



NORWEGIAN PROPERTY ANNUAL REPORT 2014







Verkstedveien 1 Monier, Skøyen, Oslo

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Terminal Building, Aker Brygge, Oslo

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SUPPORT CENTRE

A support centre which answer any questions or provides assistance when needed



EXPERTISE

A service network consisting of solid professionals with extensive real estate expertise



FLEXIBILITY

A large property portfolio allowing flexibility when change is required

Presentation of enterprise management 2014

CORPORATE GOVERNANCE

Through the exercise of good corporate governance, Norwegian Property has a goal of strengthening confidence in the company and contributing to the greatest possible value creation over time. The objective is to secure a clear and appropriate division of roles between shareholders, the board of directors and the executive management over and above legal requirements.

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1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The board wishes to contribute through good corporate governance to a good trust-based relationship between Norwegian Property and the company's shareholders, the capital market, and other stakeholders.

Norwegian Property has drawn up overall principles for corporate governance, which are available at <http://www.npro.no/formal-documents> and are reproduced in the directors' report on [page 19](#) in this annual report. The board has prepared a set of governing documents specifying various guidelines, instructions and policies intended to ensure compliance with good corporate governance in practice.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 30 October 2014 is set out below. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at www.nues.no. Reference is made to this presentation in the directors' report for 2014, and it is available on the company's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

The group's values base defines important principles for corporate governance. This base rests on four core values, which form the foundation for building a positive corporate culture.

Collaborative

- We will be open and inclusive
- We will be generous and make ourselves available
- We will have a personal commitment

Courageous

- We will think innovatively
- We will be ambitious
- We will challenge established truths

Proactive

- We will always seek to overcome problems before they arise
- We will seek and see new opportunities
- We will present new ideas

Attentive

- We will create and retain relationships
- We will do what we promise

The board has formulated guidelines for ethics and corporate social responsibility (CSR) in accordance with the group's values base. Norwegian Property's values base, ethical guidelines and guidelines for CSR are available at www.npro.no. The core of the CSR guidelines is the company's responsibility for the people, society and environment influenced by its operations, and deal among other considerations with human rights, anti-corruption, labour conditions, health, safety and the environment (HSE), discrimination and environmental aspects.

2. BUSINESS

Norwegian Property's articles of association are available on its website. Enshrined in article 3 of these articles, the company's business purpose states:

"The company operates in management, acquisitions, sales and development of commercial real estate, including partici-

pation in other companies as well as businesses which are related to such”.

Within the framework of its articles, the company has presented goals and strategies for its business in the directors’ report on [page 12](#) and on the company’s website.

3. EQUITY AND DIVIDENDS

Equity

Group equity at 31 December 2014 totalled NOK 5 290.2 million. The equity ratio at the same date was 32.9 per cent. The board regards the present equity ratio as satisfactory in relation to the group’s goals, strategy and risk profile.

To secure good financial freedom of action, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be a maximum of 65 per cent. The company’s financial flexibility is assessed at any given time in relation to the company’s goals, strategy and risk profile. At 31 December 2014, the relationship between net interest-bearing debt and gross fair value was thereby 60.9 per cent.

Dividend

Norwegian Property’s long-term goal is to distribute a dividend which represents a high proportion of the company’s current cash flow, defined as net profit after tax payable but before value changes. When determining dividend payments, the board will also be concerned with ensuring an optimum capital structure in relation to new investment opportunities and possible investment needs in the existing portfolio. The board will seek to facilitate quarterly dividend payments. The dividend policy is also described in [note 22](#) to the consolidated financial statements and in the investor relations section of the company’s website.

Board mandates

The annual general meeting of 10 April 2014 mandated the board to increase the company’s share capital by up to NOK 27 420 000, corresponding to just under 10 per cent of the company’s share capital when the mandate was awarded. The board mandate is motivated by the desire to be able to issue new shares in return for cash payments and/or as settlement for property transactions. This mandate had not been utilised at 31 December 2014.

In addition, the board was mandated to raise a convertible loan totalling NOK 750 000 000. This was because the board wanted to have the opportunity to issue new shares in combination with additional debt, partly in order to optimise the financing structure in Norwegian Property ASA. This mandate had not been utilised at 31 December 2014.

It was also resolved that the board’s overall use of mandates to issue new shares awarded to the board by the AGM should not exceed 10 per cent of the share capital.

The board is also mandated to purchase the company’s own shares up to a total nominal value of NOK 27 420 000. Norwegian Property did not purchase any of its own shares during 2014.

All board mandates remain valid until the company’s AGM in 2015 and in any event not beyond 30 June 2015.

No provisions in the articles of association authorise the board to decide that the company will buy back or issue its own shares or primary capital certificates.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANS-ACTIONS WITH CLOSE ASSOCIATES

Norwegian Property has only one share class, and all shares have equal rights in the company. Its articles of association impose no voting restrictions.

No share issues were conducted by Norwegian Property in 2014. Pursuant to the code, the reasons for waiving the preemptive right must be published in a stock exchange announcement in connection with a capital increase. The board will endeavour to comply with this point should such circumstances arise in the future.

Norwegian Property did not purchase or sell any of its own shares in 2014. Possible future transactions will be conducted on the stock exchange or in another manner at the stock market price.

The board and the executive management are concerned to ensure equal treatment of all the company’s shareholders and that transactions with close associates (related parties) take place on an arm’s length basis. [Note 23](#) to the consolidated financial statements details transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in [note 14](#) and [note 19](#).

Guidelines on conflicts of interest are included in the instructions for the company’s board of directors, and ensure

that directors inform the board if they have a significant direct or indirect interest in an agreement being entered into by the company. To avoid unintentional conflicts of interest, the company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This overview is updated as and when required and in the event of changes in the board’s composition.

5. FREELY NEGOTIATED SHARES

Shares in Norwegian Property are freely tradable on the Oslo Stock Exchange. No restrictions on the negotiability of the shares are imposed by the articles of association.

The board considers good liquidity of the share to be important for Norwegian Property to be regarded as an attractive investment, and the company works actively to attract interest from the investor market. Its executive management holds regular meetings with existing and potential shareholders in Norway, Europe and the USA.

6. GENERAL MEETINGS

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The 2015 AGM is scheduled to take place on 9 April. The company’s financial calendar is published as a stock exchange announcement and in the investor relations section of the company’s website.

Notice of the general meeting, with comprehensive documentation including the recommendations of the nomination committee, is made available to shareholders on the company’s website no later than 21 days before a meeting takes place. Shareholders who want the attachments sent by post can apply to the company for this to be done. The documentation must contain all the information required for the shareholders to form a view on every item to be considered. Shareholders wishing to attend the general meeting must indicate this intention by the specified deadline. The deadline for registering attendance is set as close to the meeting as possible, normally two days in advance.

Proxy form and advance voting

Notices with documentation are made available on the com-

pany's website immediately after the documentation has been issued as a stock exchange announcement. General-meeting notices provide information on the procedures to be observed for attendance and voting, including the use of proxies. Shareholders who cannot attend in person are encouraged to appoint a proxy. A proxy form, where a proxy has been named, is framed in such a way that the shareholder can specify how the proxy should vote on each issue to be considered. The notices have included information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

Chairing meetings, elections, etc

The general meeting is opened by the chair of the board or the person appointed by the board, and the chair of the meeting is elected by the meeting. The company has not drawn up specific routines to ensure that the chair of the meeting is independent, but experience with the chairing and conduct of the general meetings has been good. Representatives of the company's board and executive management are encouraged to attend. The same applies to the nomination committee at those meetings where the election and remuneration of directors and members of the nomination committee are to be considered. The company's auditor is present at the AGM.

The general meeting elects the members of the nomination committee as well as the shareholder-elected directors on the board. In its work, the nomination committee gives emphasis to ensuring that the board functions optimally as a collective body, that legal requirements for gender representation can be met, and that the directors complement each other in terms of their background and expertise. The general meeting is therefore normally invited to vote for a complete board. As a result, no opportunity has been provided to vote in advance for individual candidates.

Minutes from a general meeting are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker code: NPRO) and under "formal documents" in the investor relations section of the company's website.

7. NOMINATION COMMITTEE

The company's articles of association call for the appointment

of a nomination committee. Pursuant to the articles, the nomination committee will comprise two or three members. Its composition must take account of the interests of shareholders in general. The committee is independent of the board and the executive management, and otherwise composed pursuant to the code.

Members of the nomination committee and its chair are elected by the general meeting for two-year terms, and their remuneration is determined by the general meeting. The work of the nomination committee is regulated by specific guidelines, which are adopted by the AGM.

The nomination committee nominates directors. Efforts are made to base its recommendations on contacts with directors and the chief executive. In addition, the committee seeks to consult relevant shareholders to obtain suggestions for candidates as well as to entrench its recommendations. The committee also recommends the remuneration of directors. Its recommendations with reasons are made available via the company's website before the election and as soon as they are available. The nomination committee is encouraged to attend the general meetings in order to present and justify its recommendations and to answer questions.

The present nomination committee was elected at the extraordinary general meeting of 10 October 2014 and comprises Marianne Johnsen (chair), Espen D Westernen and Jan Ole Stangeland. No regular directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the company's website. The deadline for submitting nominations to the nomination for the 2015 AGM is 1 March 2015. Suggestions can be submitted to the nomination committee via info@npro.no.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has three shareholder-elected directors after two former directors, Nils K Selte and Camilla Hagen Sørli, chose to resign from the board in January in connection with a share sale. An alternate director has also been elected who attends meetings

of the company's board. Directors and the chair of the board are elected by the general meeting for two-year terms, see the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the company's website and in this annual report. The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board.

Two of the three directors are independent of the company's executive management, significant commercial partners or substantial shareholders. One director, Cecilie Astrup Fredriksen, is an employee of Frontline Corporate Services as well as a director of Marine Harvest ASA, Ship Finance Int, Northern Offshore Ltd and North Atlantic Drilling Ltd. These are all related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd. The alternate director, Espen D Western, is an adviser to Frontline Corporate and Seatanekers Management, companies which are related parties to Geveran Trading Co Ltd.

Twelve board meetings were held in 2014.

9. THE WORK OF THE BOARD OF DIRECTORS

The board has overall responsibility for managing the group and for supervising the chief executive and the group's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. In addition come control functions which ensure acceptable management of the company's assets. The board appoints the president and CEO. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. The division of labour between the board and the chief executive is specified in greater detail in standing instructions for the latter. The chief executive is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair.

The board establishes an annual plan for its meetings, and evaluates its work and expertise once a year. The annual plan specifies topics for board meetings, including reviewing and following up the company's goals and strategy, budgets, reporting of financial information, the notice for the general meeting with associated documentation, and the board's meeting with the auditor.

The board has considered it appropriate to appoint sub-committees to advise it. An audit committee of two-three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Members of the committee are independent of the business, and their work is governed by a separate instruction. A compensation committee normally comprising two directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee currently has all the directors as its members. It is also governed by a separate instruction, and comprises members who are independent of the company's executive management.

Once a year, the board evaluates its own work and that of the chief executive and reports its findings to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk areas and internal control environment

Through its business activities, Norwegian Property manages considerable financial assets which are exposed to substantial risk factors, such as development projects, the money market and the letting market. Its organisation comprises a relatively limited number of staff, and the group's management model is accordingly based on an appropriate delegation of profit responsibility, clearly defined operating parameters and effective internal control.

Overall goals and strategies are established and further developed through a continuous updating of the company's strategy. On the basis of this strategy, the values base and the ethical guidelines, overall instructions have been established for the board which specify authorisations for delegating responsibility to defined roles in the organisation. Policies have furthermore been established for control and risk manage-

ment in the most important risk areas, such as operation, finance and development.

Operational risk relates to the award of contracts and renegotiation of leases, which are followed up in accordance with established guidelines and authorisations. Operational risk related to property management is handled through routines for day-to-day operation, compliance and HSE work. Financial risk is managed in accordance with the company's financial strategy. Development risk is handled on a continuous basis in the projects through follow-up of progress, financial status and contractual conditions.

The board is responsible for seeing to it that the enterprise, financial reporting and asset management are subject to satisfactory controls. Based on the overall policies, governing processes and routines have been established for day-to-day management. The board periodically reviews the company's governing documents. In connection with its annual review of the company's strategy, the board reviews the most important risk areas faced by Norwegian Property and the internal controls established to deal with and minimise these. The board is also briefed on developments in the risks facing the company on a continuous basis through the operating reports.

Reporting

The administration prepares monthly operating reports which are considered at the board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status for setting targets, important operational conditions, financial conditions and a description of the status in risk areas. In addition, quarterly financial reports are prepared and reviewed by the audit committee ahead of the board meeting.

Financial conditions are followed up through monthly accounting reports and rolling updates of annual budgets and forecasts. Reporting also includes non-financial key figures related to the various business areas. In addition, risk management includes the preparation of longer projections of financial trends, where assumptions are made about profits, cash flow and balance sheet development. These simulations provide management and board with a basis for monitoring expected trends in central key figures.

The company is managed on the basis of financial targets re-

lated to such aspects as return on equity. Special profitability calculations are made when acquiring investment properties and launching development projects, based on established routines and required returns. The return on development projects is followed up and reported throughout the project period.

A special review of the quarterly valuations of investment properties is conducted by management, and meetings are held with the external valuers where particular attention is paid to market views and risk conditions. Separate accounting documentation is prepared for significant accounting items and transactions which are not of a routine character. External valuations of financial interest derivatives are quality-assured through the preparation of monthly internal value assessments. All other balance sheet items are reconciled and documented on a continuous basis throughout the year. Significant profit and loss accounts and accounts related to direct and indirect taxation are also reconciled on a continuous basis. Development projects are continuously reviewed on a joint basis by the development and accounting departments.

The interim reports and annual financial statements are reviewed by the audit committee ahead of consideration by the board. Risk management and internal control are also addressed by the board's audit committee. The latter reviews the external auditor's findings and assessments after the interim and annual financial audits. Signification conditions in the auditor's report are reviewed by the board.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise and the complexity of the business, and have not been related to results. The directors have not been awarded options.

Nor have they undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case.

Further details on the remuneration paid to individual directors are provided in [note 19](#) to the consolidated financial statements. An overview of shares owned by the directors and their close associates is included in [note 14](#) to the consolidated financial statements.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The board has established a compensation committee comprising two directors to assist it with the employment terms of the chief executive as well as the strategy and main principles for remunerating the company's senior executives.

The group's guidelines for the remuneration of senior executives are described in [note 19](#) to the consolidated financial statements. This note also provides further details about remuneration in 2014 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

These guidelines specify the main principles for the company's executive pay policy, and have been framed with the aim of ensuring that the interests of shareholders and senior executives coincide. No options have been issued to employees or elected officers of the company. Profit-related remuneration in the form of a bonus programme is based on the attainment of goals for the group or for a department or company in which the recipient is employed. Such goals may comprise the attainment of various improvement measures or financial criteria, including the development of the company's share price. A ceiling has been set on the size of profit-related remuneration for those employees entitled to receive this.

13. INFORMATION AND COMMUNICATION

Through the company's established principles for investor communication, available on its website, the board has determined guidelines for reporting financial and other information. Based on openness and equal treatment of players in the securities market, the guidelines also cover communication with shareholders outside the general meetings. Reporting of financial and other information will be timely and accurate, while simultaneously being based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information considered to be significant for valuing the company will be distributed and published in both Norwegian and English via Cision and the Oslo Stock Exchange's company disclosure system, and the company's website exists in both Norwegian and English versions.

Information is made available simultaneously on the com-

pany's website, where it is also possible to subscribe to announcements. The main purpose of this information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors.

The company publishes a financial calendar every year with an overview of the dates of important events, including the AGM, publication of interim reports and open presentations. This calendar is made available as a stock exchange announcement and on the company's website as soon as it has been approved by the board, and is also reproduced in the annual report.

Norwegian Property complies with the recommendations of the Oslo Stock Exchange concerning the reporting of investor relations information. The applicable recommendation for such reporting is available on the Oslo Stock Exchange website at www.oslobors.no.

14. TAKEOVERS

The board has not prepared guiding principles for responding to a possible takeover bid since it wishes to be free, within the constraints of existing regulations, to react to such an offer as it sees fit.

The company's articles of association place no restrictions on buying shares in the company. In a takeover process, the company's board and executive management will seek to help ensure that the shareholders are treated equally and that the company's business suffers no unnecessary disruption. The board will give particular weight to ensuring that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

The board does not intend to prevent or hamper anyone from presenting an offer for the company's business or shares. It will take account of the common interests of the company and the shareholders in the event that possible agreements with bidders are considered.

Geveran Trading Co Ltd exceeded the limit for a mandatory offer in November, and accordingly made a mandatory offer in December of NOK 10.00 per share for all outstanding shares in Norwegian Property ASA. The board of Norwegian Property engaged Skandinaviska Enskilda Banken (SEB) as its adviser. In an announcement dated 7 January 2015, the board of Norwegian Property issued a statement on the offer pursuant to section 6, sub-section 16 of the Norwegian Securities Trad-

ing Act. This statement was based in part on a fairness opinion prepared by SEB, in line with the recommendation on acquiring a valuation from an independent expert. At the expiry of the offer period, Geveran Trading Co Ltd had received acceptances which increased its overall holding to 43.26 per cent.

15. AUDITOR

An audit committee of two directors was in place when the financial statements for 2014 were prepared. This committee is intended to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Its work is governed by an instruction. The company's auditor, PricewaterhouseCoopers AS, conducted the following work during 2014 in relation to fiscal 2014.

- Presented the main features of the audit work.
- Attended board meetings considering the annual report, reviewing possible significant changes in accounting principles, assessing significant accounting estimates, and considering all cases where possible disagreements arose between auditor and executive management.
- Conducted a review together with the board of the company's internal control systems, including the identification of weaknesses and proposals for improvements.
- Held a meeting with the board without the presence of the executive management.
- Confirmed that the requirements for the auditor's independence were fulfilled, and provided an overview of services other than auditing which have been rendered to the company.

PricewaterhouseCoopers AS attended three meetings with the audit committee, which included reviewing the main features of the plan for executing the audit for the year and presenting results from the interim audit in preparation for the year-end closing of accounts for 2014.

Pursuant to the instruction for the board's audit committee, the use of the auditor for substantial assignments other than ordinary auditing services must be considered and approved by the board.

The board reports annually to the AGM on the auditor's overall fees, broken down between audit work and other services. The AGM approves the auditor's fees for the parent company.

PRESENTATION OF THE DIRECTORS



HENRIK A CHRISTENSEN

Chair

Henrik A Christensen (born 1962), chair since 10 October 2014, received his Master of Law degree (Cand Jur) from the University of Oslo in 1989 and is a lawyer and partner of the law firm Ro Sommernes Advokatfirma DA. Christensen has long and broad experience as a lawyer and adviser to numerous companies in such sectors as real estate, finance, trade and industry. He is today chair or director of numerous companies, including Storebrand Optimér ASA, Home Invest AS, Nordic Choice Hospitality Group AS, Home Capital AS, Home Properties AB, Anker Holding AS, AS Naturbetong, Stangeskovene AS, Pipeliner AS, Cam AS, Vålerenga Fotball AS and Fearnley Advisors AS. He owned no shares in Norwegian Property ASA when the financial statements for 2014 were approved.



BJØRN HENNINGSEN

Deputy chair

Bjørn Henningsen (born 1962), director since 10 October 2014, Master of Science in Economics (no: 'siviløkonom') from Heriot-Watt University, and is managing director and partner of Union Eiendomskapital AS, which he was one of the founders of in 2005. Henningsen has long and broad experience of real estate investment and development, banking and finance. He was previously finance director and managing director of Investra ASA, and he also has long experience from leading positions with different banks and finance institutions. Henningsen is chair and director of numerous companies in the Union group, including chair of Union Gruppen AS and Union Eiendomskapital AS. He controlled 100 000 shares in Norwegian Property ASA when the financial statements for 2014 were approved.



CECILIE ASTRUP FREDRIKSEN

Director

Cecilie Astrup Fredriksen (born 1983), director since 10 October 2014, received a BA in Business and Spanish from London Metropolitan University in 2006. She is currently employed in Frontline Corporate Services in London, and serves as director of several companies, including Marine Harvest ASA, Ship Finance International Ltd, Northern Offshore Ltd and North Atlantic Drilling Ltd. She is a related party to Geveran Trading Co Ltd, which held and controlled 237 236 831 shares in Norwegian Property ASA when the financial statements for 2014 were approved.

Directors' report 2014:

COMPLETION OF PROJECTS BOOSTS RENTAL INCOME

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Operations at Norwegian Property in the 2012-14 period have been affected by a high level of conversion activity, related first and foremost to the significant upgrading of a number of large properties at Aker Brygge and Skøyen in Oslo. All major projects were in their final stages or completed at 31 December 2014. The whole programme will be finished during the first half of 2015. As expected, the financial results for 2014 continued to be affected both by lower-than-normal rental income and by costs associated with the conversions.

Rental income is increasing gradually in line with the completion of the projects and the phasing-in of leases awarded in 2014 and 2015, and accordingly lays the basis for future rental earnings significantly above the present level.

Project management and letting of development projects have high priority as the projects approach completion, and a number of large leases were awarded during 2014. At the same time, continuous efforts are being devoted to letting and managing other properties. Particular attention is being paid to properties in Stavanger which have fallen or are falling vacant as a result of the focus on costs and reduced demand for premises in the oil and offshore sector. At the beginning of 2015, attention is increasingly being directed at growth opportunities.

ABOUT NORWEGIAN PROPERTY

Norwegian Property owned 39 office and commercial properties in Norway at 31 December 2014. Located in Oslo, Bærum, at Gardermoen and in Stavanger, these had a combined fair value of NOK 15.8 billion at 31 December. The group's properties primarily comprise office premises with associated warehousing and car parks, and retail and catering space. The business is organised in parent company Norwegian Property

ASA with subsidiaries. The company's head office is at Aker Brygge in Oslo.

The company's business purpose article states: "The company operates in management, acquisitions, sales and development of commercial real estate, including participation in other companies as well as businesses which are related to such".

With 57 employees at 31 December, Norwegian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 5.5 billion at 31 December.

THE YEAR 2014 – HIGHLIGHTS

Phasing in development projects

Operations at Norwegian Property are temporarily affected by a high level of conversion activity. Project management and letting of development projects were accordingly important for the group in 2014, and will continue to occupy a central place with the completion of the development projects in 2015.

- The project at Stranden 3 (the Workshop) in Oslo's Aker Brygge district, covering a total of 30 000 square metres for offices, retailing and restaurants, was completed in stages towards the end of 2014. At 31 December, the letting ratio was 85 per cent. Carnegie, Arkwright, the Gjensidige Foundation and Inocean are the biggest tenants along with retailers and restaurants. In addition, the Aker Brygge Business Village (serviced offices) and Norwegian Property ASA have premises in the Workshop. The project has been handled as client-managed subcontracts, with Vedal Prosjekt responsible for management.
- The Stranden 1 (Terminal Building) project at Aker Brygge will be completed during the first quarter of 2015 under a turnkey contract with AF Gruppen. It provides 24 000 square metres of space for offices, retailing and restaurants. The letting ratio at 31 December was 83 per cent, with

Wiersholm, DNO and Kistefos as the biggest tenants along with retailers and restaurants.

- The Stranden 5 (Quay Building I) project at Aker Brygge will also be completed during the first quarter of 2015. It offers 31 000 square metres for offices, retailing and restaurants. A turnkey contract based on the collaboration model has been entered into with Bunde Bygg. The letting ratio at 31 December was 91 per cent. Dankse Bank, the biggest tenant, moved in during the first quarter of 2014. Other large tenants are Kluge, DLA Piper, Grieg and Google along with retailers and restaurants.
- The project for a new marina at Aker Brygge involved a substantial upgrading and modernisation of the whole quay-side area, and was completed for the start of the boating season in the spring of 2014. Leasing of summer and winter berths for pleasure boats is offered along with facilities for exhibitions and events. An agreement has been reached with Norboat on staging the Norwegian International In-Water Boat Show from 2014.
- The former blocks 1-4 at Drammensveien 134 in Oslo's Skøyen district were demolished during 2013. Construction of the new building, which has acquired the address Verkstedveien 1, covers a total of 30 000 square metres (primarily office space). Completion is scheduled for the second quarter of 2015 under a turnkey contract awarded to Skanska. The letting ratio at 31 December was 45 per cent, with the Norwegian Public Service Pension Fund, Expo Nova and Sektor Gruppen as the biggest tenants.

Financing strengthened

The scope of the big development projects has contributed to a temporary decline in revenues at the same time as capital requirements for funding the projects have increased. Financing and liquidity for executing all the development projects under way were established in 2013 and at the beginning of 2014. Work continued in the latter year on continuous optimisation of the financing.

- The company's existing credit facilities with Danske Bank and DNB were expanded in the first quarter of 2014 with a revolving facility which provided drawing rights of up to NOK 600 million. During the fourth quarter, the company entered into an agreement with Danske Bank and DNB

on extending the facilities which had an original maturity of June 2015 until December 2016. At the time the extension was agreed, overall available financing for this part of the main facilities was around NOK 4.4 billion, including drawn and undrawn loans (a total of NOK 8.7 billion in financing was available for the full main facilities). The commercial terms were marginally improved in the extended agreement. Maturity for the remainder of the main facilities is June 2017.

- Norwegian Property issued two bond loans totalling NOK 700 million in 2014. A secured bond loan of NOK 350 million with a term of five years was issued in the Norwegian bond market during the second quarter. This loan carries an interest rate of three months Nibor plus a margin of 1.3 per cent. It is secured with a first-preferred mortgage on the Lysaker Torg 35 property within a loan-to-value ratio of 68 per cent. During the third quarter, similarly, a secured bond loan of NOK 350 million with a five-year term was issued in the Norwegian bond market at an interest rate of three months Nibor plus a margin of 0.98 per cent. It is secured with a first-preferred mortgage in the Bryggegate 7-9 and Holmsgate 1 properties within a 66 per cent loan-to-value ratio. Used to refinance existing credit facilities, these loans have contributed to differentiating the group's financing on favourable terms. The bonds are listed on the Oslo Stock Exchange.

Optimisation of the property portfolio

As part of its strategy for active management of the property portfolio, Norwegian Property sold two fully developed and let properties during 2014.

- A sales agreement for Finnestadveien 44 in Stavanger was entered into in July 2014 for transfer in August 2014. The gross agreed value of the property was NOK 733 million, about NOK 42 million above the carrying amount. The buyer was W P Carey Inc. This property comprises two office buildings – one new covering 3 600 square metres and an existing facility of 22 000 square metres. Norwegian Property entered into an agreement in 2012 with Total E&P Norge AS on an extension to the building as well as a 10-year extension of the existing lease to 2013. Work on the extension began in 2013, and it was taken over by the tenant in

June 2013. Backe Bygg was the construction contractor.

- A sales agreement for Maridalsveien 323 in Oslo's Nydalen district was entered into in August 2014 with Ness, Risan & Partners. The gross agreed value of the property was NOK 344.7 million, and the transaction was completed in early September. The sales value accorded with the carrying amount. Maridalsveien 323 is an office building of 19 700 square metres and fully leased.

Focus on letting and managing properties in regular operation

Operations in Norwegian Property are temporarily affected by a high level of conversion activity. At the same time, great attention is being paid to letting and managing properties in regular operation.

- A number of large leases have been awarded in relation to properties in regular operation. Extensions include an agreement with Skanska Norge AS on extending the existing lease for all 10 900 square metres at Drammensveien 60 in Oslo from the original expiry date of 31 August 2015 to 28 February 2017. The level of rent during the extension period will increase by just over 17 per cent from the earlier lease. New signings include a 10-year lease for Protector Forsikring covering 2 900 square metres in the Fund Building at Aker Brygge.
- The Norwegian Lessee Index has conducted its annual survey of tenant satisfaction. Although many tenants, especially at Aker Brygge, are currently experiencing inconveniences because of the extensive construction work, Norwegian Property achieved a score of 76 for 2014. The company has thereby positioned itself among Norway's leading property companies in terms of tenant satisfaction. This is a result of its efforts to reach the goal of being the country's most tenant-oriented property company.
- Vacancy for properties in regular operation related at 31 December primarily to Stavanger and Nydalen. Vacancy for the property portfolio in the latter district was reduced in both 2013 and 2014.

Strategic process for portfolio of properties in Stavanger

Several of the company's properties in Stavanger are falling vacant because of a strong focus on costs and reduced demand

for office premises from the oil and offshore sector. The board initiated a strategic process in 2014 for the Stavanger portfolio in order to study optimum utilisation of each property and the future ownership of the portfolio.

- The lease for Badehusgata 33-39 with the former tenant, Aker Solutions, expired in 2013. This building covers 21 100 square metres. New leases covering 4 300 square metres were awarded in 2014.
- Statoil has been the tenant of Grenseveien 19 and 21 and sub-tenant of Forusbeen 35. These three properties have gross areas of 5 500, 28 000 and 23 300 square metres respectively. The leases held by Statoil for Grenseveien 19 and 21 expired at the beginning of 2015 and have not been extended. Telenor has been the tenant at Forusbeen 35 and has largely sublet the premises to Statoil. The lease with Telenor expires in 2015. Telenor will become a new tenant at Badehusgata 33-39, while Statoil moves out of Forusbeen 35.

STRATEGIC GOALS

Competitive return with balanced risk

Norwegian Property has a long-term goal of delivering a return on equity before tax of 10 per cent, including on-going operational results and the rise in value. In order to deliver a satisfactory return, the company's attention is focused on all the long-term value drivers for property players:

- marketing and letting
- property management
- property development
- transactions and financing.

Norwegian Property's long-term goal is to distribute a dividend which represents a high proportion of the company's current cash flow, defined as net profit after tax payable but before value changes. When determining dividend payments, the board will also be concerned with ensuring an optimum capital structure in relation to new investment opportunities and possible investment needs in the existing portfolio. The board will seek to facilitate quarterly dividend payments. In view of the company's efforts to secure good financial freedom of action, the board has signalled that dividend could lie below the long-term target for a time.

The most satisfied customers

Norwegian Property's vision is that the property profession first and foremost involves creating meeting places which encourage engagement and provide favourable conditions for developing relationships between people and with stakeholders. This philosophy pervades the whole of the company's property business, which embraces development, administration, day-to-day management and maintenance. The long-term aim is to be regarded as Norway's most tenant-oriented property company.

Environmental improvement in line with the best in the industry

Norwegian Property applies a broad definition of its corporate environmental and social responsibility. This includes clearly defined targets for measures to protect the environment as well as high aesthetic standards for buildings and outside areas in the local environment. On the basis of the status in 2011, the most important main targets up to 2015 are specified below in the section on [corporate social responsibility](#).

In addition, environment-related targets have been set for all current newbuild and rehabilitation projects.

Investment strategy

Norwegian Property has a focused strategy for investment based on the following main parameters:

- attractive properties in office clusters close to traffic hubs in the largest Norwegian cities
- office properties and possible retail premises associated with these
- high-quality tenants, a diversified lease-term structure and a high level of inflation adjustment in the leases
- environment-friendly properties
- active management of the portfolio through transactions, including the purchase of properties with value development potential.

Financing strategy

Norwegian Property's ambition is to deliver a competitive financial return over time with a balanced financial risk profile. The main parameters of its financial strategy are:

- a goal that the loan-to-value ratio will be a maximum of 65

per cent of the total carrying amount of the company's investment properties over time

- borrowing will be based on long-term relationships with banks which have a long-term strategy in the Norwegian property market
- an ambition to achieve a stable development in cash flow which requires a relatively high level of interest rate hedging, at 50-80 per cent of total borrowing over time.

MACROECONOMIC CONDITIONS

Reduced demand from the petroleum sector and low growth in household demand contributed to a slowdown in the Norwegian economy at the end of 2014.

Investment in the petroleum industry declined in 2014, marking a substantial turnaround after many years of strong expansion. The sharp fall in oil prices during the second half of the year has contributed to a focus by the oil companies on reducing costs, and means that a number of investment projects are being put on ice. The decline in activity for the oil business is drawing down the growth in gross domestic product (GDP), both directly and through spin-offs in the form of reduced demand from households and industries delivering to the petroleum sector.

Viewed as a whole, economic growth in Norway's trading partners declined during 2014 after making progress the year before. Seen in isolation, the fall in oil prices will help to boost growth for most of Norway's trading partners, but this upturn is moderated by high levels of public-sector and household debt in many OECD countries. The weak trend is helping to keep foreign interest rates generally low.

The oil price slump during the second half of 2014 has led to a weakening of the Norwegian krone, and helped to improve the country's competitiveness in cost terms. That has encouraged a positive development for several of Norway's export industries.

Prospects for weaker economic conditions have helped to keep interest rates low. Long-term swap rates accordingly fell during 2014. The Bank of Norway reduced its official interest rate by 0.25 percentage points in December 2014 – the first change in this figure since March 2012. In addition, good capital availability in loan markets also meant that interest margins in the banks experienced a fairly substantial reduction

during 2014 and total borrowing costs for new property financing have been declining.

Statistics Norway (SSB) expects that economic conditions will help to reduce pay growth from 3.9 per cent in 2013 and 3.3 per cent in 2014 to 3.1 per cent in 2015. At the same time, the weakening in the krone exchange rate will push growth for the consumer price index up from 2.1 per cent in 2014 to 2.6 per cent in 2015. The rise in real earnings accordingly slowed from 2013 to 2014, and will decline further in 2015. That will restrain growth in household consumption, which is expected to slow from 2.1 per cent in 2014 to 1.4 per cent despite the reduction in interest rates.

The weak trend for output in the time to come is likely to contribute to a very modest growth in employment over the next two years. A reduction in the working population and lower immigration are expected to help limit the rise in unemployment, which the SSB forecasts will reach four per cent in 2016. Norwegian unemployment rose from 3.2 per cent of the workforce in 2012 to 3.5 per cent in 2013 and had reached 3.7 per cent at 30 September 2014. Projections indicate a substantial increase in Norway's total population over the next few decades. This rise is expected to be particularly strong in central urban areas such as Oslo and Stavanger.

THE MARKET FOR COMMERCIAL PROPERTY

According to Akershus Eiendom, overall vacancy for offices in the Oslo area at 31 December 2014 was around seven per cent, on a par with the level at 1 January. Construction starts and completions for new premises are expected to remain low over the next few years. At the same time, the trend towards converting space into residential purposes is continuing. Although demand has also moderated accommodation, the low growth in available space indicates declining vacancy and limited risk for a fall in rents over coming years.

After several years of growth, the rise in rents for central Oslo and Skøyen was small in both 2013 and 2014. Rent developments for other areas, such as Lysaker and Nydalen, have been relatively stable for a number of years.

Demand in Stavanger has been affected by the focus on costs in the oil and offshore sector. Good availability of land and growing vacancy are putting pressure on rents. The slow-down in demand should also reduce newbuild activity. Over-

all, rents are accordingly expected to be relatively stable in the time to come.

Akershus Eiendom's estimate for the overall transaction volume in 2014 was about NOK 50 billion, which did not include the stock market listing of Entra Eiendom. By comparison, the total volume in 2013 was about NOK 40 billion. Increased interest from foreign investors, combined with good and stable access to loan capital, suggests that the level of activity in the transaction market will remain good.

RISK AND RISK MANAGEMENT

Through its activities, Norwegian Property manages major financial assets which are exposed to substantial risk factors, such as development projects, interest rates and the letting market. The organisation has relatively few employees, and the group's management model is therefore based on an appropriate delegation of responsibility for profits, clearly defined operational parameters and effective internal control.

Overall targets are established and further refined through continuous updating of the company's strategy. On the basis of this strategy, the values base and the ethical guidelines, an overall management instruction has been established with the specification of authorities for delegating responsibility to defined roles in the organisation. Policies have furthermore been established for managing and handling risk in the most important risk areas, such as operations, financing and development. Based on these overall policies, governing processes and routines have been established for day-to-day management. The board regularly reviews the company's governing documents.

The administration prepares monthly activity reports which are considered at board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status in relation to targets, important operational conditions, financial conditions, and a description of the status of risk areas. Quarterly financial reports are also prepared and then reviewed by the audit committee ahead of the board meeting. In connection with the presentation of the annual financial statements, the executive management prepares estimates and makes assumptions about the future. The consequent accounting estimates will be subject by definition to uncertainties. Estimates and

assumptions which represent a substantial risk of significant changes to the carrying amounts of assets and liabilities in forthcoming accounting periods relate primarily to developments in the value of investment property.

In connection with its annual consideration of Norwegian Property's strategy, the board reviews the most important risk areas facing the company and the internal controls established to handle and minimise these.

Financial risks

The group's financial risks relate primarily to changes in equity as a result of adjustments to the value of the property portfolio, the effect of interest rate changes on profits and liquidity, liquidity risk, and profit effects when refinancing debt and implementing major development projects.

Efforts are made to dampen the effect of interest rate changes on profits and liquidity through hedging. At 31 December 2014, 68 per cent (2013: 81 per cent) of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.6 years (2013: 4.6 years). Fluctuations in short- and long-term market interest rates will accordingly have a limited impact on the group's interest expenses before changes in the value of derivatives.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 576.5 million (2013: NOK 1 175.9 million). The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements, and to requirements arising from the group's current and planned development projects at any given time.

The group's credit facilities incorporate financial covenants related to interest cover and the loan-to-value ratio. It was in compliance with these and other conditions in the credit agreements related to its liabilities at 31 December 2014.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases, and the average remaining term at 31 December was 6.2 years (2013: seven years). However, some of the group's buildings have short remaining lease terms and considerable

efforts are accordingly being devoted to re-letting and manifesting the potential of these properties.

The commercial property leases provide fixed revenues over their term. The majority of the leases are fully adjusted for changes in the consumer price index (CPI).

Vacant space in the group's portfolio was 29.7 per cent of the total at 31 December (2013: 27.3 per cent), with strategic vacancy related to current and planned conversion projects at Aker Brygge and Skøyen accounting for about 15.2 percentage points. The conversion period will terminate in the first half of 2015, and temporarily means a continued high level of vacancy in those parts of the portfolio affected by the projects. In addition, vacancy related to the Stavanger portfolio accounted for 10.9 percentage points of the total. Other vacancy was responsible for 3.6 percentage points.

Development risk

Extensive conversion and refurbishment projects have been pursued during recent years in relation to the group's properties at Aker Brygge and Skøyen. Although the projects are regarded as adding value to the group's portfolio, the refurbishment involves risk – including in relation to the future letting ratio and level of rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments.

To handle the risk associated with development projects, the group has established a competent organisation with relevant experience from and knowledge of similar development projects. In addition, the group benefits from competent external resources to reduce risk related to its development projects. Norwegian Property has developed tools for project management and execution, and the board receives monthly reports on the progress of the projects and identified risk areas.

Credit risk

Norwegian Property's portfolio of office properties is characterised by high quality, central locations and a financially sound and well diversified set of tenants. Bad debts have been limited in recent years. Tenants of the group's office properties normally pay rent quarterly in advance. In addition, most leases require security for rent payments either in the form

of a deposit account containing a sum equivalent to three months rent or as a bank guarantee. The group checks the credit rating and history of new tenants. As a result, the risk of direct losses from defaults or payment problems appears to be limited and relates primarily to re-letting of premises.

Liquidity risk

The group's ambition is to have sufficient liquidity/drawing rights to meet its obligations, including existing development projects. It also seeks to maintain a sensible level of liquidity to meet unexpected commitments. The financing strategy aims to maintain flexibility in the market and to cope with fluctuations in rental income. One goal is that liquidity will consist as far as possible of available revolving credit and overdraft facilities rather than cash holdings.

Norwegian Property has a high level of hedging against fluctuations in market interest and exchange rates, which reduces the need for liquidity to meet unexpected commitments in these areas. Despite strategic vacancy as a result of the rehabilitation projects, the group generates a positive cash flow from operations. Other liquidity risk relates first and foremost to servicing instalments on and redemption of loans.

At 31 December, the group had interest-bearing debt of NOK 9 635.4 million (2013: NOK 8 947.4 million), with an average remaining term of 2.8 years. Debt instalments and redemption during 2014 totalled NOK 13.5 million, including capitalised expenses, and are classified as current liabilities in the consolidated balance sheet at 31 December. The group had a liquidity reserve of NOK 576.5 million at the same date.

GROUP ACCOUNTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and consistent accounting principles are applied to all the periods presented.

Going concern assumption

Pursuant to the requirements of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The financial statements for 2014 have been prepared on that basis.

Income statement

The consolidated income statement for 2014 embraces the portfolio of 39 properties at 31 December, plus properties sold during the year up to their disposal date (Finnestadveien 44 was sold at 8 August and Maridalsveien 323 at 1 September).

Gross rental income totalled NOK 738.6 million (2013: NOK 769.8 million). Adjusted for the purchase and sale of properties and buying-out of leases, this represented an increase of NOK 12.5 million from 2013. That is primarily attributable to the rise in rents from phasing-in development projects.

Maintenance and other operating costs totalled NOK 60.4 million (2013: NOK 58 million). Other property-related costs totalled NOK 75.6 million (2013: NOK 64.1 million). The 2014 rise reflected increased marketing activity and shared costs charged to the owner as a result of vacancy in development projects. Administrative owner costs totalled NOK 63.5 million (2013: NOK 60.7 million). Operating profit before fair value adjustments was thereby NOK 539.1 million (2013: NOK 586.9 million). No costs related to research and development activities were recognised in the accounts for either 2013 or 2014.

Accounting increases to the fair value of the company's property portfolio totalled NOK 354.8 million in 2014, compared with impairment charges of NOK 562.6 million the year before. The rise in fair value reflected completed investments and reduced risk related to development projects as well as new leases and a general reduction in the required rate of return for a number of properties. The fair value of certain properties with a short remaining lease term and uncertainty related to future letting has been reduced.

Financial income, which consists largely of interest income, totalled NOK 1.7 million (2013: NOK 20 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 383.2 million (2013: NOK 432.6 million).

The change in fair value for financial instruments used to manage interest and exchange rate risk was negative at NOK 382.7 million (2013: positive at NOK 97.9 million). Profit before tax was thereby NOK 129.7 million (2013: loss of NOK 287.6 million).

NOK 95.6 million in tax income is recognised in the 2014 accounts (2013: NOK 56.7 million). As a result, the net profit for the year was NOK 225.3 million (2013: NOK 230.9 million).

Cash flow

Net cash flow from operating activities was negative at NOK 71.2 million (2013: positive at NOK 45.9 million). This reduction reflected the decline in operating profit before fair value adjustments and adjustments to the group's portfolio of interest rate hedges. Operating profit before fair value adjustments, corrected for net realised financial items, came to NOK 157.6 million in 2014. The difference compared with net cash flow from operating activities relates to the buy-out of interest hedging contracts expensed under changes in the fair value of financial instruments, changes in working capital and the accrual effect of accrued interest at 31 December.

Net cash flow from investing activities was negative at NOK 661.6 million (2013: NOK 106.9 million). Cash flow from the disposal of properties totalled NOK 1 032.4 million. Acquisition of and capital spending on investment property totalled NOK 1 693.9 million.

Net cash flow from financing activities was positive at NOK 692.5 million (2013: negative at NOK 588.1 million) following an increase in interest-bearing debt.

The net change in cash and cash equivalents was negative at NOK 40.2 million (2013: positive at NOK 649 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 21.7 million (2013: NOK 62.9 million). In addition, the group had NOK 558 million in unused drawing rights at 31 December (2013: NOK 1 116 million). Total equity was NOK 5 290.2 million (2013: NOK 5 057.5 million), representing an equity ratio of 32.9 per cent (2013: 33.6 per cent). Carried equity per share came to NOK 9.65 (2013: NOK 9.22).

Interest-bearing debt at 31 December was NOK 9 635.4 million (2013: NOK 8 947.4 million). At 31 December, the average interest rate on the company's loans was 4.57 per cent (2013: 4.72 per cent). The average loan margin was 1.40 per cent (2013: 1.45 per cent). The average remaining term to maturity for the loans was 2.8 years (2013: 3.1 years).

The company had entered into net interest rate hedging contracts corresponding to a hedging ratio of 68 per cent (2013: 81 per cent) at 31 December. The average remaining term of the interest rate hedges was 4.6 years (2013: 4.6 years). The hedging is not subject to hedge accounting.

PROPERTIES

Commercial property

Norwegian Property has a portfolio comprising high-quality properties in the most central and attractive areas of Oslo and Stavanger, and is thereby well positioned to attract new tenants and retain existing ones. The group has pursued an extensive conversion programme in recent years embracing the properties at Aker Brygge and Skøyen. Due to be completed in 2015, this work has temporarily increased vacancy and reduced rental income in those parts of the portfolio affected by the projects. When the programme has been completed, Norwegian Property will be able to offer leases for first-class premises in Oslo's most attractive area for offices, retailing, eating out and entertainment.

Gross rental income from the group's office premises totalled NOK 738.6 million (2013: NOK 769.8 million). The average remaining term of the portfolio's leases at 31 December was 6.2 years (2013: seven years), and rents are adjusted annually by an average of 99.8 per cent of the CPI.

Norwegian Property has financially sound and attractive tenants from both private and public sectors. The 25 largest tenants accounted for 70.6 per cent of annual rental income at 31 December.

A total of 75 leases with an overall annual value of about NOK 144 million were awarded or renegotiated by the company during 2014. At 31 December, vacancy in the group's portfolio was strongly affected by the development projects as well as by vacancy in the Stavanger portfolio, and amounted to 29.7 per cent compared with 27.3 per cent a year earlier.

The overall letting ratio for the development projects at Aker Brygge was 87 per cent at 31 December. The project at Stranden 3 (the Workshop) was completed at the end of 2015. Those at Stranden 1 (the Terminal Building) and Stranden 5 (Quay Building I) will be completed in the first quarter of 2015.

An overall letting ratio of 45 per cent had been achieved for the Verkstedveien 1 project at Skøyen by 31 December. Work there will be completed in the second quarter of 2015.

Vacant space not associated with development projects at 31 December related primarily to properties in Stavanger as well as some vacancy for the property portfolio in Nydalen.

Valuation of the properties

The company's valuation process is based on quarterly external valuations, supplemented by internal analyses where the company makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. Based on this process, all the properties were valued on 31 December 2014 by two independent professional specialists. DTZ Realkapital and Aker-shus Eiendom conducted these valuations. The company has concluded that the average of these valuations can be used as the basis for recognising the investment properties at fair value at 31 December 2014. The valuation models used for these assessments are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses, upgrading costs and the risk of vacancy are made on a property-by-property basis.

The executive management and the board have made independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. The conclusion is that the external valuations provided a realistic assessment of the value of the properties. The total carrying amount of the company's investment properties was NOK 15 796.5 million at 31 December 2014 (2013: NOK 14 762.6 million). The increase in fair value reflects completed investments and reduced risk related to development projects as well as new leases and a general reduction in the required rate of return for a number of properties. The fair value of certain properties with a short remaining lease term and uncertainty related to future letting has been reduced.

EVENTS AFTER THE BALANCE SHEET DATE

No significant incidents since 31 December 2014 provide information concerning the conditions which existed at the balance sheet date.

After the holding of Geveran Trading Co Ltd, the largest shareholder in Norwegian Property, exceeded one third of the total number of shares in 2014, a mandatory offer was made for the remaining shares in the company. Following the expiry of the offer period in January 2015, Geveran Trading Co

Ltd's shareholding corresponding to roughly 43.3 per cent of the shares in the company.

PARENT COMPANY ACCOUNTS AND COVERAGE OF NET LOSS

The parent company, Norwegian Property ASA, made a net loss of NOK 465.5 million in 2014 (2013: profit of NOK 45.3 million), in part following provision for a negative change in the fair value of financial instruments. The board proposes that the net loss for the year be set against other paid-in equity.

Given the temporary liquidity requirements related to the high level of conversion activity, the board will propose to the annual general meeting in April 2015 that no ordinary dividend be paid.

CORPORATE SOCIAL RESPONSIBILITY

Overall guidelines

A strategy for corporate environmental and social responsibility has been prepared by Norwegian Property with the goal of being a responsible social player as a property company, a contributor to shaping policy for the industry, and an employer. A basic requirement in this respect is that the group conducts a profitable and sustainable business. Long-term profitability is fundamental for exercising corporate social responsibility (CSR) in such respects as providing good, secure jobs, implementing environmental measures in the property portfolio in the shape of more energy-efficient solutions and reduced emissions from the buildings, ensuring good working conditions for the group's tenants, and contributing to positive development in those urban districts where Norwegian Property conducts its business.

Norwegian Property builds its guidelines for CSR on the basic principles of the UN's Global Compact, which aim to safeguard human rights, standards in working life, environmental protection and measures to combat corruption. The group will moreover observe all applicable legislation and statutory regulations where it has its operations.

The guidelines for CSR have been approved by the board and published on the company's website. Their purpose is to ensure that CSR is exercised in accordance with the established base values and ethical guidelines, guidelines for corporate governance, and the group's long-term value crea-

tion for shareholders, employees, customers and society. The guidelines apply to all employees of the group and to the directors when they act on behalf of the company. The board is responsible for seeing to compliance with the guidelines.

Ensuring compliance with all the guidelines for CSR is an integral part of the group's internal control. The group will continuously assess the social consequences of its business and implement improvements and measures where necessary. All significant breaches of the guidelines must be reported to and followed up by the board.

The most important goals for CSR defined for the 2011-15 period are as follows.

Resources:

- a 30 per cent reduction in energy consumption
- more than 30 per cent cut in carbon emissions
- over 60 per cent waste sorting in the buildings
- five per cent reduction in water consumption
- more than 90 per cent of waste sorted on building sites
- 100 per cent water-borne heating in new/rehabilitated buildings
- Breeam "very good" and class B buildings, if possible "excellent" and class A in new/rehabilitated buildings

Tenants and market

- strengthen reputation
- tenant satisfaction index for the company's environmental image and social responsibility exceeding 70 (Norwegian Lessee Index)
- proactive collaboration with tenants
- no personal injuries in areas the company is responsible for

Stakeholders and society

- forward-looking local developments
- active participation in industry associations
- display involvement in the local community
- concentrate the portfolio around traffic hubs

Employees and suppliers

- no breaches of ethical guidelines
- develop relevant environmental expertise
- responsible supplier/contractor management

- lost-time injury (LTI) frequency of less than five per million hours worked.

The natural environment

From an environmental perspective, the strategy means that Norwegian Property will seek to prevent or reduce undesirable environmental effects from its business. It wants to contribute to increased value for society through local developments. The group is pursuing several large conversion and upgrading projects. Urban development and planning occupy a key place in several of these. Norwegian Property has a slogan that it wants to be "generous with aesthetics and stingy with energy". Local measures with a global effect sum up the group's contribution to the environment. This environmental commitment has been termed "Glocal".

Norwegian Property applies a broad definition of its corporate environmental and social responsibility. This includes clearly defined goals for environmental protection as well as high standards for the aesthetic design of buildings and outdoor spaces in the local environment. Norwegian Property sets strict standards for its partners and suppliers, and will be a good facilitator for its tenants. The basis for Glocal is the international Breeam standard, energy certification by the Norwegian Water Resources and Energy Directorate (NVE) and the group's own self-imposed measures and goals.

Environmental analyses have been conducted for each of the company's buildings, with associated measures to reduce energy consumption. Based on a set of priorities, the company has started work on implementing the various proposals. Enova supports the work and has provided some NOK 33 million in investment grants for the measures. This is being done in close cooperation with tenants for buildings in regular operation.

Results are measured for those buildings which have been in regular operation or for completed projects where measurable figures have been obtainable for energy consumption, carbon emissions, proportion of waste sorted and water consumption. The base data have been delivered by Norwegian Property, with CO₂focus providing support in processing and verifying the figures for energy consumption and carbon emissions. The status in relation to the goals set at 31 December 2014 is presented in the table, where reductions and increases

are measured in relation to the status at 31 December 2011.

Measure	Goal by 2015	Status at 31 Dec 2013	Status at 31 Dec 2014
Reduction in energy consumption per sq.m (per cent)	30	6	15
Reduction in carbon emissions per sq.m (per cent)	30	4	31
Proportion of waste sorted in buildings (per cent)	60	35	40
Tenant satisfaction index, environmental	Over 70	62	74

The goals for reducing energy consumption and carbon emissions by 2015 assume, among other conditions, that the expected environmental gains are realised from the big construction projects at Aker Brygge. These remained to a great extent unfinished at 31 December 2014, and the environmental effects are expected to be realised as the buildings become leased and brought into regular operation. The buildings at Aker Brygge are linked to a common energy centre, which became operational in the summer of 2014. This will yield its best effect when all the buildings connected to it are in use.

Work is under way to secure reliable and historically comparable figures for water consumption in the buildings. Water meters connected to the central EOS monitoring system are being installed in the buildings.

The proportion of waste sorted has shown a good improvement since 2011. Attention has concentrated on achieving an increase at Aker Brygge, since the buildings there account for the largest share of the waste. The project at Aker Brygge has boosted the proportion of sorted waste from 15 per cent in 2011 to 40 per cent in 2014. Installing new waste collection points in several of the buildings at Nydalen during 2015 will also contribute to improved results.

Measure	Goal	Workshop (Stranden 3, Aker Brygge)	Terminal Building (Stranden 1, Aker Brygge)	Quay Building I (Stranden 5, Aker Brygge)	Verkstedveien 1 Monier (Skøyen)
Waste sorted at building sites	Over 90 per cent	93 per cent	87.3 per cent	85.0 per cent	86.8 per cent
Water-borne heating	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent
Ecolabelling of buildings	Minimum Breeam "very good" and class B, "excellent" and class A if possible	Class B (offices) and class C (retail)	Determined on completion	Determined on completion	Determined on completion
LTI frequency for 2014	Less than 5	-	6.8	20.1	17.7

Where newbuild and rehabilitation projects are concerned, the status for current projects compared with goals at 31 December 2014 is presented in the table below.

The proportion of sorted waste met the building site goal for the completed project in the Workshop, and is currently close to target for the projects still under way. All the projects will meet the goal for water-borne heating, while ecolabelling for current projects will be determined when they are completed. On the basis of an overall assessment, the project in the Workshop, which includes offices, retail space and restaurants, has not been configured for ecolabelling corresponding to Breeam "very good" and a class B building. The LTI frequency was very low in 2014 for the Workshop project and marginally above the goal for that in the Terminal Building. It has been too high for Quay Building I and Verkstedveien 1, and continuous efforts are being devoted to measures for improving safety in cooperation with the contractors.

Combating corruption

Norwegian Property wants fair and open competition in all markets, sets high standards of personal and professional integrity, and does not tolerate any form of corruption or bribery. It wishes to conduct an open, reliable and attentive communication with stakeholders and society in general.

Corruption is among the most damaging actions a company can suffer from, and can involve financial and reputational loss. Moreover, the human consequences are often serious and extensive. Corruption has occurred earlier in the Norwegian construction industry. Norwegian Property wants to help combat it in all its forms. This is ensured first and foremost through its work as a responsible investor and owner, as a responsible buyer and through implementing and following up ethical guidelines.

Norwegian Property has its own ethical guidelines approved by the board and published on its website. These specify that the company will pursue an acceptable, ethical and sound business at every level, with stringent standards set for its employees. Its ethical guidelines provide norms and rules which apply to all employees. They also apply to directors when these act on behalf of Norwegian Property.

The company's reputation depends on the behaviour of its employees. These are expected to conform with the company's base values by behaving responsibly towards colleagues, business contacts and society in general. The company requires each of its employees at all times to discharge their duties in accordance with their own best objective judgement, to act with the greatest integrity, and to treat everyone they come into contact with in an equitable manner and with respect. Norwegian Property rejects corruption, bribery and other conditions which reduce competition or give advantages to the company or its employees. Its personnel must not accept gifts which could affect their own integrity or decisions or those of others, or which could be perceived to do so. Norwegian Property's employees must not work on behalf of the company on matters where they have personal interests, or where others could perceive such interests.

Norwegian Property has prepared detailed processes for procurement covering the whole process from identifying a need to implementing a purchase. One purpose of these processes is to help limit opportunities for corruption related to procurement. This is achieved in part by documented processes and the highest possible degree of work sharing, and by requirements on who can be used as suppliers. Norwegian Property seeks to utilise suppliers with comparable ethical standards and attitudes. Suppliers represent Norwegian Property, and those it collaborates with must accordingly conform with its core values. The following minimum standards are set for suppliers and possible sub-suppliers:

- financial strength and the capacity to deliver
- a good history for compliance with legal requirements (business conduct, use of unregistered workers and so forth)
- satisfy requirements for health, safety and the environment (HSE), internal control and so forth
- ethical and environmental guidelines which accord with

Norwegian Property's strategy

- membership of the StartBANK register for suppliers.

StartBANK is a joint supplier register used by purchasers in Norway's construction, public administration, insurance and property sectors to support serious suppliers and provide updated and checked supplier information. With 3 600 suppliers evaluated on the basis of predetermined approval criteria, StartBANK provides an equitable, open and secure solution for selecting reliable suppliers. This gives suppliers the opportunity to compete on equal terms, contributes to the use of serious players, and creates new business opportunities for both purchasers and suppliers. StartBANK is being continuously developed to meet the increasingly demanding legal guidelines and requirements for risk management in the construction industry.

Compliance with the guidelines implemented to combat corruption is checked. In early 2014, for example, a relationship analysis was conducted by comparing internal and external data for employees, suppliers and so forth in order to uncover possible risky links for further investigation.

A company which provides operational services at Aker Brygge reported its chief executive to the police in December 2014 for substantial misappropriation of funds and gross breach of trust. The fraudulent conversion is in the order of NOK 23 million. All co-owners at Aker Brygge are shareholders in Bryggedrift AS. As a participant in the properties held in common, Norwegian Property has a non-controlling interest in this company. Norwegian Property has contributed to an independent investigation of the conditions, including as a basis for improving internal routines in the company.

Norwegian Property found no other evidence of fraud, corruption or attempted corruption in its business during 2014.

Employee rights and social conditions

Norwegian Property wants employees who behave in conformity with the group's base values. The latter rest on four core values which form the foundation of the group's corporate culture:

- collaborative
- courageous
- innovative
- attentive.

Norwegian Property is an expertise-driven organisation and aims to be an attractive employer where employees thrive.

Active provision will be made for developing personnel in order collectively to form a leading professional team in the Norwegian property sector. Emphasis is given when recruiting staff to combining professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation.

Continuous efforts are devoted to knowledge development in the form of tailored training, so that each employee can fully master their job and develop in step with changing requirements. Backed by individual development plans, employee progress and training requirements are followed up through job reviews and continuously during the year. Based on goals for personal development, employees can apply for financial support to pursue further or continuing education.

Contributions to a good working environment are also sought through attractive premises, a dynamic workplace and challenging assignments.

Norwegian Property regularly carries out employee satisfaction surveys to determine how its employees regard the company as a workplace and to identify possible areas needing development.

Where equal opportunities and inclusion are concerned, efforts are made to ensure that all employees receive the same opportunities for personal and professional development, and that both new and existing personnel are treated equally regardless of their gender, age, ethnic origin or possible disabilities. The company does not accept any form of discrimination – on the basis of gender, race, religion or orientation, for instance.

Norwegian Property has a conscious attitude to equal opportunities when recruiting personnel. But the construction and property sectors are male-dominated, and that creates some challenges for efforts to increase the female proportion in certain posts. The group had 57 employees at 31 December, compared with 56 a year earlier. Thirty-eight of the company's 57 employees are male and 19 are female. The executive management comprises five people, all of whom were men at 31 December. At the date when the financial statements were presented, the board comprised three directors – two male and one female.

Norwegian Property observes established standards of

working life, and will comply with all requirements enshrined in relevant legislation. The group seeks to apply working methods which ensure good working conditions, with high standards of HSE. Day-to-day operations take account of HSE considerations. These are important for Norwegian Property because the group is dependent on maintaining high standards for the health and well-being of its employees in order to succeed. Its strategy involves zero tolerance of serious personal injuries suffered in relation to Norwegian Property's properties and areas of responsibility.

A dedicated plan for safety, health and the working environment is established for all major development projects. At the same time, an independent construction client representative for safety, health and the working environment is taken on for these projects. Nine lost-time injuries were recorded in 2014 at Norwegian Property's sub-contractors for the development projects, compared with three the year before.

Sickness absence is an important HSE indicator. The total recorded for 2014 at Norwegian Property was 4.2 per cent, compared with 2.7 per cent in 2013.

Opportunities for employees to participate in determining their own working day forms part of HSE work. The practical follow-up is conducted through the working environment committee (AMU), where representatives of employees and management meet. During the year, the AMU deals with current working environment issues, future plans which could have substantial significance for the working environment and so forth.

Human rights

Norwegian Property supports and respects international human rights. Respect for the individual represents a fundamental guideline for the group. Everyone will be treated with dignity and respect, without discrimination on the basis of ethnicity, nationality, religion, age, gender, disability or sexual orientation. Children will not be used as labour.

As a property company with all its activities in Norway, Norwegian Property does not perhaps face the greatest human rights challenges in its everyday operations. But the suppliers it uses could be subject to bigger challenges, in part related to social dumping. In the construction industry, the latter could be associated with economic migrants whose pay

and employment conditions are significantly worse than for national workers. The greatest opportunities for Norwegian Property to promote, respect and prevent breaches of human rights accordingly lie in being a responsible purchaser of goods and services. Through its ethical guidelines and by acting as a responsible purchaser, the group seeks to help ensure that suppliers apply key principles which accord with its own.

EXECUTIVE MANAGEMENT

Tore Heldrup Rasmussen was appointed in August 2014 to a new post as commercial director in Norwegian Property ASA. He has long experience from business development, customer and marketing work in Procter & Gamble and Orkla, and for the past 12 years as a partner in MarkUp/Implement Consulting Group. He also has experience from a number of boardroom roles, including serving as a director of the Norwegian State Railways (NSB) group for the past 10 years.

BOARD OF DIRECTORS

After Geveran Trading Co Ltd had acquired a holding of 144 959 048 shares, corresponding to about 26.4 per cent of the company's shares and votes, it requested on 18 September 2014 that an extraordinary general meeting of Norwegian Property ASA be called to elect new directors and members of the nomination committee. An extraordinary meeting of Norwegian Property ASA was held on 10 October 2014. A new board was elected in accordance with the recommendation from the company's nomination committee. This comprised Henrik A Christensen as chair and Bjørn Henningsen, Nils K Selte, Camilla Hagen Sørli and Cecilie Astrup Fredriksen as directors. Espen D Westernen was elected as an alternate. All the directors were new with the exception of Selte, who had served as both chair and a director since December 2008. The nomination committee comprises Marianne E Johnsen as chair and Jan Ole Stangeland and Espen D Westernen as members.

Directors Selte and Sørli chose in January 2015 to resign from the board of Norwegian Property ASA with immediate effect. They are CEO and project manager respectively in Canica AS, which sold all its shares in Norwegian Property ASA during January 2015. The nomination committee will recommend new directors for election no later than the annual general meeting on 9 April 2015.

SHAREHOLDERS

Norwegian Property had 1 717 shareholders at 31 December, up by 170 from the same time in 2013 (1 547 shareholders). Foreigners owned 64.3 per cent of the shares, compared with 64.2 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the company's website.

CORPORATE GOVERNANCE

Norwegian Property's overarching principles for corporate governance are intended to secure an appropriate division of roles between the company's owners, board of directors and executive management. Such a division will ensure that goals and strategies are adopted, that the approved strategies are implemented in practice and that the results achieved are measured and followed up. The principles will also help to ensure that the company's operations are subject to satisfactory controls. An appropriate division of roles and satisfactory controls will contribute to the greatest possible value creation over time to the benefit of shareholders and other stakeholders. One goal is that good corporate governance will contribute to positive relations between Norwegian Property and its shareholders and other stakeholders. Corporate governance in the company will be based on the following main principles:

- the company will treat all shareholders equally
- the interests of the shareholders in general will be protected
- the company will provide full, accurate and correlated information about its operations at the right time, and present it simultaneously and with the same content to all recipients
- the division of roles between owners, board and executive management will preserve their independence and prevent conflicts of interest
- transactions with close associates will be conducted on an arm's-length basis
- compliance with the applicable code of practice for good corporate governance will be based on the "comply or explain" principle.

A detailed [presentation of the company's corporate govern-](#)

[ance](#), including a presentation of its internal controls, is provided at www.npro.no, in accordance with the Norwegian code of practice for corporate governance.

OUTLOOK

The Norwegian economy is expected to grow more slowly in 2015, in part as a result of lower oil prices. But expectations indicate an rising level of economic activity as early as 2016. The Bank of Norway has reduced interest rates, and a weaker Norwegian krone improves the competitiveness of traditional activities. Low oil prices are expected to stimulate international growth, and the level of activity in the Norwegian petroleum sector remains high despite being somewhat lower than in the past few years.

A good balance between supply and demand persists in the rental market for offices in Oslo. Overall vacancy is stable at around seven to 7.5 per cent of total space, and the risk of a significant fall in rents is accordingly regarded as limited. The market in Stavanger is rather more affected by a focus on costs and uncertainties in the oil and offshore sector. Availability of capital is good in the transaction market, and both market interest rates and credit margins declined during 2014. This indicates that the transaction market will remain robust, a view supported by transactions announced in late 2014 and early 2015 which suggests continued downward pressure on yields for commercial property.

Completion is approaching for Norwegian Property's major development projects in Oslo. The final projects at Stranden 1, Stranden 5 and Verkstedveien 1 will be finalised during the first half. In addition, upgrading and conversion work is being carried out at a number of the company's other properties. At the beginning of 2015, therefore, substantial space remains without rental income. But a steadily growing letting ratio for the development projects means that such earnings are set to rise in the future. Both project and letting risk are declining as the projects are completed. At the same time, top priority is being given to work on leasing the vacant space already in the portfolio and becoming available from the extensive upgrading projects. The market outlook is rather more uncertain in Stavanger, and work continues on a strategic process for optimum utilisation of each property and for the future ownership of the portfolio.

As new projects are completed, the company's attention is turning to a greater extent to expansion opportunities. Given a new ownership structure and board composition as well as the positive trend in the financial market, the new board together with the executive management is continuing the

strategy process which has the primary goal of strengthening the attention devoted to growth opportunities.

Rental income is expected to rise during 2015 in line with the completion of the projects and the phasing-in of new leases. Certain buildings still have high vacancy because some

large tenants are moving out. Overall, however, the board's ambition is that operational results will gradually improve through 2015.

Oslo, 11 February 2015


The board of directors of Norwegian Property ASA



Henrik A Christensen
Chair



Bjørn Henningsen
Deputy chair



Cecilie Astrup Fredriksen
Director



Olav Line
President and CEO

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INCOME STATEMENT 1 JAN-31 DEC

CONSOLIDATED

(Amounts in NOK million)	Note	2014	2013
Gross income	9	738.6	769.8
Maintenance and other operating expenses		(60.4)	(58.0)
Other property-related expenses		(75.6)	(64.1)
Total property-related expenses		(136.0)	(122.1)
Administrative expenses	18, 19	(63.5)	(60.7)
Total operating expenses		(199.5)	(182.8)
Operating profit before value adjustments		539.1	586.9
Change in market value of investment property	7	354.8	(562.6)
Other profit/(loss)		-	2.7
Operating profit		893.9	27.0
Financial income	10, 20	1.7	20.0
Financial cost	10, 20	(383.2)	(432.6)
Realised net financial items		(381.5)	(412.5)
Change in market value of financial derivative instruments	10, 11	(382.7)	97.9
Net financial items		(764.2)	(314.6)
Profit/(loss) before income tax		129.7	(287.6)
Income tax	17	95.6	56.7
Profit/(loss)		225.3	(230.9)
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) attributable to shareholders of the parent company		225.3	(230.9)
Earnings per share attributable to shareholders (amounts in NOK) ¹	21	0.41	(0.42)

¹ Diluted earnings per share is equal to earnings per share.

Note 1 to 26 are an integral part of the consolidated financial statements.

COMPREHENSIVE INCOME STATEMENT 1 JAN-31 DEC

CONSOLIDATED

(Amounts in NOK million)	2014	2013
Profit/(loss) for the year	225.3	(230.9)
Value adjustment and depreciation of owner-occupied property	10.1	4.3
Income tax related to value adjustment and depreciation of owner-occupied property	(2.7)	-
Total other comprehensive income for the year	7.4	4.3
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax	-	-
Total comprehensive income for the year	232.7	(226.6)
Total comprehensive income attributable to shareholders of the parent company	232.7	(226.6)
Total comprehensive income attributable to non-controlling interests	-	-

Note 1 to 26 are an integral part of the consolidated financial statements.

BALANCE SHEET AT 31 DECEMBER

CONSOLIDATED

(Amounts in NOK million)	Note	2014	2013
ASSETS			
Non-current assets			
Financial derivative instruments	10, 11, 12	6.6	15.6
Investment property	7	15 695.1	14 709.9
Owner-occupied property	7	101.5	52.7
Other fixed assets	8	43.9	52.2
Total non-current assets		15 847.2	14 830.4
Current assets			
Other receivables	10, 13	192.1	153.2
Cash and cash equivalents	3, 10	21.7	62.9
Total current assets		213.8	216.1
TOTAL ASSETS		16 060.9	15 046.5

(Amounts in NOK million)	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital	14	274.2	274.2
Share premium		3 412.3	3 412.3
Other paid-in equity		6 440.1	6 440.1
Retained earnings		(4 836.3)	(5 069.1)
Total equity		5 290.2	5 057.5
Non-current liabilities			
Deferred tax	17	67.4	160.3
Financial derivative instruments	10, 11, 12	824.6	602.2
Interest-bearing debt	10, 16	9 621.9	8 917.4
Non-current liabilities		10 513.8	9 679.9
Current liabilities			
Financial derivative instruments	10, 11, 12	2.7	0.3
Interest-bearing debt	10, 16	13.5	30.0
Other liabilities	10, 15	240.8	278.9
Total current liabilities		256.9	309.2
Total liabilities		10 770.7	9 989.1
TOTAL EQUITY AND LIABILITIES		16 060.9	15 046.5

Note 1 to 26 are an integral part of the consolidated financial statements.


Oslo, 11 February 2015

The board of directors of Norwegian Property ASA


 Henrik A Christensen
 Chair


 Bjørn Henningsen
 Deputy chair


 Cecilie Astrup Fredriksen
 Director


 Olav Line
 President and CEO



STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

(Amounts in NOK million)

	Share capital	Share premium	Other paid-in equity	Retained earnings	Total equity
Total equity 31 December 2012	274.2	3 412.3	6 440.1	(4 732.8)	5 393.7
Profit/(loss) for the year	-	-	-	(230.9)	(230.9)
Other comprehensive income for the year	-	-	-	4.3	4.3
Total comprehensive income for the year	-	-	-	(226.5)	(226.5)
Paid dividend	-	-	-	(109.7)	(109.7)
Total contributions by and distributions to owners of the parent	-	-	-	(109.7)	(109.7)
Total equity 31 December 2013	274.2	3 412.3	6 440.1	(5 068.9)	5 057.5
Profit/(loss) for the year	-	-	-	225.3	225.3
Other comprehensive income for the year	-	-	-	7.4	7.4
Total comprehensive income for the year	-	-	-	232.7	232.7
Total equity 31 December 2014	274.2	3 412.3	6 440.1	(4 836.3)	5 290.2

Note 1 to 26 are an integral part of the consolidated financial statements.

CASH FLOW STATEMENT 1 JAN-31 DEC

CONSOLIDATED

(Amounts in NOK million)	Note	2014	2013
Profit/(loss) before income tax for continued operations		129.7	(287.6)
Net financial items	11, 20	764.2	314.6
Interest received	20	1.7	20.0
Interest paid	15, 20	(421.4)	(424.7)
Buyout of derivatives	11	(149.0)	(81.5)
Depreciation of tangible assets	7, 8	8.2	6.0
Change in market value of investment property	7	(354.8)	562.6
Change in current items		(49.8)	(63.6)
Net cash flow from operating activities		(71.2)	45.9
Payments for purchase and development of investment property	7, 8	(1 693.9)	(1 211.0)
Received cash from sale of investment property	7	1 032.4	704.1
Received from payment of interest-bearing receivable (seller's credit)	10	-	400.0
Net cash flow from investing activities		(661.6)	(106.9)
Net repayment of interest-bearing debt	16	(1 165.5)	(2 693.4)
Proceeds from increase in interest bearing liabilities	16	1 858.0	2 215.0
Paid dividend	22	-	(109.7)
Net cash flow from financial activities		692.5	(588.1)
Net change in cash and cash equivalents		(40.2)	(649.0)
Cash and cash equivalents at the beginning of the period	3	62.9	712.0
Exchange rate effects	20	(1.0)	(0.1)
Cash and cash equivalents at the end of the period	3	21.7	62.9

The group uses the indirect model for the cash flow statement.

Note 1 to 26 are an integral part of the consolidated financial statements.

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CONSOLIDATED

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NOTE 1: General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 39 properties in Oslo and Stavanger at 31 December 2014.

The financial statements are approved by the Board on 11 February 2015 for final approval by the General Meeting on 9 April 2015.

NOTE 2: Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 - Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and effective as of 31 December 2014, and additional requirements according to the Norwegian Accounting Act as of 31 December 2014.

The consolidated financial statement has been prepared on a historical cost basis, with the modifications specified separately.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgments in the process of applying the group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in [Note 5](#).

The following standards have been considered and

adopted by the group for the first time for the financial year beginning on or after 1 January 2014 if they have a material impact on the group:

Amendment to IAS 32 Financial Instruments which clarifies when net presentation of financial assets and liabilities can be undertaken. The right to set-off cannot be conditional on a future event. The netting must be legally enforceable in all situations (regular operation, defaults, insolvency or bankruptcy) the company and counterparties can come in. The amendment also considering settlement mechanisms. The change did not significantly impact on the consolidated financial statements.

IFRIC 21 Levies establishes accounting of an obligation to pay levies that falls within the scope of IAS 37 Provisions. The interpretation addresses what the triggering event is, which means that the tax should be recognized as a liability. The interpretation resulted in no significant changes in the timing of recognition of levies for the group.

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are mandatory for future financial statements. The most important standards that the group has chosen not to apply in preparing these consolidated financial statements are disclosed below.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. Under IFRS 9, financial assets are classified into three categories: fair value through other comprehensive income, fair value through profit and amortized cost. The measurement category is determined on initial recognition of the asset. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of the individual instrument. Equity instruments shall initially be measured at fair value. The company may elect to present value changes in other comprehensive income, but the choice is binding and subsequent gain or loss can't be reclassified to income. Impairment due to credit

risk should be recognized based on expected loss rather than the current model where losses must be incurred. For financial liabilities the standard is more or less based on IAS 39. The biggest change is where the fair value option is adopted for financial liabilities, the changes in fair value due to changes in own credit risk are recognized in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting by linking hedging effectiveness more closely to managements risk control and provides greater scope for assessment. Meanwhile hedge documentation is still required. The standard is effective for the fiscal year 2018, but early adoption is permitted. The group still has not fully assessed the impact of IFRS 9.

IFRS 15 Income from customer contracts is related to revenue recognition. The standard requires a division of the customer contract in the individual performance obligations. A performance obligation can be a product or a service. Revenue is recognized when a customer obtains control of the product or service and thus has the ability to determine the use and receive the benefits of the product or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for the fiscal year 2017, but early adoption is permitted. The group still has not fully assessed the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group's financial statements.

2.2 - Consolidation

(a) Subsidiaries

Subsidiaries are defined as all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally resulting from a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on

which such control ceases.

Purchases of single purpose entities owning only property, with no employees, management or recorded procedure descriptions are not considered as acquisition of business (IFRS 3 Business Combinations are not applicable). Norwegian Property allocates the cost of such purchases between the individual identifiable assets and liabilities acquired, based on their fair value at the date of acquisition.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The acquisition cost is measured as being the fair value of: assets used as consideration, equity instruments issued and liabilities incurred related to transfer of control and direct costs related to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities are recognised at fair value at the date of acquisition, irrespective of any minority interest. The excess cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement at the date of acquisition.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction indicates evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interests

Minority interests are included in the group's income statement, and are specified as minority interests. Correspondingly, minority interests are included as part of the group's shareholders' equity and is specified in the consolidated balance sheet.

2.3 - Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the corporate management.

2.4 - Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of

the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statement is presented in NOK, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into NOK using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 - Investment property

Property that is held for long-term rental yields or for capital appreciation or both, are classified as investment property. Investment property is initially measured at acquisition cost, including related transaction costs. After initial recognition, investment property is carried at fair value according to IAS 40. The fair value of investment property reflects, amongst other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Changes in fair values are recorded in the income statement under 'gain on fair value adjustments on investment property'.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Other repairs and maintenance costs are charged to the income statement during the financial period in which they incur. Expenses related to tenants accommodation e.g. replacement of walls, are activated together with the asset's carrying amount simultaneously as the remaining carrying amount of the replaced components is derecognised.

Assets under construction for future use as investment property is recognized also in the construction phase as investment property at fair value at the completion date minus the remaining construction costs.

If an investment property is used by the company, it is reclassified as property, plant and equipment unless the internal use is insignificant. Fair value at the date of reclassification is the property's acquisition cost. An owner-occupied property is accounted for at reval-

ued value less accumulated depreciation and amortization. An evaluation of fair value for such properties is carried out in the same manner as described for investment properties. Increase in value of owner-occupied property is not recognised in the income statement, but recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

Tax compensation related to acquisition of investment properties ('single purpose' entities) are recognized in the period after the acquisition as value adjustments on investment property.

2.6 - Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and write-downs. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they incur.

2.7 - Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised with the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 - Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification is determined according to the purpose for which the financial assets were

acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets not carried at fair value are assessed at each balance sheet date whether there is objective evidence that the asset is impaired. If such indication of impairment loss exists, the impairment loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows. The impairment loss is recognised in profit and loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(a) Financial assets at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset and liability is classified in this category if acquired principally for the purpose of generating profit from short-term price fluctuations. Derivatives are classified as held for sale, unless they are designated as hedges. The group has only derivatives in this category. Derivatives in the held for trading category are classified as current assets or current liabilities unless the remaining term of the derivative is longer than 12 months and the management does not intend to redeem within 12 months. Share of fair value of the derivative due within 12 months are classified as current assets or current liabilities.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet ([Note 2.10](#)), and are valued at amortised cost using the effective interest method (see [Note 2.10](#) and [Note 2.18](#)).

2.9 - Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of recognising the resulting gain or loss depends on whether

the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of net investments or a highly probable forecast transaction (cash flow hedge). The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedge transactions. The group also documents whether the derivatives that are used in hedging are effective in offsetting changes in fair values or cash flows related to the hedged items. Such assessments are documented both at hedge inception and on an ongoing basis.

Derivatives in the held for trading category are classified as current assets or current liabilities unless the remaining term of the derivative is longer than 12 months and the management does not intend to redeem within 12 months. Fair value share of derivatives due within 12 months are classified as current assets or current liabilities.

(a) Derivatives not included as hedge accounting

All of the group's interest rate swaps and forward exchange contracts are used as economic hedges. For accounting purposes, the derivatives are assumed not to qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in the income statement under 'changes in market value of financial derivatives'.

(b) Cash flow hedge

The effective portion of changes in fair value derivatives that are designed for and qualify as cash flow hedges are recognised within comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement under other financial income (costs).

Amounts accounted for in comprehensive income are recognised in the income statement in the period where the hedged item affects profit or loss (for example, when the planned hedged sale takes place). The gain or loss related to the effective portion of interest rate swaps hedging floating rate loans is recognised in the income statement under financial expenses.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at the time remains in comprehensive income and is reversed when the forecast transaction is recog-

nised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in comprehensive income is immediately transferred to the income statement under 'changes in market value of financial derivatives'.

2.10 - Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 - Cash and cash equivalents

Cash and cash equivalents include cash in hand; bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities on the balance sheet.

2.12 - Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly attributable to the issuing of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 - Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.14 - Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 - Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary differences will not reverse in the foreseeable future.

According to the exception in IAS 12 deferred tax is not recognized when buying a company that is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost, while a fall in value below initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in temporary differences related to tax depreciation cause basis for the recognition of deferred tax.

2.16 - Revenue recognition

Revenue consists of rental income. Operating income encompasses the fair value of the consideration received for services in the ordinary business. Revenues are presented net of VAT, discounts and rebates. Service charge expenses are charged to tenants and recognized in the balance sheet together with payments on account of tenants, and therefore does not affect the result beyond an administrative premium. The settlement of service charge expenses is carried out after the balance sheet date. Intercompany transactions are eliminated.

(a) Rental income

Rental income is recognised over the life of the rental period.

(b) Other income

Other income is recognised as it is earned.

2.17 - Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.18 - Interest expense

Interest expenses on borrowings are recognised under 'financial costs' in the income statement using the effective interest rate method. The effective interest rate method is used to allocate amortised cost on financial assets and financial liabilities and for correct accrual of interest income and interest expense. The effective interest rate distributes the future cash flows throughout the duration of the loan and indicates the real net value of the financial asset or liability.

The calculation of the effective interest rate takes into account all estimated contractual cash flows related to the financial instrument (such as payment terms), but do not account for future losses. When calculating the effective interest rate, all fees are included and distributed over the relevant period (term to maturity).

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

2.19 - Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension scheme is an arrangement whereby the group pays fixed (defined) amounts to a privately held administrated scheme. The group has no legal or other obligations to pay further amounts in the event that the pension scheme itself has insufficient assets to pay contributions to employees relating to rights earned in current or previous periods. Contributions are recognized as employee benefits expense when they fall due. Prepaid contributions are recognized as an asset to the extent that the cash refunds or reductions in future payments are available.

NOTE 3: Financial risk management

The group's activities imply exposure to a variety of financial risks: market risk (including foreign exchange, interest rate and price risk), credit risk, liquidity risk, and capital risk management. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's profit/loss and equity. The group use hedging instruments designed to mitigate certain risks.

Risk management for the group is managed by the corporate treasury department in accordance with guidelines approved by the board. The management identifies, evaluates and hedges financial risks in close cooperation with the group's operational units. The board provides written policies for overall risk management and written guidelines for specific areas such as foreign exchange and interest rate risk.

3.1 - Market risk

Foreign exchange risk

The groups exposure to currency risk in 2013 and 2014 has been limited to a lease agreement in foreign currency. The agreement was ceased in 2014 from the sale of the property. For 2014, 3.0 per cent (NOK 22.2 million) of Norwegian Property's rental income are in EUR (2013: 4.4 per cent, NOK 34 million), and in practice all operational costs are in NOK. The group has entered into a hedging agreement to reduce its exposure in foreign currencies. The hedging agreement is not settled in full in connection with the sale of the property.

Notional principal amounts and the maturity for the group's total portfolio of forward exchange contracts at 31 December are specified in local currencies (million) in the table below (see also [Note 11](#)).

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2014	EUR	(2.3)	-	-	(2.3)	-
2013	EUR	(17.1)	(3.6)	(3.8)	(9.6)	-

Price risk

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The average duration of rental contracts at 31 December 2014 was 6.2 years (2013: 7.0 years).

Rental agreements for commercial properties secure a fixed revenue during the lease term. The majority of leases have a 100 per cent CPI adjustment clause allowing the company to adjust rents in line with CPI changes. The company seeks to secure such regulation clauses in all new leases. CPI regulation in 2014 was 2.0 per cent for leases regulated in October and 1.9 per cent for leases regulated in November, which increased annual rental income at the end of 2014 by NOK 13 million. Rent related to the shopping centre at Aker Brygge in Oslo is partly revenue-based.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. At 31 December, 68 per cent (see [Note 16](#)) of such loans (including interest-bearing receivables and cash) were hedged (2013: 81 per cent).

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 7.4 billion at 31 December (2013: NOK 9.4 billion). The average credit margin on floating rate borrowings at 31 December 2014 was 140 basis points (2013: 145 basis points). The average basis rate of the loan portfolio at 31 December 2014 was 4.57 per cent (2013: 4.72 per cent). The average remaining maturity of hedging agreements was 4.6 years (2013: 4.6 years). Notional principal amounts and the duration for the group's total portfolio of interest rate hedges at 31 December are specified in local currencies (million) in the table below (see also [Note 11](#)).

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2014	NOK	(7 428.0)	(473.0)	(400.0)	(3 755.0)	(2 800.0)
2013	NOK	(9 378.0)	(1 050.0)	(973.0)	(4 505.0)	(2 850.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2014 and all other variables constant, this would constitute a change in annual interest expense on unsecured lending portfolio of NOK 6 million and a change in the value of interest rate swaps of NOK 70 million.

3.2 - Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sum equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2014 and 2013 has been limited. The group's trade receivables at the balance sheet date are entirely in NOK.

3.3 - Liquidity risk

The group aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility and withstand fluctuations in rental income. The liquidity reserve should largely consist of revolving credit and overdraft facilities, rather than cash and cash equivalents. The liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2014	2013
Cash and cash equivalents	21.7	62.9
- of which restricted cash and cash equivalents	(3.2)	(3.0)
Available cash and cash equivalents	18.5	59.9
Unused credit and overdraft facilities	558.0	1 116.0
Liquidity reserve	576.5	1 175.9

As described above, the group has a high level of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes, changes in exchange rates, buyout of derivatives and gain/loss from sale of properties), for both 2014 (NOK 158 million) and 2013 (NOK 174 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. Amounts in the table are undiscounted cash flows (NOK million).

31 December 2014	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	9 635.4	10 791.7	474.9	5 255.0	5 061.8	-
Other liabilities ²	240.8	216.0	216.0	-	-	-

31 December 2013	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	8 947.4	10 111.2	462.8	3 962.7	5 685.7	-
Other liabilities ²	278.9	224.1	224.1	-	-	-

¹ The difference between the capitalised amount and expected cash flow reflects activated costs, and calculated interest based on the average interest rate at year end.

² The difference between carrying value and expected cash flow due to deferred revenue.

3.4 - Capital risk management

The group's objectives relating to capital management is to ensure continued operation, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The main objective of the group's capital management is to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus is related to the debt ratio (loan-to-value/LTV). The LTV ratio is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have a debt ratio not exceeding 65 per cent. The LTV ratio at year end is specified in the table below. According to the group's loan agreements the LTV ratio should not exceed 80 per cent. The size of the instalments is determined by the level of the LTV. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2013 and 2014. To change the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts in NOK million)	2014	2013
Long-term interest-bearing liabilities	9 621.9	8 917.4
Short-term interest-bearing liabilities	13.5	30.0
Capitalised borrowing cost deducted from the interest-bearing liabilities	33.6	28.9
Cash and cash equivalents	(21.7)	(62.9)
Gross interest-bearing liabilities	9 647.2	8 913.4
Gross property value	15 796.6	14 762.6
Loan-to-value (per cent)	61.1	60.4

NOTE 4: Determination of fair value

The consolidated financial statements have been prepared on a historical cost basis except for investment property and financial assets and financial liabilities (including derivative instruments) which are recognised at fair value through profit and loss.

Investment property

According to the group's valuation process the finance and investment department is responsible for preparation of valuation of investment property for use in the financial accounts. The finance and investment department by the CFO is responsible for that all of the group's investment properties are valued at fair value quarterly. The company's valuation process is based on external valuations, supplemented by internal analysis where the company makes an assessment and determine whether the external valuations give an accurate picture of the fair value of the investment properties. There are performed regular inspections and technical reviews of all properties. The valuations are reviewed quarterly as a key part of the audit committee's quality assurance of the period- and annual accounts. Based on this valuation process all properties were valued by two independent, professional valuers at 31 December 2014. DTZ Realkapital and Akershus Eiendom have prepared a valuation of all properties. The company has concluded that an average of the valuations may be used as basis for accounting of investment properties at fair value at the end of 2014. See also [Note 5](#) for critical accounting estimates and judgements.

Financial instruments and derivatives

Estimated fair value for the group's financial instruments are based on market value and valuation methods as described below.

Cash and cash equivalents

Fair value is assumed to be equal to the carried amount.

Interest-bearing liabilities

The group recognises interest-bearing liabilities at amortised cost. In notes to the financial statement (see [Note 16](#)) information is provided on the estimated fair value of interest-bearing liabilities. Bonds are valued at market price at 31 December and bank loans to the estimated fair value where it is taken into account the estimated difference between the current margin and market conditions.

Accounts receivable/other receivables and trade payables/other liabilities

In principle, recognised initially at fair value and subsequently measured at amortised cost. However, discounting is not normally assumed to have a significant effect on this type of receivable and liability.

Derivatives

The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. The technical calculations are generally prepared by banks. The company has checked and tested the valuation for reasonableness.

NOTE 5: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations about future events which are believed to be reasonable under current circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual figures. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

Fair value of investment properties

Investment property is valued at its fair value on the basis of a quarterly valuation update. Procedures for determining fair value for investment properties are described in [Note 4](#). In line with these principles, the portfolio of commercial properties has been externally valued every quarter since the incorporation in 2006.

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.90 to 2.50 per cent in the calculation period). Cash flows from current leases are discounted with individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of properties and tenants. Current rent is discounted on the basis of discount rates in the interval 5.50-9.50 per cent, based on individual assessments of the single properties. Future rent and residual value is discounted using discount rates in the range of 5.50 to 11.50 per cent.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, market rent and operating costs for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2014, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change ¹
Net market yield	+ 0.25 per cent	(457)
Discount rate	+ 0.25 per cent	(381)
Operating costs	+ NOK 25 per sqm	(318)
Market rent	+ 10 per cent	1 327

¹ The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2014.

Fair value of financial derivatives

The group's financial derivatives include currency forward contracts/swap contracts, interest rate swap contracts and the obligation to acquire investment properties. The procedures for valuing financial derivatives are described in [Note 4](#).

NOTE 6: Segment information

Norwegian Property's main activity is 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.

NOTE 7: Investment property and owner-occupied property

Changes in the carrying amount of investment property are specified in the table below. Future minimum annual rent payments receivable under non-cancellable operating leases are specified in [Note 9](#).

(Amounts in NOK million)	2014	2013
Total value of investment property at 1 January	14 762.6	14 852.5
Disposals of properties at book value ¹	(1 043.7)	(693.7)
Additions through on-going investments	1 649.6	1 138.6
Capitalized borrowing costs	52.7	33.8
Total fair value adjustment of investment property	354.8	(562.6)
Fair value adjustment of properties sold included in total fair value adjustment ¹	12.2	(9.2)
Fair value adjustment of owner-occupied property	8.3	3.4
Total value of investment property at 31 December	15 796.6	14 762.6
Owner-occupied property (see specification below)	(101.5)	(52.7)
Total book value of investment property at 31 December	15 695.1	14 709.9

¹ Disposals in 2014 apply to Finnstadveien 44 and Maridalsveien 323, as well as minor adjustments to prior year disposals. Similarly for 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property.

Rental income and property expenses relating to investment properties are stated in the income statement.

At the end of 2014, 29.7 per cent (26.3 per cent) of total property space are vacant. Of the total vacant rate is 15.2 per cent (16.8 per cent) related to space not available for rent because of ongoing development projects. Operating expenses for vacant space totals NOK 39.3 million for 2014 (NOK 34.8 million).

Apart from covenants in loan agreements, no restrictions apply to the timing of the realisation of investment properties or how the revenue from any sale can be used.

Contractual obligations for construction contracts related to investment property totals NOK 375 million at the end of the year (NOK 1 620 million).

Changes in the balance sheet item owner-occupied property are specified in the table below.

(Amounts in NOK million)	2014	2013
Opening balance 1 January	52.7	45.5
Addition by transfer from investment property to owner-occupied property	93.2	52.9
Disposal by discontinuance of owner-occupied property	(52.7)	(49.2)
Fair value adjustment of owner-occupied property, comprehensive income	8.3	3.4
Book value of owner-occupied property at 31 December	101.5	52.7
Accumulated acquisition costs at 31 December	93.2	52.9
Accumulated depreciation at 31 December	1.7	0.5

Changes in fair value of investment property are specified in the table below.

(Amounts in NOK million)	Determination of fair value using			Total estimated fair value
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	
Investment property	-	-	15 695.1	15 695.1
Owner-occupied property	-	-	101.5	101.5
Total properties at 31 December 2014	-	-	15 796.6	15 796.6
Investment property	-	-	14 709.9	14 709.9
Owner-occupied property	-	-	52.7	52.7
Total properties at 31 December 2013	-	-	14 762.6	14 762.6

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.

Level 2: Financial instruments valued based on observable market information not covered by level 1.

Level 3: Financial instruments valued based on information that is not observable under the level 2.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2013 or 2014.

NOTE 8: Other fixed assets

Changes in other fixed assets are specified in the table below.

(Amounts in NOK million)	Other fixed assets	Energy distribution system (Aker Brygge)	Total
Acquisition costs			
At 31 December 2012	27.9	-	27.9
Additions 2013	7.5	29.0	36.5
Disposals 2013	(2.0)	-	(2.0)
At 31 December 2013	33.4	29.0	62.4
Disposals 2014	-	(1.9)	(1.9)
At 31 December 2014	33.4	27.1	60.6
Accumulated depreciation			
At 31 December 2012	9.2	-	9.2
Additions 2013	1.5	-	1.5
Disposals 2013	(0.6)	-	(0.6)
At 31 December 2013	10.2	-	10.2
Additions 2014	5.2	1.2	6.5
At 31 December 2014	15.4	1.2	16.6
Book value			
At 31 December 2013	23.2	29.0	52.2
At 31 December 2014	18.0	25.9	43.9

The company uses linear depreciations. The economic life of the assets is set at four years for IT equipment, five years for licenses, cars and furnishings and seven years for other equipment. For the energy centre at Aker Brygge it is set at twenty years.

NOTE 9: Contractual rental income

The group is lessor for investment properties. The group's contractual rental income is distributed as follows, where the numbers are set to not price-index adjusted contract value for contracts entered into on 31 December:

(Amounts in NOK million)	2014	2013
Within 1 year	820.6	733.8
Between 1 and 5 years	3 363.0	3 409.7
Later than 5 years	1 337.6	1 908.7
Total	5 521.2	6 052.3

Rental income is recognised over the lease term. The group's recognised rental income for 2014 amounts to NOK 738.6 million (NOK 769.8 million). The figures does not included service charge expenses charged tenants. Accrued service charge expenses are recognized in the balance sheet together with payments on account of the tenant, and does not affect the result beyond an administrative mark-up which is recognised. Settlement of service charge expenses are made after the balance-sheet day. Accrued service charge expenses which are charged tenants in 2014 amounts to NOK 50.3 million (NOK 56.6 million), and the administrative mark-up amounted to NOK 1.1 million (NOK 0.6 million).

NOTE 10: Financial instruments

Financial assets represent contractual rights for the group to receive cash or other financial assets in the future. Financial liabilities correspondingly represent contractual obligations for the group to carry out future payments. Financial instruments are included in several accounting lines in the group's balance sheet and income statement and are classified in different categories in accordance with their accounting treatment. A specification of the group's financial instruments is presented below.

At 31 December 2014

(Amounts in NOK million)

	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	Total ¹
Financial assets						
Long-term derivatives	6.6	-	-	-	-	6.6
Short-term receivables	-	-	158.7	-	33.4	192.1
Cash and cash equivalents	-	-	21.7	-	-	21.7
Financial liabilities						
Long-term derivatives	824.6	-	-	-	-	824.6
Long-term interest-bearing debt	-	-	-	9 621.9	-	9 621.9
Short-term derivatives	2.7	-	-	-	-	2.7
Short-term interest-bearing debt	-	-	-	13.5	-	13.5
Short-term liabilities	-	-	-	216.0	24.8	240.8
Profit/loss related to financial instruments						
Financial income	-	-	1.7	-	-	1.7
Financial cost	-	-	-	(383.2)	-	(383.2)
Change in market value of financial instruments	(382.7)	-	-	-	-	(382.7)
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income	-	-	-	-	-	-

At 31 December 2013

Financial assets						
Long-term derivatives	15.6	-	-	-	-	15.6
Short-term receivables	-	-	123.6	-	29.6	153.2
Cash and cash equivalents	-	-	62.9	-	-	62.9
Financial liabilities						
Long-term derivatives	602.2	-	-	-	-	602.2
Long-term interest-bearing debt	-	-	-	8 917.4	-	8 917.4
Short-term derivatives	0.3	-	-	-	-	0.3
Short-term interest-bearing debt	-	-	-	30.0	-	30.0
Short-term liabilities	-	-	-	224.1	54.8	278.9
Profit/loss related to financial instruments						
Financial income	-	-	20.0	-	-	20.0
Financial cost	-	-	-	(432.6)	-	(432.6)
Change in market value of financial instruments	97.9	-	-	-	-	97.9
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income	-	-	-	-	-	-

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

<i>(Amounts in NOK million)</i>	31 December 2014		31 December 2013	
	Book value	Fair value	Book value	Fair value
Long-term derivatives	6.6	6.6	15.6	15.6
Short-term receivables	158.7	158.7	123.6	123.6
Cash and cash equivalents	21.7	21.7	62.9	62.9
Total financial assets	187.0	187.0	202.1	202.1
Long-term derivatives	824.6	824.6	602.2	602.2
Long-term receivables	9 621.9	9 664.6	8 917.4	8 917.4
Short-term derivatives	2.7	2.7	0.3	0.3
Short-term interest-bearing debt	13.5	14.5	30.0	30.0
Short-term liabilities	216.0	216.0	224.1	224.1
Total financial liabilities	10 678.7	10 722.4	9 774.0	9 774.0

Book value of financial instruments in the group's balance sheet is evaluated to provide a reasonable estimate of fair value, except for interest-bearing debt. Fair value of interest-bearing debt is described in [Note 16](#).

¹ Accounting items not specified in the table above, but included in the group's financial statement, do not contain financial instruments.

NOTE 11: Derivatives

Specification of derivatives in the financial statement

The group is subject to interest rate risk related to floating rate loans. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. Currency swap agreements are used to secure a small number of leases in foreign currency (see [Note 3](#)).

Derivatives are carried at fair value. Below is a specification of derivatives in the balance sheet at 31 December.

(Amounts in NOK million)	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate contracts, not included as hedge accounting	6.2	816.5	-	586.6
Exchange rate contracts, not included as hedge accounting	0.4	8.1	15.6	15.6
Derivatives, non-current assets/-liabilities	6.6	824.6	15.6	602.2
Interest rate contracts, not included as hedge accounting	-	2.7	-	0.3
Derivatives, current assets/-liabilities	-	2.7	-	0.3
Total derivatives	6.6	827.3	15.6	602.5
Net financial derivatives in the balance sheet		(820.6)		(586.9)

Annual changes of net derivatives in the balance sheet are specified in the table below.

(Amounts in NOK million)	2014	2013
Net book value of derivatives, 1 January	(586.9)	(766.4)
Buyout of derivatives not included as hedge accounting	149.0	81.5
Net fair value adjustments of derivatives during the year	(382.7)	97.9
Net book value of derivatives, 31 December	(820.6)	(586.9)

Interest rate derivatives

Below follows a specification of principal notional amounts per business segment and currency for the group's interest rate derivatives at 31 December. All group interest rate derivatives are cash flow hedges. The maturity is specified in [Note 3](#).

	Currency	2014	2013
Notional principal amount	NOK	7 428.0	9 378.0

Floating rates are 3-month NIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting are realised through profit and loss until the underlying hedged loan is fully repaid. Gains and losses related to contracts qualifying for hedge accounting are accounted for in the comprehensive income statement until the underlying hedged loans is fully repaid.

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the group's exchange rate derivatives at 31 December (cash flow hedges). The maturity is specified in [Note 3](#).

	Currency	2014	2013
Notional principal amount	EUR	(2.3)	(17.1)

Fair value derivatives

The table below analyses financial instruments carried at fair value, by valuation method.

(Amounts in NOK million)	Determination of fair value at 31 December 2014 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Derivatives, assets	-	6.6	-	6.6
Liabilities				
Derivatives, liabilities	-	827.3	-	827.3
Total	-	(820.6)	-	(820.6)

(Amounts in NOK million)	Determination of fair value at 31 December 2013 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Derivatives, assets	-	15.6	-	15.6
Liabilities				
Derivatives, liabilities	-	602.5	-	602.5
Total	-	(586.9)	-	(586.9)

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.

Level 2: Financial instruments valued based on observable market information not covered by level 1.

Level 3: Financial instruments valued based on information that is not observable under the level 2.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2013 or 2014.

NOTE 12: Presentation of financial assets and liabilities that are subject to net settlement

The purpose of the note is to show the potential effect of net settlements for the group. The tables below specify derivatives in the balance sheet with related information at 31 December.

At 31 December 2014

(Amounts in NOK million)	Gross financial assets/liabilities	Gross financial assets/liabilities presented net	Book value	Financial instruments	Security in cash	Net amount
Assets						
Long-term derivatives, assets	6.6	-	6.6	(6.6)	-	-
Total	6.6	-	6.6	(6.6)	-	-
Liabilities						
Long-term derivatives, liabilities	824.6	-	824.6	(6.6)	-	817.9
Short-term derivatives, liabilities	2.7	-	2.7	-	-	2.7
Total	827.3	-	827.3	(6.6)	-	820.6

At 31 December 2013

Assets						
Long-term derivatives, assets	15.6	-	15.6	(15.6)	-	-
Total	15.6	-	15.6	(15.6)	-	-
Liabilities						
Long-term derivatives, liabilities	602.2	-	602.2	(15.6)	-	586.6
Short-term derivatives, liabilities	0.3	-	0.3	-	-	0.3
Total	602.5	-	602.5	(15.6)	-	586.9

NOTE 13: Current receivables

Accounts receivable and other receivables at 31 December are specified in the table below.

(Amounts in NOK million)	2014	2013
Accounts receivable	92.4	82.6
Provision for impairment of receivables	(0.6)	(2.8)
Net accounts receivable	91.8	79.8
Public duties	66.9	43.8
Other current receivables	33.4	29.6
Total current receivables	192.1	153.2

There are no material legal claims or disputes regarding service and/or maintenance costs to the group at the date of this report. Of the total of accounts receivables by the end of 2014, NOK 89.6 million is related to service charge expenses invoiced to the condominiums at Aker Brygge in Oslo. Items are due at year end. In other current liabilities associated liabilities are included with NOK 67.1 million. Net receivables are not considered subject to loss.

NOTE 14: Share capital and shareholders

The tables below specify changes in the share capital after the incorporation of Norwegian Property ASA, the average number of shares in the last two years, the largest shareholders and shares owned by directors and senior executive officers at 31 December.

Changes in share capital and average number of shares

	2014	2013
Average number of shares (1 000 shares)	548 447	548 447
Number of shares issued at 31 December (1 000 shares)	548 447	548 447

The share capital of NOK 274 223 416 consisted of 548 446 832 shares each with a face value of NOK 0.50, both at the end of 2013 and 2014.

List of main shareholders at 31 December 2014

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	205 910 242	37.5
Canica AS	ORD	NOR	94 683 425	17.3
Folketrygdfondet	ORD	NOR	46 451 642	8.5
The Bank of New York BNY Mellon A/C APG	NOM	NLD	23 730 241	4.3
Verdipapirfondet DNB NOR (IV)	NOM	USA	16 635 701	3.0
State Street Bank AN A/C Client Omnibus	NOM	LUX	12 569 654	2.3
BNP Paribas Sec. Ser S/A Bp2s LUX/FIM/LUX	NOM	USA	8 042 859	1.5
State Street Bank AN A/C West Non-Treaty	ORD	NOR	6 175 392	1.1
ABN Amro Global Custody Services	NOM	USA	5 678 395	1.0
The Bank of New York BNY Mellon	NOM	USA	4 983 541	0.9
State Street Bank & A/C Client Fund Numb	NOM	USA	4 818 311	0.9
The Bank of New York Mellon SA/NV	ORD	NOR	4 809 363	0.9
BNP Paribas Sec Ser S/A Tr Property Inv	NOM	GBR	4 325 659	0.8
Goldman Sachs & Co Equity Segregat	ORD	NOR	3 518 688	0.6
State Street Bank & S/A Ssb Client Omni	NOM	USA	3 486 607	0.6
State Street Bank & S/A Ssb Client Om04	NOM	GBR	3 400 645	0.6
JPMorgan Chase Ba A/C Vanguard BBH	NOM	USA	3 352 360	0.6
DNB Livsforsikring ASA	NOM	USA	3 102 377	0.6
JPMorgan Chase Ba A/C Us Resident Non	NOM	GBR	2 954 647	0.5
State Street Bank & Trust Co.	NOM	USA	2 894 112	0.5
Other			86 922 971	15.8
Total number of shares at 31 December 2014			548 446 832	100.0

List of main shareholders at 31 December 2013

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 651 642	9.0
Skandinaviska Enskilda Banken AB	NOM	SWE	28 947 104	7.3
The Bank of New York Mellon	NOM	USA	26 230 241	5.1
State Street Bank and Trust Co.	NOM	USA	24 211 522	3.9
State Street Bank and Trust Co.	NOM	USA	23 800 442	3.5
Citibank, N.A.	NOM	GBR	17 597 315	3.2
BNP Paribas Sec. Services S.C.A	NOM	FRA	16 894 947	2.7
The Bank of New York Mellon	NOM	USA	14 879 359	2.6
State Street Bank and Trust Co.	NOM	USA	12 996 060	2.0
Merrill Lynch International Ltd	NOM	GBR	12 107 500	1.8
Verdipapirfondet DNB Norge Selekti	ORD	NOR	10 085 012	1.5
Fondsfinans Spar	ORD	NOR	10 000 000	1.5
Verdipapirfondet DNB Norge (IV)	ORD	NOR	8 519 740	1.5
Ilmarinen Mutual Pension Insurance	ORD	USA	8 225 409	1.3
JPMorgan Chase Bank N.A. London	NOM	GBR	7 816 379	1.3
BNP Paribas Sec. Services S.C.A	NOM	FRA	7 421 567	1.1
State Street Bank and Trust Co.	NOM	IRL	7 407 733	1.1
JPMorgan Chase Bank N.A. London	NOM	GBR	6 621 004	1.0
State Street Bank and Trust Co.	NOM	USA	6 341 894	1.0
Other			189 483 730	36.7
Total number of shares at 31 December 2013			548 446 832	100.0

Shares held by directors and senior executive officers at 31 December 2014

Shareholder	Number of shares
Board of directors	
Cecilie Astrup Fredriksen, Director ¹	205 910 242
Nina Camilla Hagen Sørli, Director until January 2015 ²	94 683 425
Nils K Selte, Director until January 2015 ³	154 000
Bjørn Henningsen, Deputy chair ⁴	100 000
Senior executives	
Olav Line, President and CEO	62 000
Svein Hov Skjelle, EVP and CFO	46 594
Shares held by the board of directors and senior executive officers at 31 December 2014	300 956 261

¹ Cecilie Astrup Fredriksen is a related party to Geveran Trading Co Ltd, who by 31 December 2014 was the largest shareholder of Norwegian Property ASA with approximately 37.5 per cent of the shares. In connection with Geveran Trading Co Ltd's ownership exceeded a shareholding of 33.3 per cent, a mandatory offer for the remaining shares in Norwegian Property ASA was made. At the expiry of the offer period in January 2015, Geveran Trading Co Ltd acquired an additional 31 326 589 shares, bringing the total shareholding in Norwegian Property ASA to 237 236 831 shares (approximately 43.3 per cent of the shares).

² Nina Camilla Hagen Sørli is a related party to Canica AS, who by 31 December 2014 was the second largest shareholder of Norwegian property ASA with approximately 17.3 per cent of the shares. Canica AS sold all their shares in Norwegian Property in January 2015. Nina Camilla Hagen Sørli has in January 2015 decided to resign from the board of directors effective immediately.

³ At the end of 2014, 154 000 shares are held by Nian AS. Nils K Selte owns 100 per cent of the shares in Nian AS. Nils K Selte is a related party to Canica AS. Nian AS sold all their shares in Norwegian Property in January 2015. Nils K Selte has in January 2015 decided to resign from the board of directors effective immediately.

⁴ At the end of 2014, 100 000 shares are held by Max Eiendom AS. Bjørn Henningsen owns 100 per cent of the shares in Max Eiendom AS.

The company has not issued share options.

NOTE 15: Other current liabilities

Other current liabilities at 31 December are specified in the table below.

(Amounts in NOK million)	2014	2013
Public duties	5.2	17.4
Accrued salaries	5.4	5.1
Accrued interest	50.5	90.7
Prepaid income	24.8	54.8
Trade payables	92.7	50.0
Other payables	62.3	60.9
Total other current liabilities	240.8	278.9

NOTE 16: Interest-bearing debt

The table below present an overview at 31 December of group interest-bearing debt, including hedging ratio, average interest rate and remaining duration.

	2014	2013
Total interest-bearing debt (NOK million)	9 635.4	8 947.4
- of which hedged (NOK million) ¹	6 550.0	7 228.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	68	81
Cash and cash equivalents (NOK million)	21.7	62.9
Committed unutilised credit facilities (NOK million)	558.0	1 116.0
Average interest rate, including margin (per cent)	4.57	4.72
Average margin (per cent)	1.40	1.45
Average remaining duration, borrowings (years)	2.8	3.1
Average remaining duration, hedging contracts (years)	4.6	4.6

¹ All interest rate swaps that have started on the balance sheet date, as well as agreements with start-up the next six months, are included in the calculation.

Group interest-bearing long-term and short-term debt at 31 December is specified in accordance with the type of debt and the currency in the table below.

(Amounts in NOK million)	2014			2013		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank borrowings	7 980.1	33.8	8 013.9	7 981.2	40.1	8 021.3
Bonds	1 655.0	-	1 655.0	955.0	-	955.0
Total interest-bearing debt	9 635.1	33.8	9 668.9	8 936.2	40.1	8 976.3
Capitalised borrowing cost	(13.2)	(20.3)	(33.6)	(18.8)	(10.1)	(28.9)
Total book value interest-bearing debt	9 621.9	13.5	9 635.4	8 917.4	30.0	8 947.4
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	18.9	1.0	19.8	-	-	-
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	23.8	-	23.8	-	-	-

Total fair value of interest-bearing debt consists of bonds valued at market price at 31 December and bank loans at estimated fair value, where account is taken on the estimated difference between the current margin and market conditions. Excess value indicating that the current margins are more favourable than the current market conditions for the group.

The table below present determination of fair value of loans, excess value/(reduced value) for the group in relation to book value (NOK million).

(Amounts in NOK million)	Determination of fair value using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	19.8	19.8
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	23.8	-	-	23.8
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2014	23.8	-	19.8	43.7
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2013	-	-	-	-

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.

Level 2: Financial instruments valued based on observable market information not covered by level 1.

Level 3: Financial instruments valued based on information that is not observable under the level 2.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2013 or 2014.

The maturity of the group's long-term interest-bearing debt at 31 December is specified in the table below (short-term interest-bearing debt falls due within one year from the balance sheet date).

(Amounts in NOK million)	2014	2013
Due in 2016 and 2017/2015 and 2016	4 944.7	4 148.2
Due in 2018, 2019 and 2020/2017, 2018 and 2019	4 690.4	4 788.0
Total	9 635.1	8 936.2

The carrying amount of group assets pledged as security at 31 December is specified in the table below.

(Amounts in NOK million)	2014	2013
Investment property	15 796.6	14 762.6
Total	15 796.6	14 762.6

Liabilities secured **9 668.9** 8 976.3

Assets owned by limited liability partnerships are only pledged as security for own borrowings.

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 8 671.9 million at the end of 2014 (including bank overdraft of NOK 100 million). The term of the facilities is respectively December 2016 and June 2018, and is secured by two separate property portfolios. Drawn amount at the end of 2014 totalled NOK 8 013.9 million and NOK 558 million is a revolving credit limit. In 2013 and 2014 the group issued five bonds totalling NOK 1 655 million. The bonds are due in 2016 (NOK 500 million), 2018 (NOK 455 million) and 2019 (NOK 700 million). The loans are secured by pledge in property. All the new bonds are listed on Oslo Stock Exchange.

The terms of the main loan facility are:

- Interest: NIBOR + margin.
- Interest rate hedging: minimum 60 per cent with average duration of three years.
- Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at the beginning of 2014 is a minimum 1.2 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2013 and 2012.
- Instalments are based on the level of LTV.
- Other covenants: negative pledge, restrictions on granting loan guarantees and change of control. By financing of ongoing development projects there is a condition that the company will not pay dividend for the fiscal years 2013 and 2014.
- Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 17: Deferred tax and income tax

The following table specifies income tax from continuing operations on payable and deferred taxes respectively, and the calculation of income tax expense based on income before tax.

(Amounts in NOK million)	2014	2013
Payable tax	-	-
Deferred tax	(95.6)	(56.7)
Income tax	(95.6)	(56.7)
Profit before income tax:	129.7	(287.6)
Income tax calculated at 27 per cent (2013: 28 per cent)	35.0	(80.5)
Effect on deferred tax by change of tax rate from 28 per cent to 27 per cent ¹	-	(5.9)
Change in temporary differences ²	(130.7)	29.8
Income tax	(95.6)	(56.7)

¹ The corporate tax rate in Norway is reduced from 28 per cent to 27 per cent by the entrance of 2014. Deferred tax by year-end 2013 is for that reason calculated with a basis of a tax rate of 27 per cent.

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.

Changes in carrying amount of deferred tax are specified as follows:

(Amounts in NOK million)	2014	2013
At 1 January	160.3	217.0
Recognised through profit and loss	(95.6)	(56.7)
Tax charged to comprehensive income	2.7	-
At 31 December	67.4	160.3

The following amounts are charged to equity and included in net deferred tax at the balance sheet date:

(Amounts in NOK million)	2014	2013
Tax on issue expenses	(131.9)	(131.9)
Total deferred tax charged to equity	(131.9)	(131.9)

Change in deferred taxes are as follows:

(Amounts in NOK million)	Investment property ¹	Gain and loss account	Carry-forward losses	Financial derivatives	Other	Total ²
Total at 1 January 2013	723.2	60.7	(411.6)	(214.6)	(0.3)	157.3
Not capitalized at 1 January 2013 ³	-	(7.6)	67.2	-	-	59.7
Book value at 1 January 2013	723.2	53.1	(344.4)	(214.6)	(0.3)	217.0
Recognised through profit and loss in 2013	(77.1)	(10.6)	(24.5)	56.1	(0.5)	(56.7)
Change of calculated deferred tax in 2013	(77.1)	(10.6)	(24.5)	56.1	(0.5)	(56.7)
Total at 31 December 2013	646.0	48.3	(432.3)	(158.5)	(0.8)	102.8
Not capitalized at 31 December 2013 ³	-	(5.8)	63.4	-	-	57.5
Book value at 31 December 2013	646.0	42.5	(368.9)	(158.5)	(0.8)	160.3
Recognised through profit and loss in 2014	108.4	(48.1)	(93.5)	(63.0)	0.6	(95.7)
Recognised through comprehensive income in 2014	2.7	-	-	-	-	2.7
Change of calculated deferred tax in 2014	111.1	(48.1)	(93.5)	(63.0)	0.6	(92.9)
Total at 31 December 2014	757.1	(0.9)	(524.6)	(221.6)	(0.2)	9.9
Not capitalized at 31 December 2014 ³	-	(4.7)	62.2	-	-	57.5
Book value at 31 December 2014	757.1	(5.6)	(462.4)	(221.6)	(0.2)	67.4

¹ Property tax value totals NOK 9.8 billion at the end of 2014

² Deferred tax assets and liabilities are presented net when the group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. All limited group companies are included in the tax group and registered in Norway.

³ Purchases of single-purpose entities owning only property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for, since it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTE 18: Other operating expenses

Other operating expenses (owner-related costs) are specified in the table below .

(Amounts in NOK million)	2014	2013
Payroll expenses (see Note 19)	73.8	72.3
Depreciation	5.9	6.0
Other operating expenses	27.9	23.9
Costs allocated to property costs	(44.1)	(41.5)
Total other operating expenses	63.5	60.7

NOTE 19: Payroll costs and remuneration of executive officers and auditor

In the tables below are breakdowns of payroll costs and remuneration of directors, senior executives and auditors.

Payroll costs

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	2014	2013
Salaries and remuneration	58.6	57.5
Social security costs	9.3	8.9
Pension costs (defined contribution plan)	2.6	2.5
Other employee expenses	3.3	3.3
Total payroll costs	73.8	72.3
Number of employees at 31 December	57	56
Number of full-time equivalent positions at 31 December	57	55
Average number of employees	57	55

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA must operate certain pension plans. The company has plans which satisfy these requirements. Norwegian Property ASA operates a defined contribution plan for all employees.

Remuneration of executive officers

Remuneration of senior management in 2014 are specified in the table below (amounts in NOK):

Navn	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 668 733	1 000 000	232 995	478 604
Svein Hov Skjelle	EVP & CFO	2 554 080	219 521	108 716	67 598
Tore Heldrup Rasmussen ⁴	EVP Commercial	575 000	-	27 109	18 330
Bjørn Holm	EVP Property Development	1 821 928	100 000	141 735	66 960
Bjørge Aarvold	EVP Property Management	1 565 912	139 758	113 184	68 678
Sum		10 185 653	1 459 279	623 739	700 170

¹ Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2014 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line has been granted a loan by the company of NOK 600 000 at 31 December 2014. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment condition is 31 December 2015.

⁴ Tore Heldrup Rasmussen was hired at 01 October 2014.

Remuneration of senior management in 2013 are specified in the table below (amounts in NOK):

Name	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 357 868	1 549 414	229 266	474 915
Svein Hov Skjelle	EVP & CFO	2 462 611	318 146	106 986	65 328
Aili Klami	EVP Leasing & Marketing	1 615 131	208 575	121 675	64 506
Fredrik W Baumann	EVP Property Development (01.01-30.09)	2 418 052	292 005	104 911	66 124
Bjørn Holm ⁴	EVP Property Development (30.09-31.12)	494 998	-	35 793	24 540
Bjørge Aarvold ³	EVP Property Management	1 509 689	195 226	113 778	66 594
Total		11 858 349	2 563 366	712 409	762 007

¹ Paid benefits in 2013 (amounts in NOK). In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2013 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 100 000 respectively at 31 December 2013. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 31 December 2015 and NOK 10 000 per month.

⁴ Bjørn Holm was hired at 30 September 2013 and Fredrik W Baumann left the company at 30. September 2013.

Fees paid to directors in 2013 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Henrik A Christensen	Chair	10.10-31.12	175 000
Bjørn Henningsen	Deputy chair	10.10-31.12	137 500
Nils K Selte	Director (Chair 01.01-10.04)	01.01-31.12	325 000
Cecilie Astrup Fredriksen	Director	10.10-31.12	62 500
Nina Camilla Hagen Sørlø	Director	10.10-31.12	62 500
Synne Syrrist	Deputy chair	01.01-10.10	300 000
Gry Mølleskog	Director	01.01-10.10	206 250
Jon Erik Brøndmo	Director (Chair 10.04-10.10)	01.01-10.10	318 750
Gunnar Bøyum	Director	01.01-10.10	206 250
Total			1 793 750

¹ Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

Fees paid to directors in 2013 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Nils K Selte	Chair	01.01-31.12	375 000
Synne Syrrist	Deputy chair	01.01-31.12	300 000
Gry Mølleskog	Director	01.01-31.12	206 250
Jon Erik Brøndmo	Director	01.01-31.12	206 250
Gunnar Bøyum	Director	01.01-31.12	206 250
Total			1 293 750

¹ Paid benefits in 2013 (amounts in NOK). In addition, social security costs (14.1 per cent).

Declaration of management benefits

This declaration relates to benefits received by key management personnel for work performed in the group. The group will always ensure that it has a professional management to safeguard shareholder interests. In order to achieve this, the group is required to offer competitive remuneration as part of a total compensation package.

This statement applies for the coming fiscal year. The Board will base its work on the declaration after the treatment at the Annual General Meeting in 2015. In 2014, the group has followed the guidelines on executive pays stated in the annual accounts statement on executive salaries for 2013, presented to the General Assembly in 2014. Any changes to the principles in this statement, compared with previous years, are explained.

1. Principles for base salary

Key management employees will receive a competitive base annual salary, based on the individual's responsibilities and level of expertise.

2. Bonus principles

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in meeting key targets for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets will consist of performance improvement initiatives or financial targets, including the company's share price performance. Targets in relation to the chief executive officer's own performance will be established by the board, while the chief executive officer will establish targets for other key management personnel. The targets must be measurable wherever possible. Bonus payment must not exceed 125 per cent of the chief executive officer's annual salary or 30 per cent of annual base salary for other key management employees.

One senior executive has been granted a loan from the company, based on an individual agreement. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment.

3. Principles for non-cash related benefits

Key management employees can be offered certain non-cash-related compensation benefits, such as a company car scheme, insurance and pension arrangements. Non-cash-related benefits should basically contain telephones and newspapers. Key management employees have the right to belong to the company's defined contribution pension plan. Conditions of the pension plan can vary between employees.

The group has currently no employee option programmes. In 2012, an employee share scheme was introduced, where the company provided employees (including senior management) to buy discounted shares in the company with a total share value of NOK 100 000 per year. Such a scheme aimed to increase interest among the employees of the company's goals and achievements through share ownership, as well as helping to motivate, reward and retain employees.

4. Payment after termination of contract

At 31 December, three key management employees had agreements in place with the company for payment of salary after a termination of their contract. Periods of notice are six months and severance pay is limited to six months salary for two employees and twelve months' salary for one employee. Payment of salary after the termination of a contract can occur in special instances. Approval by the chair is required for payments of salary after contract termination for any employees where this right is not already documented in their employment contract.

5. Decision-making process for remuneration

The board determines the chief executive officer's annual salary.

The board prepares annual guidelines which are submitted to shareholders at the annual general meeting for ratification in accordance with section 5-6 of the Norwegian Public Limited Liabilities Companies Act.

Auditor's fee ¹

Type tjeneste	2014	2013
Statutory audit	1 649 660	2 038 165
Other certification services	84 330	239 100
Tax/VAT advice	448 945	686 258
Other services	11 500	4 000
Total	2 194 435	2 967 523

¹ Fees to PricewaterhouseCoopers AS and affiliated companies. The fees are net of VAT (amounts in NOK).

NOTE 20: Net financial items

Net financial items for continued operations are specified in the table below.

(Amounts in NOK million)	2014	2013
Interest income on bank deposits	1.7	5.3
Interest income on seller's credit	-	14.6
Total financial income	1.7	20.0
Interest expense on borrowings	(382.2)	(432.4)
Currency losses on bank deposits	(1.0)	(0.1)
Total financial expenses	(383.2)	(432.5)
Net realised financial items	(381.5)	(412.5)

NOTE 21: Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2014	2013
Net profit attributable to shareholders (NOK million)	225.3	(230.9)
Weighted average number of outstanding shares, exclusive treasury shares (million shares) ¹	548.4	548.4
Basic earnings per share (NOK per share)	0.41	(0.42)

¹ At the end of 2014 the company owns 21 236 treasury shares (acquired in 2012).

Norwegian Property has not issued options or other financial instruments which have a dilutive effect on outstanding shares.

NOTE 22: Dividend per share and dividend policy

Norwegian Property's long-term goal is to distribute a dividend which represents a high proportion of the company's current cash flow, defined as net profit after tax payable but before value changes. When determining dividend payments, the board will also be concerned with ensuring an optimum capital structure in relation to new investment opportunities and possible investment needs in the existing portfolio. The board will seek to facilitate quarterly dividend payments.

The operation of Norwegian Property is temporarily affected by high rebuilding activities leading to vacancy and lower rental income. Some loan agreements contain conditions that there not will be decided or paid dividend in the period until 30 June 2015.

NOTE 23: Related-party disclosures

Parties are considered to be related if one party has the ability to exercise significant influence over the group in making strategic or operating decisions. Significant influence is normally obtained by ownership, participation in decision-making bodies and management, or by agreements.

All transactions, agreements and business relationships with related parties are made on normal commercial terms.

Balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial relationship related to the board and senior management are described in [Note 14](#) and [Note 19](#).

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. Canica AS has been represented on the board of directors in 2013 and 2014.

NOTE 24: Contingent liabilities and assets

The group has a liability if it is committed to give up financial resources to another party at a future date. An uncertain liability is a liability of uncertain timing or amount. A contingent liability is a category of uncertain liabilities, where the possible obligation is depending on whether some uncertain future events occur that the group can not fully influence. Similarly, a contingent asset relates to possible rights for the company to receive financial resources at a future date.

Guarantees in connection with the sale of properties and companies

The seller normally emits guarantees in connection with the sale of properties in connection with formal, physical etc. conditions related to the transferred properties and/or companies. The guarantees typically include conditions related to legal status, ownership of shares, validity of financial statements and VAT-/tax-issues, contractual issues, liens, environmental matters, insurance coverage, assessment of defects etc. The seller must typically cover financial losses for the buyer of any errors or omissions that may be linked to the guarantees."

In connection with sale of properties/companies in the period from 2008 to 2014 and the sale of Norgani Hotels in 2010, Norwegian Property has issued this kind of guarantees to buyers. Provisions are made related to circumstances which are likely to entail an obligation for Norwegian Property.

In connection with the sale of Norgani Hotels it is particularly guaranteed that the value of defined tax loss carry forwards in Sweden and Finland are present. If parts of these tax losses are found invalid, the seller shall refund the portion of the share purchase price attributable to these losses, limited respectively to SEK 35.7 million and EUR 1.0 million. Norwegian Property has assessed that there is no need to make provisions related to these guarantees.

NOTE 25: Events after the balance sheet date

Events after the balance sheet date are events, favourable or unfavourable, that occurs between the balance sheet date and the date that the financial statements are authorised for issue. Such events can be events that provides information of conditions that existed at the balance sheet date resulting in adjustments in the financial statement, or events that do not require such adjustments.

There are no significant events after 31 December 2014 which provides informations of conditions that existed at the balance sheet day.

The largest shareholder in Norwegian Property ASA, Geveran Trading, passed a stake of one-third in 2014, and a mandatory offer to acquire the remaining shares in the company was therefore issued. Geveran Trading had after the expiration of the offer period in January 2015 acquired shares representing a stake of approximately 43.3 per cent of the shares in the company.

NOTE 26: Group companies

The consolidated financial statements comprise the following wholly-owned subsidiaries at the end of 2014:

Aker Brygge AS	Gardermoen Næringseiendom AS	NPRO Holding AS
Aker Brygge Business Village AS	Gardermoen Næringseiendom KS	NPRO Invest AS
Aker Brygge Energisentral AS	Gjerdrumsvei 10 D AS	Nydalsveien 15-17 AS
Aker Brygge Marina AS	Gjerdrumsvei 8 ANS	Sandakerveien 130 AS
Aker Brygge Marina Drift AS	Gjerdrumsvei 14-16 AS	Skøyen Bygg ANS
Aker Brygge Utearealer ANS	Gjerdrumsvei 17 AS	Snarøyveien 36 AS
Aker Brygge Uteareal AS	Grenseveien 19 AS	Stortingsgata 6 AS
Badehusgata 33-39 AS	Grenseveien 21 AS	Strandsvingen 10 AS
Bryggegata 9 AS	Gullhaug Torg 3 AS	Støperiet AS
Bydel Aker Brygge Forvaltning AS	Gullhaugveien 9-13 AS	Svanholmen 2 AS
Dokkbygningen Aker Brygge AS	Hovfaret 11 AS	Terminalbygget Aker Brygge AS
Dokkbygningen I ANS	Kaibygning 1 AS	Terminalbygget ANS
Drammensveien 134 AS	Kaibygning 2 AS	Terminalbygget DA
Drammensveien 134 P-Hus AS	Kaibygning I ANS	Terminalbygget II DA
Drammensveien 134 Utearealer AS	Kaibygning II ANS	Tingvalla AS
Drammensveien 60 AS	Lysaker Torg 35 ANS	Verkstedhallene ANS
Fondbygget AS	Maskinveien 32 AS	Verkstedveien 1 Monier AS
Forusbeen 35 AS	Nedre Skøyen vei 26 F AS	Verkstedveien 3 AS
Gardermoen Næringseiendom ANS	NPRO Drift AS	

All subsidiaries have the same business address as Norwegian Property ASA (Grundingen 6, 0250 Oslo).

In addition to its wholly-owned subsidiaries, the Norwegian Property group has a non-controlling stake in Brygge-drift AS (business address Støperigata 1, 0250 Oslo), which is responsible for certain operating and management activities of condominiums at Aker Brygge in Oslo. Bryggedrift AS is a facility management company without any significant assets. All condominiums at Aker Brygge are shareholders in Bryggedrift AS, and Norwegian Property has a mathematically 47.2 per cent stake in Bryggedrift AS by the end of 2014, but the controlling stake is lower based on the ownership structure of the condominiums. Norwegian Property is represented on the board of directors of Bryggedrift AS by two ordinary members out of a total of six members.



INCOME STATEMENT 1 JAN-31 DEC

<i>(Amounts in NOK million)</i>	Note	2014	2013
Management and service fee, group companies	13	43.8	39.7
Total operating revenue	2	43.8	39.7
Payroll costs	10	(76.7)	(72.0)
Depreciation	5	(4.1)	(4.0)
Other operating costs		(28.1)	(27.1)
Total operating costs		(109.0)	(103.1)
Operating profit		(65.2)	(63.4)
Financial income	11, 13	316.5	635.0
Financial expenses	11, 13	(756.1)	(488.5)
Net financial items		(439.6)	146.6
Profit before tax		(504.8)	83.1
Income tax expense	12	39.3	(37.8)
Profit for the year		(465.5)	45.3
Proposed allocations:			
Transferred to/from other paid-in equity		(465.5)	45.3

BALANCE SHEET AT 31 DECEMBER

(Amounts in NOK million)	Note	2014	2013
ASSETS			
Non-current assets			
Deferred tax assets	<u>12</u>	223.5	184.2
Financial derivative instruments	<u>9</u>	6.6	4.3
Tangible assets	<u>5</u>	8.0	12.1
Investments in subsidiaries	<u>4, 13</u>	13 595.9	12 093.7
Intercompany balances	<u>13</u>	153.3	183.3
Total non-current assets		13 987.4	12 477.6
Current assets			
Intercompany balances	<u>13</u>	60.6	1 146.0
Accounts receivables		1.6	-
Other receivables		5.1	3.9
Cash and cash equivalents	<u>3</u>	19.9	36.6
Total current assets		87.3	1 186.5
TOTAL ASSETS		14 074.7	13 664.1

(Amounts in NOK million)	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital		274.2	274.2
Share premium		2 295.1	2 295.1
Other paid-in equity		897.2	1 362.7
Total equity	<u>6</u>	3 466.5	3 932.0
Non-current liabilities			
Financial derivative instruments	<u>9</u>	824.6	602.2
Interest-bearing debt	<u>8</u>	9 621.9	8 917.4
Intercompany balances	<u>13</u>	70.0	70.0
Total non-current liabilities		10 516.5	9 589.7
Current liabilities			
Financial derivative instruments	<u>9</u>	2.7	0.3
Interest-bearing debt	<u>8</u>	13.5	30.0
Intercompany balances	<u>13</u>	1.6	-
Other current liabilities	<u>7</u>	74.0	112.2
Total current liabilities		91.7	142.4
Total liabilities		10 608.2	9 732.1
TOTAL EQUITY AND LIABILITIES		14 074.7	13 664.1


Oslo, 11 February 2015

The board of directors of Norwegian Property ASA


Henrik A Christensen
Chair


Bjørn Henningsen
Deputy chair


Cecilie Astrup Fredriksen
Director


Olav Line
President and CEO

CASH FLOW STATEMENT 1 JAN-31 DEC

(Amounts in NOK million)	Note	2014	2013
Ordinary profit before tax		(504.8)	83.1
Net financial items	<u>11</u>	439.6	(146.6)
Interest received	<u>11</u>	43.1	261.5
Other financial income received	<u>11</u>	-	26.6
Interest paid	<u>11</u>	(381.3)	(373.5)
Other financial expenses paid	<u>11</u>	(193.1)	(71.0)
Depreciation tangible assets	<u>5</u>	4.1	4.0
Profit/loss from sale of tangible assets	<u>5</u>	-	(0.1)
Changes in current items		(5.2)	2.7
Net cash flow from operating activities		(597.5)	(213.2)
Purchase of tangible assets	<u>5</u>	-	(1.1)
Sale of tangible assets	<u>5</u>	-	0.8
Investments in subsidiaries	<u>4</u>	(1 927.0)	(4.6)
Sale of shares in subsidiaries	<u>4</u>	698.2	539.4
Reduction of capital in subsidiaries	<u>4</u>	-	310.1
Received from payment of intercompany balances	<u>13</u>	1 115.5	756.0
New intercompany balances	<u>13</u>	1.6	(2 728.1)
Net cash flow from investment activities		(111.7)	(1 127.4)
Proceeds from increase in interest-bearing liabilities	<u>8</u>	2 204.9	2 215.0
Net repayment of interest-bearing liabilities	<u>8</u>	(1 512.3)	(1 396.6)
Dividends paid	<u>6</u>	-	(109.7)
Net cash flow from financing activities		692.6	708.7
Net change in cash and cash equivalents		(16.6)	(631.9)
Cash and cash equivalents 1 January	<u>3</u>	36.6	668.5
Cash and cash equivalents 31 December	<u>3</u>	19.9	36.6

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NOTE 1: General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 39 properties in Oslo and Stavanger at 31 December 2014.

The financial statements are approved by the Board on 11 February 2015 for final approval by the General Meeting on 9 April 2015.

NOTE 2: Summary of significant accounting policies

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 - Classifications

Assets held for sale or for use in the ordinary business cycle, or owned mainly for the purpose of trade, or expected to be realised within 12 months or represent cash and cash equivalents are classified as current assets. All other assets are classified as non-current assets. Liabilities which are expected to be settled in the ordinary course of business, are mainly held for trade or are expected to be settled within 12 months are classified as current liabilities. All other liabilities are classified as non-current liabilities.

2.2 - Subsidiaries

Subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price

of the shares unless impairment is required. Impairment is implemented at fair value when a fall in value is caused by reasons which cannot be assumed to be transient and is deemed necessary according to generally accepted accounting principles. Impairment is reversed when the basis for it no longer exists.

Dividends and other distributions are recognised in the year for which they are proposed by the subsidiary. When dividend/group contribution significantly exceeds the part of the retained earnings for the group from subsidiaries after the acquisition, the excess part is considered a repayment of invested capital and deducted from the value of the investment in the balance sheet.

2.3 - Tangible assets

All tangible assets are stated at historical cost, less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the income statement during the financial period in which they incur.

2.4 - Trade receivables

Trade receivables and other receivables are recognised initially at face value, less provision for impairment. Provision for impairment of trade receivables is based on individual assessments of each receivable.

2.5 - Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, other current highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown under borrowings in current liabilities in the balance sheet.

2.6 - Share capital and share premium

Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly

attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Treasury shares are recognised at face value.

2.7 - Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

2.8 - Interest expense

Interest expenses on borrowings are recognised under "financial costs" in the income statement using the effective interest rate method. The effective interest rate method is used to allocate amortised cost on financial assets and financial liabilities and for correct accrual of interest income and interest expense. The effective interest rate allocates future cash flows throughout the duration of the loan and indicates the real net value of the financial asset or liability.

When calculating the effective interest rate, the group estimates all contractual cash flows related to the financial instrument (such as terms of payment) but does not take future loss into account. When calculating the effective interest rate, all fees are included and distributed over the relevant period (term to maturity).

2.9 - Management fee and other operating revenue

Management fee charged to subsidiaries relates to property management, managing customer centre and financial management. Management fee is recognised when it is earned.

2.10 - Financial derivative instruments

The group is exposed to interest rate risk related to floating rate loans. The company uses forward rate agreements to reduce interest rate risk. Unrealised profit/losses related to these contracts are recognised in the income statement.

2.11 - Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension plan is a scheme where the group pays fixed (defined) amounts to a privately held managed plan. The group has no legal or other obligations to pay further amounts in the event that the pension scheme itself has insufficient assets to pay contributions to employees relating to rights earned in current or previous periods. Contributions are recognised as an employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that cash refunds or reductions in future payments are available.

2.12 - Deferred income tax

Tax in the income statement consist of tax payable and changes in deferred tax. Deferred income tax is calculated at 27 per cent on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and tax loss carried forward at 31 December. Tax increasing or reducing temporary differences

which are reversed or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.13 - Estimates

The preparation of the income statement in accordance with Norwegian generally accepted accounting principles requires the use of estimates and assumptions which affect the income statement and the valuation of assets and liabilities as well as information related to insecure assets and liabilities at the balance sheet date.

Contingent losses which are probable and quantifiable are recognised as they occur.

2.14 - Cash flow statement

The preparation of the cash flow statement is based on the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other current liquid investments.

Notional principal amounts and the maturity for the hedging agreement at 31 December 2014 is specified in local currencies (million) in the table below (see also [Note 9](#)).

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
EUR	(2.3)	-	-	(2.3)	-

3.2 - Credit risk

The company's receivables are mainly related to intercompany balances, where credit risk is considered low.

3.3 - Liquidity risk

The company aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The liquidity reserve should largely consist of revolving credit and overdraft facilities, rather than cash and cash equivalents. The liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2014	2013
The company's net balance in the group accounts and separate company accounts	80.5	1 182.4
Intercompany net balance in the group accounts ¹	(60.6)	(1 145.9)
Cash and cash equivalents	19.9	36.6
Restricted bank deposits	(3.1)	(3.0)
Available cash and cash equivalents	16.8	33.6
Unused credit and overdraft facilities	558.0	1 116.0
Liquidity reserve	574.8	1 149.6

¹ Subsidiaries' deposits in the parent company's group accounts are included as liquid assets in Norwegian Property ASA.

As described above, the company has a high level of hedging against changes in market interest rates, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. Liquidity risk is mainly related to instalments and maturity of liabilities. The maturity of liabilities for the company is specified in the table below. The classification is based on the maturity specified in the contracts. The amounts in the table specify the timing of repayment of notional principal amounts.

31 December 2014

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	9 775.4	10 947.7	478.1	5 258.2	5 071.4	70.0
Other liabilities ²	902.9	75.6	75.6	-	-	-

31 December 2013

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	9 017.4	10 197.7	466.1	3 966.0	5 695.6	70.0
Other liabilities ²	714.7	112.2	112.2	-	-	-

¹ The difference between the carrying value and expected cash flow reflects activated costs and estimated interest cost based on average interest rate at year end (intercompany balances assumed settled by 1 January 2020).

² The difference between carrying value and expected cash flow related to provision for hedge contracts.

NOTE 3: Financial risk management

The company's activities imply exposure to a variety of financial risks: market risk, credit risk and liquidity risk.

3.1 - Market Risk

Market risk for the company is primarily related to interest rate risk and to a lesser degree of currency and price risk. At the end of 2014, the company has no exposure to currency risk and the company's revenue for 2014 is entirely related to management fees from subsidiaries.

The company is subject to interest rate risk related to floating rate loans. In order to mitigate interest rate risk, the group has entered into interest rate swap agreements. Notional principal amounts and the maturity for the company's total portfolio of interest rate hedges at 31 December 2014 are specified in local currencies (million) in the table below.

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
NOK	(7 428.0)	(473.0)	(400.0)	(3 755.0)	(2 800.0)

Norwegian Property ASA has entered into a hedging agreement to reduce exposure related to a lease agreement in foreign currency in one of the subsidiaries. The lease has ceased in connection with sale of the property. The hedging agreement is not settled in full in connection with the sale of the property.

NOTE 4: Investments in subsidiaries

Investments in subsidiaries at 31 December 2014 are specified in the table below. Subsidiaries are subholding companies and owns shares in other companies, as described in their respective annual accounts.

(Amounts in NOK million)	Acquired/ established	Commercial properties	Share	Voting share	Net book value
NPRO Holding AS ¹	17.01.07	Oslo	100.0	100.0	13 585.9
NPRO Invest AS ¹	26.09.13	Oslo	100.0	100.0	10.0
Total shares in subsidiaries					13 595.9

¹ The companies owns the group's premises ("single purpose" entities).

Changes in book value for the year are as follows:

(Amounts in NOK million)	2014	2013
Book value at 1 January	12 093.7	5 091.7
Purchase of shares in subsidiaries	-	4.6
Investments in subsidiaries	1 927.0	7 657.4
Sale of shares in subsidiaries	(424.8)	(332.1)
Repayment of invested capital in subsidiaries	-	(310.1)
Impairment of shares in subsidiaries	-	(17.7)
Book value at 31 December	13 595.9	12 093.7

NOTE 5: Tangible assets

Changes in tangible assets are specified in the table below.

Acquisition cost	IT-systems and other intangible assets	Fixtures, equipment, cars etc.	Total
(Amounts in NOK million)			
At 31 December 2012	20.0	1.6	21.6
Additions	0.2	1.0	1.2
Disposals	(0.7)	(1.2)	(1.9)
At 31 December 2013	19.5	1.4	20.9
Additions	-	-	-
Disposals	-	-	-
At 31 December 2014	19.5	1.4	20.9

Accumulated depreciation

(Amounts in NOK million)

	IT-systems and other intangible assets	Fixtures, equipment, cars etc.	Total
At 31 December 2012	4.6	0.7	5.4
Depreciation from disposals	-	(0.6)	(0.6)
Depreciation	3.7	0.3	4.0
At 31 December 2013	8.3	0.5	8.8
Depreciation	3.9	0.2	4.1
At 31 December 2014	12.2	0.7	12.9
Book value at 31 December 2012	15.3	0.9	16.2
Book value at 31 December 2013	11.1	0.9	12.1
Book value at 31 December 2014	7.2	0.7	8.0

The company uses straight-line depreciation and the useful life of the assets are four years for IT equipment, five years for licenses, cars and equipment, and seven years for fixtures.

NOTE 6: Equity

(Amounts in NOK million)	Share capital	Share premium	Other paid-in equity	Total equity
Equity at 31 December 2012	274.2	2 295.1	1 317.3	3 886.6
Profit for the year	-	-	45.3	45.3
Transactions with shareholders	-	-	45.3	45.3
Equity at 31 December 2013	274.2	2 295.1	1 362.7	3 932.0
Loss for the year	-	-	(465.5)	(465.5)
Transactions with shareholders	-	-	(465.5)	(465.5)
Equity at 31 December 2014	274.2	2 295.1	897.2	3 466.5

The company had a share capital amounting to NOK 274 233 416 at 31 December 2014, consisting of 548 466 832 shares with a face value of NOK 0.50.

In connection with the stock purchase plan for employees in 2012, the company purchased 150 000 shares at an average price of 7.94. The company has sold 128 764 shares to employees for an average price of 7.46. Remaining holding of own shares by the end of 2014 is 21 236 shares.

List of main shareholders at 31 December 2014

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	205 910 242	37.5
Canica AS	ORD	NOR	94 683 425	17.3
Folketrygdfondet	ORD	NOR	46 451 642	8.5
The Bank of New York BNY Mellon A/C APG	NOM	NLD	23 730 241	4.3
Verdipapirfondet DNB NOR (IV)	NOM	USA	16 635 701	3.0
State Street Bank AN A/C Client Omnibus	NOM	LUX	12 569 654	2.3
BNP Paribas Sec. Ser S/A Bp2s LUX/FIM/LUX	NOM	USA	8 042 859	1.5
State Street Bank AN A/C West Non-Treaty	ORD	NOR	6 175 392	1.1
ABN Amro Global Custody Services	NOM	USA	5 678 395	1.0
The Bank of New York BNY Mellon	NOM	USA	4 983 541	0.9
State Street Bank & A/C Client Fund Numb	NOM	USA	4 818 311	0.9
The Bank of New York Mellon SA/NV	ORD	NOR	4 809 363	0.9
BNP Paribas Sec Ser S/A Tr Property Inv	NOM	GBR	4 325 659	0.8
Goldman Sachs & Co Equity Segregat	ORD	NOR	3 518 688	0.6
State Street Bank & S/A Ssb Client Omni	NOM	USA	3 486 607	0.6
State Street Bank & S/A Ssb Client Om04	NOM	GBR	3 400 645	0.6
JPMorgan Chase Ba A/C Vanguard BBH	NOM	USA	3 352 360	0.6
DNB Livsforsikring ASA	NOM	USA	3 102 377	0.6
JPMorgan Chase Ba A/C Us Resident Non	NOM	GBR	2 954 647	0.5
State Street Bank & Trust Co.	NOM	USA	2 894 112	0.5
Other			86 922 971	15.8
Total number of shares at 31 December 2014			548 446 832	100.0

List of main shareholders at 31 December 2013

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 651 642	9.0
Skandinaviska Enskilda Banken AB	NOM	SWE	28 947 104	7.3
The Bank of New York Mellon	NOM	USA	26 230 241	5.1
State Street Bank and Trust Co.	NOM	USA	24 211 522	3.9
State Street Bank and Trust Co.	NOM	USA	23 800 442	3.5
Citibank, N.A.	NOM	GBR	17 597 315	3.2
BNP Paribas Sec. Services S.C.A	NOM	FRA	16 894 947	2.7
The Bank of New York Mellon	NOM	USA	14 879 359	2.6
State Street Bank and Trust Co.	NOM	USA	12 996 060	2.0
Merrill Lynch International Ltd	NOM	GBR	12 107 500	1.8
Verdipapirfondet DNB Norge Selekti	ORD	NOR	10 085 012	1.5
Fondsfinans Spar	ORD	NOR	10 000 000	1.5
Verdipapirfondet DNB Norge (IV)	ORD	NOR	8 519 740	1.5
Ilmarinen Mutual Pension Insurance	ORD	USA	8 225 409	1.3
JPMorgan Chase Bank N.A. London	NOM	GBR	7 816 379	1.3
BNP Paribas Sec. Services S.C.A	NOM	FRA	7 421 567	1.1
State Street Bank and Trust Co.	NOM	IRL	7 407 733	1.1
JPMorgan Chase Bank N.A. London	NOM	GBR	6 621 004	1.0
State Street Bank and Trust Co.	NOM	USA	6 341 894	1.0
Other			189 483 730	36.7
Total number of shares at 31 December 2013			548 446 832	100.0

Shares held by directors and senior executive officers at 31 December 2014

Shareholder	Number of shares
Board of directors	
Cecilie Astrup Fredriksen, Director ¹	205 910 242
Nina Camilla Hagen Sørli, Director until January 2015 ²	94 683 425
Nils K Selte, Director until January 2015 ³	154 000
Bjørn Henningsen, Deputy chair ⁴	100 000
Senior executives	
Olav Line, President and CEO	62 000
Svein Hov Skjelle, EVP and CFO	46 594
Shares held by the board of directors and senior executive officers at 31 December 2014	300 956 261

¹ Cecilie Astrup Fredriksen is a related party to Geveran Trading Co Ltd, who by 31 December 2014 was the largest shareholder of Norwegian Property ASA with approximately 37.5 per cent of the shares. In connection with Geveran Trading Co Ltd's ownership exceeded a shareholding of 33.3 per cent, a mandatory offer for the remaining shares in Norwegian Property ASA was made. At the expiry of the offer period in January 2015, Geveran Trading Co Ltd acquired an additional 31 326 589 shares, bringing the total shareholding in Norwegian Property ASA to 237 236 831 shares (approximately 43.3 per cent of the shares).

² Nina Camilla Hagen Sørli is a related party to Canica AS, who by 31 December 2014 was the second largest shareholder of Norwegian property ASA with approximately 17.3 per cent of the shares. Canica AS sold all their shares in Norwegian Property in January 2015. Nina Camilla Hagen Sørli has in January 2015 decided to resign from the board of directors effective immediately.

³ At the end of 2014, 154 000 shares are held by Nian AS. Nils K Selte owns 100 per cent of the shares in Nian AS. Nils K Selte is a related party to Canica AS. Nian AS sold all their shares in Norwegian Property in January 2015. Nils K Selte has in January 2015 decided to resign from the board of directors effective immediately.

⁴ At the end of 2014, 100 000 shares are held by Max Eiendom AS. Bjørn Henningsen owns 100 per cent of the shares in Max Eiendom AS.

The company has not issued share options.

NOTE 7: Other current liabilities

Other current liabilities at 31 December are specified in the table below.

(Amounts in NOK million)	2014	2013
Public duties	6.0	5.0
Accrued salaries	5.1	4.9
Accrued interest	49.3	89.3
Trade payables	1.5	1.7
Other payables	12.1	11.3
Total other current liabilities	74.0	112.2

NOTE 8: Interest-bearing debt

The table below present an overview at 31 December of the company's interest-bearing debt, including hedging ratio, average interest rate and remaining duration.

	2014	2013
Total interest-bearing debt (NOK million)	9 705.4	9 017.4
- Of which hedged (NOK million)	6 550.0	7 228.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	67	81
Cash and cash equivalents (NOK million)	19.9	36.6
Committed unutilised credit facilities (NOK million)	558.0	1 116.0
Average interest rate, including margin (per cent)	4.57	4.68
Average margin (per cent)	1.40	1.45
Average remaining duration, borrowings (years)	2.8	3.1
Average remaining duration, hedging contracts (years)	4.6	5.4

The company's interest-bearing long-term and short-term debt at 31 December is specified in the table below.

(Amounts in NOK million)	2014			2013		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank loan	7 980.1	33.8	8 013.9	7 981.2	40.1	8 021.3
Bonds	1 655.0	-	1 655.0	955.0	-	955.0
Intercompany balances	70.0	-	70.0	70.0	-	70.0
Total interest-bearing debt	9 705.1	33.8	9 738.9	9 006.2	40.1	9 046.3
Capitalised borrowing costs	(13.2)	(20.3)	(33.6)	(18.8)	(10.1)	(28.9)
Total book value interest-bearing debt	9 691.9	13.5	9 705.4	8 987.4	30.0	9 017.4

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 8 671.9 million at the end of 2014 (including bank overdraft of NOK 100 million). The term of the facilities is respectively December 2016 and June 2018, and is secured by two separate property portfolios. Drawn amount at the end of 2014 totalled NOK 8 013.9 million and NOK 558 million is a revolving credit limit. In 2013 and 2014 the group issued five bonds totalling NOK 1 655 million. The bonds are due in 2016 (NOK 500 million), 2018 (NOK 455 million) and 2019 (NOK 700 million). The loans are secured by pledge in property. All the new bonds are listed on Oslo Stock Exchange.

The maturity of the company's long-term interest-bearing debt at 31 December is specified in the table below (current interest-bearing debt falls due within one year from the balance sheet date).

(Amounts in NOK million)	2014	2013
Between 1-2 years (2016 and 2017 / 2015 and 2016)	4 944.7	4 148.2
Between 3-5 years (2018, 2019 and 2020 / 2017, 2018 and 2019)	4 690.4	4 788.0
Later than 5 years (after 2020 / after 2019)	70.0	70.0
Total	9 705.1	9 006.2

The book value of assets pledged as security for debt at 31 December is as follows:

(Amounts in NOK million)	2014	2013
Long-term receivables, intercompany ¹	153.3	183.3
Total	153.3	183.3
Liabilities secured	9 738.9	9 046.3

¹ Long-term intercompany loans are pledged. The shares of property companies owned by other group entities are also pledged as security for corporate facilities in Norwegian Property ASA. See also [Note 16](#) in the group's annual accounts.

The terms of the main loan facility are:

- Interest: NIBOR + margin.
- Interest rate hedging: minimum 60 per cent with average duration of three years.
- Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover by 31 December 2014 is a minimum 1.2 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2014 and 2013.
- Instalments are based on the level of LTV.
- Other covenants: negative pledge, restrictions on granting loan guarantees and change of control. By financing of ongoing development projects there is a condition that the company will not pay dividend for the fiscal years 2013 and 2014.
- Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 9: Derivatives

The company is subject to interest rate risk related to floating rate loans, and has entered into hedging agreements to reduce such interest rate risks. In addition, it signed a currency swap agreement as described in [Note 3](#). Unrealised profits/losses on such contracts are recognised.

The fair value of derivatives is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. The technical calculations are generally prepared by banks. The company has checked and tested the valuation for reasonableness. Fair value of the company's derivatives at 31 December is specified in the table below.

(Amounts in NOK million)	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	0.4	8.1	-	-
Interest rate contracts	6.2	816.5	4.3	602.5

Interest rate contracts

The majority of Norwegian Property's floating rate loans are hedged with interest rate hedge contracts. The general policy in accordance with the applicable loan agreements is that at least 60 percent of the company's interest-bearing debt at any time shall be hedged. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the short-term interest rate. As a result of these fluctuations, the interest rate cost will vary. Notional principal amounts for the company's interest rate hedges at 31 December are specified in the table below. The maturity is specified in [Note 3](#).

(Amounts in NOK million)	Currency	2014	2013
Interest rate contracts	NOK	7 428.0	9 378.0
Total interest rate contracts	NOK	7 428.0	9 378.0

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the company's exchange rate derivative at 31 December. The maturity is specified in [Note 3](#).

(Amounts in NOK million)	Currency	2014	2013
Notional principal amount	EUR	(2.3)	(17.1)

NOTE 10: Payroll costs and remuneration of executive officers and auditor

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	2014	2013
Salaries and remuneration	56.0	53.6
Social security costs	9.0	8.3
Pension costs (defined contribution plan)	2.4	2.5
Other employee expenses	9.4	7.7
Total payroll costs	76.7	72.0
Number of employees at 31 December	52	51
Number of full-time equivalent positions at 31 December	50	52
Average number of employees	52	51

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA must operate certain pension plans. The company has plans which satisfy these requirements. Norwegian Property ASA operates a defined contribution plan for all employees.

Remuneration of senior management in 2014 are specified in the table below (amounts in NOK):

Navn	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 668 733	1 000 000	232 995	478 604
Svein Hov Skjelle	EVP & CFO	2 554 080	219 521	108 716	67 598
Tore Heldrup Rasmussen ⁴	EVP Commercial	575 000	-	27 109	18 330
Bjørn Holm	EVP Property Development	1 821 928	100 000	141 735	66 960
Bjørge Aarvold	EVP Property Management	1 565 912	139 758	113 184	68 678
Sum		10 185 653	1 459 279	623 739	700 170

¹ Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2014 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line has been granted a loan by the company of NOK 600 000 at 31 December 2014. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment condition is 31 December 2015.

⁴ Tore Heldrup Rasmussen was hired at 1 October 2014.

At 31 December, three key management employees had agreements in place with the company for payment of salary after a termination of their contract. Periods of notice are six months and severance pay is limited to six months salary for two employees and twelve months' salary for one employee.

Remuneration of senior management in 2013 are specified in the table below (amounts in NOK):

Name	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 357 868	1 549 414	229 266	474 915
Svein Hov Skjelle	EVP & CFO	2 462 611	318 146	106 986	65 328
Aili Klami	EVP Leasing & Marketing	1 615 131	208 575	121 675	64 506
Fredrik W Baumann	EVP Property Development (01.01-30.09)	2 418 052	292 005	104 911	66 124
Bjørn Holm ⁴	EVP Property Development (30.09-31.12)	494 998	-	35 793	24 540
Bjørge Aarvold ³	EVP Property Management	1 509 689	195 226	113 778	66 594
Total		11 858 349	2 563 366	712 409	762 007

¹ Paid benefits in 2013 (amounts in NOK). In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2013 (amounts in NOK). Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 100 000 respectively at 31 December 2013. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 31 December 2015 and NOK 10 000 per month.

⁴ Bjørn Holm was hired at 30 September 2013 and Fredrik W Baumann left the company at 30. September 2013.

Fees paid to directors in 2014 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Henrik A Christensen	Chair	10.10-31.12	175 000
Bjørn Henningsen	Deputy chair	10.10-31.12	137 500
Nils K Selte	Director (Chair 01.01-10.04)	01.01-31.12	325 000
Cecilie Astrup Fredriksen	Director	10.10-31.12	62 500
Nina Camilla Hagen Sørli	Director	10.10-31.12	62 500
Synne Syrrist	Deputy chair	01.01-10.10	300 000
Gry Mølleskog	Director	01.01-10.10	206 250
Jon Erik Brøndmo	Director (Chair 10.04-10.10)	01.01-10.10	318 750
Gunnar Bøyum	Director	01.01-10.10	206 250
Total			1 793 750

¹ Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

Fees paid to directors in 2013 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Nils K Selte	Chair	01.01-31.12	375 000
Synne Syrrist	Deputy chair	01.01-31.12	300 000
Gry Mølleskog	Director	01.01-31.12	206 250
Jon Erik Brøndmo	Director	01.01-31.12	206 250
Gunnar Bøyum	Director	01.01-31.12	206 250
Total			1 293 750

¹ Paid benefits in 2013 (amounts in NOK). In addition, social security costs (14.1 per cent).

Auditor's fee¹

Type of fees	2014	2013
Statutory audit	342 124	532 729
Other certification services	84 330	3 500
Tax/VAT advice	44 800	269 445
Other services	11 500	-
Total	482 754	805 674

¹ Fees to PricewaterhouseCoopers AS and affiliated companies. The fees are net of VAT (amounts in NOK).

NOTE 11: Net financial items

(Amounts in NOK million)	2014	2013
Financial income		
Income investment subsidiaries ¹	-	26.6
Profit from sales of subsidiaries	273.4	223.2
Interest income from group companies	7.1	192.6
Changes in value of financial derivative instruments	-	123.7
Other interest income	36.0	68.9
Total financial income	316.5	635.0
Financial expenses		
Loss from sales of subsidiaries	-	(15.9)
Interest costs to group companies	(2.3)	(0.6)
Interest costs loans	(338.4)	(383.2)
Impairment of shares in subsidiaries ²	-	(17.7)
Changes in value of financial derivative instruments	(222.3)	-
Termination of financial derivative instruments	(149.0)	(51.3)
Other financial expenses	(44.1)	(19.8)
Total financial expenses	(756.1)	(488.5)
Net financial items	(439.6)	146.6

¹ Income from investments in subsidiaries relates to recognised group contribution and other distributions from subsidiaries.

² Subsidiaries are valued using the cost method, with impairment to fair value when this is considered to be lower than the acquisition cost.

NOTE 12: Deferred tax and income tax

(Amounts in NOK million)	2014	2013
The major components of the income tax expense for the year are:		
Tax payable	-	-
Changes in deferred tax	39.3	(37.8)
Income tax expense	39.3	(37.8)
Calculation of the tax base for the year:		
Profit before tax	(504.8)	83.1
Permanent differences	(278.4)	(213.5)
Changes of temporary differences	145.6	(111.7)
Tax base for the year	(637.6)	(242.1)
Specification of temporary differences and deferred tax:		
Tangible assets	(7.3)	(5.1)
Financial derivative instruments	(820.6)	(598.3)
Limited liability partnerships	-	(79.0)
Tax loss carried forward	(2 080.7)	(1 443.1)
Total temporary differences	(2 908.6)	(2 125.4)
Of which not capitalised (loss carried forward)	2 080.7	1 443.1
Basis for deferred tax	(827.9)	(682.3)
Deferred tax in the balance sheet	(223.5)	(184.2)
Specification of why the tax expense is not 27 per cent of profit before tax:		
Calculated tax expense on profit before tax, 27 per cent	(136.3)	23.3
Effect on deferred tax by change of tax rate from 28 per cent to 27 per cent ¹	-	(6.8)
Permanent differences	(75.2)	(59.8)
Changes of temporary differences	39.3	(31.3)
Changes not capitalised	211.5	36.8
Income tax expense	39.3	(37.8)
Effective tax rate (per cent)	(7.8)	(45.5)

¹ The corporate tax rate in Norway was reduced from 28 per cent to 27 per cent at the beginning of 2014. Deferred tax by year-end 2013 is for that reason calculated with a basis of a tax rate of 27 per cent.

NOTE 13: Related-party disclosures

All transactions, agreements and business relationships with related parties are made on normal commercial terms. Financial relationship related to the board and senior management are described in [Note 6](#) and [Note 10](#). Income statement and balance sheet items related to group companies are specified in the table below.

(Amounts in NOK million)	2014	2013
Income statement:		
Management and service fee, group companies	43.8	39.7
Rental cost, subsidiaries	(5.7)	(4.1)
Income on investments in subsidiaries (Note 11)	-	26.6
Interest income from group companies (Note 11)	7.1	192.6
Interest costs to group companies (Note 11)	(2.3)	(0.6)
Balance sheet:		
Investments in subsidiaries (Note 4)	13 595.9	12 093.7
Non-current assets, intercompany balances	153.3	183.3
Current assets, intercompany balances	60.6	1 146.0
Non-current liabilities, intercompany balances	70.0	70.0
Current liabilities, intercompany balances	1.6	-

NOTE 14: Contingent liabilities

Norwegian Property ASA has no substantial contingent liabilities through guarantees or other circumstances related to the ordinary course of business.

NOTE 15: Events after the balance sheet date

Events after the balance sheet date are events, favourable or unfavourable, that occurs between the balance sheet date and the date that the financial statements are authorised for issue. Such events can be events that provides information of conditions that existed at the balance sheet date resulting in adjustments in the financial statement, or events that do not require such adjustments.

There are no significant events after 31 December 2014 which provides informations of conditions that existed at the balance sheet day.

The largest shareholder in Norwegian Property ASA, Gevevan Trading, passed a stake of one-third in 2014, and a mandatory offer to acquire the remaining shares in the company was therefore issued. Gevevan Trading had after the expiration of the offer period in January 2015 acquired shares representing a stake of approximately 43.3 per cent of the shares in the company.

DECLARATION BY THE BOARD OF DIRECTORS AND THE CEO

The board and the chief executive have today considered and approved the directors' report and the annual consolidated and parent company financial statements for Norwegian Property ASA at 31 December 2014. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, and the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2014. The parent company financial statements for the year have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting standards at 31 December 2014. The directors' report for the group and the parent company accord with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors' report) at 31 December 2014.

TO THE BEST OF OUR KNOWLEDGE, WE HEREBY CONFIRM THAT

- the consolidated and parent company financial statements for 2014 have been prepared in accordance with applicable accounting standards
- the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group and the parent company at 31 December 2014
- the directors' report for the group and the parent company provides a true and fair view of the development, financial results and position of the group and the parent company, and of the most important risk factors and uncertainties facing the group and the parent company.

Oslo, 11 February 2015

The board of directors of Norwegian Property ASA



Henrik A Christensen
Chair



Bjørn Henningsen
Deputy chair



Cecilie Astrup Fredriksen
Director



Olav Line
President and CEO



To the Annual Shareholders' Meeting of Norwegian Property ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Property ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



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Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norwegian Property ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norwegian Property ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 February 2015
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

EPRA KEY FIGURES

Below is an overview of EPRA key figures for the Norwegian Property group at the end of the year. EPRA (European Public Real-Estate Association) has issued recommendations for a set of common key figures for real estate companies. EPRA has since 1999 worked to establish best practices in accounting, reporting and corporate governance for European property companies. The reason is a desire for comparable information as a basis for investors decisions. As a member of REESA (The Real Estate Equity Securitization Alliance), EPRA works in close cooperation with NAREIT (US), APREA (Asia) and other industry organizations to promote common interests.

	Note	2014	2013
Number of shares			
Number of shares at the end of the period	Number	548 425 596	548 425 596
Average number of shares during the period	Number	548 425 596	548 425 596
EPRA earnings			
Annual earnings (as per IFRS the income statement)	NOK mill.	225.3	(230.9)
EPRA adjustments:			
IFRS change in value of investment properties	NOK mill.	(354.8)	559.9
IFRS change in fair value of financial instruments	NOK mill.	382.7	(97.9)
Deferred tax in respect of EPRA adjustments	NOK mill.	(138.2)	(105.5)
EPRA earnings	NOK mill. 1	115.0	125.6
EPRA earnings per share	NOK	0.21	0.23
EPRA cost ratio			
Maintenance and other operating expenses (IFRS)	NOK mill.	60.4	58.0
Other property related expenses (IFRS)	NOK mill.	75.6	64.1
Administrative expenses (IFRS)	NOK mill.	63.5	60.7
Total operating expenses as per IFRS income statement	NOK mill.	199.5	182.8
Investment property depreciation	NOK mill. 2	(1.8)	(0.9)
EPRA costs (including direct vacancy costs)	NOK mill.	197.7	181.9
Direct vacancy costs	NOK mill. 3	(39.3)	(34.8)
EPRA costs (excluding direct vacancy costs)	NOK mill.	158.4	147.1
Gross rental income (IFRS)	NOK mill.	738.6	769.8
EPRA gross rental income	NOK mill.	738.6	769.8
EPRA cost ratio, including direct vacancy cost	Per cent 4	26.8	23.6
EPRA cost ratio, excluding direct vacancy cost	Per cent 5	21.4	19.1

1 Calculated based on the IFRS profit after tax for the period, adjusted for changes in the value of investment properties and financial instruments after taxes.

2 Owner occupied property is carried at fair value in the IFRS accounts and calculated depreciation of such properties are recognised as a revaluation reserve in comprehensive income.

3 Service charge expenses for vacant space covered by the property owner.

4 The cost ratio includes all IFRS operating expenses excluding depreciation calculated on owner occupied property.

5 The cost ratio includes all IFRS operating expenses excluding depreciation calculated on owner occupied property and service charge expenses for vacant space covered by the property owner.

	Note	2014	2013
EPRA NNNAV			
NAV (as per the IFRS financial statements)	NOK mill.	5 290.2	5 057.5
Deferred tax related to change in value of investment properties	NOK mill. 6	125.6	44.7
Fair value of financial derivative instruments	NOK mill. 7	599.0	422.6
EPRA NAV	NOK mill. 8	6 014.8	5 524.8
Fair value of deferred tax	NOK mill. 9	146.7	225.3
Fair value of financial derivative instruments	NOK mill. 10	(599.0)	(422.6)
Fair value of debt	NOK mill. 11	(31.9)	-
EPRA NNNAV	NOK mill. 12	5 530.5	5 327.5
NAV (IFRS) per share	NOK	9.65	9.22
EPRA NAV per share	NOK	10.97	10.07
EPRA NNNAV per share	NOK	10.08	9.71
EPRA "topped-up" NIY			
Market value of all investment properties (as per the IFRS income statement)	NOK mill.	15 796.5	14 762.6
Market value of development properties	NOK mill. 13	(6 699.0)	(4 880.4)
Market value for completed investment properties	NOK mill.	9 097.5	9 882.2
Annualised gross rental income for completed investment properties	NOK mill. 14	585.7	665.0
Property outgoings	NOK mill. 15	(35.1)	(39.9)
Annualised net rents for completed investment properties	NOK mill.	550.6	625.1
EPRA adjustments for lease incentives	NOK mill. 16	2.0	3.8
"Topped-up" net annualised rent	NOK mill.	552.6	628.9
EPRA-NIY	Per cent 17	6.1	6.3
EPRA "topped-up" NIY	Per cent 18	6.1	6.4
EPRA vacancy rate			
Estimated annualised rent for all completed investment properties	NOK mill.	666.2	724.0
Estimated annualised rent for vacant space related to completed properties	NOK mill.	108.8	66.9
EPRA vacancy rate	Per cent 19	16.3	9.2

6 Adjusts for carrying amount of deferred tax related to fair value adjustments of investment properties (not deferred taxes of tax depreciation in the period of ownership).

7 Adjusts for fair value in the balance sheet of financial instruments after taxes.

8 EPRA recommendations to the calculation of NAV at an ordinary long-term operational perspective to the business.

9 Adjusts for the estimated fair value of deferred tax, including tax depreciation differences, tax losses- and gain/loss accounts carry forward.

10 Adds fair value in the balance sheet for financial instruments after taxes, which is deducted from EPRA NAV.

11 Adjustment for the estimated fair value of debt in accordance with the principles described in notes to the financial statements.

12 EPRA recommendations to the calculation of NAV where EPRA NNNAV ("triple net asset value") in relation to the EPRA NAV include estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and debt.

13 Market value of investment properties at the balance sheet date related to development properties that are not in regular operation.

14 Annualised gross rental income for investment properties in ordinary operation based on leases effective as at the balance sheet date.

15 Estimated to six per cent of rental income.

16 Includes rental discounts and the like included in lease contracts that runs on the balance sheet date.

17 Calculated as net annualised rental income (net of operating related property costs) based on signed leases on the balance sheet date for properties in ordinary operations, in relation to the market value of the properties.

18 Calculated similar to EPRA NIY, but annualised rental income on the balance sheet date is adjusted for lease incentives.

19 Calculated as the estimated annualised rental income for vacant premises relating to properties in ordinary operation from valuations at the reporting date in relation to the corresponding estimate of rental income for all properties in ordinary operation.

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