

4Q 2012

FOURTH QUARTER AND PRELIMINARY ANNUAL RESULTS FOR 2012



IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2012

CONVERSION PROJECTS TEMPORARILY IMPACT OPERATION, POSITIVE RENTAL MARKET

Stable operation, temporary impact from conversion projects

Norwegian Property achieved stable operation in its on-going business during the fourth quarter. At the same time, conversion projects under way in the portfolio continue to lead to an increase in vacant space and a transitory decline in rental income for certain large properties. Total rental income accordingly amounted to NOK 222.7, yielding an operating profit before fair-value adjustments of NOK 177.8 million. That gave Norwegian Property a profit before tax and fair-value adjustments of NOK 62.3 million, and a profit before tax of NOK 213.6 million. Ordinary earnings per share (EPS) in the fourth quarter was NOK 0.31. Book value per share was NOK 9.83 as of 31 December 2012, a reduction from NOK 10.36 per share at the end of the fourth quarter 2011 (EPRA: NOK 11.15 at the end of the fourth quarter 2012).

Space vacancy in Nydalen halved

At the beginning of 2012 space vacancy in Nydalen totaled 18.5 per cent. Through 2012 significant efforts have been laid down to reduce the vacancy, and at the end of 2012 the vacancy was 12.5 per cent. In January 2013 a lease contract has been entered with Konica Minolta for about 2 000 sqm in Maridalsveien 323. Consequently the space vacancy in Nydalen is now 9.6 per cent, which is a reduction of about 50 per cent since the beginning of 2012.

Norwegian Property expands property and extends lease agreement in Stavanger

In December 2012 Norwegian Property entered into a contract with Total E&P Norge AS to expand the building in Finnstadveien 44 in Stavanger and to extend the lease term "as is" to 2031. The property today consist of a total space of about 22 000 sqm, and the parties have agreed to expand the property by about 3 600 sqm. The building extension will be ready during summer 2014, and the lease term for the total building is extended to 2031. The agreement to expand the building mass has been entered into on the basis of a fixed price which is estimated to just below NOK 90 million. Annual rent for the supplementary building is agreed at about NOK 7.6 million for a lease term of 17 years.

Successful completion of private placement

In November Norwegian Property completed a private placement of 49 850 000 shares. The gross proceeds of NOK 398.8 million was used to strengthen the company's capital base, and reflects the company's ambition to further increase its strategic, operational and financial flexibility, allowing it to take advantage of external and internal growth opportunities and to optimize its longer term financing. The placement was over-subscribed at a subscription price of NOK 8.00 per share.

Agreement to sell Drammensveien 149

In February 2013 Norwegian Property entered into an agreement with Orkla Eiendom AS to sell Drammensveien 149 for a total property value of NOK 695.0. The property was valued at NOK 535.6 million at the end of the third quarter. The sale comprises a plot and an office building.

Proposes a dividend of NOK 0.20 per share

On the ordinary general assembly in April the board of directors plans to propose a dividend of NOK 0.20 per share totaling NOK 109.7 million. The dividend corresponds to 40 per cent of profit before fair-value adjustments and tax.

KEY FIGURES

Profit and loss for continued operations		4Q 2012	4Q 2011	2012	2011
Gross income	NOK million	222.7	255.3	925.0	1 020.7
Operating profit before adm. expenses	NOK million	200.8	232.6	822.6	921.7
Operating profit before value adj. and loss/gain	NOK million	177.8	215.0	750.4	854.3
Profit before income tax and value adjustments	NOK million	62.3	85.6	277.5	336.8
Profit before income tax	NOK million	213.6	-140.1	-18.7	275.6
Profit after income tax	NOK million	161.7	-221.7	-124.9	191.8

Balance sheet		4Q 2012	4Q 2011	2012	2011
Market value of investment portfolio	NOK million	14 852.7	15 654.9	14 852.7	15 654.9
Equity	NOK million	5 393.7	5 228.4	5 393.7	5 228.4
Interest bearing debt	NOK million	9 421.7	10 164.8	9 421.7	10 164.8
Equity ratio	Per cent	33.5	31.9	33.5	31.9
Pre-tax return on equity (annualized)	Per cent	16.4	-10.4	-0.4	5.3

Cash flow		4Q 2012	4Q 2011	2012	2011
Cash flow from operating activities	NOK million	88.9	21.3	243.2	246.5
Cash position	NOK million	712.0	15.6	712.0	15.6

Key numbers, shares		4Q 2012	4Q 2011	2012	2011
No. of shares issued	Number	548 425 596	498 596 832	548 425 596	498 596 832
Average number of shares in period	Number	527 835 379	498 596 832	505 932 707	498 596 832
Pre-tax profit per share for continued operations ¹	NOK	0.40	-0.28	-0.04	0.55
Basic earnings per share for continued operations (EPS) ¹	NOK	0.31	-0.44	-0.25	0.38
Basic earnings per share for total operations (EPS) ¹	NOK	0.31	-0.44	-0.25	0.39
Operating cash flow per share	NOK	0.17	0.04	0.48	0.49
Interest bearing debt per share	NOK	17.18	20.39	17.18	20.39
Book value per share	NOK	9.83	10.36	9.83	10.36
Deferred property tax per share	NOK	0.31	0.26	0.31	0.26
Financial derivative instr. per share	NOK	1.01	0.93	1.01	0.93
Net asset value per share (EPRA)²	NOK	11.15	11.55	11.15	11.55

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 FOURTH QUARTER 2012

Rental income for Norwegian Property totalled NOK 222.7 million for the fourth quarter of 2012. That compares with the NOK 255.3 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 13.2 million in rental income for the fourth quarter. The decline is due to vacancies resulting from ongoing development projects.

Maintenance and other operating costs for the quarter totalled NOK 11.7 million (NOK 13.9 million³). Other property-related expenses came to NOK 10.3 million (NOK 8.9 million), and administrative expenses came to NOK 22.9 million (NOK 17.6 million). Administrative expenses were somewhat higher than normal in this quarter due to expenses related to transactions that were not completed. Operating profit before fair-value adjustments and gain/loss in the fourth quarter thereby amounted to NOK 177.8 million (NOK 215.0 million).

Fair-value adjustments to the property portfolio yielded an unrealised gain of NOK 156.0 million (loss of NOK 219.9 million). Net realised financial expenses came to NOK 115.5 million (NOK 129.4 million).

The income element related to financial derivatives decreased in value by NOK 4.7 million (NOK 5.8 million in the year before).

The pre-tax loss for the fourth quarter came to NOK 213.6 million, which is an improvement compared to a loss NOK 140.1 million in the fourth quarter in 2011. Estimated non-payable tax income for the quarter was NOK 51.8 million compared to NOK 81.6 million in the same period last year. Profit after tax for continued operation was NOK 161.7 million compared to a loss of NOK 216.9 million in the same period last year.

PRELIMINARY RESULTS FOR THE FULL YEAR 2012

Rental income for 2012 was NOK 925.0 million compared to NOK 1 020.7 million for 2011. Adjusted for the acquisition and sale of properties during the period, this represents a decline of NOK 23.8 million in rental income.

Maintenance and other operating costs for the year totalled NOK 60.5 million (NOK 65.1 million). After a period of temporarily higher than normal increase in maintenance and other operating cost for 2010 and the first half year of 2011 as a consequence of higher than normal maintenance activity and the termination of the NEAS-agreement, this item is now more in line with normal run-rate. Other property-related expenses came to NOK 41.8 million (NOK 33.9 million). The increase from 2011 mainly relates to higher project activity and unallocated common cost for vacant space in the conversion projects. Administrative expenses were NOK 72.2 million (NOK 67.4 million). Operating profit before fair-value adjustments and gain/loss thereby amounted to NOK 750.4 million (NOK 854.3 million).

Net realised financial items for the full year came in at NOK 472.9 million (NOK 517.5 million), corresponding to a reduction of NOK 44.6 million from the previous year. Fair-value adjustments to the property portfolio yielded an unrealised loss of NOK 70.7 million for the full year compared to a gain of NOK 274.9 million in 2011. Movements in market interest rates during the year led to the income element related to financial derivatives decreased in value by NOK 225.5 million (NOK 336.1 million in the year before).

The pre-tax loss for continued operation for the full year 2012 came to NOK 18.7 million, which is a reduction compared to a profit of NOK 275.6 million in 2011. Estimated non-payable tax income for 2012 was NOK 106.2 million compared to NOK 83.8 million in the same period last year. Loss after tax for continued operation was NOK 124.9 million compared to a profit of NOK 191.8 million in the same period last year.

Discontinued operation had no effect in 2012, but had a profit of NOK 4.8 million in 2011. Loss for the period was thus NOK 124.9 million compared to profit of NOK 196.6 million in 2011.

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

VALUATION OF PROPERTIES

Two independent external valuers have valued all the properties in the group's portfolio of offices based on the same methods and principles applied in previous periods. At 31 December 2012 the valuation in the accounts is based on an average of the two external valuations. For the property Drammensveien 149, where an indicative bid was received in 2012 and an agreement to sell the property was entered in 2013, the agreed sales value for the property has been used. The property is classified as asset held for sale.

At 31 December 2012, the group's portfolio of commercial properties was valued at NOK 14 852.7 million (NOK 15 654.9 million). Properties used by the owner are included under other tangible assets in the amount of NOK 45.5 million at 31 December and recognised at fair value.

In the fourth quarter the overall outcome was a positive fair-value adjustment of NOK 156.0 million, of which the property Drammensveien 149 accounted for NOK 158.1 million. For the other properties there were limited changes. New lease agreements, including the lease signed in Finnestadveien 44, contributed positively. Reduced remaining lease duration on certain properties had a negative effect on the valuations. In the fourth quarter of 2011 the negative fair-value adjustment was NOK 219.9 million.

For the full year the overall outcome was negative fair-value adjustment of NOK 70.7 million, compared to a positive fair-value adjustment of NOK 274.9 million in 2011.

CASH FLOW

Net cash flow from operating activities before financial items for the fourth quarter was NOK 88.9 million (NOK 21.3 million).

Investment in non-current assets during the fourth quarter totalled NOK 182.5 million (NOK 78.2 million), and embraced investments in the property portfolio related to the conversion of certain large properties. Including repayment of parts of the vendor financing relating to Norgani Hotels and disposal of investment properties totalling NOK 200.5 million net positive cash flow from investing activities thereby amounted to NOK 18.0 million (negative cash flow of NOK 46.1 million).

Net cash flow from financing activities in the fourth quarter was positive at NOK 373.1 million, of which net proceeds from the private placement was NOK 385.5 million. In the fourth quarter of 2011 the net cash flow from financing activities was NOK 80.6 million.

The net increase in cash and cash equivalents in the fourth quarter was NOK 480.0 million (decrease of NOK 105.4 million).

For the full year positive cash flow from operating activities came at NOK 243.2 million (NOK 246.5 million). Net positive cash flow from investing activities came at NOK 922.4 million and include repayment of vendor financing relating to Norgani Hotels, disposal of Middelthuns gate 17 and C. J. Hambros plass 2 and the acquisitions of Bryggetorget 1, Drammensveien 149 and other ordinary investments at Aker Brygge and in the rest of the property portfolio. In 2011 the comparable negative cash flow from investment activities was NOK 320.2 million. Net negative cash flow from financing activities was NOK 466.6 million (NOK 158.0 million). Net positive change in cash and cash equivalents in 2012 was NOK 699.1 million, compared to a decrease of NOK 231.7 million in 2011.

BALANCE SHEET

The company held NOK 712.0 million (NOK 15.6 million) in cash and cash equivalents at 30 December. In addition, it had NOK 1 216 million (NOK 1 199 million) in unutilised credit facilities. Equity totalled NOK 5 393.7 million (NOK 5 228.4 million), corresponding to an equity ratio of 33.5 per cent (31.9 per cent). Carried equity per share was NOK 9.83 (NOK 10.36). Equity per share based on the Epra standard was NOK 11.15 (NOK 11.55). Outstanding shares at 30 December totalled 548 425 596 (498 596 832).

FINANCING

The table below presents interest-bearing debt and hedges at 31 December 2012.

Interest bearing debt and hedging as of 31 December 2012		
		31 December 2012
Interest bearing debt	NOK million	9 421.7
Vendor financing	NOK million	400.0
Cash and cash equivalents	NOK million	712.0
Interest hedging ratio, including vendor financing (%)	Per cent	79.7
Unused credit facilities	NOK million	1 216.0
Average time to maturity, hedging	Year	5.7
Average interest rate (incl. margin)	Per cent	5.09
Average margin	Per cent	1.36
Average residual term, borrowing	Year	3.9
Property value	NOK million	14 852.7
Interest bearing debt / value (LTV)	Per cent	63.4
Net interest bearing debt / value (net LTV)	Per cent	58.6
Net interest bearing debt deducting vendor financing / value (net LTV)	Per cent	55.9

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	1 035.9	307.0	954.8	1 153.0	1 353.0	4 618.0
Average interest rate	Per cent	0.8	3.8	3.3	3.0	3.9	4.5
Share of total liabilities	Per cent	11.0	3.2	10.1	12.2	14.3	49.2

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 5 basis points on the average interest rate.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 79.7 per cent at 30 September. The company on a continuing basis works to adjust the interest hedges to a lower interest rate.

INTEREST-BEARING LIABILITIES

Interest-bearing liabilities after capitalised costs totalled NOK 9 421.7 million (NOK 10 164.8 million) at 31 December. In addition to scheduled repayments of interest-bearing liabilities, a borrowing facility relating to some of the Skøyen properties matures in December 2013.

OPERATIONS

COMMERCIAL PROPERTY MARKET

The total market space vacancy for offices in Oslo was according to Akershus Eiendom around 6.5 per cent at the end of 2012, a reduction from 8.0 per cent at the beginning of 2012. In 2012 several large office projects were completed, including the new head office of Statoil at Fornebu and the new DnB head office in Bjørvika. With a balanced expectation for future new builds and growth in need for space combined with increased workforce the space vacancy is expected to be stable around 7.0 per cent in 2013. Thereafter vacancy is expected to be further reduced down to 5.0 per cent in 2016.

For Skøyen and most other segments in the inner city of Oslo rental growth has been strong over the last three years. Following a year of very strong rental growth in 2011 in Skøyen and CBD, rental growth has been somewhat slower in 2012. Other areas, like Lysaker and Nydalen, have so far seen limited rental growth. The expected reduced space vacancy towards 2016 signals a continued strong rental market and limited risk for reduced rental levels over the next three years.

Demand in Stavanger is largely driven by activities in the oil and gas sector. Total office vacancy has dropped from 5 per cent to 3 per cent during 2012. Rental growth potential is limited due to availability of land, which again restricts the potential for rental growth. On the other hand, high activity in the construction market to a certain extent limits the future potential for rental growth.

Despite limited interest to grant new real estate loans from the banks, the transaction market was very strong in 2012. Total transaction volume was estimated to NOK 50 billion, which is an increase from NOK 35 billion in 2011. The high activity continues into 2013. A favourable alternative to bank financing has been the bond market, for the companies that have access to this source of financing. Going into 2013 some banks again appear to be more offensive in the market.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 42 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (79.1 per cent of gross rental income), at Gardermoen (2.9 per cent of gross rental income) and in Stavanger (18.0 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 920.7 million at 1 January 2013, an increase of NOK 19.1 million from 1. October 2012. Vacancy in the property portfolio totalled 10.2 per cent of the available area at 1 January, up from 9.5 per cent at the end of third quarter. 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 57.5 per cent at 1 October, compared with 47.2 per cent at 1 October. The projects progress according to plan. Vacancy for available space was 3.9 per cent at 1 January, slightly down from 4.7 per cent from 30 September 2012.

Fourteen leases with a combined annual rental value of about NOK 62.9 million were awarded or renegotiated during the fourth quarter, representing a positive change in comparable annual rent of 1.4 per cent.

The average remaining duration of the leases is 5.7 years. In the valuation of the property portfolio, today's market rate for rents is estimated to be 6.7 higher than the average contractual rent for leased premises. The average rent adjustment factor for the consumer price index (CPI) is 98.2 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. The implementation of the different projects as started. The first project was completed in Drammensveien 134 – building 6 in the fourth quarter.

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

EVENTS AFTER THE BALANCE SHEET DAY

In February 2012 an agreement was entered to sell the property Drammensveien 149. The property value was agreed at NOK 695.0 million. Chair of the board in Norwegian Property, Nils Selte, is CFO in Canica. Chair of the board in Orkla, Stein Erik Hagen, owns 10.8 per cent of the shares in Norwegian Property through his family company Canica. Nils Selte has not participated in the board discussions or board decisions relating to the sale.

In January 2013 Norwegian Property repaid the loan in Storebrand with NOK 362 million. The property Drammensveien 134 – building 6 was pledged in favour of Storebrand and is now available for potential future new borrowing.

SHAREHOLDER INFORMATION

The company had 1 760 registered shareholders at 31 December, a reduction of 83 from 30 September and 288 from 31 December last year. Non-Norwegian shareholders held 60.3 per cent of the share capital at 31 December, compared with 57.0 per cent at 30 September. The number of shares traded during the fourth quarter averaged 0.9 million per day,

compared to an average of 0.8 million shares per day in the period April-September. The share capital was increased by NOK 24 925 000 corresponding to 49 850 000 shares in the private placement in November. The company's share capital totalled NOK 274 223 416 at 31 December, divided between 548 446 832 shares with a par value of NOK 0.50 per share. Of these, Norwegian Property held 21 236 as treasury shares at 31 December. The largest shareholders registered with the Norwegian Central Securities Depository (VPS) at 31 December 2012 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	CANICA AS	10.80	59 208 232	ORD	NOR
2	FOLKETRYGDFONDET	8.97	49 213 874	ORD	NOR
3	STATE STREET BANK AN	7.29	39 999 884	NOM	USA
4	THE BANK OF NEW YORK	5.13	28 154 577	NOM	USA
5	THE BANK OF NEW YORK	3.89	21 326 560	NOM	USA
6	SKANDINAVISKA ENSKIL	3.52	19 292 843	NOM	SWE
7	CITIBANK NA LONDON B	3.21	17 597 315	NOM	NLD
8	STATE STREET BANK &	2.68	14 698 627	NOM	USA
9	BNP PARIBAS SECS SER	2.62	14 345 998	NOM	LUX
10	FONDSFINANS SPAR	2.00	10 950 000	ORD	NOR
11	FRAM REALINVEST AS	1.82	10 000 000	ORD	NOR
12	ISHARES EUROPE, FUND	1.52	8 352 125	ORD	IRL
13	BNP PARIBAS SECS SER	1.47	8 052 738	NOM	GBR
14	JPMORGAN CHASE BANK	1.45	7 959 611	NOM	GBR
15	THE NORTHERN TRUST C	1.34	7 341 606	NOM	GBR
16	ILMARINEN MUTUAL PEN	1.30	7 125 409	ORD	FIN
17	DNB LIVSFORSIKRING A	1.11	6 104 480	ORD	NOR
18	KLP AKSJE NORGE VPF	1.09	5 994 589	ORD	NOR
19	JPMORGAN CHASE BANK	1.05	5 741 968	NOM	GBR
20	VERDIPAPIRFONDET DNB	1.03	5 623 311	ORD	NOR
Total 20 largest shareholders		63.28	347 083 747		7/20 NOR

OUTLOOK

Despite several years with financial uncertainty and slow international growth the Norwegian economy has been relatively strong with low unemployment rates and stable growth. Continued high petroleum's activity and stable domestic demand establish a basis for continued growth in the years to come. Signs that the international growth may pick up is positive for the Norwegian economy.

High employment growth and low new build activity for commercial real estate the next three years will, according to Akershus Eiendom, lead to a reduction in the office space vacancy from the current level of 6.5 per cent to around 5 per cent. In Stavanger the current office space vacancy is around 3 per cent, and new build activity is expected to lead to a stable or slightly increasing vacancy. Limited space vacancy is a positive factor for continued strong rental markets and limits the risks of reduction in rental levels. The tenants are still expected to require high quality, functionality and energy efficiency.

Norwegian Property focuses on properties of high quality located close to public transportation and main roads in the most central and attractive areas in Oslo and Stavanger. The group is currently investing significant amounts in the group's properties, in particular at Aker Brygge and Skøyen, to meet future demand from the high end segment of tenants. The lease contracts entered in 2012 are good indication that Norwegian Property has some of the most attractive projects in Oslo.

During the last years the group has systematically worked to improve the financial position. A strong financial position facilitates potential acquisitions. In a demanding market for financing a solid balance sheet also secures access to competitive debt financing and completion of the group's conversion programme.

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. In a period the group's financial results are impacted by strategic vacancy in connection with the conversion projects. With positive market prospects and an organisation with skilled employees the company is well positioned to deliver financial results in line with the financial targets.

The Board of Directors of Norwegian Property

Oslo, 14 February 2013

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 with the changes disclosed in note 4. 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	4Q 2012	4Q 2011	2012	2011
Gross income		222.7	255.3	925.0	1 020.7
Maintenance and other operating expenses		-11.7	-13.9	-60.5	-65.1
Other property-related expenses		-10.3	-8.9	-41.8	-33.9
Property-related expenses		-22.0	-22.8	-102.3	-99.0
Administrative expenses		-22.9	-17.6	-72.2	-67.4
Total operating expenses		-44.9	-40.4	-174.5	-166.4
Operating profit before value adj. and loss/gain		177.8	215.0	750.4	854.3
Change in market value of investment property		156.0	-219.9	-70.7	274.9
Operating profit		333.8	-4.9	679.7	1 129.2
Financial income	1	9.4	8.3	40.3	37.0
Financial cost	1	-124.9	-137.7	-513.2	-554.4
Realized net financial items		-115.5	-129.4	-472.9	-517.5
Change in market value of financial derivative instruments	1	-4.7	-5.8	-225.5	-336.1
Net financial items		-120.3	-135.2	-698.4	-853.6
Profit before income tax for continued operations		213.6	-140.1	-18.7	275.6
Deferred income tax for continued operations		-51.8	-81.6	-106.2	-83.8
Profit for continued operations		161.7	-221.7	-124.9	191.8
Profit for discontinued operations	2	-	4.8	-	4.8
Profit for the period		161.7	-216.9	-124.9	196.6
Profit attributable to non-controlling interests		-	-	-	-
Profit attributable to owners of the Company		161.7	-216.9	124.9	196.6
Other comprehensive income					
Gain/loss on financial derivative instruments		-	-1.9	-1.7	-8.4
Income tax related to comprehensive income		-	0.5	0.5	2.4
Value adjustment of owner-occupied property	3	-1.5	2.7	2.2	2.7
Total other comprehensive income		-1.5	1.4	0.9	-3.3
Total comprehensive income		160.2	-215.5	-123.9	193.2
Total comprehensive income attributable to owners of the Company		160.2	-215.5	-123.9	193.2
Total comprehensive income attributable to non-controlling interests		-	-	-	-

CONSOLIDATED BALANCE SHEET

Amounts in NOK million	Note	31.12.2012	31.12.2011
ASSETS			
Financial derivative instruments		5.1	5.0
Investment property	3	14 113.2	13 733.4
Property, plant and equipment	3	64.2	40.1
Receivables		400.0	400.0
Total non-current assets		14 582.6	14 178.5
Financial derivative instruments		-	2.3
Accounts receivable		52.3	69.9
Other receivables		51.3	235.3
Cash and cash equivalents		712.0	15.6
Assets held for sale	3	693.7	1 893.4
Total current assets		1 509.3	2 216.5
Total assets		16 091.9	16 395.0
EQUITY AND LIABILITIES			
Paid in equity		10 126.9	9 737.5
Other reserves		-	1.2
Retained earnings		-4 733.0	-4 510.6
Total equity		5 393.7	5 228.4
Deferred tax		217.0	115.0
Financial derivative instruments		767.1	628.8
Interest bearing liabilities		8 443.0	8 798.6
Total non-current liabilities		9 427.1	9 542.3
Financial derivative instruments		4.4	23.7
Interest bearing liabilities		978.7	1 366.2
Trade payables		34.7	14.3
Other liabilities		253.4	220.0
Total current liabilities		1 271.1	1 624.3
Total liabilities		10 698.2	11 166.6
Total equity and liabilities		16 091.9	16 395.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million	Note	2012	2011
Total equity including minority interests, beginning of the period		5 228.4	4 988.6
Changes in accounting of deferred tax	4	-	96.4
Total comprehensive income		-123.9	193.2
Paid dividends		-99.7	-49.9
Capital increase		398.8	-
Cost of private placement, net after tax (28 %)		-9.6	-
Treasury shares		-0.3	-
Total equity including minority interests, end of period		5 393.7	5 228.4

Amounts in NOK million	Note	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
Changes in accounting of deferred tax	4	-	-	-	-	96.4	96.4
Financial derivatives accounted to equity, net of tax (28 %)		-	-	-	-6.0	-	-6.0
Paid dividends		-	-	-	-	-49.9	-49.9
Profit for the period		-	-	-	-	196.6	196.6
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	-4 510.4	5 228.4
Financial derivatives accounted to equity, net of tax (28 %)		-	-	-	-1.2	-	-1.2
Paid dividends		-	-	-	-	-99.7	-99.7
Capital increase		24.9	373.9	-	-	-	398.8
Cost of private placement, net after tax (28 %)		-	-9.6	-	-	-	-9.6
Profit for the period		-	-	-	-	-124.9	-124.9
Treasury shares		-	-0.3	-	-	-	-0.3
Value adjustment of owner-occupied property		-	-	-	-	2.2	2.2
Total equity 31.12.2012		274.2	3 412.3	6 440.1	-	-4 732.8	5 393.7

CONSOLIDATED CASH FLOW

The cash flow statement includes both continuing and discontinued operations.

Amounts in NOK million	4Q 2012	4Q 2011	2012	2011
Profit before income tax	213.6	-132.4	-18.7	280.4
Depreciation of tangible assets	2.9	0.7	4.5	2.4
Fair value adjustment of investment property	-156.0	216.9	70.7	-274.9
Fair value adjustment of financial derivative instruments	-57.9	5.8	119.6	336.1
Agio/disagio	1.5	-0.1	2.7	1.1
Change in short-term items	84.8	-69.6	64.4	-98.5
Net cash flow from operating activities	88.9	21.3	243.2	246.5
Received cash from sale of investment property and discontinued operations	0.5	32.1	1 897.6	33.1
Payments for purchase of investment property	-182.5	-78.2	-1 175.1	-353.2
Other investment activities	200.0	-	200.0	-
Net cash flow from investing activities	18.0	-46.1	922.4	-320.2
Net repayment of interest bearing debt	-12.4	-80.6	-752.1	-108.2
Capital increase	385.5	-	385.5	-
Paid dividend	-	-	-99.7	-49.9
Other financing activities	-	-	-0.3	-
Net cash flow from financial activities	373.1	-80.6	-466.6	-158.0
Net change in cash and cash equivalents	480.0	-105.4	696.1	-231.7
Cash and cash equivalents at the beginning of the period	233.5	120.9	15.6	248.4
Exchange rate effects	-1.5	0.1	-2.7	-1.1
Cash and cash equivalents at the end of the period	712.0	15.6	712.0	15.6

NOTE 1 NET FINANCIAL ITEMS

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

Amounts in NOK million	4Q 2012	4Q 2011	2012	2011
Capital gains	9.4	8.3	40.3	35.1
Currency gains	-	-	-	1.8
Total financial income	9.4	8.3	40.3	37.0
Capital cost	-119.5	-132.2	-493.1	-519.3
Currency losses	-1.4	-	-2.7	-1.1
Other financial cost	-4.0	-5.5	-17.4	-34.0
Total financial cost	-124.9	-137.7	-513.2	-554.4
Realized net financial items	-115.5	-129.4	-472.9	-517.5
Change in market value of financial derivative instruments	-4.7	-5.8	-225.5	-336.1
Net financial items	-120.2	-135.2	-698.4	-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.

An indicative bid for the property Drammensveien 149 was received in 2012 and an agreement to sell the property was entered in 2013. The property is classified as asset held for sale at 31 December 2012.

Properties used by the owner are included under other tangible assets in the amount of NOK 45.5 million at 31 December 2012 and NOK 28.2 million at 31 December 2011. Such property is recognised at fair value, and fair-value adjustments are included in other income and expenses.

NOTE 4 CHANGE IN ACCOUNTING OF TAX COMPENSATION

In previous years tax compensation in connection with acquisitions of investment properties ('single purpose'-companies) has been accounted for as a reduction in the value investment properties and reversed if values are below the acquisition value. From 2012 the agreed tax compensation is booked as profit in the period following the transaction. The corresponding numbers have been adjusted accordingly. The carry value of investment properties has been increased by NOK 200.1 million as of 1st January 2011. The fair-value adjustment of investment properties in 2011 has been reduced by NOK 8.0 million and the carry value as of the end of 2011 has been increased by NOK 192.1 million compared to previously reported figures. Deferred tax is increased by NOK 103.7 million per 1 January 2011 and deferred tax expense for 2011 increased by NOK 24.1 million. Deferred tax is increased by NOK 127.8 million at the end of 2011. The effect on equity at the end of 2011 totaled NOK 96.4 million.

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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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