

2Q 2011

FINANCIAL REPORT FOR THE SECOND QUARTER AND  
FIRST HALF-YEAR 2011



## IMPORTANT EVENTS IN THE SECOND QUARTER OF 2011

### STABLE OPERATIONS AND SOLID FINANCIAL PLATFORM GIVE FOUNDATION FOR PORTFOLIO DEVELOPMENT

#### Stable operations with focused office portfolio

Norwegian Property ASA posted a profit before tax and fair-value adjustments of NOK 76.5 million in the second quarter of 2011, a decrease of 1.0 per cent from the corresponding prior-year period. Gross rental income amounted to NOK 252.5 million, compared with NOK 261.4 million in the second quarter of 2010. After fair-value adjustments, profit before tax for the second quarter of 2011 came in at NOK 119.0 million, down from NOK 143.0 million in the same period in 2010. Profit after tax was NOK 126.7 million in the three months to 30 June 2011, compared with NOK 125.2 million in the same period of 2010. With that, the company achieved earnings per share (EPS) in the second quarter of NOK 0.25.

#### Attractive property portfolio

Reduced yield requirements and moderate growth in market rent levels resulted in positive fair-value adjustments of the property portfolio of 1.0 per cent. For purposes of comparison, the value of the office portfolio rose by 0.8 per cent in the second quarter of 2010. This equates to a book value of NOK 11.14 per share at 30 June 2011, up from NOK 11.03 per share at the end of the first half of 2010 (EPRA: NOK 11.92 at the end of second quarter 2011).

#### First draw-down made on new loan facilities

Norwegian Property announced in the second quarter that the company had established new credit facilities totaling NOK 9 960 million. The new loan facilities secure refinancing of all loan maturities in 2011 and 2012 and also add funding capacity for future investments. The first draw-down under the new loan facilities was effectuated in June 2011. Simultaneously, the previously syndicated facility with maturity in June 2012 was cancelled and redeemed. After refinancing Norwegian Property has no maturing debt before 2013.

#### Transformation of Aker Brygge

Aker Brygge, which is located at the land of the former shipyard known as Akers Mekaniske Verksted, has during the last 25 years been a leading centre for business life and retail in the capital city. In the second quarter of 2011 Norwegian Property announced that Aker Brygge will be transformed. The reconstruction and modernization project involves larger contrasts between industrial history and traditions on one side, and modern architecture and design on the other, a range of new, exciting shops, even better cuisine, a clearer division between offices and retail/restaurant areas, and outdoor spaces giving rise to activities and social life. The work has already started, and the "New Aker Brygge" is scheduled for completion in 2015.

#### Renewed focus on corporate social responsibility

Norwegian Property has developed a strategy for corporate social responsibility in which its stated aim is to be Norway's leading property company in respect of sustainable growth, to work for a better society and to reduce energy consumption. Founded on this strategy, Norwegian Property is in process of developing an infrastructure for sustainability reporting based on recommendations by EPRA. The aim is to have this in place by the end of 2011 in order for the company to start reporting on the key figures on a quarterly basis as from next year.

In line with the company's ambitions within corporate social responsibility, Norwegian Property decided in the second quarter to invest in a new energy central for Aker Brygge based on sea water. The establishment of a new optimized energy central based on heat pump technology and cooling from sea water implies environmental gains from reduced energy consumption and lower CO<sub>2</sub> emissions.

## KEY FIGURES

<b>Profit and loss for continued operations</b>		<b>2Q 2011</b>	<b>2Q 2010</b>	<b>1H 2011</b>	<b>1H 2010</b>	<b>2010</b>
Gross income	NOK million	<b>252.5</b>	261.4	<b>506.2</b>	524.0	1 025.1
Operating profit before adm. expenses	NOK million	<b>227.5</b>	233.6	<b>458.7</b>	476.7	929.3
Profit before net financial cost and value adjustments	NOK million	<b>210.6</b>	214.9	<b>424.9</b>	444.1	870.4
Profit before income tax and value adjustments	NOK million	<b>76.5</b>	77.3	<b>166.7</b>	155.2	327.7
Profit before income tax	NOK million	<b>119.0</b>	143.0	<b>678.0</b>	147.5	437.8
Profit after income tax	NOK million	<b>126.7</b>	125.2	<b>620.9</b>	129.7	351.2

<b>Balance sheet</b>		<b>2Q 2011</b>	<b>2Q 2010</b>	<b>1H 2011</b>	<b>1H 2010</b>	<b>2010</b>
Market value of investment portfolio	NOK million	<b>15 635.4</b>	23 928.8	<b>15 608.6</b>	23 928.8	15 062.4
Equity	NOK million	<b>5 556.0</b>	5 500.8	<b>5 556.0</b>	5 500.8	4 988.6
Interest bearing debt	NOK million	<b>10 240.9</b>	17 961.2	<b>10 240.9</b>	17 961.2	10 294.6
Equity ratio	Per cent	<b>34.2</b>	21.8	<b>34.2</b>	21.8	31.4
Pre tax return on equity (annualized)	Per cent	<b>8.6</b>	10.4	<b>25.7</b>	5.7	8.8

<b>Cash flow</b>		<b>2Q 2011</b>	<b>2Q 2010</b>	<b>1H 2011</b>	<b>1H 2010</b>	<b>2010</b>
Cash flow from operating activities	NOK million	<b>-98.9</b>	65.0	<b>18.3</b>	90.9	364.1
Cash position	NOK million	<b>88.6</b>	634.6	<b>88.6</b>	634.6	248.4

<b>Key numbers, shares</b>		<b>2Q 2011</b>	<b>2Q 2010</b>	<b>1H 2011</b>	<b>1H 2010</b>	<b>2010</b>
No. of shares issued	Number	<b>498 596 832</b>	498 596 832	<b>498 596 832</b>	498 596 832	498 596 832
Average number of shares in period	Number	<b>498 596 832</b>	498 596 832	<b>498 596 832</b>	475 933 832	489 034 909
Pre tax profit per share for continued operations <sup>1</sup>	NOK	<b>0.24</b>	0.29	<b>1.36</b>	0.31	0.90
Basic earnings per share for continued operations (EPS) <sup>1</sup>	NOK	<b>0.25</b>	0.25	<b>1.25</b>	0.27	0.72
Basic earnings per share for total operations (EPS) <sup>1</sup>	NOK	<b>0.25</b>	0.12	<b>1.25</b>	0.21	-0.94
Operating cash flow per share	NOK	<b>-0.20</b>	0.13	<b>0.04</b>	0.19	0.74
Interest bearing debt per share	NOK	<b>20.54</b>	36.02	<b>20.54</b>	36.02	40.55
<b>Book value per share</b>	<b>NOK</b>	<b>11.14</b>	<b>11.03</b>	<b>11.14</b>	<b>11.03</b>	<b>10.01</b>
Deferred property tax per share	NOK	<b>0.39</b>	2.53	<b>0.39</b>	2.53	0.40
Goodwill per share	NOK	<b>0.00</b>	-1.06	<b>0.00</b>	-1.06	0.00
Financial derivative instr. per share	NOK	<b>0.39</b>	1.05	<b>0.39</b>	1.05	0.43
<b>Net asset value per share (EPRA)<sup>2</sup></b>	<b>NOK</b>	<b>11.92</b>	<b>13.55</b>	<b>11.92</b>	<b>13.55</b>	<b>10.84</b>

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

<sup>2</sup> Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, goodwill- and financial derivative instruments per share. Deferred property tax per share includes both ordinary deferred tax relating to properties and tax compensation at purchase (accounted for as a reduction of investment properties). Goodwill per share is calculated from the single item in the balance sheet, while financial derivative instruments per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.

## FINANCIAL PERFORMANCE

### RESULTS FOR THE SECOND QUARTER 2011

The income statement for ongoing operations for the second quarter includes Norwegian Property's office business. The Group's hotel business was acquired by new owners in the fourth quarter of 2010. Consequently, this business is reported as discontinued operations in 2010.

Norwegian Property posted total rental income of NOK 252.5 million in the second quarter of 2011, compared with NOK 261.4 million in the comparable prior-year period. This represents a reduction of NOK 8.9 million in gross rental income from the second quarter of 2010. The decrease is attributable to slightly higher strategic vacancies in the portfolio combined with a few bankruptcies among the company's tenants.

Maintenance and property related costs for the quarter totaled NOK 25.0 million (NOK 27.8 million<sup>3</sup>). The amount includes development costs relating to the establishment of an internal operating organization while Neas continued to perform some assignments until the outsourcing agreement was concluded in May. Administrative expenses totaled NOK 16.9 million (NOK 18.7 million). Considerable emphasis on upgrades and maintenance of the company's properties will cause both these items to be slightly higher than normal in the next periods going forward. Profit before financial items and fair-value adjustments was NOK 210.6 million (NOK 214.9 million).

Net financial items in the second quarter amounted to NOK 134.1 million (NOK 137.6 million), which represents a reduction of NOK 3.5 million compared with the corresponding prior-year quarter. The amount includes one-off effects associated with the refinancing of the company's debt of NOK 13.0 million. Positive fair-value adjustments in the property portfolio gave rise to an unrealized gain of NOK 146.3 million (NOK 152.5 million). The income element relating to financial derivatives decreased in value in the second quarter by NOK 104.8 million (NOK 82.7 million).

The profit before tax on continuing operations in the second quarter was NOK 119.0 million, a decrease from NOK 143.0 million in the second quarter of 2010. Estimated, non-payable tax in the quarter was NOK 7.6 million, compared with NOK -17.8 million in the corresponding prior-year period. Profit after tax on continuing operations for the period was NOK 126.7 million (NOK 125.2 million).

Discontinued operations had no effect on profits in the second quarter of 2011, but had a negative impact of NOK -64.7 million in the comparable period last year. The net profit for the period was thus NOK 126.7 million, compared with NOK 60.5 million in the previous year.

### RESULTS FOR THE FIRST HALF OF 2011

The income statement for ongoing operations for the first half-year 2011 includes Norwegian Property's office business. The Group's hotel business was acquired by new owners in the fourth quarter of 2010. Consequently, this business is reported as discontinued operations in 2010.

Norwegian Property posted total rental income of NOK 506.2 million in the first half of 2011, compared with NOK 524.0 million in the corresponding period of 2010. Adjusted for sale of properties, this represents a reduction of NOK 14.2 million in gross rental income compared with the first half of 2010.

Maintenance and property related costs for the first half-year amounted to NOK 47.6 million (NOK 47.3 million), while administrative expenses came to NOK 33.7 million (NOK 32.6 million). Profit before financial items and fair-value adjustments was NOK 424.9 million (NOK 444.1 million).

Net financial items in the first half-year amounted to NOK 258.3 million (NOK 288.9 million), which represents a reduction of NOK 30.6 million compared with the corresponding prior-year period. The reduction is attributable to net interest-bearing liabilities, in part resulting from the sale of Norgani Hotels. Positive fair-value adjustments in the property portfolio gave rise to an unrealized gain of NOK 474.0 million (NOK 178.0 million). The income element relating to financial derivatives increased in value by NOK 36.4 million in the first half of 2011 (NOK -197.5 million).

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<sup>3</sup> Figures in brackets show figures for the corresponding prior-year period.

Profit before tax on continuing operations in the first half-year was NOK 678.0 million, an increase from NOK 147.5 million in the first half of 2010. Estimated, non-payable tax in the period was NOK -57.1 million, compared with NOK -17.8 million in the corresponding prior-year period. Profit after tax on continuing operations was NOK 620.9 million (NOK 129.7 million) for the period.

Discontinued operations had no effect on profits in the first half of 2011, but had a negative impact of NOK -28.6 million in the comparable period last year. The net profit for the period was thus NOK 620.9 million, compared with NOK 101.1 million in the previous year.

## VALUATION OF PROPERTIES

Two independent external valuers have valued all the properties in the Group's portfolio based on the same methods and principles applied in previous periods.

As of 30 June 2011, before adjustments for deferred tax, the Group's portfolio of business properties was valued at NOK 15 635.4 million. A positive fair-value adjustment of NOK 146.3 million was recognised for the office portfolio in the second quarter (NOK 152.5 million). For the first half-year of 2011, positive fair-value adjustments of NOK 474.0 million were recognized.

Reduced yield requirements and moderate growth in market rent levels resulted in a positive fair-value adjustment of the property portfolio. In addition to tenancy agreements entered into, the completion of a new restaurant complex at Tingvalla contributed positively to the valuation of the company's properties at Aker Brygge.

## CASH FLOW

Net cash flow from operating activities before financial items for the second quarter amounted to NOK -98.9 million (NOK 65.0 million). The cash flow includes changes in short term items of NOK -176.3 million, which in this quarter are negatively influenced by payment of accrued interest falling due in connection with the refinancing of the company's debt in June, in addition to activated costs and one-off effects associated with the refinancing. These effects will to a large extent be reversed in the third quarter of 2011. Net cash flow from investing activities for the second quarter was NOK -66.7 million (NOK -72 million) and includes acquisition of an office section at Aker Brygge for the sum of NOK 28 million, as well as ordinary investments in the property portfolio. Net cash flow from financing activities was NOK 12.3 million (NOK -79.1 million) in the second quarter. The net reduction in cash and cash equivalents for the quarter was NOK 153.3 million.

Net cash flow from operating activities before financial items for the first half-year of 2011 was NOK 18.3 million (NOK 90.9 million). Net cash flow from investing activities was NOK -104.3 million (NOK 151.6 million), whereas net cash flow from financing activities was NOK -73.7 million (NOK 143.9 million) for the first half of 2011.

## BALANCE SHEET

Cash and cash equivalents as of 30 June 2011 totaled NOK 88.6 million (NOK 634.6 million as of 30 June 2010). The company also had NOK 1 066.0 million in unutilized credit facilities. Total equity amounted to NOK 5 556.0 million (NOK 5 500.8 million), which corresponds to an equity ratio of 34.2 per cent (21.8 per cent). Book value per share was NOK 11.14 (NOK 11.03). Book value per share based on the EPRA standard was NOK 11.92 (NOK 13.55). The number of shares in issue at the end of the second quarter was 498 596 832 (498 596 832).

## FINANCING

Interest bearing debt and hedging as of 30.06.2011 (after refinancing)		
Interest bearing debt	NOK million	10 240.9
Vendor financing	NOK million	600.0
Cash and cash equivalents	NOK million	88.6
Interest hedging ratio, including cash (%)	Per cent	82.1
Unused credit facilities	NOK million	1 066.0
Average time to maturity, hedging	Year	4.9
Average interest rate (incl. margin)	Per cent	5.24
Average margin	Per cent	1.07
Average residual term, borrowing	Year	4.9
Property value	NOK million	15 635.4
Interest bearing debt / value (LTV)	Per cent	65.5
Net interest bearing debt / value (net LTV)	Per cent	64.9
Net interest bearing debt deducting vendor financing / value (net LTV)	Per cent	61.1

## INTEREST HEDGES

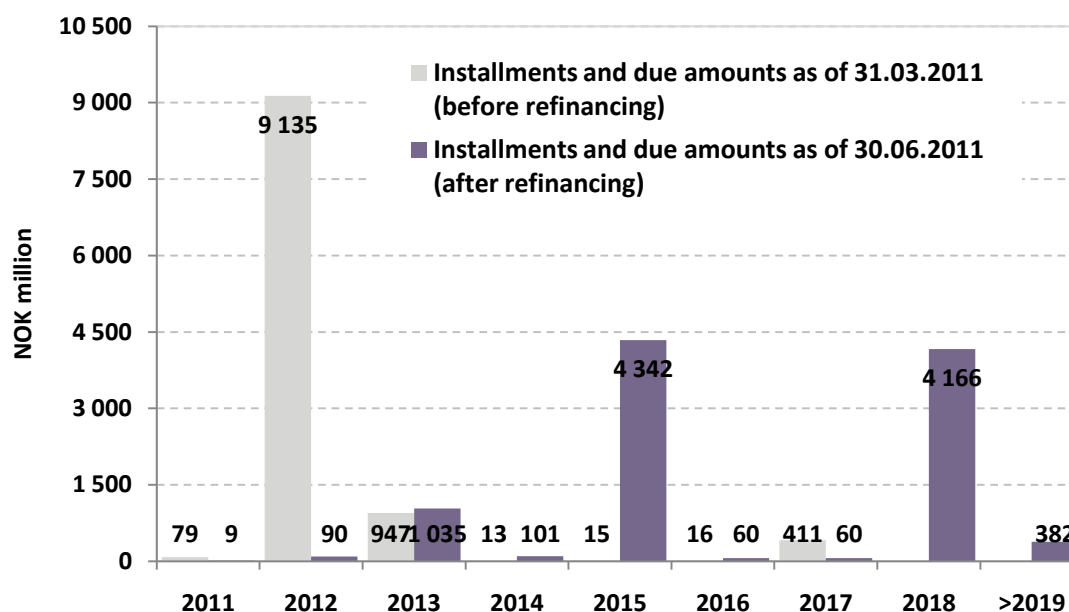
Maturity profile interest hedges		< 1 year	1 > 2 years	2 > 3 years	3 > 4 years	4 > 5 years	> 5 years
Amount	NOK million	1 093	2 005	951	799	1 746	3 647
Average interest rate	Per cent	2.2	3.3	4.4	4.2	4.4	4.8
Share of total liabilities	Per cent	10.7	19.6	9.3	7.8	17.1	35.5

## INTEREST BEARING LIABILITIES

As of 30 June 2011 total interest-bearing liabilities after capitalized costs totaled NOK 10 240.9 million (NOK 17 961.0 million). With the exception of scheduled repayments on interest-bearing liabilities, none of Norwegian Property's borrowing facilities mature in 2011 or 2012.

During the second quarter Norwegian Property has established new credit facilities totaling NOK 9 960 million. The new loan facilities secure refinancing of all loan maturities in 2011 and 2012 and also add funding capacity for future investments. First draw-down under the new loan facilities was effectuated in June 2011. Simultaneously, the previously syndicated facility with maturity in June 2012 was cancelled and redeemed. The total credit amount is split into two main loan facilities of seven and four years' duration respectively, with NOK 4 980 million offered by Nordea Bank Norge ASA and Skandinaviska Enskilda Banken AB and NOK 4 980 million offered by DnB NOR Bank ASA and Fokus Bank, the Norwegian branch of Danske Bank AS. Average margin for the two facilities is 1.25 per cent. Average interest rate per 30 June 2011 after refinancing was 5.24 per cent, a marginal increase from 5.18 as of 31 March 2011. After refinancing Norwegian Property has no maturing debt before 2013 and the average time to maturity of the company's liabilities has been extended to 4.9 years.

### Loan maturity profile before and after refinancing



## OPERATIONS

### COMMERCIAL PROPERTY MARKET

Norway's onshore Gross National Product (GNP) rose by 0.6 per cent in the first quarter of 2011, after a 2.2 per cent growth in 2010, according to Statistics Norway (SSB). The increase in employment levels in the first quarter is estimated at 0.3 per cent, and with that employment rose for the fourth consecutive quarter. The labor market had a stable development from February to May, and the share of unemployed persons constituted 3.3 per cent of the workforce in May (source: SSB).

According to Akershus Eiendom's latest official measure, the vacancy rate in Oslo was about 8.5 per cent of total office space (source: Akershus Eiendom, April 2011), after rising from approximately 5.0 per cent in January 2009. Economic indicators from SSB and other macroeconomic analyses indicate that economic growth and value creation will remain positive for the remainder of the current year and next year. The economic outlook, in combination with a limited supply of new office space in 2011, is expected to lead to a continued reduction of office vacancy to around 6.5 per cent at the beginning of 2012 (source: Akershus Eiendom, July 2011).

Rent levels stayed relatively stable through 2010. Centrally located office areas experienced growth whereas older buildings and secondary locations had flat or slightly declining rent levels. The division between attractive and unattractive properties is growing, and modern, environmentally friendly and space-efficient offices situated near public infrastructure are increasingly in demand. A similar tendency is expected to prevail also for major parts of 2011.

The supply of new office space in 2012-2014 is expected to be significantly higher than in 2011, as the new headquarters of amongst others DnB NOR, Statoil and Aker Solutions will be completed. Office areas vacated by these companies will come into the market, which may lead to increased vacancy in some geographical areas. Nevertheless, employment growth during the same period is expected to dampen vacancy.

As a result of the tragic events in Oslo in July 2011, major parts of the centrally located government office buildings were ruined. This has created a need for temporary offices for several of the government ministries, which leads to a reduction of total vacant space in the market and influences the vacancy situation in Oslo in the short-term. The magnitude of this effect is however too soon to quantify.

There was low activity in the transaction market in the beginning of 2011, but during the second quarter the number of properties marketed for sale has increased notably, with particular interest for prime properties with long contracts and solid tenants. Transactions for about NOK 8.0 billion are according to Akershus Eiendom registered in 2011 up to present.

## THE PROPERTY PORTFOLIO

At the end of the quarter Norwegian Property owned 48 office and commercial properties. These properties are primarily located in central areas of Oslo and Bærum (82.3 per cent of gross rental income), Gardermoen (2.6 per cent of gross rental income) and in Stavanger (15.1 per cent of gross rental income). The Group's properties mainly comprise of office premises with associated warehousing and parking, and commercial and restaurant space.

During the second quarter Norwegian Property acquired an office section located in Verkstedhallene at Aker Brygge for the sum of NOK 28 million. Norwegian Property considers the transaction to be attractive both in financial and operational terms. Norwegian Property is the majority owner in Verkstedhallene and plans to refurbish the entire property and in this context the purchase is considered to be a strategic investment.

Total gross contractual rental income for the office portfolio amounted to NOK 998.5 million at the end of the second quarter. This represents a reduction from NOK 1 016.0 million at the end of the first quarter, which is attributable to increased vacancy in the portfolio combined with a few bankruptcies among the company's tenants. The average CPI adjustment factor for the portfolio is 98.1 per cent. As of 30 June 2011 total vacancies in the portfolio were 6.2 per cent, which represents an increase from 5.5 per cent at the end of the first quarter 2011, but lower than the general market vacancy rate in the Oslo area. Norwegian Property has relatively few leases up for renewal in the next 12 months. The average residual lease term is 5.4 years. When valuing the property portfolio, the current market rate for rents is estimated as being around 7.2 per cent higher than the contractual rent.

During the second quarter 26 contracts were entered into or renegotiated, with a total value of NOK 26.3 million, resulting in a comparable rental increase for these contracts of 0.1 per cent.

## RISK AND UNCERTAINTY FACTORS

### Market risk

Through the nature of its operations Norwegian Property is exposed to risk regarding demand for commercial properties, the supply of new office space in the market and how these factors affect market rent levels and vacancies in the company's portfolio. The company has a large proportion of long-term leases, with an average remaining term at 30 June 2011 of 5.4 years. At contract renewals, the company is however exposed to risk relating to the development of market rent levels.

Pursuant to existing lease contracts, contractual rent levels are adjusted annually in line with the consumer price index. As a result, the general inflation level will affect the company's total rental income. Rent levels will however not be adjusted downward in case of deflation. Lease contracts where a proportion of the rent is turnover based involve risk associated with the tenant's turnover level.

Space vacancy in the company's portfolio has increased somewhat during 2011 causing loss of rental income. To a certain extent Norwegian Property has for strategic reasons chosen to keep some areas vacant in preparation for major modifications to buildings, amongst others at Aker Brygge in Oslo. For the remaining portfolio the company works continuously to prepare vacant premises for immediate re-letting in order to minimize vacant periods when a contract expires.

### Development risk

In the third quarter 2011 a new restaurant complex opens at Tingvalla, Aker Brygge, developed by Norwegian Property. Going forward the company will to a larger extent than before carry out extensive reconstruction projects and upgrades of several of the company's properties, including at Aker Brygge. Development projects involve risk associated with cost overruns, delays, insufficient deliveries by suppliers and negative market development. The company has during the



previous year established a competent department handling planned and ongoing development projects. The company also works systematically with developing tools for project management and -implementation.

#### Financial risk

The company's financial risks relate primarily to changes in equity as a result of amendments 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 company's debt. Hedging is utilized to dampen the effect of interest rate changes on profits and liquidity. Any increase in short- and long-term market interest rates will accordingly have a limited impact on the company's interest expenses. The company 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. During the second quarter 2011 the company secured a long-term financing solution enabling freedom of action and investment capacity and a solid financial platform.

#### Credit risk

Norwegian Property's portfolio of office properties is characterized by high quality and a financially sound and well diversified set of tenants. Tenants normally pay rent quarterly in advance. In addition, most leases require security for rent payments in the form of a deposit account or bank guarantee. The risk of direct losses from defaults or payment problems is accordingly limited, and relates primarily to re-letting of premises.

In connection with the sale of Norgani Hotels, Norwegian Property has provided a NOK 600 million seller credit to the buyer. The loan is secured by a first-priority mortgage on the shares of Norgani Hotel and by guarantees from the buyer.

### **CORPORATE SOCIAL RESPONSIBILITY**

Norwegian Property has prepared a strategy for corporate social responsibility in which its stated aim is to be Norway's leading property company in respect of sustainable growth, to work for a better society and to reduce energy consumption. The strategy reflects standards introduced by EPRA for measuring different parameters within energy consumption and emissions, and contains targets for reduced energy use, CO<sub>2</sub> emissions and water consumption. Founded on this strategy, Norwegian Property is in process of developing an infrastructure for sustainability reporting based on recommendations by EPRA. The aim is to have this in place by the end of 2011 in order for the company to start reporting on the key figures on a quarterly basis as from next year.

In line with the company's ambitions within corporate social responsibility, Norwegian Property decided in the second quarter to invest in a new energy central for Aker Brygge based on sea water. The establishment of a new optimized energy central based on heat pump technology and cooling from sea water implies environmental gains from reduced energy consumption and lower CO<sub>2</sub> emissions. The project involves an investment of close to NOK 30 million, and will be self-financing. While the energy need for heating and cooling using traditional solutions is estimated at around 4 200 000 kWh/year, energy use with an optimized energy central will be reduced to approximately 1 400 000 kWh/year. This implies annual energy savings for heating and cooling per square meter of more than 40 kWh. Additionally, it is estimated that the project will contribute to reducing CO<sub>2</sub> emissions by 75 per cent.

### **SHAREHOLDER INFORMATION**

At the end of the first half of 2011 the company had 2 284 registered shareholders, which equates to 61 fewer than at the end of the previous quarter, and a reduction of 558 shareholders compared with 12 months previously. Non-Norwegian shareholdings accounted for 53.7 per cent of the share capital at the end of the quarter, compared with 51.0 per cent at the end of the previous quarter. The average number of shares traded per day in the second quarter amounted to 1.3 million, which is an increase from an average of 0.9 million shares per day in the three months to 31 March 2011. As of 30 June 2011 the company's total share capital amounted to NOK 249 298 416, allocated to 498 596 832 shares with a par value per share of NOK 0.50. The largest shareholders registered with the Norwegian Central Depository (VPS) as of 30 June 2011 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	STATE STREET BANK AND TRUST CO.	5.9	29 582 248	NOM	USA
2	CANICA AS	5.6	27 895 467	ORD	NOR
3	AWILHELMSSEN CAPITAL AS	4.7	23 254 334	ORD	NOR
4	FOLKETRYGDFONDET	4.0	19 824 000	ORD	NOR
5	BANK OF NEW YORK MELLON	3.8	19 002 189	NOM	USA
6	SKANDINAVISKA ENSKILDA BANKEN	3.0	14 796 215	NOM	SWE
7	BANK OF NEW YORK MELLON	2.5	12 674 087	NOM	USA
8	BNP PARIBAS SECS SERVICES PARIS	2.2	10 875 124	NOM	FRA
9	STATE STREET BANK & TRUST CO.	1.8	8 804 473	NOM	USA
10	JPMORGAN CHASE BANK	1.8	8 770 804	NOM	GBR
11	CITIBANK N.A. (LONDON BRANCH)	1.6	8 031 829	NOM	GBR
12	CITIBANK N.A., LONDON BRANCH	1.5	7 681 558	NOM	GBR
13	DNB NOR NORGE SELEKTIV (III)	1.4	7 001 577	ORD	NOR
14	AWILHELMSSEN CAPITAL II AS	1.4	6 934 000	ORD	NOR
15	EUROCLEAR BANK S.A./N.V. ('BA')	1.3	6 711 339	NOM	BEL
16	TRONDHEIM KOMMUNALE PENSJONSKASSE	1.3	6 363 700	ORD	NOR
17	BNP PARIBAS SECS SERVICES PARIS	1.3	6 309 847	ORD	FRA
18	STATE STREET BANK AND TRUST CO.	1.3	6 253 088	NOM	USA
19	SHB STOCKHOLM CLIENTS ACCOUNT	1.2	6 153 832	NOM	NOR
20	VITAL FORSIKRING ASA	1.2	6 111 087	ORD	NOR
<b>Total 20 largest shareholders</b>		<b>48.7</b>	<b>243 030 798</b>		<b>8 / 20 NOR</b>

## ANNUAL GENERAL MEETING

The annual general meeting of Norwegian Property took place 5 May 2011. The general meeting resolved to grant the board two powers of attorneys to increase the share capital, each by up to NOK 24 900 000 by subscription of new shares equivalent to just below 10 per cent of the current share capital. In addition, the board was granted a power of attorney to purchase own shares with a total nominal value of up to NOK 24 900 000, which is equivalent to just below 10 per cent of the current share capital. Dividend for the financial year 2010 of NOK 0.10 per share was approved, and the dividend was paid out in May 2011.

## RELATED PARTIES

There were no transactions with, or changes in transactions with, related parties as described in the last annual report during the first six months of the year which could be deemed to have a material impact on the business' financial position or performance.

## NEW VISITING ADDRESS

Norwegian Property has relocated to new offices in Snekkerbygget at Aker Brygge. New visiting address for the company's headquarters is: **Bryggegata 9 (3<sup>rd</sup> floor), Aker Brygge, Oslo, Norway**. Postal address remains unchanged: P.O. Box 1657 Vika, NO-0120 Oslo.

## OUTLOOK

Economic analyses indicate that economic growth and value creation in Norway will be positive for the current year, despite global volatile markets. Combined with a limited supply of new buildings in 2011, it is expected that office vacancy will be reduced to about 6.5 per cent in the beginning of 2012. The distinction between more or less attractive properties is expected to continue to increase, and demand for modern, environmentally friendly and space-efficient offices located close to public infrastructure is increasing.

Norwegian Property focuses on prime properties near traffic hubs in the most central and attractive parts of Oslo and Stavanger. Long-term value creation is effected through the company's four value drivers; property rental, operations and management, property development, and transactions and finance. In the second quarter of 2011 Norwegian Property

announced that the company will carry out a comprehensive reconstruction and modernization project at Aker Brygge. The work has already started, and the “New Aker Brygge” is scheduled for completion in 2015. Such upgrades will at times lead to increased strategic vacancies in the portfolio.

Norwegian Property has established new credit facilities totaling NOK 9 960 million during the second quarter. The new loan facilities secure refinancing of all loan maturities in 2011 and 2012 and also add funding capacity for future investments. First draw-down under the new loan facilities was effectuated in June 2011. After refinancing Norwegian Property has no maturing debt before 2013.

An attractive office portfolio with high-quality tenants, stable operations and a sound financial platform give Norwegian Property a solid foundation for further value creation and development of the property portfolio.

#### **DECLARATION FROM THE BOARD OF DIRECTORS AND CEO**

*The board of directors and the chief executive have today reviewed and approved the bi-annual financial report for the first six months of 2011 and the abridged consolidated financial statements as of 30 June 2011 for Norwegian Property ASA.*

*The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as approved by the European Union as well as additional Norwegian disclosure requirements in the Norwegian Securities Trading Act.*

*We confirm that the interim financial statements for the period 1 January to 30 June 2011 have, to the best of our knowledge, been prepared in accordance with the applicable accounting standards, and that the information contained in the six-monthly report provides a true and fair view of the company’s and the Group’s assets, liabilities, financial position and performance as a whole as of 30 June 2011. We also confirm that, to the best of our knowledge, the financial report provides a true and fair review of important events during the accounting period and their influence on the financial statements, of the principal risks and uncertainties facing the group and the parent company and of transactions with related parties.*

Oslo, 22 August 2011

Arvid Grundekjøn  
Board chairman

Gry Mølleskog  
Board member

Synne Syrrist  
Board member

Nils K. Selte  
Deputy chair of the Board

Jon Erik Brøndmo  
Board member

Olav Line  
President & CEO

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

## FINANCIAL INFORMATION (UNAUDITED)

### ACCOUNTING POLICIES AND CONSOLIDATED ENTITIES

This interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting. The results for the period have been prepared in line with applicable IFRS standards and interpretations. The accounting policies applied in the preparation of the interim financial statements are consistent with the principles applied in the annual financial statements for 2010. Sold properties are recognised in the financial statements until the relevant transactions have been completed. This report has not been audited.

### CONSOLIDATED INCOME STATEMENT

The specification of results from discontinued operations is presented in Note 1.

Amounts in NOK million	2Q 2011	2Q 2010	1H 2011	1H 2010	2010
<b>Gross income</b>	<b>252.5</b>	<b>261.4</b>	<b>506.2</b>	<b>524.0</b>	<b>1 025.1</b>
Maintenance and other operating expenses	-19.8	-26.7	-39.9	-44.1	-90.3
Other property-related expenses	-5.2	-1.1	-7.6	-3.2	-5.5
<b>Property-related expenses</b>	<b>-25.0</b>	<b>-27.8</b>	<b>-47.6</b>	<b>-47.3</b>	<b>-95.8</b>
<b>Operating profit before administrative expenses</b>	<b>227.5</b>	<b>233.6</b>	<b>458.7</b>	<b>476.7</b>	<b>929.3</b>
Administrative expenses	-16.9	-18.7	-33.7	-32.6	-58.9
<b>Profit before net financial cost and value adjustments</b>	<b>210.6</b>	<b>214.9</b>	<b>424.9</b>	<b>444.1</b>	<b>870.4</b>
Financial income	8.7	6.0	19.3	9.3	24.0
Financial cost	-142.8	-143.6	-277.6	-298.2	-566.7
<b>Profit before income tax and value adjustments</b>	<b>76.5</b>	<b>77.3</b>	<b>166.7</b>	<b>155.2</b>	<b>327.7</b>
Change in market value of investment property	146.3	152.5	474.0	178.0	170.6
Change in market value of financial derivative instruments	-104.8	-82.7	36.4	-197.5	-69.9
<b>Unrealized gains and losses</b>	<b>41.6</b>	<b>69.8</b>	<b>510.4</b>	<b>-19.4</b>	<b>100.7</b>
Gain/(loss) related to property sales	1.0	-4.1	1.0	11.8	9.4
<b>Realized gains and losses</b>	<b>1.0</b>	<b>-4.1</b>	<b>1.0</b>	<b>11.8</b>	<b>9.4</b>
<b>Profit before income tax for continued operations</b>	<b>119.0</b>	<b>143.0</b>	<b>678.0</b>	<b>147.5</b>	<b>437.8</b>
Deferred income tax for continued operations	7.6	-17.8	-57.1	-17.8	-86.7
<b>Profit for continued operations</b>	<b>126.7</b>	<b>125.2</b>	<b>620.9</b>	<b>129.7</b>	<b>351.2</b>
Profit for discontinued operations	-	-64.7	-	-28.6	-810.8
<b>Profit for the period</b>	<b>126.7</b>	<b>60.5</b>	<b>620.9</b>	<b>101.1</b>	<b>-459.6</b>
Profit attributable to non-controlling interests	-	-	-	-	-
<b>Profit attributable to owners of the Company</b>	<b>126.7</b>	<b>60.5</b>	<b>620.9</b>	<b>101.1</b>	<b>-459.6</b>
<b>Other comprehensive income</b>					
Currency translation differences for discontinued operations	-	-38.7	-	-41.0	126.3
Gain/loss on financial derivative instruments for continued operations	-2.2	4.7	-5.0	6.2	-2.1
Gain/loss on financial derivative instruments for discontinued operations	-	-28.7	-	-11.1	-6.6
Income tax related to comprehensive income for continued operations	0.6	-1.3	1.4	-1.7	0.6
Income tax related to comprehensive income for discontinued operations	-	8.0	-	3.1	1.8
Reclassification of currency translation differences for discontinued operations	-	-	-	-	-134.8
Reclassification of financial derivative instruments for discontinued operations	-	-	-	-	13.7
<b>Total other comprehensive income</b>	<b>-1.6</b>	<b>-56.0</b>	<b>-3.6</b>	<b>-44.6</b>	<b>-1.0</b>
<b>Total comprehensive income</b>	<b>125.1</b>	<b>4.5</b>	<b>617.3</b>	<b>56.5</b>	<b>-460.6</b>
Total comprehensive income attributable to owners of the Company	125.1	4.5	617.3	56.5	-460.6
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-

## CONSOLIDATED BALANCE SHEET

Amounts in NOK million	30.06.2011	30.06.2010	31.12.2010
<b>ASSETS</b>			
Financial derivative instruments	4.8	18.4	24.3
Goodwill	-	527.3	-
Deferred tax asset	14.6	-	70.0
Investment property <sup>4</sup>	15 414.9	23 730.4	14 862.5
Property, plant and equipment	33.2	6.5	2.4
Shares and interests	-	1.6	-
Receivables	600.0	9.0	600.0
<b>Total non-current assets</b>	<b>16 067.4</b>	<b>24 293.2</b>	<b>15 559.3</b>
Financial derivative instruments	5.1	25.4	1.8
Accounts receivable	37.3	92.0	51.9
Other receivables	48.2	191.8	15.5
Cash and cash equivalents	88.6	634.6	248.4
<b>Total current assets</b>	<b>179.2</b>	<b>943.9</b>	<b>317.6</b>
<b>Total assets</b>	<b>16 246.7</b>	<b>25 237.0</b>	<b>15 876.8</b>
<b>EQUITY AND LIABILITIES</b>			
Paid in equity	9 737.5	9 732.6	9 737.5
Other reserves	3.7	-36.3	7.3
Retained earnings	-4 185.2	-4 195.5	-4 756.2
<b>Total equity</b>	<b>5 556.0</b>	<b>5 500.8</b>	<b>4 988.6</b>
Deferred tax liability	-	381.6	-
Financial derivative instruments	279.1	-	317.4
Interest bearing liabilities	8 844.2	17 727.3	10 203.8
<b>Total non-current liabilities</b>	<b>9 123.3</b>	<b>18 108.9</b>	<b>10 521.3</b>
Financial derivative instruments	0.1	767.6	9.3
Interest bearing liabilities	1 396.7	233.9	90.7
Trade payables	22.4	18.3	14.7
Other liabilities	148.1	607.5	252.2
<b>Total current liabilities</b>	<b>1 567.3</b>	<b>1 627.4</b>	<b>366.9</b>
<b>Total liabilities</b>	<b>10 690.6</b>	<b>19 736.3</b>	<b>10 888.2</b>
<b>Total equity and liabilities</b>	<b>16 246.7</b>	<b>25 237.0</b>	<b>15 876.8</b>

<sup>4</sup> After deduction of deferred taxes at time of acquisition of NOK 193.8 million as of 30 June 2011, NOK 198.4 million as of 30 June 2010 and NOK 199.9 million as of 31 December 2010.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	30.06.2011	30.06.2010
<b>Total equity including minority interests, beginning of the period</b>	<b>4 988.6</b>	<b>4 918.0</b>
Total comprehensive income	617.3	-460.6
Paid dividends	-49.9	-
Share issue, net of cost and after tax	-	531.2
<b>Total equity including minority interests, end of period</b>	<b>5 556.0</b>	<b>4 988.6</b>

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Total equity
<b>Total equity 31.12.2009</b>	<b>226.6</b>	<b>2 539.7</b>	<b>6 440.1</b>	<b>8.3</b>	<b>-4 296.6</b>	<b>4 918.0</b>
Share issue	22.6	521.3	-	-	-	543.9
Total cost related to share issues, net of tax (28%)	-	-12.7	-	-	-	-12.7
Financial derivatives accounted to equity, net of tax (28%)	-	-	-	-6.2	-	-6.2
Currency translation differences	-	-	-	126.3	-	126.3
Reclassification of currency translation differences, discontinued operations	-	-	-	-134.8	-	-134.8
Reclassification of financial derivative instruments, discontinued operations	-	-	-	13.7	-	13.7
Profit for the period	-	-	-	-	-459.6	-459.6
<b>Total equity 31.12.2010</b>	<b>249.3</b>	<b>3 048.2</b>	<b>6 440.1</b>	<b>7.3</b>	<b>-4 756.2</b>	<b>4 988.6</b>
Financial derivatives accounted to equity, net of tax (28%)	-	-	-	-3.6	-	-3.6
Paid dividends	-	-	-	-	-49.9	-49.9
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>620.9</b>	<b>620.9</b>
<b>Total equity 30.06.2011</b>	<b>249.3</b>	<b>3 048.2</b>	<b>6 440.1</b>	<b>3.7</b>	<b>-4 185.2</b>	<b>5 556.0</b>

## CONSOLIDATED CASH FLOW

The cash flow statement includes both continuing and discontinued operations for 2010.

Amounts in NOK million	2Q 2011	2Q 2010 <sup>5</sup>	1H 2011	1H 2010 <sup>5</sup>	2010 <sup>5</sup>
Profit before income tax	119.0	59.4	678.0	113.8	-721.7
Paid taxes in the period	-	-	-	-	-16.8
Depreciation of tangible assets	1.0	0.8	1.1	1.3	1.6
Gain from sale of investment property and operations	-1.0	-6.1	-1.0	-11.8	-69.1
Gain from fair value adjustment of investment property	-146.3	-115.3	-474.0	-162.5	534.6
Gain from fair value adjustment of financial derivative instruments	104.8	150.1	-36.4	285.5	201.1
Impairment of goodwill	-	43.7	-	43.7	570.9
Change in short-term items	-176.3	-67.6	-149.5	-179.1	-136.5
<b>Net cash flow from operating activities</b>	<b>-98.9</b>	<b>65.0</b>	<b>18.3</b>	<b>90.9</b>	<b>364.1</b>
Received cash from sale of investment property and discontinued operations	1.0	-	1.0	169.3	1 122.6
Payments for purchase of investment property	-67.7	-7.2	-105.3	-17.7	-68.0
<b>Net cash flow from investing activities</b>	<b>-66.7</b>	<b>-7.2</b>	<b>-104.3</b>	<b>151.6</b>	<b>1 054.6</b>
Net repayment of interest bearing debt	62.1	-79.1	-23.9	-382.4	-1 944.5
Capital increase	-	-	-	526.2	526.2
Paid dividend	-49.9	-	-49.9	-	-
<b>Net cash flow from financial activities</b>	<b>12.3</b>	<b>-79.1</b>	<b>-73.7</b>	<b>143.9</b>	<b>-1 418.3</b>
<b>Net change in cash and cash equivalents</b>	<b>-153.3</b>	<b>-21.2</b>	<b>-159.8</b>	<b>386.4</b>	<b>0.4</b>
Cash and cash equivalents at the beginning of the period	241.9	655.9	248.4	248.2	248.2
Currency translation differences	-	-	-	-	-0.3
<b>Cash and cash equivalents at the end of the period</b>	<b>88.6</b>	<b>634.6</b>	<b>88.6</b>	<b>634.6</b>	<b>248.4</b>

<sup>5</sup> The cash effect of net financial costs are included in net cash flow from operating activities from 2011, and restated accordingly in the comparative figures for 2010 (reclassified from "net cash flow from financing activities").

## NOTE 1 DISCONTINUED OPERATIONS

The hotel business, Norgani Hotels, was sold in 2010. Below is a breakdown of results for discontinued operations, which are presented net on a single line in the income statement.

Amounts in NOK million	2Q 2011	2Q 2010	1H 2011	1H 2010	2010
Operating revenue	-	181.9	-	347.6	540.1
Operating cost	-	-35.5	-	-70.6	-102.9
<b>Profit before net financial cost and value adjustments</b>	-	146.4	-	277.0	437.2
Net financial cost	-	-81.8	-	-163.5	-249.1
<b>Profit before income tax and value adjustments</b>	-	64.6	-	113.6	188.0
Change in market value of investment property	-	-37.2	-	-15.5	-705.2
Change in market value of financial derivative instruments	-	-67.4	-	-88.1	-131.2
Impairment of goodwill	-	-43.7	-	-43.7	-570.9
<b>Profit before income tax</b>	-	-83.6	-	-33.7	-1 219.2
Income tax	-	18.9	-	5.1	348.8
<b>Profit after income tax</b>	-	-64.7	-	-28.6	-870.5
Gain from sale of discontinued operations	-	-	-	-	59.7
Income tax	-	-	-	-	-
<b>Profit for the period</b>	-	-64.7	-	-28.6	-810.8

## CONTACT INFORMATION

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## DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that Norwegian Property ASA (“the Company”) expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors we refer to Norwegian Property’s Annual Report for 2010. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Norwegian Property disclaims any and all liability in this respect.