

1Q 2013

FIRST QUARTER 2013



**NPRO**  
NORWEGIAN PROPERTY

## IMPORTANT EVENTS IN THE FIRST QUARTER OF 2013

### POSITIVE RENTAL MARKET BUT CONVERSION PROJECTS TEMPORARILY IMPACT OPERATION

#### Stable operation, temporary impact from conversion projects

Norwegian Property achieved stable operation in its on-going business during the fourth quarter. At the same time, conversion projects under way in the portfolio continue to lead to an increase in vacant space and a transitory decline in rental income for certain large properties. Total rental income accordingly amounted to NOK 224.8 million, yielding an operating profit before fair-value adjustments of NOK 181.6 million. That gave Norwegian Property a profit before tax and fair-value adjustments of NOK 76.7 million.

Fair value adjustment for the investment property portfolio was negative with NOK 443.1 million and positive value change for financial derivatives was positive with NOK 16.2 million. After non payable tax income of NOK 79.2 the loss for the period was NOK 271.1 million. Ordinary earnings per share (EPS) in the first quarter were negative with NOK 0.49. Book value per share was NOK 9.35 as of 31 Marc 2013, a reduction from NOK 9.83 per share at the end of the fourth quarter 2012 (EPRA: NOK 10.41 at the end of the first quarter 2013).

#### New lease agreements

In the first quarter Norwegian Property entered into or extended 16 lease contracts with an annual rent of NOK 28.3 million. NOK 14.6 million of the annual rent is related to the development properties. The largest contracts signed in the first quarter are:

- Gullhaug Torg 3 – TV2 has concluded a contract for 3 990 sqm for 5 years
- Maridalsveien 323 – Konica Minolta has concluded a contract for 2 000 sqm for 10 years
- Stranden 3 (Verkstedhallene) – Delicatessen will establish a new restaurant and has entered into a contract for 557 sqm for 10 years.

In April several new leases have been signed in Stranden 3 (Verkstedhallene). The largest contracts are:

- Arkwright has entered into an agreement for 1 397 sqm for 11 years
- Gjensidigestiftelsen has entered into an agreement for 1 236 sqm for 12 years

#### Completion of the sale of Drammensveien 149

In February 2013 Norwegian Property entered into an agreement with Orkla Eiendom AS to sell Drammensveien 149 for a total property value of NOK 695.0. The transaction was completed in March 2013.

#### The development projects

In the first quarter and at the start of the second quarter Norwegian Property has approved the development projects Stranden 1 (Terminalbygget) and Stranden 5 (Kaibygg 1). In the same period construction contracts for both projects have been negotiated.

## KEY FIGURES

| <b>Profit and loss for continued operations</b> |             | <b>1Q 2013</b> | <b>1Q 2012</b> | <b>2012</b>   |
|-------------------------------------------------|-------------|----------------|----------------|---------------|
| Gross income                                    | NOK million | <b>224.8</b>   | 247.0          | <b>925.0</b>  |
| Operating profit before adm. expenses           | NOK million | <b>198.5</b>   | 219.7          | <b>822.6</b>  |
| Operating profit before value adjustments       | NOK million | <b>181.6</b>   | 202.3          | <b>750.4</b>  |
| Profit before income tax and value adjustments  | NOK million | <b>76.7</b>    | 74.4           | <b>277.5</b>  |
| Profit before income tax                        | NOK million | <b>-350.3</b>  | 98.0           | <b>-18.7</b>  |
| Profit after income tax                         | NOK million | <b>-271.1</b>  | 13.0           | <b>-124.9</b> |

| <b>Balance sheet</b>                  |             | <b>1Q 2013</b>  | <b>1Q 2012</b> | <b>2012</b>     |
|---------------------------------------|-------------|-----------------|----------------|-----------------|
| Market value of investment portfolio  | NOK million | <b>13 911.0</b> | 14 522.9       | <b>14 852.5</b> |
| Equity                                | NOK million | <b>5 126.6</b>  | 5 240.3        | <b>5 393.7</b>  |
| Interest bearing debt                 | NOK million | <b>8 550.0</b>  | 9 869.4        | <b>9 421.7</b>  |
| Equity ratio                          | Per cent    | <b>34.6</b>     | 32.4           | <b>33.5</b>     |
| Pre-tax return on equity (annualized) | Per cent    | <b>-26.6</b>    | 7.5            | <b>-0.3</b>     |

| <b>Cash flow</b>                    |             | <b>1Q 2013</b> | <b>1Q 2012</b> | <b>2012</b>  |
|-------------------------------------|-------------|----------------|----------------|--------------|
| Cash flow from operating activities | NOK million | <b>21.1</b>    | 93.2           | <b>243.2</b> |
| Cash position                       | NOK million | <b>335.3</b>   | 934.4          | <b>712.0</b> |

| <b>Key numbers, shares</b>                          |        | <b>1Q 2013</b>     | <b>1Q 2012</b> | <b>2012</b>        |
|-----------------------------------------------------|--------|--------------------|----------------|--------------------|
| No. of shares issued                                | Number | <b>548 425 596</b> | 498 596 832    | <b>548 425 596</b> |
| Average number of shares in period                  | Number | <b>548 425 596</b> | 498 596 832    | <b>505 932 707</b> |
| Pre-tax profit per share <sup>1</sup>               | NOK    | <b>-0.64</b>       | 0.20           | <b>-0.04</b>       |
| Basic earnings per share (EPS) <sup>1</sup>         | NOK    | <b>-0.49</b>       | 0.03           | <b>-0.25</b>       |
| Operating cash flow per share                       | NOK    | <b>0.04</b>        | 0.19           | <b>0.48</b>        |
| Interest bearing debt per share                     | NOK    | <b>15.59</b>       | 19.79          | <b>17.18</b>       |
| <b>Book value per share</b>                         | NOK    | <b>9.35</b>        | 10.51          | <b>9.83</b>        |
| Deferred property tax per share                     | NOK    | <b>0.12</b>        | 0.26           | <b>0.31</b>        |
| Financial derivative instr. per share               | NOK    | <b>0.95</b>        | 0.87           | <b>1.01</b>        |
| <b>Net asset value per share (EPRA)<sup>2</sup></b> | NOK    | <b>10.41</b>       | 11.63          | <b>11.15</b>       |

<sup>1</sup> Diluted earnings per share are the same as the basic earnings per share.

<sup>2</sup> Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, 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 2013

Rental income for Norwegian Property totalled NOK 224.8 million for the first quarter of 2013. That compares with the NOK 247.0 million received in the same period of 2012. Adjusted for the acquisition and sale of properties during the period, this represents a decline of NOK 5.2 million in rental income for the first quarter. The decline is due to vacancies resulting from ongoing development projects.

Maintenance and other operating costs for the quarter totalled NOK 16.2 million (NOK 14.0 million<sup>3</sup>). Other property-related expenses came to NOK 10.1 million (NOK 13.3 million), and administrative expenses came to NOK 16.9 million (NOK 17.4 million). Operating profit before fair-value adjustments in the first quarter thereby amounted to NOK 181.6 million (NOK 202.3 million).

Fair-value adjustments to the property portfolio yielded an unrealised loss of NOK 443.1 million (loss of NOK 5.9 million). Net realised financial expenses came to NOK 104.9 million (NOK 128.0 million).

The income element related to financial derivatives increased in value by NOK 16.2 million (NOK 29.5 million in the year before).

The pre-tax loss for the fourth quarter came to NOK 350.3 million, compared to a profit of NOK 98.0 million in the first quarter in 2012. Estimated non-payable tax income for the quarter was negative with NOK 79.2 million compared to a positive non-payable tax income of NOK 85.0 million in the same period last year. Loss after tax for continued operation was NOK 271.1 million compared to a profit of NOK 13.0 million in the same period last year.

### 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. At 31 March 2013 the valuation in the accounts is based on an average of the two external valuations.

At 31 March 2013, the group's portfolio of commercial properties was valued at NOK 13 861.8 million (NOK 14 494.7 million). Properties used by the owner are included under other tangible assets in the amount of NOK 49.2 million at 31 March and recognised at fair value.

In the first quarter the overall outcome was a negative fair-value adjustment of NOK 443.1 million, compared to 5.9 in the same quarter last year. NOK 323 million of the negative change in market value of investment property is related to the development projects. Norwegian Property has in the period finalized construction contracts for both Drammensveien 134 and Stranden 5 (Kaibyg 1). The contracts reflect a construction market with limited capacity and price pressure. In addition Norwegian Property has a strong focus on optimizing the projects in relation to quality and project implementation in order to maximize the future value of the different properties. In Drammensveien 134 Norwegian Property has decided to replace the existing four buildings with one new building; thus the new project will be a complete new build both from a market perspective and in relation to future management of the property. The remaining NOK 120 million is related to properties with high vacancy and short remaining duration of the lease term.

### CASH FLOW

Net cash flow from operating activities before financial items for the first quarter was NOK 21.1 million (NOK 93.2 million).

Investment in non-current assets during the first quarter totalled NOK 218.6 million (NOK 772.6 million), and embraced investments in the property portfolio related to the conversion of certain large properties. After positive cash flow from sale of the property Drammensveien 149 net positive cash flow from financing activities thereby amounted to NOK 475.3 million (positive cash flow of NOK 1 124.4 million).

<sup>3</sup> Figures in brackets refer to the corresponding period of the year before.

Net cash flow from financing activities in the first quarter was negative at NOK 873.9 million, mainly due to net repayment of interest-bearing debt. In the first quarter of 2012 the net cash flow from financing activities was NOK 297.7 million.

The net decrease in cash and cash equivalents in the first quarter was NOK 377.5 million (increase of NOK 919.9 million).

## BALANCE SHEET

The company held NOK 335.3 million in cash and cash equivalents at 31 March 2013 (NOK 712.0 million at 31 December 2012). In addition, it had NOK 1 716 million (NOK 1 216 million) in unutilised credit facilities. Equity totalled NOK 5 126.6 million (NOK 5 393.7 million), corresponding to an equity ratio of 34.6 per cent (33.5 per cent). Carried equity per share was NOK 9.35 (NOK 9.83). Equity per share based on the Epra standard was NOK 10.41 (NOK 11.15). 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 2013.

| Interest bearing debt and hedging as of 31 March 2013                  |             | 31 March 2013 |
|------------------------------------------------------------------------|-------------|---------------|
| Interest bearing debt                                                  | NOK million | 8 550.0       |
| Vendor financing                                                       | NOK million | 400.0         |
| Cash and cash equivalents                                              | NOK million | 335.5         |
| Interest hedging ratio, including vendor financing (%)                 | Per cent    | 88.3          |
| Unused credit facilities                                               | NOK million | 1 716.0       |
| Average time to maturity, hedging                                      | Year        | 5.0           |
| Average interest rate (incl. margin)                                   | Per cent    | 5.24          |
| Average margin                                                         | Per cent    | 1.37          |
| Average residual term, borrowing                                       | Year        | 3.4           |
| Property value                                                         | NOK million | 13 911.0      |
| Interest bearing debt / value (LTV)                                    | Per cent    | 61.5          |
| Net interest bearing debt / value (net LTV)                            | Per cent    | 59.1          |
| Net interest bearing debt deducting vendor financing / value (net LTV) | Per cent    | 56.2          |

## 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 | 827      | 500         | 323         | 1 150.0     | 1 450       | 4 300     |
| Average interest rate            | Per cent    | 1.4      | 3.9         | 2.1         | 3.0         | 3.8         | 4.5       |
| Share of total liabilities       | Per cent    | 10       | 6           | 4           | 13          | 17          | 50        |

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 88.3 per cent at 31 March 2013. The increase in hedging ratio from the end of 2012 is mainly related to reduction in interest-bearing debt following sale of investment property. The company on a continuing basis works to adjust the interest hedges to a lower interest rate.

## INTEREST-BEARING LIABILITIES

Interest-bearing liabilities after capitalised costs totalled NOK 8 550.0 million (NOK 9 421.7 million) at 31 March. In addition to scheduled repayments of interest-bearing liabilities, a borrowing facility relating to some of the Skøyen properties matures in December 2013.

## OPERATIONS

### COMMERCIAL PROPERTY MARKET

At the end of March the total market space vacancy in Oslo according to Akershus Eiendom was around 6.5 per cent, which is unchanged from the estimated level at the end of 2012. Based on positive macro outlook for the Norwegian economy the demand for office space is expected to be positive. In combination with low new building activity and a continued trend of converting less attractive office building to residential, Akershus Eiendom estimates that the space vacancy for offices will be further reduced to around 5 per cent in 2015. The expected reduced space vacancy towards 2016 signals a continued strong rental market and limited risk for reduced rental levels over the next three years.

The office vacancy has been relatively stable in most areas for the last six months. In CBD Akershus Eiendom estimates vacancy at around 4.3 per cent, which is in line with a year ago. Skøyen has seen the largest reduction in vacancy as a consequence of a large contract with an industry group and a new build that has now been fully let. Lysaker is one of the few areas where vacancy has increased, mainly because Statoil has moved into their new head office at Fornebu and consequently left their previous offices at Vækerø.

In Stavanger demand for offices is still strong and largely a result of high activity in the oil and gas sector. High new build activity limits the potential for rental growth and also impacts the required standard when letting existing buildings. Akershus Eiendom estimates that projects comprising around 200 000 sqm of offices will be completed in the period 2013 to 2015. In comparison around 100 000 sqm was completed in 2012.

In 2012, bond financing was a good alternative to bank financing. In 2013, several new property mortgages are issued. It also appears that several banks again are more aggressive in lending. The transaction activity in the first quarter of 2013 was lower than the fourth quarter of 2012, which was characterized by a large number of transactions. Completed transactions so far this year indicates, however, that yield requirements are virtually unchanged from 2012.

### 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 (81.4 per cent of gross rental income), at Gardermoen (3.3 per cent of gross rental income) and in Stavanger (15.3 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and commercial and restaurant space.

Total contractual rental income from the portfolio was NOK 797.1 million at 31 March 2013, a decrease of NOK 123.7 million from the end of the fourth quarter. Vacancy in the property portfolio totalled 15.6 per cent of the available area at 31 March, up from 10.2 per cent at the end of fourth quarter 2012. This rise reflects increased strategic vacancy as a result of conversion projects at Aker Brygge and Skøyen in Oslo. The buildings being converted in these two locations had a vacancy of 39.3 per cent at 31 March, compared with 57.5 per cent at 31 December 2012. Vacancy for available space was 8.8 per cent at 31 March, an increase from 3.9 per cent from 31 December 2012. The increase in vacancy is mainly related to expiry of a lease at Badehusgaten 33-39 in Stavanger.

Fourteen leases with a combined annual rental value of about NOK 28.3 million were awarded or renegotiated during the first quarter, of which NOK 14.6 million was related to the development projects.

The average remaining duration of the leases is 6.3 years. In the valuation of the property portfolio, today's market rate for rents is estimated to be 9.1 per cent higher than the average contractual rent for leased premises. The average rent adjustment factor for the consumer price index (CPI) is 97.9 per cent of the total portfolio.

## ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The new energy central at Aker Brygge is under construction and expected to be completed early summer 2013 in line with completion of the first large conversion projects. Compared to traditional systems for heating and cooling the system reduces CO2-consumption by some 75 per cent.

## SHAREHOLDER INFORMATION

The company had 1 667 registered shareholders at 31 March, a reduction of 93 from 30 December last year. Non-Norwegian shareholders held 61.2 per cent of the share capital at 31 March, compared with 60.3 per cent at 31 December. The number of shares traded during the first quarter averaged 0.6 million per day, compared to an average of 0.8 million shares per day in 2012. 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 2013 are presented below.

| #                                    | Name                   | Share (%)    | No. of shares      | Account type | Nationality     |
|--------------------------------------|------------------------|--------------|--------------------|--------------|-----------------|
| 1                                    | CANICA AS              | 10.80        | 59 208 232         | ORD          | NOR             |
| 2                                    | FOLKETRYGDFONDET       | 8.96         | 49 163 874         | ORD          | NOR             |
| 3                                    | STATE STREET BANK AN   | 8.82         | 48 359 612         | NOM          | USA             |
| 4                                    | THE BANK OF NEW YORK   | 5.12         | 28 080 128         | NOM          | USA             |
| 5                                    | SKANDINAVISKA ENSKILDA | 4.22         | 23 149 055         | NOM          | SWE             |
| 6                                    | THE BANK OF NEW YORK   | 3.44         | 18 861 606         | NOM          | USA             |
| 7                                    | CITIBANK NA LONDON B   | 3.21         | 17 597 315         | NOM          | NLD             |
| 8                                    | STATE STREET BANK &    | 2.34         | 12 842 651         | NOM          | USA             |
| 9                                    | BNP PARIBAS SECS SER   | 2.32         | 12 749 508         | NOM          | LUX             |
| 10                                   | FONDSFINANS SPAR       | 1.82         | 10 000 000         | ORD          | NOR             |
| 11                                   | FRAM REALINVEST AS     | 1.82         | 10 000 000         | ORD          | NOR             |
| 12                                   | BNP PARIBAS SECS SER   | 1.52         | 8 350 980          | NOM          | GBR             |
| 13                                   | ISHARES EUROPE, FUND   | 1.45         | 7 953 749          | ORD          | ORD             |
| 14                                   | VERDIPAPIRFONDET DNB   | 1.31         | 7 200 552          | ORD          | ORD             |
| 15                                   | ILMARINEN MUTUAL PEN   | 1.30         | 7 125 409          | ORD          | FIN             |
| 16                                   | JPMORGAN CHASE BANK    | 1.28         | 7 008 682          | NOM          | GBR             |
| 17                                   | BANK OF AMERICA MERR   | 1.23         | 6 731 333          | NOM          | GBR             |
| 18                                   | STATE STREET BANK AN   | 1.16         | 6 364 596          | NOM          | USA             |
| 19                                   | DNB LIVSFORSIKRING A   | 1.11         | 6 091 407          | ORD          | NOR             |
| 20                                   | KLP AKSJE NORGE VPF    | 1.09         | 5 977 363          | ORD          | NOR             |
| <b>Total 20 largest shareholders</b> |                        | <b>64.32</b> | <b>352 816 052</b> |              | <b>7/20 NOR</b> |

## OUTLOOK

The Norwegian economy is still developing positively. Employment growth and low new build activity in the Oslo office market indicate a further reduction in market office vacancy rates. Limited space vacancy is a positive factor for continued strong rental markets and limits the risks of reduction in rental levels.

Norwegian Property focuses on properties of high quality located close to public transportation and main roads in the most central and attractive areas in Oslo and Stavanger. The group is currently investing significant amounts in its properties, in particular at Aker Brygge and Skøyen, to meet future demand from the high end segment of tenants. In the market the tenants are increasingly focusing on high quality, functionality and energy efficiency.

During the last years the group has systematically worked to improve the financial position. The completed sale of Drammensveien 149 further improves the financial position and flexibility of the group. In a demanding market for financing a solid balance sheet also secures access to competitive debt financing and completion of the group's conversion programme.

Norwegian Property's tenants are focusing on high quality and as a consequence are paying high rents. The redevelopment projects are executed in a period of high activity in the construction market. In entering construction contracts Norwegian Property has consequently focused on balancing the financial terms and the risk in project execution. Further the group has a high focus on good project management and execution of the development projects. For a period the group's financial results are impacted by strategic vacancy in connection with the conversion projects.

**The Board of Directors of Norwegian Property**

Oslo, 2 May 2013

## FINANCIAL INFORMATION

### CONSOLIDATED CONDENSED INCOME STATEMENT

| Amounts in NOK million                                               | Note | 1Q 2013       | 1Q 2012       | 2012          |
|----------------------------------------------------------------------|------|---------------|---------------|---------------|
| <b>Gross income</b>                                                  |      | <b>224.8</b>  | <b>247.0</b>  | <b>925.0</b>  |
| Maintenance and other operating expenses                             |      | <b>-16.2</b>  | -14.0         | <b>-60.5</b>  |
| Other property-related expenses                                      |      | <b>-10.1</b>  | -13.3         | <b>-41.8</b>  |
| <b>Total property-related expenses</b>                               |      | <b>-26.3</b>  | <b>-27.3</b>  | <b>-102.3</b> |
| Administrative expenses                                              |      | <b>-16.9</b>  | -17.4         | <b>-72.2</b>  |
| <b>Total operating expenses</b>                                      |      | <b>-43.2</b>  | <b>-44.7</b>  | <b>-174.5</b> |
| <b>Operating profit before value adjustments</b>                     |      | <b>181.6</b>  | <b>202.3</b>  | <b>750.4</b>  |
| Change in market value of investment property                        | 3    | <b>-443.1</b> | -5.9          | <b>-70.7</b>  |
| <b>Operating profit</b>                                              |      | <b>-261.5</b> | <b>196.4</b>  | <b>679.7</b>  |
| Financial income                                                     | 2    | <b>8.8</b>    | 9.7           | <b>40.3</b>   |
| Financial cost                                                       | 2    | <b>-113.8</b> | -137.7        | <b>-513.2</b> |
| <b>Realized net financial items</b>                                  |      | <b>-104.9</b> | <b>-128.0</b> | <b>-472.9</b> |
| Change in market value of financial derivative instruments           | 2, 4 | <b>16.2</b>   | 29.5          | <b>-225.5</b> |
| <b>Net financial items</b>                                           |      | <b>-88.8</b>  | <b>-98.4</b>  | <b>-698.4</b> |
| <b>Profit before income tax</b>                                      |      | <b>-350.3</b> | <b>98.0</b>   | <b>-18.7</b>  |
| Income tax                                                           | 6    | <b>79.2</b>   | -85.0         | <b>-106.2</b> |
| <b>Profit for the period</b>                                         |      | <b>-271.1</b> | <b>13.0</b>   | <b>-124.9</b> |
| Profit attributable to non-controlling interests                     |      | -             | -             | -             |
| <b>Profit attributable to controlling interests</b>                  |      | <b>-271.1</b> | <b>13.0</b>   | <b>-124.9</b> |
| Gain/loss on financial derivative instruments                        | 4    | -             | -1.7          | <b>-1.7</b>   |
| Income tax related to comprehensive income                           |      | -             | 0.5           | <b>0.5</b>    |
| Value adjustment of owner-occupied property                          | 3    | <b>3.9</b>    | 0.1           | <b>2.2</b>    |
| <b>Total other comprehensive income</b>                              |      | <b>3.9</b>    | <b>-1.1</b>   | <b>0.9</b>    |
| <b>Total comprehensive income</b>                                    |      | <b>-267.1</b> | <b>11.9</b>   | <b>-123.9</b> |
| Total comprehensive income attributable to controlling interests     |      | <b>-267.1</b> | 11.9          | <b>-123.9</b> |
| Total comprehensive income attributable to non-controlling interests |      | -             | -             | -             |

**CONSOLIDATED CONDENSED BALANCE SHEET**

| Amounts in NOK million               | Note | 31.03.2013      | 31.03.2012      | 31.12.2012      |
|--------------------------------------|------|-----------------|-----------------|-----------------|
| <b>ASSETS</b>                        |      |                 |                 |                 |
| Financial derivative instruments     | 4    | <b>2.4</b>      | 3.0             | 5.1             |
| Investment property                  | 3    | <b>13 861.8</b> | 14 494.7        | 14 113.2        |
| Owner-occupied property              | 3    | <b>49.2</b>     | 28.2            | 45.5            |
| Other fixed assets                   |      | <b>46.4</b>     | 14.3            | 18.7            |
| Receivables                          |      | <b>400.0</b>    | 400.0           | 400.0           |
| <b>Total non-current assets</b>      |      | <b>14 359.8</b> | <b>14 940.1</b> | <b>14 582.6</b> |
| Financial derivative instruments     | 4    | -               | -               | -               |
| Accounts receivable                  |      | <b>47.6</b>     | 64.6            | 52.3            |
| Other receivables                    | 5    | <b>72.4</b>     | 252.2           | 51.3            |
| Cash and cash equivalents            | 5    | <b>335.3</b>    | 934.4           | 712.0           |
| Assets held for sale                 | 3    | -               | -               | 693.7           |
| <b>Total current assets</b>          |      | <b>455.3</b>    | <b>1 251.3</b>  | <b>1 509.3</b>  |
| <b>Total assets</b>                  |      | <b>14 815.1</b> | <b>16 191.4</b> | <b>16 091.9</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                 |                 |                 |
| Share capital                        |      | <b>274.2</b>    | 249.3           | 274.2           |
| Share premium                        |      | <b>3 412.3</b>  | 3 048.2         | 3 412.3         |
| Other paid in equity                 |      | <b>6 440.1</b>  | 6 440.1         | 6 440.1         |
| Retained earnings                    |      | <b>-5 000.0</b> | -4 497.3        | -4 732.9        |
| <b>Total equity</b>                  |      | <b>5 126.6</b>  | <b>5 240.3</b>  | <b>5 393.7</b>  |
| Deferred tax                         | 6    | <b>137.8</b>    | 199.5           | 217.0           |
| Financial derivative instruments     | 4    | <b>717.3</b>    | 590.1           | 767.1           |
| Interest bearing liabilities         | 5    | <b>7 587.0</b>  | 9 826.1         | 8 443.0         |
| <b>Total non-current liabilities</b> |      | <b>8 442.1</b>  | <b>10 615.7</b> | <b>9 427.1</b>  |
| Financial derivative instruments     | 4    | <b>5.0</b>      | 13.2            | 4.4             |
| Interest bearing liabilities         | 5    | <b>962.9</b>    | 43.3            | 978.7           |
| Trade payables                       |      | <b>43.3</b>     | 19.6            | 34.7            |
| Other liabilities                    |      | <b>235.1</b>    | 259.4           | 253.4           |
| <b>Total current liabilities</b>     |      | <b>1 246.4</b>  | <b>335.5</b>    | <b>1 271.1</b>  |
| <b>Total liabilities</b>             |      | <b>9 688.6</b>  | <b>10 951.2</b> | <b>10 698.2</b> |
| <b>Total equity and liabilities</b>  |      | <b>14 815.1</b> | <b>16 191.4</b> | <b>16 091.9</b> |

**CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY**

| Amounts in NOK million                          | Share capital | Share premium  | Other paid in equity | Other reserves | Retained earnings | Total equity   |
|-------------------------------------------------|---------------|----------------|----------------------|----------------|-------------------|----------------|
| <b>Total equity 31.12.2011</b>                  | <b>249.3</b>  | <b>3 048.2</b> | <b>6 440.1</b>       | <b>1.2</b>     | <b>-4 510.4</b>   | <b>5 228.4</b> |
| Total comprehensive income                      | -             | -              | -                    | -1.2           | -122.7            | <b>-123.9</b>  |
| Paid dividends                                  | -             | -              | -                    | -              | -99.7             | <b>-99.7</b>   |
| Capital increase                                | 24.9          | 373.9          | -                    | -              | -                 | <b>398.8</b>   |
| Cost of private placement, net after tax (28 %) | -             | -9.6           | -                    | -              | -                 | <b>-9.6</b>    |
| Treasury shares                                 | -             | -0.3           | -                    | -              | -                 | <b>-0.3</b>    |
| <b>Total equity 31.12.2012</b>                  | <b>274.2</b>  | <b>3 412.3</b> | <b>6 440.1</b>       | -              | <b>-4 732.9</b>   | <b>5 393.7</b> |
| Total comprehensive income                      | -             | -              | -                    | -              | -267.1            | <b>-267.1</b>  |
| <b>Total equity 31.03.2013</b>                  | <b>274.2</b>  | <b>3 412.3</b> | <b>6 440.1</b>       | -              | <b>-5 000.0</b>   | <b>5 126.6</b> |

**CONSOLIDATED CONDENSED CASH FLOW**

| Amounts in NOK million                                       | 1Q 2013       | 1Q 2012        | 2012            |
|--------------------------------------------------------------|---------------|----------------|-----------------|
| Profit before income tax                                     | -350.3        | 98.0           | <b>-18.7</b>    |
| Depreciation of tangible assets                              | 1.2           | 0.8            | <b>4.5</b>      |
| Fair value adjustment of investment property                 | 443.1         | 5.9            | <b>70.7</b>     |
| Fair value adjustment of financial derivative instruments    | -46.4         | -46.5          | <b>119.6</b>    |
| Agio/disagio                                                 | -0.8          | 1.2            | <b>2.7</b>      |
| Change in short-term items                                   | -25.7         | 33.9           | <b>64.4</b>     |
| <b>Net cash flow from operating activities</b>               | <b>21.1</b>   | <b>93.2</b>    | <b>243.2</b>    |
| Received cash from sale of investment property               | 694.0         | 1 897.1        | <b>1 897.6</b>  |
| Payments for purchase and development of investment property | -218.6        | -772.6         | <b>-1 175.1</b> |
| Other investment activities                                  | -             | -              | <b>200.0</b>    |
| <b>Net cash flow from investing activities</b>               | <b>475.3</b>  | <b>1 124.4</b> | <b>922.4</b>    |
| Net change of interest bearing debt                          | -873.9        | -297.7         | <b>-752.1</b>   |
| Capital increase                                             | -             | -              | <b>385.5</b>    |
| Paid dividend                                                | -             | -              | <b>-99.7</b>    |
| Other financing activities                                   | -             | -              | <b>-0.3</b>     |
| <b>Net cash flow from financial activities</b>               | <b>-873.9</b> | <b>-297.7</b>  | <b>-466.6</b>   |
| <b>Net change in cash and cash equivalents</b>               | <b>-377.5</b> | <b>919.9</b>   | <b>699.1</b>    |
| Cash and cash equivalents at the beginning of the period     | 712.0         | 15.6           | <b>15.6</b>     |
| Exchange rate effects                                        | 0.8           | -1.2           | <b>-2.7</b>     |
| <b>Cash and cash equivalents at the end of the period</b>    | <b>335.3</b>  | <b>934.4</b>   | <b>712.0</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 Bryggegata 9, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

This interim report is prepared in accordance with IAS 34 - Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report is in accordance with the principles applied in the preparation of the annual accounts for 2012. 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 2012. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2012.

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 2 May 2013. 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 2013       | 1Q 2012       | Year 2012     |
|------------------------------------------------|---------------|---------------|---------------|
| Interest income on bank deposits               | 3.0           | 4.7           | 11.8          |
| Interest income on seller's credit             | 5.0           | 5.0           | 28.5          |
| Currency gain on bank deposits                 | 0.8           | -             | -             |
| <b>Total financial income</b>                  | <b>8.8</b>    | <b>9.7</b>    | <b>40.3</b>   |
| Interest expense on borrowings                 | -113.8        | -136.5        | -510.5        |
| Currency loss on bank deposits                 | -             | -1.2          | -2.7          |
| <b>Total financial cost</b>                    | <b>-113.8</b> | <b>-137.7</b> | <b>-513.2</b> |
| <b>Realized net financial items</b>            | <b>-104.9</b> | <b>-128.0</b> | <b>-472.9</b> |
| Change in market value of financial derivative | 16.2          | 29.5          | -225.5        |
| <b>Net financial items</b>                     | <b>-88.8</b>  | <b>-98.5</b>  | <b>-698.4</b> |

### NOTE 3 INVESTMENT PROPERTY

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

| Amounts in NOK million                                               |   | 1Q 2013         | 1Q 2012         | Year 2012       |
|----------------------------------------------------------------------|---|-----------------|-----------------|-----------------|
| Total value of investment property, opening balance                  |   | <b>14 852,5</b> | 15 655,0        | <b>15 655,0</b> |
| Disposals of properties at book value                                | 1 | <b>-693,7</b>   | -1 893,4        | <b>-1 893,4</b> |
| Additions through acquisition and on-going investments of properties |   | <b>190,6</b>    | 771,2           | <b>1 164,8</b>  |
| Total fair value adjustment of investment property                   |   | <b>-443,1</b>   | -5,9            | <b>-70,7</b>    |
| Fair value adjustment of properties sold                             | 1 | <b>1,0</b>      | -3,9            | <b>-4,4</b>     |
| Fair value adjustment of owner-occupied property                     |   | <b>3,7</b>      | -               | <b>1,4</b>      |
| <b>Total value of investment property, ending balance</b>            |   | <b>13 911,0</b> | <b>14 522,9</b> | <b>14 852,5</b> |
| Of which investment property held for sale                           | 2 | -               | -               | <b>-693,7</b>   |
| <b>Total book value for all properties</b>                           |   | <b>13 911,0</b> | <b>14 522,9</b> | <b>14 158,8</b> |
| Owner-occupied property                                              | 3 | <b>-49,2</b>    | -28,2           | <b>-45,5</b>    |
| <b>Book value of investment property</b>                             |   | <b>13 861,8</b> | <b>14 494,7</b> | <b>14 113,2</b> |

1) *Disposals in 2013 applies to Drammensveien 149. Similarly for 2012 applies to Ibsenkvartalet (C. J. Hambros Plass 2) and Middelthunsgate 17.*

2) *In 2012, Norwegian Property received an indicative offer for the property Drammensveien 149 at Skøyen in Oslo. In February 2013, Norwegian Property entered into an agreement to sell the property. The transaction includes the existing property that Norwegian Property acquired in connection with the establishment of the group in 2006, and the neighboring property acquired in 2012. The sales value amounts to NOK 693.7 million. At the end of 2012, the property was valued at estimated realizable value and classified as assets held for sale.*

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

### 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 2013       | 1Q 2012       | Year 2012     |
|-----------------------------------------------------------------------------|---------------|---------------|---------------|
| Net book value of derivatives, opening balance                              | <b>-766,4</b> | -645,1        | -645,1        |
| Fair value adjustments of derivatives, included as hedge accounting         | -             | -1,7          | -1,7          |
| Buyout of derivatives, not included as hedge accounting                     | <b>30,2</b>   | 17,0          | 105,9         |
| Net fair value adjustments of derivatives, not included as hedge accounting | <b>16,2</b>   | 29,5          | -225,5        |
| <b>Net book value of derivatives, ending balance</b>                        | <b>-720,0</b> | <b>-600,3</b> | <b>-766,4</b> |
| Of which classified as non-current assets                                   | <b>2,4</b>    | 3,0           | 5,1           |
| Of which classified as current assets                                       | -             | -             | -             |
| Of which classified as non-current liabilities                              | <b>-717,3</b> | -590,1        | -767,1        |
| Of which classified as current liabilities                                  | <b>-5,0</b>   | -13,2         | -4,4          |

## NOTE 5 NET INTEREST BEARING POSITION

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

| Amounts in NOK million                              |   | 1Q 2013         | 1Q 2012         | Year 2012       |
|-----------------------------------------------------|---|-----------------|-----------------|-----------------|
| Loan facilities at par value, opening balance       |   | 9 454,7         | 10 206,8        | 10 206,8        |
| Increase of loan facilities                         |   | -               | 1 344,0         | 1 344,0         |
| Reduction of loan facilities                        |   | -873,9          | -1 641,7        | -2 096,1        |
| <b>Loan facilities at par value, ending balance</b> |   | <b>8 580,8</b>  | <b>9 909,1</b>  | <b>9 454,7</b>  |
| Capitalized borrowing cost                          |   | -30,8           | -39,7           | -33,0           |
| <b>Book value of interest-bearing debt</b>          |   | <b>8 550,0</b>  | <b>9 869,4</b>  | <b>9 421,7</b>  |
| Of which classified as non-current liabilities      |   | 7 587,0         | 9 826,1         | 8 443,0         |
| Of which classified as current liabilities          |   | 962,9           | 43,3            | 978,7           |
| Interest-bearing debt                               | 1 | -8 550,0        | -9 869,4        | -9 421,7        |
| Interest-bearing receivable (seller's credit)       | 2 | 400,0           | 600,0           | 400,0           |
| Cash and cash equivalents                           |   | 335,3           | 934,4           | 712,0           |
| <b>Net interest-bearing position</b>                |   | <b>-7 814,7</b> | <b>-8 335,0</b> | <b>-8 309,7</b> |

1) Undrawn credit facilities totaled NOK 1 716 million at 31 March 2013 and NOK 1 216 million 31 December 2012 and 31 March 2012

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 (maturing in 2015).

## NOTE 6 DEFERRED TAX AND INCOME TAX

| Amounts in NOK million                                               |   | 1Q 2013      | 1Q 2012      | Year 2012    |
|----------------------------------------------------------------------|---|--------------|--------------|--------------|
| Profit before income tax                                             |   | -350,3       | 98,0         | -18,7        |
| Income tax calculated at 28 per cent                                 |   | -98,1        | 27,4         | -5,2         |
| Deferred tax asset not capitalized                                   | 1 | 20,5         | 1,7          | 61,6         |
| Permanent differences                                                |   | -1,6         | 55,9         | 49,8         |
| <b>Income tax</b>                                                    |   | <b>-79,2</b> | <b>85,0</b>  | <b>106,2</b> |
| Deferred tax, opening balance                                        |   | 217,0        | 115,0        | 115,0        |
| Recognized through profit and loss                                   |   | -79,2        | 85,0         | 106,2        |
| Tax on financial derivatives recognized through comprehensive income |   | -            | -0,5         | -0,5         |
| Tax on issue expense charged to equity                               |   | -            | -            | -3,7         |
| <b>Deferred tax, ending balance</b>                                  |   | <b>137,8</b> | <b>199,5</b> | <b>217,0</b> |

1) Relates primarily to deferred tax assets in connection with investment property, which is not recognized when the fair value is greater than the taxable value but lower than cost for the group.

## NOTE 7 RELATED-PARTY DISCLOSURES

In February 2013, Norwegian Property sold the property Drammensveien 149 to Orkla Eiendom AS (see Note 3). Chairman of Norwegian Property ASA, Nils Selte, is CFO of Canica AS. Canica AS is the largest shareholder in both Norwegian Property ASA and Orkla ASA. Nils Selte has not participated in the Board discussions or Board decisions relating to the sale.

## NOTE 8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

### DISCLAIMER

The information included in this report contains certain forward-looking statements which address activities, events or developments which 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, reference is made to Norwegian Property's annual report for 2012. As a result of these and other risk factors, actual events and the company's 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.