

INTERIM REPORT  
THIRD QUARTER 2015



NORWEGIAN  
PROPERTY

## IMPORTANT EVENTS IN THE THIRD QUARTER OF 2015

### GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

#### Rental income up by 26.3 per cent

The major development projects are virtually complete, and a number of new tenants moved into their premises during the third quarter of 2015. Overall rental income rose from NOK 187 million in the same period of last year to NOK 220.7 million, an increase of 26.3 per cent when the sale of Finnestadveien 44, Maridalsveien 323 and Lysaker Torg 35 is taken into account. Operating profit before fair-value adjustments came to NOK 170.6 million. Profit before tax and fair-value adjustments was NOK 65.7 million.

#### Epra NAV up by NOK 0.28 per share in the third quarter

Positive fair-value adjustments for investment properties totalled NOK 118.6 million, while negative fair-value adjustments for financial derivatives came to NOK 107.9 million. After NOK 5.2 million in tax expense, net profit for the period came to NOK 71.2 million. That yielded ordinary earnings per share (EPS) of NOK 0.13 for the third quarter. Carried equity per share came to NOK 10.37 at 30 September, up from NOK 10.24 at 30 June (Epra NAV: NOK 11.70 and Epra NNNAV: NOK 10.95 at 30 September 2015).

#### Letting and development projects

Seventeen new and expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 21.4 million. Contractual rental income (run rate) at 30 September totalled NOK 857.1 million, compared with NOK 906.2 million at 1 July (NOK 872.3 million adjusted for the sale of Lysaker Torg 35).

The biggest leases awarded during the quarter were to McCann AS in Verkstedhallene at Aker Brygge (2 500 square metres), Jobbsprek Drift AS in Fondbygget at Aker Brygge (1 800 square metres), and Mars/Wrigley/Royal Canin in Monier – Verkstedveien 1 at Skøyen (1 000 square metres).

The overall letting ratio for Monier – Verkstedveien 1 at Skøyen is now 76 per cent, up from 73 per cent at 30 June.

#### Property sales

The company entered into an agreement in September on the sale of Nedre Skøyen vei 24-26 to Veidekke with the transfer scheduled for 1 March 2019. The agreed gross value of the property is NOK 799 million, and Norwegian Property will also receive an on-going nominal rental income of NOK 276 million. The present value of the proceeds from the sale is estimated to be NOK 35 million above the applicable valuation of the property on the date the contract was entered into.

#### New CEO

Svein Hov Skjelle was appointed as CEO of Norwegian Property in August 2015.

#### Property tax in Oslo

The new city council is being established after the September elections, and has announced the introduction of a property tax for commercial properties from 2017 with 0.2 per cent of taxation value, increasing to 0.3 per cent in 2018. The basis for the valuation is so far not disclosed. Property owners will as far as possible seek to compensate the increased cost by increased rent. The valuation effect based on the limited information is difficult to assess.



## KEY FIGURES

Profit and loss		3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Gross income	NOK mill.	220.7	187.0	640.4	556.0	738.6
Operating profit before adm. expenses	NOK mill.	185.8	155.2	537.3	463.0	602.6
Operating profit before value adj.	NOK mill.	170.6	139.5	496.2	415.9	539.1
Profit before income tax and value adj.	NOK mill.	65.7	40.3	167.6	125.5	157.6
Profit before income tax	NOK mill.	76.5	106.0	525.1	135.5	129.7
Profit after income tax	NOK mill.	71.2	207.6	390.2	215.8	225.3
EPRA-earnings <sup>1</sup>	NOK mill.	48.0	29.4	122.4	91.6	115.0

Balance sheet		3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Market value of investment portfolio	NOK mill.	16 038.3	15 230.5	16 038.3	15 230.5	15 796.5
Equity	NOK mill.	5 684.7	5 277.7	5 684.7	5 277.7	5 290.2
Interest bearing debt	NOK mill.	9 358.5	9 209.4	9 358.5	9 209.4	9 635.4
Equity ratio	Per cent	35.0	34.2	35.0	34.2	32.9
Pre-tax return on equity (annualized)	Per cent	5.6	8.2	12.8	3.5	2.5

Cash flow		3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Cash flow from operating activities	NOK mill.	21.6	-84.5	128.9	-55.4	-71.2
Cash position	NOK mill.	10.9	10.9	10.9	10.9	21.7

Key numbers; per share		3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
No. of shares issued	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Average number of shares in period	Number	548 425 596	548 425 596	548 425 596	548 425 596	548 425 596
Pre-tax profit <sup>2</sup>	NOK	0.14	0.19	0.96	0.25	0.24
Basic earnings (EPS) <sup>2</sup>	NOK	0.13	0.38	0.71	0.39	0.41
EPRA-earnings <sup>2</sup>	NOK	0.09	0.05	0.22	0.17	0.21
Operating cash flow	NOK	0.04	-0.15	0.23	-0.10	-0.13
Interest bearing debt	NOK	17.06	16.79	17.06	16.79	17.57
<b>NAV (book value of equity)</b>	<b>NOK</b>	<b>10.37</b>	<b>9.62</b>	<b>10.37</b>	<b>9.62</b>	<b>9.65</b>
Deferred property tax <sup>3</sup>	NOK	0.43	0.17	0.43	0.17	0.23
Fair value of financial derivative instruments <sup>4</sup>	NOK	0.91	0.91	0.91	0.91	1.09
<b>EPRA NAV<sup>5</sup></b>	<b>NOK</b>	<b>11.70</b>	<b>10.70</b>	<b>11.70</b>	<b>10.70</b>	<b>10.97</b>
Fair value of deferred tax <sup>6</sup>	NOK	0.20	0.31	0.20	0.31	0.27
Fair value of financial derivative instruments <sup>7</sup>	NOK	-0.91	-0.91	-0.91	-0.91	-1.09
Fair value of debt <sup>8</sup>	NOK	-0.04	-0.05	-0.04	-0.05	-0.06
<b>EPRA NNAV<sup>9</sup></b>	<b>NOK</b>	<b>10.95</b>	<b>10.05</b>	<b>10.95</b>	<b>10.05</b>	<b>10.08</b>

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

<sup>2</sup> Diluted earnings per share are the same as the basic earnings per share.

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

<sup>4</sup> Adjusts for fair value in the balance sheet of financial instruments after taxes.

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

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

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

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

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



## FINANCIAL PERFORMANCE

### RESULTS FOR THE THIRD QUARTER OF 2015

Rental income for Norwegian Property totalled NOK 220.7 million in the third quarter of 2015. That compares with NOK 187 million for the same period of 2014. Adjusted for property sales during 2014 and 2015, this represented a rise of NOK 45.9 million in rental income for the third quarter of 2015. The increase related primarily to the phasing-in of development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 17.3 million (NOK 15 million<sup>10</sup>) for the quarter. Other property-related expenses came to NOK 17.6 million (NOK 16.9 million). Owner administrative expenses were NOK 15.2 million (NOK 15.7 million). Operating profit before fair-value adjustments thereby amounted to NOK 170.6 million (NOK 139.5 million) for the third quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 118.6 million (NOK 89.8 million).

Net realised financial expenses came to NOK 104.9 million (NOK 99.2 million) for the third quarter. Since market interest rates declined during the third quarter of 2015, the profit component related to fair-value adjustments for financial derivatives was negative at NOK 107.9 million (NOK 24.1 million).

Pre-tax profit for the third quarter was NOK 76.5 million (NOK 106 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 5.2 million (reduction of NOK 101.6 million). Net profit was thereby NOK 71.2 million (NOK 207.6 million).

### VALUATION OF PROPERTIES

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

At 30 September, the group's portfolio of investment properties was valued at NOK 16 038.3 million (NOK 15 230.5 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 83.3 million at 30 September, and recognised at fair value. The Lysaker Torg 35 property was sold in the third quarter. This property was valued in the interim accounts for 30 June at its estimated sales value and classified as an investment property held for sale. An agreement was also entered into during the third quarter on the sale of Nedre Skøyen vei 24-26 in Oslo. Its transfer is scheduled for March 2019 on the expiry of the lease with Evry, and Norwegian Property retains the rental income from and operating responsibility for the property until then. The gross value of the property on the sales date is put at NOK 799 million, of which NOK 50 million was paid as an advance in the third quarter of 2015. This property is classified in the balance sheet as an ordinary investment property, and valued at the present value of the contractual cash flows.

The fair-value adjustment came to NOK 118.6 million in the third quarter. The development projects were virtually completed during the first half of 2015. 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 94.1 million, and related primarily to properties in Stavanger and to Snarøyveien 36 at Fornebu. The letting market in Stavanger is demanding, and affected by a focus on costs and uncertainty in the oil and offshore sector. The Oslo West corridor, including Fornebu, is also affected by rather more uncertain trends for vacancy and rent levels. Other properties had a positive fair-value adjustment of NOK 212.7 million.

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<sup>10</sup> Figures in brackets refer to the corresponding period of the year before.



## CASH FLOW

Net operational cash flow came to NOK 21.6 million (negative at NOK 84.5 million) for the third quarter.

Net receipts from the sale of the Lysaker Torg 35 and Nedre Skøyen vei 24-26 amounted to NOK 623.2 million in the third quarter. Investment in fixed assets totalled NOK 46.7 million (NOK 397.1 million) in the third quarter, and largely embraced lessee investment for new and extended leases, as well as spending on the conversion of several large properties which was largely completed during the first half.

Receipts from property sales permitted a substantial repayment of interest-bearing debt during the quarter, and net cash flow from financing activities was negative at NOK 595.1 million (NOK 553.9 million).

The net increase in cash and cash equivalents was NOK 3 million (decrease of NOK 3.1 million) for the quarter.

## BALANCE SHEET

The company held NOK 10.9 million (NOK 10.9 million) in cash and cash equivalents at 30 September. In addition came NOK 484.3 million (NOK 916.7 million) in unutilised credit facilities. Equity totalled NOK 5 684.7 million (NOK 5 277.7 million), representing an equity ratio of 35 per cent (34.2 per cent). Carried equity per share was NOK 10.37 (NOK 9.62). Equity per share was NOK 11.70 (NOK 10.70) based on the Epra NAV standard and NOK 10.95 (NOK 10.05) based on Epra NNNAV. Outstanding shares at 30 September totalled 548 425 596 (548 425 596).

## FINANCING

### KEY FIGURES

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

Interest bearing debt and hedging		30.09.2015	30.09.2014	31.12.2014
Interest bearing debt	NOK mill.	9 358.5	9 209.4	9 635.4
Cash and cash equivalents	NOK mill.	10.9	10.9	21.7
Interest hedging ratio	Per cent	61.6	83.9	68.0
Unutilised credit and overdraft facilities	NOK mill.	483.3	916.7	558.0
Average time to maturity, hedging	Years	4.6	4.2	4.6
Average interest rate (incl. margin and capitalized cost)	Per cent	4.23	4.33	4.57
Average margin	Per cent	1.40	1.44	1.40
Average residual term, borrowing	Years	1.9	2.4	2.8
Property value	NOK mill.	16 038.3	15 230.5	15 796.5
Interest bearing debt / value (LTV)	Per cent	58.4	60.5	61.0
Net interest bearing debt / value (net LTV)	Per cent	58.3	60.4	60.9

## INTEREST HEDGES

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

Maturity profile interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year
Amount	NOK mill.	3 623	750	1 100	700	950	2 250
Average interest rate	Per cent	0.7	3.3	4.3	4.6	4.1	3.9
Share of total liabilities	Per cent	39	8	12	8	10	24



Norwegian Property has historically had a very high interest hedge ratio, but adjustments to interest-rate derivatives following the sale of Lysaker Torg 35 meant that the effective hedge ratio was down to 61.6 per cent at 30 September. 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 9 358.5 million (NOK 9 209.4 million) at 30 September. A revolving credit facility of NOK 360 million related to Lysaker Torg 35 was redeemed in August in connection with closing the sale of this property.

## **OPERATIONS**

### **COMMERCIAL PROPERTY MARKET**

Office vacancy was around eight per cent of total space in the Oslo area at 30 September, according to Akershus Eiendom. Demand for offices remains restrained as a result of weaker economic growth. Rental levels are stable or falling slightly in most parts of Oslo. Pressure on rents is greatest in the western corridor which includes the Lysaker and Fornebu areas. Limited newbuilding activity, conversion of certain older office premises into residential accommodation and expectations of some recovery in economic growth contribute to expectations at Akershus Eiendom that overall vacancy will decline slightly in the 2016-17 period.

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

Activity in the transaction market remained at a record level during the third quarter. Akershus Eiendom estimates that the overall transaction volume for the first nine months topped the previous peak of NOK 65 billion. Prime yield is now estimated to be around 4.25 per cent. The biggest buyer categories are still foreign investors and life insurance companies. Long-term interest rates declined somewhat during the quarter, while the financing market has become somewhat tighter and borrowing margins have risen somewhat. Activity in the transaction market remains very high. The outcome of September's local election in Oslo means a change in the political leadership. The collaboration constellation for a new city government has announced that it plans to introduce a property tax in Oslo. This is expected to impose an additional cost on property owners, even though some of the effect – depending on lease terms – can be charged to tenants for a time. The number of uncertainties is too great at present to judge how far a property tax will affect property values in Oslo negatively.

### **THE PROPERTY PORTFOLIO**

Norwegian Property owned a total of 38 office and commercial properties at 30 September. These are located in central areas of Oslo and Bærum (93.2 per cent of gross current rental income at 30 September), at Gardermoen (3.2 per cent of gross rental income) and in Stavanger (3.6 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and retail and restaurant space.

Total contractual rental income from the portfolio was NOK 857.1 million at 30 September, down by NOK 15.2 million from 1 July after adjusting for the sale of the Lysaker Torg 35 property. This reduction primarily reflects the Forusbeen 35 property in Stavanger falling vacant. Vacancy in the property portfolio (space without rental income) totalled 22.9 per cent of total space at 30 September, down from 23.2 per cent at 1 July. Remaining vacancy relates largely to properties in Stavanger and the Verkstedveien 1 development project at Skøyen, which was completed in the second quarter.

Seventeen leases were awarded or renegotiated during the third quarter, with a combined annual value of about NOK 21.4 million. The average remaining term of the leases is 5.8 years. The average rent adjustment factor for the consumer price index is 99.9 per cent for the total portfolio.



## SHAREHOLDER INFORMATION

The company had 1 751 registered shareholders at 30 September, a decrease of three from 30 June. Non-Norwegian shareholders held 62.3 per cent of the share capital at 30 September, down from 63.4 per cent at 30 June. The number of shares traded during the third quarter declined from the preceding period, and averaged 1 165 959 shares per day. Corresponding daily turnover was 1.1 million in 2014 and 0.5 million in 2013. The company's share capital totalled NOK 274 223 416 at 30 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 (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO L	48.27	264 724 869	ORD	CYP
2	FOLKETRYGDFONDET	13.48	73 951 642	ORD	NOR
3	NIAM V PROSJEKT AS c/o Langham Hall UK	12.30	67 437 425	ORD	GBR
4	DnB NOR MARKETS, AKS DNB Bank ASA	5.24	28 716 627	ORD	NOR
5	The Bank of New York BNY MELLON A/C APG A	4.33	23 730 241	NOM	USA
6	BNP Paribas Sec. Ser S/A BP2S LUX/FIM LUX	1.10	6 014 683	NOM	FRA
7	STATE STREET BANK AN A/C WEST NON-TREATY	0.81	4 469 336	NOM	USA
8	BNP Paribas Sec. Ser S/A TR PROPERTY INVE	0.79	4 325 659	NOM	FRA
9	STATE STREET BANK AN A/C CLIENT OMNIBUS F	0.75	4 138 653	NOM	USA
10	STATE STREET BANK & SSB, : ISHARES EUROP	0.64	3 536 320	NOM	IRE
11	MSCO EQUITY FIRM ACCOUNT	0.50	2 765 920	ORD	USA
12	STATE STREET BANK & S/A SSB CLIENT OMNI	0.46	2 543 490	NOM	USA
13	J.P. Morgan Chase Ba A/C VANGUARD BBH LEN	0.43	2 352 360	NOM	GBR
14	PETRUS AS	0.42	2 300 000	ORD	NOR
15	KLP AKSJENORGE INDEK	0.33	1 810 146	ORD	NOR
16	KAS BANK NV S/A CLIENT ACC TREAT	0.31	1 707 843	NOM	NLD
17	JP Morgan Bank Luxem JPML SA RE CLT ASSET	0.30	1 621 375	NOM	GBR
18	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000	ORD	NOR
19	The Bank of New York BNY MELLON	0.25	1 391 857	NOM	USA
20	ALTA INVEST AS	0.23	1 277 171	ORD	NOR
<b>Total 20 largest shareholders</b>		<b>91.20</b>	<b>500 215 617</b>		<b>6/20 NOR</b>

## ORGANISATION

Svein Hov Skjelle was appointed the new CEO of Norwegian Property in August 2015. He had served as acting CEO since Olav Line resigned in June 2015 to join another company.



## OUTLOOK

According to Akershus Eiendom, vacant space in Oslo is peaking at about eight per cent, while rent levels remain under some pressure in most sub-markets. The letting market in Stavanger remains demanding. Statistics Norway expects gross domestic product (GDP) in 2016 to grow at roughly the same rate as in 2015 – 1.2 per cent compared with 1.4 per cent. But the figure is expected to exceed 2.2 per cent as early as 2017. Statistics Norway expects growth in the mainland economy (ie, excluding the offshore sector) as early as next year.

Activity in the transaction market reached record heights in the third quarter and the first nine months. Long-term market interest rates tended to decline somewhat during the quarter, but signals of more cautious lending activity by the banks have imposed upward pressure on borrowing margins. As its major projects have been completed, Norwegian Property's attention has turned to expansion opportunities. However, the company is experiencing very stiff competition in the transaction market over those objects it regards as relevant. Given the strength of the transaction market, disposal of properties is under continuous assessment by the company.

Rental income is expected to rise somewhat during 2016 in step with the completion of the projects and the continued phasing-in of new leases. Certain buildings still have a high level of vacancy because some large tenants are moving out, but the company's vacancy is becoming increasingly concentrated in Stavanger as new leases are awarded for the Oslo portfolio. The board's overall ambition is for a gradual improvement in operating profit. In line with this expected strengthening in operational results, the resumption of dividend payments will be assessed by the board during 2015 and early 2016 in accordance with the mandate from this year's AGM.





## FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
<b>Gross income</b>		<b>220.7</b>	<b>187.0</b>	<b>640.4</b>	<b>556.0</b>	<b>738.6</b>
Maintenance and other operating expenses		-17.3	-15.0	-49.0	-46.7	-60.4
Other property-related expenses		-17.6	-16.9	-54.1	-46.2	-75.6
<b>Total property-related expenses</b>		<b>-34.9</b>	<b>-31.9</b>	<b>-103.1</b>	<b>-92.9</b>	<b>-136.0</b>
Administrative expenses		-15.2	-15.7	-41.1	-47.1	-63.5
<b>Total operating expenses</b>		<b>-50.1</b>	<b>-47.5</b>	<b>-144.2</b>	<b>-140.1</b>	<b>-199.5</b>
<b>Operating profit before value adjustments</b>		<b>170.6</b>	<b>139.5</b>	<b>496.2</b>	<b>415.9</b>	<b>539.1</b>
Change in market value of investment property	3	118.6	89.8	301.1	199.7	354.8
<b>Operating profit</b>		<b>289.3</b>	<b>229.3</b>	<b>797.4</b>	<b>615.6</b>	<b>893.9</b>
Financial income	2	0.1	0.3	0.6	1.3	1.7
Financial cost	2	-105.1	-99.4	-329.2	-291.7	-383.2
<b>Realized net financial items</b>		<b>-104.9</b>	<b>-99.2</b>	<b>-328.6</b>	<b>-290.4</b>	<b>-381.5</b>
Change in market value of financial derivative instruments	2, 4	-107.9	-24.1	56.3	-189.7	-382.7
<b>Net financial items</b>		<b>-212.8</b>	<b>-123.3</b>	<b>-272.3</b>	<b>-480.1</b>	<b>-764.2</b>
<b>Profit before income tax</b>		<b>76.5</b>	<b>106.0</b>	<b>525.1</b>	<b>135.5</b>	<b>129.7</b>
Income tax	7	-5.2	101.6	-134.9	80.4	95.6
<b>Profit for the period</b>		<b>71.2</b>	<b>207.6</b>	<b>390.2</b>	<b>215.8</b>	<b>225.3</b>
Profit attributable to non-controlling interests		-	-	-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>71.2</b>	<b>207.6</b>	<b>390.2</b>	<b>215.8</b>	<b>225.3</b>
Value adjustment of owner-occupied property	3	0.3	-0.1	4.3	4.4	7.4
<b>Total other comprehensive income</b>		<b>0.3</b>	<b>-0.1</b>	<b>4.3</b>	<b>4.4</b>	<b>7.4</b>
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		<b>71.5</b>	<b>207.5</b>	<b>394.5</b>	<b>220.2</b>	<b>232.7</b>
Total comprehensive income attributable to shareholders of the parent company		71.5	207.5	394.5	220.2	232.7
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-



## CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.09.2015	30.09.2014	31.12.2014
<b>ASSETS</b>				
Financial derivative instruments	4	4.9	2.4	6.6
Investment property	3	15 955.0	15 134.2	15 695.1
Owner-occupied property	3	83.3	96.3	101.5
Other fixed assets		45.2	43.6	43.9
<b>Total non-current assets</b>		<b>16 088.4</b>	<b>15 276.6</b>	<b>15 847.1</b>
Receivables		144.2	149.7	192.1
Cash and cash equivalents	6	10.9	10.9	21.7
<b>Total current assets</b>		<b>155.1</b>	<b>160.7</b>	<b>213.8</b>
<b>Total assets</b>		<b>16 243.5</b>	<b>15 437.3</b>	<b>16 060.9</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		274.3	274.2	274.2
Share premium		3 412.3	3 412.3	3 412.3
Other paid in equity		6 440.1	6 440.1	6 440.1
Retained earnings		-4 442.0	-4 848.9	-4 836.3
<b>Total equity</b>		<b>5 684.7</b>	<b>5 277.7</b>	<b>5 290.2</b>
Deferred tax	7	203.9	79.9	67.4
Financial derivative instruments	4	688.4	684.5	824.6
Interest bearing liabilities	6	9 308.3	5 339.2	9 621.9
Other liabilities		2.6	-	-
<b>Total non-current liabilities</b>		<b>10 203.2</b>	<b>6 103.6</b>	<b>10 513.8</b>
Financial derivative instruments	4	-	2.9	2.7
Interest bearing liabilities	6	50.2	3 870.2	13.5
Other liabilities		305.4	182.9	240.8
<b>Total current liabilities</b>		<b>355.6</b>	<b>4 056.0</b>	<b>256.9</b>
<b>Total liabilities</b>		<b>10 558.8</b>	<b>10 159.6</b>	<b>10 770.8</b>
<b>Total equity and liabilities</b>		<b>16 243.5</b>	<b>15 437.3</b>	<b>16 060.9</b>



## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
<b>Total equity 31.12.2013</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-5 069.1</b>	<b>5 057.5</b>
Total comprehensive income	-	-	-	220.2	220.2
<b>Total equity 30.06.2014</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-4 848.9</b>	<b>5 277.7</b>
Total comprehensive income	-	-	-	-12.4	-12.4
<b>Total equity 31.12.2014</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-4 836.5</b>	<b>5 290.2</b>
Total comprehensive income	-	-	-	394.5	394.5
<b>Total equity 30.09.2015</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-4 442.0</b>	<b>5 684.7</b>

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Profit before income tax		76.5	106.0	525.1	135.5	129.7
Depreciation of tangible assets		2.2	1.7	6.6	5.6	8.2
Fair value adjustment of investment property	3	-118.6	-89.8	-301.1	-199.7	-354.8
Fair value adjustment of financial derivative instruments	4	57.8	-12.4	-137.1	98.0	233.7
Agio/disagio		-	0.3	-	0.7	1.0
Change in short-term items		3.8	-90.3	35.4	-95.5	-89.0
<b>Net cash flow from operating activities</b>		<b>21.6</b>	<b>-84.5</b>	<b>128.9</b>	<b>-55.4</b>	<b>-71.2</b>
Received cash from sale of investment property		623.2	1 032.4	623.2	1 032.8	1 032.4
Payments for purchase of investment property and other fixed assets		-46.7	-397.1	-467.2	-1 295.5	-1 693.9
<b>Net cash flow from investing activities</b>		<b>576.5</b>	<b>635.3</b>	<b>156.0</b>	<b>-262.7</b>	<b>-661.6</b>
Net change of interest bearing debt	6	-595.1	-553.9	-295.6	266.8	692.6
<b>Net cash flow from financial activities</b>		<b>-595.1</b>	<b>-553.9</b>	<b>-295.6</b>	<b>266.8</b>	<b>692.6</b>
<b>Net change in cash and cash equivalents</b>		<b>3.0</b>	<b>-3.1</b>	<b>-10.8</b>	<b>-51.2</b>	<b>-40.2</b>
Cash and cash equivalents at the beginning of the period		7.8	14.3	21.7	62.9	62.9
Exchange rate effects		-	-0.3	-	-0.7	-1.0
<b>Cash and cash equivalents at the end of the period</b>		<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>10.9</b>	<b>21.7</b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### NOTE 1: GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

This interim report is prepared in accordance with IAS 34 - Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report is in accordance with the principles applied in the preparation of the annual accounts for 2014. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2014. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2014.

In accordance with the requirements of the Accounting Act § 3-3c Norwegian Property prepares an annual report on corporate social responsibility. The latest report is contained in the annual report for 2014.

The financial statements include Norwegian Property ASA and subsidiaries. Sold properties are included in the accounts until the completion of the transactions. Acquired properties are included in the financial statements from the acquisition.

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

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are primarily related to the valuation of investment property.

The interim report of Norwegian Property ASA was approved at a Board meeting on 22 October 2015. This report has not been audited.

### NOTE 2: NET FINANCIAL ITEMS

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

Amounts in NOK million	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Interest income on bank deposits	0.1	0.3	0.5	1.3	1.7
<b>Total financial income</b>	<b>0.1</b>	<b>0.3</b>	<b>0.5</b>	<b>1.3</b>	<b>1.7</b>
Interest expense on borrowings	-105.0	-99.2	-329.1	-291.0	-382.2
Currency loss on bank deposits	-	-0.3	-	-0.7	-1.0
<b>Total financial cost</b>	<b>-105.0</b>	<b>-99.4</b>	<b>-329.1</b>	<b>-291.7</b>	<b>-383.2</b>
<b>Realized net financial items</b>	<b>-104.9</b>	<b>-99.1</b>	<b>-328.6</b>	<b>-290.4</b>	<b>-381.5</b>
Change in market value of financial derivative instruments	-107.9	-24.1	56.3	-189.7	-382.7
<b>Net financial items</b>	<b>-212.8</b>	<b>-123.3</b>	<b>-272.3</b>	<b>-480.1</b>	<b>-764.2</b>



### NOTE 3: INVESTMENT PROPERTY

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

Amounts in NOK million	Note	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Total value of investment property, opening balance		16 455.3	15 780.1	15 796.5	14 762.6	14 762.6
Disposals of properties at book value	1	-577.3	-1 043.9	-577.3	-1 043.9	-1 043.7
Additions through acquisition and on-going investments of properties		35.4	395.4	505.3	1 299.7	1 702.3
Total fair value adjustment of investment property		118.6	89.8	301.1	199.7	354.8
Fair value adjustment of properties sold	1	6.2	9.6	8.0	9.3	12.2
Fair value adjustment of owner-occupied property		-	-0.5	4.6	3.1	8.3
<b>Total value of investment property, ending balance</b>	<b>2</b>	<b>16 038.3</b>	<b>15 230.5</b>	<b>16 038.3</b>	<b>15 230.5</b>	<b>15 796.5</b>
Of which owner-occupied property	3	-83.3	-96.3	-83.3	-96.3	-101.5
<b>Book value of investment property</b>		<b>15 955.0</b>	<b>15 134.2</b>	<b>15 955.0</b>	<b>15 134.2</b>	<b>15 695.1</b>

1) Disposals in 2015 apply to Lysaker Torg 35, as well as minor adjustments related to prior year disposals. Disposals in 2014 apply to Finnstadveien 44 and Maridalsveien 323, as well as minor adjustments related to prior year disposals.

In September 2015, Norwegian Property has entered into an agreement to sell the property Nedre Skøyen vei 24-26 in Oslo to Veidekke Eiendom. Takeover is agreed to March 2019 upon expiration of the lease with Evry, and Norwegian Property is entitled to running rental income as well as operating responsibility for the property until this. The property value of the sale is agreed to NOK 799 million, of which NOK 50 million has been paid as an advance in September 2015. Annual rental income in 2015 for the property is 79.3 million. Total nominal value of the rental income before annual adjustment for CPI, which Norwegian Property will receive in addition to property value until March 2019 amounts to approximately NOK 276 million. The property is in the balance sheet classified as an ordinary investment property, at the present value of the aforementioned cash flows. Classification as investment property held for sale are subject to expected realization within one year from the balance sheet date, and are therefore not applicable until the first quarter of 2018.

2) The group has no significant contractual obligations for construction contracts related to investment properties at 30 September 2015 (30 September 2014: NOK 607 million and 31 December 2014: NOK 375 million).

3) Owner-occupied property is accounted for at fair value and revaluation is included in other comprehensive income.

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

Amounts in NOK million	30.09.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 955.0	15 955.0
Owner-occupied property	-	-	83.3	83.3
<b>Total</b>	-	-	<b>16 038.3</b>	<b>16 038.3</b>

Amounts in NOK million	30.09.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 134.2	15 134.2
Owner-occupied property	-	-	96.3	96.3
<b>Total</b>	-	-	<b>15 230.5</b>	<b>15 230.5</b>

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

The company's policy is to make transfers between levels at the time of the incident or circumstances that caused the transfer. There have been no movements between levels in 2014 and 2015.



#### NOTE 4: FINANCIAL DERIVATIVES

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

Amounts in NOK million	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Net book value of derivatives, opening balance	-625.7	-697.4	-820.6	-586.9	-586.9
Buyout of derivatives	50.1	36.5	80.8	91.7	149.0
Fair value adjustments of derivatives	-107.9	-24.1	56.3	-189.7	-382.7
<b>Net book value of derivatives, ending balance</b>	<b>-683.5</b>	<b>-684.9</b>	<b>-683.5</b>	<b>-684.9</b>	<b>-820.6</b>
Of which classified as non-current assets	4.9	2.4	4.9	2.4	6.6
Of which classified as non-current liabilities	-688.4	-684.5	-688.4	-684.5	-824.6
Of which classified as current liabilities	-	-2.9	-	-2.9	-2.7

#### NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.09.2015		30.09.2014	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	4.9	4.9	2.4	2.4
Current receivables	144.2	144.2	149.7	149.7
Cash and cash equivalents	10.9	10.9	10.9	10.9
<b>Total financial assets</b>	<b>160.0</b>	<b>160.0</b>	<b>163.1</b>	<b>163.1</b>
Non-current derivatives	688.4	688.4	684.5	684.5
Non-current interest-bearing liabilities	9 308.3	9 336.8	5 339.2	5 379.0
Current derivatives	-	-	2.9	2.9
Current interest-bearing liabilities	50.2	50.8	3 870.2	3 871.2
Other current liabilities	303.9	303.9	153.8	153.8
<b>Total financial liabilities</b>	<b>10 350.8</b>	<b>10 379.9</b>	<b>10 050.6</b>	<b>10 091.4</b>

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 (higher market value than book value of debt in the listing indicates a negative equity effect when applicable borrowing margin is less favorable than the current market conditions). Fair value of financial derivatives, including forward currency contracts swaps and interest rate swaps, is the estimated present value of future cash flows, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are principally carried at fair value and subsequently measured at amortized cost. However, discounting is usually not considered to have any significant effect on this type of assets and liabilities.



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

Amounts in NOK million	30.09.2015			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	4.9	-	4.9
Non-current derivatives (liabilities)	-	-688.4	-	-688.4
<b>Total</b>	-	<b>-683.5</b>	-	<b>-683.5</b>

Amounts in NOK million	30.09.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	2.4	-	2.4
Non-current derivatives (liabilities)	-	-684.5	-	-684.5
Current derivatives (liabilities)	-	-2.9	-	-2.9
<b>Total</b>	-	<b>-684.9</b>	-	<b>-684.9</b>

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

The company's policy is to make transfers between levels at the time of the incident or circumstances that caused the transfer. There have been no movements between levels in 2014 and 2015.

#### NOTE 6: NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Loan facilities at par value, opening balance		9 968.3	9 797.0	9 668.8	8 976.3	8 976.3
Increase of loan facilities		23.1	321.5	684.8	1 454.8	2 204.8
Reduction of loan facilities		-618.1	-875.4	-980.4	-1 188.1	-1 512.3
<b>Loan facilities at par value, ending balance</b>		<b>9 373.3</b>	<b>9 243.1</b>	<b>9 373.2</b>	<b>9 243.1</b>	<b>9 668.8</b>
Capitalized borrowing cost		-14.8	-33.7	-14.8	-33.7	-33.6
<b>Book value of interest-bearing debt</b>		<b>9 358.5</b>	<b>9 209.4</b>	<b>9 358.4</b>	<b>9 209.4</b>	<b>9 635.3</b>
Of which classified as non-current liabilities		9 308.3	5 339.2	9 308.3	5 339.2	9 621.9
Of which classified as current liabilities		50.2	3 870.2	50.2	3 870.2	13.5
Interest-bearing debt	1	-9 358.5	-9 209.4	-9 358.4	-9 209.4	-9 635.3
Cash and cash equivalents		10.9	10.9	10.9	10.9	21.7
<b>Net interest-bearing position</b>		<b>-9 347.6</b>	<b>-9 198.4</b>	<b>-9 347.6</b>	<b>-9 198.4</b>	<b>-9 613.7</b>

1) Undrawn credit facilities amounted to NOK 483.3 million at 30 September 2015, NOK 916.7 million at 30 September 2014 and NOK 558 million at 31 December 2014.

The group is exposed to interest rate risk on floating rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. At 30 September 2015 were 62 percent of such loans secured (30 September 2014: 84 percent). The total average margin on variable rate loans was 140 basis points (30 September 2014: 144 basis points). The loan portfolio has an average interest rate of 4.23 per cent (30 September 2014: 4.33 per cent), and average remaining duration was 1.9 years (30 September 2014: 2.4 years). Average remaining maturity of hedging contracts was 4.6 years (30 September 2014: 4.2 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	3Q 2015	3Q 2014	YTD 2015	YTD 2014	Year 2014
Profit before income tax	76.5	106.0	525.1	135.5	129.7
Income tax calculated at 27 per cent	20.6	28.6	141.8	36.6	35.0
Temporary differences	-15.4	-130.3	-6.9	-117.0	-130.7
<b>Income tax</b>	<b>5.2</b>	<b>-101.6</b>	<b>134.9</b>	<b>-80.4</b>	<b>-95.6</b>
Deferred tax, opening balance	198.5	181.5	67.4	160.2	160.3
Recognized through profit and loss	5.2	-101.6	134.9	-80.4	-95.6
Recognized through comprehensive income	0.1	-	1.6	-	-
<b>Deferred tax, ending balance</b>	<b>203.9</b>	<b>79.9</b>	<b>203.9</b>	<b>79.9</b>	<b>67.4</b>

## NOTE 8: RELATED-PARTY DISCLOSURES

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

No new agreements or significant transactions with related parties are carried out in 2015.

Intercompany balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial matters related to directors and senior management are described in the annual financial statements of the group (see note 14 and 19 to the financial statements for 2014).

## NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after 30 September 2015 that provides information of conditions that existed at the balance sheet date resulting in adjustments of the financial statements, or events after the balance sheet date that do not require such adjustments.





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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](http://www.npro.no).

### DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property's Annual Report for 2014. 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.

