

INTERIM REPORT
THIRD QUARTER 2016



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE THIRD QUARTER OF 2016

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

Rental income up

Overall rental income came to NOK 229.7 million, up from NOK 220.7 million in the same period of 2015. When purchase and sale of properties are taken into account, the increase in rental income was 10.1 per cent. Operating profit before fair-value adjustments came to NOK 185.9 million. Profit before tax and fair-value adjustments was NOK 85.4 million.

Pre-tax profit of NOK 260.7 million

Positive fair-value adjustments for investment properties totalled NOK 78.3 million, while positive fair-value adjustments for financial derivatives came to NOK 97 million. After NOK 65 million in tax expense, net profit for the period came to NOK 195.7 million. That yielded ordinary earnings per share (EPS) of NOK 0.36 for the third quarter. Carried equity per share came to NOK 11.50 at 30 September 2016, up from NOK 11.20 at 30 June 2016 (Epra NAV: NOK 12.83 and Epra NNNNAV: NOK 12.22 at 30 September 2016).

Lease

Norwegian Property has negotiated a lease with the Frogner city district and the central government arm of the Labour and Welfare Administration (NAV Stat) for the Drammensveien 60 property in Oslo. This contract covers the whole building, which totals about 11 000 square metres. Final approval of the lease by the City Council is expected at the end of October 2016.

Property purchases and sales

Norwegian Property strengthened its position at Aker Brygge with the acquisition of centrally placed retail and warehouse sections in this district from Watrium AS. The purchase price was NOK 204 million after the deduction of compensation for the tax position.

During the quarter, Norwegian Property entered into an agreement on the sale of Stortingsgata 6 to Deka Immobilien GmbH. The agreed gross value of the property is NOK 506.5 million, up by NOK 16.7 million from its valuation at 30 June 2016. The transaction was closed on 14 October 2016.

The sale of Verkstedveien 1, Verkstedveien 3 and Drammensveien 134 to Entra ASA, announced in the second quarter, was closed at 1 September 2016.

Mandatory offer

Geveran Trading Co Ltd acquired shares at the beginning of September which meant that it owned 53.52 per cent of the shares in Norwegian Property at that time. Pursuant to the Norwegian Securities Trading Act, Geveran Trading Co Ltd has therefore made a mandatory offer of NOK 10.80 per share for the outstanding stock. The board of Norwegian Property ASA has issued a statement concerning the offer (available from the Oslo Børs and company websites). The offer is extended to 3 November 2016.

Dividend

A dividend of NOK 0.05 per share was paid in August 2016. The company's long-term ambition is to pay a dividend of 30-50 per cent of current operational profits after tax payable. In light of the mandatory offer made by Geveran Trading Co Ltd and processes involving Norwegian Property's creditors related to the change in ownership structure, no decision will be taken by the board on further dividend payments until these processes have been completed.



KEY FIGURES

Profit and loss		3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Gross income	NOK mill.	229.7	220.7	696.6	640.4	858.3
Operating profit before adm. expenses	NOK mill.	200.8	185.8	610.8	537.3	716.0
Operating profit before value adj.	NOK mill.	185.9	170.6	569.4	496.2	636.8
Profit before income tax and value adj.	NOK mill.	85.4	65.7	260.8	167.6	208.3
Profit before income tax	NOK mill.	260.7	76.5	799.6	525.1	669.0
Profit after income tax	NOK mill.	195.7	71.2	584.3	390.2	480.2
EPRA-earnings ¹	NOK mill.	64.1	48.0	195.6	122.4	156.2

Balance sheet		3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Market value of investment portfolio	NOK mill.	14 529.9	16 038.3	14 529.9	16 038.3	16 256.2
Equity	NOK mill.	6 309.3	5 684.7	6 309.3	5 684.7	5 777.5
Interest bearing debt	NOK mill.	7 414.2	9 358.5	7 414.2	9 358.5	9 519.7
Equity ratio	Per cent	42.1	35.0	42.1	35.0	34.9
Pre-tax return on equity (annualized)	Per cent	17.3	5.6	17.6	12.8	12.1

Cash flow		3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Cash flow from operating activities	NOK mill.	58.2	21.6	227.5	128.9	138.0
Cash position	NOK mill.	316.3	10.9	316.3	10.9	55.8

Key numbers; per share		3Q 2016	3Q 2015	YTD 2016	YTD 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	0.48	0.14	1.46	0.96	1.22
Basic earnings (EPS) ²	NOK	0.36	0.13	1.07	0.71	0.88
EPRA-earnings ²	NOK	0.12	0.09	0.36	0.22	0.28
Operating cash flow	NOK	0.12	0.04	0.43	0.23	0.25
Interest bearing debt	NOK	13.52	17.06	13.52	17.06	17.36
NAV (book value of equity)	NOK	11.50	10.37	11.50	10.37	10.53
Deferred tax ³	NOK	0.64	0.43	0.64	0.43	0.50
Fair value of financial derivative instruments ⁴	NOK	0.69	0.91	0.69	0.91	0.91
EPRA NAV⁵	NOK	12.83	11.70	12.83	11.70	11.94
Fair value of deferred tax ⁶	NOK	0.08	0.20	0.08	0.20	0.16
Fair value of financial derivative instruments ⁷	NOK	-0.69	-0.91	-0.69	-0.91	-0.91
Fair value of debt ⁸	NOK	-	-0.04	-	-0.04	-0.03
EPRA NNAV⁹	NOK	12.22	10.95	12.22	10.95	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 THIRD QUARTER OF 2016

Rental income for Norwegian Property totalled NOK 229.7 million in the third quarter. That compares with the NOK 220.7 million achieved for the same period of 2015. Adjusted for property purchases and sales in 2015 and 2016, this represented a rise of NOK 21 million in rental income for the third quarter. The increase related primarily to the completion of development projects at Aker Brygge.

Maintenance and other operating costs totalled NOK 15 million (NOK 17.3 million¹⁰) for the quarter. Other property-related expenses came to NOK 13.9 million (NOK 17.6 million). Owner administrative expenses were NOK 14.9 million (NOK 15.2 million). Operating profit before fair-value adjustments thereby amounted to NOK 185.9 million (NOK 170.6 million) for the third quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 78.3 million (NOK 118.6 million).

Net realised financial expenses came to NOK 100.5 million (NOK 104.9 million) for the third quarter. An increase in market interest rates during the period meant that the profit component related to fair-value adjustments for financial derivatives represented a positive contribution of NOK 97 million (negative change of NOK 107.9 million).

Pre-tax profit for the third quarter was NOK 260.7 million (NOK 76.5 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 65 million (NOK 5.2 million). Net profit was thereby NOK 195.7 million (NOK 71.2 million).

VALUATION OF THE PROPERTIES

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

At 30 September, the group's portfolio of investment properties was valued at NOK 14 529.9 million (NOK 16 038.3 million). Investment properties held for sale are hereunder carried separately on the balance sheet at NOK 506.5 million and recognised at their transaction value. That applies to the Stortingsgata 6 property, where a sale agreement was reached in the third quarter. This transaction was closed early in the fourth quarter. Properties used by the owner were also carried separately on the balance sheet in the amount of NOK 88.2 million at 30 September, and recognised at fair value.

The positive fair-value adjustment came to NOK 78.3 million in the third quarter, including NOK 16.7 million in gains related to investment properties held for sale. The net positive adjustment to the fair value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 38.2 million, and related to the lease negotiated for the Drammensveien 60 property during the quarter. Other properties had a positive fair-value adjustment of NOK 23.4 million.

CASH FLOW

Net operational cash flow for financial items came to NOK 58.2 million (NOK 21.6 million) for the third quarter.

Investment in non-current assets came to NOK 254.7 million in the third quarter (NOK 46.7 million) and concerns the acquisition of sections in the Funds Building at Aker Brygge in Oslo, lessee adjustments related to new and renegotiated leases, and ongoing operational investment. Liquid assets acquired through the sale of three properties at Skøyen in Oslo amounted to NOK 2 513.3 million (NOK 623.7 million).

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



Net cash flow from financing activities was negative at NOK 2 016.5 million after a net decrease of NOK 1 989.1 million (NOK 595.1 million) in interest-bearing debt through the sale of properties and the payment of NOK 27.4 million in dividend.

The net increase in cash and cash equivalents was NOK 300.3 million (NOK 3 million) for the quarter.

BALANCE SHEET

The company held NOK 316.3 million (NOK 10.9 million) in cash and cash equivalents at 30 September. In addition came NOK 1 058 million (NOK 484.3 million) in unutilised credit facilities. Equity totalled NOK 6 309.3 million (NOK 5 684.7 million), representing an equity ratio of 42.1 per cent (35 per cent). Carried equity per share was NOK 11.50 (NOK 10.37). Equity per share was NOK 12.83 (NOK 11.70) based on the Epra NAV standard and NOK 12.22 (NOK 10.95) based on Epra NNNAV. Outstanding shares at 30 September totalled 548 425 596 (548 425 596).

FINANCING

KEY FIGURES

Consolidated liabilities were reduced by NOK 1 944.3 million during the third quarter following property sales. The table below presents key figures related to interest-bearing debt and hedges at 30 September 2016. The average figures for interest rates and hedges at 30 September take account of the effect of changes which have occurred since 1 October.

Interest bearing debt and hedging		30.09.2016	30.09.2015	31.12.2015
Interest bearing debt	NOK mill.	7 414.2	9 358.5	9 519.7
Cash and cash equivalents	NOK mill.	316.3	10.9	55.8
Interest hedging ratio	Per cent	66.8	61.6	61.0
Unutilised credit and overdraft facilities	NOK mill.	1 058.0	483.3	308.0
Average time to maturity, hedging	Years	3.8	4.6	4.3
Average interest rate (incl. margin and capitalized cost)	Per cent	4.52	4.23	4.33
Average margin	Per cent	1.59	1.40	1.40
Average residual term, borrowing	Years	1.7	1.9	1.7
Property value	NOK mill.	14 529.9	16 038.3	16 256.2
Interest bearing debt / value (LTV)	Per cent	51.0	58.4	58.6
Net interest bearing debt / value (net LTV)	Per cent	48.9	58.3	58.2

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 30 September 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.	3 064	650	500	850	1 100	1 250
Average interest rate	Per cent	1.3	4.2	4.6	4.1	4.4	3.2
Share of total liabilities	Per cent	41	9	7	11	15	17

Norwegian Property's interest hedge ratio is currently 66.8 per cent. The company works continuously to tailor interest hedges to a lower level of interest rates.



INTEREST-BEARING LIABILITIES

The carrying amount of interest-bearing liabilities totalled NOK 7 414.2 million (NOK 9 358.5 million) at 30 September.

With effect from 7 September, Gevean Trading Co Ltd increased its shareholding in Norwegian Property ASA beyond 50 per cent. The loan agreements entered into by Norwegian Property contain clauses relating to change of control. Where the bond loans (borrowings totalling NOK 2.2 billion at 30 September) are concerned, bondholders have until primo November 2016 to request a possible redemption. DNB/Danske Bank has accepted change of control related to their facilities (NOK 2.1 billion). There are ongoing processes for entering into a similar agreement for the facilities in SEB/Nordea (NOK 3.1 billion). All the loan facilities are classified as current liabilities in the balance sheet at 30 September.

A bond loan with an outstanding amount of NOK 112 million falls due during the fourth quarter of 2016, as do loan facilities in DNB/Danske Bank with a total drawdown of NOK 2.1 billion. The bond loan was redeemed on 5 October, while processes for refinancing of the bank facility is in its final stages.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy in Oslo is estimated by Akershus Eiendom to be around 7.25 per cent. The same analyst 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. However, signs indicate that the market is bottoming out.

After record activity in the transaction market during 2015, the volume of transactions was significantly lower in the first nine months of this year. Many buyer groups are still active and hunting for good objects, but few objects are being offered for sale in the market. Prime yield is estimated by Akershus Eiendom to be around four per cent, but the demand for good investment objects indicates continued downward pressure on the yield.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 33 office and commercial properties at 30 September. These are located in central areas of Oslo and Bærum (89.4 per cent of gross current rental income at 30 September), at Gardermoen (3.5 per cent of gross rental income) and in Stavanger (7.1 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 822.5 million at 30 September, down by NOK 3.2 million from 1 July corrected for the purchase and sale of properties. This decrease relates to leases expired during the period. Vacancy in the property portfolio (space not generating rental income) totalled 13.8 per cent of total space at 30 September, up from 13.3 per cent from 1 July. Remaining vacancy relates largely to properties in Stavanger.

The average remaining term of the leases is 4.7 years. The average rent adjustment factor for the consumer price index is 99.7 per cent for the total portfolio.



SHAREHOLDER INFORMATION

The company had 1 947 registered shareholders at 30 September, up by 316 from 30 June. Non-Norwegian shareholders held 67 per cent of the share capital at 30 September, up from 61.4 per cent at 30 June. The number of shares traded during the third quarter averaged 709 317 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 September, divided between 548 446 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property ASA held 21 236 as treasury shares at 30 September. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 September are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	GEVERAN TRADING CO LTD	53.52	293 502 335		CYP
2	FOLKETRYGDFONDET	13.44	73 701 642		NOR
3	NIAM V PROSJEKT AS c/o Langham Hall UK	12.30	67 437 425		NOR
4	THE BANK OF NEW YORK MELLON SA/NV	4.33	23 730 241	NOM	NLD
5	STATE STREET BANK AND TRUST CO	0.89	4 871 008	NOM	USA
6	BNP PARIBAS SEC. SERVICES S.C.A GBR	0.79	4 322 829	NOM	GBR
7	STATE STREET BANK AND TRUST CO.	0.63	3 472 928	NOM	USA
8	STATE STREET BANK & TRUST CO	0.60	3 305 844	NOM	IRL
9	CEK HOLDING AS	0.59	3 255 807		NOR
10	ALDEN AS	0.59	3 250 000		NOR
11	J.P. Morgan Chase Ba A/C VANGUARD BBH	0.51	2 792 550	NOM	USA
12	KLP AKSJENORGE INDEKS	0.38	2 082 065		NOR
13	STATE STREET BANK & TRUST COMPANY	0.34	1 879 335		USA
14	JP MORGAN BANK LUXEMBOURG S.A	0.29	1 608 501	NOM	LUX
15	KAS BANK NV S/A CLIENT ACC TREAT	0.29	1 583 313	NOM	NLD
16	NIKI AS	0.27	1 500 000		NOR
17	MATHIAS HOLDING AS	0.26	1 400 000		NOR
18	SKANDINAVISKA ENSKILDA BANKEN AB	0.22	1 214 000	NOM	FIN
19	STATE STREET BANK AND TRUST COMPA.	0.21	1 150 728	NOM	USA
20	STATE STREET BANK & TRUST CO.	0.20	1 113 097	NOM	USA
Total 20 largest shareholders		90.65	497 173 648		7/20 NOR

Geveran Trading Co Ltd acquired shares at 5 September which meant that it owned 53.52 per cent of the shares in Norwegian Property at that time. As a result of this share acquisition, Geveran crossed the threshold for making a mandatory offer pursuant to chapter 6 of the Norwegian Securities Trading Act, This offer was made in an offer document dated 21 September 2016 covering all shares not already owned by Geveran for a compensation of NOK 10.80 per share in cash. This offer period is extended to 3 November at 16.30. The Norwegian Property board issued a statement dated 4 October concerning the offer. This statement as well as the fairness opinion issued by Swedbank are available from the Oslo Børs and company websites).

OUTLOOK

Vacancy in Oslo is now estimated at 7.25 per cent by Akershus Eiendom, and is expected to continue declining as a result of growth in employment, conversion of space to other applications and extremely limited newbuild activity. The letting market in Stavanger remains demanding.

Activity in the transaction market remains lower than in the record year of 2015. Compared with alternative investment classes, however, property yields a competitive return and substantial buyer interest continues to shown in both good objects in the most attractive areas and properties in more secondary locations.

The Oslo portfolio, which now accounts for 95 per cent of the property value in the group, has little vacancy. Operationally, the company is devoting particular attention to properties with high vacancy (as in Stavanger) and where leases are approaching their expiry date. It is also working actively with long-term development opportunities in the portfolio – particularly in Nydalen district, where the prospects are exciting. In a demanding transaction market, the



board is also concentrating on opportunities which strengthen the company's position in its core areas – as exemplified by the completed purchase of retail sections at Aker Brygge during the third quarter.

Geveran Trading Co Ltd made an offer during the third quarter for all outstanding shares in Norwegian Property ASA following its acquisition of more than 50 per cent of the company's share capital (change of control). How large Geveran's shareholding would be after the expiry of the offer period was not known when this interim report was finalised.

In its offer document, Geveran states that its intention is to continue supporting Norwegian Property's business concept. It also specifies that no plans exist for reorganising Norwegian Property as a result of the offer.

As a result of the change of control, Norwegian Property is in the final phases of a dialogue with its creditors over the existing bank facilities with a view to extending and adapting these. These embrace drawn-down loans and undrawn credit limits. Pursuant to the loan terms, investors in Norwegian Property's bond loans have the opportunity to request the redemption of their bonds in the event of a change of control. The dialogue with the principal banks also embraces a long-term solution for one of the company's main credit facilities, which originally fell due in December 2016, and additional contingency for possible bond redemptions as a result of the change of control. The board will not propose dividend payments until these processes have been completed.



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Gross income		229.7	220.7	696.6	640.4	858.3
Maintenance and other operating expenses		-15.0	-17.3	-43.6	-49.0	-64.8
Other property-related expenses		-13.9	-17.6	-42.2	-54.1	-77.5
Total property-related expenses		-28.9	-34.9	-85.8	-103.1	-142.4
Administrative expenses		-14.9	-15.2	-41.4	-41.1	-79.2
Total operating expenses		-43.8	-50.1	-127.2	-144.2	-221.5
Operating profit before value adjustments		185.9	170.6	569.4	496.2	636.8
Change in market value of investment property	3	78.3	118.6	444.3	301.1	387.4
Operating profit		264.2	289.3	1 013.7	797.4	1 024.2
Financial income	2	0.2	0.1	0.3	0.6	0.6
Financial cost	2	-100.6	-105.1	-308.8	-329.2	-429.1
Realized net financial items		-100.5	-104.9	-308.6	-328.6	-428.5
Change in market value of financial derivative instruments	2, 4	97.0	-107.9	94.5	56.3	73.3
Net financial items		-3.5	-212.8	-214.1	-272.3	-355.2
Profit before income tax		260.7	76.5	799.6	525.1	669.0
Income tax	7	-65.0	-5.2	-215.3	-134.9	-188.8
Profit for the period		195.7	71.2	584.3	390.2	480.2
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to shareholders of the parent company		195.7	71.2	584.3	390.2	480.2
Value adjustment of owner-occupied property	3	0.3	0.3	2.2	4.3	7.2
Total other comprehensive income		0.3	0.3	2.2	4.3	7.2
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-	-
Total comprehensive income		196.0	71.5	586.5	394.5	487.4
Total comprehensive income attributable to shareholders of the parent company		196.0	71.5	586.5	394.5	487.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.09.2016	30.09.2015	31.12.2015
ASSETS				
Financial derivative instruments	4	3.3	4.9	6.1
Investment property	3	13 935.2	15 955.0	16 169.6
Owner-occupied property	3	88.2	83.3	86.5
Other fixed assets		46.4	45.2	45.8
Total non-current assets		14 073.0	16 088.4	16 308.0
Financial derivative instruments	4	2.2	-	-
Receivables		109.4	144.2	181.6
Cash and cash equivalents	6	316.3	10.9	55.8
Investment property held for sale	3	506.5	-	-
Total current assets		934.3	155.1	237.5
Total assets		15 007.3	16 243.5	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		-3 817.4	-4 442.0	-4 349.1
Total equity		6 309.3	5 684.7	5 777.5
Deferred tax	7	474.7	203.9	258.7
Financial derivative instruments	4	502.7	688.4	670.2
Interest bearing liabilities	6	-	9 308.3	4 612.7
Other liabilities		57.6	2.6	52.6
Total non-current liabilities		1 035.0	10 203.2	5 594.3
Financial derivative instruments	4	5.9	-	2.0
Interest bearing liabilities	6	7 414.2	50.2	4 906.9
Other liabilities		243.0	305.4	264.8
Total current liabilities		7 663.1	355.6	5 173.7
Total liabilities		8 698.1	10 558.8	10 768.0
Total equity and liabilities		15 007.3	16 243.5	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	5 290.2
Total comprehensive income	-	-	-	394.5	394.5
Total equity 30.09.2015	274.2	3 412.3	6 440.1	-4 442.0	5 684.7
Total comprehensive income	-	-	-	92.9	92.9
Total equity 31.12.2015	274.2	3 412.3	6 440.1	-4 349.1	5 777.5
Total comprehensive income	-	-	-	586.5	586.5
Paid dividend	-	-	-	-54.8	-54.8
Total equity 30.09.2016	274.2	3 412.3	6 440.1	-3 817.4	6 309.3

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Profit before income tax		260.7	76.5	799.6	525.1	669.0
Depreciation of tangible assets		2.4	2.2	7.3	6.6	9.1
Fair value adjustment of investment property	3	-78.3	-118.6	-444.3	-301.1	-387.4
Fair value adjustment of financial derivative instruments	4	-164.5	57.8	-163.0	-137.1	-154.5
Change in short-term items		38.0	3.8	27.9	35.4	1.8
Net cash flow from operating activities		58.2	21.6	227.5	128.9	138.0
Received cash from sale of investment property		2 513.3	623.2	2 543.0	623.2	623.0
Payments for purchase of investment property and other fixed assets		-254.7	-46.7	-345.4	-467.2	-590.4
Net cash flow from investing activities		2 258.6	576.5	2 197.6	156.0	32.6
Net change of interest bearing debt	6	-1 989.1	-595.1	-2 109.8	-295.6	-136.5
Paid dividend		-27.4	-	-54.8	-	-
Net cash flow from financial activities		-2 016.5	-595.1	-2 164.6	-295.6	-136.5
Net change in cash and cash equivalents		300.3	3.0	260.5	-10.8	34.1
Cash and cash equivalents at the beginning of the period		16.0	7.8	55.8	21.7	21.7
Cash and cash equivalents at the end of the period		316.3	10.9	316.3	10.9	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 20 October 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	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Interest income on bank deposits	0.2	0.1	0.3	0.5	0.6
Total financial income	0.2	0.1	0.3	0.5	0.6
Interest expense on borrowings	-100.6	-105.0	-308.8	-329.1	-429.1
Total financial cost	-100.6	-105.0	-308.8	-329.1	-429.1
Realized net financial items	-100.5	-104.9	-308.5	-328.6	-428.5
Change in market value of financial derivative instruments	97.0	-107.9	94.5	56.3	73.3
Net financial items	-3.5	-212.8	-214.1	-272.3	-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	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Total value of investment property, opening balance		16 680.2	16 455.3	16 256.2	15 796.5	15 796.6
Disposals of properties at book value	1	-2 510.1	-577.3	-2 539.1	-577.3	-577.3
Additions through acquisition and on-going investments of properties		254.9	35.4	339.8	505.3	635.5
Recognised in the income statement in the period		105.0	118.7	471.3	309.1	393.5
Recognised in other comprehensive income in the period		-0.1	6.2	1.7	4.6	7.9
Total value of investment property, ending balance		14 529.9	16 038.3	14 529.9	16 038.3	16 256.2
Of which investment property held for sale	2	-506.5	-	-506.5	-	-
Investment property not held for sale		14 023.4	16 038.3	14 023.4	16 038.3	16 256.2
Of which owner-occupied property	3	-88.2	-83.3	-88.2	-83.3	-86.5
Book value of investment property		13 935.2	15 955.0	13 935.2	15 955.0	16 169.6

1) Disposals in 2016 applies to Strandsvingen 10, Verkstedveien 1, Verkstedveien 3 and Drammensveien 134. The disposal in 2015 apply to Lysaker Torg 35.

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 third quarter of 2016, Norwegian Property has entered into an agreement for the sale of the property Stortingsgata 6. The transaction is carried out early in the fourth quarter of 2016, and the property are valued at the transaction value at the end of the third 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	30.09.2016			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	13 935.2	13 935.2
Owner-occupied property	-	-	88.2	88.2
Investment property held for sale	-	-	506.5	506.5
Total	-	-	14 529.9	14 529.9

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

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	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Net book value of derivatives, opening balance	-667.7	-625.7	-666.1	-820.6	-820.6
Buyout of derivatives	67.5	50.1	68.5	80.8	81.2
Fair value adjustments of derivatives	97.0	-107.9	94.5	56.3	73.3
Net book value of derivatives, ending balance	-503.2	-683.5	-503.2	-683.5	-666.1
Of which classified as non-current assets	3.3	4.9	3.3	4.9	6.1
Of which classified as current assets	2.2	-	2.2	-	-
Of which classified as non-current liabilities	-502.7	-688.4	-502.7	-688.4	-670.2
Of which classified as current liabilities	-5.9	-	-5.9	-	-2.0

NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	30.09.2016		30.09.2015	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	3.3	3.3	4.9	4.9
Current derivatives	2.2	2.2	-	-
Current receivables	109.4	109.4	144.2	144.2
Cash and cash equivalents	316.3	316.3	10.9	10.9
Total financial assets	431.1	431.1	160.0	160.0
Non-current derivatives	502.7	502.7	688.4	688.4
Non-current interest-bearing liabilities	-	-	9 308.3	9 336.8
Current derivatives	5.9	5.9	-	-
Current interest-bearing liabilities	7 414.2	7 411.8	50.2	50.8
Other current liabilities	239.2	239.2	303.9	303.9
Total financial liabilities	8 162.1	8 159.7	10 350.8	10 379.9

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



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

Amounts in NOK million	30.09.2016			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	3.3	-	3.3
Current derivatives (assets)	-	2.2	-	2.2
Non-current derivatives (liabilities)	-	-502.7	-	-502.7
Current derivatives (liabilities)	-	-5.9	-	-5.9
Total	-	-503.2	-	-503.2

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

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	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Loan facilities at par value, opening balance		9 411.7	9 968.3	9 532.4	9 668.8	9 668.9
Increase of loan facilities		-	23.1	-	684.8	884.8
Reduction of loan facilities		-1 989.1	-618.1	-2 109.8	-980.4	-1 021.3
Loan facilities at par value, ending balance		7 422.6	9 373.3	7 422.6	9 373.2	9 532.4
Capitalized borrowing cost		-8.4	-14.8	-8.4	-14.8	-12.7
Book value of interest-bearing debt		7 414.2	9 358.5	7 414.2	9 358.4	9 519.7
Of which classified as non-current liabilities		-	9 308.3	-	9 308.3	4 612.7
Of which classified as current liabilities		7 414.2	50.2	7 414.2	50.2	4 906.9
Interest-bearing debt	1	-7 414.2	-9 358.5	-7 414.2	-9 358.4	-9 519.7
Cash and cash equivalents		316.3	10.9	316.3	10.9	55.8
Net interest-bearing position		-7 097.9	-9 347.6	-7 097.9	-9 347.6	-9 463.9

1) Undrawn credit facilities amounted to NOK 1 058 million at 30 September 2016, NOK 483,3 million at 30 September 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 September 2016 were 67 per cent of such loans secured (30 September 2015: 62 percent). The total average margin on variable rate loans was 159 basis points (30 September 2015: 140 basis points). The loan portfolio has an average interest rate of 4.52 per cent (30 September 2015: 4.23 per cent), and average remaining duration was 1.7 years (30 September 2015: 1.9 years). Average remaining maturity of hedging contracts was 3.8 years (30 September 2015: 4.6 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	3Q 2016	3Q 2015	YTD 2016	YTD 2015	Year 2015
Profit before income tax		260.7	76.5	799.6	525.1	669.0
Income tax calculated at 25 per cent (27 per cent for 2015)		65.2	20.6	199.9	141.8	180.6
Changed tax rate to 25 percent for deferred taxes on the closing balance 2015	1	-	-	-	-	-20.6
Temporary differences		-0.2	-15.4	15.4	-6.9	-28.8
Income tax		65.0	5.2	215.3	134.9	188.8
Deferred tax, opening balance		409.7	198.5	258.7	67.4	67.4
Recognized through profit and loss		65.0	5.2	215.3	134.9	188.8
Recognized through comprehensive income		-	0.1	0.7	-	2.5
Deferred tax, ending balance		474.7	203.9	474.7	203.9	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

There are no significant events after 30 September 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.

