

3Q 2012

FINANCIAL REPORT FOR THE THIRD QUARTER OF 2012



IMPORTANT EVENTS IN THE THIRD QUARTER OF 2012

GOOD OPERATION – LEASING AND PROJECT MANAGEMENT HAVE HIGH PRIORITY

Good operation maintained during conversion period

Norwegian Property achieved stable operation in its on-going business during the third quarter. At the same time, conversion projects under way in the portfolio led to a temporary increase in vacant space and a transitory decline in rental income for certain large properties. Total rental income accordingly amounted to NOK 226.7 million, yielding an operating profit before fair-value adjustments and gain/loss of NOK 185 million. That gave Norwegian Property a profit before tax and fair-value adjustments of NOK 70.8 million and a pre-tax loss of NOK 270.2 million.

Positive rental market

Total vacancy for offices in Oslo was seven per cent at the beginning of third quarter 2012. Improved prospects for economic growth and employment in Norway, combined with a reduced estimate for new build volume in 2014-15 and an increased conversion rate for office buildings, contributed to a steady decline in forecast vacancy to six per cent at the start of 2015 (source: Akershus Eiendom, October 2012).

During the third quarter, Norwegian Property awarded a lease to Umoe Restaurant Group AS for just over 2 000 square metres at Lysaker Torg 35. Running for 10 years, this lease involves rental levels which reflect the building's attractiveness and location. Combined with previously announced leases awarded to L'Oréal Norge AS and Uno-X Energi AS, the Umoe lease means that about half the office space in the building has been leased once today's tenant moves out in the spring of 2013. The work of securing further leases which manifest the value potential of the portfolio continues to have a high priority.

Good project management and execution have high priority

Conversion work in Bryggegata 7-9 (Carpentry Shop and Administration Building) and Stranden 3 (Workshops) is well under way, and the level of construction activity at Aker Brygge is now high. At the same time, businesses and restaurants not affected by the conversion programme continue to function normally.

Norwegian Property will take over operation of the Aker Brygge marina at 1 January 2013. The board has resolved to invest in a new marina at Aker Brygge, which will involve a substantial upgrading and modernisation of the whole waterfront area. Although the new facility will have the same capacity as today, the pier will be wider and more accessible to the general public. Preparations for the new marina are scheduled to begin in January, with Aker Brygge Marina ready for use during 2013. A framework planning application has been submitted to the City of Oslo planning and building department.

Good project management and execution of the development projects planned to achieve further progress for the property portfolio are a key priority for the group.

Environmental measures receive substantial Enova support

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

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

KEY FIGURES

Profit and loss for continued operations		3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Gross income	NOK million	226.7	259.2	702.3	765.4	1 020.7
Operating profit before adm. expenses	NOK million	201.8	230.6	621.9	689.2	921.7
Profit before value adj. and loss/gain	NOK million	185.0	214.5	572.6	639.4	854.3
Profit before income tax and value adjustments	NOK million	70.8	84.6	171.9	251.2	336.8
Profit before income tax	NOK million	-270.2	-257.3	-212.7	420.7	283.6
Profit after income tax	NOK million	-253.5	-178.3	-211.1	442.6	223.8

Balance sheet		3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Market value of investment portfolio	NOK million	14 523.4	15 833.2	14 523.4	15 833.2	15 654.9
Equity	NOK million	4 855.5	5 376.7	4 855.5	5 376.7	5 164.1
Interest bearing debt	NOK million	9 431.9	10 239.7	9 431.9	10 239.7	10 164.8
Equity ratio	Per cent	31.6	32.5	31.6	32.5	31.8
Pre-tax return on equity (annualized)	Per cent	-21.7	-18.8	-5.7	10.8	5.6

Cash flow		3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Cash flow from operating activities	NOK million	99.8	205.7	145.0	224.0	245.4
Cash position	NOK million	233.5	120.9	233.5	120.9	15.6

Key numbers, shares		3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
No. of shares issued	Number	498 575 596	498 596 832	498 575 596	498 596 832	498 596 832
Average number of shares in period	Number	498 575 596	498 596 832	498 578 603	498 596 832	498 596 832
Pre-tax profit per share for continued operations ¹	NOK	-0.54	-0.52	-0.43	0.84	0.57
Basic earnings per share for continued operations (EPS) ¹	NOK	-0.51	-0.36	-0.42	0.89	0.45
Basic earnings per share for total operations (EPS) ¹	NOK	-0.51	-0.36	-0.42	0.89	0.46
Operating cash flow per share	NOK	0.20	0.41	0.29	0.45	0.49
Interest bearing debt per share	NOK	18.92	20.54	18.92	20.54	20.39
Book value per share	NOK	9.74	10.78	9.74	10.78	10.36
Deferred property tax per share	NOK	0.35	0.39	0.35	0.39	0.39
Financial derivative instr. per share	NOK	1.19	0.92	1.19	0.92	0.93
Net asset value per share (EPRA)²	NOK	11.27	12.10	11.27	12.10	11.67

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. 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). 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 THIRD QUARTER 2012

Rental income for Norwegian Property totalled NOK 226.7 million for the third quarter of 2012. That compares with the NOK 259.2 million received in the same period of 2011. Adjusted for the acquisition and sale of properties during the period, this represents a decline of NOK 4.8 million in rental income for the third quarter.

Maintenance and other operating costs for the quarter totalled NOK 20.1 million (NOK 20 million³). Other property-related expenses came to NOK 4.8 million (NOK 8.6 million) and primarily embraced market-related costs, including those related to the letting of vacant premises. With effect from 2012, the group allocates costs directly related to the award of new leases to the purchase cost of investment properties in the balance sheet. Administrative expenses came to NOK 16.8 million (NOK 16.1 million). Operating profit before fair-value adjustments and gain/loss thereby amounted to NOK 185 million (NOK 214.5 million).

Fair-value adjustments to the property portfolio yielded an unrealised loss of NOK 210.4 million (gain of NOK 24.8 million). Net realised financial expenses came to NOK 114.2 million (NOK 129.9 million). NOK 418 million in interest-bearing debt was redeemed at the beginning of July 2012.

The income element related to financial derivatives decreased in value by NOK 130.6 million (NOK 366.7 million).

The pre-tax loss for the third quarter came to NOK 270.2 million (NOK 257.3 million). Estimated non-payable tax income for the quarter was NOK 16.8 million (NOK 79 million). The net loss was NOK 253.5 million (NOK 178.3 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.

At 30 September 2012, the group's portfolio of commercial properties was valued at NOK 14 523.4 million (NOK 15 833.2 million) before adjustments for deferred tax. Properties used by the owner are included under other tangible assets in the amount of NOK 31.6 million at 30 September and recognised at fair value.

Generally speaking, the valuations for the third quarter assumed some increase in discount rates and reduced inflation expectations for most of the properties. At the same time, the market trend remained negative for yield expansion on less attractive properties. Combined with a reduced remaining term for certain properties on long leases, that drew down the valuations. Some new leases simultaneously made a positive contribution. The overall outcome was a negative fair-value adjustment of NOK 210.4 million (positive at NOK 24.8 million) for the office portfolio in the third quarter.

CASH FLOW

Net cash flow from operating activities before financial items for the third quarter was NOK 99.8 million (NOK 205.7 million).

Investment in non-current assets during the third quarter totalled NOK 117.4 million (NOK 169.7 million), and embraced investments in the property portfolio related to the conversion of certain large properties. Net negative cash flow from investing activities thereby amounted to NOK 117.4 million (NOK 169.7 million).

Net cash flow from financing activities was negative at NOK 430.7 million (NOK 3.7 million) as a result of debt redemption during the quarter.

The net decrease in cash and cash equivalents in the third quarter was NOK 448.3 million (increase of NOK 32.3 million).

³ Figures in brackets refer to the corresponding period of the year before.

BALANCE SHEET

The company held NOK 233.5 million (NOK 120.9 million) in cash and cash equivalents at 30 September. In addition, it had NOK 1 216 million (NOK 1 066 million) in unutilised credit facilities. Equity totalled NOK 4 855.5 million (NOK 5 376.7 million), corresponding to an equity ratio of 31.6 per cent (32.5 per cent). Carried equity per share was NOK 9.74 (NOK 10.78). Equity per share based on the Epra standard was NOK 11.27 (NOK 12.10). Outstanding shares at 30 September totalled 498 575 596 (498 596 832).

FINANCING

The table below presents interest-bearing debt and hedges at 30 September 2012.

Interest bearing debt and hedging as of 30 September 2012		
		30 September 2012
Interest bearing debt	NOK million	9 431.9
Vendor financing	NOK million	600.0
Cash and cash equivalents	NOK million	233.5
Interest hedging ratio, including vendor financing (%)	Per cent	85.1
Unused credit facilities	NOK million	1 216.0
Average time to maturity, hedging	Year	5.65
Average interest rate (incl. margin)	Per cent	5.02
Average margin	Per cent	1.21
Average residual term, borrowing	Year	4.12
Property value	NOK million	14 523.4
Interest bearing debt / value (LTV)	Per cent	64.9
Net interest bearing debt / value (net LTV)	Per cent	63.3
Net interest bearing debt deducting vendor financing / value (net LTV)	Per cent	59.2

INTEREST HEDGES

Maturity profile interest hedges		< 1 year	1 > 2 years	2 > 3 years	3 > 4 years	4 > 5 years	> 5 years
Amount	NOK million	1 046.8	306.8	955.8	953.0	1 553.0	4 616.5
Average interest rate	Per cent	1.5	3.8	3.3	4.4	4.1	4.5
Share of total liabilities	Per cent	11.1	3.2	10.1	10.1	16.4	49.1

In addition, the difference between one-month Nibor, which the group has paid on part of its debt, and the three-month Nibor received under the interest swap agreement, is about 22 basis points on the average interest rate.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 85.1 per cent at 30 September. During October, the group opted to renegotiate the binding margin on the credit facility which incorporated an agreement on margin adjustment. After this adjustment, the average margin on the group's interest-bearing debt will increase to about 1.35 per cent.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities after capitalised costs totalled NOK 9 431.9 million (NOK 10 239.7 million) at 30 September. Apart from scheduled repayments of interest-bearing liabilities, none of Norwegian Property's borrowing facilities mature in 2012. Just under NOK 935 million, or about 10 per cent, of the group's liabilities mature in December 2013. In addition, ordinary instalments will total almost NOK 94 million in 2013.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Macroeconomic indicators show positive trends for economic growth in Norway, which also mean improved prospects for the office rental market in Oslo.

Expectations for Norwegian economic growth were recently revised upwards from 2.7 per cent in February 2012 to a forecast 3.6 per cent increase in gross domestic product for mainland Norway in 2012 (source: Statistics Norway). At the same time, employment forecasts for Norway were adjusted upwards to 2.2 per cent for 2012 and expected unemployment was reduced. Higher employment means an increase in space requirements and, combined with an increasing proportion of office buildings being converted or demolished and their sites rezoned, contributes to a further reduction in expected vacancy compared with the second quarter.

Overall vacancy in Oslo's office market was seven per cent at the beginning of the third quarter. Updated forecasts show a declining trend towards a vacancy of six per cent at the beginning of 2015, and to five per cent in 2016. By comparison, expected vacancy for 2013-15 was around eight per cent at the end of the first quarter this year (source: Akershus Eiendom, October 2012).

Rental developments for office properties in Oslo over the past six months show that centrally located premises with a good standard in the city centre experienced positive growth, while older buildings and secondary locations made flat progress. The number of vacant premises above 5 000 square metres declined marginally during the most recent quarters, and are largely located in unattractive office areas (source: Akershus Eiendom, October 2012).

Demand in Stavanger is largely driven by activities in the oil and gas sector. Finding vacant premises larger than 2 000 square metres in the city centre is difficult. As a result, large tenants often opt for the Forus business park, where the availability of big premises is better. Office vacancy is higher at Forus than in the city centre, but lies overall at around three per cent for the area.

The transaction market had a strong start in 2012, with several major commercial property deals. The volume of transactions in the first nine months totalled NOK 27 billion, compared with NOK 37 billion for 2011 as a whole.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 42 office and commercial properties at 30 September. These are located in central areas of Oslo and Bærum (80.2 per cent of gross rental income), at Gardermoen (2.9 per cent of gross rental income) and in Stavanger (16.9 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 901.6 million at 1 October, a decline of NOK 21.9 million from 1 July. Vacancy in the property portfolio totalled 9.5 per cent of the available area at 1 October, up from 8.9 per cent at 1 July. This rise reflects increased strategic vacancy as a result of conversion projects at Aker Brygge and Skøyen in Oslo. The buildings being converted in these two locations had a vacancy of 47.2 per cent at 1 October, compared with 45.4 per cent at 1 July. The projects progress according to plan. Vacancy for available space was 4.5 per cent at 1 October, slightly down from 4.7 per cent at 1 July.

Seven leases with a combined annual rental value of about NOK 14.6 million were awarded or renegotiated during the third quarter, representing a positive change in comparable annual rent of 1.2 per cent. The most significant of these leases include that awarded to Umoe Restaurant Group AS covering just over 2 000 square metres at Lysaker Torg 35. Combined with previously announced leases awarded to L'Oréal Norge AS and Uno-X Energi AS, the Umoe lease means that about half the office space in the building has been leased once today's tenant moves out in the spring of 2013.

Norwegian Property has relatively few leases which expire in the remainder of 2012, and the average remaining term of its leases is 5.3 years. In the valuation of the property portfolio, today's market rate for rents is estimated to be about seven per cent higher than the average contractual rent for leased premises. The average rent adjustment factor for the consumer price index (CPI) is 98.1 per cent of the total portfolio.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

On the basis of energy-saving analyses prepared for all the group's properties, Enova has awarded some NOK 33 million in investment grants to Norwegian Property for environment-friendly conversion of energy consumption and renewable

energy production. This support covers both development projects and operation-related energy-saving measures, and will mean in part a reduction in annual energy costs for Norwegian Property tenants.

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

SHAREHOLDER INFORMATION

The company had 1 843 registered shareholders at 30 September, a reduction of 68 from 31 March and 280 from 30 September last year. Non-Norwegian shareholders held 57 per cent of the share capital at 30 September, compared with 55.4 per cent at 30 June. The number of shares traded during the third quarter averaged 0.8 million per day, on a par with the April-June average. The company's share capital totalled NOK 249 298 416 at 30 September, divided between 498 596 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property held 21 236 as treasury shares at 30 September. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 30 September 2012 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	CANICA AS	10.61	52 883 801	ORD	NOR
2	FOLKETRYGDFONDET	8.55	42 653 874	ORD	NOR
3	STATE STREET BANK AN A/C CLIENT OMNIBUS F	5.36	26 699 986	NOM	USA
4	BNYM AS EMEA ASIA 25 BANK OF NEW YORK MEL	5.11	25 465 997	NOM	USA
5	SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	3.55	17 716 908	NOM	SWE
6	BANK OF NEW YORK MEL S/A MELLON NOMINEE 1	3.38	16 870 107	NOM	USA
7	CITIBANK NA LONDON B S/A STICHTING PGGM D	3.12	15 572 315	NOM	NLD
8	FONDSFINANS SPAR	2.54	12 650 000	ORD	NOR
9	STATE STREET BANK & A/C CLIENT FUND NUMB	2.52	12 564 244	NOM	USA
10	BNP PARIBAS SECS SER S/A BP2S LUX/FIM/LUX	2.24	11 193 472	NOM	LUX
11	JPMORGAN CHASE BANK NORDEA RE:NON-TREATY	1.48	7 379 571	NOM	GBR
12	JPMORGAN CHASE BANK NORDEA TREATY ACCOUN	1.28	6 386 599	NOM	GBR
13	STATE STREET BANK AN A/C CLIENT OMNIBUS D	1.27	6 336 720	NOM	USA
14	DNB LIVSFORSIKRING A	1.22	6 104 480	ORD	NOR
15	FRAM HOLDING AS	1.20	6 000 000	ORD	NOR
16	THE NORTHERN TRUST C NON-TREATY ACCOUNT	1.12	5 578 087	NOM	GBR
17	VERDIPAPIRFONDET DNB	1.11	5 540 204	ORD	NOR
18	AWECO INVEST AS	1.10	5 486 765	ORD	NOR
19	KLP AKSJE NORGE VPF	1.06	5 271 584	ORD	NOR
20	FRAM REALINVEST AS	1.05	5 250 000	ORD	NOR
Total 20 largest shareholders		58.87	293 604 714		9/20 NOR

OUTLOOK

Macroeconomic indicators show positive trends for economic growth in Norway, which also mean improved prospects for the office rental market in Oslo and Stavanger.

Higher employment means an increase in space requirements and, combined with an increasing proportion of office buildings being converted or demolished, contributes to a further reduction in expected vacancy compared with the second quarter.

Rental developments for office properties in Oslo over the past six months show that centrally located premises with a good standard in the city centre experienced growth, while older buildings and secondary locations made flat progress. Work on securing new leases at rental levels which manifest the value potential of the portfolio continues to have high priority.

Conversion work at Aker Brygge is well under way. At the same time, businesses and restaurants not affected by the conversion programme continue to function normally.

Norwegian Property will take over operation of the Aker Brygge marina at 1 January 2013. The board has resolved to invest in a new marina at Aker Brygge, which will involve a substantial upgrading and modernisation of the whole waterfront area.

Good project management and execution of the development projects planned to achieve further progress for the property portfolio are a key priority for the group. With positive market prospects, a high level of rental activity and good operation, the work of developing the value potential in the portfolio is continuing.

The Board of Directors of Norwegian Property

Oslo, 25 October 2012

FINANCIAL INFORMATION (UNAUDITED)

ACCOUNTING POLICIES AND CONSOLIDATED ENTITIES

This interim report has been prepared in accordance with IAS 34 – Interim financial reporting. Financial statements for the period have been prepared in accordance 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 2011. Properties sold 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 separately in note 2.

Amounts in NOK million	Note	3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Gross income		226.7	259.2	702.3	765.4	1 020.7
Maintenance and other operating expenses		-20.1	-20.0	-48.9	-51.2	-65.1
Other property-related expenses		-4.8	-8.6	-31.5	-25.0	-33.9
Property-related expenses		-24.9	-28.6	-80.4	-76.2	-99.0
Administrative expenses		-16.8	-16.1	-49.3	-49.8	-67.4
Total operating expenses		-41.7	-44.7	-129.7	-126.0	-166.4
Operating profit before value adj. and loss/gain		185.0	214.5	572.6	639.4	854.3
Change in market value of investment property		-210.4	24.8	-209.5	498.8	281.9
Gain/(loss) related to property sales		-	-	2.4	1.0	1.0
Operating profit		-25.4	239.3	365.4	1 139.2	1 137.1
Financial income	1	9.3	9.3	30.9	28.6	37.0
Financial cost	1	-123.5	-139.2	-431.6	-416.8	-554.4
Realized net financial items		-114.2	-129.9	-400.7	-388.2	-517.5
Change in market value of financial derivative instruments	1	-130.6	-366.7	-177.4	-330.3	-336.1
Net financial items		-244.8	-496.6	-578.1	-718.5	-853.6
Profit before income tax for continued operations		-270.2	-257.3	-212.7	420.7	283.6
Deferred income tax for continued operations		16.8	79.0	1.5	21.9	-59.7
Profit for continued operations		-253.5	-178.3	-211.1	442.6	223.8
Profit for discontinued operations	2	-	-	-	-	4.8
Profit for the period		-253.5	-178.3	-211.1	442.6	228.6
Profit attributable to non-controlling interests		-	-	-	-	-
Profit attributable to owners of the Company		-253.5	-178.3	-211.1	442.6	228.6
Other comprehensive income						
Gain/loss on financial derivative instruments		-	-1.5	-1.7	-6.5	-8.4
Income tax related to comprehensive income		-	0.4	0.5	1.8	2.4
Value adjustment of owner-occupied property	3	3.4	-	3.7	-	2.7
Total other comprehensive income		3.4	-1.0	2.4	-4.6	-3.3
Total comprehensive income		-250.1	-179.3	-208.7	438.0	225.3
Total comprehensive income attributable to owners of the Company		-250.1	-179.3	-208.7	438.0	225.3
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-

CONSOLIDATED BALANCE SHEET

Amounts in NOK million	Note	30.09.2012	30.09.2011	31.12.2011
ASSETS				
Financial derivative instruments		5.0	7.1	5.0
Deferred tax asset		15.8	94.0	12.8
Investment property ⁴	3	14 319.3	15 607.8	13 561.3
Property, plant and equipment	3	47.1	34.2	40.1
Receivables		400.0	600.0	400.0
Total non-current assets		14 787.2	16 343.1	14 019.2
Financial derivative instruments		0.1	4.6	2.3
Accounts receivable		70.7	24.8	69.9
Other receivables		268.4	45.5	235.3
Cash and cash equivalents		233.5	120.9	15.6
Assets held for sale	3	-	-	1 873.4
Total current assets		572.6	195.8	2 196.5
Total assets		15 359.8	16 538.9	16 215.7
EQUITY AND LIABILITIES				
Paid in equity		9 737.5	9 737.5	9 737.5
Other reserves		-	2.6	1.2
Retained earnings		-4 882.1	-4 363.4	-4 574.7
Total equity		4 855.5	5 376.7	5 164.1
Financial derivative instruments		829.2	616.8	628.8
Interest bearing liabilities		9 385.2	8 833.5	8 798.6
Total non-current liabilities		10 214.3	9 450.3	9 427.3
Financial derivative instruments		0.2	32.3	23.7
Interest bearing liabilities		46.8	1 406.2	1 366.2
Trade payables		29.0	24.2	14.3
Other liabilities		214.1	249.2	220.0
Total current liabilities		290.1	1 711.9	1 624.3
Total liabilities		10 504.4	11 162.2	11 051.6
Total equity and liabilities		15 359.8	16 538.9	16 215.7

⁴ After deduction of deferred taxes at time of acquisition of NOK 172.5 million as of 30 September 2012, NOK 195.0 million per 30 September 2011 and NOK 192.1 million as of 31 December 2011.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	3Q 2012	2011
Total equity including minority interests, beginning of the period	5 164.1	4 988.6
Total comprehensive income	-208.4	225.3
Paid dividends	-99.7	-49.9
Treasury shares	-0.3	-
Total equity including minority interests, end of period	4 855.4	5 164.1

Amounts in NOK million	Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Total equity
Total equity 31.12.2010	249.3	3 048.2	6 440.1	7.2	-4 756.2	4 988.6
Financial derivatives accounted to equity, net of tax (28%)	-	-	-	-6.0	-	-6.0
Paid dividends	-	-	-	-	-49.9	-49.9
Profit for the period	-	-	-	-	228.7	228.7
Value adjustment of owner-occupied property	-	-	-	-	2.7	2.7
Total equity 31.12.2011	249.3	3 048.2	6 440.1	1.2	-4 574.7	5 164.1
Financial derivatives accounted to equity, net of tax (28%)	-	-	-	-1.2	-	-1.2
Paid dividends	-	-	-	-	-99.7	-99.7
Profit for the period	-	-	-	-	-211.1	-211.1
Treasury shares	-	-	-	-	-0.3	-0.3
Value adjustment of owner-occupied property	-	-	-	-	3.7	3.7
Total equity 30.09.2012	249.3	3 048.2	6 440.1	-	-4 882.1	4 855.4

CONSOLIDATED CASH FLOW

The cash flow statement includes both continuing and discontinued operations.

Amounts in NOK million	3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Profit before income tax	-270.2	-257.2	-212.7	420.8	288.4
Depreciation of tangible assets	0.6	0.6	1.6	1.7	2.4
Gain/loss from sale of investment property and operations	-	-	-2.4	-1.0	-1.0
Fair value adjustment of investment property	210.4	-24.8	209.5	-498.8	-281.9
Fair value adjustment of financial derivative instruments	130.6	366.7	177.4	330.3	336.1
Change in short-term items	28.4	120.5	-28.5	-28.9	-98.5
Net cash flow from operating activities	99.8	205.7	145.0	224.0	245.4
Received cash from sale of investment property and discontinued operations	-	-	1 905.1	1.0	33.1
Payments for purchase of investment property	-117.4	-169.7	-992.6	-275.0	-353.2
Net cash flow from investing activities	-117.4	-169.7	912.5	-274.0	-320.2
Net repayment of interest bearing debt	-430.7	-3.7	-739.7	-27.6	-108.2
Paid dividend	-	-	-99.7	-49.9	-49.9
Other financing activities	-	-	-0.3	-	-
Net cash flow from financial activities	-430.7	-3.7	-839.7	-77.5	-158.0
Net change in cash and cash equivalents	-448.3	32.3	217.8	-127.5	-232.8
Cash and cash equivalents at the beginning of the period	681.8	88.6	15.6	248.4	248.4
Cash and cash equivalents at the end of the period	233.5	120.9	233.5	120.9	15.6

NOTE 1 NET FINANCIAL ITEMS

A specification of net financial items in the income statement is presented below.

Amounts in NOK million	3Q 2012	3Q 2011	YTD 2012	YTD 2011	2011
Capital gains	9.3	9.3	30.9	26.8	35.1
Currency gains	-	-	-	1.8	1.8
Total financial income	9.3	9.3	30.9	28.6	37.0
Capital cost	-120.3	-133.1	-373.6	-387.1	-519.3
Termination fee financial instruments	-	-	-43.3	-	-
Currency losses	0.4	-0.7	-1.3	-1.1	-1.1
Other financial cost	-3.6	-5.4	-13.4	-28.5	-34.0
Total financial cost	-123.5	-139.2	-431.6	-416.8	-554.4
Realized net financial items	-114.2	-129.9	-400.7	-388.2	-517.5
Change in market value of financial derivative instruments	-130.6	-366.7	-177.4	-330.3	-336.1
Net financial items	-244.8	-496.6	-578.1	-718.5	-853.6

NOTE 2 DISCONTINUED OPERATIONS

The hotel business, Norgani Hotels, was sold in 2010. Results for discontinued operations are presented net on a single line in the income statement. The profit element for 2011 relates in its entirety to the reversal of provisions.

NOTE 3 INVESTMENT PROPERTY AND ASSETS HELD FOR SALE

Contracts for the sale of the Middelthuns gate 17 and C J Hambros plass 2 (Ibsen Quarter) properties were entered into in 2011. These transactions were completed in the first quarter of 2012. The two properties were classified at 31 December 2011 as assets held for sale.

Properties used by the owner are included under other tangible assets in the amount of NOK 31.6 million at 30 September 2012, NOK 28.2 million at 31 December 2011 and NOK 25.7 million at 30 September 2011. Such property is recognised at fair value, and fair-value adjustments are included in other income and expenses.

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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.

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