

INTERIM REPORT
SECOND QUARTER AND FIRST HALF 2016



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE SECOND QUARTER OF 2016

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

Rental income up by 12.3 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 219.7 million in the same period of 2015 to NOK 236.4 million. When the sale of properties is taken into account, the increase was 12.3 per cent. Operating profit before fair-value adjustments came to NOK 194.7 million. Profit before tax and fair-value adjustments was NOK 90.8 million.

Epra NAV up by NOK 0.58 per share in the second quarter

Positive fair-value adjustments for investment properties totalled NOK 257 million, while positive fair-value adjustments for financial derivatives came to NOK 36.5 million. After NOK 95.6 million in tax expense, net profit for the period came to NOK 288.8 million. That yielded ordinary earnings per share (EPS) of NOK 0.53 for the second quarter. Carried equity per share came to NOK 11.20 at 30 June 2016, up from NOK 10.72 at 31 March 2016 (Epra NAV: NOK 12.84 and Epra NNAV: NOK 12.01 at 30 June 2016).

Dividend

Pursuant to the mandate awarded by the AGM for 2016, the board has resolved that a dividend of NOK 0.05 per share will be paid for the second quarter. This dividend will be paid to registered shareholders at 12 July 2016.

After closure of the sale of the Skøyen portfolio in the third quarter, the board will assess the level of dividend payments in connection with later interim reporting.

Property sales

Norwegian Property has entered into an agreement on the sale of Verkstedveien 1, Verkstedveien 3 and Drammensveien 134 with associated multistorey car parking and outside areas at Skøyen to Entra ASA. The agreed gross value of the properties is NOK 2 529 million, which was NOK 142 million (5.9 per cent) above the NOK 2 387 million valuation of the properties at 31 March 2016. The transaction will be closed at 1 September 2016.

In connection with the implementation of the transaction, Norwegian Property will assess adjustments to the group's portfolio of interest-rate hedges so that it reflects the current level of market interest rates more closely.

New bond loan

As part of work to refinance the company's debt, Norwegian Property ASA has raised a total of NOK 1 335 million in the form of a new secured bond loan with a four-year term on the Norwegian bond market. The loan carries an interest rate of three months Nibor plus 1.5 per cent per annum. It is secured by a mortgage on the Verkstedhallen property at Aker Brygge within a loan-to-value ratio of 65 per cent.



KEY FIGURES

Profit and loss		2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Gross income	NOK mill.	236.4	219.7	466.9	419.7	858.3
Operating profit before adm. expenses	NOK mill.	206.3	184.4	410.0	351.5	716.0
Operating profit before value adj.	NOK mill.	194.7	172.8	383.5	325.6	636.8
Profit before income tax and value adj.	NOK mill.	90.8	50.9	175.4	101.9	208.3
Profit before income tax	NOK mill.	384.4	248.9	538.9	448.6	669.0
Profit after income tax	NOK mill.	288.8	173.9	388.6	318.9	480.2
EPRA-earnings ¹	NOK mill.	68.1	37.2	131.6	74.4	156.2

Balance sheet		2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Market value of investment portfolio	NOK mill.	16 680.2	16 455.3	16 680.2	16 455.3	16 256.2
Equity	NOK mill.	6 140.6	5 613.1	6 140.6	5 613.1	5 777.5
Interest bearing debt	NOK mill.	9 405.6	9 951.5	9 405.6	9 951.5	9 519.7
Equity ratio	Per cent	36.4	33.6	36.4	33.6	34.9
Pre-tax return on equity (annualized)	Per cent	25.8	18.6	18.1	16.8	12.1

Cash flow		2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Cash flow from operating activities	NOK mill.	59.2	28.1	169.3	107.2	138.0
Cash position	NOK mill.	16.0	7.8	16.0	7.8	55.8

Key numbers; per share		2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
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 ²	NOK	0.70	0.45	0.98	0.82	1.22
Basic earnings (EPS) ²	NOK	0.53	0.32	0.71	0.58	0.88
EPRA-earnings ²	NOK	0.12	0.07	0.24	0.14	0.28
Operating cash flow	NOK	0.11	0.05	0.31	0.20	0.25
Interest bearing debt	NOK	17.15	18.15	17.15	18.15	17.36
NAV (book value of equity)	NOK	11.20	10.24	11.20	10.24	10.53
Deferred property tax ³	NOK	0.73	0.35	0.73	0.35	0.50
Fair value of financial derivative instruments ⁴	NOK	0.91	0.83	0.91	0.83	0.91
EPRA NAV⁵	NOK	12.84	11.42	12.84	11.42	11.94
Fair value of deferred tax ⁶	NOK	0.08	0.24	0.08	0.24	0.16
Fair value of financial derivative instruments ⁷	NOK	-0.91	-0.83	-0.91	-0.83	-0.91
Fair value of debt ⁸	NOK	0.01	-0.06	0.01	-0.06	-0.03
EPRA NNAV⁹	NOK	12.01	10.77	12.01	10.77	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 SECOND QUARTER OF 2016

Rental income for Norwegian Property totalled NOK 236.4 million in the second quarter. That compares with the NOK 219.7 million achieved for the same period of 2015. Adjusted for property sales in 2015 and 2016, this represented a rise of NOK 25.9 million in rental income for the second quarter. The increase related primarily to the completion of current development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 16.2 million (NOK 17 million¹⁰) for the quarter. Other property-related expenses came to NOK 13.9 million (NOK 18.3 million). Owner administrative expenses were NOK 11.7 million (NOK 11.7 million). Operating profit before fair-value adjustments thereby amounted to NOK 194.7 million (NOK 172.8 million) for the second quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 257 million (NOK 81.3 million).

Net realised financial expenses came to NOK 103.8 million (NOK 121.8 million) for the second quarter. Reduced terms to maturity for the portfolio of interest-rate derivatives contributed to a positive profit component of NOK 36.5 million (NOK 116.6 million) related to fair-value adjustments for financial derivatives.

Pre-tax profit for the second quarter was NOK 384.4 million (NOK 248.9 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 95.6 million (NOK 75 million). Net profit was thereby NOK 288.8 million (NOK 173.9 million).

RESULTS FOR THE FIRST HALF OF 2016

Rental income for Norwegian Property totalled NOK 466.9 million in the first half. That compares with the NOK 419.7 million achieved for the same period of 2015. Adjusted for property sales in 2015 and 2016, this represented a rise of NOK 65.1 million in rental income for the first half. The increase related primarily to the completion of current development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 28.6 million (NOK 31.7 million) for the first half. Other property-related expenses came to NOK 28.3 million (NOK 36.5 million), while administrative expenses were NOK 26.5 million (NOK 25.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 383.5 million (NOK 325.6 million) for the first half.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 366 million (NOK 182.5 million).

Net realised financial expenses came to NOK 208.1 million (NOK 223.7 million) for the first half. The profit component related to financial derivatives presented a negative fair-value adjustment of NOK 2.5 million (NOK 164.6 million) in the first half.

Pre-tax profit for the first half was NOK 538.9 million (NOK 448.6 million). The provision for non-payable deferred tax expense for the first half was NOK 150.3 million (NOK 129.7 million). Net profit for the period was thereby NOK 388.6 million (NOK 318.9 million).

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



VALUATION OF THE PROPERTIES

Two independent external valuers have valued all the properties in the group's portfolio of offices based on the same methods and principles applied in previous periods. The accounting valuation at 30 June 2016 is based on an average of the two valuations.

At 30 June, the group's portfolio of investment properties was valued at NOK 16 680.2 million (NOK 16 455.3 million). Investment properties held for sale are hereunder carried separately on the balance sheet at NOK 2 519.8 million and recognised at their transaction value. That applies to the Verkstedveien 1, Verkstedveien 3 and Drammensveien 134 properties. Agreement was reached in the second quarter on the sale of these properties to Entra ASA. This transaction will be closed in the third quarter of 2016. Properties used by the owner were also carried separately on the balance sheet in the amount of NOK 88.3 million at 30 June, and recognised at fair value.

The positive fair-value adjustment came to NOK 257 million in the second quarter, including NOK 142 million in gains related to properties held for sale. 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 121.8 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 236.8 million.

Oslo decided in 2015 to introduce a property tax with effect from 2017. This is expected to impose an extra cost on property owners, even though some of the effect can be charged to lessees under the terms of their leases. General guidelines for the assessment template to be used when calculating property tax on commercial properties were published in the second quarter. Valuations at 30 June take account of these general guidelines. In addition, properties will be inspected to determine a positive or negative correction factor for each property. Valuations will be updated with these factors once they have been determined.

CASH FLOW

Net operational cash flow for financial items came to NOK 59.2 million (NOK 28.1 million) for the second quarter and NOK 169.3 million (NOK 107.2 million) for the first half.

Investment in non-current assets came to NOK 50.5 million in the second quarter (NOK 165.9 million) and concerns lessee adjustments related to new and renegotiated leases as well as on-going operational investment. The corresponding figure for the first half was NOK 90.7 million (NOK 420.5 million). Liquid assets acquired through the sale of the Strandsvingen 10 property amounted to NOK 29.7 million in the first half.

Net cash flow from financing activities was negative at NOK 17.3 million after an increase of NOK 10.1 million in interest-bearing debt and the payment of NOK 27.4 million in dividend. Where the first half is concerned, net cash flow from financing activities was negative at NOK 148.1 million as a result of a reduction in interest-bearing debt (NOK 120.7 million) in addition to the payment of dividend.

The net reduction in cash and cash equivalents was NOK 8.8 million (NOK 34.3 million) for the quarter and NOK 39.8 million (NOK 13.8 million) for the first half.

BALANCE SHEET

The group held NOK 16 million (NOK 7.8 million) in cash and cash equivalents at 30 June. In addition came NOK 389.9 million (NOK 256.3 million) in unutilised credit facilities. Equity totalled NOK 6 140.6 million (NOK 5 613.1 million), representing an equity ratio of 36.4 per cent (33.6 per cent). Carried equity per share was NOK 11.20 (NOK 10.24). Equity per share was NOK 12.84 (NOK 11.42) based on the Epra NAV standard and NOK 12.01 (NOK 10.77) based on Epra NNAV. Outstanding shares at 30 June totalled 548 425 596 (548 425 596).



FINANCING

KEY FIGURES

A four-year bond loan of NOK 1 335 million secured by a mortgage on the Verkstedhallen property at Aker Brygge in Oslo was issued in June 2016. The proceeds were paid on 5 July 2016. The table below presents key figures related to interest-bearing debt and hedges at 30 June 2016. The average figures for interest rates and hedges at 30 June take account of the effect of changes in financing on 5 July.

Interest bearing debt and hedging		30.06.2016	30.06.2015	31.12.2015
Interest bearing debt	NOK mill.	9 405.6	9 951.5	9 519.7
Cash and cash equivalents	NOK mill.	16.0	7.8	55.8
Interest hedging ratio	Per cent	63.4	62.9	61.0
Unutilised credit and overdraft facilities	NOK mill.	389.9	256.3	308.0
Average time to maturity, hedging	Years	3.7	4.5	4.3
Average interest rate (incl. margin and capitalized cost)	Per cent	4.32	4.49	4.33
Average margin	Per cent	1.46	1.41	1.40
Average residual term, borrowing	Years	1.7	2.2	1.7
Property value	NOK mill.	16 680.2	16 455.3	16 256.2
Interest bearing debt / value (LTV)	Per cent	56.4	60.5	58.6
Net interest bearing debt / value (net LTV)	Per cent	56.3	60.4	58.2

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 30 June 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.	4 056	600	750	1 200	1 350	1 450
Average interest rate	Per cent	1.4	3.8	4.5	4.5	4.5	3.2
Share of total liabilities	Per cent	43	6	8	13	14	15

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 9 405.6 million (NOK 9 951.5 million) at 30 June 2016.

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 the facilities are under way.

A bond loan of NOK 1 335 million was raised in June 2016, with the proceeds paid on 5 July. In connection with the new bond issue Norwegian Property agreed to repurchase NOK 388 million in the bond NPRO 01. The loan is secured by the properties Drammensveien 134/Verkstedveien 3. The buyback is part of preparation for completion of the sale of the properties in the third quarter. A short-term credit facility is established for the repurchase, which will be repaid at closing of the sales process.



OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy in Oslo was estimated to be around 7.5 per cent of total space at 30 June, according to Akershus Eiendom. The latter expects vacancy to decline over the next few years as a result of space being converted to other applications (primarily residential), limited newbuild activity and continued growth in employment. Rental levels are generally stable, but the decline in vacant space is expected to be positive for rental developments in the time to come.

Demand for commercial property remains cautious in Stavanger. Signs indicate that the market may be bottoming out, in part because of some improvement in oil prices.

After record activity in the transaction market during 2015, the volume of transactions was significantly lower in the first half of this year. Many buyer categories are still active and hunting for good objects, but few objects are being offered in the market. While the banks remain restrictive over loan financing, a number of players have exploited the improvement in the bond market to raise new loans with advantageous credit margins. Prime yield is estimated by Akershus Eiendom to be around four per cent, but continued demand for good investment objects indicates continued downward pressure on the yield.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 37 office and commercial properties at 30 June. These are located in central areas of Oslo and Bærum (90.8 per cent of gross current rental income at 30 June), 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 944.7 million at 30 June, up by NOK 5.4 million from 1 April. This increase relates to new leases awarded during the period. Vacancy in the property portfolio (space without rental income) totalled 13.3 per cent of total space at 30 June, down from 13.8 per cent at 1 April. Remaining vacancy relates largely to properties in Stavanger and to Verkstedveien 1 at Skøyen in Oslo, which is being sold during the third quarter.

Fourteen leases were awarded or renegotiated during the second quarter, with a combined annual value of about NOK 19.9 million. The average remaining term of the leases is 5.2 years. The average rent adjustment factor for the consumer price index is 99.8 per cent for the total portfolio.

ENVIRONMENTAL ACTION AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company reported for the fifth time to the Carbon Disclosure Project during the second quarter. Its most substantial measures for reducing carbon emissions have been implemented in connection with the big development projects at Aker Brygge and Skøyen in Oslo. The energy centre with seawater pump at Aker Brygge is now replacing electricity consumption with renewable energy for heating and cooling in several of the rehabilitated buildings.

Energy consumption per square metre was reduced by 12 per cent over the measurement period from 2011 to 2015, and carbon emissions per square metre were down by 52 per cent.

SHAREHOLDER INFORMATION

The company had 1 631 registered shareholders at 30 June, a reduction of 110 from 31 March. Non-Norwegian shareholders held 61.4 per cent of the share capital at 30 June, down from 61.9 per cent at 31 March. The number of shares traded during the second quarter averaged 189 330 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 30 June, 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 June. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 June are presented below.



#	Name	Share (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO LTD	48.27	264 724 869		CYP
2	FOLKETRYGDFONDET	13.48	73 951 642		NOR
3	NIAM V PROSJEKT AS c/o Langham Hall UK	12.30	67 437 425		NOR
4	DnB NOR MARKETS, AKS DNB Bank ASA	5.23	28 710 466		NOR
5	THE BANK OF NEW YORK BNYM, STICHTING DEP	4.33	23 730 241	NOM	NLD
6	STATE STREET BANK AN A/C WEST NON-TREATY	0.89	4 856 353	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	0.71	3 917 975	NOM	USA
9	ALDEN AS	0.64	3 500 000		NOR
10	STATE STREET BANK & SSB, : ISHARES EUROP	0.61	3 339 687	NOM	IRL
11	J.P. Morgan Chase Ba A/C VANGUARD BBH LEN	0.51	2 792 550	NOM	USA
12	STATE STREET BANK & S/A SSB CLIENT OMNI	0.41	2 271 058	NOM	USA
13	KLP AKSJENORGE INDEKS	0.38	2 082 065		NOR
14	JP Morgan Bank Luxem JPML SA RE CLT ASSET	0.35	1 943 325	NOM	LUX
15	KAS BANK NV S/A CLIENT ACC TREAT	0.29	1 583 313	NOM	NLD
16	STATE STREET BANK an SSBTC A/C UK LO. BR.	0.27	1 506 885	NOM	USA
17	NIKI AS	0.27	1 500 000		NOR
18	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000		NOR
19	ALTA INVEST AS	0.23	1 270 157		NOR
20	SKANDINAVISKA ENSKIL A/C FINNISH RESIDENT	0.22	1 214 000	NOM	FIN
Total 20 largest shareholders		90.44	496 054 840		8/20 NOR

RISK AND UNCERTAINTY FACTORS

Through its activities, Norwegian Property is exposed to market risk related to demand for commercial premises, the supply of new buildings in the market and how these factors influence lettings and vacancy in the portfolio. The group's rental income is also influenced by the general level of inflation, since annual rents are adjusted once a year in line with the increase in the consumer price index. For leases where part of the rent is turnover-based, the level of rent over and above the minimum amount will vary with tenant turnover.

The group has pursued several major development projects in recent years. These have meant a high level of vacant space in the portfolio on a temporary basis, with associated loss of rental income. In addition, large-scale development projects pose risks related to cost overruns, delays, delivery shortfalls, negative market trends, and possible failure to lease the premises after completion. The group has established routines for project management and execution. All substantial development projects had been completed by the beginning of 2016.

The group's financial risks relate primarily to changes in profits and equity as a result of developments in rental income, adjustments to the fair value of the property portfolio, the effect of interest rate changes on profits and liquidity, liquidity risk, and profit effects when refinancing the group's debt. Moreover, the group's credit facilities incorporate certain financial covenants related to the loan-to-value ratio and interest cover. Hedging is utilised to dampen the effect of interest rate changes on profits and liquidity. An increase in short- and long-term market interest rates will accordingly have a limited impact on the group's interest expenses. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements. Major credit facilities held by the group fall due in the fourth quarter of 2016. Part of the refinancing requirement in 2016 has been met by taking up a bond loan, and processes are under way with the group's banks to refinance the remaining credit requirement.

Norwegian Property's portfolio of office properties is characterised by high quality, with a financially sound and diversified set of tenants. The latter normally pay rent quarterly in advance. In addition, most leases require security for rent payments either in the form of a deposit account or a bank guarantee. As a result, the risk of direct losses from defaults or payment problems is limited and relates primarily to re-letting of premises.



OUTLOOK

Vacancy in Oslo is now estimated at 7.5 per cent by Akershus Eiendom. The latter expects vacancy to decline over the next few years as a result of space being converted to other applications (primarily residential), limited newbuild activity and continued growth in employment. The letting market in Stavanger remains demanding.

Activity in the transaction market was significantly lower during the first half than in the record year of 2015. Long-term market interest rates remain at record low levels. The banks maintained their cautious approach to new lending during the quarter, but the bond market showed a fairly substantial improvement during the second market. In the strong transaction market, the company is assessing both purchase and sale of certain properties.

The major development projects have been completed and the letting position for the group's portfolio is more normalised. Vacancy in the Oslo portfolio is now three per cent. The company is accordingly devoting particular attention to properties with high vacancy (as in Stavanger) and where leases are approaching their expiry date. The sale of the Skøyen portfolio, which will be closed during the third quarter, will reduce rental income somewhat in the time to come. In connection with the sale, the company will make adjustments to the group's hedges in order to tailor interest costs to a lower level of interest rates. After closure of the sale of the Skøyen portfolio in the third quarter, the board will assess the level of dividend payments in connection with later interim reporting.



DECLARATION BY THE BOARD OF DIRECTORS AND THE CEO

The board and the CEO have today considered and approved the directors' report for the first half of 2016 and the summary consolidated half-year financial statements for Norwegian Property ASA at 30 June 2016. The consolidated financial statements for the first half have been prepared in accordance with IAS 34 Interim reporting as approved by the EU and additional Norwegian information requirements pursuant to the Norwegian Securities Trading Act.

To the best of the board's and the CEO's knowledge, the interim financial statements for the first half of 2016 have been prepared in accordance with applicable accounting standards, and the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group at 30 June 2016.

To the best of the board's and the CEO's knowledge, the directors' half-year report provides a true and fair overview of important events in the accounting period and their influence on the financial statements for the first half. To the best of the board's and the CEO's knowledge, the description of the most important risk factors and uncertainties facing the business in the next accounting period and of significant transactions with related parties provide a true and fair overview.

The board of directors and CEO of Norwegian Property ASA

Oslo, 11 July 2016



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Gross income		236.4	219.7	466.9	419.7	858.3
Maintenance and other operating expenses		-16.2	-17.0	-28.6	-31.7	-64.8
Other property-related expenses		-13.9	-18.3	-28.3	-36.5	-77.5
Total property-related expenses		-30.1	-35.3	-56.9	-68.2	-142.4
Administrative expenses		-11.7	-11.7	-26.5	-25.9	-79.2
Total operating expenses		-41.7	-47.0	-83.4	-94.1	-221.5
Operating profit before value adjustments		194.7	172.8	383.5	325.6	636.8
Change in market value of investment property	3	257.0	81.3	366.0	182.5	387.4
Operating profit		451.7	254.1	749.5	508.1	1 024.2
Financial income	2	0.1	0.1	0.2	0.5	0.6
Financial cost	2	-103.9	-121.9	-208.2	-224.2	-429.1
Realized net financial items		-103.8	-121.8	-208.1	-223.7	-428.5
Change in market value of financial derivative instruments	2, 4	36.5	116.6	-2.5	-164.2	73.3
Net financial items		-67.3	-5.2	-210.6	-59.5	-355.2
Profit before income tax		384.4	248.9	538.9	448.6	669.0
Income tax	7	-95.6	-75.0	-150.3	-129.7	-188.8
Profit for the period		288.8	173.9	388.6	318.9	480.2
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		288.8	173.9	388.6	318.9	480.2
Value adjustment of owner-occupied property	3	0.5	3.4	1.9	4.0	7.2
Total other comprehensive income		0.5	3.4	1.9	4.0	7.2
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		289.3	177.3	390.5	322.9	487.4
Total comprehensive income attributable to shareholders of the parent company		289.3	177.3	390.5	322.9	487.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.06.2016	30.06.2015	31.12.2015
ASSETS				
Financial derivative instruments	4	4.7	8.8	6.1
Investment property	3	14 072.1	15 771.2	16 169.6
Owner-occupied property	3	88.3	106.1	86.5
Other fixed assets		46.3	45.0	45.8
Total non-current assets		14 211.4	15 931.1	16 308.0
Financial derivative instruments	4	3.9	0.1	-
Receivables		146.7	169.3	181.6
Cash and cash equivalents	6	16.0	7.8	55.8
Investment property held for sale	3	2 519.8	578.0	-
Total current assets		2 686.4	755.2	237.5
Total assets		16 897.8	16 686.3	16 545.5
EQUITY AND LIABILITIES				
Share capital		274.2	274.3	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		-3 986.0	-4 513.5	-4 349.1
Total equity		6 140.6	5 613.1	5 777.5
Deferred tax	7	409.7	198.5	258.7
Financial derivative instruments	4	670.7	634.5	670.2
Interest bearing liabilities	6	4 521.9	9 924.3	4 612.7
Other liabilities		57.6	2.6	52.6
Total non-current liabilities		5 659.9	10 760.0	5 594.3
Financial derivative instruments	4	5.6	0.1	2.0
Interest bearing liabilities	6	4 883.7	27.2	4 906.9
Other liabilities		208.0	286.0	264.8
Total current liabilities		5 097.3	313.2	5 173.7
Total liabilities		10 757.2	11 073.2	10 768.0
Total equity and liabilities		16 897.8	16 686.3	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 31.12.2014	274.2	3 412.3	6 440.1	-4 836.5	5 290.1
Total comprehensive income	-	-	-	322.9	322.9
Total equity 30.06.2015	274.2	3 412.3	6 440.1	-4 513.6	5 613.1
Total comprehensive income	-	-	-	164.4	164.4
Total equity 31.12.2015	274.2	3 412.3	6 440.1	-4 349.1	5 777.5
Total comprehensive income	-	-	-	390.5	390.5
Paid dividend	-	-	-	-27.4	-27.4
Total equity 30.06.2016	274.2	3 412.3	6 440.1	-3 986.0	6 140.6

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Profit before income tax		384.4	248.9	538.9	448.6	669.0
Depreciation of tangible assets		2.5	2.2	4.9	4.4	9.1
Fair value adjustment of investment property	3	-257.0	-81.3	-366.0	-182.5	-387.4
Fair value adjustment of financial derivative instruments	4	-37.0	-128.3	1.6	-194.9	-154.5
Change in short-term items		-33.7	-13.4	-10.1	31.6	1.8
Net cash flow from operating activities		59.2	28.1	169.3	107.2	138.0
Received cash from sale of investment property		-0.2	-	29.7	-	623.0
Payments for purchase of investment property and other fixed assets		-50.5	-165.9	-90.7	-420.5	-590.4
Net cash flow from investing activities		-50.7	-165.9	-61.0	-420.5	32.6
Net change of interest bearing debt	6	10.1	103.5	-120.7	299.4	-136.5
Paid dividend		-27.4	-	-27.4	-	-
Net cash flow from financial activities		-17.3	103.5	-148.1	299.4	-136.5
Net change in cash and cash equivalents		-8.8	-34.3	-39.8	-13.8	34.1
Cash and cash equivalents at the beginning of the period		24.8	42.1	55.8	21.7	21.7
Cash and cash equivalents at the end of the period		16.0	7.8	16.0	7.8	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 11 July 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	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Interest income on bank deposits	0.1	0.1	0.2	0.5	0.6
Total financial income	0.1	0.1	0.2	0.5	0.6
Interest expense on borrowings	-103.8	-121.9	-208.1	-224.2	-429.1
Total financial cost	-103.9	-121.9	-208.2	-224.2	-429.1
Realized net financial items	-103.8	-121.8	-208.0	-223.7	-428.5
Change in market value of financial derivative instruments	36.5	116.6	-2.5	-164.2	73.3
Net financial items	-67.3	-5.2	-210.5	-59.5	-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	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Total value of investment property, opening balance		16 375.1	16 178.8	16 256,2	15 796.5	15 796.6
Disposals of properties at book value	1	-	-	-30,1	-	-577.3
Additions through acquisition and on-going investments of properties		48.6	190.9	86,0	469.9	635.5
Recognised in the income statement in the period		256.2	81.3	366,3	184.3	393.5
Recognised in other comprehensive income in the period		0.3	4.2	1,8	4.6	7.9
Total value of investment property, ending balance		16 680.2	16 455.3	16 680,2	16 455.3	16 256.2
Of which investment property held for sale	2	-2 519.8	-578.0	-2 519,8	-578.0	-
Investment property not held for sale		14 160.4	15 877.3	14 160,4	15 877.3	16 256.2
Of which owner-occupied property	3	-88.3	-106.1	-88,3	-106.1	-86.5
Book value of investment property		14 072.1	15 771.2	14 072,1	15 771.2	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) In the second quarter of 2016, Norwegian Property has entered into an agreement for the sale of three properties in Oslo to Entra ASA. The agreement covers the properties Verkstedveien 1, Verkstedveien 3 and Drammensveien 134 with associated parking garage and outdoor areas. The transaction will be carried out in the third quarter of 2016, and the properties are valued at the transaction value at the end of the second quarter.

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	30.06.2016			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 072.1	14 072.1
Owner-occupied property	-	-	88.3	88.3
Investment property held for sale	-	-	2 519.8	2 519.8
Total	-	-	16 680.2	16 680.2

Amounts in NOK million	30.06.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 771.2	15 771.2
Owner-occupied property	-	-	106.1	106.1
Investment property held for sale	-	-	578.0	578.0
Total	-	-	16 455.3	16 455.3

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	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Net book value of derivatives, opening balance	-704.7	-754.0	-666.1	-820.6	-820.6
Buyout of derivatives	0.5	11.6	0.9	30.7	81.2
Fair value adjustments of derivatives	36.5	116.6	-2.5	-164.2	73.3
Net book value of derivatives, ending balance	-667.7	-625.7	-667.7	-625.7	-666.1
Of which classified as non-current assets	4.7	8.8	4.7	8.8	6.1
Of which classified as current assets	3.9	0.1	3.9	0.1	-
Of which classified as non-current liabilities	-670.7	-634.5	-670.7	-634.5	-670.2
Of which classified as current liabilities	-5.6	-0.1	-5.6	-0.1	-2.0

NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.06.2016		30.06.2015	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	4.7	4.7	8.8	8.8
Current derivatives	3.9	3.9	0.1	0.1
Current receivables	146.7	146.7	158.7	158.7
Cash and cash equivalents	16.0	16.0	7.8	7.8
Total financial assets	171.3	171.3	175.3	175.3
Non-current derivatives	670.7	670.7	634.5	634.5
Non-current interest-bearing liabilities	4 521.9	4 521.9	9 924.3	9 969.3
Current derivatives	5.6	5.6	0.1	0.1
Current interest-bearing liabilities	4 883.7	4 877.7	27.2	28.5
Other current liabilities	205.2	205.2	278.7	278.7
Total financial liabilities	10 287.1	10 281.1	10 864.8	10 911.1

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	30.06.2016			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	4.7	-	4.7
Current derivatives (assets)	-	3.9	-	3.9
Non-current derivatives (liabilities)	-	-670.7	-	-670.7
Current derivatives (liabilities)	-	-5.6	-	-5.6
Total	-	-667.7	-	-667.7

Amounts in NOK million	30.06.2015			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	8.8	-	8.8
Current derivatives (assets)	-	0.1	-	0.1
Non-current derivatives (liabilities)	-	-634.5	-	-634.5
Current derivatives (liabilities)	-	-0.1	-	-0.1
Total	-	-625.8	-	-625.8

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 6: NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Loan facilities at par value, opening balance		9 401.6	9 864.8	9 532.4	9 668.8	9 668.9
Increase of loan facilities		18.1	461.7	18.1	661.7	884.8
Reduction of loan facilities		-8.0	-358.2	-138.8	-362.3	-1 021.3
Loan facilities at par value, ending balance		9 411.7	9 968.3	9 411.7	9 968.3	9 532.4
Capitalized borrowing cost		-6.1	-16.8	-6.1	-16.8	-12.7
Book value of interest-bearing debt		9 405.6	9 951.4	9 405.6	9 951.4	9 519.7
Of which classified as non-current liabilities		4 521.9	9 924.3	4 521.9	9 924.3	4 612.7
Of which classified as current liabilities		4 883.7	27.2	4 883.7	27.2	4 906.9
Interest-bearing debt	1	-9 405.6	-9 951.4	-9 405.6	-9 951.4	-9 519.7
Cash and cash equivalents		16.0	7.8	16.0	7.8	55.8
Net interest-bearing position		-9 389.6	-9 943.6	-9 389.6	-9 943.6	-9 463.9

1) Undrawn credit facilities amounted to NOK 389,9 million at 30 June 2016, NOK 256,3 million at 30 June 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 30 June 2016 were 63 percent of such loans secured (30 June 2015: 63 percent). The total average margin on variable rate loans was 146 basis points (30 June 2015: 141 basis points). The loan portfolio has an average interest rate of 4.32 per cent (30 June 2015: 4.49 per cent), and average remaining duration was 1.7 years (30 June 2015: 2.2 years). Average remaining maturity of hedging contracts was 3.7 years (30 June 2015: 4.5 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	2Q 2016	2Q 2015	1H 2016	1H 2015	Year 2015
Profit before income tax		384.4	248.9	538.9	448.6	669.0
Income tax calculated at 25 per cent (27 per cent for 2015)		96.1	67.2	134.7	121.1	180.6
Changed tax rate to 25 percent for deferred taxes on the closing balance 2015	1	-	-	-	-	-20.6
Temporary differences		-0.6	7.8	15.5	8.6	-28.8
Income tax		95.5	75.0	150.3	129.7	188.8
Deferred tax, opening balance		313.9	122.3	258.7	67.4	67.4
Recognized through profit and loss		95.5	75.0	150.3	129.7	188.8
Recognized through comprehensive income		0.2	1.2	0.7	1.5	2.5
Deferred tax, ending balance		409.7	198.5	409.7	198.5	258.7

1) The company tax rate in Norway was reduced from 27 percent to 25 percent at the beginning of 2016. Deferred tax at year-end 2015 is therefore calculated based on a tax rate of 25 percent.

NOTE 8: RELATED-PARTY DISCLOSURES

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

No 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 has resolved that a dividend of NOK 0.05 per share will be paid for the second quarter 2016. This dividend will be paid to registered shareholders at 12 July 2016.

There are no other significant events after 30 June 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.

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 2015. 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.

