

INTERIM REPORT

FOURTH QUARTER AND FULL YEAR 2014



NORWEGIAN
PROPERTY

IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2014

PHASING-IN OF COMPLETED PROJECTS BOOSTS RENTAL INCOME

Value up for investment properties, but decline in interest rates meant negative fair-value changes for derivatives

A number of premises were completed and occupied by new tenants during the fourth quarter of 2014, and overall rental income rose from NOK 169.5 million in the same period of last year to NOK 182.6 million. Rental income rose by 16.9 per cent when the sale of Finnstadveien 44 and Maridalsveien 323 is taken into account. Operating profit before fair-value adjustments came to NOK 123.2 million. Profit before tax and fair-value adjustments was NOK 32.1 million.

Positive fair-value adjustments for investment properties totalled NOK 155.2 million, while negative fair-value adjustments for financial derivatives came to NOK 193 million. After NOK 15.3 million in tax income, net profit for the period came to NOK 9.5 million. This yielded ordinary earnings per share (EPS) of NOK 0.02 for the fourth quarter. Carried equity per share came to NOK 9.65 at 31 December, up from NOK 9.62 at 30 September (Epra NAV: NOK 10.97 and Epra NNAV: NOK 10.08 at 31 December 2014).

Letting activity

Twenty-two new or expanded leases were awarded for offices and retail premises during the quarter, with a total annual rental income of NOK 34.5 million. The biggest leases were for 2 500 square metres to Google Norway AS in the Stranden 5 development project and 2 552 square metres to Telenor Eiendom Holding AS in Badehusgaten 37.

The overall letting ratio for the development projects at Aker Brygge is now 87 per cent, up from 81 per cent at 1 October. A total of 6 000 square metres of offices and 2 000 square metres of commercial premises remained unlet at 31 December in the three projects at Aker Brygge. The overall letting ratio for Verkstedveien 1 at Skøyen is now 45 per cent, up from 41 per cent at 30 September.

The development projects

Work is in full swing with the projects at Stranden 1, Stranden 5 and Verkstedveien 1 in Oslo. These properties still remain largely without rental income while conversion continues, but the retailing space was opened up gradually during the third and fourth quarters. Stranden 3 was completed during the quarter with the exception of some small areas.

Mandatory offer and board changes

Geveran Trading Co Ltd exceeded a shareholding of 33.33 per cent during November 2014 and accordingly made a mandatory offer for all the shares in Norwegian Property ASA during December. At the expiry of the offer period on 15 January 2015, Geveran Trading Co Ltd had received acceptances which increased its overall holding to 43.26 per cent.

At the request of Geveran Trading Co Ltd, an extraordinary general meeting was held in October 2014 where a new board was elected. This comprised Henrik A Christensen, Bjørn Henningsen, Nils K Selte, Camilla Hagen Sørli and Cecilie Astrup Fredriksen. Espen D Westernen was elected as an alternate director. Nils K Selte and Camilla Hagen Sørli chose to resign from the board in January 2015 after Canica AS, where they are respectively CEO and project manager, had sold its entire shareholding in Norwegian Property ASA.

Refinancing on favourable terms

The company issued a new secured bond loan totalling NOK 350 million with a five-year term in the Norwegian bond market during October. The loan has an interest rate of three months Nibor plus a margin of 0.98 per cent.

Norwegian Property entered into an agreement in early October on extending its credit facility with Danske Bank/DNB to December 2016. The commercial terms are marginally improved from the previous agreement.



KEY FIGURES

Profit and loss		4Q 2014	4Q 2013	Year 2014	Year 2013
Gross income	NOK mill.	182.6	169.5	738.6	769.8
Operating profit before adm. expenses	NOK mill.	139.6	135.5	602.6	647.7
Operating profit before value adj.	NOK mill.	123.2	121.4	539.1	586.9
Profit before income tax and value adj.	NOK mill.	32.1	21.5	157.6	174.4
Profit before income tax	NOK mill.	-5.8	-69.5	129.7	-287.6
Profit after income tax	NOK mill.	9.5	-56.6	225.3	-230.9
EPRA-earnings ¹	NOK mill.	23.4	15.5	115.0	125.6

Balance sheet		4Q 2014	4Q 2013	Year 2014	Year 2013
Market value of investment portfolio	NOK mill.	15 796.5	14 762.6	15 796.5	14 762.6
Equity	NOK mill.	5 290.2	5 057.5	5 290.2	5 057.5
Interest bearing debt	NOK mill.	9 635.4	8 947.4	9 635.4	8 947.4
Equity ratio	Per cent	32.9	33.6	32.9	33.6
Pre-tax return on equity (annualized)	Per cent	-0.4	-5.3	2.5	-5.5

Cash flow		4Q 2014	4Q 2013	Year 2014	Year 2013
Cash flow from operating activities	NOK mill.	-15.9	23.7	-71.2	45.9
Cash position	NOK mill.	21.7	62.9	21.7	62.9

Key numbers; per share		4Q 2014	4Q 2013	Year 2014	Year 2013
No. of shares issued at end of period	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 ²	NOK	-0.01	-0.13	0.24	-0.52
Basic earnings (EPS) ²	NOK	0.02	-0.10	0.41	-0.42
EPRA-earnings ²	NOK	0.04	0.03	0.21	0.23
Operating cash flow	NOK	-0.03	0.04	-0.13	0.08
Interest bearing debt	NOK	17.57	16.31	17.57	16.31
NAV (book value of equity)	NOK	9.65	9.22	9.65	9.22
Deferred property tax ³	NOK	0.23	0.08	0.23	0.08
Fair value of financial derivative instruments ⁴	NOK	1.09	0.77	1.09	0.77
EPRA NAV⁵	NOK	10.97	10.07	10.97	10.07
Fair value of deferred tax ⁶	NOK	0.27	0.41	0.27	0.41
Fair value of financial derivative instruments ⁷	NOK	-1.09	-0.77	-1.09	-0.77
Fair value of debt ⁸	NOK	-0.06	-	-0.06	-
EPRA NNAV⁹	NOK	10.08	9.71	10.08	9.71

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 FOURTH QUARTER OF 2014

Rental income for Norwegian Property totalled NOK 182.6 million in the fourth quarter of 2014. That compares with NOK 169.5 million for the same period of 2013. Adjusted for property sales during 2014, this represented a rise of NOK 26.4 million in rental income for the fourth quarter. The increase related primarily to the phasing-in of current development projects at Aker Brygge in Oslo.

Maintenance and other operating costs totalled NOK 13.7 million (NOK 10.6 million¹⁰) for the quarter. Other property-related expenses came to NOK 29.3 million (NOK 23.5 million). The 2014 figure included one-off costs of NOK 9 million related to Norwegian Property's relative share of the estimated recapitalisation requirement in the associated company Bryggedrift AS. A joint management company for the co-owners of Aker Brygge, the latter requires recapitalisation after the embezzlement of a sum in the order of NOK 23 million was exposed in late 2014. Other property-related expenses for the fourth quarter also included start-up costs of NOK 2 million for the retail business at Aker Brygge. Owner administrative expenses were NOK 16.4 million (NOK 14.1 million). Operating profit before fair-value adjustments thereby amounted to NOK 123.2 million (NOK 121.4 million) for the fourth quarter.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 155.2 million (reduction of NOK 54.7 million).

Net realised financial expenses came to NOK 91.1 million (NOK 99.9 million) for the fourth quarter. Since market interest rates fell substantially during the fourth quarter, the profit component related to fair-value changes in financial derivatives was accordingly reduced by NOK 193 million (NOK 39 million).

The pre-tax loss for the fourth quarter was NOK 5.8 million (NOK 69.5 million). The change in the provision for non-payable deferred tax expense for the quarter was NOK 15.3 million (NOK 12.9 million). Net profit was thereby NOK 9.5 million (loss of NOK 56.6 million).

FULL YEAR RESULT FOR 2014

Rental income totalled NOK 738.6 million (NOK 769.8 million). Adjusted for property sales and acquisitions during 2013 and 2014, this represented a rise of NOK 12.5 million in rental income.

Maintenance and other operating costs totalled NOK 60.4 million (NOK 58 million) for the full year. Other property-related expenses came to NOK 75.6 million (NOK 64.1 million). The increase from 2013 primarily reflected shared costs for vacant space in the development projects as well as the provision for recapitalising Bryggedrift AS. Administrative expenses were NOK 63.5 million (NOK 60.7 million). Profit before financial items and fair-value adjustments thereby amounted to NOK 539.1 million (NOK 586.9 million).

Net realised financial expenses came to NOK 381.5 million (NOK 412.5 million) for the full year. The reduction of NOK 31 million from 2013 related primarily to a lower hedging ratio, refinancings carried out and reduced market interest rates. Total fair-value changes to the property portfolio in 2014 resulted in a positive fair-value adjustment of NOK 354.8 million (negative adjustment of NOK 562.6 million). The reduction in market interest rates during the year meant that the profit component related to financial derivatives accordingly experienced a fair-value reduction of NOK 382.7 million (increase of NOK 97.9 million).

The pre-tax loss for the full year was NOK 129.7 million (loss of NOK 287.6 million). The reduction in the provision for non-payable deferred tax expense for the full year was NOK 95.6 million (NOK 56.7 million). Net profit was NOK 225.3 million (loss of NOK 230.9 million).

¹⁰ 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 is based on an average of the two valuations.

At 31 December, the group's portfolio of investment properties was valued at NOK 15 796.5 million (NOK 14 762.6 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 101.5 million at 31 December, and recognised at fair value.

The positive fair-value adjustment came to NOK 155.2 million in the fourth quarter, and totalled NOK 160.4 million for the development properties Stranden 1, 3 and 5 at Aker Brygge and Verkstedveien 1 at Skøyen. Estimated development costs for the big projects increased by NOK 59 million as a result of necessary modifications to meet tenant requirements and complexity in the final phase. The negative change in the fair value for properties with a high level of vacancy and greater uncertainty related to re-letting came to NOK 15.2 million. Other properties had a positive fair-value change of NOK 69 million.

CASH FLOW

Net cash flow from operating activities was negative at NOK 15.9 million (positive at NOK 23.7 million) for the fourth quarter. Net investment in non-current assets totalled NOK 398.9 million (NOK 363.2 million), and primarily embraced investment in the property portfolio related to the conversion of certain large properties. Net cash flow from financing activities after the increase in interest-bearing debt was NOK 425.8 million (NOK 317.1 million). The net increase in cash and cash equivalents was NOK 11.1 million (reduction of NOK 22.4 million) for the quarter.

Net cash flow from operating activities was negative at NOK 71.2 million (positive at NOK 45.9 million) for the full year. Net negative cash flow from investing activities was NOK 661.6 million (NOK 106.9 million), and included the sale of properties and investment in the property portfolio during 2014. Net positive cash flow from financing activities was NOK 692.6 million (negative at NOK 588.1 million), reflecting the increase in interest-bearing debt during 2014. The net reduction in cash and cash equivalents was thereby NOK 40.2 million (NOK 649 million) for the full year.

BALANCE SHEET

The company held NOK 21.7 million in cash and cash equivalents at 31 December (NOK 62.9 million). In addition came NOK 558 million (NOK 1 116 million) in unutilised credit facilities. Equity totalled NOK 5 290.2 million (NOK 5 057.5 million), representing an equity ratio of 32.9 per cent (33.6 per cent). Carried equity per share was NOK 9.65 (NOK 9.22). Equity per share was NOK 10.97 (NOK 10.07) based on the Epra NAV standard and NOK 10.08 (NOK 9.71) based on Epra NNNNAV. 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 2014.

Interest bearing debt and hedging		31.12.2014	31.12.2013
Interest bearing debt	NOK million	9 635.4	8 947.4
Cash and cash equivalents	NOK million	21.7	62.9
Interest hedging ratio	Per cent	68.0	81.4
Unused credit and overdraft facilities	NOK million	558.0	1 116.0
Average time to maturity, hedging	Year	4.6	4.6
Average interest rate (incl. margin and capitalized cost)	Per cent	4.57	4.72
Average margin	Per cent	1.40	1.45
Average residual term, borrowing	Year	2.8	3.1
Property value	NOK million	15 796.5	14 762.6
Interest bearing debt / value (LTV)	Per cent	61.0	60.6
Net interest bearing debt / value (net LTV)	Per cent	60.9	60.2

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges at 31 December 2014.

Maturity profile interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year
Amount	NOK million	3 119	200	1 350	1 500	700	2 800
Average interest rate	Per cent	1.5	0.1	3.9	4.5	4.6	4.2
Share of total liabilities	Per cent	32	2,1	14	16	7	29

The effect of interest rate derivatives with a forward start represents an additional 42 basis points.

Norwegian Property has historically had a very high interest hedge ratio, but increased debt during the quarter as a result of investments and adjustments to interest-rate derivatives following property sales meant that the effective hedge ratio was down to 68 per cent at 31 December. 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 9 635.4 million (NOK 8 947.4 million) at 31 December.

The company issued a new secured bond loan totalling NOK 350 million with a five-year term in the Norwegian bond market during October. The loan has an interest rate of three months Nibor plus a margin of 0.98 per cent. It is secured through a first priority mortgage on the Bryggegata 7-9 and Holmensgate 1 properties within a 66 per cent loan-to-value ratio. Used to refinance existing credit facilities on favourable terms, the loan contributes to a further differentiation of the group's financing on favourable terms.

Norwegian Property entered into an agreement in October with Danske Bank and DNB on extending the credit facility from its original maturity in June 2015 to December 2016. At 31 December, the total loan framework within the facility was about NOK 4.4 billion. The commercial terms are marginally improved in the extended agreement.



OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy was around 7.5 per cent of total space in the Oslo area at 31 December, according to Akershus Eiendom. That represented a minor increase from 1 October. Construction starts and completions for new premises remain limited. Plans also exist for rehabilitating a number of large properties in the area around Aker Brygge. The housing market remains strong, and the trend towards converting space into residential accommodation is continuing. Although demand for space has also stagnated somewhat as a result of weaker economic growth, expectations are for a stable development in vacant space and limited risk for a fall in rents over the next few years.

Low crude prices meant a continued focus on costs in Stavanger's oil and offshore sector. Good availability of land and tendencies towards some increase in vacant space continued to put pressure on rents. Newbuilding activity should decline substantially in line with reduced demand, but the office market is entering a more demanding period where location, quality and closeness to the customer will be important parameters.

Long-term interest rates for swaps continued to decline during the fourth quarter. Good capital availability in both bank and bond markets also meant that loan margins fell, so that overall borrowing costs for new property financing were still falling. Activity in the transaction market is high and yields have declined for most office segments in Oslo. Increased interest from foreign investors as well as good and stable access to external capital indicate that the level of activity in the transaction market will remain good.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 39 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (88.9 per cent of gross current rental income at 31 December), at Gardermoen (3.7 per cent of gross rental income) and in Stavanger (7.4 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and retail and restaurant space.

Total contractual rental income from the portfolio was NOK 740.4 million at 31 December, an increase of NOK 8.3 million from NOK 732.1 million at 1 October. Vacancy in the property portfolio (space without rental income) totalled 29.7 per cent of total space at 31 December, up from 24.9 per cent at 1 October. This increase primarily related to Grenseveien 19 and 21 in Stavanger, which were vacant at 31 December. Vacancy includes expanded space in rehabilitation projects which has not been included earlier. The buildings being converted at Aker Brygge and Skøyen had a vacancy (space without rental income) of 59.8 per cent at 31 December, but the proportion of unlet space at completion was only 29 per cent. Vacancy for immediately available space was 19.4 per cent at 31 December.

Twenty-two new leases were awarded or renegotiated during the fourth quarter, with a combined annual value of about NOK 34.5 million. The average remaining term of the leases is 6.2 years. The average rent adjustment factor for the consumer price index is 99.8 per cent of the total portfolio.



SHAREHOLDER INFORMATION

The company had 1 717 registered shareholders at 31 December, an increase of seven from 30 September. Non-Norwegian shareholders held 64.3 per cent of the share capital at 31 December, down from 67 per cent at 30 September. The number of shares traded during the fourth quarter averaged 1.8 million per day, on a par with the previous three-month period. Corresponding turnover in 2013 was 0.5 million per day. 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	37.54	205 910 242	ORD	CYP
2	CANICA AS	17.26	94 683 425	ORD	NOR
3	FOLKETRYGDFONDET	8.47	46 451 642	ORD	NOR
4	THE BANK OF NEW YORK MELLON	4.33	23 730 241	NOM	USA
5	VERDIPAPIRFONDET DNB NORGE (IV)	3.03	16 635 701	ORD	NOR
6	STATE STREET BANK AND TRUST CO.	2.29	12 569 654	NOM	USA
7	BNP PARIBAS SEC. SERVICES S.C.A	1.47	8 042 859	NOM	FRA
8	STATE STREET BANK AND TRUST CO	1.13	6 175 392	NOM	USA
9	ABN AMRO GLOBAL CUSTODY SERVICES	1.04	5 678 395	NOM	NLD
10	THE BANK OF NEW YORK MELLON	0.91	4 983 541	NOM	USA
11	STATE STREET BANK & TRUST COMPANY	0.88	4 818 311	NOM	USA
12	THE BANK OF NEW YORK MELLON SA/NV	0.88	4 809 363	NOM	BEL
13	BNP PARIBAS SEC. SERVICES S.C.A	0.79	4 325 659	NOM	FRA
14	GOLDMAN SACHS & CO EQUITY SEGREGAT	0.64	3 518 688	NOM	USA
15	STATE STREET BANK & TRUST COMPANY	0.64	3 486 607	NOM	USA
16	STATE STREET BANK & TRUST COMPANY	0.62	3 400 645	NOM	USA
17	J.P. MORGAN CHASE BANK N.A. LONDON	0.61	3 352 360	NOM	GBR
18	DNB LIVSFORSIKRING ASA	0.57	3 102 377	ORD	NOR
19	JPMORGAN CHASE BANK, N.A	0.54	2 954 647	NOM	GBR
20	STATE STREET BANK & TRUST CO.	0.53	2 894 112	NOM	USA
Total 20 largest shareholders		84.15	461 523 861		4/20 NOR

Geveran Trading Co Ltd exceeded a shareholding of 33.3 per cent during November 2014 and accordingly made a mandatory offer at a price of NOK 10 per share for all the outstanding shares in Norwegian Property ASA during December. At the expiry of the offer period on 15 January 2015, Geveran Trading Co Ltd had received acceptances of its offer which increased its overall holding to 43.26 per cent.

BOARD CHANGES

At the request of Geveran Trading Co Ltd, an extraordinary general meeting was held in October 2014 where a new board was elected. This comprised Henrik A Christensen, Bjørn Henningsen, Nils K Selte, Camilla Hagen Sørli and Cecilie Astrup Fredriksen. Espen D Westernen was elected as an alternate director.

Nils K Selte and Camilla Hagen Sørli chose to resign from the board with immediate effect in January 2015. They are respectively CEO and project manager in Canica AS, which sold all its shares in Norwegian Property ASA during January. The nomination committee will present recommendations for the election of new directors no later than the annual general meeting to be held on 9 April 2015.



OUTLOOK

Growth in the Norwegian economy is expected to slow during 2015, in part as a result of lower oil prices. But expectations indicate an increase in the level of activity in the Norwegian economy from as early as 2016. The Bank of Norway has reduced interest rates and a weaker Norwegian krone improves the competitiveness of traditional industries. Low oil prices are expected to encourage international growth, and activity in the Norwegian petroleum sector remains high if somewhat lower than in recent years.

The balance between supply and demand in the market for leasing office premises in Oslo remains good. Overall vacancy is stable at around seven to 7.5 per cent, and the risk of a significant fall in rents is accordingly regarded as small. The market in Stavanger is rather more affected by a focus on costs and uncertainty in the oil and offshore sector. Capital availability is good in the transaction market, and both market interest rates and loan margins declined during 2014. This indicates that the transaction market will remain robust, a view supported by announced transactions in late 2014 and early 2015 which reveal continued downward pressure on yield for commercial property.

Completion of Norwegian Property's major developments in Oslo is approaching. The final projects at Stranden 1, Stranden 5 and Verkstedveien 1 will be completed during the first half of 2015. Upgrading and conversion work is also under way at several of the company's other properties. As a result, substantial space remains temporarily without rental income at the beginning of 2015. But a steadily increasing letting ratio for the development projects will ensure growth in future rental income. Both project and letting risk are declining in line with the completion of the developments. At the same time, work on leasing vacant space in the portfolio and in premises being completed in connection with the extensive upgrading projects has top priority. The market outlook in Stavanger is rather more uncertain, and work continues on the strategic process for optimising utilisation of each property and future ownership of the portfolio.

The company is increasingly concentrating its attention on growth opportunities as the major projects are completed. In light of the new owner position, the new board composition and the positive trend in financial markets, the new board is continuing a strategy process in cooperation with the administration which aims principally to strengthen the focus on growth opportunities.

Rental income is expected to rise during 2015 in step with the completion of the development projects and the phasing-in of new leases. Certain buildings still have a high level of vacancy because major tenants have moved out, but the board's overall ambition is for operational results to improve gradually through 2015.

The board of directors of Norwegian Property ASA

Oslo, 11 February 2015



FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	4Q 2014	4Q 2013	Year 2014	Year 2013
Gross income		182.6	169.5	738.6	769.8
Maintenance and other operating expenses		-13.7	-10.6	-60.4	-58.0
Other property-related expenses		-29.3	-23.5	-75.6	-64.1
Total property-related expenses		-43.1	-34.1	-136.0	-122.1
Administrative expenses		-16.4	-14.1	-63.5	-60.7
Total operating expenses		-59.5	-48.1	-199.5	-182.8
Operating profit before value adjustments		123.2	121.4	539.1	586.9
Change in market value of investment property	3	155.2	-54.7	354.8	-562.6
Other gain/loss		-	2.7	-	2.7
Operating profit		278.3	69.4	893.9	27.0
Financial income	2	0.4	0.3	1.7	20.0
Financial cost	2	-91.5	-100.2	-383.2	-432.6
Realized net financial items		-91.1	-99.9	-381.5	-412.5
Change in market value of financial derivative instruments	2, 4	-193.0	-39.0	-382.7	97.9
Net financial items		-284.1	-138.9	-764.2	-314.6
Profit before income tax		-5.8	-69.5	129.7	-287.6
Income tax	7	15.3	12.9	95.6	56.7
Profit for the period		9.5	-56.6	225.3	-230.9
Profit attributable to non-controlling interests		-	-	-	-
Profit attributable to shareholders of the parent company		9.5	-56.6	225.3	-230.9
Value adjustment of owner-occupied property	3	3.0	1.1	7.4	4.3
Total other comprehensive income		3.0	1.1	7.4	4.3
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-
Total comprehensive income		12.5	-55.5	232.7	-226.6
Total comprehensive income attributable to shareholders of the parent company		12.5	-55.5	232.7	-226.6
Total comprehensive income attributable to non-controlling interests		-	-	-	-



CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12.2014	31.12.2013
ASSETS			
Financial derivative instruments	4	6.6	15.6
Investment property	3	15 695.1	14 709.9
Owner-occupied property	3	101.5	52.7
Other fixed assets		43.9	52.2
Total non-current assets		15 847.1	14 830.5
Receivables		192.1	153.2
Cash and cash equivalents	6	21.7	62.9
Total current assets		213.8	216.1
Total assets		16 060.9	15 046.6
EQUITY AND LIABILITIES			
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		-4 836.3	-5 069.1
Total equity		5 290.2	5 057.5
Deferred tax	7	67.4	160.2
Financial derivative instruments	4	824.6	602.2
Interest bearing liabilities	6	9 621.9	8 917.4
Total non-current liabilities		10 513.8	9 679.9
Financial derivative instruments	4	2.7	0.3
Interest bearing liabilities	6	13.5	30.0
Other liabilities		240.8	278.9
Total current liabilities		256.9	309.2
Total liabilities		10 770.8	9 989.1
Total equity and liabilities		16 060.9	15 046.6



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 31.12.2012	274.2	3 412.3	6 440.1	-4 732.9	5 393.7
Total comprehensive income	-	-	-	-226.6	-226.6
Paid dividends	-	-	-	-109.7	-109.7
Total equity 31.12.2013	274.2	3 412.3	6 440.1	-5 069.2	5 057.5
Total comprehensive income	-	-	-	232.7	232.7
Total equity 31.12.2014	274.2	3 412.3	6 440.1	-4 836.5	5 290.2

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	4Q 2014	4Q 2013	Year 2014	Year 2013
Profit before income tax		-5.8	-69.5	129.7	-287.6
Depreciation of tangible assets		2.6	1.7	8.2	6.0
Fair value adjustment of investment property	3	-155.2	54.7	-354.8	562.6
Fair value adjustment of financial derivative instruments	4	135.7	8.1	233.7	-179.4
Agio/disagio		0.3	0.2	1.0	-0.1
Change in short-term items		6.5	28.4	-89.0	-55.9
Net cash flow from operating activities		-15.9	23.7	-71.2	45.9
Received cash from sale of investment property		-0.4	-	1 032.4	704.1
Payments for purchase of investment property and other fixed assets		-398.5	-363.2	-1 693.9	-1 211.0
Other investment activities		-	-	-	400.0
Net cash flow from investing activities		-398.9	-363.2	-661.6	-106.9
Net change of interest bearing debt	6	425.8	317.1	692.6	-478.4
Paid dividend		-	-	-	-109.7
Net cash flow from financial activities		425.8	317.1	692.6	-588.1
Net change in cash and cash equivalents		11.1	-22.4	-40.2	-649.0
Cash and cash equivalents at the beginning of the period		10.9	85.5	62.9	712.0
Exchange rate effects		-0.3	-0.2	-1.0	-0.1
Cash and cash equivalents at the end of the period		21.7	62.9	21.7	62.9



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 2013. 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 2013. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2013.

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 2013.

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

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

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

The interim report of Norwegian Property ASA was approved at a Board meeting on 11 February 2015. 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 2014	4Q 2013	Year 2014	Year 2013
Interest income on bank deposits	0.4	0.2	1.7	5.3
Interest income on seller's credit	-	-	-	14.6
Total financial income	0.4	0.2	1.7	20.0
Interest expense on borrowings	-91.2	-99.9	-382.2	-432.4
Currency loss on bank deposits	-0.3	-0.2	-1.0	-0.1
Total financial cost	-91.5	-100.1	-383.2	-432.5
Realized net financial items	-91.1	-99.9	-381.5	-412.5
Change in market value of financial derivative instruments	-193.0	-39.0	-382.7	97.9
Net financial items	-284.1	-138.9	-764.2	-314.6



NOTE 3 INVESTMENT PROPERTY

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

Amounts in NOK million	Note	4Q 2014	4Q 2013	Year 2014	Year 2013
Total value of investment property, opening balance		15 230.5	14 444.1	14 762.6	14 852.5
Disposals of properties at book value	1	0.1	-	-1 043.7	-693.7
Additions through acquisition and on-going investments of properties		402.6	372.8	1 702.3	1 172.4
Total fair value adjustment of investment property		155.2	-54.7	354.8	-562.6
Fair value adjustment of properties sold	1	2.9	-0.4	12.2	-9.2
Fair value adjustment of owner-occupied property		5.2	0.9	8.3	3.4
Total value of investment property, ending balance	2	15 796.5	14 762.6	15 796.5	14 762.6
Of which owner-occupied property	3	-101.5	-52.7	-101.5	-52.7
Book value of investment property		15 695.1	14 709.9	15 695.1	14 709.9

1) Disposals in 2014 apply to Finnstadveien 44 and Maridalsveien 323, as well as minor adjustments related to prior year disposals. Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property.

2) Contractual obligations for construction contracts related to investment property amounts to NOK 375 million at 31 December 2014 (31 December 2013: NOK 1 552 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	31.12.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 695.1	15 695.1
Owner-occupied property	-	-	101.5	101.5
Total	-	-	15 796.5	15 796.5

Amounts in NOK million	31.12.2013			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 709.9	14 709.9
Owner-occupied property	-	-	52.7	52.7
Total	-	-	14 762.6	14 762.6

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 2013 and 2014.



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 2014	4Q 2013	Year 2014	Year 2013
Net book value of derivatives, opening balance	-684.9	-578.8	-586.9	-766.4
Buyout of derivatives	57.3	30.9	149.0	81.5
Fair value adjustments of derivatives	-193.0	-39.0	-382.7	97.9
Net book value of derivatives, ending balance	-820.6	-586.9	-820.6	-586.9
Of which classified as non-current assets	6.6	15.6	6.6	15.6
Of which classified as non-current liabilities	-824.6	-602.2	-824.6	-602.2
Of which classified as current liabilities	-2.7	-0.3	-2.7	-0.3

NOTE 5 FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.12.2014		31.12.2013	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	6.6	6.6	15.6	15.6
Current receivables	158.7	158.7	123.6	123.6
Cash and cash equivalents	21.7	21.7	62.9	62.9
Total financial assets	187.0	187.0	202.1	202.1
Non-current derivatives	824.6	824.6	602.2	602.2
Non-current interest-bearing liabilities	9 621.9	9 664.6	8 917.4	8 917.4
Current derivatives	2.7	2.7	0.3	0.3
Current interest-bearing liabilities	13.5	14.5	30.0	30.0
Other current liabilities	216.1	216.1	224.1	224.1
Total financial liabilities	10 678.7	10 722.4	9 774.0	9 774.0

Estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. It is taken into account the estimated difference between the current margin and market conditions (lower market value than book value of debt in the listing indicates a positive equity effect when applicable borrowing margin is more 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	31.12.2014			
	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
Total	-	-820.6	-	-820.6

Amounts in NOK million	31.12.2013			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	15.6	-	15.6
Non-current derivatives (liabilities)	-	-602.2	-	-602.2
Current derivatives (liabilities)	-	-0.3	-	-0.3
Total	-	-586.9	-	-586.9

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 2013 and 2014.

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 2014	4Q 2013	Year 2014	Year 2013
Loan facilities at par value, opening balance		9 243.1	8 659.2	8 976.3	9 454.7
Increase of loan facilities		750.0	1 248.2	2 204.8	955.0
Reduction of loan facilities		-324.2	-931.2	-1 512.3	-1 433.4
Loan facilities at par value, ending balance		9 668.9	8 976.3	9 668.8	8 976.3
Capitalized borrowing cost		-33.6	-28.9	-33.6	-28.9
Book value of interest-bearing debt		9 635.4	8 947.4	9 635.3	8 947.4
Of which classified as non-current liabilities		9 621.9	8 917.4	9 621.9	8 917.4
Of which classified as current liabilities		13.5	30.0	13.5	30.0
Interest-bearing debt	1	-9 635.4	-8 947.4	-9 635.43	-8 947.4
Cash and cash equivalents		21.7	62.9	21.7	62.9
Net interest-bearing position		-9 613.7	-8 884.5	-9 613.7	-8 884.5

1) Undrawn credit facilities amounted to NOK 558 million at 31 December 2014 and NOK 1 116 million at 31 December 2013.

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 2014 were 68 percent of such loans secured (31 December 2013: 81 percent). The total average margin on variable rate loans was 140 basis points (31 December 2013: 145 basis points). The loan portfolio has an average interest rate of 4.57 per cent (31 December 2013: 4.72 per cent). Average remaining maturity of hedging contracts was 4.6 years (31 December 2013: 4.6 years).



NOTE 7 DEFERRED TAX AND INCOME TAX

Change in deferred tax and tax expense is specified in the table below.

Amounts in NOK million	Note	4Q 2014	4Q 2013	Year 2014	Year 2013
Profit before income tax		-5.8	-69.5	129.7	-287.6
Income tax calculated at 27 per cent (28 per cent for 2013)		-1.6	-19.5	35.0	-80.5
Change in tax rate	1	-	-5.9	-	-5.9
Temporary differences		-13.7	12.5	-130.7	29.8
Income tax		-15.3	-12.9	-95.6	-56.7
Deferred tax, opening balance		79.9	173.1	160.3	217.0
Recognized through profit and loss		-15.3	-12.9	-95.6	-56.7
Recognized through comprehensive income		2.7	-	2.7	-
Deferred tax, ending balance		67.4	160.2	67.4	160.2

1) The company tax rate in Norway is reduced from 28 percent to 27 percent at the beginning of 2014. Deferred tax liabilities at year-end 2013 are calculated based on a tax rate of 27 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 new agreements or significant transactions with related parties are carried out in 2014.

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 2013).

NOTE 9 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after 31 December 2014 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.



CONTACT INFORMATION

NORWEGIAN PROPERTY ASA

Postal address: P.O. Box 1657 Vika, NO-0120 Oslo, Norway

Visiting address: Grundingen 6, Aker Brygge Oslo, Norway

Telephone: +47 22 83 40 20 | Fax: +47 22 83 40 21 | www.npro.no

IR & MEDIA RELATIONS

Olav Line, CEO

+47 482 54 149 | ol@npro.no

Svein Hov Skjelle, CFO

+47 930 55 566 | shs@npro.no

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 2013. 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.

