

INTERIM REPORT
FIRST QUARTER 2015



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE FIRST QUARTER OF 2015

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

Rental income up by 20.1 per cent

The major development projects are nearing completion, and many tenants moved into their new premises during the first quarter of 2015. Overall rental income rose from NOK 181.1 million in the same period of last year to NOK 200 million. The rise was 20.1 per cent when the sale of Finnestadveien 44 and Maridalsveien 323 is taken into account. Operating profit before fair-value adjustments came to NOK 152.9 million. Profit before tax and fair-value adjustments was NOK 51.0 million.

Epra NAV up by NOK 0.23 per share in the first quarter

Positive fair-value adjustments for investment properties totalled NOK 101.2 million, while positive fair-value adjustments for financial derivatives came to NOK 47.6 million. After NOK 54.7 million in tax expense, net profit for the period came to NOK 145 million. That yielded ordinary earnings per share (EPS) of NOK 0.26 for the first quarter. Carried equity per share came to NOK 9.91 at 31 March, up from NOK 9.65 at 31 December 2014 (Epra NAV: NOK 11.20 and Epra NNAV: NOK 10.37 at 31 March 2015).

Letting

Twenty-three new or expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 11.9 million.

The overall letting ratio for the development projects at Aker Brygge is now 89 per cent, up from 86 per cent at 1 January. A total of 5 700 square metres of offices and 1 500 square metres of commercial premises remained unlet at 31 March in the three projects at Aker Brygge. The overall letting ratio for Verkstedveien 1 at Skøyen is now 45 per cent, unchanged from 31 December.

Development projects close to completion

The Stranden 1 and Stranden 5 projects at Aker Brygge were almost completed during the quarter. Many tenants occupied their premises in the period, but some will also be moving in during the second quarter. The letting ratio is high, and additional leases were awarded at the beginning of the second quarter. The Verkstedveien 1 will be completed in the second quarter, with the first tenants moving in during April. The estimate of overall project costs was unchanged during the period.



KEY FIGURES

Profit and loss		1Q 2015	1Q 2014	Year 2014
Gross income	NOK mill.	200.0	181.1	738.6
Operating profit before adm. expenses	NOK mill.	167.1	150.6	602.6
Operating profit before value adj.	NOK mill.	152.9	134.5	539.1
Profit before income tax and value adj.	NOK mill.	51.0	42.0	157.6
Profit before income tax	NOK mill.	199.7	-79.0	129.7
Profit after income tax	NOK mill.	145.0	-75.1	225.3
EPRA-earnings ¹	NOK mill.	37.2	30.7	115.0

Balance sheet		1Q 2015	1Q 2014	Year 2014
Market value of investment portfolio	NOK mill.	16 178.8	15 098.2	15 796.5
Equity	NOK mill.	5 435.8	4 982.7	5 290.2
Interest bearing debt	NOK mill.	9 839.3	9 284.4	9 635.4
Equity ratio	Per cent	33.0	32.5	32.9
Pre-tax return on equity (annualized)	Per cent	15.3	-6.3	2.5

Cash flow		1Q 2015	1Q 2014	Year 2014
Cash flow from operating activities	NOK mill.	79.2	2.2	-71.2
Cash position	NOK mill.	42.1	26.6	21.7

Key numbers; per share		1Q 2015	1Q 2014	Year 2014
No. of shares issued at end of period	Number	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
Pre-tax profit ²	NOK	0.36	-0.14	0.24
Basic earnings (EPS) ²	NOK	0.26	-0.14	0.41
EPRA-earnings ²	NOK	0.07	0.06	0.21
Operating cash flow	NOK	0.14	0.00	-0.13
Interest bearing debt	NOK	17.94	15.59	17.57
NAV (book value of equity)	NOK	9.91	9.09	9.65
Deferred property tax ³	NOK	0.29	0.09	0.23
Fair value of financial derivative instruments ⁴	NOK	1.00	0.78	1.09
EPRA NAV⁵	NOK	11.20	9.95	10.97
Fair value of deferred tax ⁶	NOK	0.26	0.44	0.27
Fair value of financial derivative instruments ⁷	NOK	-1.00	-0.78	-1.09
Fair value of debt ⁸	NOK	-0.09	-0.04	-0.06
EPRA NNAV⁹	NOK	10.37	9.58	10.08

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

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

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

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

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

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

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

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

⁹ EPRA recommendations to the calculation of NAV where EPRA 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 FIRST QUARTER OF 2015

Rental income for Norwegian Property totalled NOK 200.0 million in the first quarter of 2015. That compares with NOK 181.1 million for the same period of 2014. Adjusted for property sales during 2014, this represented a rise of NOK 33.5 million in rental income for the first quarter. The increase related primarily to the phasing-in of current development projects at Aker Brygge in Oslo.

Maintenance and other operating costs totalled NOK 14.7 million (NOK 14 million¹⁰) for the quarter. Other property-related expenses came to NOK 18.2 million (NOK 16.6 million). Owner administrative expenses were NOK 14.2 million (NOK 16.1 million). Operating profit before fair-value adjustments thereby amounted to NOK 152.9 million (NOK 134.5 million) for the first quarter.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 101.2 million (reduction of NOK 70.3 million).

Net realised financial expenses came to NOK 101.9 million (NOK 92.5 million) for the first quarter. Since market interest rates rose somewhat during the first quarter, the profit component related to fair-value changes for financial derivatives increased by NOK 47.6 million (reduced by NOK 50.7 million).

Pre-tax profit for the first quarter was NOK 199.7 million (loss of NOK 79 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 54.7 million (reduction of NOK 3.9 million). Net profit was thereby NOK 145 million (loss of NOK 75.1 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 31 March is based on an average of the two valuations.

At 31 March, the group's portfolio of investment properties was valued at NOK 16 178.8 million (NOK 15 098.2 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 101.9 million at 31 March, and recognised at fair value.

The positive fair-value adjustment came to NOK 101.2 million in the first quarter, and totalled NOK 163.6 million for the development properties Stranden 1, 3 and 5 at Aker Brygge and Verkstedveien 1 at Skøyen. The net negative adjustment to the fair value for properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 88.1 million. Other properties had a positive fair-value adjustment of NOK 25.7 million.

CASH FLOW

Net cash flow from operating activities was positive at NOK 79.2 million (NOK 2.2 million) for the first quarter. The cash flow effect of investment related to the property portfolio totalled NOK 254.7 million (NOK 399.1 million), and primarily embraced capital spending in the property portfolio related to the conversion of large properties at Aker Brygge and Skøyen in Oslo. Net cash flow from financing activities after the increase in interest-bearing debt was NOK 195.9 million (NOK 360.9 million). The net increase in cash and cash equivalents was NOK 20.4 million (reduction of NOK 36.1 million) for the quarter.

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



BALANCE SHEET

The company held NOK 42.1 million in cash and cash equivalents at 31 March (NOK 26.6 million). In addition came NOK 358 million (NOK 1 340.7 million) in unutilised credit facilities. Equity totalled NOK 5 435.8 million (NOK 4 928.7 million), representing an equity ratio of 33 per cent (32.5 per cent). Carried equity per share was NOK 9.91 (NOK 9.09). Equity per share was NOK 11.20 (NOK 9.95) based on the Epra NAV standard and NOK 10.37 (NOK 9.58) based on Epra NNAV. Outstanding shares at 31 March totalled 548 425 596 (548 425 596).

FINANCING

KEY FIGURES

The table below presents key figures related to interest-bearing debt and hedges at 31 March 2015.

Interest bearing debt and hedging		31.03.2015	31.03.2014	31.12.2014
Interest bearing debt	NOK million	9 839.3	9 284.4	9 635.4
Cash and cash equivalents	NOK million	42.1	26.6	21.7
Interest hedging ratio	Per cent	64.4	88.4	68.0
Unused credit and overdraft facilities	NOK million	358.0	1 340.7	558.0
Average time to maturity, hedging	Year	4.7	4.5	4.6
Average interest rate (incl. margin and capitalized cost)	Per cent	4.56	4.36	4.57
Average margin	Per cent	1.40	1.44	1.40
Average residual term, borrowing	Year	2.5	2.8	2.8
Property value	NOK million	16 178.8	15 098.2	15 796.5
Interest bearing debt / value (LTV)	Per cent	60.8	61.5	61.0
Net interest bearing debt / value (net LTV)	Per cent	60.6	61.3	60.9

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 31 March 2015.

Maturity profile interest hedges		< 1 year	1 > 3 years	3 > 4 years	4 > 5 years	> 5 years
Amount	NOK million	3 689	1 150	1 200	700	3 100
Average interest rate	Per cent	1.5	3.5	4.5	4.6	4.0
Share of total liabilities	Per cent	38	12	12	7	31

The effect of interest rate derivatives with a forward start represents an additional three basis points. Differing forward start times for interest rate derivatives make it most appropriate to report on the basis of the first-second and second-third year intervals.

Norwegian Property has historically had a very high interest hedge ratio, but increased debt during the quarter as a result of investments and adjustments to interest-rate derivatives following property sales meant that the effective hedge ratio was down to 64.4 per cent at 31 March. 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 9 839.3 million (NOK 9 284.4 million) at 31 March.



OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy was around eight per cent of total space in the Oslo area at 31 March, according to Akershus Eiendom. That represented a minor increase from 1 January. Office demand is somewhat slack as a result of weaker economic growth. Rents have accordingly flattened out in central parts of the city, and rents decline in certain areas where vacancy is increasing. Macroeconomic forecasts indicate increased economic growth from as early as next year, which is expected to be positive for the letting market. The housing market is still strong, and the trend towards converting space into residential accommodation continues. Construction starts and completions for new premises remain limited.

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

Activity in the transaction market remained high in the first quarter. Prime yield has dropped further and is now estimated to be around 4.5 per cent. Good access to capital and great interest from various buyer categories, such as foreign investors, life insurance companies and more financially based structures, indicate that the level of activity in the transaction market will continue to be good.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 39 office and commercial properties at 31 March. These are located in central areas of Oslo and Bærum (90.2 per cent of gross current rental income at 31 March), at Gardermoen (3.3 per cent of gross rental income) and in Stavanger (6.5 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 853.4 million at 31 March, an increase of NOK 113 million from NOK 740.4 million at 1 January. Vacancy in the property portfolio (space without rental income) totalled 23.2 per cent of total space at 31 March, down from 29.7 per cent at 1 January. This reduction primarily reflects the phasing-in of current development projects at Aker Brygge in Oslo. Vacancy incorporates expanded space in rehabilitation projects which has not been included earlier. The buildings being converted at Aker Brygge and Skøyen had a vacancy (space without rental income) of 34.7 per cent at 31 March, but the proportion of unlet space at completion was only 22.6 per cent. Vacancy for immediately available space was 19.2 per cent at 31 March.

Twenty-three new leases were awarded or renegotiated during the first quarter, with a combined annual value of about NOK 11.9 million. The average remaining term of the leases is 6.1 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 1 931 registered shareholders at 31 March, an increase of 214 from 31 December. Non-Norwegian shareholders held 62.7 per cent of the share capital at 31 March, down from 64.3 per cent at 31 December. The number of shares traded during the first quarter declined substantially from the fourth quarter of 2014, and averaged 476 621 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 31 March, 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 31 March. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 March are presented below.



#	Name	Share (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO	43.26	237 236 831	ORD	CYP
2	FOLKETRYGDFONDET	13.48	73 951 642	ORD	NOR
3	NIAM V PROSJEKT AS	12.30	67 437 425	ORD	NOR
4	STICHTING DEPOSITARY THE BANK OF NEW YORK	4.33	23 730 241	ORD	USA
5	VERDIPAPIRFONDET DNB	3.03	16 635 701	ORD	NOR
6	BNP PARIBAS SEC. SER S/A BP2S LUX/FIM LUX	1.25	8 473 465	NOM	LUX
7	STATE STREET BANK AN A/C CLIENT OMNIBUS F	1.11	7 806 623	NOM	USA
8	DNB LIVSFORSIKRING	0.89	4 901 420	ORD	NOR
9	STATE STREET BANK AN A/C WEST NON-TREATY	0.79	4 354 323	NOM	USA
10	BNP Paribas Sec. Ser S/A TR PROPERTY INV	0.79	4 325 659	ORD	GBR
11	STATE STREET BANK & S/A SSB CLIENT OMNIBUS	0.71	3 908 589	NOM	USA
12	STATE STREET BANK & S/A SSB CLIENT OMNIBUS	0.62	3 380 000	NOM	USA
13	SKANDINAVISKA ENSKIL SEB – CMU	0.59	3 240 548	ORD	SWE
14	The Bank of New York BNY MELLON	0.52	2 850 649	NOM	USA
15	DNB NOR BANK ASA EGENHANDELSKONTO	0.50	2 766 300	ORD	NOR
16	STATE STREET BANK & A/C CLIENT FUND NUMB	0.49	2 711 678	NOM	USA
17	KLP AKSJE NORGE IND	0.45	2 463 019	ORD	NOR
18	VANGUARD TOTAL INTER A/C VANGUARD BBH	0.43	2 352 360	ORD	USA
19	ODIN EIENDOM	0.41	2 260 965	ORD	NOR
20	VERDIPAPIRFONDET ALF	0.31	1 720 991	ORD	NOR
Total 20 largest shareholders		86.26	476 508 429		8/20 NOR

OUTLOOK

Office vacancy in Oslo is rising slightly, and the general letting market is somewhat more challenging. Reduction in rents can be seen in certain areas. The market in Stavanger continues to be challenging, and affected by a focus on costs and greater uncertainty in the oil and offshore sector. Growth in the Norwegian economy is expected to be slower during 2015 than in earlier years. But expectations indicate an increase in the level of economic activity in Norway from as early as 2016. The Stranden 1 and Stranden 5 projects at Aker Brygge are almost completed at the beginning of April. By and large the whole of the Verkstedveien 1 property will be completed during the second quarter. Many tenants took over their premises in the first quarter. Space without rental income is accordingly contracting. The work of letting vacant space has high priority.

Capital availability remains good in the transaction market, where the level of activity was again very high in the first quarter. Lower market interest rates and continued downward pressure on credit margins indicate that the transaction market will continue to be strong. Downward pressure on yield margins was experienced during the quarter, particularly for properties with long-term leases. As new projects are completed, the company is concentrating greater attention on expansion opportunities. However, competition over those objects regarded as relevant by Norwegian Property is and has been stiff. In light of the strong transaction market Norwegian Property will consider selective disposals.

Rental income is expected to rise during 2015 in step with the completion of the development projects and the phasing-in of new leases. Certain buildings still have a high level of vacancy because some large tenants are moving out, but the board's overall ambition is for operational results to improve gradually through 2015. In light of the expected improvement in the operational result the board will during 2015 again consider dividend distribution based on the power of attorney from this year's general assembly.

The board of directors of Norwegian Property ASA

Oslo, 29 April 2015



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1Q 2015	1Q 2014	Year 2014
Gross income		200.0	181.1	738.6
Maintenance and other operating expenses		-14.7	-14.0	-60.4
Other property-related expenses		-18.2	-16.6	-75.6
Total property-related expenses		-32.9	-30.6	-136.0
Administrative expenses		-14.2	-16.1	-63.5
Total operating expenses		-47.1	-46.6	-199.5
Operating profit before value adjustments		152.9	134.5	539.1
Change in market value of investment property	3	101.2	-70.3	354.8
Operating profit		254.0	64.2	893.9
Financial income	2	0.4	0.7	1.7
Financial cost	2	-102.3	-93.2	-383.2
Realized net financial items		-101.9	-92.5	-381.5
Change in market value of financial derivative instruments	2, 4	47.6	-50.7	-382.7
Net financial items		-54.3	-143.2	-764.2
Profit before income tax		199.7	-79.0	129.7
Income tax	7	-54.7	3.9	95.6
Profit for the period		145.0	-75.1	225.3
Profit attributable to non-controlling interests		-	-	-
Profit attributable to shareholders of the parent company		145.0	-75.1	225.3
Value adjustment of owner-occupied property	3	0.7	0.4	7.4
Total other comprehensive income		0.7	0.4	7.4
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-
Total comprehensive income		145.7	-74.7	232.7
Total comprehensive income attributable to shareholders of the parent company		145.7	-74.7	232.7
Total comprehensive income attributable to non-controlling interests		-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.03.2015	31.03.2014	31.12.2014
ASSETS				
Financial derivative instruments	4	5.8	8.9	6.6
Investment property	3	16 076.9	15 005.0	15 695.1
Owner-occupied property	3	101.9	93.2	101.5
Other fixed assets		42.9	43.8	43.9
Total non-current assets		16 227.6	15 151.0	15 847.1
Receivables		203.1	153.6	192.1
Cash and cash equivalents	6	42.1	26.6	21.7
Total current assets		245.3	180.2	213.8
Total assets		16 473.0	15 331.1	16 060.9
EQUITY AND LIABILITIES				
Share capital		274.2	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		-4 690.8	-5 143.9	-4 836.3
Total equity		5 435.8	4 982.7	5 290.2
Deferred tax	7	122.3	156.4	67.4
Financial derivative instruments	4	758.8	591.3	824.6
Interest bearing liabilities	6	9 819.9	9 243.3	9 621.9
Total non-current liabilities		10 701.0	9 991.0	10 513.8
Financial derivative instruments	4	1.2	9.3	2.7
Interest bearing liabilities	6	19.4	41.1	13.5
Other liabilities		315.6	307.0	240.8
Total current liabilities		336.2	357.4	256.9
Total liabilities		11 037.2	10 348.4	10 770.8
Total equity and liabilities		16 473.0	15 331.1	16 060.9



CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity 31.12.2013	274.2	3 412.2	6 440.1	-5 069.1	5 057.5
Total comprehensive income	-	-	-	-74.7	-74.7
Total equity 31.03.2014	274.2	3 412.2	6 440.1	-5 143.9	4 982.7
Total comprehensive income	-	-	-	307.4	307.4
Total equity 31.12.2014	274.2	3 412.2	6 440.1	-4 836.5	5 290.2
Total comprehensive income	-	-	-	145.7	145.7
Total equity 31.03.2015	274.2	3 412.3	6 440.1	-4 690.8	5 435.8

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	1Q 2015	1Q 2014	Year 2014
Profit before income tax		199.7	-79.0	129.7
Depreciation of tangible assets		2.3	2.0	8.2
Fair value adjustment of investment property	3	-101.2	70.3	-354.8
Fair value adjustment of financial derivative instruments	4	-66.6	4.7	233.7
Agio/disagio		-	0.2	1.0
Change in short-term items		45.0	3.9	-89.0
Net cash flow from operating activities		79.2	2.2	-71.2
Received cash from sale of investment property		-	0.4	1 032.4
Payments for purchase of investment property and other fixed assets		-254.7	-399.5	-1 693.9
Net cash flow from investing activities		-254.7	-399.1	-661.6
Net change of interest bearing debt	6	195.9	360.9	692.6
Net cash flow from financial activities		195.9	360.9	692.6
Net change in cash and cash equivalents		20.4	-36.1	-40.2
Cash and cash equivalents at the beginning of the period		21.7	62.9	62.9
Exchange rate effects		-	-0.2	-1.0
Cash and cash equivalents at the end of the period		42.1	26.6	21.7



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The interim report of Norwegian Property ASA was approved at a Board meeting on 29 April 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	1Q 2015	1Q 2014	Year 2014
Interest income on bank deposits	0.4	0.7	1.7
Total financial income	0.4	0.7	1.7
Interest expense on borrowings	-102.3	-93.0	-382.2
Currency loss on bank deposits	-	-0.2	-1.0
Total financial cost	-102.3	-93.2	-383.2
Realized net financial items	-101.9	-92.5	-381.5
Change in market value of financial derivative instruments	47.6	-50.7	-382.7
Net financial items	-54.3	-143.2	-764.2



NOTE 3: INVESTMENT PROPERTY

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

Amounts in NOK million	Note	1Q 2015	1Q 2014	Year 2014
Total value of investment property, opening balance		15 796.5	14 762.6	14 762.6
Disposals of properties at book value	1	-	-	-1 043.7
Additions through acquisition and on-going investments of properties		279.0	406.2	1 702.3
Total fair value adjustment of investment property		101.2	-70.3	354.8
Fair value adjustment of properties sold	1	1.7	-0.4	12.2
Fair value adjustment of owner-occupied property		0.4	-	8.3
Total value of investment property, ending balance	2	16 178.8	15 098.2	15 796.5
Of which owner-occupied property	3	-101.9	-93.2	-101.5
Book value of investment property		16 076.9	15 005.0	15 695.1

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

2) Contractual obligations for construction contracts related to investment property amounts to NOK 140 million at 31 March 2015 (31 March 2014: NOK 1 300 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	31.03.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	16 076.9	16 076.9
Owner-occupied property	-	-	101.9	101.9
Total	-	-	16 178.8	16 178.8

Amounts in NOK million	31.03.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 005.0	15 005.0
Owner-occupied property	-	-	93.2	93.2
Total	-	-	15 098.2	15 098.2

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

The company's policy is to make transfers between levels at the time of the incident or 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	1Q 2015	1Q 2014	Year 2014
Net book value of derivatives, opening balance	-820.6	-586.9	-586.9
Buyout of derivatives	19.0	46.0	149.0
Fair value adjustments of derivatives	47.6	-50.7	-382.7
Net book value of derivatives, ending balance	-754.0	-591.6	-820.6
Of which classified as non-current assets	5.8	8.9	6.6
Of which classified as non-current liabilities	0.1	-	-
Of which classified as current liabilities	-758.8	-591.3	-824.6
Net book value of derivatives, opening balance	-1.2	-9.3	-2.7

NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.03.2015		31.03.2014	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	5.8	5.8	8.9	8.9
Current receivables	158.7	158.7	80.6	80.6
Cash and cash equivalents	42.1	42.1	26.6	26.6
Total financial assets	206.7	206.7	116.1	116.1
Non-current derivatives	758.8	758.8	591.3	591.3
Non-current interest-bearing liabilities	9 819.9	9 882.6	9 243.3	9 269.1
Current derivatives	1.2	1.2	9.3	9.3
Current interest-bearing liabilities	19.4	21.5	41.1	42.1
Other current liabilities	298.9	298.9	257.1	257.1
Total financial liabilities	10 898.2	10 963.0	10 142.1	10 168.8

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	31.03.2015			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	5.8	-	5.8
Current derivatives (assets)	-	0.1	-	0.1
Non-current derivatives (liabilities)	-	-758.8	-	-758.8
Current derivatives (liabilities)	-	-1.2	-	-1.2
Total	-	-754.0	-	-754.0

Amounts in NOK million	31.03.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	8.9	-	8.9
Non-current derivatives (liabilities)	-	-591.3	-	-591.3
Current derivatives (liabilities)	-	-9.3	-	-9.3
Total	-	-591.6	-	-591.6

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 6: NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	1Q 2015	1Q 2014	Year 2014
Loan facilities at par value, opening balance		9 668.8	8 976.3	8 976.3
Increase of loan facilities		200.0	375.3	2 204.8
Reduction of loan facilities		-4.1	-14.4	-1 512.3
Loan facilities at par value, ending balance		9 864.8	9 337.2	9 668.8
Capitalized borrowing cost		-25.5	-52.8	-33.6
Book value of interest-bearing debt		9 839.3	9 284.4	9 635.3
Of which classified as non-current liabilities		9 819.9	9 243.3	9 621.9
Of which classified as current liabilities		19.4	41.1	13.5
Interest-bearing debt	1	-9 839.3	-9 284.4	-9 635.3
Cash and cash equivalents		42.1	26.6	21.7
Net interest-bearing position		-9 797.1	-9 257.8	-9 613.7

1) Undrawn credit facilities amounted to NOK 358 million at 31 March 2015, NOK 1 340.7 million at 31 March 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 31 March 2015 were 64 percent of such loans secured (31 March 2014: 88 percent). The total average margin on variable rate loans was 140 basis points (31 March 2014: 144 basis points). The loan portfolio has an average interest rate of 4.56 per cent (31 March 2014: 4.36 per cent), and average remaining duration was 2.5 years (31 March 2014: 2.8 years). Average remaining maturity of hedging contracts was 4.7 years (31 March 2014: 4.5 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	1Q 2015	1Q 2014	Year 2014
Profit before income tax	199.7	-79.0	129.7
Income tax calculated at 27 per cent	53.9	-21.3	35.0
Temporary differences	0.8	17.4	-130.7
Income tax	54.7	-3.9	-95.6
Deferred tax, opening balance	67.4	160.2	160.2
Recognized through profit and loss	54.7	-3.9	-95.6
Recognized through comprehensive income	0.2	-	2.7
Deferred tax, ending balance	122.3	156.4	67.4

NOTE 8: RELATED-PARTY DISCLOSURES

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

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

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

NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after 31 March 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.

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