

INTERIM REPORT

FOURTH QUARTER AND FULL YEAR 2015



NORWEGIAN  
PROPERTY

## **IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2015**

### **GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES**

#### **Rental income up by 24.9 per cent**

The major development projects are virtually complete, and a number of new tenants moved into their premises during the fourth quarter of 2015. Overall rental income rose from NOK 182.6 million in the same period of 2014 to NOK 217.9 million. Taking the sale of Lysaker Torg 35 into account, the increase was 24.9 per cent. Operating profit before fair-value adjustments came to NOK 140.6 million. Profit before tax and fair-value adjustments was NOK 40.7 million.

#### **Epra NAV up by NOK 0.24 per share in the fourth quarter**

Positive fair-value adjustments for investment properties totalled NOK 86.2 million, while positive fair-value adjustments for financial derivatives came to NOK 17 million. After NOK 53.9 million in tax expense, net profit for the period came to NOK 90 million. That yielded ordinary earnings per share (EPS) of NOK 0.16 for the fourth quarter. Carried equity per share came to NOK 10.53 at 31 December, up from NOK 10.37 at 30 September (Epra NAV: NOK 11.94 and Epra NNAV: NOK 11.16 at 31 December 2015).

#### **Vacant space down from 22.9 to 13.7 per cent in fourth quarter**

Seventeen new and expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 45.6 million.

Total vacancy (space without rental income) declined from 22.9 to 13.7 per cent during the quarter. For Oslo alone, vacancy is now 4.8 per cent.

#### **Total run rate up by 8.7 per cent in fourth quarter**

Contractual rental income (run rate) at 31 December totalled NOK 931.4 million, compared with NOK 857.1 million at 1 October. In addition, leases have been awarded with a future commencement date which will provide an annual rental income of NOK 15.5 million.

#### **Quarterly dividend payment planned in 2016**

At the annual general meeting in April the board will seek a mandate to consider quarterly dividend payments, the first time after the presentation of the interim accounts for the first quarter of 2016.

#### **Cost adjustments**

The big development projects are virtually complete, and certain properties have been sold. In order to adapt the organisation's size to the current level of activity, therefore, the company's cost structure will be reviewed during the first quarter. Viewed overall, the organisation is expected to be downsized by 10-12 work-years through staffing adjustments, a reduction in resources employed under contract, and not replacing natural wastage. The annual level of costs is expected to decline by around NOK 15-20 million as a result of these measures. A provision of NOK 15 million is recognised in the fourth quarter related to the planned measures.



## KEY FIGURES

Profit and loss		4Q 2015	4Q 2014	Year 2015	Year 2014
Gross income	NOK mill.	217.9	182.6	858.3	738.6
Operating profit before adm. expenses	NOK mill.	178.6	139.5	716.0	602.6
Operating profit before value adj.	NOK mill.	140.6	123.2	636.8	539.1
Profit before income tax and value adj.	NOK mill.	40.7	32.1	208.3	157.6
Profit before income tax	NOK mill.	143.9	-5.8	669.0	129.7
Profit after income tax	NOK mill.	90.0	9.5	480.2	225.3
EPRA-earnings <sup>1</sup>	NOK mill.	30.5	23.4	156.2	115.0

Balance sheet		4Q 2015	4Q 2014	Year 2015	Year 2014
Market value of investment portfolio	NOK mill.	16 256.2	15 796.6	16 256.2	15 796.6
Equity	NOK mill.	5 777.5	5 290.2	5 777.5	5 290.2
Interest bearing debt	NOK mill.	9 519.7	9 635.4	9 519.7	9 635.4
Equity ratio	Per cent	34.9	32.9	34.9	32.9
Pre-tax return on equity (annualized)	Per cent	10.4	-0.4	12.1	2.5

Cash flow		4Q 2015	4Q 2014	Year 2015	Year 2014
Cash flow from operating activities	NOK mill.	9.1	-15.9	138.0	-71.2
Cash position	NOK mill.	55.8	21.7	55.8	21.7

Key numbers; per share		4Q 2015	4Q 2014	Year 2015	Year 2014
No. of shares issued	Number	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
Pre-tax profit <sup>2</sup>	NOK	0.26	-0.01	1.22	0.24
Basic earnings (EPS) <sup>2</sup>	NOK	0.16	0.02	0.88	0.41
EPRA-earnings <sup>2</sup>	NOK	0.06	0.04	0.28	0.21
Operating cash flow	NOK	0.02	-0.03	0.25	-0.13
Interest bearing debt	NOK	17.36	17.57	17.36	17.57
<b>NAV (book value of equity)</b>	<b>NOK</b>	<b>10.53</b>	<b>9.65</b>	<b>10.53</b>	<b>9.65</b>
Deferred property tax <sup>3</sup>	NOK	0.50	0.23	0.50	0.23
Fair value of financial derivative instruments <sup>4</sup>	NOK	0.91	1.09	0.91	1.09
<b>EPRA NAV<sup>5</sup></b>	<b>NOK</b>	<b>11.94</b>	<b>10.97</b>	<b>11.94</b>	<b>10.97</b>
Fair value of deferred tax <sup>6</sup>	NOK	0.16	0.27	0.16	0.27
Fair value of financial derivative instruments <sup>7</sup>	NOK	-0.91	-1.09	-0.91	-1.09
Fair value of debt <sup>8</sup>	NOK	-0.03	-0.06	-0.03	-0.06
<b>EPRA NNAV<sup>9</sup></b>	<b>NOK</b>	<b>11.16</b>	<b>10.08</b>	<b>11.16</b>	<b>10.08</b>

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

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

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

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

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

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

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

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

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



## FINANCIAL PERFORMANCE

### RESULTS FOR THE FOURTH QUARTER OF 2015

Rental income for Norwegian Property totalled NOK 217.9 million in the fourth quarter. That compares with NOK 182.6 million for the same period of 2014. Adjusted for property sales, this represented a rise of NOK 43.5 million in rental income for the fourth quarter of 2015. The increase related primarily to the phasing-in of development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 15.9 million (NOK 14.7 million<sup>10</sup>) for the quarter. Other property-related expenses came to NOK 23.4 million (NOK 29.3 million), and include one-off items of NOK 6.2 million related to the outline project for the Grenseveien 21 property. Owner administrative expenses were NOK 38 million (NOK 16.4 million), and include NOK 13.4 million in costs related to the terminated sales process for certain of the company's properties and NOK 15 million related to organizational adjustments. Operating profit before fair-value adjustments thereby amounted to NOK 140.6 million (NOK 123.2 million) for the fourth quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 86.2 million (NOK 155.2 million).

Net realised financial expenses came to NOK 99.9 million (NOK 91.1 million) for the fourth quarter of 2015. No significant changes occurred to market interest rates during the fourth quarter of 2015, and the profit component related to fair-value adjustments for financial derivatives was positive at NOK 17 million (negative at NOK 193 million).

Pre-tax profit for the fourth quarter was NOK 143.9 million (loss of NOK 5.8 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 53.9 million (reduction of NOK 15.3 million). Net profit was thereby NOK 90 million (NOK 9.5 million).

### ANNUAL RESULT FOR 2015

Rental income for Norwegian Property totalled NOK 858.3 million for the full year, compared with NOK 738.6 million for 2014. Adjusted for property sales in 2014 and 2015, this represented a rise of NOK 169.8 million in rental income. The increase related primarily to the phasing-in of development projects at Aker Brygge and Skøyen in Oslo.

Maintenance and other operating costs totalled NOK 64.8 million (NOK 60.4 million) for the full year. Other property-related expenses came to NOK 77.5 million (NOK 75.6 million). Administrative expenses were NOK 79.2 million (NOK 63.5 million). Operating profit before fair-value adjustments thereby amounted to NOK 636.8 million (NOK 539.1 million).

Net realised financial expenses came to NOK 428.5 million (NOK 381.5 million) for the full year. The increase of NOK 47 million from 2014 related primarily to the completion of major development projects, where costs related to project financing were capitalised. The total change in fair value for the property portfolio during 2015 was positive at NOK 387.4 million (NOK 354.8 million). Shortened maturities and limited changes to market interest rates during 2015 meant that the profit component related to fair-value adjustments for financial derivatives was positive at NOK 73.3 million (negative at NOK 382.7 million).

Pre-tax profit for 2015 was NOK 669 million (NOK 129.7 million). The increase in the provision for non-payable deferred tax expense for the full year was NOK 188.8 million (reduction of NOK 95.6 million). Net profit was thereby NOK 480.2 million (NOK 225.3 million).

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



## 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 December 2015 is based on an average of the two valuations.

At 31 December, the group's portfolio of investment properties was valued at NOK 16 256.2 million (NOK 15 796.5 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 86.5 million at 31 December, and recognised at fair value.

The fair-value adjustment came to NOK 86.2 million in the fourth quarter. Development projects were virtually completed during the first half of 2015. The net negative adjustment to the fair value of properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 167.5 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 affected by rather more uncertain trends for vacancy and rent levels. Other properties had a positive fair-value adjustment of NOK 253.7 million.

Oslo's city council will introduce a property tax with effect from 2017. This is expected to represent an additional cost for property owners, even if some of the effect can be charged to tenants pursuant to the leases. The anticipated negative effect of the property tax has been incorporated in the valuation of the investment properties at 31 December 2015.

## CASH FLOW

Net operational cash flow came to NOK 9.1 million (negative at NOK 15.9 million) for the fourth quarter. Net investment in fixed assets totalled NOK 123.3 million (NOK 398.9 million) in the fourth quarter, and largely embraced lessee investment and VAT for new and extended leases, as well as spending on the conversion of several large properties which was largely completed earlier in 2015. Net cash flow from financing activities was positive at NOK 159.1 million (NOK 425.8 million) after an increase in interest-bearing debt. The net increase in cash and cash equivalents was NOK 44.9 million (NOK 11.1 million) for the quarter.

Net operational cash flow came to NOK 138 million (negative at NOK 71.2 million) for the full year. Net cash flow from investment activities for the year was NOK 32.6 million (NOK 661.6 million), and included property sales and capital spending on the property portfolio. Net cash flow from financing activities was negative at NOK 136.5 million (positive at NOK 692.6 million), related to the redemption of interest-bearing debt during 2015. The net increase in cash and cash equivalents was thereby NOK 34.1 million (negative at NOK 40.2 million) for 2015.

## BALANCE SHEET

The company held NOK 55.8 million (NOK 21.7 million) in cash and cash equivalents at 31 December. In addition came NOK 308 million (NOK 558 million) in unutilised credit facilities. Equity totalled NOK 5 777.5 million (NOK 5 290.1 million), representing an equity ratio of 34.9 per cent (32.9 per cent). Carried equity per share was NOK 10.53 (NOK 9.65). Equity per share was NOK 11.94 (NOK 10.97) based on the Epra NAV standard and NOK 11.16 (NOK 10.08) based on Epra NNAV. Outstanding shares at 31 December 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 December 2015.

Interest bearing debt and hedging		31.12.2015	31.12.2014
Interest bearing debt	NOK mill.	9 519.7	9 635.4
Cash and cash equivalents	NOK mill.	55.8	21.7
Interest hedging ratio	Per cent	61.0	68.0
Unutilised credit and overdraft facilities	NOK mill.	308.0	558.0
Average time to maturity, hedging	Years	4.3	4.6
Average interest rate (incl. margin and capitalized cost)	Per cent	4.33	4.57
Average margin	Per cent	1.40	1.40
Average residual term, borrowing	Years	1.7	2.8
Property value	NOK mill.	16 256.2	15 796.5
Interest bearing debt / value (LTV)	Per cent	58.6	61.0
Net interest bearing debt / value (net LTV)	Per cent	58.2	60.9

### INTEREST HEDGES

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

Maturity profile of interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year
Amount	NOK mill.	3 670	850	1 100	700	1 150	2 050
Average interest rate	Per cent	0,6	2,8	4,3	4,6	4,2	3,8
Share of total liabilities	Per cent	39	9	12	7	12	22

Norwegian Property has historically had a very high interest hedge ratio, but is currently down to 61 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 9 519.7 million (NOK 9 635.4 million) at 31 December.



## OPERATIONS

### COMMERCIAL PROPERTY MARKET

Office vacancy was around eight per cent of total space in the Oslo area at 31 December, according to Akershus Eiendom. Demand for offices remains restrained as a result of weaker economic growth. Rental levels are stable or falling slightly in most parts of Oslo. Pressure on rents is greatest in the western corridor which includes the Lysaker and Fornebu areas. Limited newbuilding activity, conversion of certain older office premises into residential accommodation and expectations of some recovery in economic growth contribute to expectations at Akershus Eiendom that overall vacancy will be stable or declining in the 2016-17 period.

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

Activity in the transaction market remained at a record level during the fourth quarter. The market consensus is that the overall transaction volume for the full year was NOK 125 billion. Prime yield is now estimated to be around 4.25 per cent. The biggest buyer categories are still foreign investors and life insurance companies. Long-term interest rates declined somewhat during the quarter, while the financing market has become somewhat tighter and borrowing margins are generally continuing to rise slightly. That has resulted in tendencies towards rather greater differentiation in transaction pricing between the most attractive objects and others.

### THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 38 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (90.7 per cent of gross current rental income at 31 December), at Gardermoen (3.1 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 931.4 million at 31 December, up by NOK 74.3 million from 1 October. This increase relates to new leases awarded during the period, including the leasing of Forusbeen 35 in Stavanger. Vacancy in the property portfolio (space without rental income) totalled 13.7 per cent of total space at 31 December, down from 23.2 per cent at 1 October. Remaining vacancy relates largely to properties in Stavanger and the Verkstedveien 1 development project at Skøyen, which was completed during 2015.

Seventeen leases were awarded or renegotiated during the fourth quarter, with a combined annual value of about NOK 45.6 million. The average remaining term of the leases is 5.7 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 1 776 registered shareholders at 31 December, an increase of 25 from 30 September. Non-Norwegian shareholders held 62.3 per cent of the share capital at 31 December, unchanged from 30 September. The number of shares traded during the fourth quarter declined from the preceding period, and averaged 920 748 shares per day over the full year. Corresponding daily turnover was 1.1 million in 2014 and 0.5 million in 2013. The company's share capital totalled NOK 274 223 416 at 31 December, 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 December. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 December 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	5.25	28 786 374	ORD	NOR
5	BNY MELLON SA/NV BNYM, STICHTING DEP	4.33	23 730 241	NOM	NLD
6	BNP Paribas Sec. Ser S/A BP2S LUX/FIM LUX	1.07	5 887 392	NOM	LUX
7	STATE STREET BANK AND TRUST CO	0.81	4 436 421	NOM	USA
8	BNP PARIBAS SEC. SERVICES S.C.A GBR	0.79	4 325 659	NOM	GBR
9	STATE STREET BANK AND TRUST CO.	0.72	3 968 734	NOM	USA
10	ALDEN AS	0.64	3 500 000	ORD	NOR
11	STATE STREET BANK & SSB, : ISHARES EUROP	0.61	3 360 187	NOM	IRL
12	STATE STREET BANK & S/A SSB CLIENT OMNI	0.46	2 524 545	NOM	USA
13	J.P. Morgan Chase Ba A/C VANGUARD BBH LEN	0.43	2 352 360	NOM	USA
14	PETRUS AS	0.36	2 000 000	ORD	NOR
15	JP Morgan Bank Luxem JPML SA RE CLT ASSET	0.35	1 943 325	NOM	LUX
16	KLP AKSJENORGE INDEKS	0.35	1 912 879	ORD	NOR
17	KAS BANK NV S/A CLIENT ACC TREAT	0.31	1 712 800	NOM	NLD
18	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000	ORD	NOR
19	ALTA INVEST AS	0.23	1 270 157	ORD	NOR
20	NIKI AS	0.23	1 250 000	ORD	NOR
<b>Total 20 largest shareholders</b>		<b>91.25</b>	<b>500 475 010</b>		<b>9/20 NOR</b>

## OUTLOOK

According to Akershus Eiendom, vacancy in Oslo is flattening out at about eight per cent, while rent levels remain under some pressure in most sub-markets. The letting market in Stavanger remains demanding. Statistics Norway expects a rather higher growth in gross domestic product (GDP) for mainland Norway in 2016 than in the year before – two per cent compared with 1.5 per cent. But the figure is expected to exceed 2.6 per cent as early as 2017.

Activity in the transaction market reached record heights in 2015. Long-term market interest rates varied somewhat over the year, but were close to record low levels at the beginning of 2016. The banks signalled more cautious lending activity in late 2015, which has caused some upward pressure on borrowing margins. As its major projects have been completed, Norwegian Property's attention has turned to expansion opportunities. However, the company is experiencing very stiff competition in the transaction market over those objects it regards as relevant.

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. The board's overall ambition is for a gradual improvement in operating profit. In line with this expected strengthening in operational results, a resumption of dividend payments will be proposed by the board.

**The board of directors of Norwegian Property ASA**

Oslo, 10 February 2016





## FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	4Q 2015	4Q 2014	Year 2015	Year 2014
<b>Gross income</b>		<b>217.9</b>	<b>182.6</b>	<b>858.3</b>	<b>738.6</b>
Maintenance and other operating expenses		-15.9	-13.8	-64.8	-60.4
Other property-related expenses		-23.4	-29.3	-77.5	-75.6
<b>Total property-related expenses</b>		<b>-39.3</b>	<b>-43.1</b>	<b>-142.4</b>	<b>-136.0</b>
Administrative expenses		-38.0	-16.4	-79.2	63.5
<b>Total operating expenses</b>		<b>-77.3</b>	<b>-59.5</b>	<b>-221.5</b>	<b>-199.5</b>
<b>Operating profit before value adjustments</b>		<b>140.6</b>	<b>123.2</b>	<b>636.8</b>	<b>539.1</b>
Change in market value of investment property	3	86.2	155.2	387.4	354.8
<b>Operating profit</b>		<b>226.8</b>	<b>278.3</b>	<b>1 024.2</b>	<b>893.9</b>
Financial income	2	0.1	0.4	0.6	1.7
Financial cost	2	-100.0	-91.5	-429.1	-383.2
<b>Realized net financial items</b>		<b>-99.9</b>	<b>-91.1</b>	<b>-428.5</b>	<b>-381.5</b>
Change in market value of financial derivative instruments	2, 4	17.0	-193.0	73.3	-382.7
<b>Net financial items</b>		<b>-82.9</b>	<b>-284.1</b>	<b>-355.2</b>	<b>-764.2</b>
<b>Profit before income tax</b>		<b>143.9</b>	<b>-5.8</b>	<b>669.0</b>	<b>129.7</b>
Income tax	7	-53.9	15.3	-188.8	95.6
<b>Profit for the period</b>		<b>90.0</b>	<b>9.5</b>	<b>480.2</b>	<b>225.3</b>
Profit attributable to non-controlling interests		-	-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>90.0</b>	<b>9.5</b>	<b>480.2</b>	<b>225.3</b>
Value adjustment of owner-occupied property	3	2.9	3.0	7.2	7.4
<b>Total other comprehensive income</b>		<b>2.9</b>	<b>3.0</b>	<b>7.2</b>	<b>7.4</b>
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-
<b>Total comprehensive income</b>		<b>92.9</b>	<b>12.5</b>	<b>487.4</b>	<b>232.7</b>
Total comprehensive income attributable to shareholders of the parent company		92.9	12.5	487.4	232.7
Total comprehensive income attributable to non-controlling interests		-	-	-	-



## CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12.2015	31.12.2014
<b>ASSETS</b>			
Financial derivative instruments	4	6.1	6.6
Investment property	3	16 169.6	15 695.1
Owner-occupied property	3	86.5	101.5
Other fixed assets		45.8	43.9
<b>Total non-current assets</b>		<b>16 308.0</b>	<b>15 847.1</b>
Receivables		181.6	192.1
Cash and cash equivalents	6	55.8	21.7
<b>Total current assets</b>		<b>237.5</b>	<b>213.8</b>
<b>Total assets</b>		<b>16 545.5</b>	<b>16 060.9</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		274.2	274.2
Share premium		3 412.3	3 412.3
Other paid in equity		6 440.1	6 440.1
Retained earnings		-4 349.1	-4 836.3
<b>Total equity</b>		<b>5 777.5</b>	<b>5 290.2</b>
Deferred tax	7	258.7	67.4
Financial derivative instruments	4	670.2	824.6
Interest bearing liabilities	6	4 612.7	9 621.9
Other liabilities	3	52.6	-
<b>Total non-current liabilities</b>		<b>5 594.3</b>	<b>10 513.8</b>
Financial derivative instruments	4	2.0	2.7
Interest bearing liabilities	6	4 906.9	13.5
Other liabilities		264.8	240.8
<b>Total current liabilities</b>		<b>5 173.7</b>	<b>256.9</b>
<b>Total liabilities</b>		<b>10 768.0</b>	<b>10 770.8</b>
<b>Total equity and liabilities</b>		<b>16 545.5</b>	<b>16 060.9</b>



## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Retained earnings	Total equity
<b>Total equity 31.12.2013</b>	<b>274.2</b>	<b>3 412.3</b>	<b>6 440.1</b>	<b>-5 069.2</b>	<b>5 057.5</b>
Total comprehensive income 2014	-	-	-	232.7	232.7
<b>Total equity 31.12.2014</b>	<b>274.2</b>	<b>3 412.3</b>	<b>6 440.1</b>	<b>-4 836.4</b>	<b>5 290.2</b>
Total comprehensive income 2015	-	-	-	487.4	487.4
<b>Total equity 31.12.2015</b>	<b>274.2</b>	<b>3 412.3</b>	<b>6 440.1</b>	<b>-4 349.1</b>	<b>5 777.5</b>

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	4Q 2015	4Q 2014	Year 2015	Year 2014
Profit before income tax		143.9	-5.8	669.0	129.7
Depreciation of tangible assets		2.5	2.6	9.1	8.2
Fair value adjustment of investment property	3	-86.2	-155.2	-387.4	-354.8
Fair value adjustment of financial derivative instruments	4	-17.4	135.7	-154.5	233.7
Agio/disagio		-	0.3	-	1.0
Change in short-term items		-33.7	6.5	1.8	-89.0
<b>Net cash flow from operating activities</b>		<b>9.1</b>	<b>-15.9</b>	<b>138.0</b>	<b>-71.2</b>
Received cash from sale of investment property		-0.1	-0.4	623.0	1 032.4
Payments for purchase of investment property and other fixed assets		-123.2	-398.5	-590.4	-1 693.9
<b>Net cash flow from investing activities</b>		<b>-123.3</b>	<b>-398.9</b>	<b>32.6</b>	<b>-661.6</b>
Net change of interest bearing debt	6	159.1	425.8	-136.5	692.6
<b>Net cash flow from financial activities</b>		<b>159.1</b>	<b>425.8</b>	<b>-136.5</b>	<b>692.6</b>
<b>Net change in cash and cash equivalents</b>		<b>44.9</b>	<b>11.1</b>	<b>34.1</b>	<b>-40.2</b>
Cash and cash equivalents at the beginning of the period		10.9	10.9	21.7	62.9
Exchange rate effects		-	-0.3	-	-1.0
<b>Cash and cash equivalents at the end of the period</b>		<b>55.8</b>	<b>21.7</b>	<b>55.8</b>	<b>21.7</b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The interim report of Norwegian Property ASA was approved at a Board meeting on 10 February 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	4Q 2015	4Q 2014	Year 2015	Year 2014
Interest income on bank deposits	0.1	0.4	0.6	1.7
<b>Total financial income</b>	<b>0.1</b>	<b>0.4</b>	<b>0.6</b>	<b>1.7</b>
Interest expense on borrowings	-100.0	-91.2	-429.1	-382.2
Currency loss on bank deposits	-	-0.3	-	-1.0
<b>Total financial cost</b>	<b>-100.0</b>	<b>-91.5</b>	<b>-429.1</b>	<b>-383.2</b>
<b>Realized net financial items</b>	<b>-99.9</b>	<b>-91.1</b>	<b>-428.5</b>	<b>-381.5</b>
Change in market value of financial derivative instruments	17.0	-193.0	73.3	-382.7
<b>Net financial items</b>	<b>-82.9</b>	<b>-284.1</b>	<b>-355.2</b>	<b>-764.2</b>



### NOTE 3: INVESTMENT PROPERTY

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

Amounts in NOK million	Note	4Q 2015	4Q 2014	Year 2015	Year 2014
Total value of investment property, opening balance		16 038.3	15 230.5	15 796.6	14 762.6
Disposals of properties at book value	1	-	0.1	-577.3	-1 043.7
Additions through acquisition and on-going investments of properties		130.2	402.6	635.5	1 702.3
Recognised in the income statement in the period		84.4	155.2	393.5	354.8
Recognised in other comprehensive income in the period		3.3	2.9	7.9	12.2
<b>Total value of investment property, ending balance</b>	2	<b>16 256.2</b>	<b>15 796.6</b>	<b>16 256.2</b>	<b>15 796.6</b>
Of which owner-occupied property	3	-86.5	-101.5	-86.5	-101.5
<b>Book value of investment property</b>		<b>16 169.7</b>	<b>15 695.1</b>	<b>16 169.7</b>	<b>15 695.1</b>

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

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

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

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

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

Amounts in NOK million	31.12.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	16 169.6	16 169.6
Owner-occupied property	-	-	86.5	86.5
<b>Total</b>	-	-	<b>16 256.2</b>	<b>16 256.2</b>

Amounts in NOK million	31.12.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 695.1	15 695.1
Owner-occupied property	-	-	101.5	101.5
<b>Total</b>	-	-	<b>15 796.6</b>	<b>15 796.6</b>

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

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



#### NOTE 4: FINANCIAL DERIVATIVES

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

Amounts in NOK million	4Q 2015	4Q 2014	Year 2015	Year 2014
Net book value of derivatives, opening balance	-683.5	-684.9	-820.6	-586.9
Buyout of derivatives	0.4	57.3	81.2	149.0
Fair value adjustments of derivatives	17.0	-193.0	73.3	-382.7
<b>Net book value of derivatives, ending balance</b>	<b>-666.1</b>	<b>-820.6</b>	<b>-666.1</b>	<b>-820.6</b>
Of which classified as non-current assets	6.1	6.6	6.1	6.6
Of which classified as non-current liabilities	-670.2	-824.6	-670.2	-824.6
Of which classified as current liabilities	-2.0	-2.7	-2.0	-2.7

#### NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.12.2015		31.12.2014	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	6.1	6.1	6.6	6.6
Current receivables	181.6	181.6	158.7	158.7
Cash and cash equivalents	55.8	55.8	21.7	21.7
<b>Total financial assets</b>	<b>243.5</b>	<b>243.5</b>	<b>187.0</b>	<b>187.0</b>
Non-current derivatives	670.2	670.2	824.6	824.6
Non-current interest-bearing liabilities	4 612.7	4 626.3	9 621.9	9 664.6
Current derivatives	2.0	2.0	2.7	2.7
Current interest-bearing liabilities	4 906.9	4 916.9	13.5	14.5
Other current liabilities	238.2	238.2	216.1	216.1
<b>Total financial liabilities</b>	<b>10 430.1</b>	<b>10 453.7</b>	<b>10 678.7</b>	<b>10 722.4</b>

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



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

Amounts in NOK million	31.12.2015			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	6.1	-	6.1
Non-current derivatives (liabilities)	-	-670.2	-	-670.2
Current derivatives (liabilities)	-	-2.0	-	-2.0
<b>Total</b>	-	<b>-666.1</b>	-	<b>-666.1</b>

Amounts in NOK million	31.12.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	6.6	-	6.6
Non-current derivatives (liabilities)	-	-824.6	-	-824.6
Current derivatives (liabilities)	-	-2.7	-	-2.7
<b>Total</b>	-	<b>-820.6</b>	-	<b>-820.6</b>

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

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

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

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

Amounts in NOK million	Note	4Q 2015	4Q 2014	Year 2015	Year 2014
Loan facilities at par value, opening balance		9 373.3	9 243.1	9 668.9	9 976.3
Increase of loan facilities		200.0	750.0	884.8	2 204.8
Reduction of loan facilities		-40.9	-324.2	-1 021.3	-1 512.3
<b>Loan facilities at par value, ending balance</b>		<b>9 532.4</b>	<b>9 668.9</b>	<b>9 532.4</b>	<b>9 668.8</b>
Capitalized borrowing cost		-12.7	-33.6	-12.7	-33.6
<b>Book value of interest-bearing debt</b>		<b>9 519.7</b>	<b>9 635.4</b>	<b>9 519.7</b>	<b>9 635.3</b>
Of which classified as non-current liabilities		4 612.7	9 621.9	4 612.7	8 621.9
Of which classified as current liabilities		4 906.9	13.5	4 906.9	13.5
Interest-bearing debt	1	-9 519.7	-9 635.4	-9 519.7	-9 635.4
Cash and cash equivalents		55.8	21.7	55.8	21.7
<b>Net interest-bearing position</b>		<b>-9 463.9</b>	<b>-9 613.7</b>	<b>-9 463.9</b>	<b>-9 613.7</b>

1) Undrawn credit facilities amounted to NOK 308 million at 31 December 2015 and NOK 558 million at 31 December 2014.

The group is exposed to interest rate risk on floating rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. At 31 December 2015 were 61 percent of such loans secured (31 December 2014: 68 percent). The total average margin on variable rate loans was 140 basis points (31 December 2014: 140 basis points). The loan portfolio has an average interest rate of 4.33 per cent (31 December 2014: 4.57 per cent), and average remaining duration was 1.7 years (31 December 2014: 2.8 years). Average remaining maturity of hedging contracts was 4.3 years (31 December 2014: 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	4Q 2015	4Q 2014	Year 2015	Year 2014
Profit before income tax		143.9	-5.8	669.0	129.7
Income tax calculated at 27 per cent nt		38.9	-1.6	180.6	35.0
Changed tax rate to 25 percent for deferred taxes on the closing balance 2015	1	-20.6	-	-20.6	-
Temporary differences		35.7	-13.7	28.8	-130.7
<b>Income tax</b>		<b>53.9</b>	<b>-15.3</b>	<b>188.8</b>	<b>-95.6</b>
Deferred tax, opening balance		203.9	79.9	67.4	160.3
Recognized through profit and loss		53.9	-15.3	188.8	-95.6
Recognized through comprehensive income		0.9	2.7	2.5	2.7
<b>Deferred tax, ending balance</b>		<b>258.7</b>	<b>67.4</b>	<b>258.7</b>	<b>67.4</b>

1) The company tax rate in Norway is 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.

Union Corporate AS has in 2015 been engaged by the board of Norwegian Property ASA to assist in a possible sale process for some of the group's properties, including also to consider other strategic alternatives for the company. Bjørn Henningsen, vice chairman of the board of Norwegian Property ASA, is CEO and partner of Union Property Capital AS and Chairman of Union Gruppen AS. Henningsen has not participated in Norwegian Property's board treatment of these processes. Union Corporate has not been paid any fees for the assignment in 2015.

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

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

## NOTE 9: EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after 31 December 2015 that provides information of conditions that existed at the balance sheet date resulting in adjustments of the financial statements, or events after the balance sheet date that do not require such adjustments.





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For further information on Norwegian Property, including presentation material relating to this interim report and financial information, please visit [www.npro.no](http://www.npro.no).

### DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA (“the Company”) expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property’s Annual Report for 2014. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Norwegian Property disclaims any and all liability in this respect.

