

FOURTH QUARTER AND FULL YEAR 2013



IMPORTANT EVENTS IN THE FOURTH QUARTER OF 2013

TEMPORARY EFFECTS OF HIGH CONVERSION ACTIVITY

Rental income and vacancy ratio temporarily affected by conversions

Conversion projects under way in the portfolio mean a high level of temporarily vacant space and a decline in rental income for several large properties. Rental income totalled NOK 169.5 million, yielding an operating profit before fair-value adjustments of NOK 121.4 million. After realised financial items, profit before fair-value adjustments came to NOK 21.5 million.

Negative fair-value adjustments for investment properties totalled NOK 54.7 million for investment properties, while negative fair-value adjustments for financial derivatives came to NOK 39 million. After NOK 12.9 million in tax income, the loss for the period came to NOK 56.6 million. This yielded negative ordinary earnings per share (EPS) of NOK 0.10 for the fourth quarter. Carried equity per share came to NOK 9.22 per share at 31 December 2013, down from NOK 9.32 per share at 30 September 2013 (Epra: NOK 10.07 at 31 December 2013).

Letting activity high

The level of letting activity remains high. Twenty-four new or expanded leases, with a total annual rental income of NOK 37.8 million, were awarded for offices and retail premises during the quarter. A substantial number of leases were also awarded for parking and warehouse space. The most important leases during the quarter were:

- A 10-year lease for Advokatfirma DLA Piper Norway DA covering just over 5 000 square meters at Stranden 5 in Aker Brygge, for occupancy from year-end 2014.
- A 12-year lease for Grieg Gruppen covering a total of about 1 700 square meters at Stranden 5 (previously Kaibygge 1) in Aker Brygge, for occupancy from year-end 2014.

Leases awarded for the development projects in Aker Brygge covered a total of just under 46 500 square metres of office space, leaving only about 10 500 square metres of offices to let in the newly rehabilitated properties. The overall letting ratio, which also includes retail space and warehousing, is 74 per cent.

The development projects

The first phase of Stranden 3 was being completed gradually during the second half of 2013. The first tenants have moved in, and the first part of the shopping mall has opened. The second phase of Stranden 3 has begun.

The construction activity is high on the Stranden 1, Stranden 5 and Drammensveien 134 projects. These properties are largely without rental income while conversion work is under way. Good progress is also being made with the extension project at Finnstadveien 44, with completion expected during the second quarter of 2014.

Loan facilities expanded and future financing secured

Norwegian Property issued two bond loans totalling NOK 455 million in November. Bond loans accordingly accounted for 11 per cent of the company's interest-bearing debt at 31 December.

During December, Norwegian Property expanded its existing loan facility with Nordea Bank Norge ASA and Skandinaviska Enskilda Banken AS by NOK 660 million. This facility has a remaining term of about 4.5 years. It was used in its entirety to redeem the group's loan from Nykredit.

Norwegian Property accepted an offer in February 2014 for a new facility of NOK 600 million in the form of a revolving credit facility. In connection with the expansion of the facility, an agreement has also been entered into on adapting the loan terms related to interest cover for a period up to and including the second quarter of 2015 in order to secure freedom of action to implement the current development projects.

No dividend proposal for 2013

Norwegian Property is in the middle of a period of substantial investment in the group's property portfolio. Its net loan-to-value (LTV) ratio was 60.2 per cent at 31 December 2013. The company has a long-term ambition of paying out 30-50 per cent of operational cash flow in dividend. In periods when the level of investment is high, this dividend can be temporarily reduced or omitted. The board has chosen to make no proposal on the payment of dividend for 2013.

KEY FIGURES

Profit and loss		4Q 2013	4Q 2012	Year 2013	Year 2012
Gross income	NOK mill.	169.5	222.7	769.8	925.0
Operating profit before adm. expenses	NOK mill.	135.5	200.8	647.7	822.6
Operating profit before value adjustments	NOK mill.	121.4	177.8	586.9	750.4
Profit before income tax and value adjustments	NOK mill.	21.5	62.3	174.4	277.5
Profit before income tax	NOK mill.	-69.5	213.6	-287.6	-18.7
Profit after income tax	NOK mill.	-56.6	161.7	-230.9	-124.9

Balance sheet		4Q 2013	4Q 2012	Year 2013	Year 2012
Market value of investment portfolio	NOK mill.	14 762.6	14 852.4	14 762.6	14 852.5
Equity	NOK mill.	5 057.5	5 393.7	5 057.5	5 393.7
Interest bearing debt	NOK mill.	8 947.4	9 421.7	8 947.4	9 421.7
Equity ratio	%	33.6	33.5	33.6	33.5
Pre-tax return on equity (annualized)	%	-5.3	-4.0	-5.5	1.8

Cash flow		4Q 2013	4Q 2012	Year 2013	Year 2012
Cash flow from operating activities	NOK mill.	23.7	88.9	45.9	243.2
Cash position	NOK mill.	62.9	712.0	62.9	712.0

Key numbers, shares		4Q 2013	4Q 2012	Year 2013	Year 2012
No. of shares issued	Antall	548 425 596	548 425 596	548 425 596	548 425 596
Average number of shares in period	Antall	548 425 596	527 835 379	548 425 596	505 932 707
Pre-tax profit per share ¹	NOK	-0.13	0.40	-0.52	-0.04
Basic earnings per share (EPS) ¹	NOK	-0.10	0.31	-0.42	-0.25
Operating cash flow per share	NOK	0.04	0.17	0.08	0.48
Interest bearing debt per share	NOK	16.31	17.18	16.31	17.18
Book value per share	NOK	9.22	9.83	9.22	9.83
Deferred property tax per share	NOK	0.08	0.31	0.08	0.31
Financial derivative instr. per share	NOK	0.77	1.01	0.77	1.01
Net asset value per share (EPRA)²	NOK	10.07	11.15	10.07	11.15

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

² Ordinary book value of equity per share adjusted for deferred property tax-, any 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 2013

Rental income for Norwegian Property totalled NOK 169.5 million for the fourth quarter of 2013. That compares with NOK 222.7 million in the same period of 2012. Adjusted for the acquisition and sale of properties after 1 October 2012, this represented a decline of NOK 45.4 million in rental income for the fourth quarter of 2013. That reflected temporarily vacant space as a result of current rehabilitation projects.

Maintenance and other operating costs totalled NOK 10.6 million (NOK 11.7 million³) for the quarter. Other property-related expenses came to NOK 23.5 million (NOK 10.3 million). The increase related primarily to shared costs for vacant space in development projects. Administrative expenses were NOK 14.1 million (NOK 22.9 million). Operating profit before fair-value adjustments thereby amounted to NOK 121.4 million (NOK 177.8 million) for the fourth quarter.

Fair-value adjustments to the property portfolio yielded an unrealised decrease of NOK 54.7 million, compared with an increase of NOK 156 million for the same period of last year. Other gains totalling NOK 2.7 million in the fourth quarter related to the sale of Oslo Properties AS. Net realised financial expenses came to NOK 99.9 million (NOK 115.5 million) for the fourth quarter.

The income element related to financial derivatives decreased in value by an amount corresponding to NOK 39 million (NOK 4.7 million).

The pre-tax loss for the fourth quarter was NOK 69.5 million (profit of NOK 213.6 million). The change in non-payable deferred tax for the quarter was positive at NOK 12.9 million (negative at NOK 51.8 million). The net loss for the period was thereby NOK 56.6 million (profit of NOK 161.7 million).

RESULTS FOR THE FULL YEAR 2013

Rental income for Norwegian Property totalled NOK 769.8 million (NOK 925 million) in 2013. Adjusted for the acquisition and sale of properties in 2012 and 2013, this represented a decline of NOK 135.6 million in rental income.

Maintenance and other operating costs totalled NOK 58 million (NOK 60.5 million) for the full year. Other property-related expenses came to NOK 64.1 million (NOK 41.8 million). The increase from 2012 related primarily to shared costs for vacant space in development projects. Administrative expenses were NOK 60.7 million (NOK 72.2 million). Operating profit before financial items and fair-value adjustments thereby amounted to NOK 586.9 million (NOK 750.4 million).

Net realised financial expenses for the full year came to NOK 412.5 million (NOK 472.9 million). The NOK 60.4 million reduction from 2012 related primarily to reduced interest-bearing debt and a lower hedging ratio. Total fair-value adjustments to the property portfolio during 2013 resulted in an unrealised loss of NOK 562.6 million for the full year. Recognised fair-value adjustments for investment properties came to a negative NOK 70.7 million in 2012. Other gains totalling NOK 2.7 million in 2013 related to the sale of Oslo Properties AS. Movements in market interest rates during the year meant that the income element related to financial derivatives increased in value at 31 December by an amount corresponding to NOK 97.9 million (decrease of NOK 225.5 million).

The pre-tax loss for 2013 was NOK 287.6 million (NOK 18.7 million). Calculated non-payable tax for the full year was positive at NOK 56.7 million (negative at NOK 106.2 million). The net loss for 2013 was NOK 230.9 million (NOK 124.9 million).

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. The accounting valuation at 31 December 2013 is based on an average of the two valuations.

At 31 December 2013, the group's portfolio of investment properties was valued at NOK 14 762.6 million (NOK 14 852.5 million). Properties used by the owner are hereunder carried separately on the balance sheet in the amount of NOK 52.7 million at 31 December, and recognised at fair value.

The negative fair-value adjustment came to NOK 54.7 million (positive at NOK 156 million) in the fourth quarter. NOK 36 million of the negative development was contributed by properties with a high proportion of vacant space or a short remaining lease term. Viewed overall, properties under development contributed a negative change of NOK 13 million. Certain minor adjustments to anticipated project costs as a result of quality enhancements made a negative contribution, while new leases contributed positively. The remaining changes related to minor effects on individual properties.

CASH FLOW

Net cash flow from operating activities was positive at NOK 23.7 million (NOK 88.9 million) for the fourth quarter.

Investment in non-current assets in the fourth quarter totalled NOK 363.1 million (NOK 182.5 million), and primarily embraced investments in the property portfolio related to the current development projects.

Net cash flow from financing activities was positive at NOK 317.1 million (negative at NOK 12.4 million) for the fourth quarter following a net increase in interest-bearing debt.

The net decrease in cash and cash equivalents was NOK 22.4 million (net increase of NOK 480 million) in the fourth quarter.

For the full year, the company achieved a net cash flow from operating activities of NOK 45.9 million (NOK 243.2 million). The net negative cash flow from investment activities came to NOK 106.9 million (positive at NOK 922.4 million) for the full year, and includes the redemption of the seller credit related to Norgani Hotels, the sale of the Drammensveien 149 property and investment in the property portfolio. Net negative cash flow from financing activities was NOK 588.1 million (NOK 466.6 million), and related in 2013 to changes in interest-bearing debt and dividend paid. The net decrease in cash and cash equivalents for 2013 was thereby NOK 649 million (net increase of NOK 699.1 million).

BALANCE SHEET

The company held NOK 62.9 million in cash and cash equivalents at 31 December (31 December 2012: NOK 712 million). In addition came NOK 1 116 million (NOK 1 216 million) in unutilised credit facilities. Equity totalled NOK 5 057.5 million (NOK 5 393.7 million), representing an equity ratio of 33.6 per cent (33.5 per cent). Carried equity per share was NOK 9.22 (NOK 9.83). Equity per share based on the Epra standard was NOK 10.07 (NOK 11.15). Outstanding shares at 31 December totalled 548 425 596 (548 425 596).

FINANCING

The table below presents interest-bearing debt and hedges at 31 December 2013.

Interest bearing debt and hedging as of 31 December 2013		
		31 December 2013
Interest bearing debt	NOK million	8 947,4
Cash and cash equivalents	NOK million	62,9
Interest hedging ratio (%)	Per cent	81,4
Unused credit and overdraft facilities	NOK million	1 116,0
Average time to maturity, hedging	Year	4,6
Average interest rate (incl. margin and capitalized cost)	Per cent	4,72
Average margin	Per cent	1,45
Average residual term, borrowing	Year	3,1
Property value	NOK million	14 762,6
Interest bearing debt / value (LTV)	Per cent	60,6
Net interest bearing debt / value (net LTV)	Per cent	60,2

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	548	823	950	1 350	2 005	3 300
Average interest rate	Per cent	1,6	3,2	3,0	3,9	4,5	4,3
Share of total liabilities	Per cent	6	9	11	15	22	37

The effect of interest derivatives with a forward starting point represents an additional 70 basis points.

Norwegian Property has historically had a very high interest hedge ratio, and the effective hedge ratio was 81.4 per cent at 31 December. The reduction in the interest hedge ratio from 30 September 2012 reflects an increase in borrowing as a result of investment, as well as adjustments to interest derivatives. 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 8 947.4 million (NOK 9 421.7 million) at 31 December.

Two new secured bond loans totalling NOK 455 million with a term of just over four years were issued in the Norwegian bond market during the fourth quarter of 2013. These loans are secured through a mortgage on the Gullhaugveien 9-13 property, and are listed on the Oslo Stock Exchange. In late 2013, an agreement was entered into with Nordea Bank Norge and Skandinaviska Enskilda Banken to expand the group's existing loan facility by NOK 660 million. The remaining term is about 4.5 years. Terms and commercial conditions for the expansion accord with the terms for the existing facility. The expanded loan facility was applied to refinancing debt which matured at 31 December 2013.

OPERATIONS

COMMERCIAL PROPERTY MARKET

Vacant office space in Oslo was around 7 per cent of total space in the Oslo area at 31 December 2013, according to Akershus Eiendom. That represents a marginal increase in vacancy from 1 January, when it was estimated to be around 6.5 per cent. After a high level of new building activity over several years, completion of new space was limited in 2013. Limited start-up of new projects means that relatively little new space will be completed in the coming period. Combined with the demand for space from some growth in employment, this indicates a slight reduction in vacant space and limited risk for a decline in rents over the next few years.

However, office vacancy in Oslo develops differently between the various business districts. While it remains low in the most attractive areas around Aker Brygge and Vika (the central business district), vacancy is stable and relatively high in less attractive locations such as Helsefy, Bryn, Økern and Ulven. Tenants remain selective over the location and quality of sought-after office premises. Willingness to pay is high in the most attractive locations and for properties with the highest quality standards.

Demand for offices in Stavanger continues to be driven by the high level of activity in the oil and gas sector. However, good availability of land and the completion of a number of new commercial buildings have meant that rents have remained stable despite good demand. Some slowdown in oil exploration activity in the North Sea suggests that future demand will be somewhat weaker. At the same time, construction of new commercial buildings is expected to decline in step with the slowdown in demand growth. Overall, relatively stable rents are accordingly expected in the time to come.

Access to financing for commercial property was substantially easier in 2013. The bond market remained strong, and the banks again signalled ambitions for some growth in lending to commercial property. Loan margins declined over the year, and the banks also showed a more positive attitude on other lending terms – such as loan disbursements and redemption profiles. Despite easier access to capital, the overall transaction volume declined somewhat to around NOK 40 billion, compared with roughly NOK 50 billion in 2012. Good and stable access to loan capital suggests that the level of activity in the transaction market will remain good.

THE PROPERTY PORTFOLIO

Norwegian Property owned a total of 41 office and commercial properties at 31 December. These are located in central areas of Oslo and Bærum (78.4 per cent of gross current rental income at 31 December 2013), at Gardermoen (3.9 per cent of gross rental income) and in Stavanger (17.7 per cent of gross rental income). The group's properties primarily embrace offices with associated warehousing and parking, and retail and restaurant space.

Total contractual rental income from the portfolio was NOK 732.8 million at 31 December 2013, an increase of NOK 47.2 million from NOK 685.6 million at 30 September. Vacancy in the property portfolio (commercial space without rental income) totalled 27.3 per cent of total space at 31 December 2013, up from 27 per cent at 30 September 2012. Vacancy also includes expanded space in rehabilitation projects which has not been included earlier. The buildings being converted at Aker Brygge and Skøyen had a vacancy of 83.3 per cent at 31 December 2013, which is unchanged compared with 30 September. Vacancy for immediately available space was 10.7 per cent at 31 December, marginally up from 10.5 per cent at 30 September 2013.

A total of 24 new leases were awarded or renegotiated during the fourth quarter, with a combined annual value of about NOK 37.8 million. The average remaining term of the leases is 7 years. The average rent adjustment factor for the consumer price index is 97.8 per cent of the total portfolio.

SHAREHOLDER INFORMATION

The company had 1 547 registered shareholders at 31 December, a reduction of 49 from 30 September. Non-Norwegian shareholders held 64.2 per cent of the share capital at 31 December 2013, compared with 63.7 per cent at 30 September. The number of shares traded during the fourth quarter averaged 0.4 million per day, compared with a 2012 average of 0.7 million per day. 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 2013 are presented below.

#	Name	Share (%)	No. of shares	Account type	Nationality
1	CANICA AS	10.80	59 208 232	ORD	NOR
2	FOLKETRYGDFONDET	9.05	49 651 642	ORD	NOR
3	SKANDINAVISKA ENSKILDA BANKEN AB	5.28	28 947 104	NOM	SWE
4	THE BANK OF NEW YORK MELLON	4.78	26 230 241	NOM	USA
5	STATE STREET BANK & TRUST COMPANY	4.41	24 211 522	NOM	USA
6	STATE STREET BANK AND TRUST CO.	4.34	23 800 442	NOM	USA
7	CITIBANK, N.A.	3.21	17 597 315	NOM	GBR
8	BNP PARIBAS SEC. SERVICES S.C.A	3.08	16 894 947	NOM	FRA
9	THE BANK OF NEW YORK MELLON	2.71	14 879 359	NOM	USA
10	STATE STREET BANK & TRUST CO.	2.37	12 996 060	NOM	USA
11	MERRILL LYNCH INTERNATIONAL LTD	2.21	12 107 500	NOM	GBR
12	VERDIPAPIRFONDET DNB NORGE SELEKTI	1.84	10 085 012	ORD	NOR
13	FONDSFINANS SPAR	1.82	10 000 000	ORD	NOR
14	VERDIPAPIRFONDET DNB NORGE (IV)	1.55	8 519 740	ORD	NOR
15	ILMARINEN MUTUAL PENSION INSURANCE	1.50	8 225 409	ORD	USA
16	J.P. MORGAN CHASE BANK N.A. LONDON	1.43	7 816 379	NOM	GBR
17	BNP PARIBAS SEC. SERVICES S.C.A	1.35	7 421 567	NOM	FRA
18	STATE STREET BANK & TRUST CO	1.35	7 407 733	NOM	IRL
19	J.P. MORGAN CHASE BANK N.A. LONDON	1.21	6 621 004	NOM	GBR
20	STATE STREET BANK AND TRUST CO	1.16	6 341 894	NOM	USA
Total 20 largest shareholders		65.45	385 963 102		5/20 NOR

OUTLOOK

While the international economy is showing evidence of a more positive trend, with the USA taking the lead, some signs of a certain slowing down can be seen in the Norwegian economy. The expected growth in employment is thereby somewhat lower than earlier estimated. However, new construction activity remains low and the start-up of new commercial building projects is limited. Forecasts for the office market accordingly suggest stable or declining vacant space, which indicates in turn stable development in the letting market and limited risk of a fall in rents. Continued improvement in capital availability and a robust transaction market also suggest a stable trend for the value of commercial property.

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 modernise its property portfolio and 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. The company is currently involved in its most demanding project phase, with parallel rehabilitation projects in four of its largest properties (Stranden 1, Stranden 3, Stranden 5 and Drammensveien 134, buildings 1-4). Upgrading and conversion work is also under way at several of the company's other properties. The amount of space not generating rental income was accordingly substantially higher at 31 December 2013 than it has been historically. At the same time, however, leases have been awarded for many of the converted premises.

The company has worked systematically in recent years to strengthen its financial position. These efforts have been continued during 2013 and at the beginning of 2014 to ensure competitive financial terms and the ability to execute the group's rehabilitation projects.

Norwegian Property is paying close attention to project execution and management. At the same time, work on leasing vacant space in the portfolio and premises being completed in connection with the extensive upgrading projects is the top priority. Rental income is expected to rise gradually during 2014 and early 2015 in step with the completion of the development projects and the phasing-in of the leases which have been awarded. However, the company's financial results will continue to be affected for a time by strategic vacancy and the execution of the current development projects.

The board of directors of Norwegian Property ASA

Oslo, 13 February 2014

FINANCIAL INFORMATION

CONSOLIDATED CONDENSED INCOME STATEMENT

Amounts in NOK million	Note	4Q 2013	4Q 2012	Year 2013	Year 2012
Gross income		169.5	222.7	769.8	925.0
Maintenance and other operating expenses		-10.6	-11.7	-58.0	-60.5
Other property-related expenses		-23.5	-10.3	-64.1	-41.8
Total property-related expenses		-34.1	-22.0	-122.1	-102.3
Administrative expenses		-14.1	-22.9	-60.7	-72.2
Total operating expenses		-48.1	-44.9	-182.8	-174.5
Operating profit before value adjustments		121.4	177.8	586.9	750.4
Change in market value of investment property	3	-54.7	156.0	-562.6	-70.7
Other gain/loss		2.7	-	2.7	-
Operating profit		69.4	333.8	27.0	679.7
Financial income	2	0.3	9.4	20.0	40.3
Financial cost	2	-100.2	-124.9	-432.6	-513.2
Realized net financial items		-99.9	-115.5	-412.5	-472.9
Change in market value of financial derivative instruments	2, 4	-39.0	-4.7	97.9	-225.5
Net financial items		-138.9	-120.3	-314.6	-698.4
Profit before income tax		-69.5	213.6	-287.6	-18.7
Income tax	7	12.9	-51.8	56.7	-106.2
Profit for the period		-56.6	161.7	-230.9	-124.9
Profit attributable to non-controlling interests		-	-	-	-
Profit attributable to shareholders of the parent company		-56.6	161.7	-230.9	-124.9
Gain/loss on financial derivative instruments	4	-	-	-	-1.7
Income tax related to comprehensive income	7	-	-	-	0.5
Value adjustment of owner-occupied property	3	1.1	-1.5	4.3	2.2
Total other comprehensive income		1.1	-1.5	4.3	0.9
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		-	-	-	-
Total comprehensive income		-55.5	160.2	-226.6	-123.9
Total comprehensive income attributable to shareholders of the parent company		-55.5	160.2	-226.6	-123.9
Total comprehensive income attributable to non-controlling interests		-	-	-	-

CONSOLIDATED CONDENSED BALANCE SHEET

Amounts in NOK million	Note	31.12.2013	31.12.2012
ASSETS			
Financial derivative instruments	4	15.6	5.1
Investment property	3	14 709.9	14 113.2
Owner-occupied property	3	52.7	45.5
Other fixed assets		52.2	18.7
Receivables	6	-	400.0
Total non-current assets		14 830.5	14 582.6
Receivables	6	153.2	103.6
Cash and cash equivalents	6	62.9	712.0
Assets held for sale	3	-	693.7
Total current assets		216.1	1 509.3
Total assets		15 046.6	16 091.9
EQUITY AND LIABILITIES			
Share capital		274.2	274.2
Share premium		3 412.2	3 412.2
Other paid in equity		6 440.1	6 440.1
Retained earnings		-5 069.1	-4 732.8
Total equity		5 057.5	5 393.7
Deferred tax	7	160.2	217.0
Financial derivative instruments	4	602.2	767.1
Interest bearing liabilities	6	8 917.4	8 443.0
Total non-current liabilities		9 679.9	9 427.1
Financial derivative instruments	4	0.3	4.4
Interest bearing liabilities	6	30.0	978.7
Other liabilities		278.9	288.1
Total current liabilities		309.2	1 271.1
Total liabilities		9 989.1	10 698.2
Total equity and liabilities		15 046.6	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	-122.7	-123.9
Paid dividends	-	-	-	-	-99.7	-99.7
Private placement	24.9	373.9	-	-	-	398.8
Cost of private placement, net after tax (28 %)	-	-9.6	-	-	-	-9.6
Treasury shares	-	-0.3	-	-	-	-0.3
Total equity 31.12.2012	274.2	3 412.2	6 440.1	-	-4 732.9	5 393.7
Total comprehensive income	-	-	-	-	-226.6	-226.6
Paid dividends	-	-	-	-	-109.7	-109.7
Total equity 31.12.2012	274.2	3 412.2	6 440.1	-	-5 069.1	5 057.5

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

Amounts in NOK million	Note	4Q 2013	4Q 2012	Year 2013	Year 2012
Profit before income tax		-69.5	213.6	-287.6	-18.7
Depreciation of tangible assets		1.7	2.9	6.0	4.5
Fair value adjustment of investment property	3	54.7	-156.0	562.6	70.7
Fair value adjustment of financial derivative instruments	4	8.1	-57.9	-179.4	119.6
Agio/disagio		0.2	1.5	0.1	2.7
Change in short-term items		28.4	84.8	-55.9	64.4
Net cash flow from operating activities		23.7	88.9	45.9	243.2
Received cash from sale of investment property		-	0.5	704.1	1 897.6
Payments for purchase and development of investment property		-363.1	-182.5	-1 211.0	-1 175.1
Other investment activities		-	200.0	400.0	200.0
Net cash flow from investing activities		-363.2	18.0	-106.9	922.4
Net change of interest bearing debt	6	317.1	-12.4	-478.4	-752.1
Capital increase		-	385.5	-	385.5
Paid dividend		-	-	-109.7	-99.7
Other financing activities		-	-	-	-0.3
Net cash flow from financial activities		317.1	373.1	-588.1	-466.6
Net change in cash and cash equivalents		-22.4	480.0	-649.0	699.1
Cash and cash equivalents at the beginning of the period		85.5	233.4	712.0	15.6
Exchange rate effects		-0.2	-1.5	-0.1	-2.7
Cash and cash equivalents at the end of the period		62.9	712.0	62.9	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 13 February 2014. 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	4Q 2013	4Q 2012	Year 2013	Year 2012
Interest income on bank deposits	0.2	3.4	5.3	11.8
Interest income on seller's credit	-	6.0	14.6	28.5
Total financial income	0.2	9.4	20.0	40.3
Interest expense on borrowings	-99.9	-123.5	-432.4	-510.5
Currency loss on bank deposits	-0.2	-1.4	-0.1	-2.7
Total financial cost	-100.1	-124.9	-432.5	-513.2
Realized net financial items	-99.9	-115.5	-412.5	-472.9
Change in market value of financial derivative	-39.0	-4.7	97.9	-225.5
Net financial items	-138.9	-120.2	-314.6	-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	4Q 2013	4Q 2012	Year 2013	Year 2012
Total value of investment property, opening balance		14 444.1	14 523.4	14 852.5	15 655.0
Disposals of properties at book value	1	-	-	-693.7	-1 893.4
Additions through acquisition and on-going investments of properties		372.8	175.5	1 172.4	1 164.7
Total fair value adjustment of investment property		-54.7	156.0	-562.6	-70.7
Fair value adjustment of properties sold	1	-0.4	-0.5	-9.2	-4.4
Fair value adjustment of owner-occupied property		0.9	-1.9	3.4	1.4
Total value of investment property, ending balance	2	14 762.6	14 852.4	14 762.6	14 852.5
Of which investment property held for sale	3	-	-693.7	-	-693.7
Total book value for all properties		14 762.6	14 158.7	14 762.6	14 158.7
Owner-occupied property	4	-52.7	-45.5	-52.7	-45.5
Book value of investment property		14 709.9	14 113.2	14 709.9	14 113.2

1) Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property. Similarly for 2012 apply to Ibsenkvartalet (C. J. Hambros Plass 2) and Middelthunsgate 17.

2) Contractual obligations for construction contracts related to investment property amounts to NOK 1 552 million at the end of 2013 (31.12.2012: NOK 474 million).

3) In 2012, Norwegian Property received an indicative offer for the property Drammensveien 149 at Skøyen in Oslo. In February 2013, Norwegian Property entered into an agreement to sell the property. The transaction includes the existing property that Norwegian Property acquired in connection with the establishment of the group in 2006, and the neighboring 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.

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

Investment property at fair value through profit or loss is specified in the following table broken down by valuation method.

Amounts in NOK million	31.12.2013			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 709.9	14 709.9
Owner-occupied property	-	-	52.7	52.7
Total	-	-	14 762.6	14 762.6

Amounts in NOK million	31.12.2012			
	Level 1	Level 2	Level 3	Total
Investment property	-	-	14 113.2	14 113.2
Owner-occupied property	-	-	45.5	45.5
Investment property held for sale	-	-	693.7	693.7
Total	-	-	14 852.5	14 852.5

Level 1: Observable market value for similar assets or liabilities, Level 2: Significant other observable inputs for similar assets, Level 3: Significant other unobservable inputs.

The company's policy is to make transfers between levels at the time of the incident or circumstances that caused the transfer. There have been no movements between levels in 2012 and 2013.

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	4Q 2013	4Q 2012	Year 2013	Year 2012
Net book value of derivatives, opening balance	-578.8	-824.2	-766.4	-645.1
Fair value adjustments of derivatives, included as hedge accounting	-	-	-	-1.7
Buyout of derivatives, not included as hedge accounting	30.9	62.6	81.5	105.9
Net fair value adjustments of derivatives, not included as hedge accounting	-39.0	-4.7	97.9	-225.5
Net book value of derivatives, ending balance	-586.9	-766.3	-586.9	-766.4
Of which classified as non-current assets	15.6	5.1	15.6	5.1
Of which classified as current assets	-	-	-	-
Of which classified as non-current liabilities	-602.2	-767.1	-602.2	-767.1
Of which classified as current liabilities	-0.3	-4.4	-0.3	-4.4

NOTE 5 FINANCIAL INSTRUMENTS

Book value and fair value of financial instruments are specified in the table below.

Amounts in NOK million	31.12.2013		31.12.2012	
	Book value	Fair value	Book value	Fair value
Non-current derivatives	15.6	15.6	5.1	5.1
Non-current receivables	-	-	400.0	416.7
Current receivables	79.8	79.8	52.3	52.3
Cash and cash equivalents	62.9	62.9	712.0	712.0
Total financial assets	158.3	158.3	1 169.4	1 186.1
Non-current derivatives	602.2	602.2	767.1	767.1
Non-current interest-bearing liabilities	8 917.4	8 917.4	8 443.0	8 388.2
Current derivatives	0.3	0.3	4.4	4.4
Current interest-bearing liabilities	30.0	30.0	978.7	927.1
Other current liabilities	224.1	224.1	200.5	200.5
Total financial liabilities	9 774.1	9 774.1	10 393.6	10 287.2

Estimated fair value of financial instruments is based on market prices and valuation methods. For cash and cash equivalents, fair value is assumed to be equal to the book value. Interest-bearing receivables and liabilities are measured at the present value of future cash flows. It is taken into account the estimated difference between the current margin and market conditions (lower market value than book value of debt in the listing indicates a positive equity effect when applicable borrowing margin is more favorable than the current market conditions). Fair value of financial derivatives, including forward currency contracts swaps and interest rate swaps, is the estimated present value of future cash flows, calculated by using quoted swap curves and exchange rates at the balance sheet date. The technical calculations are performed by the banks. Other receivables and other current liabilities are principally carried at fair value and subsequently measured at amortized cost. However, discounting is usually not considered to have any significant effect on this type of assets and liabilities.

Financial instruments at fair value through profit or loss are specified in the table below, by valuation method.

Amounts in NOK million	31.12.2013			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	15.6	-	15.6
Non-current derivatives (liabilities)	-	-602.2	-	-602.2
Current derivatives (liabilities)	-	-0.3	-	-0.3
Total	-	-586.9	-	-586.9

Amounts in NOK million	31.12.2012			
	Level 1	Level 2	Level 3	Total
Non-current derivatives (assets)	-	5.1	-	5.1
Non-current derivatives (liabilities)	-	-767.1	-	-767.1
Current derivatives (liabilities)	-	-4.4	-	-4.4
Total	-	-766.3	-	-766.3

Level 1: Observable market value for similar assets or liabilities, Level 2: Significant other observable inputs for similar assets, Level 3: Significant other unobservable inputs.

The company's policy is to make transfers between levels at the time of the incident or circumstances that caused the transfer. There have been no movements between levels in 2012 and 2013.

NOTE 6 NET INTEREST BEARING POSITION

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

Amounts in NOK million	Note	4Q 2013	4Q 2012	Year 2013	Year 2012
Loan facilities at par value, opening balance		8 659.2	9 467.1	9 454.7	10 206.8
Increase of loan facilities		1 248.2	-	955.0	1 344.0
Reduction of loan facilities		-931.2	-12.4	-1 433.4	-2 096.1
Loan facilities at par value, ending balance		8 976.3	9 454.7	8 976.3	9 454.7
Capitalized borrowing cost		-28.9	-33.0	-28.9	-33.0
Book value of interest-bearing debt		8 947.4	9 421.7	8 947.5	9 421.7
Of which classified as non-current liabilities		8 917.4	8 443.0	8 917.4	8 443.0
Of which classified as current liabilities		30.0	978.7	30.0	978.7
Interest-bearing debt	1	-8 947.4	-9 421.7	-8 947.5	-9 421.7
Interest-bearing receivable (seller's credit)	2	-	600.0	-	400.0
Cash and cash equivalents		62.9	712.0	62.9	712.0
Net interest-bearing position		-8 884.5	-8 109.7	-8 884.6	-8 309.7

1) Undrawn credit facilities totaled NOK 1 116 million at 31. December 2013 and NOK 1 216 million at 31. December 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 (repaid before maturity in 2013).

The group is exposed to interest rate risk on floating rate borrowings. The policy of Norwegian Property is a minimum of 70 percent of the company's floating rate loans must be secured. As of 31 December 2013 were 81 percent of such loans secured (84 percent). To reduce interest rate risk, the group has entered into interest rate swap agreements totaling NOK 7 228 million (NOK 7 938 million). The total average margin on variable rate loans was 145 basis points (136 basis points). The loan portfolio has an average interest rate of 4.72 per cent (5.09 per cent). Average remaining maturity of hedging contracts was 4.6 years (5.7 years).

NOTE 7 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	4Q 2013	4Q 2012	Year 2013	Year 2012
Profit before income tax		-69.5	213.6	-287.6	-18.7
Income tax calculated at 28 per cent		-19.5	59.8	-80.5	-5.2
Change in tax rate to 27 percent for closing balance deferred tax in 2013	1	-5.9	-	-5.9	-
Deferred tax asset not capitalized	2	-1.1	-1.9	36.5	61.6
Permanent differences		13.6	-6.1	-6.7	49.8
Income tax		-12.9	51.8	-56.7	106.2
Deferred tax, opening balance		173.1	168.9	217.0	115.0
Recognized through profit and loss		-12.9	51.8	-56.7	106.2
Tax on financial derivatives recognized through comprehensive income		-	-	-	-0.5
Tax on issue expense charged to equity		-	-3.7	-	-3.7
Deferred tax, ending balance		160.2	217.0	160.2	217.0

1) Company tax rate in Norway is reduced from 28 percent to 27 percent at the beginning of 2014. Deferred tax liabilities at year-end 2013 are therefore estimated based on a tax rate of 27 percent.

2) 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 8 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. Until the end of 2018, Orkla ASA subleases 18,653 square meters of office space in Nedre Skøyen vei 26 from Norwegian Property tenant Fellesdata AS (Evry).

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 9 EVENTS AFTER THE BALANCE SHEET DATE

The operation of Norwegian Property is temporarily affected by high rebuilding activities. Projects are primarily related to significant upgrading of several large properties at Aker Brygge in Oslo, and lay the foundation for significant future growth in rental income compared to current levels. To finance these projects, the group's debt financing is strengthened in 2013 by the expansion of existing credit facilities and refinancing of credit facilities. In addition to the changes made in 2013, the group's financing is further strengthened after the balance sheet date. This helps to secure liquidity for the completion of all ongoing development projects. After the balance sheet date, the company has accepted an offer of an extended revolving facility of NOK 600 million associated with existing credit facilities. Financial conditions in the company's two main credit facilities are adapted to a development period of temporary vacancies and lower rental income. As long as the adjusted financial conditions apply the company can't pay dividends.

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