Norwegian Property :: annual report 2012

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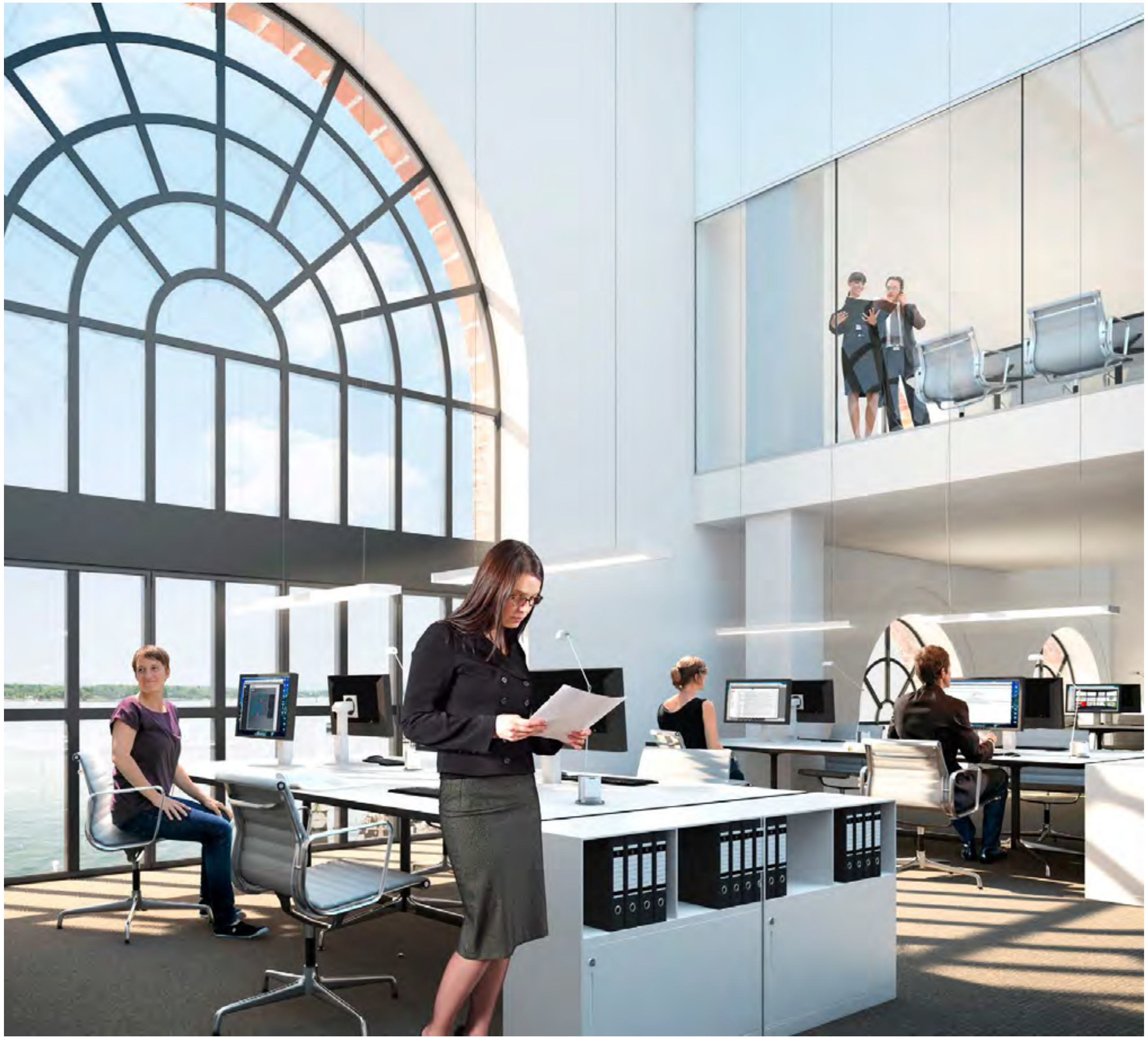

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Corporate governance

Through the exercise of good corporate governance, Norwegian Property has a goal of strengthening confidence in the company and contributing to the greatest possible value creation over time. The objective is to secure a clear and appropriate division of roles between shareholders, the board of directors and the executive management over and above legal requirements.

1. Implementation and reporting on corporate governance

The board wishes to contribute through good corporate governance to a good trust-based relationship between Norwegian Property and the company's shareholders, the capital market, and other stakeholders.

Norwegian Property has drawn up overall principles for corporate governance, which are available at http://www.norwegianproperty.no/formal-documents and are reproduced in the directors' report on page 10 in this annual report. The board has prepared a set of governing documents specifying various guidelines, instructions and policies intended to ensure compliance with good corporate governance in practice. The board regularly assesses the company's governing documents, most recently in December 2012.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 23 October 2012 is set out below. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at www.nues.no. Reference is made to this presentation in the directors' report for 2012, and it is available on the company's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

The group's values base is an important condition for corporate governance in Norwegian Property. This base rests on four core values, which form the basis for the corporate culture.

Reliable

:: We will create and retain relationships
:: We will do what we promise
:: We will ensure quality at every level

Proactive

:: We will always seek to overcome problems before they arise
:: We will seek and see new opportunities
:: We will present new ideas

Innovative

:: We will be innovative
:: We will be ambitious
:: We will challenge established truths

Collaborative

:: We will be open and inclusive
:: We will be generous and make ourselves available
:: We will have a personal commitment

The board has formulated guidelines for ethics and corporate social responsibility (CSR) in accordance with the group's values base. Norwegian Property's values base, ethical guidelines and guidelines for CSR are available on its website. The core of the CSR guidelines is the company's responsibility for the people, society and environment influenced by its operations, and deal among other considerations with human rights, anti-corruption, labour conditions, health, safety and the environment (HSE), discrimination and environmental aspects.

2. Business

Norwegian Property's articles of association are available on its website. Enshrined in article 3 of these articles, the company's business purpose states: "*The company operates in management, acquisitions, sales and development of commercial real estate, including participation in other companies as well as businesses which are related to such*".

Within the framework of its articles, the company has presented goals and strategies for its business in the directors' report on page 11.

3. Equity and dividends

Equity

Group equity at 31 December 2012 totalled NOK 5 393.7 million. The equity ratio rose from 31.9 per cent a year earlier to 33.5 per cent. The board regards the present equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial freedom of action, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be a maximum of 65 per cent. The company's financial flexibility is assessed at any given time in relation to the company's goals, strategy and risk profile. Based on the ambition of increasing strategic, operational and financial flexibility in order to exploit external and internal growth opportunities, and to optimise long-term financing, the company carried out a private placement during 2012 corresponding to about 10 per cent of the company's share capital. At 31 December 2012, the relationship between net interest-bearing debt and gross fair value was thereby 58.6 per cent (55.9 per cent if the seller credit of NOK 400 million to the buyers of Norgani Hotels AS is taken into account).

Dividend

Norwegian Property's dividend policy specifies that a goal for the company is to pay a competitive annual dividend. The company's long-term goal is to pay a dividend of 30-50 per cent of its net profit before value adjustments. An independent assessment of the group's financial position and prospects will be carried out before the annual dividend is determined. In light of the company's work to secure good financial freedom of action, the board has signalled that dividend could be lower than the long-term goal for a period. The dividend policy is also described in Note 22 to the consolidated financial statements and in the investor relations section of the company's website.

Board mandates

The annual general meeting of 12 April 2012 mandated the board to increase the company's share capital by up to NOK 24 925 000, corresponding to just under 10 per cent of the company's share capital when the mandate was awarded. The board mandate was restricted to two defined purposes, each of which was treated as a separate item at the AGM. The mandate could only be used to issue new shares through private placements in return for cash payments and/or as settlement for property acquisitions. This mandate had been utilised in its entirety at 31 December 2012.

In addition, the board was mandated to raise a convertible loan totalling NOK 750 000 000. This was because the board wanted to have the opportunity to issue new shares in combination with additional debt, partly in order to optimise the financing structure in Norwegian Property ASA.

It was also resolved that the board's overall use of mandates to issue new shares awarded to the board by the AGM should not exceed 10 per cent of the share capital. Because the mandate to increase the company's share capital had been fully utilised at 31 December, the board's overall use of mandates to issue new shares is to be regarded as fully utilised.

The board is also mandated to purchase the company's own shares up to a total nominal value of NOK 24 925 000. Norwegian Property purchased a total of 150 000 such shares in the open market during 2012. This transaction was part of a buy-back programme for the company's own shares in connection with its share purchase scheme for employees. At 31 December, the board had accordingly utilised 0.3 per cent of the applicable mandate to purchase the company's own shares. This mandate remains valid until the company's AGM in 2013 and in any event not beyond 30 June 2013.

No provisions in the articles of association authorise the board to decide that the company will buy back or issue its own shares or primary capital certificates.

4. Equal treatment of shareholders and transactions with close associates

Norwegian Property has only one share class, and all shares have equal rights in the company. Its articles of association impose no voting restrictions.

A private placement corresponding to about 10 per cent of the company's share capital was conducted by Norwegian Property in 2012. The share capital increase was approved by the board pursuant to the mandate awarded to it by the AGM of 12 April 2012. According to the mandate, the board could resolve to waive the pre-emptive right of shareholders to subscribe to new shares.

The placement was directed at a broad selection of the company's shareholders. The board gave emphasis to ensuring that shareholders were as far as possible treated equally, including giving the largest possible number of them the opportunity to participate in the issue and setting the subscription price for the issue close to the market price.

The board considered this structure to be objective and not unreasonable given the size of the issue. In light of the information above and the fact that broad practice exists for issues of this type restricted to less than 10 per cent of the share capital, the board considered that the issue did not give any shareholders or others unreasonable advantages at the expense of the company or other shareholders.

Pursuant to the code, the reasons for waiving the pre-emptive right must also be published in a stock exchange announcement in connection with a capital increase. The board will endeavour to comply with this point should similar circumstances arise again.

Transactions in the company's own shares have been conducted on the stock exchange or in another manner at the stock market price. In June 2012, Norwegian Property ASA acquired 150 000 of its own shares on the open market at an average price of NOK 7.94 per share. These shares were used in connection with the company's share purchase scheme for employees.

The board and the executive management are concerned to ensure equal treatment of all the company's shareholders and that transactions with close associates (related parties) take place on an arm's length basis. Note 23 to the consolidated financial statements details transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in notes 14 and 19.

Guidelines on conflicts of interest are included in the instructions for the company's board of directors, and ensure that directors inform the board if they have a significant direct or indirect interest in an agreement being entered into by the company. To avoid unintentional conflicts of interest, the company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This overview is updated as and when required and in the event of changes in the board's composition.

5. Freely negotiated shares

Shares in Norwegian Property are freely tradable on the Oslo Stock Exchange. No restrictions on the negotiability of the shares are imposed by the articles of association.

The board considers good liquidity of the share to be important for Norwegian Property to be regarded as an attractive investment, and the company works actively to attract interest from the capital market. Its executive management holds regular meetings with existing and potential shareholders in Norway, Europe and the USA.

6. General meetings

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting.

The 2013 AGM is scheduled to take place on 11 April. The company's financial calendar is published as a stock exchange announcement and in the investor relations section of the company's website.

Notice of the general meeting, with comprehensive documentation including the recommendations of the nomination committee, is made available to shareholders on the company's website no later than 21 days before a meeting takes place. Shareholders who want the attachments sent by post can apply to the company for this to be done. The documentation must contain all the information required for the shareholders to form a view on every item to be considered. Shareholders wishing to attend the general meeting must indicate this intention by the specified deadline. The deadline for registering attendance is set as close to the meeting as possible, normally two days in advance.

Proxy form and advance voting

Notices with documentation are made available on the company's website immediately after the documentation has been issued as a stock exchange announcement. General-meeting notices provide information on the procedures to be observed for attendance and voting, including the use of proxies. Shareholders who cannot attend in person are encouraged to appoint a proxy. A proxy form, where a proxy has been named, is framed in such a way that the shareholder can specify how the proxy should vote on each issue to be considered. The notices have included information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

Chairing meetings, elections, etc

The general meeting is opened by the chair of the board or the person appointed by the board, and the chair of the meeting is elected by the meeting. The company has not drawn up specific routines to ensure that the chair of the meeting is independent, but experience with the chairing and conduct of the general meetings has been good. Representatives of the company's board and executive management are encouraged to attend. The same applies to the nomination committee at those meetings where the election and remuneration of directors and members of the nomination committee are to be considered. The company's auditor is present at the AGM.

The general meeting elects the members of the nomination committee as well as the shareholder-elected directors on the board. In its work, the nomination committee gives emphasis to ensuring that the board functions optimally as a collective body, that legal requirements for gender representation can be met, and that the directors complement each other in terms of their background and expertise. The general meeting is therefore normally invited to vote for a complete board. As a result, no opportunity has been provided to vote in advance for individual candidates.

Minutes from a general meeting are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker code: NPRO) and under "formal documents" in the investor relations section of the company's website.

7. Nomination committee

The company's articles of association call for the appointment of a nomination committee. Pursuant to the articles, the nomination committee will comprise two or three members. Its composition must take account of the interests of shareholders in general. The committee is independent of the board and the executive management, and otherwise composed pursuant to the code.

Members of the nomination committee and its chair are elected by the general meeting for two-year terms, and their remuneration is determined by the general meeting. The work of the nomination committee is regulated by specific guidelines, which are adopted by the AGM.

The nomination committee has nominated directors and recommended their remuneration. Its recommendations with reasons are made available via the company's website before the election and as soon as they are available. The nomination committee is encouraged to attend the general meetings in order to present and justify its recommendations and to answer questions.

The present nomination committee was elected at the extraordinary general meeting of 12 April 2012 and comprises Tom Furulund (chair), Pål Hvammen and Marianne Johnsen. No directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the company's website. The deadline for submitting nominations to the nomination for the 2013 AGM is 1 March 2013.

8. Corporate assembly and board of directors, composition and independence

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has five shareholder-elected directors. Directors and the chair of the board are elected by the general meeting for two-year terms, see the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the company's website and in this annual report. The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board.

All the directors are regarded as independent of the company's executive management or significant commercial partners. Apart from the chair, they are all considered to be independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares). The chair, Nils K Selte, is CFO of the Canica AS investment company, which owned about 10.8 per cent of the shares in Norwegian Property at 31 December 2012. In addition, close associates of Selte owned 587 087 shares in the company at the same date. Directors are encouraged to own shares in the company, and information on shares owned by directors is updated continuously on the company's website.

All directors were present at eight of the 14 board meetings in 2012. Deputy chair Synne Syrrist and director Gry Mølleskog attended every meeting. Selte was judged to have a conflict of interest at two of the meetings and accordingly could not attend. Directors Gunnar Bøyum and Jon Erik Brøndmo gave notice of absence on two occasions each.

9. The work of the board of directors

The board has overall responsibility for managing the group and for supervising the chief executive and the group's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. In addition come control functions which ensure acceptable management of the company's assets. The board appoints the president and CEO. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. The division of labour between the board and the chief executive is specified in greater detail in standing instructions for the latter. The chief executive is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair.

The board establishes an annual plan for its meetings, and evaluates its work and expertise once a year. The annual plan specifies topics for board meetings, including reviewing and following up the company's goals and strategy, budgets, reporting of financial information, the notice for the general meeting with associated documentation, and the board's meeting with the auditor.

The board has considered it appropriate to appoint sub-committees to advise it. An audit committee of three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Members of the committee are independent of the business, and their work is governed by a separate instruction. A compensation committee of two directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee is also governed by a separate instruction, and comprises members who are independent of the company's executive management.

Once a year, the board evaluates its own work and that of the chief executive. The next assessment will be conducted in the autumn of 2013, and its outcome reported to the nomination committee.

10. Risk management and internal control

Through its business activities, Norwegian Property manages considerable financial assets which are exposed to substantial risk factors, such as development projects, the money market and the letting market. Its organisation comprises a relatively limited number of staff, and the group's management model is accordingly based on an appropriate delegation of profit responsibility, clearly defined operating parameters and effective internal control.

Overall goals and strategies are established and further developed through a continuous updating of the company's strategy. On the basis of this strategy, the values base and the ethical guidelines, overall instructions have been established for the board which specify authorisations for delegating responsibility to defined roles in the organisation. Policies have furthermore been established for control and risk management in the most important risk areas, such as operation, finance and development. Based on the overall policies, governing processes and routines have been established for day-to-day management. The board periodically reviews the company's governing documents, most recently in December 2012.

The administration prepares monthly operating reports which are considered at the board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status for setting targets, important operational conditions, financial conditions and a description of the status in risk areas. In addition, quarterly financial reports are prepared and reviewed by the audit committee ahead of the board meeting.

In connection with its annual review of the company's strategy, the board reviews the most important risk areas faced by Norwegian Property and the internal controls established to deal with and minimise these.

11. Remuneration of the board of directors

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise, time spent and the complexity of the business, and have not been related to results. The directors have not been awarded options.

Nor have they undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case.

Further details on the remuneration paid to individual directors are provided in Note 19 to the consolidated financial statements. An overview of shares owned by the directors and their close associates is included in Note 14 to the consolidated financial statements.

12. Remuneration of executive personnel

The board has established a compensation committee comprising two directors to assist it with the employment terms of the chief executive as well as the strategy and main principles for remunerating the company's senior executives.

The group's guidelines for the remuneration of senior executives are described in Note 19 to the consolidated financial statements. This note also provides further details about remuneration in 2012 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

These guidelines specify the main principles for the company's executive pay policy, and have been framed with the aim of ensuring that the interests of shareholders and senior executives coincide. No options have been issued to employees or elected officers of the company. Profit-related remuneration in the form of a bonus programme is based on the attainment of goals for the group or for a department or company in which the recipient is employed. Such goals may comprise the attainment of various improvement measures or financial criteria, including the development of the company's share price. A ceiling has been set on the size of profit-related remuneration for those employees entitled to receive this.

13. Information and communication

Through the company's established principles for investor communication, available on its website, the board has determined guidelines for reporting financial and other information. Based on openness and equal treatment of players in the securities market, the guidelines also cover communication with shareholders outside the general meetings. Reporting of financial and other information will be timely and accurate, while simultaneously being based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information considered to be significant for valuing the company will be distributed and published in both Norwegian and English via Cision and the Oslo Stock Exchange's company disclosure system, and the company's website exists in both Norwegian and English versions.

Information is made available simultaneously on the company's website, where it is also possible to subscribe to announcements. The main purpose of this information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors.

The company publishes a financial calendar every year with an overview of the dates of important events, including the AGM, publication of interim reports and open presentations. This calendar is made available as a stock exchange announcement and on the company's website as soon as it has been approved by the board, and is also reproduced in the annual report.

Norwegian Property complies with the recommendations of the Oslo Stock Exchange concerning the reporting of investor relations information. The applicable recommendation for such reporting is available on the Oslo Stock Exchange website at www.oslobors.no.

14. Takeovers

The board has not prepared guiding principles for responding to a possible takeover bid since it wishes to be free, within the constraints of existing regulations, to react to such an offer as it sees fit.

The company's articles of association place no restrictions on buying shares in the company. In a takeover process, the company's board and executive management will seek to help ensure that the shareholders are treated equally and that the company's business suffers no unnecessary disruption. The board will give particular weight to ensuring that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

The board does not intend to prevent or hamper anyone from presenting an offer for the company's business or shares. It will take account of the common interests of the company and the shareholders in the event that possible agreements with bidders are considered. No takeover bids were made for the company's shares in 2012.

15. Auditor

An audit committee of three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Its work is governed by an instruction. Deloitte AS, the company's former auditor, conducted the following work during 2012 in relation to fiscal 2011.

- Presented the main features of the audit work.
- Attended board meetings considering the annual report, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering all cases where possible disagreements arose between auditor and executive management.
- Conducted a review together with the board of the company's internal control systems, including the identification of weaknesses and proposals for improvements.
- Held a meeting with the board without the presence of the executive management.
- Confirmed that the requirements for the auditor's independence were fulfilled, and provided an overview of services other than auditing which have been rendered to the company.

PricewaterhouseCoopers AS was elected by the AGM of 12 April 2012 as the company's new independent auditor. After its election, PricewaterhouseCoopers attended two meetings with the audit committee which included reviewing the main features of the plan for executing the audit for the year.

In connection with starting its work, PricewaterhouseCoopers has furthermore conducted a review of the company's management systems and internal control as part of an interim audit of the second half of 2012 and preparations for the year-end closing of accounts for 2012. The results of the interim audit were presented to the audit committee at a meeting.

Pursuant to the instruction for the board's audit committee, the use of the auditor for substantial assignments other than ordinary auditing services must be considered and approved by the board.

The board reports annually to the AGM on the auditor's overall fees, broken down between audit work and other services. The AGM approves the auditor's fees.


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Presentation of the directors

Nils K Selte

Chair
Director since December 2008

Mr Selte (born 1965) is chief financial officer of Canica AS, an investment company which concentrates primarily on such sectors as manufacturing, consumer goods, trading and property. At 31 December 2012, Canica and closely associated companies owned about 10.8 per cent of the shares in Norwegian Property. Mr Selte has previously held senior positions in such companies as Hakon Gruppen and ICA. He is a director of Komplett AS, Jernia AS, several fund management companies and various companies in the Canica group. He has an MBE from the Norwegian School of Management.

Close associates of Mr Selte owned 587 087 shares in the company and held no options at 31 December 2012. He is a Norwegian citizen.

Synne Syrrist

Deputy chair
Director since December 2008

Ms Syrrist (born 1972) is a director of such companies as Awilco LNG ASA, Awilco Drilling Plc and Global Rig Company ASA. She has also formerly been a director of a number of other companies, including about 10 listed on the stock exchange. Ms Syrrist was previously a partner and financial analyst at First Securities. She holds an MSc from the Norwegian University of Science and Technology, and qualified as an authorised financial analyst at the Norwegian School of Economics and Business Administration.

Ms Syrrist owned no shares in the company and held no options at 31 December 2012. She is a Norwegian citizen.

Gry Mølleskog

Director
Director since December 2008

Ms Mølleskog (born 1962) became head of the royal secretariat at the Royal Palace in Oslo on 1 September 2012. She was previously senior client partner at Korn Ferry International for five years and has previous experience as chief of staff at the Royal Palace. Ms Mølleskog has also held a number of positions with the SAS group – most recently as senior vice president at its head office in Stockholm.

She is chair of the Norwegian Museum of Cultural History and a director of SAS AB, Norwegian Property ASA and Quartz+Co AS. She has a Master of Management from the Norwegian School of Management.

Ms Mølleskog owned no shares in the company and held no options at 31 December 2012. She is a Norwegian citizen.

Jon Erik Brøndmo

Director
Director since May 2010

Mr Brøndmo (born 1964) is chair of a number of companies in such fields as bioenergy, property, business advice and consultancy, and also serves as a director of such companies as Norse Securities AS, Union Corporate AS and Oslo Apartments AS. He has previously been CFO and vice president IT at Choice Hotels Scandinavia ASA and CFO at Steen & Strøm ASA, and has been a director of Choice Hotels Scandinavia, Home Properties AS and Home Invest AS. He studied finance at the University of Colorado.

Mr Brøndmo owned no shares in the company and had no options at 31 December 2012. He is a Norwegian citizen.

Gunnar Bøyum

Director
Director since April 2012

Mr Bøyum (born 1956) has an MSc in business economics from the Copenhagen Business School and an MSc from the American Graduate School of International Management in the USA and the Oxford Centre for Management Studies in the UK. He has held a number of executive jobs and posts in property-related business, including vice president in Aspelin Ramm Gruppen AS, chief executive of Skanska Norge AS and partner in ABG Sundal Collier Eiendom AS. Mr Bøyum has been chief executive of Tjuvholmen KS since 2003. He holds a number of directorships in the property sector, including at Schage Eiendom AS. He is also a member of the investment committee of Storebrand Eiendomsfond AS and a member of the management group for property at Fritzøe Eiendom AS.

Mr Bøyum owned no shares in the company and had no options at 31 December 2012. He is a Norwegian citizen.

Directors' report 2012:

Basis for value creation established

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Norwegian Property laid the foundation for future value creation during 2012 based on the continued development of its property portfolio. Good project management and successful execution of current and planned development projects occupied a central place in 2012. Work on awarding new leases which manifest the value potential in the portfolio remains a high priority. Norwegian Property reinforced its position as the majority owner in the Aker Brygge quarter during the year with the acquisition of the Bryggetorget 1 property. The group also purchased the site adjacent to Drammensveien 149 at Skøyen and realised assets through property sales. Strengthening the capital base through a private placement reflected the ambition of increasing the group's strategic, operational and financial flexibility. With that, Norwegian Property was better equipped at the end of 2012 to exploit external and internal growth opportunities, and to optimise long-term financing.

About Norwegian Property

Norwegian Property owned 42 office and commercial properties in Norway at 31 December. Located in Oslo, Bærum, at Gardermoen and in Stavanger, these have a combined fair value before adjustments for deferred tax of NOK 14.9 billion. The group's properties primarily comprise office premises with associated warehousing and car parks, and retail and catering space. The business is organised in parent company Norwegian Property ASA with subsidiaries. The company's head office is in Oslo.

The company's business purpose article states:
"The company operates in management, acquisitions, sales and development of commercial real estate, including participation in other companies as well as businesses which are related to such".

With 53 employees at 31 December, Norwegian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 4.7 billion at 31 December.

The year 2012

Highlights of 2012

Good project management and execution have a high priority

Good management and execution of the projects planned and initiated to continue developing the property portfolio are a key priority for the group. Conversion work at Aker Brygge in Bryggegata 7-9 and Stranden 3 began in 2012. At 31 December, 95 and 49 per cent respectively of the space in these two projects had been let in advance. Work on establishing the Aker Brygge Energy Centre is well under way. All the projects are progressing in line with the applicable plans.

Several development projects are also due to be launched in 2013. A turnkey construction contract has been awarded to AF-Gruppen for Stranden 1 at Aker Brygge. A framework application for Stranden 5 at Aker Brygge is under consideration by Oslo's Agency for Planning and Building Services, and negotiations with contractors are under way. Plans call for the conversion project for Drammensveien 134 at Skøyen to start in the summer of 2013.

Substantial Enova support for environmental measures

On the basis of energy saving analyses conducted for all the group's properties, Enova has awarded some NOK 33 million in investment support to Norwegian Property for environment-friendly conversion of energy consumption and renewable energy production. This support covers both development projects and operations-related energy-saving measures, and will mean in part that Norwegian Property tenants achieve reduced annual energy costs.

The group's properties at Nydalen, Aker Brygge, Lysaker and Fornebu, as well as the majority of the properties at Skøyen, have now received Eco-Lighthouse certification. Norwegian Property's goal is to achieve such certification for all the properties in its portfolio.

Successful private placement

Norwegian Property conducted a private placement of 49 850 000 shares on 5 November 2012. The proceeds of NOK 398.8 million were used to strengthen the capital base, and reflect the group's ambition of increasing its strategic, operational and financial flexibility in order to exploit external and internal growth opportunities and to optimise long-term financing. The issue was over-subscribed, and the subscription price was set at NOK 8.00 per share. As a result of the placement, the share capital was increased by NOK 24 925 000 through the issue of 49 850 000 new shares. The company's share capital is consequently NOK 274 223 416 divided between 548 446 832 shares with a nominal value of NOK 0.50 per share.

Property swop strengthens position at Aker Brygge and liberates capital

Norwegian Property entered into an agreement on a property swop with KLP in January 2012. While Norwegian Property purchased KLP's section of Bryggetorget 1 at Aker Brygge for NOK 620 million, KLP acquired the property companies which own C J Hambros plass 2 at a property value of NOK 1 220 million, which was NOK 22 million higher than their carried amount at 30 September 2011. A deduction of NOK 10 million was made for the tax position of the Ibsen Quarter's property companies. Norwegian Property thereby received NOK 590 million as a cash settlement in connection with the property swap.

The group thereby strengthened its position as the majority owner at Aker Brygge as well as its financial position and freedom of action.

Strategic transactions confirm active portfolio management

A binding contract on the sale of Middelthunsgate 17 in Oslo was signed at the beginning of 2012. The buyer was a company owned 50-50 by Veidekke Eiendom and OBOS, and the gross property value was NOK 700 million. This property is leased in its entirety to Nordea Bank Norge ASA until 2016.

In addition, the acquisition of the site in Drammensveien 149 at Skøyen was carried out in January 2012. The total purchase price was NOK 99.8 million, and the seller was Esso Norge AS. The site is a tenancy-in-common with Norwegian Property's existing building in Drammensveien 149, and has earlier been used as a service station. Given the positive synergies with the existing property, the intention after rezoning was to construct an office building on the acquired site to provide a minimum space of 10-12 000 square metres. After a dialogue, Norwegian Property entered into an agreement in February 2013 to sell both the existing building and the site to Orkla Eiendom AS for a price substantially above its valuation.

Norwegian Property expands and extends lease in Stavanger

Norwegian Property entered into an agreement with Total E&P Norge AS in December 2012 on expanding the building in Finnestadveien 44 in Stavanger and awarding a 10-year extension of the existing lease "as is" until 2031. The building has a total area of just over 22 000 square metres, and the parties have reached agreement on an expansion of this by about 3 600 square metres. The extension is due to be ready in the summer of 2014, and the lease for the whole building has been extended to 2031.

Rent for the existing building will be reduced by about 10 per cent with effect from the original expiry date of the lease in 2021. The agreement on expanding the building has been entered into on the basis of a fixed price which is calculated to be just under NOK 90 million. The annual rent for the extension is set at NOK 7.6 million for a period of 17 years.

Strategic goals

Competitive return with balanced risk

Norwegian Property has a long-term goal of delivering a return on equity before tax of 12 per cent, including on-going operational results and the rise in value. In order to deliver a satisfactory return, the company's attention is focused on all the long-term value drivers for property players:

:: marketing and letting
:: property management
:: property development
:: transactions and financing.

The company's ambition is that 30-50 per cent of its ordinary profit after tax, but before value adjustments, will be paid as dividend to the shareholders. In view of the company's efforts to secure good financial freedom of action, the board has signalled that dividend could lie below the long-term target for a time.

The most satisfied customers

Norwegian Property's vision is that the property profession first and foremost involves creating meeting places which encourage engagement and provide favourable conditions for developing relationships between people and with stakeholders. This philosophy pervades the whole of the company's property business, which embraces development, administration, day-to-day management and maintenance. The long-term aim is to be regarded as Norway's most customer-oriented property company.

Environmental improvement in line with the best in the industry

Norwegian Property applies a broad definition of its corporate environmental and social responsibility. This includes clearly defined targets for measures to protect the environment as well as high aesthetic standards for buildings and outside areas in the local environment. On the basis of the status in 2011, the most important main targets up to 2015 are:

:: a 30 per cent reduction in energy consumption by Norwegian Property's buildings
:: a 30 per cent reduction in carbon emissions from Norwegian Property's business
:: a five per cent reduction in water consumption for Norwegian Property's buildings
:: an 80 per cent level of waste sorting for Norwegian Property's buildings.

Investment strategy

Norwegian Property has a focused strategy for investment based on the following main parameters:

:: a focus on attractive properties in office clusters close to traffic hubs in the largest Norwegian cities
:: a principal focus on office properties and possible commercial premises associated with these
:: a focus on high-quality tenants, a diversified lease-term structure and a high level of inflation adjustment in the leases
:: a focus on environment-friendly properties
:: active management of the portfolio through transactions,

including the purchase of properties with value development potential.

Financing strategy

Norwegian Property's ambition is to deliver a competitive financial return over time with a balanced financial risk profile. The main parameters of its financial strategy are:

- a goal that the loan-to-value ratio will be a maximum of 65 per cent of the total carried amount of the company's investment properties over time
- borrowing will be based on long-term relationships with banks which have a long-term strategy in the Norwegian property market
- an ambition to achieve a stable development in cash flow which requires a relatively high level of interest rate hedging, at 50-80 per cent of total borrowing over time.

Macroeconomic conditions

International economic performance was weak during 2012. The sovereign debt crisis in many European countries and weakened confidence in European banks contributed to recession. Difficult political processes in the USA created additional uncertainty. At the same time, growth slowed somewhat in emerging economies. At the start of 2013, the turmoil appears to have calmed down to some extent and a certain degree of optimism seems to be returning. This is reflected in part in positive share price trends on most international stock exchanges.

Despite weak international economic conditions, the Norwegian economy shows a relatively high growth rate. A high level of activity in the petroleum sector and solid domestic demand contributed to a rise in GDP. According to Statistics Norway (SSB), gross domestic product for mainland Norway grew by 2.5 per cent in 2011 and 3.3 per cent in 2012. Both consumers and companies showed rather more of a wait-and-see attitude at the start of 2013, but high petroleum investment is expected to contribute to continued economic growth. Low interest rates combined with a strong rise in real incomes also lay the basis for rising consumption. The SSB forecasts an annual GDP growth of 2.9, 3.5 and 3.4 per cent for mainland Norway in 2013, 2014 and 2015 respectively.

According to the SSB's estimates, employment in Norway rose by 2.2 per cent in 2012. Unemployment fell from 3.3 per cent to 3.1 per cent of the workforce in 2012, but is expected to rise somewhat in 2012 and is expected to rise marginally to 3.3 per cent by 2015. Projections indicate a substantial increase in Norway's total population over the next few decades. The population of Oslo is expected to rise by 1.5-2.2 per cent annually up to 2015, and Stavanger's annual population growth is put at 1.9-2.6 per cent over the same period (source: SSB, January 2012).

The market for commercial property

According to Akershus Eiendom, overall vacancy in the Oslo area at 31 December 2012 was around 6.5 per cent of total available space. That represented a decline of eight per cent from 1 January. A number of large projects were completed during 2012, such as the new Statoil head office at Fornebu and DnB's new head office at Bjørvika. With a balanced expectation for future newbuilding and growth in area requirements, combined with increased employment, vacancy is expected to lie around seven per cent during 2013 before declining towards five per cent in 2016.

For Skøyen and most segments in Oslo's central business district, rents have risen fairly substantially over the past three years. After very strong growth in rents for the CBD and Skøyen in 2011, the increase for these areas was rather more moderate in 2012. Other areas, such as Lysaker and Nydalen, have so far seen limited growth in rents. Expectations of reduced vacancy towards 2016 indicate that the market for letting property will remain strong and that the risk of a decline in rents is limited over the next three years.

Demand in Stavanger continues to be driven by a high level of activity in the oil and gas business. Viewed overall, office vacancy declined from around five per cent to about three per cent during 2012. Although a tight construction market limits new building to some extent, good availability of land means that a number of such projects are being implemented. That restricts the potential for rent rises in Stavanger.

Despite limited willingness to lend among the banks, activity in the Norwegian transaction market was very good in 2012. The total volume of transactions represented a gross property volume in excess of NOK 50 billion, up from roughly NOK 35 billion the year before. Activity in the transaction market also remains high at the beginning of 2013. Players with access to bond financing found this a good alternative to borrowing from the banks during 2012, and some signs can be seen that certain banks are again becoming more aggressive on the lending side.

Risk and risk management

Through its activities, Norwegian Property manages major financial assets which are exposed to substantial risk factors, such as development projects, interest rates and the letting market. The organisation has relatively few employees, and the group's management model is therefore based on an appropriate delegation of responsibility for profits, clearly defined operational parameters and effective internal control.

Overall targets are established and further refined through continuous updating of the company's strategy. On the basis of this strategy, the values base and the ethical guidelines, an overall management instruction has been established with the specification of authorities for delegating responsibility to defined roles in the organisation. Policies have furthermore been established for managing and handling risk in the most important risk areas, such as operations, financing and development. Based on these overall policies, governing processes and routines have been established for day-to-day management. The board regularly reviews the company's governing documents, most recently in December 2012.

The administration prepares monthly activity reports which are considered at board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status in relation to targets, important operational conditions, financial conditions and a description of the status of risk areas. Quarterly financial reports are also prepared and then reviewed by the audit committee ahead of the board meeting. In connection with the presentation of the annual financial statements, the executive management prepares estimates and makes assumptions about the future. The consequent accounting estimates will be subject by definition to uncertainties. Estimates and assumptions which represent a substantial risk of significant changes to the carried amounts of assets and liabilities in forthcoming accounting periods relate primarily to developments in the value of investment property.

In connection with its annual consideration of Norwegian Property's strategy, the board reviews the most important risk areas facing the company and the internal controls established to handle and minimise these.

Financial risks

The group's financial risks relate primarily to changes in equity as a result of adjustments to the value of the property portfolio, the effect of interest rate changes on profits and liquidity, and liquidity and profit risks when refinancing the group's debt.

Hedging is utilised to dampen the effect of interest rate changes on profits and liquidity. At 31 December, 84 per cent (2011: 87 per cent) of the group's interest-bearing debt was covered by interest rate hedges with an average term of 5.7 years (2011: 5.1 years).

Fluctuations in short- and long-term market interest rates will accordingly have a limited impact on the group's interest expenses before changes in the value of derivatives.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 1 925.1 million (2011: NOK 1 207.1 million). The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements, and to requirements arising from the group's current and planned development projects at any given time.

The group was in compliance with applicable financial covenants related to its liabilities at 31 December 2012.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases, and the average remaining duration at 31 December was 5.7 years (2011: 5.1 years). However, some of the group's buildings have short remaining lease terms and considerable efforts are accordingly being devoted to re-letting and manifesting the potential of these properties.

The commercial property leases provide fixed revenues over their term. The majority of the leases permit full adjustment for changes in the consumer price index (CPI), so that rents can be adjusted in line with CPI developments.

Vacant space in the group's portfolio was 10.2 per cent of the total at 31 December (2011: 5.5 per cent), with strategic vacancy related to current and planned conversion projects at Aker Brygge and Skøyen accounting for about 6.3 percentage points. The conversion period is expected to extend over about four years, and will lead periodically to increased vacancy in those parts of the portfolio affected by the projects. In addition, vacancy in Nydalen accounts for just over 2.1 percentage points of the total.

Development risk

Extensive conversion and refurbishment projects were initiated in 2012 with the group's properties in Stranden 3 (the Workshops) and Bryggegata 7-9 (the Carpentry and Administration Building) at Aker Brygge. Although the projects are regarded as adding value to the group's portfolio, the refurbishment involves risk – including in relation to the future letting ratio and rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments.

To handle the risk associated with development projects, the group has established a competent organisation with relevant experience from and knowledge of similar development projects. This development department was further strengthened during 2012. In addition, the group benefits from competent external resources to reduce risk related to its development projects. Norwegian Property has developed tools for project management and execution, and the board receives monthly reports on the progress of the projects and identified risk areas.

Credit risk

Norwegian Property's portfolio of office properties is characterised by high quality, central locations and a financially sound and well diversified set of tenants. Bad debts were limited in 2010, 2011 and 2012. Tenants of the group's office properties normally pay rent quarterly in advance. In addition, most leases require security for rent payments either in the form of a deposit account containing a sum equivalent to three months rent or as a bank guarantee. The group checks the credit rating and history of new tenants. As a result, the risk of direct losses from defaults or payment problems appears to be limited and relates primarily to re-letting of premises.

In connection with the sale of Norgani Hotels in 2011, Norwegian Property provided a NOK 600 million seller credit to the buyer, Sech Holding AB. This group is controlled by Pandox AB and Heches Holding AB, which is controlled in turn by Eiendomsspar and the Sundt family. In line with the loan agreement, NOK 200 million was repaid in November 2012. The remaining NOK 400 million will be redeemed in November 2015. The loan is secured by a first-priority mortgage on the shares of Norgani Hotel and by guarantees from Pandox AB and Heches Holding AB.

Liquidity risk

The group will ensure that it has sufficient liquidity/credit limits to meet its obligations. It will also have a sensible level of liquidity to meet unexpected commitments. The financing strategy aims to maintain flexibility in the market and to cope with fluctuations in rental income. One goal is that liquidity will consist as far as possible of available revolving credit and overdraft facilities rather than cash holdings.

Norwegian Property has a high level of hedging against fluctuations in market interest and exchange rates, which reduces the need for liquidity to meet unexpected commitments in these areas. Despite strategic vacancy as a result of the rehabilitation projects, the group generated a positive cash flow from operations of NOK 243.2 million during 2012 (2011: NOK 246.5 million). Other liquidity risk relates first and foremost to servicing instalments on and redemption of loans.

At 31 December, the group had interest-bearing debt of NOK 9 421.7 million, with an average remaining term of 3.9 years. Debt instalments and redemption during 2013 total NOK 978.7 million, including capitalised expenses, and are classified as current liabilities in the consolidated balance sheet at 31 December. The group had a liquidity reserve of NOK 1 925.1 million at the same date.

Group accounts

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and consistent accounting principles are applied to all the periods presented.

Going concern assumption

Pursuant to the requirements of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The financial statements for 2012 have been prepared on that basis.

Income statement

The consolidated income statement for 2012 embraces the office portfolio of 42 properties at 31 December.

Gross rental income totalled NOK 925.0 million (2011: NOK 1 020.7 million). Adjusted for the purchase and sale of office properties, this represents a decline of NOK 23.8 million which is primarily attributable to temporary vacancy in connection with the major rehabilitation projects.

Maintenance and other operating costs totalled NOK 60.5 million (2011: NOK 65.1 million). Other property-related costs totalled NOK 41.8 million (2011: NOK 33.9 million). The 2012 rise reflected increased marketing activity and shared costs charged to the owner as a result of the vacancy in development projects. Administrative owner costs totalled NOK 72.2 million (2011: NOK 67.4 million). Operating profit before fair value adjustments was thereby NOK 750.5 million (2011: NOK 854.3 million). No costs related to research and development activities have been recognised in the 2012 accounts.

An accounting impairment to the fair value of the company's property portfolio totalled NOK 70.7 million in 2012, compared with an increase of NOK 274.9 million the year before. This impairment reflects some rise in vacancy in the portfolio as a result of current development projects and a minor increase in the required rate of return for certain properties.

Financial income, which consists largely of interest income, totalled NOK 40.3 million (2011: NOK 37 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 513.2 million (2011: NOK 554.4 million).

The change in fair value for financial instruments used to manage interest and exchange rate risk was negative at NOK 225.5 million (2011: NOK 336.1 million). The loss before tax and value adjustments for the continued business was thereby NOK 18.7 million (2011: profit of NOK 275.6 million).

NOK 106.2 million is recognised in the 2012 accounts (2011: NOK 83.8 million) as a tax expense for the continued business. As a result, the net loss for the year for the continued business was NOK 124.9 million (2011: profit of NOK 191.8 million).

Discontinued business had no impact on the results for 2012 (2011: NOK 4.8 million). After the result for the discontinued business, the net loss for 2012 accordingly came to NOK 124.9 million (2011: profit of NOK 196.6 million).

Cash flow

Net cash flow from operating activities totalled NOK 243.2 million (2011: NOK 246.5 million). The operating profit for 2012 came to NOK 679.7 million. The difference relates to value changes for investment property, net interest paid, buy-out of financial derivatives and changes in working capital.

Net cash flow from investing activities totalled NOK 922.4 million (2011: negative at NOK 320.2 million). The acquisition of the Bryggetorget 1 (the Trust Building) property at Aker Brygge and the site in Drammensveien 149 as well as other investments amounted to NOK 1 175.1 million (2011: NOK 353.2 million). Cash flow from the disposal of investment property – primarily C J Hambros plass 2 (the Ibsen Quarter) and Middelthunsgate 17 – totalled NOK 1 897.5 million (2011: NOK 33.1 million). The first NOK 200 million instalment of the seller credit from the buyer of Norgani Hotels AS was received in 2012

Net cash flow from financing activities was negative at NOK 466.5 million (2011: NOK 158.1 million). The company reduced net interest-bearing debt by NOK 752.1 million during 2012, compared with NOK 108.2 million the year before. The net change in liquidity was NOK 699.1 million (2011: negative at NOK 231.7 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 712 million (2011: NOK 15.6 million). In addition, the group had NOK 1 216 million in unused drawing rights at 31 December (2011: NOK 1 199.2 million).

Total equity was NOK 5 393.7 million (2011: NOK 5 228.4 million), representing an equity ratio of 33.5 per cent (2011: 31.9 per cent). Carried equity per share came to NOK 9.83 (2011: NOK 10.36). Changes made to accounting recognition of tax compensation and deferred tax have affected equity for earlier years. See notes 2, 8 and 17 to the annual consolidated financial statements.

Interest-bearing debt at 31 December was NOK 9 421.7 million (2011: NOK 10 164.8 million). At 31 December, the average interest rate on the company's loans was 5.09 per cent (2011: 5.30 per cent). The average loan margin was 1.36 per cent (2011: 1.13 per cent). The average remaining term to maturity for the loans was 3.9 years (2011: 4.9 years).

The company had entered into net interest rate hedging contracts for liabilities totalling NOK 7 937.6 million (2011: NOK 8 866.1 million) at 31 December, representing a hedging ratio of 84 per cent (2011: 87 per cent). The average remaining term of the interest rate hedges was 5.7 years (2011: 5.1 years). The bulk of the hedging is not subject to hedge accounting under IAS 39.

Norwegian Property redeemed its bond loan in full when it matured in March 2013, and refinanced it through the loan facilities established in June 2011.

Properties

Commercial property

Norwegian Property has a portfolio of high-quality properties in the most central and attractive areas of Oslo and Stavanger, and is thereby well positioned to attract new tenants and retain existing ones. The group launched an extensive conversion project embracing the properties at Aker Brygge in 2012. Expected to extend over roughly four years, the work will periodically result in increased vacancy and reduced rental income for those parts of the portfolio affected by the project. When the new Aker Brygge has been completed, Norwegian Property will be able to offer leases for first-class premises in Oslo's most attractive area for offices, retailing, eating out and entertainment.

Gross rental income from the group's office premises totalled NOK 925 million (2011: NOK 1 020.7 million). The average remaining duration of the portfolio's leases at 31 December was 5.7 years (2011: 5.1 years), and rents are adjusted annually by an average of 98.2 per cent of the CPI.

Norwegian Property has financially sound and attractive tenants from both private and public sectors. The 25 largest office tenants accounted for 82.1 per cent of annual rental income at 31 December 2012.

A total of 51 leases were awarded or renegotiated by the company during 2012. Total annual rent for these leases was 178.4 million kroner. At 31 December, vacancy in the group's portfolio was affected by the development projects and amounted to 10.2 per cent, compared with 5.5 per cent a year earlier.

Norwegian Property awarded a long-term lease to the Norwegian Public Service Pension Fund in February 2012 for office premises in Drammensveien 134 at Skøyen. Drammensveien 134 comprises a total of six buildings today, all of which belong to Norwegian Property. Buildings one-four were built in 1986, and will undergo an extensive rehabilitation before the pension fund moves in during 2014.

The lease runs for 12 years from the expected date of occupation in the fourth quarter of 2014, covering just over 9 200 square metres of office space on the first and second floors of the buildings and about 450 square metres of storage/archive and computer space in the basement. The annual rent is NOK 2 775 per square metre for the office space, and is adjusted once a year in line with the increase in the CPI from November 2011.

A long-term lease was awarded by Norwegian Property to DNO International ASA in January 2012 for office premises in Stranden 1 at Aker Brygge. Running for 10 years from the expected date of occupation in the fourth quarter of 2014, the lease covers a total area of about 2 400 square metres. The annual rent is NOK 4 250 per square metre, and is adjusted once a year in line with the increase in the CPI.

Following the award of leases to the Storting (parliament) administration and Aon Norway AS for office premises in Stortingsgaten 6 in Oslo, this building is now fully leased when the present tenant, Danske Bank, moves to Aker Brygge in 2014.

Norwegian Property has also awarded leases in Lysaker torg 35 to Uno-X Energy AS, L'Oreal Norge AS and Umoe Restaurant Group, which means that roughly half the office space in the building is leased out before the present tenant leaves in the spring of 2013.

Valuation of the properties

DTZ Realkapital and Akershus Eiendom performed independent valuations of the company's office properties in Norway at 31 December 2012. The valuation models are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses and upgrading costs and the risk of vacancy are made on a property-by-property basis.

The board and executive management have carried out independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. For the Drammensveien 149 property, where an offer indication was received in 2012 and a final sales agreement was entered into in February 2013, the administration has applied the negotiated sales value as the basis. The property is classified as held for sale. Where the other properties are concerned, the board has concluded on the basis of these internal assessments that the external valuations provide a realistic valuation of the properties. The total carried amount of the company's investment properties was NOK 14 852.5 million at 31 December 2012 (2011: NOK 15 654.9 million). Net disposal of properties is the principal reason for the decline in value.

Events after the balance sheet date

An agreement was entered into in February 2013 on the sale of the Drammensveien 149 property at Skøyen for a property value of NOK 693.7 million, which corresponds to the carried amount in the company's accounts for 2012.

The group redeemed its NOK 362 million loan from Storebrand in January 2013.

Parent company accounts and coverage of net loss

The parent company, Norwegian Property ASA, had a net loss of NOK 436.5 million in 2012 (2011: NOK 371.2 million). The board proposes that the net loss for the year be covered by a transfer from other paid-in equity.

In accordance with the company's dividend policy, the board will propose to the AGM in April that a dividend of NOK 0.20 per share be paid for fiscal 2012, totalling NOK 109.7 million or about 40 per cent of the group's result before income tax and value adjustments.

The board proposes the following coverage of the net loss of the parent company:

Proposed dividend	NOK 109.7 million
Transferred from other equity	(NOK 546.2 million)
Total	(NOK 436.5 million)

The company's non-restricted equity[1] totalled NOK 1 095.4 million at 31 December 2012.

Organisation and diversity

Recruit, retain and develop employees

Norwegian Property is an expertise-driven organisation, which aims to be an attractive employer where employees thrive. Active provision will be made for developing personnel and expertise in order to form a leading professional team in the Norwegian property sector.

The company had 53 employees at 31 December, up from 49 a year earlier.

Its executive management comprises five people, including one woman. Weight has been given when recruiting management and key personnel to combining professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation.

Seventeen of the company's 53 employees are female. Where equal opportunities and inclusion are concerned, efforts are made to ensure that all employees are given the same opportunities for personal and professional development and are treated equally regardless of their gender, age, ethnic origin or possible disabilities. As specified in the company's ethical guidelines, it does not accept any form of discrimination – on the basis of gender, race, religion or orientation, for instance.

Benefits, collateral and loans provided to executive personnel are described in note 19 to the consolidated financial statements.

Board of directors

Nils K Selte was elected chair for a two-year term by the AGM on 12 April 2011. The same meeting elected Gunnar Bøyum as a director for a two-year term. Synne Syrrist, Jon Erik Brøndmo and Gry Mølleskog were re-elected by the same AGM for two-year terms.

Health, safety and the working environment

Overall sickness absence for Norwegian Property ASA amounted to 1.9 per cent (2011: 2.6 per cent). The board gives weight to ensuring a good working environment in Norwegian Property through appropriate premises, dynamic working conditions and challenging jobs.

A dedicated plan for safety, health and the working environment is established for all major development projects. At the same time, an independent construction client representative for safety, health and the working environment is taken on for these projects. One lost-time injury was recorded in connection with the development projects at one of Norwegian Property's sub-contractors.

[1] *Non-restricted equity = equity not tied up in the form of share capital and share premium reserve, less capitalised deferred tax asset.*

Natural environment and corporate social responsibility

A strategy for corporate environmental and social responsibility has been prepared by Norwegian Property with the goal of being Norway's leading property company for sustainable growth, working for a better society and reducing resource consumption through integrated solutions and the forward-looking use of architecture, aesthetics, technology and materials. The strategy involves zero tolerance of serious personal injuries in connection with Norwegian Property's properties and areas of responsibility.

From an environmental perspective, the practical outcome of the strategy will be reduced energy consumption and carbon emissions for both new and existing buildings, as well as a high level of waste sorting and lower water usage. High standards will also be set for waste sorting on construction sites, water-borne heating in all new buildings and reduced energy consumption during building projects. The specific goals have been described earlier in this director's report.

Environmental analyses were conducted for each of the company's buildings during 2012, with proposals for measures to reduce energy consumption. Based on a prioritisation of these measures, the company has started work on implementing the various proposals. This is being done in close cooperation with tenants in those buildings which have them. Enova supports the work and has provided about NOK 33 million in investment grants for the measures.

Norwegian Property will increasingly emphasise conversion and refurbishment projects. Urban development and planning will occupy a key place its forthcoming projects. In new buildings, the company has specific goals for waste sorting, energy classification as a B building at a minimum, and the ambition of a "very good" Breeam certification. Norwegian Property expects to meet these classifications for all current projects.

Shareholders

Norwegian Property had 1 760 shareholders at 31 December, down by 288 from the same time in 2011 (2 048 shareholders). Foreigners owned 60.3 per cent of the shares, compared with 56.2 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the company's website.

Corporate governance

Norwegian Property's overarching principles for corporate governance are intended to secure an appropriate division of roles between the company's owners, board of directors and executive management. Such a division will ensure that goals and strategies are adopted, that the approved strategies are implemented in practice and that the results achieved are measured and followed up. The principles will also help to ensure that the company's operations are subject to satisfactory controls. An appropriate division of roles and satisfactory controls will contribute to the greatest possible value creation over time to the benefit of shareholders and other stakeholders. One goal is that good corporate governance will contribute to positive relations between Norwegian Property and its shareholders and other stakeholders. Corporate governance in the company will be based on the following main principles:

- the company will treat all shareholders equally
- the interests of the shareholders in general will be protected
- the company will provide full, accurate and correlated information about its operations at the right time, and present it simultaneously and with the same content to all recipients
- the division of roles between owners, board and executive management will preserve their independence and prevent conflicts of interest
- transactions with close associates will be conducted on an arm's-length basis
- compliance with the applicable code of practice for good corporate governance will be based on the "comply or explain" principle.

A detailed presentation of the company's corporate governance, including a presentation of its internal controls, is provided at www.npro.no, in accordance with the Norwegian code of practice for corporate governance.

Outlook

Despite several years of financial turmoil and weak economic growth internationally, the Norwegian economy has developed positively over a number of years with low unemployment and stable expansion. A persistently high level of activity in the petroleum sector and steady domestic demand provide the basis for stable economic progress over the next few years. Signals of an international economic upturn could also contribute to additional growth for the Norwegian economy.

According to Akershus Eiendom, rising employment and low construction activity for new buildings over the next three years could reduce office vacancy in Oslo from the current level of about 6.5 per cent to nearer five per cent. Office vacancy in Stavanger is only about three per cent, and construction of new buildings is expected to help ensure stable or slightly increasing vacancy. Low vacancy implies a continued strong letting market and limited risk of rent reductions. Tenant demands for premises are expected to remain characterised by a focus on high quality, functionality and energy efficiency.

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 meet the requirements of the best-paying tenants for new premises. The leases awarded in 2012 show that Norwegian Property possesses some of the most attractive projects in Oslo.

The company has worked systematically in recent years to strengthen its financial position. This will provide improved opportunities to implement value-enhancing transactions. In a demanding financial market, a sound balance sheet secures access to competitive external capital and the ability to execute the group's rehabilitation projects.

Great attention is paid by Norwegian Property to project management and execution. Its financial results will be affected for a time by strategic vacancy as a result of implementing projects. With a positive letting market and a competent organisation, however, the company has good prospects for creating value in line with its financial goals. Its financial position also provides opportunities to act more aggressively in the market for property acquisitions, where the company's collective expertise on letting, development and operation can provide added value.

Oslo, 14 February 2013
The board of directors for Norwegian Property ASA

Nils K Selte	Synne Syrrist	Gry Mølleskog	Jon Erik Brøndmo	Gunnar Bøyum	Olav Line
Chair	Deputy chair	Director	Director	Director	President and CEO

Income statement 1 Jan-31 Dec

Consolidated

(Amounts in NOK million)	*Note*	2012	2011
Continued operations			
Gross income		925.0	1 020.7
Maintenance and other operating expenses		(60.5)	(65.1)
Other property-related expenses		(41.8)	(33.9)
Total property-related expenses		(102.3)	(99.0)
Administrative expenses	18,19	(72.2)	(67.4)
Total operating expenses		(174.5)	(166.4)
Operating profit before value adjustments		750.5	854.3
Change in market value of investment property	8	(70.7)	274.9
Operating profit		679.7	1 129.2
Financial income	20	40.3	37.0
Financial cost	20	(513.2)	(554.4)
Realised net financial items		(472.9)	(517.5)
Change in market value of financial derivative instruments	11,12	(225.5)	(336.1)
Net financial items		(698.4)	(853.6)
Profit/(loss) before income tax for continued operations		(18.7)	275.6
Income tax for continued operations	17	(106.2)	(83.8)
Profit/(loss) for continued operations		(124.9)	191.8
Discontinued operations			
Profit/(loss) for discontinued operations	6	-	4.8
Profit/(loss) for the year		(124.9)	196.6
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) attributable to controlling interests		(124.9)	196.6
Earnings per share attributable to shareholders (amounts in NOK)[1]	21	(0.25)	0.39

[1] *Diluted earnings per share is equal to earnings per share.*

Note 1 to 26 are an integral part of the consolidated financial statements.

Comprehensive income statement 1 Jan-31 Dec

Consolidated

(Amounts in NOK million)	2012	2011
Profit/(loss) for the year	(124.9)	196.6
Value adjustment of owner-occupied property	2.2	2.7
Gain/(loss) on financial derivative instruments for continued operations	(1.7)	(8.4)
Income tax related to comprehensive income for continued operations	0.5	2.4
Other comprehensive income for the year	1.0	(3.4)
Total comprehensive income for the year	(123.9)	193.2
Total comprehensive income attributable to controlling interests	(123.9)	193.2
Total comprehensive income attributable to non-controlling interests	-	-

Note 1 to 26 are an integral part of the consolidated financial statements.

Balance sheet at 31 December

Consolidated

(Amounts in NOK million)	Note	2012	2011	01.01.2011
ASSETS				
Non-current assets				
Financial derivative instruments	12	5.1	5.0	24.3
Investment property	8	14 113.2	13 733.4	15 062.6
Owner-occupied property	8	45.5	28.2	-
Other fixed assets	9	18.7	11.9	2.4
Receivables	6	400.0	400.0	600.0
Total non-current assets		14 582.5	14 178.5	15 689.3
Current assets				
Financial derivative instruments	12	-	2.3	1.8
Accounts receivable	13	52.3	69.9	51.9
Other receivables	6, 13	51.3	235.3	15.5
Cash and cash equivalents	3	712.0	15.6	248.4
Total current assets		815.6	323.1	317.6
Investment property held for sale	8	693.7	1 893.4	-
TOTAL ASSETS		16 091.9	16 395.0	16 006.9

(Amounts in NOK million)	Note	2012	2011	01.01.2011
EQUITY AND LIABILITIES				
Equity				
Share capital	14	274.2	249.3	249.3
Share premium		3 412.3	3 048.2	3 048.2
Other paid-in equity		6 440.1	6 440.1	6 440.1
Other reserves		-	1.2	7.3
Retained earnings		(4 732.8)	(4 510.4)	(4 659.8)
Total equity		5 393.7	5 228.4	5 085.0
Non-current liabilities				
Financial derivative instruments	12	767.1	628.8	317.4
Deferred tax	17	217.0	115.0	33.7
Interest-bearing debt	16	8 443.0	8 798.6	10 203.9
Non-current liabilities		9 427.0	9 542.4	10 555.0
Current liabilities				
Financial derivative instruments	12	4.4	23.7	9.3
Interest-bearing debt	16	978.7	1 366.2	90.7
Trade payables		34.7	14.3	14.7
Other liabilities	15	253.4	220.0	252.2
Total current liabilities		1 271.2	1 624.2	366.9
Total liabilities		10 698.2	11 166.6	10 921.9
TOTAL EQUITY AND LIABILITIES		16 091.9	16 395.0	16 006.9

Note 1 to 26 are an integral part of the consolidated financial statements.

Oslo, 14 February 2013
The board of directors for Norwegian Property ASA

Nils K Selte
Chair

Synne Syrrist
Deputy chair

Gry Mølleskog
Director

Jon Erik Brøndmo
Director

Gunnar Bøyum
Director

Olav Line
President and CEO

Statement of changes in equity

Consolidated

(Amounts in NOK million)	Share capital	Share premium reserve	Other paid-in equity	Retained earnings	Other reserves[1]	Total equity
Total equity 31 December 2010	249.3	3 048.2	6 440.1	(4 756.2)	7.3	4 988.6
Changes in accounting for deferred tax (see Notes 8 and 17)	-	-	-	96.4	-	96.4
Total equity 1 January 2011	249.3	3 048.2	6 440.1	(4 659.8)	7.3	5 085.0
Profit/(loss) for the year	-	-	-	196.6	-	196.6
Other comprehensive income for the year	-	-	-	2.7	(6.1)	(3.4)
Total comprehensive income for the year	-	-	-	199.3	(6.1)	193.2
Paid dividend	-	-	-	(49.9)	-	(49.9)
Total contributions by and distributions to owners of the parent	-	-	-	(49.9)	-	(49.9)
Total equity 31 December 2011	249.3	3 048.2	6 440.1	(4 510.4)	1.2	5 228.4
Profit/(loss) for the year	-	-	-	(124.9)	-	(124.9)
Other comprehensive income for the year	-	-	-	2.2	(1.2)	1.0
Total comprehensive income for the year	-	-	-	(122.7)	(1.2)	(123.9)
Capital increase	24.9	373.9	-	-	-	398.8
Equity issue cost, net of tax	-	(9.6)	-	-	-	(9.6)
Paid dividend	-	-	-	(99.7)	-	(99.7)
Purchase of treasury shares[2]	(0.1)	(1.1)	-	-	-	(1.2)
Sale of treasury shares[2]	0.1	0.9	-	-	-	1.0
Total contributions by and distributions to owners of the parent	24.9	364.1	-	(99.7)	-	289.3
Total equity 31 December 2012	274.2	3 412.3	6 440.1	(4 732.8)	-	5 393.7

[1] *Other reserves include hedging reserves.*

[2] *In connection with the stock purchase plan for employees in 2012, the company purchased 150 000 shares at an average price of NOK 7.94. The company has sold 128 764 shares to employees for an average price of NOK 7.46. Remaining holding of treasury shares by the end of 2012 is 21 236 shares.*

Note 1 to 26 are an integral part of the consolidated financial statements.

Cash flow statement 1 Jan-31 Dec

Consolidated

(Amounts in NOK million)	Note	2012	2011
Profit/(loss) before income tax for continued operations		(18.7)	280.4
Net financial items	12, 20	698.4	853.6
Interest received	20	40.3	35.1
Interest paid	15, 20	(519.6)	(524.8)
Other financial expenses paid	12	(105.9)	(34.0)
Exchange gains/losses	20	-	1.8
Depreciation of tangible assets	8, 9	4.5	2.4
Change in market value of investment property	8	70.7	(274.9)
Change in current items		73.5	(93.0)
Net cash flow from operating activities		243.2	246.5
Payments for purchase and development of investment property	8, 9	(1 175.1)	(353.2)
Received cash from sale of investment property	8	1 897.5	33.1
Received from payment of interest-bearing receivable (seller's credit)	6	200.0	-
Net cash flow from investing activities		922.4	(320.2)
Net repayment of interest-bearing debt	16	(2 096.1)	(7 581.3)
Proceeds from increase in interest bearing liabilities	16	1 344.0	7 473.1
Capital increase	14	385.5	-
Paid dividend	22	(99.7)	(49.9)
Purchase of treasury shares		(0.3)	-
Net cash flow from financial activities		(466.5)	(158.1)
Net change in cash and cash equivalents		699.1	(231.7)
Cash and cash equivalents at the beginning of the period	3	15.6	248.4
Exchange rate effects	20	(2.7)	(1.1)
Cash and cash equivalents at the end of the period	3	712.0	15.6

The group uses the indirect model for the cash flow statement.

The cash flow statement includes both continuing and discontinued operations. Cash flows for discontinued operations are presented separately in Note 6.

Note 1 to 26 are an integral part of the consolidated financial statements.

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Consolidated

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NOTE 1 General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 42 properties in Oslo and Stavanger at 31 December 2012.

Via Oslo Properties, Norwegian Property took over all the shares in the previously listed Norgani Hotels group in 2007 and 2008. Norgani Hotels owned 73 hotel properties and a convention centre in Sweden, Norway, Finland and Denmark at the beginning of 2010. Norgani Hotels was sold in the autumn of 2010.

The financial statements are approved by the Board on 14 February 2013 for final approval by the General Meeting on 11 April 2013.

NOTE 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and effective as of 31 December 2012, and additional requirements according to the Norwegian Accounting Act as of 31 December 2012.

The consolidated financial statement has been prepared on a historical cost basis, with the modifications specified separately.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgments in the process of applying the group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

There are no new or changed IFRS or IFRIC interpretations effective for the 2012 financial statements that are considered to have or expected to have a material impact for the group.

The group has not early adopted any new or changed IFRS or IFRIC interpretations.

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group will apply IFRS 9 when the standard is effective and approved by the EU. The standard is effective for accounting periods beginning on 1 January 2015.

IFRS 10, Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is currently considered not to significantly affect the preparation of the group's financial statements. The group intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of Interests In Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is currently considered not to significantly affect the preparation of the group's financial statements. The group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The group uses fair value as the measurement criteria for certain assets and liabilities. The standard is currently considered not to significantly affect the preparation of the group's financial statements. The group intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are defined as all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally resulting from a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

Purchases of single purpose entities owning only property, with no employees, management or recorded procedure descriptions are not considered as acquisition of business (IFRS 3 Business Combinations are not applicable). Norwegian Property allocates the cost of such purchases between the individual identifiable assets and liabilities acquired, based on their fair value at the date of acquisition.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The acquisition cost is measured as being the fair value of: assets used as consideration, equity instruments issued and liabilities incurred related to transfer of control and direct costs related to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities are recognised at fair value at the date of acquisition, irrespective of any minority interest. The excess cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement at the date of acquisition.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction indicates evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interests
Minority interests are included in the group's income statement, and are specified as minority interests. Correspondingly, minority interests are included as part of the group's shareholders' equity and is specified in the consolidated balance sheet.

2.3 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the corporate management.

2.4 Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statement is presented in NOK, which is the company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into NOK using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Investment property
Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment property. Investment property is initially measured at acquisition cost, including related transaction costs. After initial recognition, investment property is carried at fair value according to IAS 40. The fair value of investment property reflects, amongst other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Changes in fair values are recorded in the income statement under 'gain on fair value adjustments on investment property'.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Other repairs and maintenance costs are charged to the income statement during the financial period in which they incur. Expenses related to tenants accommodation e.g. replacement of walls, are activated together with the asset's carrying amount simultaneously as the remaining carrying amount of the replaced components is derecognised.

Assets under construction for future use as investment property are also during the construction period recognized as investment property.

If an investment property is used by the company, it is reclassified as property, plant and equipment unless the internal use is insignificant. Fair value at the date of reclassification is the property's acquisition cost. An owner-occupied property is accounted for at revalued value less accumulated depreciation and amortization. An evaluation of fair value for such properties is carried out in the same manner as described for investment properties. Increase in value of owner-occupied property is not recognised in the income statement, but recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

Tax compensation related to acquisition of investment properties ('single purpose' entities) are recognized in the period after the acquisition as value adjustments on investment property.

2.6 Property, plant and equipment
All property, plant and equipment are stated at historical cost less depreciation and write-downs. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they incur.

2.7 Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised with the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Financial assets and liabilities
The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification is determined according to the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets not carried at fair value are assessed at each balance sheet date whether there is objective evidence that the asset is impaired. If such indication of impairment loss exists, the impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows. The impairment loss is recognised in profit and loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is classified within this category if acquired principally for the purpose of short term trade due to favourable short term market movements. Derivatives are classified as held for trade unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.10), and are valued at amortised cost using the effective interest method (see Notes 2.10 and 2.18).

2.9 Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of net investments or a highly probable forecast transaction (cash flow hedge). The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedge transactions. The group also documents whether the derivatives that are used in hedging are effective in offsetting changes in fair values or cash flows related to the hedged items. Such assessments are documented both at hedge inceptions and on an ongoing basis.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months or as a current asset or liability when the remaining maturity is less than 12 months.

(a) Derivatives not included as hedge accounting
The majority of the group's interest rate- and currency swaps are assumed not to qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement under 'changes in market value of financial derivatives'.

(b) Cash flow hedge
The effective portion of changes in fair value derivatives

that are designed for and qualify as cash flow hedges are recognised within comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement under other financial income (costs).

Amounts accounted for in comprehensive income are recognised in the income statement in the period were the hedged item affects profit or loss (for example, when the planned hedged sale takes place). The gain or loss related to the effective portion of interest rate swaps hedging floating rate loans is recognised in the income statement under financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at the time remains in comprehensive income and is reversed when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in comprehensive income is immediately transferred to the income statement under 'changes in market value of financial derivatives'.

2.10 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand; bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities on the balance sheet.

2.12 Share capital and share premium reserve

Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly attributable to the issuing of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary differences will not reverse in the foreseeable future.

According to the exeption in IAS 12 deferred tax is not recognized when buying a company that is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost, while a fall in value below initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in temporary differences related to tax depreciation cause basis for the recognition of deferred tax.

2.16 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue comprises the fair value of the consideration received for the services in the ordinary course of the group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the group. Costs related to shared services are recognized in the balance sheet on payments from the tenant and does not affect the result. Final settlement of shared services costs are made after the balance sheet date.

(a) Rental income

Rental income is recognised over the life of the rental period.

(b) Other income

Other income is recognised as it is earned.

2.17 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.18 Interest expense

Interest expenses on borrowings are recognised under 'financial costs' in the income statement using the effective interest rate method. The effective interest rate method is used to allocate amortised cost on financial assets and financial liabilities and for correct accrual of interest income and interest expense. The effective interest rate distributes the future cash flows throughout the duration of the loan and indicates the real net value of the financial asset or liability.

The calculation of the effective interest rate takes into account all estimated contractual cash flows related to the financial instrument (such as payment terms), but do not account for future losses. When calculating the effective interest rate, all fees are included and distributed over the relevant period (term to maturity).

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

2.19 Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension scheme is an arrangement whereby the group pays fixed (defined) amounts to a privately held administrated scheme. The group has no legal or other obligations to pay further amounts in the event that the pension scheme itself has insufficient assets to pay contributions to employees relating to rights earned in current or previous periods. Contributions are recognized as employee benefits expense when they fall due. Prepaid contributions are recognized as an asset to the extent that the cash refunds or reductions in future payments are available.

2.20 Correction of prior years

Accounting for tax compensation and deferred taxes related to investment property is changed in 2012 (see Notes 8 and 17). Comparative figures for 2011 have been changed and adjusted opening balance for 2011 is presented in addition to the balances at year-end 2011 and 2012.

NOTE 3 Financial risk management

The group's activities imply exposure to a variety of financial risks: market risk (including foreign exchange, interest rate and price risk), credit risk, liquidity risk, and capital risk management. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's profit/loss and equity. The group use hedging instruments designed to mitigate certain risks.

Risk management for the group is managed by the corporate treasury department in accordance with guidelines approved by the board. The management identifies, evaluates and hedges financial risks in close cooperation with the group's operational units. The board provides written policies for overall risk management and written guidelines for specific areas such as foreign exchange and interest rate risk.

3.1 Market risk

Foreign exchange risk

After the sale of Norgani Hotels in the autumn of 2010, the group no longer operates internationally and its exposure to currency risk is limited to a lease agreement in foreign currency. For 2012, 3.5 per cent (NOK 33 million) of Norwegian Property's rental income are in EUR (2011:

3.1 per cent, NOK 32 million), and in practice all operational costs. This means that the group at the end of 2012 has minimal exposure to currency risk. The group has entered into a hedging agreement to reduce its exposure in foreign currencies.

Notional principal amounts and the maturity for the group's total portfolio of forward exchange contracts at 31 December are specified in local currencies (million) in the table below (see also Note 12).

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2012	EUR	(20.6)	(3.6)	(3.6)	(12.3)	(1.1)
2011	EUR	(24.7)	(4.0)	(3.6)	(11.6)	(5.5)

Price risk

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The average duration of rental contracts at 31 December 2012 was 5.7 years (2011: 5.1 years).

Rental agreements for commercial properties secure a fixed revenue during the lease term. The majority of leases have a 100 per cent CPI adjustment clause allowing the company to adjust rents in line with CPI changes. The company seeks to secure such regulation clauses in all new leases. CPI regulation in 2012 was 1.1 per cent for leases regulated in October and 1.2 per cent for leases regulated in November, which increased annual rental income at the end of 2012 by NOK 10 million. Rent related to the shopping centre at Aker Brygge in Oslo is partly revenue-based.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property has a policy of hedging a minimum of 70 per cent of floating rate loans outstanding. At 31 December, 84 per cent of such loans (including interest-bearing receivables and cash) were hedged (2011: 87 per cent).

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 10.0 billion at 31 December (2011: NOK 13.2 billion). The average credit margin on floating rate borrowings at 31 December 2012 was 136 basis points (2011: 113 basis points). The average basis rate of the loan portfolio at 31 December 2012 was 5.09 per cent (2011: 5.30 per cent). The average remaining maturity of hedging agreements was 5.7 years (2011: 5.1 years). Notional principal amounts and the duration for the group's total portfolio of interest rate hedges at 31 December are specified in local currencies (million) in the table below (see also Note 12).

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2012	NOK	(9 987.8)	(912.8)	(300.0)	(3 609.0)	(5 166.0)
2011	NOK	(13 180.1)	(4 473.6)	(1 427.5)	(2 661.0)	(4 618.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2012 and all other variables constant, this would constitute a change in annual interest expense on unsecured lending portfolio of NOK 4 million and a change in the value of interest rate swaps of NOK 115 million.

3.2 Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sum equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2012 and 2011 has been limited. The group's trade receivables at the balance sheet date are entirely in NOK.

See also Note 6 for a description of the interest-bearing seller's credit of NOK 400 million. The claim is secured by first-priority pledge on the shares of the divested company and by the surety from Pandox AB and Heche Holding AB.

3.3 Liquidity risk

The group aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility and withstand fluctuations in rental income. The liquidity reserve should largely consist of revolving credit and overdraft facilities, rather than cash and cash equivalents. The liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2012	2011
Cash and cash equivalents	712.0	15.6
- of which restricted cash and cash equivalents	(2.9)	(7.7)
Available cash and cash equivalents	709.1	7.9
Unused credit and overdraft facilities	1 216.0	1 199.2
Liquidity reserve	1 925.1	1 207.1

As described above, the group has a high level of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes, changes in exchange rates, buyout of derivatives and gain/loss from sale of properties), for both 2012 (NOK 280 million) and 2011 (NOK 336 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. Amounts in the table are undiscounted cash flows (NOK million).

31 December 2012	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	9 421.7	9 454.7	987.6	53.6	4 028.2	4 385.3
Financial derivatives, net liability[2]	766.4	1 026.8	163.8	170.2	445.5	247.4
Trade payables	34.7	34.7	34.7	-	-	-
Other liabilities[3]	253.4	165.8	165.8	-	-	-

31 December 2011	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	10 164.8	10 206.8	1 375.2	1 029.8	3 753.1	4 048.7
Financial derivatives, net liability[2]	645.1	803.1	115.8	127.5	366.8	193.0
Trade payables	14.3	14.3	14.3	-	-	-
Other liabilities[3]	220.0	154.1	154.1	-	-	-

[1] *The difference between the capitalised amount and expected cash flow reflects activated costs.*

[2] *Expected cash flow calculated as total interest in the contract period based on interest rates at the end of the year.*

[3] *The difference between carrying value and expected cash flow due to deferred revenue.*

3.4 Capital risk management

The group's objectives relating to capital management is to ensure continued operation, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The main objective of the group's capital management is to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus is related to the debt ratio (loan-to-value/LTV). The LTV ratio is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have a debt ratio not exceeding 65 per cent. The LTV ratio at year end is specified in the table below. According to the group's loan agreements the LTV ratio should not exceed 80 per cent. The size of the installments is determined by the level of the LTV. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2011 and 2012. To change the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts in NOK million)	2012	2011
Long-term interest-bearing liabilities	8 443.0	8 798.6
Short-term interest-bearing liabilities	978.7	1 366.2
Capitalised borrowing cost deducted from the interest-bearing liabilities	33.0	42.0
Cash and cash equivalents	(712.0)	(15.6)
Interest-bearing seller's credit	(400.0)	(600.0)
Gross interest-bearing liabilities	8 342.7	9 591.2
Gross property value	14 852.5	15 655.0
Loan-to-value (per cent)	56.2	61.3

NOTE 4 Determination of fair value

The consolidated financial statements have been prepared on a historical cost basis except for investment property and financial assets and financial liabilities (including derivative instruments) which are recognised at fair value through profit and loss.

Investment property

All group investment properties are valued at fair value based on a quarterly valuation update, and each property is valued at 31 December 2012 by two independent experts. DTZ Realkapital and Akershus Eiendom have performed a valuation of all properties. Based on the external valuations and supplementary internal analysis of the market for the rental portfolio, management makes an overall fair value assessment to determine whether the external valuations fairly represent the value of investment properties. All properties are periodically subject to inspections and technical reviews. See also Note 5 for critical accounting estimates and judgements.

Financial instruments and derivatives

Estimated fair value for the group's financial instruments are based on market value and valuation methods as described below.

Cash and cash equivalents
Fair value is assumed to be equal to the carried amount.

Interest-bearing liabilities
The group recognises interest-bearing liabilities at amortised cost. In notes to the financial statement (see Note 16) information is provided on the estimated fair value of interest-bearing liabilities. Bonds are valued at market price at 31 December and bank loans to the estimated fair value where it is taken into account the estimated difference between the current margin and market conditions.

Accounts receivable/other receivables and trade payables/other liabilities
In principle, recognised initially at fair value and subsequently measured at amortised cost. However, discounting is not normally assumed to have a significant effect on this type of receivable and liability.

Derivatives
The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. The technical calculations are generally prepared by banks. The company has checked and tested the valuation for reasonableness.

The table below shows the assessment of fair value derivatives (amounts in NOK million).

	Determination of fair value at 31 December 2012 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Financial derivatives	-	5.1	-	5.1
Liabilities				
Financial derivatives	-	771.5	-	771.5
Total	-	(766.4)	-	(766.4)

	Determination of fair value at 31 December 2011 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Financial derivatives	-	7.3	-	7.3
Liabilities				
Financial derivatives	-	652.4	-	652.4
Total	-	(645.1)	-	(645.1)

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under the level 2.

There have been no movements between the levels in 2011 and 2012.

NOTE 5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations about future events which are believed to be reasonable under current circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual figures. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Fair value of investment properties

Investment property is valued at its fair value on the basis of a quarterly valuation update. Procedures for determining fair value for investment properties are described in Note 4. In line with these principles, the portfolio of commercial properties has been externally valued every quarter since the incorporation in 2006.

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.10 to 2.50 per cent in the calculation period). Cash flows from current leases are discounted with individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of properties and tenants. Current rent is discounted on the basis of discount rates in the interval 5.25-10.50 per cent, based on individual assessments of the single properties. Future rent and residual value is discounted using discount rates in the range of 8.00 to 10.50 per cent.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, market rent and operating costs for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2012, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change[1]
Net market yield	+ 0.25 per cent	(397)
Discount rate	+ 0.25 per cent	(375)
Operating costs	+ NOK 25 per sqm	(309)
Market rent	+ 10 per cent	1 307

[1] *The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2012.*

Fair value of financial derivatives

The group's financial derivatives include currency forward contracts/swap contracts, interest rate swap contracts and the obligation to acquire investment properties. The procedures for valuing financial derivatives are described in Note 4.

NOTE 6 Discontinued operations

In 2010, Norgani Hotels was sold to a company controlled by Pandox AB, Eiendomsspar AS and Sundt AS. The sale was part of the reorganisation of Norwegian Property as a focused commercial property business. It was also released financial capacity to develop Norwegian Property from a financial to an industrial real estate business.

In connection with the sale an interest-bearing seller's credit of NOK 600 million was granted, with a fixed annual interest rate of five per cent and maturity of two years for NOK 200 million and five years for NOK 400 million.

Norwegian Property acquired Norgani Hotels in 2007 and the acquisition was accounted for as acquisitions in accordance with IFRS 3. All other purchases made by the group since its inception in 2006 are treated as a purchase of assets. The group had no other discontinued operations at 31 December 2011, and has not reported other discontinued operation since its inception in 2006.

Profit/(loss) from discontinued operations is presented net on a single line in the income statement. Gain/(loss) on sale of discontinued operations in 2011 is related to reversals of provisions.

(Amounts in NOK million)	2012	2011
Gain/(loss) from sale of discontinued operations	-	4.8
Profit/(loss) for discontinued operations	-	4.8

Net cash flow from discontinued operations in 2011 is related to payment of provisions, and is included in the reported cash flow as specified below.

(Amounts in NOK million)	2012	2011
Net cash flow from operating activities	-	(17.1)
Net cash flow from investing activities	-	-
Net cash flow from financial activities	-	-
Net change in cash and cash equivalents	-	(17.1)

NOTE 7 Segment information

Norwegian Property's main activity, following the sale of Norgani Hotels, is 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.

NOTE 8 Investment property and owner-occupied property

Changes in the carrying amount of investment property are specified in the table below. Future minimum annual rent payments receivable under non-cancellable operating leases are specified in Note 10.

(Amounts in NOK million)	2012	2011
Total book value at 31 December 2010		14 862.5
Changes in the accounting of tax compensation[1]		200.1
Total value of investment property at 1 January	15 655.0	15 062.6
Disposals of properties at book value[2]	(1 893.4)	(30.7)
Additions through acquisition of properties	740.2	171.5
Additions through on-going investments	420.8	175.3
Capitalized borrowing costs	3.8	-
Total fair value adjustment of investment property	(70.7)	274.9
Fair value adjustment of properties sold included in total fair value adjustment[2]	(4.4)	(1.0)
Fair value adjustment of owner-occupied property	1.4	2.4
Total value of investment property at 31 December	14 852.5	15 655.0
Of which investment property held for sale[3]	(693.7)	(1 893.4)
Total book value for all properties at 31 December	14 158.8	13 761.6
Owner-occupied property (see specification below)	(45.5)	(28.2)
Totalt book value of investment property at 31 December	14 113.2	13 733.4

[1] *Prior year tax compensation for purchase of investment properties (single purpose companies) have been recorded as a reduction of the investment property in the balance sheet and reversed after accumulated negative fair value adjustments. Starting with 2012, such tax*

compensation are recognized in profit and loss as value adjustments in the period after the acquisition. The recognition of deferred tax relating to investment property are also changed. Comparative figures have been adjusted accordingly. Carrying value of investment property is increased by NOK 200.1 million in the opening balance sheet at 1 January 2011, the fair value adjustments of investment properties in 2011 decreased by NOK 8.0 million and the carrying value of investment properties increased by NOK 192.1 million at the end of 2011 compared with previously reported figures. Deferred tax is increased by NOK 103.7 million in the opening balance sheet at 1 January 2011 and deferred tax expense for 2011 increased by NOK 24.1 million, so that the deferred tax is increased by NOK 127.8 million at the end of 2011 compared with previously reported figures.

[2] *Disposals in 2012 applies to Ibsenkvartalet (C. J. Hambros Plass 2) and Middelthunsgate 17. Similarly for 2011 applies to Kolstadgaten 1.*

[3] *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 plot acquired in 2012. The sales value amounts to NOK 693.7 million. The property is in the accounts at the end of the year valued at estimated realizable value and classified as assets held for sale. For 2011, assets held for sale are related to the properties Middelthunsgate 17 and Ibsenkvartalet. It was entered into preliminary agreements for the sale of these properties in 2011, with final agreements in 2012.*

Rental income and property expenses relating to investment properties are stated in the income statement (continuing operations) and Note 6 for discontinued operations.

At the end of 2012, 10.1 per cent (5.5 per cent) of total property space are vacant. Of the total vacant rate is 6.7 per cent (3.4 per cent) related to space not available for rent because of ongoing development projects. Operating expenses for vacant space totals NOK 17.8 million for 2012 (NOK 12.6 million).

Apart from covenants in loan agreements, no restrictions apply to the timing of the realisation of investment properties or how the revenue from any sale can be used.

Changes in the balance sheet item owner-occupied property are specified in the table below.

(Amounts in NOK million)	2012	2011
Opening balance 1 January	28.2	-
Addition by transfer from investment property to owner-occupied property.	15.9	25.6
Fair value adjustment of owner-occupied property, comprehensive income	1.4	2.7
Book value of owner-occupied property at 31 December	45.5	28.2
Accumulated acquisition costs at 31 December	41.5	25.6
Accumulated depreciation at 31 December	1.1	0.3

NOTE 9 Other fixed assets

Changes in other fixed assets are specified in the table below.

(Amounts in NOK million)	Other fixed assets
Acquisition costs	
At 31 December 2010	7.4
Additions 2011	12.9
Disposals 2011	(2.9)
At 31 December 2011	17.4
Additions 2012	10.5
At 31 December 2012	27.9
Accumulated depreciation	
At 31 December 2010	5.0
Additions 2011	2.1
Disposals 2011	(1.6)
At 31 December 2011	5.5
Additions 2012	3.7
At 31 December 2012	9.2
Book value	
At 31 December 2011	11.9
At 31 December 2012	18.7

The company uses linear depreciations. The economic life of the assets is set at four years for IT equipment, five years for licenses, cars and furnishings and seven years for other equipment.

NOTE 10 Operating leases

The group is lessor for investment properties. The future minimum annual rents receivable under non-cancellable operating leases are as follows:

(Amounts in NOK million)	2012	2011
Within 1 year	115.6	96.0
Between 1 and 5 years	1 113.4	1 579.3
Later than 5 years	4 145.1	3 047.1
Total	5 374.1	4 722.4

The figures presented above relate to contract values for the following year (not CPI-adjusted) for contracts entered into at 31 December.

NOTE 11 Financial instruments

Financial assets represent contractual rights for the group to receive cash or other financial assets in the future. Financial liabilities correspondingly represent contractual obligations for the group to carry out future payments. Financial instruments are included in several accounting lines in the group's balance sheet and income statement and are classified in different categories in accordance with their accounting treatment. A specification of the group's financial instruments is presented below.

At 31 December 2012

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	Total[1]
Financial assets						
Long-term derivatives	5.1	-	-	-	-	5.1
Long-term receivables[2]	-	-	400.0	-	-	400.0
Short-term receivables	-	-	52.3	-	51.3	103.6
Cash and cash equivalents	-	-	712.0	-	-	712.0
Financial liabilities						
Long-term derivatives	767.1	-	-	-	-	767.1
Long-term interest-bearing debt	-	-	-	8 443.0	-	8 443.0
Short-term derivatives	4.4	-	-	-	-	4.4
Short-term interest-bearing debt	-	-	-	978.7	-	978.7
Short-term liabilities	-	-	-	200.5	87.6	288.1
Profit/loss related to financial instruments						
Financial income	-	-	40.3	-	-	40.3
Financial cost	-	-	-	(513.2)	-	(513.2)
Change in market value of financial instruments	(225.5)	-	-	-	-	(225.5)
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income	-	(1.7)	-	-	-	(1.7)

At 31 December 2011

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	Total[1]
Financial assets						
Long-term derivatives	5.0	-	-	-	-	5.0
Long-term receivables[2]	-	-	400.0	-	-	400.0
Short-term derivatives	0.6	1.7	-	-	-	2.3
Short-term receivables[3]	-	-	269.9	-	35.3	305.2
Cash and cash equivalents	-	-	15.6	-	-	15.6
Financial liabilities						
Long-term derivatives	628.8	-	-	-	-	628.8
Long-term interest-bearing debt	-	-	-	8 798.6	-	8 798.6
Short-term derivatives	23.6	-	-	-	-	23.6
Short-term interest-bearing debt	-	-	-	1 366.2	-	1 366.2
Short-term liabilities	-	-	-	168.4	65.9	234.3
Profit/loss related to financial instruments						
Financial income	-	-	37.0	-	-	37.0
Financial cost	-	-	-	(554.4)	-	(554.4)
Change in market value of financial instruments	(336.1)	-	-	-	-	(336.1)
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income	-	(8.4)	-	-	-	(8.4)

[1] *Accounting items not specified in the table above, but included in the group's financial statement, do not contain financial instruments. The carrying amount of financial instruments in the group's balance sheet is assumed to represent fair value, with the exception of long-term receivables/seller's credit (see footnote 2) and interest-bearing debt (see Note 16).*

[2] *An interest-bearing seller's credit, originally at NOK 600 million in 2010, with a fixed annual interest rate of five per cent and maturity of two years for NOK 200 million and five years for NOK 400 million (see Note 6). The estimated fair value at 31 December 2012 was NOK 417 million (2011: NOK 636 million).*

[3] *Short-term receivables under loans and receivables include short-term share of seller's credit for 2011 (see footnote 2).*

NOTE 12 Derivatives

(All amounts in NOK million or EUR million where specified)

Specification of derivatives in the financial statement

The group is subject to interest rate risk related to floating rate loans. As described in Note 3 the policy is to hedge a minimum of 70 per cent of floating rate loans outstanding. Currency swap agreements are used to secure a small number of leases in foreign currency (see Note 3).

Derivatives are carried at fair value. Below is a specification of derivatives in the balance sheet at 31 December.

	2012		2011	
(Amounts in NOK million)	Assets	Liabilities	Assets	Liabilities
Interest rate contracts, not included as hedge accounting	-	762.0	-	623.8
Exchange rate contracts, not included as hedge accounting	5.1	5.1	5.0	5.0
Derivatives, non-current assets/-liabilities	5.1	767.1	5.0	628.8
Interest rate contracts, included as hedge accounting	-	-	1.7	-
Interest rate contracts, not included as hedge accounting	-	4.4	0.6	23.6
Derivatives, current assets/-liabilities	-	4.4	2.3	23.6
Total derivatives	5.1	771.5	7.3	652.4
Net financial derivatives in the balance sheet		(766.4)		(645.1)

No inefficiencies related to hedge accounting were accounted for in 2012 and 2011.

Annual changes of net derivatives in the balance sheet are specified in the table below.

(Amounts in NOK million)	2012	2011
Net book value of derivatives, 1 January	(645.1)	(300.6)
Fair value adjustments of derivatives included as hedge accounting	(1.7)	(8.4)
Buyout of derivatives not included as hedge accounting	105.9	-
Net fair value adjustments of derivatives during the year	(225.5)	(336.1)
Net book value of derivatives, 31 December	(766.4)	(645.1)

Interest rate derivatives

Below follows a specification of principal notional amounts per business segment and currency for the group's interest rate derivatives at 31 December. All group interest rate derivatives are cash flow hedges. The maturity is specified in Note 3.

	Currency	2012	2011
Notional principal amount	NOK	-	(713.4)
Interest rate swaps included as hedge accounting	NOK	-	(713.4)
Notional principal amount	NOK	9 987.8	13 893.5
Interest rate swaps not included as hedge accounting	NOK	9 987.8	13 893.5
Total interest rate swaps	NOK	9 987.8	13 180.1

Floating rates are 3-month NIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting are realised through profit and loss until the underlying hedged loan is fully repaid. Gains and losses related to contracts qualifying for hedge accounting are accounted for in the comprehensive income statement until the underlying hedged loans is fully repaid.

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the group's exchange rate derivatives at 31 December (cash flow hedges). The maturity is specified in Note 3.

	Currency	2012	2011
Notional principal amount	EUR	(20.6)	(24.7)

NOTE 13 Current receivables

Accounts receivable and other receivables at 31 December are specified in the table below.

(Amounts in NOK million)	2012	2011
Accounts receivable	53.3	71.0
Provision for impairment of receivables	(1.0)	(1.1)
Net accounts receivable	52.3	69.9
Other current receivables	51.3	235.3
Total current receivables	103.6	305.2

There are no material legal claims or disputes regarding service and/or maintenance costs to the group at the date of this report.

NOTE 14 Share capital and shareholders

The tables below specify changes in the share capital after the incorporation of Norwegian Property ASA, the average number of shares in the last two years, the largest shareholders and shares owned by directors and senior executive officers at 31 December.

Changes in share capital and average number of shares

Date	Type of change	Changes in share capital (NOK)	Share capital after change (NOK)	No of shares after change	Face value (NOK)	Price per share (NOK)
20.07.05	Incorporation	-	100 000	1 000	100.00	100.00
26.04.06	Share split	-	100 000	4 000	25.00	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25.00	50.00
22.05.06	Impairment	100 000	875 000 000	35 000 000	25.00	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25.00	50.00
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25.00	50.00
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25.00	50.00
30.06.06			**1 592 453 050**	**63 698 122**	**25.00**	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25.00	50.00
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25.00	50.00
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25.00	50.00
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25.00	50.00
30.09.06			**1 787 823 225**	**71 512 929**	**25.00**	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25.00	50.00
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25.00	53.50
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25.00	50.00
31.12.06			**2 462 823 225**	**98 512 929**	**25.00**	
29.03.07	Private placement	174 216 025	2 637 039 250	105 481 570	25.00	71.75
31.12.07			**2 637 039 250**	**105 481 570**	**25.00**	
17.06.08	Private placement	2 403 846 150	5 040 885 400	201 635 416	25.00	26.00
31.12.08			**5 040 885 400**	**201 635 416**	**25.00**	
24.06.09	Depreciation of face value	(4 940 067 692)	100 817 708	201 635 416	0.50	-
27.08.09	Private placement	100 817 708	201 635 416	403 270 832	0.50	6.00
07.09.09	Private placement	25 000 000	226 635 416	453 270 832	0.50	6.00
31.12.09			**226 635 416**	**453 270 832**	**0.50**	
18.03.10	Private placement	22 663 000	249 298 416	498 596 832	0.50	12.00
31.12.10			**249 298 416**	**498 596 832**	**0.50**	
31.12.11			**249 298 416**	**498 596 832**	**0.50**	
05.11.12	Private placement	24 925 000	274 223 416	548 446 832	0.50	8.00
31.12.12			**274 223 416**	**548 446 832**	**0.50**	

(1 000 shares)	2012	2011
Average number of shares	505 933	498 597
Number of shares issued at 31 December	548 447	498 597

List of main shareholders at 31 December 2012

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 213 874	9.0
State Street Bank and Trust Co.	NOM	USA	39 999 884	7.3
The Bank of New York	NOM	USA	28 154 577	5.1
The Bank of New York	NOM	USA	21 326 560	3.9
Skandinaviska Enskilda Banken	NOM	SWE	19 292 843	3.5
Citibank NA London	NOM	NLD	17 597 315	3.2
State Street Bank and Trust Co.	NOM	USA	14 698 627	2.7
BNP Paribas Secs Services Paris	NOM	LUX	14 345 998	2.6
Fondsfinans Spar	ORD	NOR	10 950 000	2.0
Fram Realinvest AS	ORD	NOR	10 000 000	1.8
Ishare Europe, Fund	ORD	IRL	8 352 125	1.5
BNP Paribas Secs Services Paris	NOM	GBR	8 052 738	1.5
JPMorgan Chase Bank	NOM	GBR	7 959 611	1.5
The Northern Trust	NOM	GBR	7 341 606	1.3
Ilmarinen Mutual Pension Insurance	ORD	FIN	7 125 409	1.3
DNB Livsforsikring	ORD	NOR	6 104 480	1.1
KLP Aksje Norge VPF	ORD	NOR	5 994 589	1.1
JPMorgan Chase Bank	NOM	GBR	5 741 968	1.0
Verdipapirfondet DNB	ORD	NOR	5 623 311	1.0
Other			201 363 085	36.7
Total number of shares at 31 December 2012			548 446 832	100.0

List of main shareholders at 31 December 2011

Largest shareholders	Type of account	Country	Number of shares	Share
Folketrygdfondet	ORD	NOR	39 345 495	7.9
Canica AS	ORD	NOR	27 895 467	5.6
BNYM AS Emea Asia 25 Omnibus	NOM	USA	23 501 678	4.7
Awilhelmsen Capital AS	ORD	NOR	23 254 334	4.7
State Street Bank and Trust Co.	NOM	USA	16 830 777	3.4
Skandinaviska Enskilda Banken	NOM	SWE	15 840 872	3.2
BNP Paribas Secs Services Paris	NOM	FRA	15 749 359	3.2
Citibank NA London Branch	NOM	GBR	15 572 315	3.1
Bank of New York Mellon	NOM	USA	11 984 971	2.4
JPMorgan Chase Bank	NOM	GBR	8 571 724	1.7
Fondsfinans Spar	ORD	NOR	7 792 590	1.6
JPMorgan Chase Bank	NOM	GBR	7 761 335	1.6
State Street Bank & Trust Co.	NOM	USA	7 669 013	1.5
Euroclear Bank S.A./N.V. ('Ba')	NOM	BEL	7 411 501	1.5
Vital Forsikring ASA	ORD	NOR	6 108 018	1.2
Trondheim Kommunale Pensjonskasse	ORD	NOR	6 090 723	1.2
Fram Holding AS	ORD	NOR	6 000 000	1.2
BNP Paribas Secs Services Paris	NOM	FRA	5 655 995	1.1
BNP Paribas Sec Service Paris	NOM	FRA	5 574 269	1.1
Aweco Invest AS	ORD	NOR	5 486 765	1.1
Other			234 499 631	47.0
Total number of shares at 31 December 2011			498 596 832	100.0

Shares held by directors and senior executive officers at 31 December 2012

Shareholder	Number of shares
Board of directors	
Nils K Selte, Chair[1]	587 087
Senior executives	
Olav Line, President and CEO	62 000
Svein Hov Skjelle, EVP and CFO	46 594
Aili Klami, EVP Leasing and Marketing	7 944
Fredrik W. Baumann, EVP Property Development	12 594
Shares held by the board of directors and senior executive officers at 31 December 2012	716 219

[1] *233 087 shares owned by Punis AS and 354 000 shares are held by Nian AS. Nils K Selte owns 50 per cent of shares in Punis AS and 100 per cent of the shares of Nian AS.*

The company has not issued share options.

NOTE 15 Other short-term liabilities

Other short-term liabilities at 31 December are specified in the table below.

(Amounts in NOK million)	2012	2011
Public duties	16.5	8.1
Accrued salaries	5.2	3.9
Accrued interest	83.0	101.1
Prepaid income	87.6	65.9
Other payables	61.1	41.0
Total other short-term liabilities	253.4	220.0

NOTE 16 Interest-bearing debt

The table below present an overview at 31 December of group interest-bearing debt, including hedging ratio, average interest rate and remaining duration.

	2012	2011
Total interest-bearing debt (NOK million)	9 421.7	10 164.8
- Of which hedged (NOK million)	7 937.6	8 866.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	84	87
Interest-bearing receivable (NOK million)	400.0	600.0
Cash and cash equivalents (NOK million)	712.0	15.6
Committed unutilised credit facilities (NOK million)	1 216.0	1 199.2
Average interest rate, including margin (per cent)	5.09	5.30
Average margin (per cent)	1.36	1.13
Average remaining duration, borrowings (years)	3.9	4.9
Average remaining duration, hedging contracts (years)	5.7	5.1

Group interest-bearing long-term and short-term debt at 31 December is specified in accordance with the type of debt and the currency in the table below.

		2012			2011		
(Amounts in NOK million)	Currency	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank borrowings	NOK	8 467.1	987.6	9 454.7	8 831.6	52.2	8 883.8
Bonds	NOK	-	-	-	-	1 323.0	1 323.0
Total interest-bearing debt	NOK	8 467.1	987.6	9 454.7	8 831.6	1 375.2	10 206.8
Capitalised borrowing cost	NOK	(24.1)	(8.9)	(33.0)	(33.0)	(9.0)	(42.0)
Total book value interest-bearing debt	NOK	8 443.0	978.7	9 421.7	8 798.6	1 366.2	10 164.8
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	NOK	54.8	51.6	106.4	61.6	39.5	101.1
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	NOK	-	-	-	-	1.5	1.5

Total fair value of interest-bearing debt consists of bonds valued at market price at 31 December (repaid in 2012) and bank loans at estimated fair value, where account is taken on the estimated difference between the current margin and market conditions. Excess value indicating that the current margins are more favorable than the current market conditions for the group.

The maturity of the group's long-term interest-bearing debt at 31 December is specified in the table below (short-term interest-bearing debt falls due within one year from the balance sheet date).

(Amounts in NOK million)	2012	2011
Due in 2014 and 2015 / 2013 and 2014	4 007.5	1 029.8
Due in 2016, 2017 and 2018 / 2015, 2016 and 2017	4 188.6	3 753.1
Due after 2018 / after 2017	271.0	4 048.6
Total	8 467.1	8 831.6

The carrying amount of group assets pledged as security at 31 December is specified in the table below.

(Amounts in NOK million)	2012	2011
Investment property	14 625.0	15 655.0
Total	14 625.0	15 655.0
Liabilities secured	9 454.7	10 206.8

Assets owned by limited liability partnerships are only pledged as security for own borrowings.

At the end of 2012, loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 9 273.9 million at the end of 2012. The term of the facilities is respectively four and seven years and is secured by two separate property portfolios. Drawn amount at the end of 2012 totaled NOK 8 157.9 million and NOK 1 116 million is a revolving credit limit.

Group subsidiaries had additional borrowings of NOK 1 296.8 million at 31 December 2012.

The terms of the main loan facility are:
:: Interest: NIBOR + margin.
:: Interest rate hedging: minimum 60 per cent with average duration of three years.
:: Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at 31 December 2012 is a minimum 1.4 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2012.
:: Instalments are based on the level of LTV.
:: Other covenants: negative pledge, restrictions on granting loan guarantees, restrictions on acquisitions and change of control.
:: Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 17 Deferred tax and income tax

The following table specifies income tax from continuing operations on payable and deferred taxes respectively, and the calculation of income tax expense based on income before tax.

(Amounts in NOK million)	2012	2011
Payable tax	-	-
Deferred tax	106.2	83.8
Income tax	**106.2**	**83.8**
Profit before income tax:	(18.7)	275.6
Income tax calculated at 28 per cent	(5.2)	77.2
Deferred tax asset not capitalized[1]	61.6	8.0
Permanent differences	49.8	(1.3)
Income tax	**106.2**	**83.8**

[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.*

Changes in carrying amount of deferred tax are specified as follows:

(Amounts in NOK million)	2012	2011
At 1 January	115.0	33.7
Recognised through profit and loss	106.2	83.8
Tax on exchange rate and interest rate hedges charged to comprehensive income	(0.5)	(2.4)
Tax on issue expense charged to equity	(3.7)	-
At 31 December	**217.0**	**115.0**

The following amounts are charged to equity and included in net deferred tax at the balance sheet date:

Tax on issue expenses	(131.9)	(128.2)
Total deferred tax charged to equity	**(131.9)**	**(128.2)**

Change in deferred taxes are as follows:

(Amounts in NOK million)	Investment property[1]	Gain and loss account	Carry forward losses	Financial derivatives	Other	Total[2]
Total at 1 January 2011	455.6	24.9	(421.9)	(84.2)	(0.5)	(26.0)
Not capitalized at 1 January 2011[3]	-	(11.7)	71.4	-	-	59.7
Book value at 1 January 2011[4]	**455.6**	**13.2**	**(350.5)**	**(84.2)**	**(0.5)**	**33.7**
Recognised through profit and loss in 2011	125.7	(4.9)	56.9	(94.1)	0.2	83.8
Recognised through comprehensive income in 2011	-	-	-	(2.4)	-	(2.4)
Change of calculated deferred tax in 2011	125.7	(4.9)	56.9	(96.5)	0.2	81.4
Total at 31 December 2011	581.3	20.0	(365.0)	(180.6)	(0.3)	55.3
Not capitalized at 31 December 2011[3]	-	(9.4)	69.1	-	-	59.7
Book value at 31 December 2011	**581.3**	**10.6**	**(295.9)**	**(180.6)**	**(0.3)**	**115.0**
Recognised through profit and loss in 2012	141.9	40.7	(42.9)	(33.5)	-	106.2
Recognised through comprehensive income in 2012	-	-	-	(0.5)	-	(0.5)
Charged to equity in 2012	-	-	(3.7)	-	-	(3.7)
Change of calculated deferred tax in 2012	141.9	40.7	(46.6)	(34.0)	-	102.0
Total at 31 December 2012	723.2	60.7	(411.6)	(214.6)	(0.3)	157.3
Not capitalized at 31 December 2012[3]	-	(7.6)	67.3	-	-	59.7
Book value at 31 December 2012	**723.2**	**53.1**	**(344.3)**	**(214.6)**	**(0.3)**	**217.0**

[1] *Property tax value totals NOK 8.1 billion at the end of 2012.*
[2] *Deferred tax assets and liabilities are presented net when the group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. All limited group companies are included in the tax group and registered in Norway.*
[3] *Purchases of single-purpose entities owning only property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for, since it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss.*
[4] *See Note 8 for a description of changes in the accounting for deferred taxes related to investment property in the balance sheet at 1 January 2011.*

NOTE 18 Other operating expenses

Other operating expenses (owner-related costs) for continued operations are specified in the table below.

(Amounts in NOK million)	2012	2011
Payroll expenses (see Note 19)	69.0	55.0
Depreciation	4.5	2.4
Other operating expenses	32.3	31.3
Costs allocated to property costs	(33.6)	(21.3)
Total other operating expenses	72.2	67.4

NOTE 19 Payroll costs and remuneration of executive officers and auditor

In the tables below is a breakdown of payroll costs and remuneration of directors, senior executives and auditors.

Payroll costs

Payroll costs for continued operations for the year are specified as follows:

(Amounts in NOK million)	2012	2011
Salaries and remuneration	54.2	44.1
Social security costs	9.1	6.7
Pension costs	3.0	2.2
Other employee expenses	2.7	2.0
Total payroll costs	69.0	55.0
Number of employees for continued operations at 31 December	53	49
Number of full-time equivalent positions for continued operations at 31 December	50	49
Average number of employees for continued operations	51	44

Pursuant to the Act on mandatory occupational pensions, Norwegian Property ASA must operate certain pension plans The company has a plan which satisfies these requirements. Norwegian Property ASA operates a defined contribution plan for all employees.

Remuneration of executive officers

Remuneration of senior management in 2012 are specified in the table below (amounts in NOK):

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Olav Line[3]	President and CEO	3 245 663	2 000 000	247 350	443 940
Svein Hov Skjelle	EVP and CFO	2 379 295	686 400	131 915	87 152
Aili Klami	EVP Leasing and Marketing	1 561 785	225 000	141 163	108 516
Fredrik W. Baumann	EVP Property Development	2 205 861	315 000	127 728	88 912
Bjørge Aarvold[3]	EVP Property Management	1 465 374	294 840	119 341	90 528
Total		10 857 978	3 521 240	767 497	819 048

[1] *Paid benefits in 2012 (amounts in NOK). In addition, social security costs (14.1 per cent).*
[2] *Paid in connection with defined contribution pension plans employee insurances in 2011 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).*
[3] *Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 220 000 respectively at 31 December 2012. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013 and NOK 10 000 per month.*

Remuneration of senior management in 2011 are specified in the table below (amounts in NOK):

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Olav Line[3]	President and CEO	3 149 819	2 000 000	248 752	433 782
Svein Hov Skjelle[3]	EVP and CFO	2 310 857	528 000	116 931	77 620
Aili Klami	EVP Leasing and Marketing	1 501 023	321 360	140 498	98 248
Fredrik W. Baumann[4]	EVP Property Development	2 006 081	-	110 475	80 088
Bjørge Aarvold[3]	EVP Property Management	1 407 101	324 000	118 989	80 918
Total		10 374 881	3 173 360	735 645	770 656

[1] *Paid benefits in 2011 (amounts in NOK). In addition, social security costs (14.1 per cent).*
[2] *Paid in connection with defined contribution pension plans employee insurances in 2011 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).*
[3] *Olav Line, Svein Hov Skjelle and Bjørge Aarvold have been granted loans by the company of NOK 600 000, NOK 90 000 and NOK 340 000 respectively at 31 December 2011. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013, NOK 10 000 per month and NOK 10 000 per month.*
[4] *Fredrik W. Baumann was hired at the beginning of January 2011.*

Fees paid to directors in 2012 are presented in the table below (amounts in NOK).

Name	Title	Period	Remuneration[1]
Nils K Selte	Chair (Deputy Chair until 12 April)	01.01-31.12	638 462
Arvid Grundekjøn	Chair (until 12 April)	01.01-12.04	722 115
Gry Mølleskog	Director	01.01-31.12	370 192
Synne Syrrist	Deputy Chair (Director until 12 April)	01.01-31.12	495 192
Jon Erik Brøndmo	Director	01.01-31.12	370 192
Gunnar Bøyum	Director	12.04-31.12	275 000
Total			2 871 153

[1] *Paid benefits in 2012 (amounts in NOK). In addition, social security costs (14.1 per cent).*

Fees paid to directors in 2011 are presented in the table below (amounts in NOK).

Name	Title	Period	Remuneration[1]
Arvid Grundekjøn	Chair	01.01-31.12	724 588
Nils K Selte	Deputy Chair	01.01-31.12	530 219
Jon Erik Brøndmo	Director	01.01-31.12	323 489
Gry Mølleskog	Director	01.01-31.12	323 489
Synne Syrrist	Director	01.01-31.12	323 489
Total			2 225 274

[1] *Paid benefits in 2011 (amounts in NOK). In addition, social security costs (14.1 per cent).*

Declaration of management benefits:

This declaration relates to benefits received by key management personnel for work performed in the group. The group will always ensure that it has a professional management to safeguard shareholder interests. In order to achieve this, the company is required to offer competitive remuneration as part of a total compensation package.

This statement applies for the coming fiscal year. The Board will base its work on the declaration after the treatment at the Annual General Meeting in 2013. In 2012, the group has followed the guidelines on executive pays stated in the annual accounts statement on executive salaries for 2011, presented to the General Assembly in 2012. Any changes to the principles in this statement, compared with previous years, are explained.

1. Principles for base salary

Key management employees will receive a competitive base annual salary, based on the individual's responsibilities and level of expertise.

2. Bonus principles

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in meeting key targets for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets will consist of performance improvement initiatives or financial targets, including the company's share price performance. Targets in relation to the chief executive officer's own performance will be established by the board, while the chief executive officer will establish targets for other key management personnel. The targets must be measurable wherever possible. Bonus payment must not exceed 125 per cent of the chief executive officer's annual salary or 30 per cent of annual base salary for other key management employees.

Two senior executives have been granted loans from the company, based on individual agreements. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment.

3. Principles for non-cash related benefits

Key management employees can be offered certain non-cash-related compensation benefits, such as a company car scheme, insurance and pension arrangements. Non-cash-related benefits should basically contain telephones and newspapers. Key management employees have the right to belong to the company's defined contribution pension plan. Conditions of the pension plan can vary between employees.

The group has currently no employee option programmes. In 2012, an employee share scheme is introduced, where the company provides employees (including senior management) to buy discounted shares in the company with a total share value of NOK 100 000 per year. Such a scheme aims to increase interest among the employees of the company's goals and achievements through share ownership, as well as helping to motivate, reward and retain employees.

4. Payment after termination of contract

At 31 December, two key management employees had agreements in place with the company for payment of salary after a termination of their contract. Periods of notice are six months and severance pay is limited to six and twelve months' salary. Payment of salary after the termination of a contract can occur in special instances. Approval by the chair is required for payments of salary after contract termination for any employees where this right is not already documented in their employment contract.

5. Decision-making process for remuneration

The board determines the chief executive officer's annual salary.

The board prepares annual guidelines which are submitted to shareholders at the annual general meeting for ratification in accordance with section 5-6 of the Norwegian Public Limited Liabilities Companies Ac.

Auditor's fee

2012

Type of fees	PwC[1]	Deloitte[1]
Statutory audit	450 000	800 000
Other certification services	5 000	277 000
Tax/VAT advice	361 709	-
Other services	17 500	-
Total	834 209	1 077 000

[1] *Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies as well as Deloitte AS and affiliated companies. PwC took over as auditor of all group companies from Deloitte on the Annual General Meeting in 2012. The fees are net of VAT (amounts in NOK).*

2011

Type of fees	Deloitte[1]
Statutory audit	1 590 000
Other certification services	117 000
Tax/VAT advice	31 000
Other services	40 000
Total	1 778 000

[1] *Fees to Deloitte AS and affiliated companies, which in 2011 was the auditor for all group companies. The fees are net of VAT (amounts in NOK).*

NOTE 20 Net financial items

Net financial items for continued operations are specified in the table below.

(Amounts in NOK million)	2012	2011
Interest income on bank deposits	11.8	15.1
Interest income on seller's credit	28.5	20.0
Currency gains	-	1.8
Total financial income	40.3	37.0
Interest expense on borrowings	(510.5)	(553.3)
Gurrency losses	(2.7)	(1.1)
Total financial expenses	(513.2)	(554.4)
Net realised financial items	(472.9)	(517.5)

NOTE 21 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2012	2011
Net profit attributable to shareholders (NOK million)	(124.9)	196.6
Weighted average number of outstanding shares, exclusive treasury shares (million shares)[1]	505.9	498.6
Basic earnings per share (NOK per share)	(0.25)	0.39

[1] *At the end of 2012 the company owns 21 236 treasury shares (acquired in 2012).*

Norwegian Property has not issued options or other financial instruments which have a dilutive effect on outstanding shares.

NOTE 22 Dividend per share and dividend policy

The board's ambition is that, over time, a substantial portion of Norwegian Property's value creation will be distributed to shareholders in the form of a dividend. The long-term goal is for dividend to account for 30-50 per cent of operating profit after tax but before fair value adjustment.

In 2012, for the fiscal year 2011, a dividend of NOK 0.20 per share was paid. At the Annual General Meeting in 2013, the Board plans to propose an equivalent dividend per share.

NOTE 23 Related-party disclosures

Parties are considered to be related if one party has the ability to exercise significant influence over the group in making strategic or operating decisions. Significant influence is normally obtained by ownership, participation in decision-making bodies and management, or by agreements.

All transactions, agreements and business relationships with related parties are made on normal commercial terms.

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 relationship related to the board and senior management are described in Notes 14 and 19.

In February 2013, Norwegian Property sold the property Drammensveien 149 to Orkla Eiendom AS (see Notes 8 and 25). Chairman of Norwegian Property ASA, Nils Selte, is CFO of Canica AS. Canica AS is the largest shareholder in both Norwegian Property ASA (see Note 14) and Orkla ASA. Nils Selte has not participated in the board discussions or board decisions relating to the sale.

NOTE 24 Contingent liabilities and assets

The group has a liability if it is committed to give up financial resources to another party at a future date. An uncertain liability is a liability of uncertain timing or amount. A contingent liability is a category of uncertain liabilities, where the possible obligation is depending on whether some uncertain future events occur that the group can not fully influence. Similarly, a contingent asset relates to possible rights for the company to receive financial resources at a future date.

Guarantees in connection with the sale of properties and companies

The seller normally emits guarantees in connection with the sale of properties in connection with formal, physical etc. conditions related to the transferred properties and/or companies. The guarantees typically include conditions related to legal status, ownership of shares, validity of financial statements and VAT-/tax-issues, contractual issues, liens, environmental matters, insurance coverage, assessment of defects etc. The seller must typically cover financial losses for the buyer of any errors or omissions that may be linked to the guarantees.

In connection with sale of properties/companies in the period from 2008 to 2012 and the sale of Norgani Hotels in 2010, Norwegian Property has issued this kind of guarantees to buyers. Provisions are made related to circumstances which are likely to entail an obligation for Norwegian Property.

In connection with the sale of Norgani Hotels it is particularly guaranteed that the value of defined tax loss carryforwards in Sweden and Finland are present. If parts of these tax losses are found invalid, the seller shall refund the portion of the share purchase price attributable to these losses, limited respectively to SEK 35.7 million and EUR 1.0 million. Norwegian Property has assessed that there is no need to make provisions related to these guarantees.

Possible right to demand ground rent

The group company Aker Brygge AS owns most of the sections in the Verkstedhallene at Aker Brygge. Verkstedhallene ANS is a subsidiary of Aker Brygge AS and has the land rights. The group believes that the right to demand ground rent follows from the agreement with other section owners. Such ground rent has not previously been collected. The other section owners claim that such ground rent cannot be charged. The dispute was brought before Oslo City Court in 2011, with the proclamation of judgment on 3 February 2012. Aker Brygge AS is not granted the right to charge ground rent. Aker Brygge AS has appealed the case to the Court of Appeal.

NOTE 25 Events after the balance sheet date

Events after the balance sheet date are events, favourable or unfavourable, that occurs between the balance sheet date and the date that the financial statements are authorised for issue. Such events can be events that provides information of conditions that existed at the balance sheet date resulting in adjustments in the financial statement, or events that do not require such adjustments.

In January 2013, the group repaid loans in Storebrand with NOK 362 million.

In February 2013, Norwegian Property entered into an agreement for the sale of the property Drammensveien 149 at Skøyen in Oslo (see Note 8). The transaction includes the existing property that Norwegian Property acquired in connection with the establishment of the group in 2006, and the neighboring plot acquired in 2012. The sales value amounts to NOK 693.7 million. The property is in the accounts at the end of the year valued at estimated realizable value and classified as assets held for sale.

NOTE 26 Group companies

The consolidated financial statements comprise the following companies at the end of 2012:

Aker Brygge ANS
Aker Brygge AS
Aker Brygge Energisentral AS
Aker Brygge Marina AS
Aker Brygge Panorama AS
Aker Brygge Senterforeningen AS
ANS Kaibygning I
AS Trekanten Aker Brygge
Badehusgata 33-39 AS
Bryggehandel Invest I ANS
Bryggehandel Invest II ANS
Bryggeinvest DA
Bryggeinvest II DA
Drammensveien 134 AS
Drammensveien 134 Bygg 1-4 AS
Drammensveien 134 Bygg 5 AS
Drammensveien 134 Bygg 6 AS
Drammensveien 134 P-Hus AS
Drammensveien 134 Utearealer AS
Drammensveien 149 AS
Drammensveien 149 Nybygg AS
Drammensveien 60 AS
Eltofi AS
Finnestadveien 44 ANS
Fondbygget AS
Forusbeen 35 AS
Gardermoen Næringseiendom ANS
Gardermoen Næringseiendom AS
Gardermoen Næringseiendom KS
Gjerdrums vei 10 D AS
Gjerdrums vei 14-16 AS
Gjerdrums vei 17 AS
Gjerdrums vei 8 ANS
Grenseveien 19 AS
Grenseveien 21 AS
Gullhaug Torg 3 AS
Gullhaugveien 9-13 AS
Hovfaret 11 AS
Lysaker torg 35 ANS
Maridalsveien 323 AS
Maskinveien 32 AS
Middelthunsgate AS
Nedre Skøyen vei 26 F AS
NOR Property Holding AS
Norwegian Property ASA
Norwegian Property Holding AS
Norwegian Property Invest AS
NP Nydalen AS
NPRO Drift AS
Nydalsveien 15-17 AS
Oslo Properties AS
Sandakerveien 130 AS
Skøyen Bygg ANS
Skøyen Bygg AS
Skøyen Bygg Fire AS
Skøyen Bygg Tre AS
Snarøyveien 36 AS
Stortingsgata 6 AS
Strandsvingen 10 AS
Svanholmen 2 AS
Telebygget AS
Terminalbygget ANS
Verkstedhallene ANS

Income statement 1 Jan-31 Dec

(Amounts in NOK million)	*Note*	2012	2011
Management and service fee, group companies	12	31.3	21.3
Total operating revenue	2	31.3	21.3
Payroll costs	9	(68.4)	(55.0)
Depreciation	5	(3.4)	(2.1)
Other operating costs		(34.9)	(36.2)
Total operating costs		(106.7)	(93.2)
Operating profit		(75.4)	(71.9)
Financial income	10, 12	409.2	537.5
Financial expenses	10, 12	(718.5)	(904.0)
Net financial items		(309.2)	(366.6)
Profit before tax		(384.6)	(438.5)
Income tax expense	11	(51.9)	67.3
Profit for the year		(436.5)	(371.2)
Proposed allocations:			
Dividends		109.7	-
Transferred from other paid-in equity		(546.2)	(371.2)

Balance sheet at 31 December

(Amounts in NOK million)	*Note*	2012	2011
ASSETS			
Non-current assets			
Deferred tax assets	11	222.0	270.2
Tangible assets	5	16.2	11.9
Investments in subsidiaries	4, 12	5 091.7	5 273.2
Intercompany balances	12	5 564.0	5 080.0
Total non-current assets		10 893.9	10 635.2
Current assets			
Financial derivative instruments	8	5.1	-
Intercompany balances	12	1 381.3	3 016.5
Other receivables		3.9	1.4
Cash and cash equivalents	3	668.5	13.2
Total current assets		2 058.7	3 031.1
TOTAL ASSETS		12 952.6	13 666.3

(Amounts in NOK million)	*Note*	2012	2011
EQUITY AND LIABILITIES			
Equity			
Share capital		274.2	249.3
Share premium		2 295.1	1 930.7
Other paid-in equity		1 317.4	1 963.5
Total equity	6	3 886.6	4 143.6
Non-current liabilities			
Interest-bearing debt	7	8 093.0	7 402.7
Total non-current liabilities		8 093.0	7 402.7
Current liabilities			
Financial derivative instruments	8	727.1	625.6
Interest-bearing debt	7	31.9	1 351.4
Intercompany balances	12	0.6	26.9
Trade payables		2.9	3.7
Provisory dividend	6	109.7	-
Other current liabilities		100.9	112.5
Total current liabilities		973.0	2 120.0
Total liabilities		9 066.0	9 522.7
TOTAL EQUITY AND LIABILITIES		12 952.6	13 666.3

Oslo, 14 February 2013
The board of directors for Norwegian Property ASA

Nils K Selte	Synne Syrrist	Gry Mølleskog	Jon Erik Brøndmo	Gunnar Bøyum	Olav Line
Chair	Deputy chair	Director	Director	Director	President and CEO

Cash flow statement 1 Jan-31 Dec

(Amounts in NOK million)	*Note*	2012	2011
Ordinary profit before tax		(384.6)	(438.5)
Net financial items	10	309.2	366.6
Interest received	10	326.6	213.5
Other financial income received	10	14.0	9.6
Interest paid	10	(443.3)	(248.6)
Other financial expenses paid	10	(123.1)	(12.0)
Depreciation tangible assets	5	3.4	2.1
Changes in current items		14.5	(36.0)
Net cash flow from operating activities		(283.2)	(143.5)
Purchase of tangible assets	5	(7.7)	(11.5)
Investments in subsidiaries	4	(36.9)	-
Sale of subsidiaries	4	210.9	-
Received from payment of interest-bearing receivables (loans to subsidiaries)	12	1 635.3	-
New loans to subsidiaries	12	(510.4)	(7 415.5)
Net cash flow from investment activities		1 291.2	(7 427.1)
Proceeds from increase in interest-bearing liabilities	7	1 344.0	7 473.1
Net repayment of interest-bearing liabilities	7	(1 982.2)	(61.0)
Capital increase	6	385.4	-
Dividends paid	6	(99.7)	(49.9)
Purchase of treasury shares	6	(0.3)	-
Net cash flow from financing activities		(352.7)	7 362.2
Net change in cash and cash equivalents		655.3	(208.3)
Cash and cash equivalents 1 January	3	13.2	221.5
Cash and cash equivalents 31 December	3	668.5	13.2

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NOTE 1 General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 42 properties in Oslo and Stavanger at 31 December 2012.

Via Oslo Properties, Norwegian Property took over all the shares in the previously listed Norgani Hotels group in 2007 and 2008. Norgani Hotels owned 73 hotel properties and a convention centre in Sweden, Norway, Finland and Denmark at the beginning of 2010. Norgani Hotels was sold in the autumn of 2010.

The financial statements are approved by the Board on 14 February 2013 for final approval by the General Meeting on 11 April 2013.

NOTE 2 Summary of significant accounting policies

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Classifications

Assets held for sale or for use in the ordinary business cycle, or owned mainly for the purpose of trade, or expected to be realised within 12 months or represent cash and cash equivalents are classified as current assets. All other assets are classified as non-current assets. Liabilities which are expected to be settled in the ordinary course of business, are mainly held for trade or are expected to be settled within 12 months are classified as current liabilities. All other liabilities are classified as non-current liabilities.

Subsidiaries

Subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price of the shares unless impairment is required. Impairment is implemented at fair value when a fall in value is caused by reasons which cannot be assumed to be transient and is deemed necessary according to generally accepted accounting principles. Impairment is reversed when the basis for it no longer exists.

Dividends and other distributions are recognised in the year for which they are proposed by the subsidiary. When dividend/group contribution significantly exceeds the part of the retained earnings for the group from subsidiaries after the acquisition, the excess part is considered a repayment of invested capital and deducted from the value of the investment in the balance sheet.

Tangible assets

All tangible assets are stated at historical cost, less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the income statement during the financial period in which they incur.

Trade receivables

Trade receivables and other receivables are recognised initially at face value, less provision for impairment. Provision for impairment of trade receivables is based on individual assessments of each receivable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, other current highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Treasury shares are recognised at face value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

Interest expense

Interest expenses on borrowings are recognised under "financial costs" in the income statement using the effective interest rate method. The effective interest rate method is used to allocate amortised cost on financial assets and financial liabilities and for correct accrual of interest income and interest expense. The effective interest rate allocates future cash flows throughout the duration of the loan and indicates the real net value of the financial asset or liability.

When calculating the effective interest rate, the company estimates all contractual cash flows related to the financial instrument (such as terms of payment) but does not take future loss into account. When calculating the effective interest rate, all fees are included and distributed over the relevant period (term to maturity).

Management fee and other operating revenue

Management fee charged to subsidiaries relates to property management, managing customer centre and financial management. Management fee is recognised when it is earned.

Financial derivative instruments

The company is exposed to interest rate risk related to floating rate loans. The company uses forward rate agreements to reduce interest rate risk. Unrealised profit/losses related to these contracts are recognised in the income statement.

Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension plan is a scheme where the group pays fixed (defined) amounts to a privately held managed plan. The company has no legal or other obligations to pay further amounts in the event that the pension scheme itself has insufficient assets to pay contributions to employees relating to rights earned in current or previous periods. Contributions are recognised as an employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that cash refunds or reductions in future payments are available.

Deferred income tax
Tax in the income statement consist of tax payable and changes in deferred tax. Deferred income tax is calculated at 28 per cent on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and tax loss carried forward at 31 December. Tax increasing or reducing temporary differences which are reversed or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Estimates
The preparation of the income statement in accordance with Norwegian generally accepted accounting principles requires the use of estimates and assumptions which affect the income statement and the valuation of assets and liabilities as well as information related to insecure assets and liabilities at the balance sheet date. Contingent losses which are probable and quantifiable are recognised as they occur.

Cash flow statement
The preparation of the cash flow statement is based on the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other current liquid investments.

NOTE 3 Financial risk management

The company's activities imply exposure to a variety of financial risks: market risk, credit risk and liquidity risk.

3.1 Market Risk
Market risk for the company is primarily related to interest rate risk and to a lesser degree of currency and price risk. At the end of 2012, the company has no exposure to currency risk and the company's revenue for 2012 is entirely related to management fees from subsidiaries.

The company is subject to interest rate risk related to floating rate loans. In order to mitigate interest rate risk, the company has entered into interest rate swap agreements. Notional principal amounts and the maturity for the company's total portfolio of interest rate hedges at 31 December 2012 are specified in local currencies (million) in the table below.

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
NOK	(9 585.8)	(912.8)	(300.0)	(3 473.0)	(4 900.0)

Norwegian Property ASA has entered into a hedging agreement to reduce exposure related to a lease agreement in foreign currency in one of the subsidiaries.

Notional principal amounts and the maturity for the hedging agreement at 31 December 2012 is specified in local currencies (million) in the table below (see also Note 8). Notional principal amounts and the maturity for the hedging agreement at 31 December 2012 is specified in local currencies (million) in the table below (see also Note 8).

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
EUR	(20.6)	(3.6)	(3.6)	(12.3)	(1.1)

3.2 Credit risk
The company's receivables are mainly related to intercompany balances, where credit risk is considered low.

3.3 Liquidity risk
The company aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The liquidity reserve should largely consist of revolving credit and overdraft facilities, rather than cash and cash equivalents. The liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2012	2011
The company's net balance in the group accounts	2 015.7	3 025.5
Intercompany net balance in the group accounts[1]	(1 347.3)	(3 012.3)
Cash and cash equivalents	668.5	13.2
Restricted bank deposits	(2.9)	(7.7)
Available cash and cash equivalents	665.6	5.5
Unused credit and overdraft facilities	1 216.0	1 199.2
Liquidity reserve	1 881.6	1 204.7

[1] *Subsidiaries' deposits in the parent company's group accounts are included as liquid assets in Norwegian Property ASA.*

As described above, the company has a high level of hedging against changes in market interest rates, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. Liquidity risk is mainly related to instalments and maturity of liabilities. The maturity of liabilities for the company is specified in the table below. The classification is based on the maturity specified in the contracts. The amounts in the table specify the timing of repayment of notional principal amounts (NOK million).

31 December 2012	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	8 124.9	8 157.9	40.8	40.6	3 980.2	4 096.3
Trade payables	2.9	2.9	2.9	-	-	-
Other liabilities[2]	828.6	101.5	101.5	-	-	-

31 December 2011	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	8 754.1	8 796.1	1 360.5	37.5	3 741.9	3 656.2
Trade payables	3.7	3.7	3.7	-	-	-
Other liabilities[2]	764.9	139.3	139.3	-	-	-

[1] *The difference between the carrying value and expected cash flow reflects activated costs.*
[2] *The difference between carrying value and expected cash flow related to provision for hedge contracts.*

NOTE 4 Investments in subsidiaries

Investments in subsidiaries are specified in the table below at 31 December 2012. Several of the companies own shares in other companies, as described in their respective annual accounts.

(Amounts in NOK million)	Acquired/ established	Commercial properties	Share	Voting share	Net book value
Sub-holding companies:					
Norwegian Property Holding AS[1]		Oslo	100.0	100.0	
Norwegian Property Holding	17.01.07				4 086.5
Oslo Properties AS		Oslo	100.0	100.0	
Oslo Properties	17.09.07				20.0
Properties ("single purpose entities"):					
Skøyen Bygg AS		Oslo	100.0	100.0	
Skøyen Bygg	09.06.06				215.0
Aker Brygge Energisentral AS		Oslo	100.0	100.0	
Aker Brygge Energisentral	22.06.10				1.0
Middelthunsgate AS		Oslo	100.0	100.0	
Middelthunsgate 17	09.06.06				323.4
Telebygget AS		Stavanger	100.0	100.0	
Forusbeen 35 AS		Stavanger	100.0	100.0	
Forusbeen 35	09.06.06				78.0
Drammensveien 134 AS		Oslo	100.0	100.0	
Drammensveien 134	09.06.06				10.0
Finnestadveien 44 ANS		Stavanger	100.0	100.0	
Finnestadveien 44	22.06.06				124.9
Gardermoen Næringseiendom AS		Oslo	100.0	100.0	
Gardermoen Næringseiendom KS		Oslo	100.0	100.0	
Gardermoen Næringseiendom	08.09.06				42.0
Maridalsveien 323 Eiendom AS		Oslo	100.0	100.0	
Maridalsveien 323	21.03.07				191.0
Total shares in subsidiaries					**5 091.7**

[1] *The company owns the group's premises ("single purpose" entities) which are not owned directly by Norwegian Property ASA.*

Changes in book value for the year are as follows:

(Amounts in NOK million)	2012	2011
Book value at 1 January	5 273.2	5 261.3
Net additions book value of shares in subsidiaries	(110.5)	301.5
Depreciation of shares in subsidiaries	(67.3)	(281.6)
Repayment of invested capital	(3.6)	-
Group contribution recognised against shares in subsidiaries	-	(8.1)
Book value at 31 December	**5 091.7**	**5 273.2**

NOTE 5 Tangible assets

Changes in tangible assets are specified in the table below:

Acquisition cost *(Amounts in NOK million)*	IT-systems and other intangible assets[1]	Fixtures and equipment	Total
At 31 December 2010	0.2	7.3	7.4
Additions	12.6	0.3	12.9
Disposals	(0.2)	(2.7)	(2.9)
At 31 December 2011	12.6	4.9	17.4
Additions	7.4	0.4	7.7
Disposals	-	(3.6)	(3.6)
At 31 December 2012	**20.0**	**1.6**	**21.6**

[1] *Additions in 2012 include IT systems under development that will be depreciated from the time of completion (NOK 1.6 million).*

Accumulated depreciation *(Amounts in NOK million)*	IT-systems and other intangible assets	Fixtures and equipment	Total
At 31 December 2010	0.2	4.9	5.1
Depreciation from disposals 2011	-	(1.6)	(1.6)
Depreciation and impairment 2011	1.6	0.5	2.1
At 31 December 2011	1.8	3.8	5.6
Depreciation from disposals 2012	(0.3)	(3.3)	(3.6)
Depreciation and impairment 2012	3.1	0.3	3.4
At 31 December 2012	**4.6**	**0.7**	**5.4**
Book value at 31 December 2010	-	2.4	2.3
Book value at 31 December 2011	10.8	1.1	11.9
Book value at 31 December 2012	**15.3**	**0.9**	**16.2**

The company uses straight-line depreciation and the useful life of the assets are four years for IT equipment, five years for licenses, cars and equipment, and seven years for fixtures.

NOTE 6 Equity

(Amounts in NOK million)	Share capital	Share premium	Other paid-in equity	Total equity
Equity at 31 December 2010	249.3	1 930.7	2 384.6	4 564.6
Paid dividend 2011	-	-	(49.9)	(49.9)
Loss for the year	-	-	(371.2)	(371.2)
Transactions with shareholders	-	-	(421.1)	(421.1)
Equity at 31 December 2011	249.3	1 930.7	1 963.5	4 143.6
Paid dividend 2012	-	-	(99.7)	(99.7)
Capital increase 2012	24.9	364.3	-	389.3
Treasury shares[1]	-	-	(0.3)	(0.3)
Dividend appropriation[2]	-	-	(109.7)	(109.7)
Loss for the year	-	-	(436.5)	(436.5)
Transactions with shareholders	24.9	364.3	(646.2)	(256.9)
Equity at 31 December 2012	274.2	2 295.1	1 317.4	3 886.6

The company had a share capital amounting to NOK 274 233 416 at 31 December 2012, consisting of 548 466 832 shares with a face value of NOK 0.50.

[1] *In connection with the stock purchase plan for employees in 2012, the company purchased 150 000 shares at an average price of 7.94. The company has sold 128 764 shares to employees for an average price of 7.46.*

[2] *Proposed dividend for 2012 is NOK 0.20 per share.*

The company's largest shareholders at 31 December 2012 are specified in the table below.

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 213 874	9.0
State Street Bank and Trust Co.	NOM	USA	39 999 884	7.3
The Bank of New York	NOM	USA	28 154 577	5.1
The Bank of New York	NOM	USA	21 326 560	3.9
Skandinaviska Enskilda Banken	NOM	SWE	19 292 843	3.5
Citibank NA London	NOM	NLD	17 597 315	3.2
State Street Bank and Trust Co.	NOM	USA	14 698 627	2.7
BNP Paribas Secs Services Paris	NOM	LUX	14 345 998	2.6
Fondsfinans Spar	ORD	NOR	10 950 000	2.0
Fram Realinvest AS	ORD	NOR	10 000 000	1.8
Ishare Europe, Fund	ORD	IRL	8 352 125	1.5
BNP Paribas Secs Services Paris	NOM	GBR	8 052 738	1.5
JPMorgan Chase Bank	NOM	GBR	7 959 611	1.5
The Northern Trust	NOM	GBR	7 341 606	1.3
Ilmarinen Mutual Pension Insurance	ORD	FIN	7 125 409	1.3
DNB Livsforsikring	ORD	NOR	6 104 480	1.1
KLP Aksje Norge VPF	ORD	NOR	5 994 589	1.1
JPMorgan Chase Bank	NOM	GBR	5 741 968	1.0
Verdipapirfondet DNB	ORD	NOR	5 623 311	1.0
Other			201 363 085	36.7
Total number of shares at 31 December 2012			548 446 832	100.0

The company's largest shareholders at 31 December 2011 are specified in the table below.

Largest shareholders	Type of account	Country	Number of shares	Share
Folketrygdfondet	ORD	NOR	39 345 495	7.9
Canica AS	ORD	NOR	27 895 467	5.6
BNYM AS Emea Asia 25 Omnibus	NOM	USA	23 501 678	4.7
Awilhelmsen Capital AS	ORD	NOR	23 254 334	4.7
State Street Bank and Trust Co.	NOM	USA	16 830 777	3.4
Skandinaviska Enskilda Banken	NOM	SWE	15 840 872	3.2
BNP Paribas Secs Services Paris	NOM	FRA	15 749 359	3.2
Citibank NA London Branch	NOM	GBR	15 572 315	3.1
Bank of New York Mellon	NOM	USA	11 984 971	2.4
JPMorgan Chase Bank	NOM	GBR	8 571 724	1.7
Fondsfinans Spar	ORD	NOR	7 792 590	1.6
JPMorgan Chase Bank	NOM	GBR	7 761 335	1.6
State Street Bank & Trust Co.	NOM	USA	7 669 013	1.5
Euroclear Bank S.A./N.V. ('BA')	NOM	BEL	7 411 501	1.5
Vital Forsikring ASA	ORD	NOR	6 108 018	1.2
Trondheim Kommunale Pensjonskass	ORD	NOR	6 090 723	1.2
Fram Holding AS	ORD	NOR	6 000 000	1.2
BNP Paribas Secs Services Paris	NOM	FRA	5 655 995	1.1
BNP Paribas Sec Service Paris	NOM	FRA	5 574 269	1.1
Aweco Invest AS	ORD	NOR	5 486 765	1.1
Other			234 499 631	47.0
Total number of shares at 31 December 2011			498 596 832	100.0

Shares held by directors and senior executive officers at 31 December 2012 are specified in the table below.

Shareholder	Number of shares
Board of directors	
Nils K Selte, Chair[1]	587 087
Senior executives	
Olav Line, CEO	62 000
Svein Hov Skjelle, EVP & CFO	46 594
Aili Klami, EVP Leasing & Marketing	7 944
Fredrik W. Baumann, EVP Property Development	12 594
Shares held by the board of directors and senior executive officers at 31 December 2012	716 219

[1] *233 087 shares are held by Punis AS and 354 000 shares are held by Nian AS. Nils K Selte owns 50 per cent of the shares in Punis AS and 100 per cent of the shares in Nian AS.*

The company has not issued share options.

NOTE 7 Interest-bearing debt

The table below present an overview at 31 December of the company's interest-bearing debt, including hedging ratio, average interest rate and remaining duration.

	2012	2011
Total interest-bearing debt (NOK million)	8 124.9	8 754.1
- Of which hedged (NOK million)	6 845.1	7 635.6
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	84	87
Cash and cash equivalents (NOK million)	668.5	13.2
Committed unutilised credit facilities (NOK million)	1 216.0	1 199.2
Average interest rate, including margin (per cent)	5.36	5.37
Average margin (per cent)	1.40	1.16
Average remaining duration, borrowings (years)	4.0	4.0
Average remaining duration, hedging contracts (years)	5.7	5.1

The company's interest-bearing long-term and short-term debt at 31 December is specified in the table below.

		2012			2011		
(Amounts in NOK million)	Currency	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank loan	NOK	8 117.1	40.8	8 157.9	7 435.7	37.4	7 473.1
Bonds	NOK	-	-	-	-	1 323.0	1 323.0
Total interest-bearing debt	NOK	8 117.1	40.8	8 157.9	7 435.7	1 360.4	8 796.1
Capitalised borrowing costs	NOK	(24.1)	(8.9)	(33.0)	(33.0)	(9.0)	(42.0)
Total book value interest-bearing debt	NOK	8 093.0	31.9	8 124.9	7 402.7	1 351.4	8 754.1

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 9 273.9 million at the end of 2012. The term of the facilities is respectively four and seven years and is secured by two separate property portfolios. Drawn amount at the end of 2012 totalled NOK 8 157.9 million and NOK 1 116 million is a revolving credit limit.

The maturity of the company's long-term interest-bearing debt at 31 December is specified in the table below (current interest-bearing debt falls due within one year from the balance sheet date).

(Amounts in NOK million)	2012	2011
Between 1-2 years (2014 and 2015 / 2013 and 2014)	3 979.5	75.0
Between 3-5 years (2016, 2017 and 2018 / 2015, 2016 and 2017)	4 137.6	3 723.2
Later than 5 years (after 2018 / after 2017)	-	3 637.5
Total	8 117.1	7 435.7

The book value of assets pledged as security for debt at 31 December is as follows:

(Amounts in NOK million)	2012	2011
Shares and interests in subsidiaries[1]	984.2	1 165.7
Long-term receivables, intercompany[1]	5 564.0	5 080.0
Total	6 548.2	6 245.6
Liabilities secured	8 157.9	8 796.1

[1] *Shares in subsidiaries of Norwegian Property ASA owning properties are pledged as collateral for debt at 31 December 2012. Long-term intercompany loans are also pledged. The shares of property companies owned by other group entities are also pledged as security for corporate facilities in Norwegian Property ASA. See also Note 16 in the group's annual accounts.*

The terms of the main loan facility are:
:: Interest: NIBOR + margin.
:: Interest rate hedging: minimum 60 per cent with average duration of three years.
:: Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at 31 December 2012 is a minimum 1.4 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2012.
:: Instalments are based on the level of LTV.
:: Other covenants: negative pledge, restrictions on granting loan guarantees and change of control.
:: Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 8 Derivatives

The company is subject to interest rate risk related to floating rate loans, and has entered into hedging agreements to reduce such interest rate risks. An currency swap agreement is used to secure a lease agreement in foreign currency as described in Note 3. Unrealised profits/losses on such contracts are recognised.

The fair value of derivatives is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. The technical calculations are generally prepared by banks. The company has checked and tested the valuation for reasonableness. Fair value of the company's derivatives at 31 December is specified in the table below.

	2012		2011	
(Amounts in NOK million)	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	5.1	-	-	-
Interest rate contracts	-	727.1	2.3	625.6

Interest rate contracts

The majority of Norwegian Property's floating rate loans are hedged with interest rate hedge contracts. Norwegian Property has a policy of hedging a minimum of 70 per cent of the interest-bearing debt outstanding. Hedging of the interest rate risk is conducted by the parent company, Norwegian Property ASA, both for the parent company and for the subsidiaries. Part of the interest rate hedged is thereby allocated to the subsidiaries. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the short-term interest rate. As a result of these fluctuations, the interest rate cost will vary. Notional principal amounts for the company's interest rate hedges at 31 December are specified in the table below.

(Amounts in NOK million)	Currency	2012	2011
Interest rate contracts	NOK	-	(713.4)
Interest rate contracts	NOK	9 585.8	13 487.5
Total interest rate contracts	NOK	9 585.8	12 774.1

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the company's exchange rate derivative at 31 December (cash flow hedges). The maturity is specified in Note 3.

(Amounts in NOK million)	Currency	2012	2011
Notional principal amount	EUR	(20.6)	(24.7)

NOTE 9 Payroll costs and remuneration of executive officers and auditor

In the tables below is a breakdown of payroll costs and remuneration of directors, senior executives and auditors.

(Amounts in NOK million)	2012	2011
Salaries and remuneration	52.3	44.1
Social security costs	8.9	6.7
Pension costs (defined contribution plan)	2.8	2.2
Other employee expenses	4.3	2.0
Total payroll costs	68.4	55.0
Number of employees at 31 December	51	47
Number of full-time equivalent positions at 31 December	48	47
Average number of employees	49	43

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA must operate certain pension plans. The company has plans which satisfy these requirements. Norwegian Property ASA operates a defined contribution plan for all employees.

Remuneration of senior management in 2012 are specified in the table below (amounts in NOK):

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Olav Line[3]	CEO	3 245 663	2 000 000	247 350	443 940
Svein Hov Skjelle	EVP & CFO	2 379 295	686 400	131 915	87 152
Aili Klami	EVP Leasing & Marketing	1 561 785	225 000	141 163	108 516
Fredrik W. Baumann	EVP Property Development	2 205 861	315 000	127 728	88 912
Bjørge Aarvold[3]	EVP Property Management	1 465 374	294 840	119 341	90 528
Total		10 857 978	3 521 240	767 497	819 048

1 *Paid benefits in 2012 (amounts in NOK). In addition, social security costs (14.1 per cent).*

2 *Paid in connection with defined contribution pension plans and employee insurances in 2012 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).*

3 *Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 220 000 respectively at 31 December 2012. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013 and NOK 10 000 per month.*

At 31 December 2012 two members of the senior management have termination payment agreements. Terms of notice is six months, and payment after termination of employment is limited to respectively six and twelve months.

Remuneration of senior management in 2011 are specified in the table below (amounts in NOK):

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Olav Line[3]	CEO	3 149 819	2 000 000	248 752	433 782
Svein Hov Skjelle[3]	EVP & CFO	2 310 857	528 000	116 931	77 620
Aili Klami	EVP Leasing & Marketing	1 501 023	321 360	140 498	98 248
Fredrik W. Baumann[4]	EVP Property Development	2 006 081	-	110 475	80 088
Bjørge Aarvold[3]	EVP Property Management	1 407 101	324 000	118 989	80 918
Total		10 374 881	3 173 360	735 645	770 656

1 *Paid benefits in 2011 (amounts in NOK). In addition, social security costs (14.1 per cent).*

2 *Paid in connection with defined contribution pension plans and employee insurances in 2011 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).*

3 *Olav Line, Svein Hov Skjelle and Bjørge Aarvold have been granted loans by the company of NOK 600 000, NOK 90 000 and NOK 340 000 respectively at 31 December 2011. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013, NOK 10 000 per month and NOK 10 000 per month.*

4 *Fredrik W. Baumann was hired at the beginning of January 2011.*

Fees paid to directors in 2012 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration[1]
Nils K Selte	Chair (Deputy Chair until 12 April)	01.01-31.12	638 462
Arvid Grundekjøn	Chair (until 12 April)	01.01-12.04	722 115
Synne Syrrist	Deputy Chair (Director until 12 April)	01.01-31.12	495 192
Gry Mølleskog	Director	01.01-31.12	370 192
Jon Erik Brøndmo	Director	01.01-31.12	370 192
Gunnar Bøyum	Director	12.04-31.12	275 000
Total			2 871 153

1 *Paid benefits in 2012 (amounts in NOK). In addition, social security costs (14.1 per cent).*

Fees paid to directors in 2011 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration[1]
Arvid Grundekjøn	Chair	01.01-31.12	724 588
Nils K Selte	Deputy Chair	01.01-31.12	530 219
Jon Erik Brøndmo	Director	01.01-31.12	323 489
Gry Mølleskog	Director	01.01-31.12	323 489
Synne Syrrist	Director	01.01-31.12	323 489
Total			2 225 274

1 *Paid benefits in 2011 (amounts in NOK). In addition, social security costs (14.1 per cent).*

Auditor’s fee

2012

Type of fees	PwC[1]	Deloitte[1]
Statutory audit	450 000	310 200
Other certification services	-	-
Tax/VAT advice	-	12 000
Other services	-	28 000
Total	450 000	350 200

1 *Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies as well as Deloitte AS and affiliated companies. PwC took over as auditor of the company from Deloitte at the Annual General Meeting in 2012. The fees are net of VAT (amounts in NOK).*

2011

Type of fees	Deloitte[1]
Statutory audit	500 000
Other certification services	8 000
Tax/VAT advice	31 000
Other services	25 000
Total	564 000

1 *Fees to Deloitte AS and affiliated companies, which in 2011 was the auditor of the company. The fees are net of VAT (amounts in NOK).*

NOTE 10 Net financial items

(Amounts in NOK million)	2012	2011
Financial income		
Income investment subsidiaries[1]	14.0	7.8
Profit from sales of subsidiaries	63.5	-
Interest income from group companies	239.5	182.6
Changes in value of financial derivative instruments	5.1	-
Other interest income	87.1	30.9
Reversal of impairment receivables against subsidiaries[2]	-	314.4
Other financial income	-	1.8
Total financial income	409.2	537.5
Financial expenses		
Interest costs loans	(426.6)	(304.8)
Impairment of shares in subsidiaries[2]	(67.3)	(281.6)
Changes in value of financial derivative instruments	(101.5)	(305.6)
Other financial expenses	(123.1)	(12.0)
Total financial expenses	(718.5)	(904.0)
Net financial items	(309.2)	(366.6)

[1] *Income from investments in subsidiaries relates to recognised group contribution and other distributions from subsidiaries.*
[2] *Subsidiaries are valued using the cost method, with impairment to fair value when this is considered to be lower than the acquisition cost.*

NOTE 11 Income tax

(Amounts in NOK million)	2012	2011
The major components of the income tax expense for the year are:		
Tax payable	-	-
Changes in deferred tax	51.9	(67.3)
Income tax expense	51.9	(67.3)
Calculation of the tax base for the year:		
Profit before tax	(384.6)	(438.5)
Permanent differences	(9.2)	(38.1)
Changes in temporary differences	97.6	321.9
Changes of tax asset not capitalised	478.0	-
Correction previous years	3.5	-
Tax base for the year	185.3	(154.7)
Specification of temporary differences and deferred tax:		
Tangible assets	(3.1)	(1.8)
Financial derivative instruments	(722.0)	(625.6)
Limited liability partnerships	(69.0)	(51.9)
Tax loss carried forward	(1 199.9)	(911.1)
Total temporary differences	(1 994.0)	(1 590.4)
Of which not capitalised	1 199.9	625.6
Basis for deferred tax	(794.0)	(964.9)
Deferred tax, 28 per cent	48.2	(67.3)
Of which charged to equity	3.7	-
Changes in deferred tax in the income statement	51.9	(67.3)
Deferred tax in the balance sheet	(222.0)	(270.2)
Reconciliation of tax expense and calculated effective tax rate:		
Calculated tax expense on profit before tax, 28 per cent	(107.7)	(122.8)
Permanent differences, 28 per cent	(2.6)	(10.7)
Changes of temporary differences not capitalised, 28 per cent	27.3	85.6
Changes of tax asset not capitalised, 28 per cent	133.8	-
Correction previous years, 28 per cent	1.0	(19.4)
Income tax expense	51.9	(67.3)
Effective tax rate (per cent)	(13.5)	15.3

NOTE 12 Related-party disclosures

All transactions, agreements and business relationships with related parties are made on normal commercial terms. Financial relationship related to the board and senior management are described in Note 6 and 9. Income statement and balance sheet items related to group companies are specified in the table below.

(Amounts in NOK million)	2012	2011
Income statement:		
Management and service fee, group companies	31.3	21.3
Rental cost, subsidiaries	4.1	-
Income on investments in subsidiaries (Note 10)	14.0	7.8
Interest income from group companies (Note 10)	239.5	182.6
Balance sheet:		
Investments in subsidiaries (Note 4)	5 091.7	5 273.2
Non-current assets, intercompany balances	5 564.0	5 080.0
Current assets, intercompany balances	1 381.3	3 016.5
Current liabilities, intercompany balances	0.6	26.9

NOTE 13 Contingent liabilities

Norwegian Property ASA has provided a guarantee for the fulfilment of the loan agreement between Nykredit and the subsidiaries Skøyen Bygg ANS, Skøyen Bygg AS, Nedre Skøyen vei 26 F, Skøyen Bygg 3 AS, Skøyen Bygg 4 AS and Hovfaret 11 AS on the amount of NOK 934.7 million.

Norwegian Property ASA has no substantial contingent liabilities through guarantees or other circumstances related to the ordinary course of business.

Declaration by the board of directors and the CEO

The board and the chief executive have today considered and approved the directors' report and the annual consolidated and parent company financial statements for Norwegian Property ASA at 31 December 2012. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, and the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2012. The parent company financial statements for the year have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting standards at 31 December 2012. The directors' report for the group and the parent company accord with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors' report) at 31 December 2012.

To the best of our knowledge, we confirm that:

:: the consolidated and parent company financial statements for 2012 have been prepared in accordance with applicable accounting standards

:: the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group and the parent company at 31 December 2012

:: the directors' report for the group and the parent company provides a true and fair view of the development, financial results and position of the group and the parent company, and of the most important risk factors and uncertainties facing the group and the parent company.

Oslo, 14 February 2013
The board of directors for Norwegian Property ASA

Nils K Selte	Synne Syrrist	Gry Mølleskog	Jon Erik Brøndmo	Gunnar Bøyum	Olav Line
Chair	Deputy chair	Director	Director	Director	President and CEO

To the Annual Shareholders' Meeting of Norwegian Property ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Property ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2012, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2012, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norwegian Property ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norwegian Property ASA as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 14 February 2013
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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