

INTERIM REPORT
FIRST QUARTER 2016



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE FIRST QUARTER OF 2016

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

Rental income up by 20.6 per cent

Continued phasing-in of new leases and reduced vacancy in the portfolio have resulted in increased rental income. This rose overall from NOK 200 million in the same period of 2015 to NOK 230.5 million. When the sale of properties is taken into account, the increase was 20.6 per cent. Operating profit before fair-value adjustments came to NOK 84.6 million. Profit before tax and fair-value adjustments was NOK 154.6 million.

Epra NAV up by NOK 0.32 per share in the first quarter

Positive fair-value adjustments for investment properties totalled NOK 109 million, while negative fair-value adjustments for financial derivatives came to NOK 39.1 million. After NOK 54.8 million in tax expense, net profit for the period came to NOK 99.8 million. That yielded ordinary earnings per share (EPS) of NOK 0.18 for the first quarter. Carried equity per share came to NOK 10.72 at 31 March 2016, up from NOK 10.53 at 31 December 2015 (Epra NAV: NOK 12.26 and Epra NNNNAV: NOK 11.44 at 31 March 2016).

Total contractual annual rent ("run rate") increased by 1.2 percent in Q1

Contractual rental income (run rate) at 31 March totalled NOK 939.3 million, compared with NOK 928.5 million at 1 January (adjusted for properties sold). In addition, leases have been awarded with a future commencement date which will provide an annual rental income of NOK 12.9 million.

Dividend

Pursuant to the mandate awarded to it by the AGM for 2016, the board has resolved that a dividend of NOK 0.05 per share will be paid for the first quarter 2016. This dividend will be paid to registered shareholders at 29 April 2016.

Property sales

The property Strandsvingen 10 in Stavanger has been sold during the period. The company has also sold Hovfaret 11 at Skøyen with settlement in March 2019. Norwegian Property will receive ordinary rental revenues in the period up to March 2019.

Cost adjustments made

The cost initiatives announced in February were implemented in the first quarter, and will take full effect during the second half of 2016. The level of costs will be reduced by about NOK 18 million on an annual basis.



KEY FIGURES

Profit and loss		1Q 2016	1Q 2015	Year 2015
Gross income	NOK mill.	230.5	200.0	858.3
Operating profit before adm. expenses	NOK mill.	203.7	167.1	716.0
Operating profit before value adj.	NOK mill.	188.8	152.9	636.8
Profit before income tax and value adj.	NOK mill.	84.6	51.0	208.3
Profit before income tax	NOK mill.	154.6	199.7	669.0
Profit after income tax	NOK mill.	99.8	145.0	480.2
EPRA-earnings ¹	NOK mill.	63.4	37.2	156.2

Balance sheet		1Q 2016	1Q 2015	Year 2015
Market value of investment portfolio	NOK mill.	16 375.1	16 178.8	16 256.2
Equity	NOK mill.	5 878.7	5 435.8	5 777.5
Interest bearing debt	NOK mill.	9 391.0	9 839.3	9 519.7
Equity ratio	Per cent	35.5	33.0	34.9
Pre-tax return on equity (annualized)	Per cent	10.6	15.3	12.1

Cash flow		1Q 2016	1Q 2015	Year 2015
Cash flow from operating activities	NOK mill.	110.1	79.2	138.0
Cash position	NOK mill.	24.8	42.1	55.8

Key numbers; per share		1Q 2016	1Q 2015	Year 2015
No. of shares issued	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	0.28	0.36	1.22
Basic earnings (EPS) ²	NOK	0.18	0.26	0.88
EPRA-earnings ²	NOK	0.12	0.07	0.28
Operating cash flow	NOK	0.20	0.14	0.25
Interest bearing debt	NOK	17.12	17.94	17.36
NAV (book value of equity)	NOK	10.72	9.91	10.53
Deferred property tax ³	NOK	0.58	0.29	0.50
Fair value of financial derivative instruments ⁴	NOK	0.96	1.00	0.91
EPRA NAV⁵	NOK	12.26	11.20	11.94
Fair value of deferred tax ⁶	NOK	0.16	0.26	0.16
Fair value of financial derivative instruments ⁷	NOK	-0.96	-1.00	-0.91
Fair value of debt ⁸	NOK	-0.02	-0.09	-0.03
EPRA NNAV⁹	NOK	11.44	10.37	11.16

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 2016

Rental income for Norwegian Property totalled NOK 230.5 million in the first quarter of 2016. That compares with NOK 200 million for the same period of 2015. Adjusted for property sales in 2015 and 2016, this represented a rise of NOK 39.3 million in rental income for the first quarter of 2016. The increase related primarily to the phasing-in of current development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 12.4 million (NOK 14.7 million¹⁰) for the quarter. Other property-related expenses came to NOK 14.4 million (NOK 18.2 million). Owner administrative expenses were NOK 14.9 million (NOK 14.2 million). Operating profit before fair-value adjustments thereby amounted to NOK 188.8 million (NOK 152.9 million) for the first quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 109 million (NOK 101.2 million).

Net realised financial expenses came to NOK 104.3 million (NOK 101.9 million) for the first quarter of 2016. Market interest rates declined during the first quarter of 2016, and the profit component related to fair-value adjustments for financial derivatives was therefore negative at NOK 39.1 million (positive at NOK 47.6 million).

Pre-tax profit for the first quarter was NOK 154.6 million (NOK 199.7 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 54.8 million (NOK 54.7 million). Net profit was thereby NOK 99.8 million (NOK 145 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 2016 is based on an average of the two valuations.

At 31 March, the group's portfolio of investment properties was valued at NOK 16 375.1 million (NOK 16 178.8 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 88 million at 31 March, and recognised at fair value.

The positive fair-value adjustment came to NOK 109 million in the first quarter. The negative adjustment to the fair value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 139.5 million, and related primarily to properties in Stavanger and to Snarøyveien 36 at Fornebu. The letting market in Stavanger is demanding, and affected by a focus on costs and uncertainty in the oil and offshore sector. The Oslo West corridor, including Fornebu, is also experiencing a rather more uncertain trend for vacancy and rent levels. Other properties had a positive fair-value adjustment of NOK 248.5 million.

CASH FLOW

Net operational cash flow came to NOK 110.1 million (NOK 79.2 million) for the first quarter. The cash flow effect of investment in the property portfolio was NOK 40.2 million (NOK 254.7 million), and related to lessee adjustments associated with new and renegotiated leases as well as ongoing operational investment. Liquid assets provided by the sale of the Strandsvingen 10 property amounted to NOK 29.9 million. Net cash flow from financing activities was negative at NOK 130.8 million (positive at NOK 195.9 million) after a reduction in interest-bearing debt. The net reduction in cash and cash equivalents for the quarter was NOK 31 million (increase of NOK 20.4 million).

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



BALANCE SHEET

The company held NOK 24.8 million (NOK 42.1 million) in cash and cash equivalents at 31 March. In addition came NOK 408 million (NOK 358 million) in unutilised credit facilities. Equity totalled NOK 5 878.7 million (NOK 5 435.8 million), representing an equity ratio of 35.5 per cent (33 per cent). Carried equity per share was NOK 10.72 (NOK 9.91). Equity per share was NOK 12.26 (NOK 11.20) based on the Epra NAV standard and NOK 11.44 (NOK 10.37) 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 2016.

Interest bearing debt and hedging		31.03.2016	31.03.2015	31.12.2015
Interest bearing debt	NOK mill.	9 391.0	9 839.3	9 519.7
Cash and cash equivalents	NOK mill.	24.8	42.1	55.8
Interest hedging ratio	Per cent	63.4	64.4	61.0
Unutilised credit and overdraft facilities	NOK mill.	408.0	358.0	308.0
Average time to maturity, hedging	Years	3.9	4.7	4.3
Average interest rate (incl. margin and capitalized cost)	Per cent	4.32	4.56	4.33
Average margin	Per cent	1.40	1.40	1.40
Average residual term, borrowing	Years	1.5	2.5	1.7
Property value	NOK mill.	16 375.1	16 178.8	16 256.2
Interest bearing debt / value (LTV)	Per cent	57.4	60.8	58.6
Net interest bearing debt / value (net LTV)	Per cent	57.3	60.6	58.2

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 31 March 2016.

Maturity profile of interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year
Amount	NOK mill.	3 741	750	1 000	700	1 850	1 350
Average interest rate	Per cent	1.0	3.4	4.4	4.6	4.4	3.3
Share of total liabilities	Per cent	40	8	11	7	20	14

Norwegian Property's interest hedge ratio is currently 63.4 per cent. 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 9 391 million (NOK 9 839.3 million) at 31 March.

The NOK 500 million bond loan and the credit facility with DNB/Danske Bank, of which NOK 4.4 billion has been drawn down, fall due in the fourth quarter of 2016. Processes to refinance these facilities is under way with the company's banks.



OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy in Oslo was around 7.5 per cent of total space at 31 March, according to Akershus Eiendom. That represented a decline from 8.5 per cent in July 2015, which primarily reflected limited newbuilding activity, continued conversion of office premises into residential accommodation, and satisfactory demand. Rental levels are generally stable, but the declining space vacancy is expected to have a positive effect on rents going forward.

Demand remains weak in Stavanger as a result of low crude prices and a focus on costs in the oil and offshore sector.

After record activity in the transaction market during 2015, the volume of transactions was significantly lower in the first quarter. Many buyer categories are still active and hunting for good objects, but few objects are being offered in the market. The banks remain restrictive over loan financing, but especially in the bond market credit margins are improving in favour of borrowers in the beginning of second quarter. Prime yield is now estimated to be around four per cent, down by 0.25 percentage points since fourth quarter last year.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 37 office and commercial properties at 31 March. These are located in central areas of Oslo and Bærum (90.8 per cent of gross current rental income at 31 March), at Gardermoen (three per cent of gross rental income) and in Stavanger (6.2 per cent of gross rental income). The group's properties primarily comprise offices with associated warehousing and parking, and retail and restaurant space.

Total contractual rental income from the portfolio was NOK 939.3 million at 31 March, up by NOK 10.8 million from 1 January when corrected for property sales. This increase relates to new leases awarded during the period. Vacancy in the property portfolio (space without rental income) totalled 13.8 per cent of total space at 31 March, on a par with 1 January. Remaining vacancy relates largely to properties in Stavanger and the Verkstedveien 1 development project at Skøyen, which was completed during 2015.

Thirteen leases were awarded or renegotiated during the first quarter, with a combined annual value of about NOK 13.9 million. The average remaining term of the leases is 5.4 years. The average rent adjustment factor for the consumer price index is 99.8 per cent for the total portfolio.

SHAREHOLDER INFORMATION

The company had 1 741 registered shareholders at 31 March, a reduction of 35 from 31 December. Non-Norwegian shareholders held 61.9 per cent of the share capital at 31 March, unchanged from 31 December. The number of shares traded during the first quarter averaged 158 255 shares per day. Corresponding daily turnover was 0.9 million in 2015, 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 LTD	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	NOR
4	DnB NOR MARKETS, AKS DNB Bank ASA	5.24	28 717 466	ORD	NOR
5	BNY MELLON SA/NV BNYM, STICHTING DEP	4.33	23 730 241	NOM	NLD
6	STATE STREET BANK AND TRUST CO	0.80	4 385 777	NOM	USA
7	BNP PARIBAS SEC. SERVICES S.C.A GBR	0.79	4 322 829	NOM	GBR
8	STATE STREET BANK AN A/C CLIENT OMNIBUS F	0.72	3 957 731	NOM	USA
9	ALDEN AS	0.64	3 500 000	ORD	NOR
10	STATE STREET BANK & SSB, : ISHARES EUROP	0.64	3 495 905	NOM	IRL
11	BNP PARIBAS SEC. SER BPSS LUX/FIM/LU FD/C	0.56	3 050 163	NOM	LUX
12	STATE STREET BANK & S/A SSB CLIENT OMNI	0.46	2 507 136	NOM	USA
13	J.P. Morgan Chase Ba A/C VANGUARD BBH LEN	0.43	2 352 360	NOM	USA
14	KLP AKSJENORGE INDEKS	0.37	2 054 478	ORD	NOR
15	JP Morgan Bank Luxem JPML SA RE CLT ASSET	0.35	1 943 325	NOM	LUX
16	PETRUS AS	0.31	1 714 814	ORD	NOR
17	KAS BANK NV S/A CLIENT ACC TREAT	0.31	1 683 911	NOM	NLD
18	STATE STREET BANK an SSBTC A/C UK LO. BR.	0.28	1 526 885	NOM	USA
19	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000	ORD	NOR
20	ALTA INVEST AS	0.23	1 270 157	ORD	NOR
Total 20 largest shareholders		90.77	497 727 114		8/20 NOR

THE BOARD OF DIRECTORS

The annual general meeting was held on 13 April 2016 and Martin Mæland was elected as new chair. Kjell Sagstad, Kathrine Astrup Fredriksen, Harald Herstad and Merete Haugli were elected as new ordinary board members. The board also consists of Bjørn Henningsen (deputy chair) and Cecile Astrup Fredriksen.

OUTLOOK

According to Akershus Eiendom, vacancy in Oslo is declining and has now been estimated at 7.5 per cent. The letting market is regarded as stable, and the reduced vacancy is expected to be positive for the rental market. The letting market in Stavanger remains demanding. Statistics Norway expects a rather higher growth in gross domestic product (GDP) for mainland Norway in 2016 than in the year before – 1.4 per cent compared with 1.0 per cent. But the figure is expected to exceed 2.3 per cent as early as 2017.

Activity in the transaction market was significantly lower during the first quarter than in the record year of 2015. Long-term market interest rates varied somewhat during 2015, but were at record low levels by 31 March. The banks maintained their cautious approach to new lending during the quarter, but credit margins are turning down in the beginning of second quarter, especially in the bond market. In the strong transaction market the company is considering both buying and selling of properties.

Rental income is expected to rise somewhat during 2016 in step with 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. In line with this expected strengthening in operational results, the level of dividend payments will be continuously assessed by the board.

The board of directors of Norwegian Property ASA

Oslo, 28 April 2016



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1Q 2016	1Q 2015	Year 2015
Gross income		230.5	200.0	858.3
Maintenance and other operating expenses		-12.4	-14.7	-64.8
Other property-related expenses		-14.4	-18.2	-77.5
Total property-related expenses		-26.8	-32.9	-142.4
Administrative expenses		-14.9	-14.2	-79.2
Total operating expenses		-41.7	-47.1	-221.5
Operating profit before value adjustments		188.8	152.9	636.8
Change in market value of investment property	3	109.0	101.2	387.4
Operating profit		297.9	254.0	1 024.2
Financial income	2	0.1	0.4	0.6
Financial cost	2	-104.4	-102.3	-429.1
Realized net financial items		-104.3	-101.9	-428.5
Change in market value of financial derivative instruments	2, 4	-39.1	47.6	73.3
Net financial items		-143.3	-54.3	-355.2
Profit before income tax		154.6	199.7	669.0
Income tax	7	-54.8	-54.7	-188.8
Profit for the period		99.8	145.0	480.2
Profit attributable to non-controlling interests		-	-	-
Profit attributable to shareholders of the parent company		99.8	145.0	480.2
Value adjustment of owner-occupied property	3	1.4	0.7	7.2
Total other comprehensive income		1.4	0.7	7.2
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-
Total comprehensive income		101.2	145.7	487.4
Total comprehensive income attributable to shareholders of the parent company		101.2	145.7	487.4
Total comprehensive income attributable to non-controlling interests		-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.03.2016	31.03.2015	31.12.2015
ASSETS				
Financial derivative instruments	4	5.8	5.8	6.1
Investment property	3	16 287.1	16 076.9	16 169.6
Owner-occupied property	3	88.0	101.9	86.5
Other fixed assets		45.0	42.9	45.8
Total non-current assets		16 425.9	16 227.6	16 308.0
Receivables		115.0	203.1	181.6
Cash and cash equivalents	6	24.8	42.1	55.8
Total current assets		139.9	245.3	237.5
Total assets		16 565.8	16 473.0	16 545.5
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		-4 247.9	-4 690.8	-4 349.1
Total equity		5 878.7	5 435.8	5 777.5
Deferred tax	7	313.9	122.3	258.7
Financial derivative instruments	4	709.2	758.8	670.2
Interest bearing liabilities	6	4 513.5	9 819.9	4 612.7
Other liabilities	3	57.6	-	52.6
Total non-current liabilities		5 594.2	10 701.0	5 594.3
Financial derivative instruments	4	1.3	1.2	2.0
Interest bearing liabilities	6	4 877.5	19.4	4 906.9
Other liabilities		214.1	315.6	264.8
Total current liabilities		5 092.9	336.2	5 173.7
Total liabilities		10 687.1	10 037.2	10 768.0
Total equity and liabilities		16 565.8	16 473.0	16 545.5



CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
Total equity 31.12.2015	274.2	3 412.3	6 440.1	-4 836.5	5 290.2
Total comprehensive income	-	-	-	145.7	145.7
Total equity 31.03.2015	274.2	3 412.2	6 440.1	-4 690.8	5 435.8
Total comprehensive income	-	-	-	341.7	341.7
Total equity 31.12.2015	274.2	3 412.2	6 440.1	-4 349.1	5 777.5
Total comprehensive income	-	-	-	101.2	101.2
Total equity 31.03.2016	274.2	3 412.3	6 440.1	-4 247.9	5 878.7

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	1Q 2016	1Q 2015	Year 2015
Profit before income tax		154.6	199.7	669.0
Depreciation of tangible assets		2.4	2.3	9.1
Fair value adjustment of investment property	3	-109.0	-101.2	-387.4
Fair value adjustment of financial derivative instruments	4	38.6	-66.6	-154.5
Change in short-term items		23.6	45.0	1.8
Net cash flow from operating activities		110.1	79.2	138.0
Received cash from sale of investment property		29.9	-	623.0
Payments for purchase of investment property and other fixed assets		-40.2	-254.7	-590.4
Net cash flow from investing activities		-10.3	-254.7	32.6
Net change of interest bearing debt	6	-130.8	195.9	-136.5
Net cash flow from financial activities		-130.8	195.9	-136.5
Net change in cash and cash equivalents		-31.0	20.4	34.1
Cash and cash equivalents at the beginning of the period		55.8	21.7	21.7
Cash and cash equivalents at the end of the period		24.8	42.1	55.8



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The real estate group Norwegian Property ASA owns commercial properties in the Oslo and Stavanger region. The holding company, Norwegian Property ASA, is a public limited company with its headquarters in Bryggegata 9, 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 2015. 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 2015. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2015.

In accordance with the requirements of the Accounting Act § 3-3 Norwegian Property presents annual statements on corporate governance and social responsibility. The latest disclosures are contained in the annual report for 2015.

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 28 April 2016. 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 2016	1Q 2015	Year 2015
Interest income on bank deposits	0.1	0.4	0.6
Total financial income	0.1	0.4	0.6
Interest expense on borrowings	-104.4	-102.3	-429.1
Total financial cost	-104.4	-102.3	-429.1
Realized net financial items	-104.3	-101.9	-428.5
Change in market value of financial derivative instruments	-39.1	47.6	73.3
Net financial items	-143.4	-54.3	-355.2



NOTE 3: INVESTMENT PROPERTY

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

Amounts in NOK million	Note	1Q 2016	1Q 2015	Year 2015
Total value of investment property, opening balance		16 256.2	15 796.6	15 796.6
Disposals of properties at book value	1	-30.1	-	-577.3
Additions through acquisition and on-going investments of properties		37.4	279.0	635.5
Recognised in the income statement in the period		110.1	102.9	393.5
Recognised in other comprehensive income in the period		1.5	0.4	7.9
Total value of investment property, ending balance	2	16 375.1	16 178.8	16 256.2
Of which owner-occupied property	3	-88.0	-101.9	-86.5
Book value of investment property		16 287.1	16 076.9	16 169.7

1) Disposals in 2016 applies to Strandsvingen 10 and corresponding Lysaker Torg 35 in 2015.

Norwegian Property has entered into an agreement to sell Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo. Takeover is agreed to March 2019 upon expiration of the lease contract for the properties, and Norwegian Property is entitled to rental income and has the operating responsibility for the properties until this. In the balance sheet, these properties are classified as ordinary investment property at the present value of the contractual cash flows. Classification as investment properties held for sale are subject to expected realization within one year from the balance sheet date, and is therefore applicable from the first quarter of 2018.

2) The group has no significant contractual obligations for construction contracts related to investment properties at 31 March 2016 (31 March 2015: NOK 140 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	31.03.2016			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	16 287.1	16 287.1
Owner-occupied property	-	-	88.0	88.0
Total	-	-	16 375.1	16 375.1

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

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 2015 and 2016.



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 2016	1Q 2015	Year 2015
Net book value of derivatives, opening balance	-666.1	-820.6	-820.6
Buyout of derivatives	0.4	19.0	81.2
Fair value adjustments of derivatives	-39.1	47.6	73.3
Net book value of derivatives, ending balance	-704.7	-754.0	-666.1
Of which classified as non-current assets	5.8	5.8	6.1
Of which classified as current assets	-	0.1	-
Of which classified as non-current liabilities	-709.2	-758.8	-670.2
Of which classified as current liabilities	-1.3	-1.2	-2.0

NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.03.2016		31.03.2015	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	5.8	5.8	5.8	5.8
Current receivables	115.0	115.0	158.7	158.7
Cash and cash equivalents	24.8	24.8	42.1	42.1
Total financial assets	145.6	145.6	206.7	206.7
Non-current derivatives	709.2	709.2	758.8	758.8
Non-current interest-bearing liabilities	4 263.5	4 266.6	9 819.9	9 882.6
Current derivatives	1.3	1.3	1.2	1.2
Current interest-bearing liabilities	5 127.5	5 138.7	19.4	21.5
Other current liabilities	213.4	213.4	298.9	298.9
Total financial liabilities	10 314.9	10 329.2	10 898.2	10 963.0

Estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. It is taken into account the estimated difference between the current margin and market conditions (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	31.03.2016			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	5.8	-	5.8
Non-current derivatives (liabilities)	-	-709.2	-	-709.2
Current derivatives (liabilities)	-	-1.3	-	-1.3
Total	-	-704.7	-	-704.7

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

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 2015 and 2016.

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 2016	1Q 2015	Year 2015
Loan facilities at par value, opening balance		9 532.4	9 668.8	9 668.9
Increase of loan facilities		-	200.0	884.8
Reduction of loan facilities		-130.8	-4.1	-1 021.3
Loan facilities at par value, ending balance		9 401.6	9 864.8	9 532.4
Capitalized borrowing cost		-10.6	-25.5	-12.7
Book value of interest-bearing debt		9 391.0	9 839.3	9 519.7
Of which classified as non-current liabilities		4 513.5	9 819.9	4 612.7
Of which classified as current liabilities		4 877.5	19.4	4 906.9
Interest-bearing debt	1	-9 391.0	-9 839.3	-9 519.7
Cash and cash equivalents		24.8	42.1	55.8
Net interest-bearing position		-9 366.2	-9 797.1	-9 463.9

1) Undrawn credit facilities amounted to NOK 408 million at 31 March 2016, NOK 358 million at 31 March 2015 and NOK 308 million at 31 December 2015.

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 2016 were 63 percent of such loans secured (31 March 2015: 64 percent). The total average margin on variable rate loans was 140 basis points (31 March 2015: 140 basis points). The loan portfolio has an average interest rate of 4.32 per cent (31 March 2015: 4.56 per cent), and average remaining duration was 1.5 years (31 March 2015: 2.5 years). Average remaining maturity of hedging contracts was 3.9 years (31 March 2015: 4.7 years).



NOTE 7: DEFERRED TAX AND INCOME TAX

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

Amounts in NOK million	Note	1Q 2016	1Q 2015	Year 2015
Profit before income tax		154.6	199.7	669.0
Income tax calculated at 25 per cent (27 per cent for 2015)		38.6	53.9	180.6
Changed tax rate to 25 percent for deferred taxes on the closing balance 2015	1	-	-	-20.6
Temporary differences		16.1	0.8	-28.8
Income tax		54.8	54.7	188.8
Deferred tax, opening balance		258.7	67.4	67.4
Recognized through profit and loss		54.8	54.7	188.8
Recognized through comprehensive income		0.5	0.2	2.5
Deferred tax, ending balance		313.9	122.3	258.7

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 other new agreements or significant transactions with related parties are carried out in 2016.

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 2015).

NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the mandate awarded to it by the AGM for 2016, the board on 28 April 2016 has resolved that a dividend of NOK 0.05 per share will be paid for the first quarter 2016. This dividend will be paid to registered shareholders at 29 April 2016.

There are no other significant events after 31 March 2016 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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