in the new projects are being achieved at Aker Brygge, where only 14 600 square metres office and commercial space of the original 78 600 square metres remain unlet.

Both project and letting risk reduce 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 premises being completed in connection with the extensive upgrading projects has top priority.

In Stavanger, which comprises 8,3 per cent of the group's consolidated assets following the sale of Finnestadveien 44, the group has several properties with vacancy, short remaining leases and tenants who will probably move out when their current lease expires. The board has initiated a strategic process for the remaining Stavanger portfolio in order to study optimum utilisation of each property and future ownership of the portfolio. This process is expected to continue until the summer of 2015.

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 the execution of the current development projects.



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 2014. The consolidated financial statements have been prepared in accordance with IAS 34 Interim reporting as approved by the EU and additional Norwegian information requirements pursuant to the Norwegian Accounting Act.

To the best of the board's and the CEO's knowledge, the interim financial statements for the first half of 2014 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 2014.

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, 10 July 2014



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

| Amounts in NOK million | Note | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|--|------|---------------|---------------|---------------|---------------|---------------|
| Gross income | | 187.8 | 203.4 | 368.9 | 428.2 | 769.8 |
| Maintenance and other operating expenses | | -17.7 | -12.4 | -31.7 | -28.6 | -58.0 |
| Other property-related expenses | | -12.8 | -16.9 | -29.4 | -26.9 | -64.1 |
| Total property-related expenses | | -30.5 | -29.2 | -61.1 | -55.5 | -122.1 |
| Administrative expenses | | -15.4 | -13.9 | -31.5 | -30.8 | -60.7 |
| Total operating expenses | | -45.9 | -43.1 | -92.5 | -86.3 | -182.8 |
| Operating profit before value adjustments | | 141.9 | 160.3 | 276.4 | 341.9 | 586.9 |
| Change in market value of investment property | 3 | 180.2 | 1.3 | 109.9 | -441.8 | -562.6 |
| Other gain/loss | | - | - | - | - | 2.7 |
| Operating profit | | 322.1 | 161.6 | 386.3 | -99.9 | 27.0 |
| Financial income | 2 | 0.3 | 6.0 | 1.1 | 14.8 | 20.0 |
| Financial cost | 2 | -99.0 | -110.2 | -192.3 | -224.0 | -432.6 |
| Realized net financial items | | -98.7 | -104.2 | -191.2 | -209.1 | -412.5 |
| Change in market value of financial derivative instruments | 2, 4 | -114.9 | 57.2 | -165.6 | 73.4 | 97.9 |
| Net financial items | | -213.6 | -47.0 | -356.8 | -135.8 | -314.6 |
| Profit before income tax | | 108.5 | 114.6 | 29.5 | -235.7 | -287.6 |
| Income tax | 7 | -25.1 | -39.2 | -21.2 | 40.0 | 56.7 |
| Profit for the period | | 83.4 | 75.4 | 8.2 | -195.7 | -230.9 |
| Profit attributable to non-controlling interests | | - | - | - | - | - |
| Profit attributable to shareholders of the parent company | | 83.4 | 75.4 | 8.2 | -195.7 | -230.9 |
| | | | | | | |
| Value adjustment of owner-occupied property | 3 | 4.1 | 0.2 | 4.5 | 4.1 | 4.3 |
| Total other comprehensive income | | 4.1 | 0.2 | 4.5 | 4.1 | 4.3 |
| Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax | | - | - | - | - | - |
| Total comprehensive income | | 87.5 | 75.6 | 12.7 | -191.6 | -226.6 |
| Total comprehensive income attributable to shareholders of the parent company | | 87.5 | 75.6 | 12.7 | -191.6 | -226.6 |
| Total comprehensive income attributable to non-controlling interests | | - | - | - | - | - |



CONSOLIDATED CONDENSED BALANCE SHEET

| Amounts in NOK million | Note | 30.06.2014 | 30.06.2013 | 31.12.2013 |
|--------------------------------------|------|-----------------|-----------------|-----------------|
| ASSETS | | | | |
| Financial derivative instruments | 4 | 12.8 | 4.1 | 15.6 |
| Investment property | 3 | 14 971.2 | 14 153.7 | 14 709.9 |
| Owner-occupied property | 3 | 96.8 | 52.9 | 52.7 |
| Other fixed assets | | 43.3 | 58.4 | 52.2 |
| Receivables | 6 | - | 400.0 | - |
| Total non-current assets | | 15 124.2 | 14 669.1 | 14 830.5 |
| Receivables | 6 | 180.7 | 143.6 | 153.2 |
| Cash and cash equivalents | 6 | 14.3 | 35.8 | 62.9 |
| Investment property held for sale | 3 | 712.0 | - | - |
| Total current assets | | 907.0 | 179.4 | 216.1 |
| Total assets | | 16 031.2 | 14 848.6 | 15 046.6 |
| EQUITY AND LIABILITIES | | | | |
| Share capital | | 274.2 | 274.2 | 274.2 |
| Share premium | | 3 412.3 | 3 412.3 | 3 412.2 |
| Other paid in equity | | 6 440.1 | 6 440.1 | 6 440.1 |
| Retained earnings | | -5 056.4 | -5 034.1 | -5 069.1 |
| Total equity | | 5 070.2 | 5 092.4 | 5 057.5 |
| Deferred tax | 7 | 181.5 | 177.0 | 160.2 |
| Financial derivative instruments | 4 | 710.2 | 663.5 | 602.2 |
| Interest bearing liabilities | 6 | 5 662.3 | 7 679.3 | 8 917.4 |
| Total non-current liabilities | | 6 554.0 | 8 519.7 | 9 679.9 |
| Financial derivative instruments | 4 | - | 3.4 | 0.3 |
| Interest bearing liabilities | 6 | 4 087.6 | 965.0 | 30.0 |
| Other liabilities | | 319.4 | 268.1 | 278.9 |
| Total current liabilities | | 4 407.0 | 1 236.4 | 309.2 |
| Total liabilities | | 10 961.0 | 9 756.1 | 9 989.1 |
| Total equity and liabilities | | 16 031.2 | 14 848.6 | 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 | 3 412.2 | 6 440.1 | -4 732.9 | 5 393.7 |
| Total comprehensive income | - | - | - | -191.6 | -191.6 |
| Paid dividends | - | - | - | -109.7 | -109.7 |
| Total equity 30.06.2013 | 274.2 | 3 412.2 | 6 440.1 | -5 034.1 | 5 092.4 |
| Total comprehensive income | - | - | - | -35.0 | -35.0 |
| 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 |

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

| Amounts in NOK million | Note | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|---|------|---------------|---------------|---------------|---------------|---------------|
| Profit before income tax | | 108.5 | 114.6 | 29.5 | -235.7 | -287.6 |
| Depreciation of tangible assets | | 1.8 | 1.7 | 3.8 | 2.9 | 6.0 |
| Fair value adjustment of investment property | 3 | -180.2 | -1.3 | -109.9 | 441.8 | 562.6 |
| Fair value adjustment of financial derivative instruments | 4 | 105.7 | -57.2 | 110.4 | -103.6 | -179.4 |
| Agio/disagio | | 0.2 | 0.4 | 0.4 | -0.4 | 0.1 |
| Change in short-term items | | -9.0 | -31.4 | -5.1 | -57.1 | -55.9 |
| Net cash flow from operating activities | | 27.0 | 26.8 | 29.2 | 47.9 | 45.9 |
| Received cash from sale of investment property | | - | 0.2 | 0.4 | 694.1 | 704.1 |
| Payments for purchase of investment property and other fixed assets | | -498.9 | -308.5 | -898.3 | -527.1 | -1 211.0 |
| Other investment activities | | - | - | - | - | 400.0 |
| Net cash flow from investing activities | | -498.9 | -308.3 | -898.0 | 167.0 | -106.9 |
| Net change of interest bearing debt | 6 | 459.7 | 92.0 | 820.6 | -781.9 | -478.4 |
| Paid dividend | | - | -109.7 | - | -109.7 | -109.7 |
| Net cash flow from financial activities | | 459.7 | -17.7 | 820.6 | -891.6 | -588.1 |
| Net change in cash and cash equivalents | | -12.1 | -299.1 | -48.2 | -676.7 | -649.0 |
| Cash and cash equivalents at the beginning of the period | | 26.6 | 335.3 | 62.9 | 712.0 | 712.0 |
| Exchange rate effects | | -0.2 | -0.4 | -0.4 | 0.4 | -0.1 |
| Cash and cash equivalents at the end of the period | | 14.3 | 35.8 | 14.3 | 35.8 | 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 10 July 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 | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Interest income on bank deposits | 0.3 | 1.4 | 1.0 | 4.4 | 5.3 |
| Interest income on seller's credit | - | 5.0 | - | 10.0 | 14.6 |
| Currency gain on bank deposits | - | -0.4 | - | 0.4 | - |
| Total financial income | 0.3 | 6.0 | 1.0 | 14.8 | 20.0 |
| Interest expense on borrowings | -98.7 | -110.2 | -191.7 | -223.9 | -432.4 |
| Currency loss on bank deposits | -0.2 | - | -0.4 | - | -0.1 |
| Total financial cost | -98.9 | -110.2 | -192.2 | -223.9 | -432.5 |
| Realized net financial items | -98.7 | -104.2 | -191.2 | -209.1 | -412.5 |
| Change in market value of financial derivative instruments | -114.9 | 57.2 | -165.6 | 73.4 | 97.9 |
| Net financial items | -213.6 | -47.0 | -356.8 | -135.7 | -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 | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|--|----------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total value of investment property, opening balance | | 15 098.2 | 13 911.0 | 14 762.6 | 14 852.5 | 14 852.5 |
| Disposals of properties at book value | 1 | - | - | - | -693.7 | -693.7 |
| Additions through acquisition and on-going investments of properties | | 498.1 | 294.3 | 904.3 | 484.9 | 1 172.4 |
| Total fair value adjustment of investment property | | 180.2 | 1.3 | 109.9 | -441.8 | -562.6 |
| Fair value adjustment of properties sold | 1 | - | 0.1 | -0.4 | 1.1 | -9.2 |
| Fair value adjustment of owner-occupied property | | 3.6 | - | 3.6 | 3.7 | 3.4 |
| Total value of investment property, ending balance | 2 | 15 780.1 | 14 206.6 | 15 780.1 | 14 206.6 | 14 762.6 |
| Of which investment property held for sale | 3 | -712.0 | - | -712.0 | - | - |
| Investment property not held for sale | | 15 068.1 | 14 206.6 | 15 068.1 | 14 206.6 | 14 762.6 |
| Of which owner-occupied property | 4 | -96.8 | -52.9 | -96.8 | -52.9 | -52.7 |
| Book value of investment property | | 14 971.2 | 14 153.7 | 14 971.2 | 14 153.7 | 14 709.9 |

1) Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property. The income element for 2014 relates to minor adjustments related to prior year disposals.

2) Contractual obligations for construction contracts related to investment property amounts to NOK 900 million at 30 June 2014 (31.12.2013: 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) In the second quarter 2014, Norwegian Property received an offer for the property Finnstadveien 44 in Stavanger. In July 2014, an agreement to sell the property was signed. The sales value is estimated to net NOK 712.0 million. 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. The transaction is expected to be 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 | 30.06.2014 | | | |
|-----------------------------------|------------|---------|-----------------|-----------------|
| | 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 |

| Amounts in NOK million | 30.06.2013 | | | |
|-------------------------|------------|---------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment property | - | - | 14 153.7 | 14 153.7 |
| Owner-occupied property | - | - | 52.9 | 52.9 |
| Total | - | - | 14 206.6 | 14 206.6 |

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 | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Net book value of derivatives, opening balance | -591.6 | -720.0 | -586.9 | -766.4 | -766.4 |
| Buyout of derivatives | 9.2 | - | 55.1 | 30.2 | 81.5 |
| Fair value adjustments of derivatives | -114.9 | 57.2 | -165.6 | 73.4 | 97.9 |
| Net book value of derivatives, ending balance | -697.4 | -662.8 | -697.4 | -662.8 | -586.9 |
| Of which classified as non-current assets | 12.8 | 4.1 | 12.8 | 4.1 | 15.6 |
| Of which classified as current assets | - | - | - | - | - |
| Of which classified as non-current liabilities | -710.2 | -663.5 | -710.2 | -663.5 | -602.2 |
| Of which classified as current liabilities | - | -3.4 | - | -3.4 | -0.3 |

NOTE 5 FINANCIAL INSTRUMENTS

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

| Amounts in NOK million | 30.06.2014 | | 30.06.2013 | |
|--|-----------------|-----------------|----------------|----------------|
| | Book value | Fair value | Book value | Fair value |
| Non-current derivatives | 12.8 | 12.8 | 4.1 | 4.1 |
| Non-current receivables | - | - | 400.0 | 424.6 |
| Current receivables | 96.5 | 96.5 | 143.6 | 143.6 |
| Cash and cash equivalents | 14.3 | 14.3 | 35.8 | 35.8 |
| Total financial assets | 123.6 | 123.6 | 583.5 | 588.1 |
| Non-current derivatives | 710.2 | 710.2 | 663.5 | 663.5 |
| Non-current interest-bearing liabilities | 5 662.3 | 5 699.4 | 7 679.3 | 7 627.0 |
| Current derivatives | - | - | 3.4 | 3.4 |
| Current interest-bearing liabilities | 4 087.6 | 4 092.7 | 965.0 | 960.2 |
| Other current liabilities | 274.6 | 274.6 | 180.4 | 180.4 |
| Total financial liabilities | 10 734.8 | 10 777.0 | 9 491.5 | 9 434.4 |

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 | 30.06.2014 | | | |
|---------------------------------------|------------|---------------|---------|---------------|
| | 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 |

| Amounts in NOK million | 30.06.2013 | | | |
|---------------------------------------|------------|---------------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Non-current derivatives (assets) | - | 4.1 | - | 4.1 |
| Non-current derivatives (liabilities) | - | -663.5 | - | -663.5 |
| Current derivatives (liabilities) | - | -3.4 | - | -3.4 |
| Total | - | -662.8 | - | -662.8 |

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 | 2Q 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|---|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Loan facilities at par value, opening balance | | 9 337.2 | 8 580.8 | 8 976.3 | 9 454.7 | 9 454.7 |
| Increase of loan facilities | | 758.0 | 102.8 | 1 133.3 | 102.8 | 955.0 |
| Reduction of loan facilities | | -298.3 | -10.8 | -312.7 | -884.7 | -1 433.4 |
| Loan facilities at par value, ending balance | | 9 797.0 | 8 672.8 | 9 797.0 | 8 672.8 | 8 976.3 |
| Capitalized borrowing cost | | -47.0 | -28.5 | -47.0 | -28.5 | -28.9 |
| Book value of interest-bearing debt | | 9 749.9 | 8 644.3 | 9 749.9 | 8 644.3 | 8 947.4 |
| Of which classified as non-current liabilities | | 5 662.3 | 7 679.3 | 5 662.3 | 7 679.3 | 8 917.4 |
| Of which classified as current liabilities | | 4 087.6 | 965.0 | 4 087.6 | 965.0 | 30.0 |
| Interest-bearing debt | 1 | -9 749.9 | -8 644.3 | -9 749.9 | -8 644.3 | -8 947.4 |
| Interest-bearing receivable (seller's credit) | 2 | - | 400.0 | - | 400.0 | - |
| Cash and cash equivalents | | 14.3 | 35.8 | 14.3 | 35.8 | 62.9 |
| Net interest-bearing position | | -9 735.6 | -8 208.5 | -9 735.6 | -8 208.5 | -8 884.5 |

1) Undrawn credit facilities amounted to NOK 938.2 million at 30 June 2014, NOK 1 613.2 million at 30 June 2013 and NOK 1 116 million at 31. December 2013.

2) In connection with the sale of Norgani Hotels in 2010 it was granted an interest bearing seller's credit of NOK 600 million to the buyer, with a fixed annual interest rate of 5 percent and maturity of two years from the date of sale of NOK 200 million (repaid in 2012) and five years of NOK 400 million (repaid before maturity in 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 floating rate loans must be secured. At 30 June 2014 were 79 percent of such loans secured (30.06.2013: 88 percent). The total average margin on variable rate loans was 143 basis points (30.06.2013: 138 basis points). The loan portfolio has an average interest rate of 4.46 per cent (30.06.2013: 5.31 per cent). Average remaining maturity of hedging contracts was 4.3 years (30.06.2013: 5.0 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 2014 | 2Q 2013 | 1H 2014 | 1H 2013 | Year 2013 |
|---|------|--------------|--------------|--------------|--------------|--------------|
| Profit before income tax | | 108.5 | 114.6 | 29.5 | -235.7 | -287.6 |
| Income tax calculated at 27 per cent (28 per cent for 2013) | | 29.3 | 32.1 | 8.0 | -66.0 | -80.5 |
| Change in tax rate to 27 percent for closing balance deferred tax in 2013 | 1 | - | - | - | - | -5.9 |
| Temporary differences | | -4.2 | 7.1 | 13.3 | 26.0 | 36.5 |
| Permanent differences | | - | - | - | - | -6.7 |
| Income tax | | 25.1 | 39.2 | 21.2 | -40.0 | -56.7 |
| Deferred tax, opening balance | | 156.4 | 137.8 | 160.2 | 217.0 | 217.0 |
| Recognized through profit and loss | | 25.1 | 39.2 | 21.2 | -40.0 | -56.7 |
| Deferred tax, ending balance | | 181.5 | 177.0 | 181.5 | 177.0 | 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 therefore estimated 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 during the first half of 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

In July 2014, an agreement to sell the property Finnestadveien 44 was signed (see note 3). The sales value is estimated to net NOK 712.0 million. The property is valued at estimated sales value and classified as assets held for sale in the accounts at the end of the second quarter. The transaction is expected to be completed in the third quarter of 2014.

There are no other significant events after 30 June 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.

