

2Q 2013

FINANCIAL REPORT FOR THE SECOND QUARTER
AND FIRST HALF OF 2013



IMPORTANT EVENTS IN THE SECOND QUARTER OF 2013

NEW LEASES AWARDED AND PEAK LEVEL IN REDEVELOPMENT ACTIVITY

Rental income and vacancy ratio temporarily affected by conversions

Norwegian Property achieved a pre-tax profit of NOK 114.6 million for the second quarter of 2013. Conversion projects under way in the portfolio led to a decline in rental income for several large properties, and to an increase in temporarily vacant space. Rental income totalled NOK 203.4 million, yielding an operating profit before fair-value adjustments of NOK 160.3 million. After realised financial items, profit before fair-value adjustments came to NOK 56.1 million.

Positive fair-value adjustments totalled NOK 1.3 million for investment properties and NOK 57.2 million for financial derivatives. After NOK 39.2 million in tax expense, profit for the period came to NOK 75.4 million. This yielded ordinary earnings per share of NOK 0.14 for the second quarter. A dividend of NOK 0.20 was paid during the period. Carried equity per share came to NOK 9.29 per share at 30 June 2013, down from NOK 9.35 per share at 31 March 2013 (EPRA: NOK 10.29 at 30 June 2013).

Several big leases awarded in the quarter

Activity on the letting side was high, with several big leases awarded for the major development projects at Aker Brygge in particular. Most of the large leases have long terms, and thereby ensure a good future cash flow. In all, Norwegian Property awarded 31 leases with a combined annual letting value of NOK 96.6 million during the second quarter. NOK 78.0 million of the leases related to the development properties. The biggest leases awarded during the period were:

- the Wiersholm law firm entered into a 10-year lease for 11 170 square metres in Stranden 1 at Aker Brygge
- Kluge Advokatfirma DA entered into a 12-year lease for 3 600 square metres in Stranden 5 at Aker Brygge
- Arkwright entered into an 11-year lease for 1 397 square metres in Stranden 3 at Aker Brygge
- the Gjensidige Foundation entered into a 12-year lease for 1 236 square metres in Stranden 3 at Aker Brygge
- Prevas entered into a five-year lease for 1 212 square metres in Gullhaugveien 9-13 at Nydalen.

The development projects

All the major planned development projects had been initiated by 30 June. Work started during the quarter on the projects involving Stranden 1, Stranden 5 and Drammensveien 134 at Skøyen. All are due for completion between the second half of 2014 and the first half of 2015.

The Bryggegaten 7-9 project will be completed at the beginning of the third quarter of 2013, and most tenants had already moved in at 30 June 2013. The first phase of Stranden 3 at Aker Brygge will be completed gradually during the second half of this year, and some tenants have already moved in.

KEY FIGURES

Profit and loss		2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Gross income	NOK mill.	203.4	228.5	428.2	475.6	925.0
Operating profit before adm. expenses	NOK mill.	174.2	200.4	372.7	420.1	822.6
Operating profit before value adjustments	NOK mill.	160.3	185.4	341.9	387.6	750.4
Profit before income tax and value adjustments	NOK mill.	56.1	70.2	132.7	144.5	277.5
Profit before income tax	NOK mill.	114.6	-51.4	-235.7	46.6	-18.7
Profit after income tax	NOK mill.	75.4	-37.5	-195.7	-24.5	-124.9

Balance sheet		2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Market value of investment portfolio	NOK mill.	14 206.6	14 621.9	14 206.6	14 621.9	14 852.5
Equity	NOK mill.	5 092.4	5 102.9	5 092.4	5 102.9	5 393.7
Interest bearing debt	NOK mill.	8 644.3	9 860.4	8 644.3	9 860.4	9 421.7
Equity ratio	Per cent	34.3	31.8	34.3	31.8	33.5
Pre-tax return on equity (annualized)	Per cent	8.7	-4.0	-9.0	1.8	-0.3

Cash flow		2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Cash flow from operating activities	NOK mill.	26.8	-38.2	47.9	54.9	243.2
Cash position	NOK mill.	35.8	681.8	35.8	681.8	712.0

Key numbers, shares		2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
No. of shares issued	Number	548 425 596	498 596 832	548 425 596	498 596 832	548 425 596
Average number of shares in period	Number	548 425 596	498 596 832	548 425 596	498 596 832	505 932 707
Pre-tax profit per share ¹	NOK	0.21	-0.10	-0.43	0.09	-0.04
Basic earnings per share (EPS) ¹	NOK	0.14	-0.08	-0.36	-0.05	-0.25
Operating cash flow per share	NOK	0.05	-0.08	0.09	0.11	0.48
Interest bearing debt per share	NOK	15.76	19.78	15.76	19.78	17.18
Book value per share	NOK	9.29	10.23	9.29	10.23	9.83
Deferred property tax per share	NOK	0.14	0.26	0.14	0.26	0.31
Financial derivative instr. per share	NOK	0.87	1.00	0.87	1.00	1.01
Net asset value per share (EPRA) ²	NOK	10.29	11.49	10.29	11.49	11.15

¹ Diluted earnings per share are the same as the basic earnings per share.

² Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, goodwill- and financial derivative instruments per share. Financial derivative instruments per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.

FINANCIAL PERFORMANCE

RESULTS FOR THE SECOND QUARTER 2013

Rental income for Norwegian Property totalled NOK 203.4 million for the second quarter of 2013. That compares with NOK 228.5 million in the same period of 2012. Adjusted for the acquisition and sale of properties and payments received on the termination of leases (NOK 20.8 million in the second quarter of 2013) during the period, this represented a decline of NOK 37.5 million in rental income for the second quarter and reflects vacant space as a result of on-going rehabilitation projects.

Maintenance and other operating costs totalled NOK 12.4 million (NOK 14.7 million) for the quarter. Other property-related expenses came to NOK 16.9 million (NOK 13.4 million), while administrative expenses were NOK 13.9 million (NOK 15.0 million). Operating profit before fair-value adjustments thereby amounted to NOK 160.3 million (NOK 185.4 million) for the second quarter.

Fair-value adjustments to the property portfolio yielded an unrealised increase of NOK 1.3 million, compared with an unrealised decrease of NOK 1.8 million for the same period of last year. Net realised financial expenses came to NOK 104.2 million (NOK 115.2 million) for the second quarter.

The income element related to financial derivatives increased in value by NOK 57.2 million (decrease of NOK 119.7 million).

Pre-tax profit for the second quarter was NOK 114.6 million (loss of NOK 51.4 million). Estimated non-payable tax expense was NOK 39.2 million (estimated income of NOK 13.9 million). Net profit was thereby NOK 75.4 million (loss of NOK 37.5 million).

RESULTS FOR THE FIRST HALF OF 2013

Rental income for Norwegian Property totalled NOK 428.2 million for the first half of 2013. That compares with NOK 475.6 million in the same period of 2012. Adjusted for the acquisition and sale of properties and payments received on the termination of leases during the period, this represented a decline of NOK 42.7 million in rental income for the first half. The principal reason was increased vacant space as a result of on-going rehabilitation projects.

Maintenance and other operating costs totalled NOK 28.6 million (NOK 28.8 million) for the half-year. Other property-related expenses came to NOK 26.9 million (NOK 26.7 million), while administrative expenses amounted to NOK 30.8 million (NOK 32.5 million). Operating profit before fair-value adjustments for the first half thereby amounted to NOK 341.9 million (NOK 387.6 million).

Fair-value adjustments to the property portfolio resulted in an unrealised decrease of NOK 441.8 million (NOK 7.7 million). Net realised financial expenses came to NOK 209.1 million (NOK 243.2 million).

The income element related to financial derivatives increased in value by NOK 73.4 million in the first half (decrease of NOK 90.2 million).

The pre-tax loss for the first half came to NOK 235.7 million (profit of NOK 46.6 million). Estimated non-payable tax income was NOK 40 million (expense of NOK 71.1 million). The net loss was thereby NOK 195.7 million (NOK 24.5 million).

VALUATION OF PROPERTIES

Two independent external valuers have valued all the properties in the group's portfolio of offices based on the same methods and principles applied in previous periods. The accounting valuation at 30 June 2013 is based on an average of the two valuations.

At 30 June 2013, the group's portfolio of commercial properties was valued at NOK 14 206.6 million (NOK 14 621.9 million). Properties used by the owner are capitalized separately with NOK 52.9 million at 30 June and recognised at fair value.

The positive fair-value adjustment amounted to NOK 1.3 million (negative change of NOK 1.8 million) in the second quarter. The total positive fair-value adjustment for the development properties of Stranden 1, 3 and 5, Bryggegaten 7-9

and buildings 1-4 at Drammensveien 134 totalled NOK 99.9 million. The negative fair-value assessment for properties with a high vacancy ratio and rather greater uncertainty related to re-letting came to NOK 98.1 million.

CASH FLOW

Net cash flow from operating activities before financial items was positive at NOK 26.8 million (negative at NOK 38.2 million) for the second quarter and NOK 47.9 million (NOK 54.9 million) for the first half.

Investment in non-current assets in the second quarter totalled NOK 308.5 million (NOK 102.6 million), and primarily embraced investments in the property portfolio related to the conversion of certain large properties. For the first half, investment in non-current assets totalled NOK 527.1 million (NOK 875.2 million). After receipts from the sale of investment properties, cash flow from investing activities was negative at NOK 308.3 million (NOK 102.6 million) for the quarter, and positive at NOK 167 million (NOK 1 021.8 million) for the first half after a positive cash flow from the sale of the Drammensveien 149 property.

Net cash flow from financing activities was negative at NOK 17.7 million (NOK 111.3 million) for the quarter following payment of dividend and net drawdown of interest-bearing debt, and negative at NOK 891.6 million (NOK 408.9 million) for the first half – primarily as a result of net redemption of interest-bearing debt.

The net decrease in cash and cash equivalents was NOK 299.1 million (NOK 252.1 million) in the second quarter, and NOK 676.7 million (increase of NOK 667.8 million) for the first half.

BALANCE SHEET

The company held NOK 35.8 million (NOK 712 million) in cash and cash equivalents at 30 June. In addition came NOK 1 613.2 million (NOK 1 216 million) in unutilised credit facilities. Equity totalled NOK 5 092.4 million (NOK 5 393.7 million), corresponding to an equity ratio of 34.3 per cent (33.5 per cent). Carried equity per share was NOK 9.29 (NOK 9.83). Equity per share based on the Epra standard was NOK 10.29 (NOK 11.15). Outstanding shares at 30 June totalled 548 425 596 (548 425 596).

FINANCING

The table below presents interest-bearing debt and hedges at 30 June 2013.

Interest bearing debt and hedging as of 30 June 2013		
		30 June 2013
Interest bearing debt	NOK million	8 644.3
Vendor financing	NOK million	400.0
Cash and cash equivalents	NOK million	35.8
Interest hedging ratio, including vendor financing (%)	Per cent	88.3
Unused credit facilities	NOK million	1 613.2
Average time to maturity, hedging	Year	5.0
Average interest rate (incl. margin)	Per cent	5.31
Average margin	Per cent	1.38
Average residual term, borrowing	Year	3.1
Property value	NOK million	14 206.6
Interest bearing debt / value (LTV)	Per cent	60.9
Net interest bearing debt / value (net LTV)	Per cent	60.6
Net interest bearing debt deducting vendor financing / value (net LTV)	Per cent	57.8

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	411	500	1 073	700	1 200	4 750
Average interest rate	Per cent	1.7	3.9	2.8	3.3	4.0	4.5
Share of total liabilities	Per cent	5	6	12	8	14	55

The company has certain hedges with a forward start date which affected the average interest rate at 30 June by just under 0.1 per cent.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 88.3 per cent at 30 June. The increase in the interest hedge ratio from 31 December 2012 reflects the redemption of debt as a result of property sales. The company works continuously to tailor interest hedges to a lower level of interest rates.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities after capitalised costs totalled NOK 8 644.3 million (NOK 9 421.7 million) at 30 June. Apart from scheduled repayments of interest-bearing liabilities, one of the group's loans related to certain Skøyen properties matures in December 2013.

OPERATIONS

COMMERCIAL PROPERTY MARKET

According to Akershus Eiendom, vacancy in Oslo's office market was around seven per cent at 30 April, which represented a slight increase from the level at 31 December. Expectations of the long-term vacancy level have been marginally increased because of a slight reduction in expected employment growth. However, the pace of construction starts for new commercial buildings remains 20 per cent below the 2008 level and, combined with robust demand, office vacancy is therefore expected to decline towards five per cent. Expectations that vacant space will be reduced towards 2016 implies a relatively strong letting market and limited risk for a decline in rental levels over the next three years.

Office vacancy in Oslo has been relatively stable in most areas over the past six months. Its biggest decline has been at Skøyen, with the largest increase in the districts around Økern.

Demand for offices in Stavanger remains substantial and continues to be driven by the high level of activity in the oil and gas sector. However, substantial newbuilding activity limits rent rises and boosts the standards demanded when letting existing buildings. Tenants appear largely to prefer new buildings when existing leases expire.

Following a relatively quiet transaction market during the first quarter, activity was higher in April-June. Buyers have largely been big players in the sector, and transactions have related to a greater extent than before to properties with a potential for development.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 41 office and commercial properties at 30 June. These are located in central areas of Oslo and Bærum (78.4 per cent of gross current rental income at 30 June 2013), at Gardermoen (3.8 per cent of gross rental income) and in Stavanger (17.8 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and commercial and restaurant space.

Total contractual rental income from the portfolio was NOK 685.1 million at 30 June 2013, a decline of NOK 112 million from 31 March. Vacancy in the property portfolio (commercial space not generating revenue as of 30 June 2013) totalled 25.6 per cent of total space at 30 June 2013, up from 15.6 per cent at 31 December 2012. This increase reflects strategic vacancy as a result of conversion projects at Aker Brygge and Skøyen in Oslo. This increase primarily reflected the vacating of Stranden 1, Stranden 5 and Drammensveien 134 in connection with the start-up of development projects. The buildings being converted in these two locations had a vacancy of 82.7 per cent at 30 June 2013, compared with 39.3 per

cent at 31 March. Vacancy for available space was 11.5 per cent at 30 June, up from 8.8 per cent from 31 March 2013, mainly due to a temporary substation between tenants in Lysaker Torg 35.

A total of 31 new or renegotiated leases were awarded during the second quarter, with a combined annual value of about NOK 96.6 million. Of this, NOK 78.0 million related to the development project.

The average remaining term of Norwegian Property's leases is 8.4 years. In the valuation of the property portfolio, today's market rate for rents is estimated to be about 9.1 per cent higher than the average contractual rent. The average rent adjustment factor for the consumer price index is 97.9 per cent of the total portfolio.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The new energy centre at Aker Brygge became operational at the beginning of the second quarter. This facility began delivering cooling and heating to the new projects at Aker Brygge when the first tenants moved in at the end of April. Compared with traditional solutions, the centre will reduce carbon emissions from energy consumption by 75 per cent.

In addition, Norwegian Property has begun implementing the various projects which have earlier received grants from Enova.

SHAREHOLDER INFORMATION

The company had 1 625 registered shareholders at 30 June, a reduction of 42 from 31 March. Non-Norwegian shareholders held 62.7 per cent of the share capital at 30 June 2013, compared with 61.2 per cent at 31 March. The number of shares traded during the second quarter averaged 0.7 million per day, compared with a 2012 average of 0.8 million per day. The company's share capital totalled NOK 274 223 416 at 30 June, divided between 548 446 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property held 21 236 as treasury shares at 30 June. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 June 2013 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	CANICA AS	10.80	59 208 232	ORD	NOR
2	FOLKETRYGDFONDET	9.16	50 220 030	ORD	NOR
3	STATE STREET BANK AN	8.56	46 971 736	NOM	USA
4	THE BANK OF NEW YORK	4.98	27 287 005	NOM	USA
5	SKANDINAVISKA ENSKILDA	4.57	25 085 297	NOM	SWE
6	THE BANK OF NEW YORK	3.72	20 391 651	NOM	USA
7	CITIBANK NA LONDON B	3.18	17 456 251	NOM	NLD
8	STATE STREET BANK &	2.60	14 255 077	NOM	USA
9	BNP PARIBAS SECS SER	2.53	13 894 395	NOM	LUX
10	FONDSFINANS SPAR	1.86	10 200 000	ORD	NOR
11	BNP PARIBAS SECS SER	1.52	8 350 980	NOM	GBR
12	ILMARINEN MUTUAL PEN	1.50	8 225 409	ORD	FIN
13	ISHARES EUROPE, FUND	1.49	8 150 254	ORD	IRL
14	MERRILL LYNCH	1.43	7 826 257	NOM	GBR
15	VERDIPAPIRFONDET DNB	1.35	7 379 278	ORD	NOR
16	KLP AKSJE NORGE VPF	1.28	7 017 363	ORD	NOR
17	JP MORGAN CHASE BANK	1.17	6 411 646	NOM	GBR
18	VERDIPAPIRFONDET DNB	1.16	6 356 301	ORD	NOR
19	THE BANK OF NEW YORK	1.15	5 785 510	NOM	GBR
20	STATE STREET BANK	1.04	5 692 762	NOM	USA
Total 20 largest shareholders		64.58	356 174 434		6/20 NOR

RISK FACTOR AND UNCERTAINTY FACTORS

Norwegian Property is exposed through its business operations to market risk related to demand for commercial premises, the availability of new buildings on the market and the impact of this on rent levels, and vacancy in the portfolio. The group's rental income is also affected by the general level of inflation, since annual rents are adjusted once a year in line with the increase in the consumer price index. Beyond the minimum amount payable, rental income from leases where part of the rent is turnover-based will vary with the level of tenant performance.

As a result of planned and initiated development projects, vacancy in the portfolio has continued to increase so far this year and means a temporary loss of rental income. In addition to periodically locking up space, the development projects present risks in the form of cost overruns, delays, deficient deliveries, negative market trends and possible inability to secure tenants when the projects are completed. The group has established a competent department over the past year to handle planned and current development projects, and has developed tools for good project management and execution. In addition, the organisation will benefit from external project expertise which complements its internal resources.

The company's financial risk relates primarily to changes in profits and equity caused by the development of rental income, changes to the fair value of the property portfolio, the profit and liquidity effect of interest rate variations, liquidity risk, and the profit effects of refinancing its debt. Furthermore, the company's borrowing agreements incorporate covenants tied to certain key financial figures which relate to the loan-to-value ratio and interest cover. Efforts are made to reduce the profit and liquidity effects of interest rate variations through hedging. An increase in current and non-current market interest rates would accordingly have a limited effect on the company's interest costs. Norwegian Property seeks to maintain an on-going liquidity reserve which is tailored to the redemption profile of its debt and to short-term fluctuations in the need for working capital.

Norwegian Property's portfolio of office properties is characterised by high quality, with a solid and diversified set of tenants. The latter normally pay rent on a quarterly basis in advance. In addition, security for rent payments is provided for most of the leases in the form of deposit accounts or bank guarantees. The risk of direct loss from bankruptcy or payment problems accordingly appears to be limited, and relates primarily to the re-letting of premises.

In connection with the sale of Norgani Hotels, Norwegian Property provided a seller credit to the buyer. The outstanding loan totals NOK 400 million plus accrued interest, and is secured by a first-priority mortgage on the shares of Norgani Hotel AS and by guarantees from the buyer. The loan matures in its entirety in November 2015.

OUTLOOK

The Norwegian economy is still developing positively, though at a slightly lower pace. Employment growth, though slightly lower than earlier estimated, and low newbuilding activity in Oslo's office property market implies a further reduction in vacant space. Low unemployment implies a persistently strong letting market and limited risk of a fall in rents.

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. Tenant requirements for premises are increasingly characterised by a concentration on high quality, functionality and energy efficiency. Three large projects were initiated in the second quarter, and the amount of space not generating rental income was accordingly higher at 30 June 2013 than it has been historically. In the board's view, the new leases awarded during the second quarter show that demand and willingness to pay are good for the projects now under way.

The company has worked systematically in recent years to strengthen its financial position. 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.

Norwegian Property's tenants are characterised by high quality standards, with an associated willingness to pay high rents. The projects are being executed at a time of increasing pressure on the construction market. In selecting contractors and the execution model, Norwegian Property has accordingly given emphasis to balancing risk and costs. Furthermore, the group is paying great attention to project management and execution. The company's financial results will be affected for a time by strategic vacancy in connection with execution of the projects.

DECLARATION BY THE DIRECTORS AND CHIEF EXECUTIVE

The board of directors and the chief executive have today reviewed and approved the directors' report for the first half of 2013 and the summary consolidated half-yearly financial statements for Norwegian Property ASA at 30 June 2013. The half-yearly 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.

To the best of the directors' and chief executive's knowledge, the half-yearly financial statements for the first half of 2013 have been prepared in accordance with applicable accounting standards, and the information in the financial statements gives a true and fair view of the group's overall assets, liabilities, financial position and profit or loss at 30 June 2013.

To the best of the directors' and chief executive's knowledge, the directors' report for the half-year provides a true and fair review of important events in the accounting period and their influence on the half-yearly financial statements. To the best of the directors' and chief executive's knowledge, the description of the principal risks and uncertainty factors facing the group in the next accounting period and the description of significant transactions by close associates also provide a true and fair picture.

The Board of Directors of Norwegian Property

Oslo, 11 July 2013

FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Gross income		203.4	228.5	428.2	475.6	925.0
Maintenance and other operating expenses		-12.4	-14.7	-28.6	-28.8	-60.5
Other property-related expenses		-16.9	-13.4	-26.9	-26.7	-41.8
Total property-related expenses		-29.2	-28.1	-55.5	-55.5	-102.3
Administrative expenses		-13.9	-15.0	-30.8	-32.5	-72.2
Total operating expenses		-43.1	-43.1	-86.3	-87.9	-174.5
Operating profit before value adjustments		160.3	185.4	341.9	387.6	750.4
Change in market value of investment property	3	1.3	-1.8	-441.8	-7.7	-70.7
Operating profit		161.6	183.5	-99.9	379.9	679.7
Financial income	2	6.0	11.9	14.8	21.6	40.3
Financial cost	2	-110.2	-127.1	-224.0	-264.8	-513.2
Realized net financial items		-104.2	-115.2	-209.1	-243.2	-472.9
Change in market value of financial derivative instruments	2, 4	57.2	-119.7	73.4	-90.2	-225.5
Net financial items		-47.0	-234.9	-135.8	-333.4	-698.4
Profit before income tax		114.6	-51.4	-235.7	46.6	-18.7
Income tax	6	-39.2	13.9	40.0	-71.1	-106.2
Profit for the period		75.4	-37.5	-195.7	-24.5	-124.9
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to controlling interests		75.4	-37.5	-195.7	-24.5	-124.9
Gain/loss on financial derivative instruments	4	-	-	-	-1.7	-1.7
Income tax related to comprehensive income	6	-	-	-	0.5	0.5
Value adjustment of owner-occupied property	3	0.2	0.2	4.1	0.3	2.2
Total other comprehensive income		0.2	0.2	4.1	-0.9	0.9
Total comprehensive income		75.6	-37.3	-191.6	-25.5	-123.9
Total comprehensive income attributable to controlling interests		75.6	-37.3	-191.6	-25.5	-123.9
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	30.06.2013	30.06.2012	31.12.2012
ASSETS				
Financial derivative instruments	4	4.1	0.8	5.1
Investment property	3	14 153.7	14 593.7	14 113.2
Owner-occupied property	3	52.9	28.2	45.5
Other fixed assets		58.4	16.0	18.7
Receivables	5	400.0	400.0	400.0
Total non-current assets		14 669.1	15 038.7	14 582.6
Financial derivative instruments	4	-	0.2	-
Accounts receivable		44.7	57.2	52.3
Other receivables	5	98.9	279.2	51.3
Cash and cash equivalents	5	35.8	681.8	712.0
Assets held for sale	3	-	-	693.7
Total current assets		179.4	1 018.3	1 509.3
Total assets		14 848.6	16 057.0	16 091.9
EQUITY AND LIABILITIES				
Share capital		274.2	249.3	274.2
Share premium		3 412.3	3 048.2	3 412.3
Other paid in equity		6 440.1	6 440.1	6 440.1
Retained earnings		-5 034.1	-4 634.7	-4 732.9
Total equity		5 092.4	5 102.9	5 393.7
Deferred tax	6	177.0	185.6	217.0
Financial derivative instruments	4	663.5	690.3	767.1
Interest bearing liabilities	5	7 679.3	9 815.5	8 443.0
Total non-current liabilities		8 519.7	10 691.5	9 427.1
Financial derivative instruments	4	3.4	4.2	4.4
Interest bearing liabilities	5	965.0	44.9	978.7
Trade payables		44.1	22.3	34.7
Other liabilities		224.0	191.1	253.4
Total current liabilities		1 236.4	262.6	1 271.1
Total liabilities		9 756.1	10 954.1	10 698.2
Total equity and liabilities		14 848.6	16 057.0	16 091.9

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Total equity
Total equity 31.12.2011	249.3	3 048.2	6 440.1	1.2	-4 510.4	5 228.4
Total comprehensive income	-	-	-	-1.2	-24.3	-25.5
Paid dividends	-	-	-	-	-99.7	-99.7
Treasury shares	-	-0.3	-	-	-	-0.3
Total equity 30.06.2012	249.3	3 048.0	6 440.1	-	-4 634.4	5 102.9
Total comprehensive income	-	-	-	-	-98.4	-98.4
Capital increase	24.9	373.9	-	-	-	398.8
Cost of private placement, net after tax (28 %)	-	-9.6	-	-	-	-9.6
Total equity 31.12.2012	274.2	3 412.3	6 440.1	-	-4 732.9	5 393.7
Total comprehensive income	-	-	-	-	-191.6	-191.6
Paid dividends	-	-	-	-	-109.7	-109.7
Total equity 30.06.2013	274.2	3 412.3	6 440.1	-	-5 034.1	5 092.4

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Profit before income tax		114.6	-51.4	-235.7	46.6	-18.7
Depreciation of tangible assets		1.7	0.2	2.9	1.0	4.5
Fair value adjustment of investment property	3	-1.3	1.8	441.8	7.7	70.7
Fair value adjustment of financial derivative instruments	4	-57.2	93.4	-103.6	46.8	119.6
Agio/disagio		0.4	0.5	-0.4	1.7	2.7
Change in short-term items		-31.4	-82.7	-57.1	-48.9	64.4
Net cash flow from operating activities		26.8	-38.2	47.9	54.9	243.2
Received cash from sale of investment property		0.2	-	694.1	1 897.1	1 897.6
Payments for purchase and development of investment property		-308.5	-102.6	-527.1	-875.2	-1 175.1
Other investment activities		-	-	-	-	200.0
Net cash flow from investing activities		-308.3	-102.6	167.0	1 021.8	922.4
Net change of interest bearing debt	5	92.0	-11.3	-781.9	-308.9	-752.1
Capital increase		-	-	-	-	385.5
Paid dividend		-109.7	-99.7	-109.7	-99.7	-99.7
Other financing activities		-	-0.3	-	-0.3	-0.3
Net cash flow from financial activities		-17.7	-111.3	-891.6	-408.9	-466.6
Net change in cash and cash equivalents		-299.1	-252.1	-676.7	667.8	699.1
Cash and cash equivalents at the beginning of the period		335.3	-934.4	712.0	15.6	15.6
Exchange rate effects		-0.4	-0.5	0.4	-1.7	-2.7
Cash and cash equivalents at the end of the period		35.8	681.8	35.8	681.8	712.0

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Norwegian Property ASA is a real estate group, established in 2006. The group owns commercial properties in Oslo and Stavanger. The holding company, Norwegian Property ASA, is a public limited company with its headquarters in Bryggegata 9, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

This interim report is prepared in accordance with IAS 34 - Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting policies used in preparing the interim report is in accordance with the principles applied in the preparation of the annual accounts for 2012. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2012. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2012.

The financial statements include Norwegian Property ASA and subsidiaries. Sold properties are included in the accounts until the completion of the transactions. Acquired properties are included in the financial statements from the acquisition.

Norwegian Property's business consists of ownership and management of commercial properties in Norway. No material differences in risks and returns exist in the economic environments in which the company operates. Consequently, the company is only present in one business segment and one geographic market, and no further segment information has been prepared.

Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are primarily related to the valuation of investment property.

The interim report of Norwegian Property ASA was approved at a Board meeting on 11 July 2013. This report has not been audited.

NOTE 2 NET FINANCIAL ITEMS

Below is a breakdown of net financial items in the income statement.

Amounts in NOK million	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Interest income on bank deposits	1.4	6.9	4.4	11.6	11.8
Interest income on seller's credit	5.0	5.0	10.0	10.0	28.5
Currency gain on bank deposits	-0.4	-	0.4	-	-
Total financial income	6.0	11.9	14.8	21.6	40.3
Interest expense on borrowings	-110.2	-126.6	-223.9	-263.1	-510.5
Currency loss on bank deposits	-	-0.5	-	-1.7	-2.7
Total financial cost	-110.2	-127.1	-223.9	-264.8	-513.2
Realized net financial items	-104.2	-115.2	-209.1	-243.2	-472.9
Change in market value of financial derivative	57.2	-119.7	73.4	-90.2	-225.5
Net financial items	-47.0	-234.9	-135.7	-333.4	-698.4

NOTE 3 INVESTMENT PROPERTY

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

Amounts in NOK million	Note	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Total value of investment property, opening balance		13 911.0	14 522.9	14 852.5	15 655.0	15 655,0
Disposals of properties at book value	1	-	-	-693.7	-1 893.4	-1 893,4
Additions through acquisition and on-going investments of properties		294.3	100.8	484.9	872.0	1 164,8
Total fair value adjustment of investment property		1.3	-1.8	-441.8	-7.7	-70,7
Fair value adjustment of properties sold	1	0.1	-	1.1	-3.9	-4,4
Fair value adjustment of owner-occupied property		-	-	3.7	-	1,4
Total value of investment property, ending balance		14 206.6	14 621.9	14 206.6	14 621.9	14 852,5
Of which investment property held for sale	2	-	-	-	-	-693,7
Total book value for all properties		14 206.6	14 621.9	14 206.6	14 621.9	14 158,8
Owner-occupied property	3	-52.9	-28.2	-52.9	-28.2	-45,5
Book value of investment property		14 153.7	14 593.7	14 153.7	14 593.7	14 113,2

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

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

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

NOTE 4 FINANCIAL DERIVATIVES

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

Amounts in NOK million	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Net book value of derivatives, opening balance	-720.0	-600.3	-766.4	-645.1	-645,1
Fair value adjustments of derivatives, included as hedge accounting	-	-	-	-1.7	-1,7
Buyout of derivatives, not included as hedge accounting	-	26.3	30.2	43.3	105,9
Net fair value adjustments of derivatives, not included as hedge accounting	57.2	-119.7	73.4	-90.2	-225,5
Net book value of derivatives, ending balance	-662.8	-693.6	-662.8	-693.6	-766,4
Of which classified as non-current assets	4.1	0.8	4.1	0.8	5,1
Of which classified as current assets	-	0.2	-	0.2	-
Of which classified as non-current liabilities	-663.5	-690.3	-663.5	-690.3	-767,1
Of which classified as current liabilities	-3.4	-4.2	-3.4	-4.2	-4,4

NOTE 5 NET INTEREST BEARING POSITION

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

Amounts in NOK million	Note	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Loan facilities at par value, opening balance		8 580.8	9 909.1	9 454.7	9 909.1	10 206,8
Increase of loan facilities		102.8	-	102.8	-	1 344,0
Reduction of loan facilities		-10.8	-11.3	-884.7	-11.3	-2 096,1
Loan facilities at par value, ending balance		8 672.8	9 897.8	8 672.8	9 897.8	9 454,7
Capitalized borrowing cost		-28.5	-37.4	-28.5	-37.4	-33,0
Book value of interest-bearing debt		8 644.3	9 860.4	8 644.3	9 860.4	9 421,7
Of which classified as non-current liabilities		7 679.3	9 815.5	7 679.3	9 815.5	8 443,0
Of which classified as current liabilities		965.0	44.9	965.0	44.9	978,7
Interest-bearing debt	1	-8 644.3	-9 860.4	-8 644.3	-9 860.4	-9 421,7
Interest-bearing receivable (seller's credit)	2	400.0	600.0	400.0	600.0	400,0
Cash and cash equivalents		35.8	681.8	35.8	681.8	712,0
Net interest-bearing position		-8 208.5	-8 578.6	-8 208.5	-8 578.6	-8 309,7

1) Undrawn credit facilities totaled NOK 1 613.2 million at 30 June 2013 and NOK 1 216 million 31 December 2012 and 30 June 2012

2) In connection with the sale of Norgani Hotels in 2010 it was granted an interest bearing seller's credit of NOK 600 million to the buyer, with a fixed annual interest rate of 5 percent and maturity of two years from the date of sale of NOK 200 million (repaid in 2012) and five years of NOK 400 million (maturing in 2015).

NOTE 6 DEFERRED TAX AND INCOME TAX

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

Amounts in NOK million	Note	2Q 2013	2Q 2012	1H 2013	1H 2012	Year 2012
Profit before income tax		114.6	-51.4	-235.7	46.6	-18,7
Income tax calculated at 28 per cent		32.1	-14.4	-66.0	13.0	-5,2
Deferred tax asset not capitalized	1	10.2	0.5	30.7	2.2	61,6
Permanent differences		-3.2	-	-4.8	55.9	49,8
Income tax		39.2	-13.9	-40.0	71.1	106,2
Deferred tax, opening balance		137.8	199.5	217.0	115.0	115,0
Recognized through profit and loss		39.2	-13.9	-40.0	71.1	106,2
Tax on financial derivatives recognized through comprehensive income		-	-	-	-0.5	-0,5
Tax on issue expense charged to equity		-	-	-	-	-3,7
Deferred tax, ending balance		177.0	185.6	177.0	185.6	217,0

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

NOTE 7 RELATED-PARTY DISCLOSURES

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

A subsidiary of Norwegian Property ASA, Aker Brygge AS, is in the period 2013 to 2015 subletting offices from Canica AS in the property Dronning Maudsgate 1-3 in Oslo. Aker Brygge is subletting the space to a tenant that has temporarily moved

from Aker Brygge due to the ongoing refurbishment projects. Annual rent for Aker Brygge AS is approximately NOK 6 million which is in line with the amount Canica AS is paying to the landlord. Aker Brygge AS receives rent from the tenant in line with the previous rent at Aker Brygge.

NOTE 8 EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after 30 June 2013 that provides information of conditions that existed at the balance sheet date resulting in adjustments of the financial statements, or events after the balance sheet date that do not require such adjustments.

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

DISCLAIMER

The information included in this report contains certain forward-looking statements which address activities, events or developments which Norwegian Property ASA (“the Company”) expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which Norwegian Property is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. For a further description of other relevant risk factors, reference is made to Norwegian Property’s annual report for 2012. As a result of these and other risk factors, actual events and the company’s actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and Norwegian Property disclaims any and all liability in this respect.