INTERIM REPORT

FIRST QUARTER 2018

NORWEGIAN
PROPERTY

HIGHLIGHTS IN THE FIRST QUARTER OF 2018

Positive rental income trend for Aker Brygge properties

Overall rental income came to NOK 197.1 million, virtually unchanged from NOK 196.6 million in the first quarter of 2017. Income from the properties at Aker Brygge rose by 10 per cent in the first quarter of 2018. At the same time, it declined for the temporarily vacant Drammensveien 60 property and for Snarøyveien 36, where the tenant has exercised its option to reduce the leased space.

Profit up before tax and fair-value adjustments

Profit before tax and fair-value adjustments came to NOK 84.4 million (NOK 79.9 million). This increase related primarily to the reduction in realised net financial items from the refinancing activities which were implemented. Property costs were negatively affected by the increase in the rate of property tax in Oslo from two to three per mille at 1 January 2018 as well as operating expenses for vacated space at Snarøyveien 36.

Valuation of investment properties and financial derivatives

Positive fair-value adjustments for investment properties totalled NOK 11.1 million in the quarter. Higher market interest rates and reduced residual times to maturity contributed to NOK 46.2 million in positive fair-value adjustments for financial derivatives.

Net profit of NOK 92.3 million and ordinary EPS of NOK 0.17

Pre-tax profit came to NOK 141.7 million (NOK 287.2 million). After NOK 49.4 million in estimated tax expense, net profit for the period came to NOK 92.3 million. That yielded ordinary earnings per share (EPS) of NOK 0.17 for the first quarter. Carried equity per share came to NOK 14.06 at 31 March 2018, up from NOK 13.96 at 31 December 2017 (Epra NAV: NOK 15.47 and Epra NNNAV: NOK 14.65 at 31 March 2018).

New leases

Leases with a total annual rental income of NOK 7 million were awarded in the first quarter of 2018. The biggest new lease in the period involved Bank Norwegian in Snarøyveien 36 at Fornebu.

Financing activities

Norwegian Property enlarged its ISIN NO-0010809338 bond loan by NOK 230 million during the first quarter. This matures on 9 November 2022 and carries an interest rate of three months Nibor plus 1.25 per cent. The loan enlargement has been applied to reducing bank facilities.

Dividend

The board has resolved to pay a dividend of NOK 0.07 per share for the first quarter of 2018.

AGM held

The annual general meeting was held on 19 April 2018. All resolutions were adopted as proposed in the notice of the meeting. Martin Mæland wished to resign as chair. With the exception of Mæland, the existing board was re-elected with Merete Haugli as new chair. Carl Erik Krefting was elected as a new director.

KEY FIGURES[1]

Profit and loss		1Q 2018	1Q 2017	Year 2017
Revenues	NOK mill.	197.1	196.6	784.3
Operating profit before admin expenses	NOK mill.	162.7	166.2	660.3
Operating profit before value adjustments	NOK mill.	149.2	153.7	606.6
Profit before income tax and value adjust	NOK mill.	84.4	79.9	316.8
Profit before income tax	NOK mill.	141.7	287.2	1 407.0
Profit after income tax	NOK mill.	92.3	212.1	1 348.7
EPRA-earnings	NOK mill.	65.0	60.7	243.9

Balance sheet		1Q 2018	1Q 2017	Year 2017
Market value of property portfolio	NOK mill.	15 410.1	14 340.7	15 360.5
Total equity	NOK mill.	7 711.6	6 633.7	7 654.8
Interest-bearing debt	NOK mill.	6 950.1	6 973.6	6 950.4
Equity ratio	Per cent	49.1	45.1	49.1
Pre-tax return on equity	Per cent	7.4	17.5	19.9

Cash flow		1Q 2018	1Q 2017	Year 2017
Net cash flow from operating activities	NOK mill.	135.5	56.6	234.6
Cash and cash equivalents	NOK mill.	146.5	210.5	89.2

Key figures; per share		1Q 2018	1Q 2017	Year 2017
Number of shares issued, end of the period	Number	548 425 596	548 425 596	548 425 596
Average number of shares in the period	Number	548 425 596	548 425 596	548 425 596
Profit before income tax	NOK	0.26	0.52	2.57
Earnings per share (EPS)	NOK	0.17	0.39	2.46
EPRA-earnings	NOK	0.12	0.11	0.44
Net cash flow from operating activities	NOK	0.25	0.10	0.43
Interest-bearing debt	NOK	12.67	12.72	12.67
NAV	NOK	**14.06**	**12.10**	**13.96**
Deferred property tax	NOK	1.15	0.71	1.12
Fair value of fin. derivative instruments	NOK	0.26	0.39	0.32
EPRA NAV	NOK	**15.47**	**13.19**	**15.40**
Fair value of deferred tax	NOK	(0.50)	0.18	(0.51)
Fair value of fin. derivative instruments	NOK	(0.30)	(0.46)	(0.38)
Fair value of debt	NOK	(0.02)	(0.04)	(0.03)
EPRA NNNAV	NOK	**14.65**	**12.87**	**14.48**

[1] Figures not derived directly from the accounts are explained in the list of definitions at the end of this report. When calculating key figures per share related to profit and cash flow, the numbers are divided by the average number of shares in the period, while key figures per share related to the balance sheet are divided by the number of shares at the end of the period.

FINANCIAL PERFORMANCE

RESULTS FOR THE FIRST QUARTER OF 2018

Operating revenue for Norwegian Property totalled NOK 197.1 million in the first quarter. That compares with NOK 196.6 million for the same period of 2017. On a like-for-like basis, this represents no change in income for the first quarter. Revenues from the properties at Aker Brygge rose by 10 per cent in the period, which related to office rental as well as restaurants and retail. At the same time, income was reduced for the temporarily vacant Drammensveien 60 property and for Snarøyveien 36, where the tenant exercised its option to reduce the leased space.

Operations-related property costs totalled NOK 17.9 million (NOK 16,8 million[2]) for the quarter, with the figure for 2018 affected by the increase in the rate of Oslo's property tax from two to three per mille. Other property-related expenses came to NOK 16.4 million (NOK 13.6 million), where the 2018 figure included increased operating costs for vacated space at Snarøyveien 36. Owner administrative expenses were NOK 13.5 million (NOK 12.5 million). Operating profit before fair-value adjustments thereby amounted to NOK 149.2 million (NOK 153.7 million) for the first quarter.

Valuation of the property portfolio yielded an unrealised fair-value increase of NOK 11.1 million (NOK 196.7 million).

Net realised financial expenses came to NOK 64.8 million (NOK 73.8 million) for the first quarter. This reduction primarily reflected refinancing activities conducted in 2017 and at the beginning of 2018. Higher market interest rates and reduced residual times to maturity meant that fair-value adjustments for financial derivatives made a positive contribution of NOK 46.2 million (NOK 10.6 million).

Pre-tax profit for the first quarter was NOK 141.7 million (NOK 287.2 million). The increase in the provision for non-payable deferred tax expense for the quarter was NOK 49.4 million (NOK 75.1 million). Net profit was thereby NOK 92.3 million (NOK 212.1 million).

VALUATION OF THE PROPERTIES

Two independent valuers have valued all the properties in the group's portfolio, based on the same methods and principles applied in previous periods. The accounting valuation at 31 March 2018 is based on an average of the two valuations.

At 31 March, the group's portfolio of investment properties was valued at NOK 15 410.1 million (NOK 14 340.7 million). Investment properties held for sale and properties used by the owner were carried separately on the balance sheet at NOK 908.4 million and NOK 71.5 million respectively, and recognised at fair value. Investment properties held for sale relate to Nedre Skøyen vei 24-26 and Hovfaret 11, which are covered by agreements to sell in the first quarter of 2019.

The positive fair-value adjustment came to NOK 11.1 million in the first quarter.

CASH FLOW

Net operational cash flow before financial items for the first quarter was positive at NOK 135.5 million (NOK 56.7 million), of which NOK 85.9 million related to cash flow from profit and loss items and NOK 49.6 million to a positive effect from working capital items during the period. Investment related to the property portfolio came to NOK 36.9 million (NOK 33.5 million), and applied to adjustments for lessees associated with new and renegotiated leases as well as ongoing operational investment. Net cash flow from financing activities was negative at NOK 41.2 million (positive at NOK 141.2 million) after a net reduction of NOK 2.8 million in interest-bearing debt and a dividend payment of NOK 38.4 million. The net increase in cash and cash equivalents for the quarter was NOK 57.3 million (NOK 164.4 million), and the holding of cash and cash equivalents at 31 March amounted to NOK 146.5 million.

[2] Figures in brackets refer to the corresponding period of the year before.

BALANCE SHEET

The company held NOK 146.5 million (NOK 210.6 million) in cash and cash equivalents at 31 March. In addition came NOK 900 million (NOK 900 million) in unutilised credit facilities. Equity totalled NOK 7 711.6 million (NOK 6 633.7 million), representing an equity ratio of 49.1 per cent (45.1 per cent). Carried equity per share was NOK 14.06 (NOK 12.10). Equity per share was NOK 15.47 (NOK 13.19) based on the Epra NAV standard and NOK 14.65 (NOK 12.87) based on Epra NNNAV. Outstanding shares at 31 March totalled 548 425 596 (548 425 596).

FINANCING

KEY FIGURES[1]

The table below presents key figures related to interest-bearing debt and hedges at 31 March 2018.

Interest bearing debt and hedging		31.03.2018	31.03.2017	31.12.2017
Interest-bearing debt	NOK mill.	6 950.1	6 973.6	6 950.4
Cash and cash equivalents	NOK mill.	146.5	210.5	89.2
Interest-hedging ratio	Per cent	64.5	63.8	63.6
Unutilised credit facilities	NOK mill.	900.0	900.0	900.0
Remaining time to maturity for interest hedge agreements	Years	3.8	4.3	3.9
Average interest rate	Per cent	3.58	3.90	3.48
Average interest margin	Per cent	1.38	1.61	1.39
Remaining time to maturity for interest-bearing debt	Years	3.2	2.1	3.3
Market value of property portfolio	NOK mill.	15 410.1	14 340.7	15 360.6
Gross debt to asset ratio (gross LTV)	Per cent	45.1	48.6	45.2
Net debt to asset ratio (net LTV)	Per cent	44.1	47.2	44.7

INTEREST HEDGES

The table below presents the maturity structure for interest-rate hedges on the group's interest-bearing debt at 31 March 2018.

Maturity profile of interest hedges		< 1 year	1 > 2 year	2 > 3 year	3 > 4 year	4 > 5 year	> 5 year	Total
Amount	NOK mill.	3 050	300	1 250	300	650	1 400	**6 950**
Average basic interest for amount due	Per cent	0.8	3.2	3.9	2.2	3.4	2.2	**2.0**
Share of total liabilities	Per cent	44	4	18	4	9	20	**100**

Norwegian Property's interest hedge ratio is currently 64.5 per cent.

INTEREST-BEARING LIABILITIES

The carrying amount of interest-bearing liabilities in the balance sheet totalled NOK 6 950.1 million (NOK 6 973.6 million) at 31 March.

Norwegian Property extended its ISIN NO-0010809338 bond loan by NOK 230 million during the first quarter. This matures on 9 November 2022 and the increase was implemented at an interest rate of three months Nibor plus 1.25 per cent. The loan extension has been applied to reducing bank facilities.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Office vacancy in Oslo is estimated to be 6.5 per cent, and is somewhat lower in both the city centre and the Nydalen district. Vacancy is expected to decline over the next few years as a result of decisions already taken to convert space to other applications (primarily residential), limited newbuild activity and continued growth in employment. Activity in the letting market is good. Rents are rising in a number of areas. Declining vacant space is expected to be positive for rent development in the time to come.

At Forus in Stavanger, Norwegian Property experience that high space vacancy levels contribute to a challenging rental market with downward pressure on rental levels.

The level of activity in the transaction market was very high during 2017, and is also expected to be good in 2018. Long-term market interest rates were rising at the beginning of the year. Further increases are expected to have a negative effect on investor willingness to accept exposure to investment property. However, many buyer groups are active and hunting for good objects. Prime yield for Oslo is still estimated at 3.75 per cent, with downward pressure on yields for secondary properties.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 32 office and commercial properties at 31 March. These are located in central areas of Oslo and Bærum (90.7 per cent of ongoing annual rental income at 31 March), at Gardermoen (3.8 per cent) and in Stavanger (5.5 per cent). The group's properties primarily comprise offices with associated warehousing and parking, and retail and restaurant space.

Total ongoing annual rental income (run rate) from the portfolio was NOK 789.2 million at 31 March, up by NOK 8.8 million on a like-by-like basis from 1 January. Overall financial vacancy in the property portfolio totalled seven per cent. This vacancy related to a great extent to properties in the Stavanger region and at Fornebu in Bærum local authority. Financial vacancy for the properties in Oslo (Aker Brygge, Nydalen and Skøyen) came to 3.3 per cent.

The weighted average remaining duration of the leases is 4.1 years. The average rent adjustment factor for the consumer price index is 99.6 per cent for the total portfolio.

SHAREHOLDER INFORMATION

The company had 1 540 registered shareholders at 31 March, down by 152 from 31 December. Non-Norwegian shareholders held 68.1 per cent of the share capital at 31 March, a slight increase from 31 December. The number of shares traded during the first quarter averaged 283 311 per day. For 2017 as a whole, the daily average was 227 590 shares. Corresponding daily turnover was 0.3 million in 2016 and 0.9 million in 2015. The company's share capital totalled NOK 274 223 416 at 31 March, 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 March. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 March are presented below.

#	Name	Share (prosent)	Number of shares	Account type	Nationality
1	GEVERAN TRADING CO LTD	57.98	317 969 937		CYP
2	FOLKETRYGDFONDET	13.48	73 951 642		NOR
3	NIAM V PROSJEKT AS C/O LANGHAM HALL UK	12.30	67 437 425		NOR
4	THE BANK OF NEW YORK STICHTING DEPOSITARY	4.22	23 131 995	NOM	NLD
5	DANSKE BANK AS	0.78	4 286 536		DNK
6	STATE STREET BANK AN A/C WEST NON-TREATY	0.76	4 159 255	NOM	USA
7	STATE STREET BANK AN S/A SSB CLIENT OMN.	0.42	2 307 141	NOM	USA
8	NIKI AS	0.36	2 000 000		NOR
9	ECKHOFF HOLDING AS	0.35	1 934 395		NOR
10	SALT VALUE AS	0.31	1 707 435		NOR
11	BNP PARIBAS SECURITI BPSS LDN/TR PROPTY I	0.30	1 641 484	NOM	GBR
12	J.P. MORGAN BANK LUX JPML SA RE CLT ASSET	0.27	1 455 509	NOM	LUX
13	KLP AKSJENORGE INDEKS	0.26	1 433 080		NOR
14	THE BANK OF NEW YORK C/O BNYMSANV RE BNYM.	0.26	1 427 192	NOM	GBR
15	MATHIAS HOLDING AS PER MATHIAS AARSKOG	0.26	1 400 000		NOR
16	SKANDINAVISKA ENSKIL SEB AB, UCITS V - FI.	0.25	1 370 112	NOM	FIN
17	KAS BANK N.V. S/A CLIENT ACC TREATY	0.25	1 359 000	NOM	NLD
18	EIKA NORGE	0.24	1 290 365		NOR
19	STATE STREET BANK AN A/C CLIENT OMNIBUS F.	0.23	1 266 173	NOM	USA
20	ESPEDAL & CO AS	0.23	1 264 767		NOR
	Total 20 largest shareholders	**93.51**	**512 793 443**		**9/20 NOR**

AGM HELD

The annual general meeting was held on 19 April 2018. All resolutions were adopted as proposed in the notice of the meeting. Martin Mæland had given notice that he wished to resign as chair at the 2018 AGM. With the exception of Mæland, the existing board was re-elected for one year until the AGM in 2019 with Merete Haugli as the new chair and Bjørn Henningsen as deputy chair. Carl Erik Krefting was elected as a new director. The number of directors on the company's board thereby remained unchanged. The board of Norwegian Property has the following composition with effect from 19 April 2018: Merete Haugli (chair), Bjørn Henningsen (deputy chair), Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen, Carls Erik Krefting, Lars Erik Nilsen and Kjell Sagstad.

OUTLOOK

Vacancy in Oslo is estimated at 6.5 per cent, and is expected to continue declining as a result of growth in employment, conversion of space to other applications and limited newbuild activity. Activity in parts of Stavanger's letting market is increasing slightly.

The Oslo portfolio, which now accounts for 90 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. Norwegian Property has entered into agreements with other property players related to regulatory initiatives, for development of the company's properties where this is considered to offer potential added value for the company. These partnerships cover properties in Stavanger and Nydalen. The company is also working actively with other long-term development opportunities in the portfolio and where it sees exciting development potential. In a demanding transaction market, the board is concerned to take advantage of opportunities which strengthen the company's position in its core areas – which are primarily Oslo's central business district and Nydalen.

The board has a mandate from the company's AGM to determine dividend payments between AGMs. A dividend of NOK 0.07 has been approved by the board for the first quarter of 2018. The company's goal is to pay 30-50 per cent of ordinary profit after tax payable but before fair value changes to shareholders in the form of dividend. Before the dividend is set, an assessment is made of the group's financial position and prospects, including a possible increase in capital requirements for investment in properties and changes to the revenue base as a result of property sales.

The board of directors of Norwegian Property ASA

Oslo, 3 May 2018

FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Note	1Q 2018	1Q 2017	Year 2017
Revenue		**197.1**	**196.6**	**784.3**
Property-related operational expenses		(17.9)	(16.8)	(66.0)
Other property-related expenses		(16.4)	(13.6)	(58.0)
Total property-related expenses		**(34.4)**	**(30.4)**	**(124.0)**
Administrative expenses		(13.5)	(12.5)	(53.7)
Total operating expenses		**(47.9)**	**(42.9)**	**(177.7)**
Operating profit before fair-value adjustments		**149.2**	**153.7**	**606.6**
Change in market value of investment property	3	11.1	196.7	1 046.7
Operating profit		**160.2**	**350.4**	**1 653.3**
Financial income	2	0.5	1.0	2.5
Financial cost	2	(65.3)	(74.7)	(292.4)
Realised net financial items		**(64.8)**	**(73.8)**	**(289.9)**
Change in market value of financial derivative instruments	2, 4	46.2	10.6	43.6
Net financial items		**(18.6)**	**(63.2)**	**(246.3)**
Profit before income tax		**141.7**	**287.2**	**1 407.0**
Income tax	7	(49.4)	(75.1)	(58.3)
Profit for the period		**92.3**	**212.1**	**1 348.7**
Profit attributable to non-controlling interests		-	-	-
Profit attributable to shareholders of the parent company		**92.3**	**212.1**	**1 348.7**
Value adjustment of owner-occupied property	3	1.5	(1.5)	3.7
Total other comprehensive income		**1.5**	**(1.5)**	3.7
Other comprehensive income which may subsequently be reclassified to profit or loss, net of tax		-	-	-
Total comprehensive income		**93.8**	**210.6**	**1 352.3**
Total comprehensive income attributable to shareholders of the parent company		93.8	210.6	1 352.3
Total comprehensive income attributable to non-controlling interests		-	-	-

CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.03.2018	31.03.2017	31.12.2017
Financial derivative instruments	4	17.1	3.1	2.3
Investment property	3	14 430.2	14 256.1	15 289.8
Owner-occupied property	3	71.5	84.6	70.8
Other fixed assets		41.2	48.3	42.3
Total non-current assets		**14 560.1**	**14 392.1**	**15 405.1**
Financial derivative instruments	4	1.0	3.8	0.4
Receivables		93.1	88.6	81.4
Cash and cash equivalents	6	146.5	210.5	89.2
Investment property held for sale	3	908.4	-	-
Total current assets		**1 149.1**	**302.8**	**171.1**
Total assets		**15 709.2**	**14 694.9**	**15 576.2**
Share capital		274.2	274.2	274.2
Share premium		2 295.2	2 295.2	2 295.2
Other paid in equity		7 557.3	7 557.3	7 557.3
Retained earnings		(2 415.1)	(3 493.0)	(2 471.9)
Total equity		**7 711.6**	**6 633.7**	**7 654.8**
Deferred tax	7	581.3	546.7	531.5
Financial derivative instruments	4	203.0	285.5	233.1
Interest bearing liabilities	6	6 343.8	6 508.5	6 940.5
Other liabilities	3	2.4	57.5	57.4
Total non-current liabilities		**7 130.5**	**7 398.1**	**7 762.5**
Financial derivative instruments	4	-	4.5	0.5
Interest bearing liabilities	6	606.3	465.2	9.9
Other liabilities		260.9	193.6	148.6
Total current liabilities		**867.1**	**663.2**	**159.0**
Total liabilities		**7 997.6**	**8 061.3**	**7 921.5**
Total equity and liabilities		**15 709.2**	**14 694.9**	**15 576.2**

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 31.12.2016	**274.2**	**2 295.2**	**7 557.3**	**(3 637.8)**	**6 488.9**
Total comprehensive income	-	-	-	210.6	210.6
Paid dividend	-	-	-	(65.8)	(65.8)
Total equity 31.03.2017	**274.2**	**2 295.2**	**7 557.3**	**(3 493.0)**	**6 633.7**
Total comprehensive income	-	-	-	1 141.7	1 141.7
Paid dividend	-	-	-	(120.7)	(120.7)
Total equity 31.12.2017	**274.2**	**2 295.2**	**7 557.3**	**(2 471.9)**	**7 654.8**
Total comprehensive income	-	-	-	93.8	93.8
Employee share-option scheme	-	-	-	1.4	1.4
Paid dividend	-	-	-	(38.4)	(38.4)
Total egenkapital 31.03.2018	**274.2**	**2 295.2**	**7 557.3**	**(2 415.1)**	**7 711.6**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	1Q 2018	1Q 2017	Year 2017
Profit before income tax		141.7	287.2	1 407.0
Depreciation of tangible assets		1.4	1.7	7.5
Fair value adjustment of investment property	3	(11.1)	(196.7)	(1 046.7)
Fair value adjustment of financial derivative instruments	4	(46.1)	(53.3)	(105.5)
Change in short-term items		49.6	17.7	(27.8)
Net cash flow from operating activities		**135.5**	**56.6**	**234.6**
Received cash from sale of investment property		(36.9)	(33.5)	(187.5)
Payments for purchase of investment property and		**(36.9)**	**(33.5)**	**(187.5)**
other fixed assets	6	(2.8)	207.0	182.4
Net cash flow from investing activities		(38.4)	(65.8)	(186.5)
Net change in interest-bearing debt		**(41.2)**	**141.2**	**(4.1)**
Paid dividend		**57.3**	**164.3**	**43.0**
Net cash flow from financial activities		89.2	46.2	46.2
Net change in cash and cash equivalents		**146.5**	**210.5**	**89.2**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The Norwegian Property ASA real estate group owns commercial properties in the Oslo and Stavanger region. The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, 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 accord with the principles applied in preparing the annual accounts for 2017. The interim report presents condensed financial statements, and does not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2017. No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2017, but the group has implemented the following new standards and changes of standards in the 2018 interim financial statement:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and li-abilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. Under IFRS 9, financial assets are classified into three categories: fair value through other comprehensive income, fair value through profit and amortised cost. The measurement category is determined on initial recognition of the asset. The classification depends on the entity’s business model for managing its financial instruments and the characteristics of the cash flows of the individual instrument. Equity instruments shall initially be measured at fair value. The company may elect to present value changes in other comprehensive income, but the choice is binding and subsequent gain or loss cannot be reclassified to income. Impairment due to credit risk should be recognised based on expected loss rather than the current model where losses must be incurred. For financial liabilities, the standard is based on IAS 39. The biggest change is where the fair value option is adopted for financial liabilities, the changes in fair value due to changes in own credit risk are recognised in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting by linking hedging effectiveness more closely to management’s risk control and provides a greater scope for assessment. Meanwhile hedge documentation is still required. The standard is effective for the financial year 2018. Implementation of the standard has not had a material effect on the accounts of Norwegian Property.

IFRS 15 Income from customer contracts is related to revenue recognition. The standard requires a division of the customer contract in the individual performance obligations. A performance obligation can be a product or a service. Revenue is recognised when a customer obtains control of the product or service and thus can determine the use and receive the benefits of the product or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for the financial year 2018. Implementation of the standard has not had a material effect on the accounts of Norwegian Property, as the group's income is mainly accounted for in accordance with IAS 17.

In accordance with the requirements of the section 3, sub-section 3 of the Norwegian Accounting Act, Norwegian Property presents annual statements on corporate governance and social responsibility. The latest disclosures are contained in the annual report for 2017.

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 date of acquisition.

Norwegian Property's business consists of the 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 which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate primarily to the valuation of investment property.

The interim report of Norwegian Property ASA was approved at a board meeting on 3 May 2018. This report has not been audited.

NOTE 2 - NET FINANCIAL ITEMS

A breakdown of net financial items in the income statement is presented below.

Amounts in NOK million	1Q 2018	1Q 2017	Year 2017
Interest income on bank deposits	0.5	0.9	2.5
Total financial income	**0.5**	**0.9**	**2.5**
Interest expense on borrowings	(65.3)	(74.7)	(292.4)
Total financial cost	**(65.3)**	**(74.7)**	**(292.4)**
Realised net financial items	**(64.8)**	**(73.8)**	**(289.9)**
Change in market value of financial derivative instruments	46.2	10.6	43.6
Net financial items	**(18.6)**	**(63.2)**	**(246.3)**

NOTE 3 - INVESTMENT PROPERTY

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

Amounts in NOK million	Note	1Q 2018	1Q 2017	Year 2017
Total value of investment property, opening balance		15 360.5	14 112.1	14 112.1
Additions through acquisition of and on-going investment in properties		36.9	32.8	188.0
Recognised in the income statement for the period		11.1	198.2	1 057.1
Recognised in other comprehensive income for the period		1.6	(2.4)	3.3
Total value of investment property, closing balance		**15 410.1**	**14 340.7**	**15 360.6**
Investment property held for sale	1	(908.4)	-	-
Total value of investment property, not held for sale		**14 501.7**	**14 340.7**	**15 360.6**
Of which owner-occupied property	2	(71.5)	(84.6)	(70.8)
Book value of investment property		**14 430.2**	**14 256.1**	**15 289.8**

[1] Norwegian Property has entered into an agreement to sell Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo. The agreed takeover date is March 2019 on the expiry of the lease for the properties, and Norwegian Property is entitled to rental income and has operating responsibility for the properties until then. From first quarter 2018, these properties are classified in the balance sheet as investment properties held for sale at the present value of contractual cash flows.

[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	31.03.2018			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 430,2	14 430,2
Owner-occupied property	-	-	71,5	71,5
Investment property held for sale	-	-	908,4	908,4
Total	**-**	**-**	**15 410.1**	**15 410.1**

Amounts in NOK million	31.03.2017			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 256.1	14 256.1
Owner-occupied property	-	-	84.6	84.6
Total	-	-	**14 340.7**	**14 340.7**

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 circumstance which caused the transfer. No movements between levels have occurred in 2017 and 2018.

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	1Q 2018	1Q 2017	Year 2017
Net book value of derivatives, opening balance	(230.9)	(336.4)	(336.4)
Buyout of derivatives	(0.1)	42.7	62.0
Fair value adjustments of derivatives	46.2	10.6	43.6
Net book value of derivatives, closing balance	**(184.8)**	**(283.1)**	**(230.9)**
Of which classified as non-current assets	17.1	3.1	2.3
Of which classified as current assets	1.0	3.8	0.4
Of which classified as non-current liabilities	(203.0)	(285.5)	(233.1)
Of which classified as current liabilities	-	(4.5)	(0.5)

NOTE 5 - FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.03.2018		31.03.2017	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	17.1	17.1	3.1	3.1
Current derivatives	1.0	1.0	3.8	3.8
Current receivables	93.1	93.1	88.6	88.6
Cash and cash equivalents	146.5	146.5	210.5	210.5
Total financial assets	**257.8**	**257.8**	**305.9**	**305.9**
Non-current derivatives	203.0	203.0	285.5	285.5
Non-current interest-bearing liabilities	6 343.8	6 357.7	6 508.5	6 532.6
Current derivatives	-	-	4.5	4.5
Current interest-bearing liabilities	606.3	606.3	465.2	465.2
Other current liabilities	257.4	257.4	191.4	191.4
Total financial liabilities	**7 410.4**	**7 424.3**	**7 455.0**	**7 479.1**

The 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. Account is taken of the estimated difference between the current margin and market conditions (market value higher than the book value of debt in the listing indicates a negative equity effect when the applicable borrowing margin is less favourable than current market conditions). The fair value of financial derivatives (interest-rate and currency derivatives), 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 carried principally at fair value and subsequently measured at amortised cost. However, discounting is not usually considered to have any significant effect on these types 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	31.03.2018			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	17.1	-	17.1
Current derivatives (assets)	-	1.0		1.0
Non-current derivatives (liabilities)	-	(203.0)	-	(203.0)
Total	**-**	**(184.8)**	**-**	**(184.8)**

Amounts in NOK million	31.03.2017			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	3.1	-	3.1
Current derivatives (assets)	-	3.8		3.8
Non-current derivatives (liabilities)	-	(285.5)	-	(285.5)
Current derivatives (liabilities)	-	(4.5)	-	(4.5)
Total	**-**	**(283.1)**	**-**	**(283.1)**

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 circumstance, which caused the transfer. No movements between levels have occurred in 2017 and 2018.

NOTE 6 - NET INTEREST-BEARING POSITION

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

Amounts in NOK million	Note	1Q 2018	1Q 2017	Year 2017
Loan facilities at par value, opening balance		6 974.7	6 792.3	6 792.3
Increase in loan facilities		230.0	417.0	3 366.0
Reduction in loan facilities		(232.9)	(210.0)	(3 183.6)
Loan facilities at par value, closing balance		**6 971.8**	**6 999.3**	**6 974.6**
Capitalised borrowing cost		(21.8)	(25.7)	(24.3)
Book value of interest-bearing debt		**6 950.1**	**6 973.6**	**6 950.4**
Of which classified as non-current liabilities		6 343.8	6 508.5	6 940.5
Of which classified as current liabilities		606.3	465.2	9.9
Interest-bearing debt	1	(6 950.1)	(6 973.6)	(6 950.4)
Cash and cash equivalents		146.5	210.5	89.2
Net interest-bearing position		**(6 803.5)**	**(6 763.1)**	**(6 861.2)**

[1] *Unutilised credit facilities amounted to NOK 900 million at both 31 March 2018, 31 March 2017 and 31 December 2017.*

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 per cent of the company's interest-bearing debt at any time will be hedged. At 31 March 2018, 64.5 per cent of such loans was secured (31 March 2017: 63.8 per cent). The total average interest margin on loans was 138 basis points (161 basis points). The loan portfolio has an average interest rate of 3.58 per cent (3.90 per cent), and remaining time to maturity for interest-bearing debt was 3.2 years (2.1 years). Remaining time to maturity for interest hedging agreements was 3.8 years (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	1Q 2018	1Q 2017	Year 2017
Profit before income tax		141.7	287.2	1 407.0
Income tax calculated at 23 per cent (24 per cent for 2017)		32.6	68.9	337.7
Changed tax rate on the closing balance	1	-	-	(23.3)
Temporary differences		16.8	6.2	(256.1)
Income tax		**49.4**	**75.1**	**58.3**
Deferred tax, opening balance		531.5	472.1	472.1
Recognised through profit and loss		49.4	75.1	58.3
Recognised through comprehensive income		0.4	(0.5)	1.1
Deferred tax, closing balance		**581.3**	**546.7**	**531.5**

[1] *The company tax rate in Norway was reduced from 24 to 23 per cent at the beginning of 2018. Deferred tax at 31 December 2017 is therefore calculated on the basis of a tax rate of 23 per cent. Correspondingly, the company tax rate in Norway was reduced from 25 to 24 per cent at the beginning of 2017. Deferred tax at 31 December 2016 is therefore calculated on the basis of a tax rate of 24 per cent.*

NOTE 8 - RELATED-PARTY DISCLOSURES

No agreements or significant transactions with related parties have been carried out in 2018.

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 2017).

NOTE 9 - EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the mandate from the annual general meeting in 2018 the board decided on 3 May 2018 that a dividend of NOK 0.07 per share will be paid after the presentation of the accounts at the end of the first quarter of 2018.

No other significant events have occurred after the balance sheet date at 31 March 2018.

DEFINITIONS

Run rate for annual rent	Contracted annualised rental income for the property portfolio at the balance sheet date.
Weighted remaining duration of leases	Remaining contractual rent of current leases at the balance sheet date divided by the total contractual rent for the entire lease term.
Space vacancy	Space which does not generate rent at the balance sheet date divided by total space.
Financial vacancy rate	Annualised market rent for space that, at the balance sheet date, do not generate rental income divided by total annualised rent for total space (contract rent for leased space and market rent for vacant space).
Gross yield	Gross yield on the balance sheet date for a property or portfolio of properties is calculated as contractual annualised rental income divided by market value.
Net yield	When calculating net yield, maintenance and property-related costs are deducted from contractual annualised rental income, which is then divided by the market value.
Prime yield	Yield for a fully leased property of best structural quality, with tenants in the best category and in the best location.
Property-related operational expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
Other property-related expenses	Other property-related expenses include income-related costs related to leasing, marketing and so forth, the owner's share of service charges, project-related property costs and depreciation related to the properties.
Administrative expenses	Administrative expenses relate to costs which are not directly related to the operation and leasing of properties, and include costs related to the overall ownership and corporate functions.
Operating profit before administrative expenses	Revenues net of property expenses.
Profit before income tax and value adjustments	Profit before tax, adjusted for fair value adjustments of investment properties and financial derivatives.
EPRA-earnings	Calculation based on the period's profit after tax, adjusted for changes in the value of investment properties and financial derivatives, as well as income tax expense for adjustments made.
Like for like	Change in rental income from one period to another based on the same income-generating property portfolio, with rental income adjusted for purchases and sales of properties.
Independent valuers	Akershus Eiendom and Cushman & Wakefield.
Market value of property portfolio	The market value of all the group's properties regardless of accounting classification.
Interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less holdings of own bonds.
Net interest-bearing debt	Interest-bearing debt, less holdings of bonds as well as cash and cash equivalents.
Equity ratio	Total equity divided by total equity and liabilities.
Pre-tax return on equity	Annualised pre-tax profit in the period divided by average total equity for the period in the balance sheet.
Unutilised credit facilities	The difference between total available credit facilities, based on the current loan agreements, and amounts at the balance sheet date which are deducted and accounted for as interest-bearing debt in the balance sheet.
Interest hedging ratio	The share of interest-bearing liabilities hedged at the balance sheet date.

Base interest rate	A weighted average of the fixed and floating average interest-rates at the balance sheet date. The fixed average interest rate is calculated as the weighted average of the fixed interest rate paid by the company in relation to outstanding interest-rate contracts and loans. The floating average interest-rate is calculated as the weighted average of the Nibor rate paid on interest-bearing debt. The interest-rate base does not include accrued finance charges or margin.
Average interest rate	Weighted average interest rate on interest-bearing debt and fixed-rate interest agreements at the balance sheet date.
Average interest margin	The weighted average of the interest margin on the outstanding interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest-bearing debt	Weighted remaining period until maturity for interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest hedge agreements	The weighted remaining period until maturity for interest hedge agreements at the balance sheet date.
LTV	Debt to asset ratio (loan to value).
Gross debt to asset ratio (gross LTV)	Interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Net debt to asset ratio (net LTV)	Net interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Earnings per share (EPS)	Net earnings for the period divided by the average number of shares during the period. Diluted earnings per share are identical to basic earnings per share, unless otherwise specified.
NAV	Net asset value, the book value of total equity in the balance sheet.
EPRA NAV	EPRA (European Public Real-Estate Association) recommendations for calculating NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax related to fair value adjustments of investment properties and for fair value of financial instruments after tax in the balance sheet.
EPRA NNNAV	EPRA recommendations for the calculation of NAV where EPRA NNNAV (triple net asset value) in relation to the EPRA NAV includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.
Related party	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, through participation in group decision-making bodies and management, or through agreements.
Events after the balance sheet date	Significant events after the balance sheet date which provide information on conditions which existed at the balance sheet date, resulting in adjustments to the financial statements, or events after the balance sheet date which do not require such adjustments.

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For further information on Norwegian Property, including presentation material relating to this interim report and financial information, please visit www.npro.no.

DISCLAIMER

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