

FIRST QUARTER 2014



NORWEGIAN  
PROPERTY

## **IMPORTANT EVENTS IN THE FIRST QUARTER OF 2014**

### **GRADUAL PHASE-IN OF RENTAL INCOME FROM COMPLETED PROPERTIES**

#### **Rental income up from fourth to first quarters**

A number of premises were completed and occupied by new tenants during the first quarter of 2014, and rental income rose from NOK 169.5 million in the fourth quarter of 2013 to NOK 181.1 million. Operating profit before fair-value adjustments came to NOK 134.5 million. After realised financial items, profit before tax and fair-value adjustments came to NOK 42 million.

Negative fair-value adjustments for investment properties totalled NOK 70.3 million for investment properties, while negative fair-value adjustments for financial derivatives came to NOK 50.7 million. After NOK 3.9 million in tax income, the loss for the period came to NOK 75.1 million. This yielded negative ordinary earnings per share (EPS) of NOK 0.14 for the first quarter. Carried equity per share came to NOK 9.09 at 31 March 2014, down from NOK 9.22 per share at 31 December 2013 (Epra: NOK 9.95 at 31 March 2014).

#### **Letting activity high**

The level of letting activity remains high, but letting processes are still taking a long time. Twenty new or expanded leases, with a total annual rental income of NOK 29 million, were awarded for offices and retail premises during the quarter.

The overall letting ratio for the development projects at Aker Brygge is 76 per cent (31 December: 74 per cent). At the end of the first quarter only about 10 600 square meters of offices and 5 200 square meters of retail remain to be let.

In Stavanger, Statoil has given notice that it will vacate the Grenseveien 19 and 21 properties in January 2015.

#### **The development projects**

The first phase of Stranden 3 has been completed and tenants have moved into the first section, while the shopping mall has also been opened. The second phase of Stranden 3 will be completed during the last half of 2014.

Work is in full swing on the Stranden 1, Stranden 5 and Drammensveien 134 projects. Danske Bank has moved into its premises at Stranden 5, but these properties are otherwise largely without rental income while conversion work is under way. Good progress is also being made with the extension project at Finnestadveien 44, with completion expected during the second quarter of 2014.

The estimated total cost of the Stranden 3 and Stranden 5 projects increased by a total of NOK 115 million during the first quarter.

#### **Loan facilities expanded and future financing secured**

Norwegian Property established a new loan framework of NOK 600 million in the form of a revolving credit facility during March 2014. In connection with the expansion of the facility, an agreement was also entered into on adapting the loan terms related to interest cover for a period up to and including the second quarter of 2015 in order to secure freedom of action for implementing the current development projects.

Norwegian Property issued a new bond loan of NOK 350 million in March 2014. The loan contributes to a further diversification of the company's financing, and bond loans accounted for 14 per cent of the company's interest-bearing debt at 31 March.



## KEY FIGURES

Profit and loss		1Q 2014	1Q 2013	Year 2013
Gross income	NOK mill.	181.1	224.8	769.8
Operating profit before adm. expenses	NOK mill.	150.6	198.5	647.7
Operating profit before value adjustments	NOK mill.	134.5	181.6	586.9
Profit before income tax and value adjustments	NOK mill.	42.0	76.7	174.4
Profit before income tax	NOK mill.	-79.0	-350.3	-287.6
Profit after income tax	NOK mill.	-75.1	-271.1	-230.9
EPRA-earnings <sup>1</sup>	NOK mill.	30.7	55.2	125.6

Balance sheet		1Q 2014	1Q 2013	Year 2013
Market value of investment portfolio	NOK mill.	15 098.2	13 911.0	14 762.6
Equity	NOK mill.	4 982.7	5 126.6	5 057.5
Interest bearing debt	NOK mill.	9 284.4	8 550.0	8 947.4
Equity ratio	Per cent	32.5	34.6	33.6
Pre-tax return on equity (annualized)	Per cent	-6.3	-26.6	-5.5

Cash flow		1Q 2014	1Q 2013	Year 2013
Cash flow from operating activities	NOK mill.	2.2	21.1	45.9
Cash position	NOK mill.	26.6	335.3	62.9

Key numbers, shares		1Q 2014	1Q 2013	Year 2013
No. of shares issued	Number	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
Pre-tax profit per share <sup>2</sup>	NOK	-0.14	-0.64	-0.52
Basic earnings per share (EPS) <sup>2</sup>	NOK	-0.14	-0.49	-0.42
EPRA-earnings per share <sup>2</sup>	NOK	0.06	0.10	0.23
Operating cash flow per share	NOK	0.00	0.04	0.08
Interest bearing debt per share	NOK	16.93	15.59	16.31
<b>Book value per share</b>	NOK	9.09	9.35	9.22
Deferred property tax per share	NOK	0.09	0.12	0.08
Financial derivative instr. per share	NOK	0.78	0.95	0.77
<b>Net asset value per share (EPRA)<sup>3</sup></b>	NOK	9.95	10.41	10.07

<sup>1</sup> Calculated on the basis of profit or loss after tax, adjusted for the change in value of investment properties and financial instruments, as well as tax cost of adjustments made.

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

<sup>3</sup> Ordinary book value of equity per share adjusted for deferred property tax-, any goodwill- and financial derivative instruments per share. Financial derivative instruments per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.



## FINANCIAL PERFORMANCE

### RESULTS FOR THE FIRST QUARTER 2014

Rental income for Norwegian Property totalled NOK 181.1 million for the first quarter of 2014. That compares with NOK 224.8 million in the same period of 2013. Adjusted for the acquisition and sale of properties during the period, this represented a decline of NOK 38.8 million in rental income for the first quarter of 2014. That reflected vacant space as a result of current rehabilitation projects.

Maintenance and other operating costs totalled NOK 14 million (NOK 16,2 million<sup>4</sup>) for the quarter. Other property-related expenses came to NOK 16.6 million (NOK 10.1 million), while owner administrative expenses were NOK 16.1 million (NOK 16.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 134.5 million (NOK 181.6 million) for the first quarter.

Fair-value adjustments to the property portfolio yielded an unrealised decrease of NOK 70.3 million (NOK 443.1 million). Net realised financial expenses came to NOK 92.5 million (NOK 104.9 million) for the first quarter.

Market interest rates declined during the first quarter, and the loss element related to fair-value changes in financial derivatives accordingly came to NOK 50.7 million (income of NOK 16.2 million) for the first quarter.

The pre-tax loss for the first quarter was NOK 79 million (NOK 350.3 million). Calculated non-payable tax income for the quarter was NOK 3.9 million (NOK 79.2 million). The net loss for the period was thereby NOK 75.1 million (NOK 271.1 million).

### 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 March 2014 is based on an average of the two valuations.

At 31 March 2014, the group's portfolio of investment properties was valued at NOK 15 098.2 million (NOK 13 911 million). Properties used by the owner were hereunder carried separately on the balance sheet in the amount of NOK 93.2 million at 31 March, and recognised at fair value.

The negative fair-value adjustment came to NOK 70.3 million in the first quarter. NOK 40 million of the negative development was contributed by properties with a high proportion of vacant space or a short remaining lease term, primarily related to Grenseveien 19 and 21, where Statoil has given notice that it will be vacating the property by 1 January 2015. The overall negative change in the value of properties under development totalled NOK 25 million, including the NOK 115 million increase in expected project costs. The remaining negative change relates to minor effects on individual properties.

### CASH FLOW

Net cash flow from operating activities was positive at NOK 2.2 million (NOK 21.1 million) for the first quarter. That includes NOK 46 million in buy-out of interest-rate derivatives.

Net investment in non-current assets in the first quarter totalled NOK 399.1 million (positive cash flow of NOK 475.3 million), and primarily embraced investments in the property portfolio related to the development of certain large properties.

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<sup>4</sup> Figures in brackets refer to the corresponding period of the year before.



Net cash flow from financing activities was NOK 360.9 million (negative change of NOK 873.9 million) for the first quarter, following a net increase in interest-bearing debt.

The net decrease in cash and cash equivalents was thereby NOK 36.1 million (NOK 377.5 million) in the first quarter.

## BALANCE SHEET

The company held NOK 26.6 million in cash and cash equivalents at 31 March (NOK 335.3 million). In addition came NOK 1 340.7 million (NOK 1 716 million) in unutilised credit facilities. Equity totalled NOK 4 982.7 million (NOK 5 126.6 million), representing an equity ratio of 32.5 per cent (34.6 per cent). Carried equity per share was NOK 9.09 (NOK 9.35). Equity per share based on the Epra standard was NOK 9.95 (NOK 10.41). Outstanding shares at 31 March totalled 548 425 596 (548 425 596).

## FINANCING

The table below presents interest-bearing debt and hedges at 31 March 2014.

Interest bearing debt and hedging as of 31 March 2014		31 March 2014
Interest bearing debt	NOK million	9 284.4
Cash and cash equivalents	NOK million	26.6
Interest hedging ratio (%)	Per cent	88.4
Unused credit and overdraft facilities	NOK million	1 340.7
Average time to maturity, hedging	Year	4.5
Average interest rate (incl. margin and capitalized cost)	Per cent	4.36
Average margin	Per cent	1.44
Average residual term, borrowing	Year	2.8
Property value	NOK million	15 098.2
Interest bearing debt / value (LTV)	Per cent	61.5
Net interest bearing debt / value (net LTV)	Per cent	61.3

## INTEREST HEDGES

Maturity profile interest hedges		< 1 year	1 > 2 years	2 > 3 years	3 > 4 years	4 > 5 years	> 5 years
Amount	NOK million	1 589	323	950	1 450	1 500	3 500
Average interest rate	Per cent	1,9	2,1	3,0	3,8	4,6	4,3
Share of total liabilities	Per cent	17	3	10	16	16	38

The effect of interest derivatives with a forward starting point represents an additional 84 basis points.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 88.4 per cent at 31 March. 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 9 284.4 million (NOK 8 550 million) at 31 March.

The company entered into an agreement during the first quarter on an expanded revolving credit facility of NOK 600 million linked to existing facilities. In April 2014, the company has also issued a new secured bond loan totalling NOK 350 million with a term of five years in the Norwegian bond market. The loan has an interest rate of three months Nibor plus a margin of 1.30 per cent. It is secured through a first priority mortgage on the Lysaker Torg 35 property within a 68 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.



## OPERATIONS

### COMMERCIAL PROPERTY MARKET

Vacant office space in Oslo was around seven per cent of total space in the Oslo area during the first quarter of 2014, according to Akershus Eiendom. Construction starts and completions for new premises are still expected to be limited over the next few years. At the same time, the trend towards converting space into residential accommodation is continuing. Combined with a demand for space from some growth in employment, this indicates a slight reduction in vacant space and limited risk for a decline in rents over the next few years.

However, office vacancy in Oslo develops differently between the various business districts. While it remains low in the most attractive areas around Aker Brygge and Vika (the central business district), vacancy is stable and relatively high in less attractive locations such as Helsefyr, Bryn, Økern and Ulven. Tenants remain selective over the location and quality of sought-after office premises. Willingness to pay is high in the most attractive locations and for properties with the highest quality standards.

Demand for offices in Stavanger remains high with a number of large tenants seeking space. However, good availability of land and the completion of a number of new commercial buildings have meant that rents have remained stable despite good demand. Some slowdown in oil exploration activity in the North Sea suggests that future demand will be somewhat weaker. At the same time, construction of new commercial buildings is expected to decline in step with the slowdown in demand growth. Overall, relatively stable rents are accordingly expected in the time to come.

The trend towards easier access to financing for commercial property is continuing. The bond market was used by a number of players during the first quarter, with a fairly substantial improvement in commercial terms compared with 2013. The banks have also continued to signal ambitions for some growth in lending to commercial property. Relatively few transactions were reported in the first quarter, but market players report a high level of activity which could lead to transactions in the rest of the year. Increased interest from external investors and good and stable access to external capital indicate that the level of activity in the transaction market will remain positive.

### THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 41 office and commercial properties at 31 March. These are located in central areas of Oslo and Bærum (79.6 per cent of gross current rental income at 31 March 2014), at Gardermoen (3.6 per cent of gross rental income) and in Stavanger (16.8 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 752.3 million at 31 March 2014, an increase of NOK 19.5 million from NOK 732.8 million at 31 December. Vacancy in the property portfolio (commercial space without rental income) totalled 25.2 per cent of total space at 31 March 2014, a reduction from 27.3 per cent at 31 December. Vacancy also includes expanded space in rehabilitation projects which has not been included earlier. The buildings being converted at Aker Brygge and Skøyen had a vacancy of 71.1 per cent at 31 March 2014, a reduction from 83.3 per cent at 31 December. Vacancy for immediately available space was 12.4 per cent at 31 March, up from 10.7 per cent at 31 December 2013.

A total of 20 new leases were awarded or renegotiated during the first quarter, with a combined annual value of about NOK 29 million. The average remaining term of the leases is 7 years. The average rent adjustment factor for the consumer price index is 97.8 per cent of the total portfolio.



## SHAREHOLDER INFORMATION

The company had 1 553 registered shareholders at 31 March, an increase of six from 31 December. Non-Norwegian shareholders held 63.7 per cent of the share capital at 31 March 2014, unchanged from 31 December. The number of shares traded during the first quarter averaged 0.3 million per day, compared with a 2013 average of 0.5 million per day. 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 held 21 236 as treasury shares at 31 March. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 March 2014 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	CANICA AS	10.80	59 208 232	ORD	NOR
2	FOLKETRYGDFONDET	9.07	49 751 642	ORD	NOR
3	SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	5.11	28 012 314	NOM	SWE
4	STATE STREET BANK AN A/C CLIENT OMNIBUS F	4.37	23 959 270	NOM	USA
5	THE BANK OF NEW YORK BNY MELLON	4.33	23 730 241	NOM	USA
6	STATE STREET BANK & S/A SSB CLIENT OMNI	4.26	23 336 570	NOM	USA
7	BNP PARIBAS SEC. SER S/A CLIENT ASSETS	3.50	19 203 743	NOM	LUX
8	CITIBANK, N.A. S/A STICHTING PGGM D	3.21	17 597 315	NOM	NLD
9	THE BANK OF NEW YORK BNY MELLON	2.90	15 884 775	NOM	USA
10	STATE STREET BANK & A/C CLIENT FUND NUMB	2.50	13 727 117	NOM	USA
11	MERRILL LYNCH INTERN C/O MLI GEF NON TREA	2.18	11 954 100	NOM	GBR
12	FONDSFINANS SPAR	1.91	10 450 000	ORD	NOR
13	VERDIPAPIRFONDET DNB	1.86	10 207 933	ORD	NOR
14	VERDIPAPIRFONDET DNB	1.80	9 866 525	ORD	NOR
15	J.P. MORGAN CHASE BA NORDEA RE:NON-TREATY	1.54	8 453 621	NOM	GBR
16	ILMARINEN MUTUAL PEN BNY MELLON	1.50	8 225 409	ORD	FIN
17	STATE STREET BANK & SSB, : ISHARES EUROP	1.44	7 905 034	NOM	IRL
18	BNP PARIBAS SEC. SER S/A TR PROPERTY INVE	1.26	6 921 567	NOM	GBR
19	STATE STREET BANK AN A/C WEST NON-TREATY	1.21	6 660 264	NOM	USA
20	J.P. MORGAN CHASE BA LUXEMBOURG OFFSHORE	1.18	6 459 686	NOM	LUX
<b>Total 20 largest shareholders</b>		<b>65.93</b>	<b>361 515 358</b>		<b>5/20 NOR</b>



## **OUTLOOK**

Forecasts for the office market suggest stable or declining vacant space, which indicates in turn stable development in the letting market and limited risk of a fall in rents. Continued improvement in capital availability and a robust transaction market also suggest a stable to positive trend for the value of commercial property.

Norwegian Property focuses on high-quality properties close to traffic hubs in the most central and attractive areas of Oslo and Stavanger. The group is pursuing a substantial investment programme with its properties, particularly at Aker Brygge and Skøyen, in order to modernise its property portfolio and meet the requirements of the best-paying tenants for new premises. Tenant requirements for premises continue to be characterised by a concentration on high quality, functionality and energy efficiency. Parts of Stranden 3 and Stranden 5 were completed and occupied during the first quarter, but the company remains in a demanding project phase, with parallel rehabilitation projects in four of its largest properties (Stranden 1, Stranden 3, Stranden 5 and Drammensveien 134, buildings 1-4). Upgrading and conversion work is also under way at several of the company's other properties. Substantial space is accordingly generating no rental income, but a steadily increasing letting ratio for the development projects ensure growth in future rental income.

Norwegian Property is paying close attention to project execution and management. At the same time, work on leasing vacant space in the portfolio and premises being completed in connection with the extensive upgrading projects is the top priority. Rental income is expected to rise gradually during 2014 and early 2015 in step with the completion of the development projects and the phasing-in of the leases which have been awarded. However, the company's financial results will continue to be affected for a time by strategic vacancy and the execution of the current development projects.

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

Oslo, 8 May 2014





## FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	1Q 2014	1Q 2013	Year 2013
<b>Gross income</b>		<b>181.1</b>	<b>224.8</b>	<b>769.8</b>
Maintenance and other operating expenses		-14.0	-16.2	-58.0
Other property-related expenses		-16.6	-10.1	-64.1
<b>Total property-related expenses</b>		<b>-30.6</b>	<b>-26.3</b>	<b>-122.1</b>
Administrative expenses		-16.1	-16.9	-60.7
<b>Total operating expenses</b>		<b>-46.6</b>	<b>-43.2</b>	<b>-182.8</b>
<b>Operating profit before value adjustments</b>		<b>134.5</b>	<b>181.6</b>	<b>586.9</b>
Change in market value of investment property	3	-70.3	-443.1	-562.6
Other gain/loss		-	-	2.7
<b>Operating profit</b>		<b>64.2</b>	<b>-261.5</b>	<b>27.0</b>
Financial income	2	0.7	8.8	20.0
Financial cost	2	-93.2	-113.8	-432.6
<b>Realized net financial items</b>		<b>-92.5</b>	<b>-104.9</b>	<b>-412.5</b>
Change in market value of financial derivative instruments	2, 4	-50.7	16.2	97.9
<b>Net financial items</b>		<b>-143.2</b>	<b>-88.8</b>	<b>-314.6</b>
<b>Profit before income tax</b>		<b>-79.0</b>	<b>-350.3</b>	<b>-287.6</b>
Income tax	7	3.9	79.2	56.7
<b>Profit for the period</b>		<b>-75.1</b>	<b>-271.1</b>	<b>-230.9</b>
Profit attributable to non-controlling interests		-	-	-
<b>Profit attributable to shareholders of the parent company</b>		<b>-75.1</b>	<b>-271.1</b>	<b>-230.9</b>
Value adjustment of owner-occupied property	3	0.4	3.9	4.3
<b>Total other comprehensive income</b>		<b>0.4</b>	<b>3.9</b>	<b>4.3</b>
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-
<b>Total comprehensive income</b>		<b>-74.7</b>	<b>-267.1</b>	<b>-226.6</b>
Total comprehensive income attributable to shareholders of the parent company		-74.7	-267.1	-226.6
Total comprehensive income attributable to non-controlling interests		-	-	-



## CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.03.2014	31.03.2013	31.12.2013
<b>ASSETS</b>				
Financial derivative instruments	4	8.9	2.4	15.6
Investment property	3	15 005.0	13 861.8	14 709.9
Owner-occupied property	3	93.2	49.2	52.7
Other fixed assets		43.8	46.4	52.2
Receivables	6	-	400.0	-
<b>Total non-current assets</b>		<b>15 151.0</b>	<b>14 359.8</b>	<b>14 830.5</b>
Receivables	6	153.6	120.0	153.2
Cash and cash equivalents	6	26.6	335.3	62.9
<b>Total current assets</b>		<b>180.2</b>	<b>455.3</b>	<b>216.1</b>
<b>Total assets</b>		<b>15 331.1</b>	<b>14 815.1</b>	<b>15 046.6</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		274.2	274.2	274.2
Share premium		3 412.3	3 412.3	3 412.2
Other paid in equity		6 440.1	6 440.1	6 440.1
Retained earnings		-5 143.9	-5 000.0	-5 069.1
<b>Total equity</b>		<b>4 982.7</b>	<b>5 126.6</b>	<b>5 057.5</b>
Deferred tax	7	156.4	137.8	160.2
Financial derivative instruments	4	591.3	717.3	602.2
Interest bearing liabilities	6	9 243.3	7 587.0	8 917.4
<b>Total non-current liabilities</b>		<b>9 991.0</b>	<b>8 442.1</b>	<b>9 679.9</b>
Financial derivative instruments	4	9.3	5.0	0.3
Interest bearing liabilities	6	41.1	962.9	30.0
Other liabilities		307.0	278.4	278.9
<b>Total current liabilities</b>		<b>357.4</b>	<b>1 246.4</b>	<b>309.2</b>
<b>Total liabilities</b>		<b>10 348.4</b>	<b>9 688.6</b>	<b>9 989.1</b>
<b>Total equity and liabilities</b>		<b>15 331.1</b>	<b>14 815.1</b>	<b>15 046.6</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 31.12.2012</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-4 732.9</b>	<b>5 393.7</b>
Total comprehensive income	-	-	-	-267.1	-267.1
<b>Total equity 31.03.2013</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-5 000.0</b>	<b>5 126.6</b>
Total comprehensive income	-	-	-	40.6	40.6
Paid dividends	-	-	-	-109.7	-109.7
<b>Total equity 31.12.2013</b>	<b>274.2</b>	<b>3 412.2</b>	<b>6 440.1</b>	<b>-5 069.1</b>	<b>5 057.5</b>
Total comprehensive income	-	-	-	-74.7	-74.7
<b>Total equity 31.03.2014</b>	<b>274.2</b>	<b>3 412.3</b>	<b>6 440.1</b>	<b>-5 143.9</b>	<b>4 982.7</b>

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	1Q 2014	1Q 2013	Year 2013
Profit before income tax		-79.0	-350.3	-287.6
Depreciation of tangible assets		2.0	1.2	6.0
Fair value adjustment of investment property	3	70.3	443.1	562.6
Fair value adjustment of financial derivative instruments	4	4.7	-46.4	-179.4
Agio/disagio		0.2	-0.8	0.1
Change in short-term items		3.9	-25.7	-55.9
<b>Net cash flow from operating activities</b>		<b>2.2</b>	<b>21.1</b>	<b>45.9</b>
Received cash from sale of investment property		0.4	694.0	704.1
Payments for purchase of investment property and other fixed assets		-399.5	-218.6	-1 211.0
Other investment activities		-	-	400.0
<b>Net cash flow from investing activities</b>		<b>-399.1</b>	<b>475.3</b>	<b>-106.9</b>
Net change of interest bearing debt	6	360.9	-873.9	-478.4
Paid dividend		-	-	-109.7
<b>Net cash flow from financial activities</b>		<b>360.9</b>	<b>-879.3</b>	<b>-588.1</b>
<b>Net change in cash and cash equivalents</b>		<b>-36.1</b>	<b>-377.5</b>	<b>-649.0</b>
Cash and cash equivalents at the beginning of the period		62.9	712.0	712.0
Exchange rate effects		-0.2	0.8	-0.1
<b>Cash and cash equivalents at the end of the period</b>		<b>26.6</b>	<b>335.3</b>	<b>62.9</b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### NOTE 1 GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

This interim report is prepared in accordance with IAS 34 - Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report is in accordance with the principles applied in the preparation of the annual accounts for 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.

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 8 May 2014. 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	1Q 2014	1Q 2013	Year 2013
Interest income on bank deposits	0.7	3.0	5.3
Interest income on seller's credit	-	5.0	14.6
Currency gain on bank deposits	-	0.8	-
<b>Total financial income</b>	<b>0.7</b>	<b>8.8</b>	<b>20.0</b>
Interest expense on borrowings	-93.0	-113.8	-432.4
Currency loss on bank deposits	-0.2	-	-0.1
<b>Total financial cost</b>	<b>-93.2</b>	<b>-113.8</b>	<b>-432.5</b>
<b>Realized net financial items</b>	<b>-92.5</b>	<b>-104.9</b>	<b>-412.5</b>
Change in market value of financial derivative instruments	-50.7	16.2	97.9
<b>Net financial items</b>	<b>-143.2</b>	<b>-88.8</b>	<b>-314.6</b>



### NOTE 3 INVESTMENT PROPERTY

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

Amounts in NOK million	Note	1Q 2014	1Q 2013	Year 2013
Total value of investment property, opening balance		14 762.6	14 852.5	14 852.5
Disposals of properties at book value	1	-	-693.7	-693.7
Additions through acquisition and on-going investments of properties		406.2	190.6	1 172.4
Total fair value adjustment of investment property		-70.3	-443.1	-562.6
Fair value adjustment of properties sold	1	-0.4	1.0	-9.2
Fair value adjustment of owner-occupied property		-	3.7	3.4
<b>Total value of investment property, ending balance</b>	2	<b>15 098.2</b>	<b>13 911.0</b>	<b>14 762.6</b>
Of which investment property held for sale	3	-93.2	-49.2	-52.7
<b>Total book value for all properties</b>		<b>15 005.0</b>	<b>13 861.8</b>	<b>14 709.9</b>

1) Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property. The income element for 2014 relates to minor adjustments related to prior year disposals.

2) Contractual obligations for construction contracts related to investment property amounts to NOK 1 300 million at 31 March 2014 (31.12.2013: 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	31.03.2014			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	15 005.0	15 005.0
Owner-occupied property	-	-	93.2	93.2
<b>Total</b>	-	-	<b>15 098.2</b>	<b>15 098.2</b>

Amounts in NOK million	31.03.2013			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	13 861.8	13 861.8
Owner-occupied property	-	-	49.2	49.2
<b>Total</b>	-	-	<b>13 911.0</b>	<b>13 911.0</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 2013 and 2014.



## NOTE 4 FINANCIAL DERIVATIVES

Change in net derivatives in the balance sheet (interest rate and currency derivatives) is specified in the table below.

Amounts in NOK million	1Q 2014	1Q 2013	Year 2013
Net book value of derivatives, opening balance	-586.9	-766.4	-766.4
Fair value adjustments of derivatives, included as hedge accounting	46.0	30.2	81.5
Buyout of derivatives, not included as hedge accounting	-50.7	16.2	97.9
<b>Net fair value adjustments of derivatives, not incl. as hedge accounting</b>	<b>-591.6</b>	<b>-720.0</b>	<b>-586.9</b>
Net book value of derivatives, ending balance	8.9	2.4	15.6
Of which classified as non-current assets	-	-	-
Of which classified as current assets	-591.3	-717.3	-602.2
Of which classified as non-current liabilities	-9.3	-5.0	-0.3

## NOTE 5 FINANCIAL INSTRUMENTS

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

Amounts in NOK million	31.03.2014		31.03.2013	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	8.9	8.9	2.4	2.4
Non-current receivables	-	-	400.0	420.8
Current receivables	80.6	80.6	47.6	47.6
Cash and cash equivalents	26.6	26.6	335.3	335.3
<b>Total financial assets</b>	<b>116.1</b>	<b>116.1</b>	<b>785.3</b>	<b>806.1</b>
Non-current derivatives	591.3	591.3	717.3	717.3
Non-current interest-bearing liabilities	9 243.3	9 269.1	7 587.0	7 503.5
Current derivatives	9.3	9.3	5.0	5.0
Current interest-bearing liabilities	41.1	42.1	962.9	954.9
Other current liabilities	257.1	257.1	190.9	190.9
<b>Total financial liabilities</b>	<b>10 142.1</b>	<b>10 168.8</b>	<b>9 463.2</b>	<b>9 371.6</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 (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	31.03.2014			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	8.9	-	8.9
Non-current derivatives (liabilities)	-	-591.3	-	-591.3
Current derivatives (liabilities)	-	-9.3	-	-9.3
<b>Total</b>	-	<b>-591.6</b>	-	<b>-591.6</b>

Amounts in NOK million	31.03.2013			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	2.4	-	2.4
Non-current derivatives (liabilities)	-	-717.3	-	-717.3
Current derivatives (liabilities)	-	-5.0	-	-5.0
<b>Total</b>	-	<b>-720.0</b>	-	<b>-720.0</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 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	1Q 2014	1Q 2013	Year 2013
Loan facilities at par value, opening balance		8 976.3	9 454.7	9 454.7
Increase of loan facilities		375.3	-	955.0
Reduction of loan facilities		-14.4	-873.9	-1 433.4
<b>Loan facilities at par value, ending balance</b>		<b>9 337.2</b>	<b>8 580.8</b>	<b>8 976.3</b>
Capitalized borrowing cost		-52.8	-30.8	-28.9
<b>Book value of interest-bearing debt</b>		<b>9 284.4</b>	<b>8 550.0</b>	<b>8 947.5</b>
Of which classified as non-current liabilities		9 243.3	7 587.0	8 917.4
Of which classified as current liabilities		41.1	962.9	30.0
Interest-bearing debt	1	-9 284.4	-8 550.0	-8 947.5
Interest-bearing receivable (seller's credit)	2	-	400.0	-
Cash and cash equivalents		26.6	335.3	62.9
<b>Net interest-bearing position</b>		<b>-9 257.8</b>	<b>-7 814.7</b>	<b>-8 884.6</b>

1) Undrawn credit facilities amounted to NOK 1 340,7 million at 31 March 2014, NOK 1 716 million at 31 March 2013 and NOK 1 116 million at 31 December 2013.

2) In connection with the sale of Norgani Hotels in 2010 it was granted an interest bearing seller's credit of NOK 600 million to the buyer, with a fixed annual interest rate of 5 percent and maturity of two years from the date of sale of NOK 200 million (repaid in 2012) and five years of NOK 400 million (repaid before maturity in 2013).

The group is exposed to interest rate risk on floating rate borrowings. The policy of Norwegian Property is a minimum of 70 percent of the company's floating rate loans must be secured. At 31 March 2014 were 88 percent of such loans secured (88 percent). The total average margin on variable rate loans was 144 basis points (137 basis points). The loan portfolio has an average interest rate of 4.36 per cent (5.24 per cent). Average remaining maturity of hedging contracts was 4.5 years (5.0 years).



## NOTE 7 DEFERRED TAX AND INCOME TAX

Below is a breakdown of income tax in the income statement and deferred tax liabilities in the balance sheet.

Amounts in NOK million	Note	1Q 2014	1Q 2013	Year 2013
Profit before income tax		-79.0	-350.3	-287.6
Income tax calculated at 27 per cent (28 per cent for 2013)		-21.3	-98.1	-80.5
Change in tax rate to 27 percent for closing balance deferred tax in 2013	1	-	-	-5.9
Temporary differences		17.4	20.5	36.5
Permanent differences		-	-1.6	-6.7
<b>Income tax</b>		<b>-3.9</b>	<b>-79.2</b>	<b>-56.7</b>
Deferred tax, opening balance		160.2	217.0	217.0
Recognized through profit and loss		-3.9	-79.2	-56.7
<b>Deferred tax, ending balance</b>		<b>156.4</b>	<b>137.8</b>	<b>160.2</b>

1) 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 therefore estimated 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 during the first quarter of 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

After the balance sheet date on 31 March 2014, the company issued a new secured 5-year bond of NOK 350 million in the Norwegian bond market. The loan is issued with an interest of 3 month NIBOR plus a margin of 1.30 per cent. The loan is secured by first priority pledge in the property Lysaker Torg 35 based on an maximum loan-to-value of 68 per cent. The purpose of the bond is refinancing of the property at favorable terms, and the bond contributes to further diversification of the group's financial funding.





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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 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.

