

INTERIM REPORT

FOURTH QUARTER AND FULL YEAR 2016



NORWEGIAN  
PROPERTY

## IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2016

### Rental income affected by sale of properties

Overall rental income came to NOK 204.3 million, down from NOK 217.9 million in the same period of 2015. When purchase and sale of properties are taken into account, this represented an increase of NOK 16.6 million or 8.8 per cent. Operating profit before fair-value adjustments came to NOK 163.4 million. Profit before tax and fair-value adjustments was NOK 70.4 million.

### Pre-tax profit of NOK 177.7 million and equity per share up by NOK 0.33

Positive fair-value adjustments for investment properties totalled NOK 30.7 million, while positive fair-value adjustments for financial derivatives came to NOK 76.6 million. After a reduction in deferred tax of NOK 2.5 million, net profit for the period came to NOK 180.2 million. That yielded ordinary earnings per share (EPS) of NOK 0.33 for the fourth quarter. Carried equity per share came to NOK 11.83 at 31 December 2016, up from NOK 11.50 at 31 September 2016 (Epra NAV: NOK 12.91 and Epra NNNNAV: NOK 12.56 at 31 December 2016).

### Leases

Norwegian Property finalised 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. Thirteen leases with an overall annual rental income of NOK 38.9 million were awarded during the quarter.

### Property sales

The sale of Stortingsgata 6 to Deka Immobilien GmbH, announced in the third quarter, was closed in mid-October.

### Mandatory offer

The mandatory offer for the shares in Norwegian Property ASA made by Geveran Trading Co Ltd during the third quarter expired on 3 November 2016. At 31 December, Geveran Trading Co Ltd owned 57.61 per cent of the shares in Norwegian Property ASA. That also included shares acquired after the expiry of the mandatory offer.

### Financing

Norwegian Property ASA has entered into a new credit agreement with DNB Bank ASA and Danske Bank, Norwegian Branch. This covers a term loan of NOK 2 400 million and a revolving credit of NOK 400 million, and has been applied to refinancing loans in the same banks. The new agreement has a term of three years. Where Norwegian Property's other loan agreement with Skandinaviska Enskilda Banken AB and Nordea Bank Norge ASA is concerned, the change of control has been accepted by the bank group. At 31 December, Norwegian Property held NOK 417 million of its own bonds after the announcement of a change of control. The entire holding has been disposed of in a good bond market during early 2017.

### Dividend

The board has resolved to pay a dividend of NOK 0.12 per share for the third and fourth quarters combined.



## KEY FIGURES

Profit and loss		4Q 2016	4Q 2015	Year 2016	Year 2015
Gross income	NOK mill.	204.3	217.9	900.9	858.3
Operating profit before adm. expenses	NOK mill.	179.3	178.6	790.1	716.0
Operating profit before value adj.	NOK mill.	163.4	140.6	732.8	636.8
Profit before income tax and value adj.	NOK mill.	70.4	40.7	331.3	208.3
Profit before income tax	NOK mill.	177.7	143.9	977.4	669.0
Profit after income tax	NOK mill.	180.2	90.0	764.5	480.2
EPRA-earnings <sup>1</sup>	NOK mill.	53.5	30.5	251.8	156.2

Balance sheet		4Q 2016	4Q 2015	Year 2016	Year 2015
Market value of investment portfolio	NOK mill.	14 112.1	16 256.2	14 112.1	16 256.2
Equity	NOK mill.	6 488.9	5 777.5	6 488.9	5 777.5
Interest bearing debt	NOK mill.	6 767.2	9 519.7	6 767.2	9 519.7
Equity ratio	Per cent	45.3	34.9	45.3	34.9
Pre-tax return on equity (annualized)	Per cent	11.6	10.4	15.9	12.1

Cash flow		4Q 2016	4Q 2015	Year 2016	Year 2015
Cash flow from operating activities	NOK mill.	-89.9	9.1	137.7	138.0
Cash position	NOK mill.	46.2	55.8	46.2	55.8

Key numbers; per share		4Q 2016	4Q 2015	Year 2016	Year 2015
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	0.32	0.26	1.78	1.22
Basic earnings (EPS) <sup>2</sup>	NOK	0.33	0.16	1.39	0.88
EPRA-earnings <sup>2</sup>	NOK	0.10	0.06	0.45	0.28
Operating cash flow	NOK	-0.16	0.02	0.25	0.25
Interest bearing debt	NOK	12.34	17.36	12.34	17.36
<b>NAV (book value of equity)</b>	<b>NOK</b>	<b>11.83</b>	<b>10.53</b>	<b>11.83</b>	<b>10.53</b>
Deferred property tax <sup>3</sup>	NOK	0.61	0.50	0.61	0.50
Fair value of financial derivative instruments <sup>4</sup>	NOK	0.47	0.91	0.47	0.91
<b>EPRA NAV<sup>5</sup></b>	<b>NOK</b>	<b>12.91</b>	<b>11.94</b>	<b>12.91</b>	<b>11.94</b>
Fair value of deferred tax <sup>6</sup>	NOK	0.22	0.16	0.22	0.16
Fair value of financial derivative instruments <sup>7</sup>	NOK	-0.55	-0.91	-0.55	-0.91
Fair value of debt <sup>8</sup>	NOK	-0.01	-0.03	-0.01	-0.03
<b>EPRA NNAV<sup>9</sup></b>	<b>NOK</b>	<b>12.56</b>	<b>11.16</b>	<b>12.56</b>	<b>11.16</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 2016

Rental income for Norwegian Property totalled NOK 204.3 million in the fourth quarter, including NOK 2.9 million in payment received on termination of a lease. That compares with the NOK 217.9 million achieved for the same period of 2015. Adjusted for property sales, this represented a rise of NOK 16.6 million in rental income for the fourth quarter. The increase related primarily to reduced vacancy and phasing-in of development projects at Aker Brygge in Oslo.

Maintenance and other operating costs totalled NOK 10.6 million (NOK 15.9 million<sup>10</sup>) for the quarter. Other property-related expenses came to NOK 14.4 million (NOK 23.4 million). Owner administrative expenses were NOK 15.9 million (NOK 38.1 million). Operating profit before fair-value adjustments thereby amounted to NOK 163.4 million (NOK 140.6 million) for the fourth quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 30.7 million (NOK 86.2 million).

Net realised financial expenses came to NOK 93 million (NOK 99.9 million) for the fourth quarter. Gevevan Trading Co Ltd acquired more than 50 per cent of the shares in Norwegian Property ASA during the third quarter. Loan agreements held by Norwegian Property ASA contain clauses on change of control. NOK 10.6 million was expensed in the fourth quarter related to the processes for securing acceptance of the change in ownership with regard to the group's credit facilities.

Market interest rates increased during the fourth quarter, and the profit component related to fair-value adjustments for financial derivatives represented a positive contribution of NOK 76.6 million (NOK 17 million).

Pre-tax profit for the fourth quarter was NOK 177.7 million (NOK 143.9 million). The reduction in the provision for non-payable deferred tax expense for the quarter was NOK 2.5 million (increase of NOK 53.9 million). Net profit was thereby NOK 180.2 million (NOK 90 million).

### ANNUAL RESULT FOR 2016

Rental income for Norwegian Property totalled NOK 900.9 million for 2016, compared with NOK 858.3 million the year before. Adjusted for property purchases and sales in 2015 and 2016, this represented a rise of NOK 103.2 million in rental income. The increase related primarily to reduced vacancy and phasing-in of development projects at Aker Brygge in Oslo.

Maintenance and other operating costs totalled NOK 54.2 million (NOK 64.8 million) for the full year. Other property-related expenses came to NOK 56.6 million (NOK 77.5 million). Administrative expenses were NOK 57.3 million (NOK 79.2 million). Operating profit before fair-value adjustments thereby amounted to NOK 732.8 million (NOK 636.8 million).

Net realised financial expenses came to NOK 401.6 million (NOK 428.5 million) for the full year. The total change in fair value for the property portfolio during 2016 was positive at NOK 475.1 million (NOK 387.4 million). Shortened maturities and increased market interest rates over the year meant that the profit component related to fair-value adjustments for financial derivatives was positive at NOK 171 million (NOK 73.3 million).

Pre-tax profit for 2016 was NOK 977.4 million (NOK 669 million). The increase in the provision for non-payable deferred tax expense for the full year was NOK 212.9 million (NOK 188.8 million). Net profit for 2016 was thereby NOK 764.5 million (NOK 480.2 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 2016 is based on an average of the two valuations.

At 31 December, the group's portfolio of investment properties was valued at NOK 14 112.1 million (NOK 16 256.2 million). Properties used by the owner were carried separately on the balance sheet in the amount of NOK 87 million at 31 December, and recognised at fair value.

The positive fair-value adjustment came to NOK 30.7 million in the fourth quarter. 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 141.3 million. Other properties had a positive fair-value adjustment of NOK 172 million.

## CASH FLOW

Net operational cash flow was negative at NOK 89.9 million (positive at NOK 9.1 million) for the fourth quarter. That figure includes NOK 90.2 million in payments on termination of interest-rate derivatives and accrual effects of NOK 71.8 million related to working capital.

Liquid assets provided by the sale of properties came to NOK 496.3 million, primarily related to the divestment of the Stortingsgata 6 property in Oslo. Investment in non-current assets came to NOK 46.2 million (NOK 123.2 million) for lessee adjustments related to new and renegotiated leases and for ongoing operational investment.

Net cash flow from financing activities was negative at NOK 630.3 million (positive at NOK 159.1 million) following a net decrease in interest-bearing debt.

For 2016 as a whole, net operational cash flow amounted to NOK 137.7 million (NOK 138 million). Net cash flow from investment activities was NOK 2 647.6 million (NOK 32.6 million), including property sales and investment in the property portfolio. Net cash flow from financing was negative at NOK 2 794.9 million (NOK 136.5 million), related to redemption of interest-bearing debt and dividend paid in 2016. The net change in cash and cash equivalents for the year was thereby negative at NOK 9.6 million (positive at NOK 34.1 million).

## BALANCE SHEET

The company held NOK 46.2 million (NOK 55.8 million) in cash and cash equivalents at 31 December. In addition came NOK 1 058 million (NOK 308 million) in unutilised credit facilities. Equity totalled NOK 6 488.9 million (NOK 5 777.5 million), representing an equity ratio of 45.3 per cent (34.9 per cent). Carried equity per share was NOK 11.83 (NOK 10.53). Equity per share was NOK 12.91 (NOK 11.94) based on the Epra NAV standard and NOK 12.56 (NOK 11.16) based on Epra NNNAV. 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 2016.

Interest bearing debt and hedging		31.12.2016	31.12.2015
Interest bearing debt	NOK mill.	6 767.2	9 519.7
Cash and cash equivalents	NOK mill.	46.2	55.8
Interest hedging ratio	Per cent	63.3	61.0
Unutilised credit and overdraft facilities	NOK mill.	1 058.0	308.0
Average time to maturity, hedging	Years	4.1	4.3
Average interest rate (incl. margin and capitalized cost)	Per cent	4.20	4.33
Average margin	Per cent	1.64	1.40
Average residual term, borrowing	Years	2.3	1.7
Property value	NOK mill.	14 112.1	16 256.2
Interest bearing debt / value (LTV)	Per cent	48.0	58.6
Net interest bearing debt / value (net LTV)	Per cent	47.6	58.2

### INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 31 December 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.	2 517	650	500	1 050	800	1 250
Average interest rate	Per cent	1.1	1.8	3.9	3.6	4.2	3.1
Share of total liabilities	Per cent	37	10	7	15	12	18

Norwegian Property's interest hedge ratio is currently 63.3 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 6 767.2 million (NOK 9 519.7 million) at 31 December.

During the third quarter, Geveran Trading Co Ltd acquired more than 50 per cent of the shares in Norwegian Property ASA. The loan agreements entered into by Norwegian Property contain clauses relating to change of control, and this had been accepted at 31 December by the banks providing the two main bank facilities for both companies.

The bank facility with DNB/Danske Bank expired in the fourth quarter and was refinanced with a term loan of NOK 2 400 million and revolving credit of NOK 400 million. This new agreement has a term of three years.

Where the bond loans are concerned, NOK 417 million related to two of the loans were redeemed in connection with the change in ownership and were held by the company at 31 December. These holdings of bond loans NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market at prices of NOK 100.7885 and NOK 97.7750 respectively during January 2017.



## OPERATIONS

### COMMERCIAL PROPERTY MARKET

Office vacancy in Oslo is estimated to be 7.25 per cent. Vacancy is expected 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 the year before, the volume of transactions was significantly lower during 2016. 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 to be 3.75 per cent, but transactions were implemented at lower levels than that towards the end of the year.

### THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 32 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (92 per cent of gross current rental income at 31 December), at Gardermoen (3.7 per cent of gross rental income) and in Stavanger (4.3 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 794.3 million at 31 December, down by NOK 7.1 million from 1 October corrected for the purchase and sale of properties. This decrease relates to the expiry of leases during the period. Vacancy in the property portfolio (space not generating rental income) totalled 20.3 per cent of total space at 31 December, up from 13.8 per cent from 1 October. Remaining vacancy related largely to properties in Stavanger, with vacancy for properties in the Oslo area amounting to 3.4 per cent.

The average remaining term of the leases is 5.1 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 1 671 registered shareholders at 31 December, down by 276 from 30 September. Non-Norwegian shareholders held 68.3 per cent of the share capital at 31 December, up from 67 per cent at 30 September. The number of shares traded during the fourth quarter averaged 297 235 shares per day. Corresponding daily turnover was 0.9 million in 2015, 1.1 million in 2014 and 0.5 million in 2013. The company's share capital totalled NOK 274 223 416 at 31 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	57.61	315 969 937		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 c/o BNYMSANV RE SAN	4.33	23 730 241	NOM	NLD
5	State Street Bank an A/C WEST NON-TREATY	0.96	5 230 788	NOM	USA
6	CEK HOLDING AS	0.59	3 255 807		NOR
7	State Street Bank an A/C CLIENT OMNIBUS F	0.48	2 650 029	NOM	USA
8	STATE STREET BANK & SSB, : ISHARES EUROP	0.41	2 261 143	NOM	IRL
9	J.P. Morgan Chase Ba A/C VANGUARD BBH	0.35	1 921 295	NOM	USA
10	KLP AKSJENORGE INDEK	0.32	1 767 321		NOR
11	BNP Paribas Securiti S/A TR PROPERTY INVE	0.30	1 641 484	NOM	GBR
12	J.P. Morgan Bank Lux JPML SA RE CLT ASSET	0.29	1 584 380	NOM	LUX
13	NIKI AS	0.27	1 500 000		NOR
14	KAS BANK N.V. S/A CLIENT ACC TREAT	0.27	1 490 620	NOM	NLD
15	MATHIAS HOLDING AS	0.26	1 400 000		NOR
16	Skandinaviska Enskil SEB AB, UCITS V - Fi	0.22	1 194 261	NOM	FIN
17	J.P. Morgan Securiti A/C CUSTOMER SAFE KE	0.21	1 158 000	NOM	USA
18	State Street Bank an SSBTC A/C UK LO. BR.	0.20	1 102 898	NOM	USA
19	SANDEN A/S	0.18	1 000 000		NOR
20	KOLBERG MOTORS AS	0.16	900 504		NOR
<b>Total 20 largest shareholders</b>		<b>93.15</b>	<b>510 897 775</b>		<b>8/20 NOR</b>

Geveran Trading Co Ltd acquired shares at 5 September which meant that it owned 53.52 per cent of the shares in Norwegian Property. 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. 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 company and Oslo Børs websites.





## **OUTLOOK**

Vacancy in Oslo is now estimated at 7.25 per cent, 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.

While the number of transactions has been on a par with the record year of 2015, the average transaction was smaller than in that year. Compared with alternative investment classes, property yields a competitive return and substantial buyer interest continues to be shown both in good objects in the most attractive areas and in 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 exciting developments are looming. In a demanding transaction market, the board is also concentrating on opportunities which strengthen the company's position in its core areas.

As a result of the mandatory offer process with Gevean Trading Co Ltd, the board opted not to pay a dividend for the third quarter. This process is now completed, and the board has therefore resolved to pay a dividend of NOK 0.12 per share for the third and fourth quarters combined. The board will propose to the annual general meeting that the board's mandate to determine dividend payments between AGMs be retained. In the long term, the company's goal is to pay a dividend corresponding to 30-50 per cent of ongoing operational profit after tax payable. A further goal is for dividend payments to make stable and rising progress.

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

Oslo, 9 February 2017



## FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	4Q 2016	4Q 2015	Year 2016	Year 2015
<b>Gross income</b>		<b>204.3</b>	<b>217.9</b>	<b>900.9</b>	<b>858.3</b>
Maintenance and other operating expenses		-10.6	-15.9	-54.2	-64.8
Other property-related expenses		-14.4	-23.4	-56.6	-77.5
<b>Total property-related expenses</b>		<b>-25.0</b>	<b>-39.3</b>	<b>-110.8</b>	<b>-142.4</b>
Administrative expenses		-15.9	-38.0	-57.3	-79.2
<b>Total operating expenses</b>		<b>-40.9</b>	<b>-77.3</b>	<b>-168.1</b>	<b>-221.5</b>
<b>Operating profit before value adjustments</b>		<b>163.4</b>	<b>140.6</b>	<b>732.8</b>	<b>636.8</b>
Change in market value of investment property	3	30.7	86.2	475.1	387.4
<b>Operating profit</b>		<b>194.2</b>	<b>226.8</b>	<b>1 207.9</b>	<b>1 024.2</b>
Financial income	2	0.9	0.1	1.1	0.6
Financial cost	2	-93.9	-100.0	-402.6	-429.1
<b>Realized net financial items</b>		<b>-93.0</b>	<b>-99.9</b>	<b>-401.6</b>	<b>-428.5</b>
Change in market value of financial derivative instruments	2, 4	76.6	17.0	171.0	73.3
<b>Net financial items</b>		<b>-16.4</b>	<b>-82.9</b>	<b>-230.5</b>	<b>-355.2</b>
<b>Profit before income tax</b>		<b>177.7</b>	<b>143.9</b>	<b>977.4</b>	<b>669.0</b>
Income tax	7	2.5	-53.9	-212.9	-188.8
<b>Profit for the period</b>		<b>180.2</b>	<b>90.0</b>	<b>764.5</b>	<b>480.2</b>
Profit attributable to non-controlling interests		-	-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>180.2</b>	<b>90.0</b>	<b>764.5</b>	<b>480.2</b>
Value adjustment of owner-occupied property	3	-0.6	2.9	1.7	7.2
<b>Total other comprehensive income</b>		<b>-0.6</b>	<b>2.9</b>	<b>1.7</b>	<b>7.2</b>
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-
<b>Total comprehensive income</b>		<b>179.6</b>	<b>92.9</b>	<b>766.2</b>	<b>487.4</b>
Total comprehensive income attributable to shareholders of the parent company		179.6	92.9	766.2	487.4
Total comprehensive income attributable to non-controlling interests		-	-	-	-



## CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12.2016	31.12.2015
<b>ASSETS</b>			
Financial derivative instruments	4	6.6	6.1
Investment property	3	14 025.1	16 169.6
Owner-occupied property	3	87.0	86.5
Other fixed assets		48.8	45.8
<b>Total non-current assets</b>		<b>14 167.5</b>	<b>16 308.0</b>
Financial derivative instruments	4	1.6	-
Receivables		115.9	181.6
Cash and cash equivalents	6	46.2	55.8
<b>Total current assets</b>		<b>163.8</b>	<b>237.5</b>
<b>Total assets</b>		<b>14 331.2</b>	<b>16 545.5</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		274.2	274.2
Share premium		2 295.2	3 412.3
Other paid in equity		7 557.3	6 440.1
Retained earnings		-3 637.8	-4 349.1
<b>Total equity</b>		<b>6 488.9</b>	<b>5 777.5</b>
Deferred tax	7	472.1	258.7
Financial derivative instruments	4	338.9	670.2
Interest bearing liabilities	6	6 755.8	4 612.7
Other liabilities		57.5	52.6
<b>Total non-current liabilities</b>		<b>7 624.2</b>	<b>5 594.3</b>
Financial derivative instruments	4	5.7	2.0
Interest bearing liabilities	6	11.4	4 906.9
Other liabilities		201.1	264.8
<b>Total current liabilities</b>		<b>218.2</b>	<b>5 173.7</b>
<b>Total liabilities</b>		<b>7 842.4</b>	<b>10 768.0</b>
<b>Total equity and liabilities</b>		<b>14 331.2</b>	<b>16 545.5</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 31.12.2014</b>	<b>274.2</b>	<b>3 412.3</b>	<b>6 440.1</b>	<b>-4 836.5</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>
Total comprehensive income 2016	-	-1 117.2	1 117.2	766.2	766.2
Paid dividend	-	-	-	-54.8	-54.8
<b>Total equity 31.12.2016</b>	<b>274.2</b>	<b>2 295.2</b>	<b>7 557.3</b>	<b>-3 637.8</b>	<b>6 488.9</b>

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	4Q 2016	4Q 2015	Year 2016	Year 2015
Profit before income tax		177.7	143.9	977.4	669.0
Depreciation of tangible assets		1.7	2.5	9.0	9.1
Fair value adjustment of investment property	3	-30.7	-86.2	-475.1	-387.4
Fair value adjustment of financial derivative instruments	4	-166.7	-17.4	-329.7	-154.5
Change in short-term items		-71.8	-33.7	-43.9	1.8
<b>Net cash flow from operating activities</b>		<b>-89.9</b>	<b>9.1</b>	<b>137.7</b>	<b>138.0</b>
Received cash from sale of investment property		496.3	-0.1	3 039.3	623.0
Payments for purchase of investment property and other fixed assets		-46.2	-123.2	-391.7	-590.4
<b>Net cash flow from investing activities</b>		<b>450.1</b>	<b>-123.3</b>	<b>2 647.6</b>	<b>32.6</b>
Net change of interest bearing debt	6	-630.3	159.1	-2 740.1	-136.5
Paid dividend		-	-	-54.8	-
<b>Net cash flow from financial activities</b>		<b>-630.3</b>	<b>159.1</b>	<b>-2 794.9</b>	<b>-136.5</b>
<b>Net change in cash and cash equivalents</b>		<b>-270.1</b>	<b>44.9</b>	<b>-9.6</b>	<b>34.1</b>
Cash and cash equivalents at the beginning of the period		316.3	10.9	55.8	21.7
<b>Cash and cash equivalents at the end of the period</b>		<b>46.2</b>	<b>55.8</b>	<b>46.2</b>	<b>55.8</b>



## 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 9 February 2017. 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 2016	4Q 2015	Year 2016	Year 2015
Interest income on bank deposits	0.8	0.1	1.1	0.6
<b>Total financial income</b>	<b>0.8</b>	<b>0.1</b>	<b>1.1</b>	<b>0.6</b>
Interest expense on borrowings	-93.8	-100.0	-402.6	-429.1
<b>Total financial cost</b>	<b>-93.8</b>	<b>-100.0</b>	<b>-402.6</b>	<b>-429.1</b>
<b>Realized net financial items</b>	<b>-93.0</b>	<b>-99.9</b>	<b>-401.5</b>	<b>-428.5</b>
Change in market value of financial derivative instruments	76.6	17.0	171.0	73.3
<b>Net financial items</b>	<b>-16.4</b>	<b>-82.9</b>	<b>-230.5</b>	<b>-355.2</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 2016	4Q 2015	Year 2016	Year 2015
Total value of investment property, opening balance		14 529.9	16 038.3	16 256.2	15 796.6
Disposals of properties at book value	1	-505.9	-	-3 033.8	-577.3
Additions through acquisition and on-going investments of properties		52.7	130.2	381.3	635.5
Recognised in the income statement in the period		36.6	84.4	507.9	393.5
Recognised in other comprehensive income in the period		-1.2	3.3	0.5	7.9
<b>Total value of investment property, ending balance</b>		<b>14 112.1</b>	<b>16 256.2</b>	<b>14 112.1</b>	<b>16 256.2</b>
Of which owner-occupied property	2	-87.0	-86.5	-87.0	-86.5
<b>Book value of investment property</b>		<b>14 025.1</b>	<b>16 169.7</b>	<b>14 025.1</b>	<b>16 169.7</b>

1) Disposals in 2016 applies to Strandsvingen 10, Stortingsgata 6, 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) 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	31.12.2016			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 025.1	14 025.1
Owner-occupied property	-	-	87.0	87.0
<b>Total</b>	-	-	<b>14 112.1</b>	<b>14 112.1</b>

Amounts in NOK million	31.12.2015			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	16 169.7	16 169.7
Owner-occupied property	-	-	86.5	86.5
<b>Total</b>	-	-	<b>16 256.2</b>	<b>16 256.2</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 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	4Q 2016	4Q 2015	Year 2016	Year 2015
Net book value of derivatives, opening balance	-503.2	-683.5	-666.1	-820.6
Buyout of derivatives	90.2	0.4	158.6	81.2
Fair value adjustments of derivatives	76.6	17.0	171.0	73.3
<b>Net book value of derivatives, ending balance</b>	<b>-336.4</b>	<b>-666.1</b>	<b>-336.4</b>	<b>-666.1</b>
Of which classified as non-current assets	6.6	6.1	6.6	6.1
Of which classified as current assets	1.6	-	1.6	-
Of which classified as non-current liabilities	-338.9	-670.2	-338.9	-670.2
Of which classified as current liabilities	-5.7	-2.0	-5.7	-2.0

#### NOTE 5: FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.12.2016		31.12.2015	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	6.6	6.6	6.1	6.1
Current derivatives	1.6	1.6	-	-
Current receivables	115.9	115.9	181.6	181.6
Cash and cash equivalents	46.2	46.2	55.8	55.8
<b>Total financial assets</b>	<b>170.3</b>	<b>170.3</b>	<b>243.5</b>	<b>243.5</b>
Non-current derivatives	338.9	338.9	670.2	670.2
Non-current interest-bearing liabilities	6 755.8	6 755.8	4 612.7	4 626.3
Current derivatives	5.7	5.7	2.0	2.0
Current interest-bearing liabilities	11.4	9.0	4 906.9	4 916.9
Other current liabilities	197.8	197.8	238.2	238.2
<b>Total financial liabilities</b>	<b>7 309.6</b>	<b>7 307.2</b>	<b>10 430.1</b>	<b>10 453.7</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	31.12.2016			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	6.6	-	6.6
Current derivatives (assets)	-	1.6	-	1.6
Non-current derivatives (liabilities)	-	-338.9	-	-338.9
Current derivatives (liabilities)	-	-5.7	-	-5.7
<b>Total</b>	-	<b>-336.4</b>	-	<b>-336.4</b>

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>

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	4Q 2016	4Q 2015	Year 2016	Year 2015
Loan facilities at par value, opening balance		7 422.6	9 373.3	9 532.4	9 668.9
Increase of loan facilities		2 300.0	200.0	3 635.0	884.8
Reduction of loan facilities		-2 930.3	-40.9	-6 375.1	-1 021.3
<b>Loan facilities at par value, ending balance</b>		<b>6 792.3</b>	<b>9 532.4</b>	<b>6 792.3</b>	<b>9 532.4</b>
Capitalized borrowing cost		-25.1	-12.7	-25.1	-12.7
<b>Book value of interest-bearing debt</b>		<b>6 767.2</b>	<b>9 519.7</b>	<b>6 767.2</b>	<b>9 519.7</b>
Of which classified as non-current liabilities		6 755.8	4 612.7	6 755.8	4 612.7
Of which classified as current liabilities		11.4	4 906.9	11.4	4 906.9
Interest-bearing debt	1	-6 767.2	-9 519.7	-6 767.2	-9 519.7
Cash and cash equivalents		46.2	55.8	46.2	55.8
<b>Net interest-bearing position</b>		<b>-6 720.9</b>	<b>-9 463.9</b>	<b>-6 720.9</b>	<b>-9 463.9</b>

1) Undrawn credit facilities amounted to NOK 1 058 million at 31 December 2016 and NOK 308 million at 31 December 2015.

The group is exposed to interest rate risk on floating rate borrowings. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. At 31 December 2016 were 63 per cent of such loans secured (31 December 2015: 64 percent). The total average margin on variable rate loans was 164 basis points (31 December 2015: 140 basis points). The loan portfolio has an average interest rate of 4.20 per cent (31 December 2015: 4.33 per cent), and average remaining duration was 2.3 years (31 December 2015: 1.7 years). Average remaining maturity of hedging contracts was 4.1 years (31 December 2015: 4.3 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 2016	4Q 2015	Year 2016	Year 2015
Profit before income tax		177.7	143.9	977.4	669.0
Income tax calculated at 25 per cent (27 per cent for 2015)		44.4	38.9	244.3	180.6
Changed tax rate on the closing balance	1	-19.7	-20.6	-19.7	-20.6
Temporary differences		-27.2	35.7	-11.8	28.8
<b>Income tax</b>		<b>-2.5</b>	<b>53.9</b>	<b>212.9</b>	<b>188.8</b>
Deferred tax, opening balance		474.7	203.9	258.7	67.4
Recognized through profit and loss		-2.5	53.9	212.9	188.8
Recognized through comprehensive income		-0.2	0.9	0.6	2.5
<b>Deferred tax, ending balance</b>		<b>472.1</b>	<b>258.7</b>	<b>472.1</b>	<b>258.7</b>

1) The company tax rate in Norway was reduced from 25 percent to 24 percent at the beginning of 2017. Deferred tax at year-end 2016 is therefore calculated based on a tax rate of 24 percent. Similarly, the company tax rate was reduced from 27 percent to 25 percent at the beginning of 2016.

## 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 significant agreements or 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

Holdings of own bond issues NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market at prices of respectively NOK 100.7885 and NOK 99.7750 in January 2017.

In accordance with authorization from the Annual General Meeting in 2016 the Board has on 9 February 2017 decided that it will paid a dividend of NOK 0.12 per share based on accounts at the end of 2016.

There are no other significant events after 31 December 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](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 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.

