Annual report

2019

NORWEGIAN PROPERTY ASA

Content

Business concept, vision and values

BUSINESS CONCEPT

«Norwegian Property will create sustainable growth in value through managing, developing and investing in property located in central growth areas where we have a comparative advantage. The tenant portfolio will have a good mix, contributing to the creation of meeting places and relationships which encourage engagement.»

VISION

We will create meeting places and relationships which encourage engagement

VALUES

The property portfolio

Norwegian Property is a listed property group with its head office in Oslo.

We are a focused and fully integrated real estate specialist, with holdings located primarily in the Oslo area, and we own, develop and manage our properties.

We concentrate on developing attractive environments with a mix of offices, retail outlets, services and culture.

Our philosophy and base values are founded on a passion for the property business. To us, this is about creating meeting places which encourage engagement and provide fertile soil for growth and relationships between people and their surroundings.

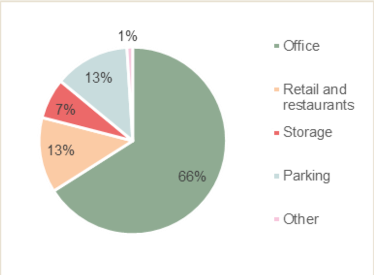
We have identified four drivers for long-term value creation: marketing and letting, property development, operation and management, and transactions and finance.

Our property portfolio breaks down into three areas: Oslo's central business district (CBD), the Nydalen district and others – which include Fornebu, Hasle and Stavanger.

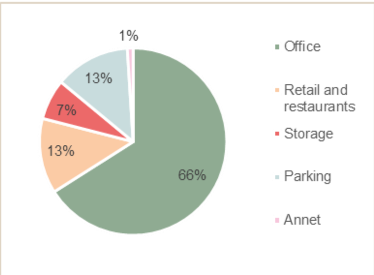
CBD

12 properties

Portfolio:
140 000 sqm
Run rate:
NOK 489,0 million
Fully developed



Sqm split on type of area in %

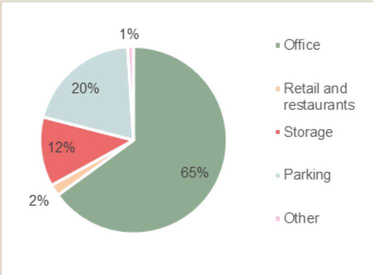


Run rate split on type of area in %

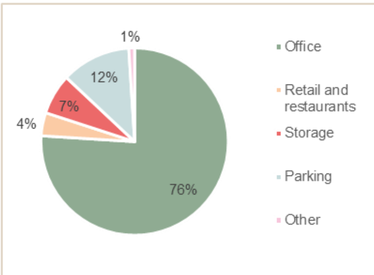
Nydalen

13 properties

Portfolio:
92 000 sqm
Run rate:
NOK 141,5 million
Development potential:
~ 60 000 sqm



Sqm split on type of area in %



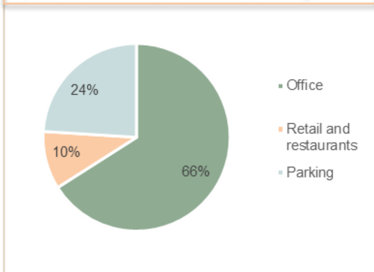
Run rate split on type of area in %

Other areas

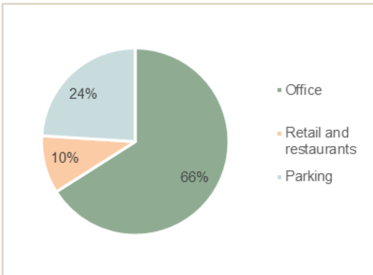
3 properties

Portfolio:
90 000 sqm
Run rate:
NOK 55,1 million
Development:
~ 20 000 sqm*

*) incl. our 50% share of Forusbeen in Stavanger



Sqm split on type of area in %



Run rate split on type of area in %

CEO summary

Our attention in Norwegian Property over the past year has primarily been concentrated on growth and refining of the property portfolio. We have expanded the portfolio in areas where we have a comparative advantage, such as in Oslo and Nydalen, and we have sold properties in Stavanger and at Skøyen and Gardermoen.

During 2019, we continued our efforts to be one of the leading property companies in creating sustainable growth, all through a concentration on our core values of collaborative, courageous, proactive and attentive. We have selected four of the UN's sustainable development goals (SDGs) as the focus of our work for the environment and corporate social responsibility (CSR) in the time to come.

Value growth in the Norwegian property market during 2019 was driven in part by a good rental market in Oslo as well as persistently low interest rates. We have now also appointed a project vice president and have ambitions also to create value through this business area in the future. At the same time, we see that our day-to-day management, our contact with tenants and our flexibility are what give us tempo, motivation and long-term value creation.

As an industrial property group listed on Oslo Børs, we want to create value in as many of our business areas as possible. We will do this through managing, developing and investing in commercial property in central growth areas.

Our ambition for continued expansion in 2020 and beyond is fixed. It will be achieved in a sustainable way in terms of profitability, the environment and the societal aspect. At the same time, our values of collaborative, courageous, proactive and attentive will always characterise the way we work.

Growth in 2019 found expression along two dimensions. Property values increased as a result of a rising level of rents, reduced vacancy and persistently low interest rates.

The carrying amount of our equity has thereby grown by 10.9 per cent over the past 12 months, after adjusting for the buy-back of about 10 per cent of our own shares in the second quarter. Our share price opened on 2 January 2019 at NOK 10.46 per share and closed on 30 December at NOK 13.90. Throughout the year, we made dividend payments of NOK 0.07 per share per quarter. This added up to NOK 0.28 per share. Shareholder value rose by NOK 3.72 per share or 35.6 per cent.

Our property portfolio was further refined during 2019. At 31 December, more than 90 per cent of our asset value was concentrated at Aker Brygge and in Nydalen. These are also the areas where we have the largest part of our organisation. That helps to ensure good and continuous contact with our tenants and visitors, which again helps us to realise our vision of creating meeting places and relationships which encourage engagement. In the competition over tenants, we believe such meeting places are and will remain important. Through attractive urban settings and an environment which creates engagement and attracts activity and people, our ambition is that our tenants will be satisfied and that our properties will be in use for a number of hours in the day. Our capital can thereby help to create a higher return for our owners.

We again achieved more than NOK 1 billion in total revenues for 2019. That broke down into NOK 735 million in rental income and NOK 383 million from the sale of residential units. The acquisition of the Vinslottet property at Hasle in 2018 involved both commercial premises and a housing project. Through the delivery of the first 69 flats at the end of 2019, this business area has also contributed to our financial growth and increased revenues. We look forward to its continuation in 2020 and will simultaneously seek to go on developing residential property in combination with commercial premises as a business area.

During the year, we delivered large properties at both Skøyen and Gardermoen which had earlier been sold on forward contracts. These have yielded about NOK 130 million in annual rental income. We sold a 50 per cent stake in Badehusgata 33-39 in Stavanger to a joint venture in 2018. At the time, we saw that the collaboration was opportunistic for our part and that we would sell out if we received an offer we felt was good enough. This project was sold in mid-December 2019, and we realised a good return on our equity. It has been important to reinvest more of the capital from these sales in projects where we feel we have comparative advantages over our competitors.

Early in the third quarter of 2019, we acquired the Gjerdrums vei 3 and 5 properties in Nydalen. These comprise two commercial buildings, one residential building and garages with a gross area (BTA) of roughly 2 430 square metres. The buildings were fully leased, with about NOK 3.4 million in rental income. Covering some 3 275 square metres, the properties are immediately adjacent to several of our other holdings in Nydalen and therefore fit well with our vision and portfolio. Our plan is to create a project on the properties with a combination of both residential units and offices. We will be able to enjoy ongoing income from the properties throughout the planning and design process.

In another move, we purchased several commercial units at Aker Brygge during 2019. Given the growing activity and interest in becoming established in this district, this has been very advantageous for us. The office units have been leased, and possible vacant premises at street level are attracting great interest. A key concern for us is to award leases to players who our existing tenants, visitors and other stakeholders want to see in the area. Achieving a good mix of tenants contributes to good collaboration, so that Aker Brygge is perceived as a meeting place which creates engagement.

In December 2019, we acquired the Lille Grensen 7 property in the heart of Oslo. This corner building has a very central location alongside the Storting (parliament) and Karl Johans gate. A good mix of tenants, together with retail tenants on the lower stories, helps to make the building and its outdoor spaces a meeting place where engagement and relationships can be developed.

To achieve successful future growth, we will continue to concentrate our attention on areas where we have comparative advantages over our competitors, and we are working purposefully to transform sustainable measures into opportunities and competitive advantages. We have selected four of the UN's SDGs up to 2030 which are important for us. These are as follows.

SDG 8: Decent work and economic growth fits well with our ethical guidelines. We will work to combat corruption, discrimination and social dumping. We will help to ensure that more young people secure apprentices/traineeships and/or summer jobs, both with us and with our suppliers, and we will work to achieve an organisation with diversity and without discrimination. This SDG provided a basis for many of our decisions in 2019.

SDG 11: Sustainable cities and communities was chosen because this is right at the core of both our business and our values. In collaboration with the surrounding community, we want to offer secure and inclusive areas, preserve old buildings and simultaneously adopt new technical solutions for creating enjoyable environments where people want to spend their time. And it is within these areas that we believe we have competitive advantages through our experience at Aker Brygge. We want to capitalise on that in connection with new investment.

SDG 13: Climate action to halt global warming is a goal we have already pursued actively since 2011, when we adopted our first climate strategy. The property sector accounts for a substantial proportion of the world's carbon emissions, and we have a role as owner, lessor, construction client and investor which we want to manage in a responsible and sustainable way.

SDG 14: Life below water was chosen because of the proximity of Aker Brygge to the fjord and our properties in Nydalen to the Aker River. We see that we derive both benefit and pleasure from a clean fjord associated with our buildings and the marina. A clean fjord and a wealth of life below water help to make our meeting places more attractive, which in turn will give us greater commercial opportunities in the future.

We have worked purposefully in recent years to manifest development opportunities in our existing portfolio. Big renovation projects have been implemented, and we will also get going with development projects which are more in the nature of newbuilds. We appointed a project vice president in 2019 to take on much of that responsibility. This appointment also adds another person to our management team, which is now five-strong.

At the same time, we have adopted a goal of certifying our existing portfolio to Breeam-in-use. Our first building here is Fornebu Works at Snarøyveien 36. The objective before we started work was at least Breeam Very Good, and this remains our minimum level of ambition. The classification is expected to be completed during the first half of 2020, and will initially cover the buildings and their management. Our ambition is to develop key performance indicators (KPIs) for our managers based on the results of the Breeam-in-use classification we obtain for our management, and thereby constantly improve our understanding and development as a group. We have chosen not to initiate Breeam-in-use classification of our tenants for the moment.

We also opened Vinslottet at Hasle during the fourth quarter of 2019. This is a historic building which now features a fine combination of retail, restaurants, services and housing, and our ambition is to create a meeting place for its occupants and those who work in the neighbourhood. We opened all the retail space in October, despite a rather difficult retailing market in general, and even though the whole residential development had not been completed. It is particularly gratifying to see the reception this building has received in the market and that large tenants have leased some of the vacant premises we had at the time of the early opening. All the 223 residential units will have been delivered to their end users during 2020, which we believe will further strengthen the retail areas.

We had an active year in 2019. I feel the organisation and our employees stronger is than ever. We have some of the city's best properties in a strong rental market. Our loan-to-value ratio remains low, even with a big share buy-back and growth. With a new project vice president in place, I also believe we will come to the market with exciting and sustainable products in the time ahead. We find our discussions with tenants, official regulators, investors, lenders and other stakeholders to be fruitful and constructive.

The recent developments in the spread of the coronavirus and the government's partial shutdown of Norway will also affect us and our stakeholders. We believe we are equipped to deal with this, and have activated our business contingency plan. The position is constantly changing, and we will try to find ways of adjusting to the circumstances together with our tenants and visitors. We must simply roll up our sleeves and get down to it.

Bent Oustad
CEO

Directors' report

Highlights of 2019

A solid financial position with good earnings from operations and positive changes to the fair value of the properties.

Norwegian Property delivers good and stable results from its operations. It is experiencing good demand for space at rising rents, and vacancy is low.

The fair value of the property portfolio has developed positively.

The group's financial position is sound, with a high equity ratio and a low loan-to-value (LTV) ratio.

Work is under way to strengthen, develop further and concentrate the portfolio of properties, and several strategic purchases and sales were conducted during the year.

Increased profit before tax and fair value adjustments

Profit before tax and fair value adjustments in 2019 came to NOK 397.4 million, compared with NOK 345 million the year before. This increase related to the sale of residential units and gain on the disposal of a part-owned property (joint venture).

Operating revenues up
Total operating revenues for Norwegian Property in 2019 related to rental income from commercial properties and receipts from the sale of residential units. Rental income for the year amounted to NOK 735.1 million, representing a like-for-like rise of NOK 28.3 million from 2018. Sixty-nine of the 223 flats in the housing project at Hasle in Oslo were delivered to their buyers in 2019. Income from these sales totalled NOK 382.9 million, giving a pre-tax profit for the project of NOK 24.8 million.

Positive trend for fair value of the properties
Valuations of the properties have contributed positive fair value adjustments to the financial results over several years. In 2019, the fair value change was NOK 786.8 million. Awarding new and improved leases and expectations of increased market rents for the most central properties contributed to the increase in fair value for the properties in 2019.

Completion of the commercial project at Hasle
The group acquired a project at Hasle in Oslo during 2018 for a mixed-use development of residential, commercial and retail premises. Covering about 8 800 square metres of commercial space, the shopping centre component was completed during the year and opened as planned in October. Where the residential part is concerned, all the 223 flats included in the project have been sold on to end users and 69 were delivered in 2019. The remainder will be completed and delivered in the first half of 2020.

Good letting market
Norwegian Property is experiencing good demand for premises in Oslo. Rents are rising in its core areas of downtown Oslo and Nydalen, and vacancy for the group's properties in these areas is low.

Solid financial position
The group has a solid financial position, with a high equity ratio and relatively low LTV ratio. These were 46.4 per cent and 43.6 per cent respectively at 31 December 2019.

Strengthening and concentrating the property portfolio
Norwegian Property's attention is focused on increasing, developing further and concentrating the portfolio of properties in the main priority areas. On that basis, the portfolio of properties in the core area of the Oslo central business district (CBD) was expanded in 2019 with the acquisition of Lille Grensen 7 as well as additional commercial

sections in the Stranden property at Aker Brygge. In Nydalen, the Gjerdrums vei 5 commercial property has been acquired along with the adjacent Gjerdrums vei 3 residential property. These new properties are located in proximity to the group’s existing properties, and have the potential for further development.

The group has worked to concentrate its capital in areas where synergies, its own personnel or other comparative advantages are present. On that basis, several properties were sold in the Stavanger area during 2018. A 50 per cent share in the Badehusgata 33-39 property in Stavanger was sold in 2019, and the remaining exposure to the Stavanger region subsequently relates to a development property where a project collaboration has been agreed with a local partner. The sale of the properties at Skøyen in Oslo and Oslo Airport Gardermoen, agreed in earlier years, was also completed in 2019.

About Norwegian Property

Norwegian Property owned 28 office, commercial and residential properties in Norway at 31 December 2019. Virtually all are located in the Oslo region.

The group’s properties had a combined fair value of NOK 16.6 billion at 31 December. They primarily comprise office premises with associated warehousing and car parks, and retail and restaurant space. The group also has a housing project under construction. The business is organised in parent company Norwegian Property ASA with subsidiaries. With its head office at Aker Brygge in Oslo, the group had 47 employees at 31 December 2019.

Norwegian Property’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”.

The group is listed on Oslo Børs with the ticker code NPRO and had a market value of NOK 6.9 billion at 31 December 2019.

The business in 2019

Market and letting

LETTING MARKET
Activity in the letting market was high in 2019, with a good market for letting office space. Rents are rising in central Oslo and Nydalen, and vacancy is low in these areas. While vacancy in Oslo as a whole lies just under 5.5 per cent, the figure for the city centre and Nydalen is lower. Declining vacancy has contributed to a positive trend for rents.

The market for letting retail space is good at Aker Brygge in central Oslo, where the group owns the bulk of the retail premises. Tenant turnover related to retail and restaurants at Aker Brygge in 2019 was at the same level as the good previous year. This good turnover was driven first and foremost by restaurant revenues. Where retail space outside this core area is concerned, the market for traditional retailing is somewhat more challenging.

LETTING ACTIVITY
Leases extended or awarded in 2019 represented a total annual rental income of NOK 136.2 million, compared with NOK 72 million the year before. The weighted remaining lease duration at 31 December 2019 was 4.8 years (3.9 years[1]).

Norwegian Property is experiencing good demand for office premises in central parts of the Oslo region. Rents are rising in its core areas of central Oslo and Nydalen, and vacancy for the group’s properties in these areas is low.

[1] Figures in brackets are for the corresponding period of the year before.

The group owns a property at Fornebu in Bærum local authority, adjacent to Oslo. The main tenant vacated this property when the lease expired in the fourth quarter of 2019. Several leases have been awarded for the property, and just over half the space falling vacant had been relet at 31 December.

CUSTOMER SATISFACTION
Norwegian Property works to ensure a high level of tenant satisfaction in its property portfolio, and participates regularly in surveys of tenant satisfaction by the Norwegian Lessee Index. It achieved a score of 84 in the most recent survey in late 2019, up from 80 in the previous poll.

Financing

FINANCING MARKET
From a historical perspective, market interest rates are at low levels. Where long-term rates are concerned, the 10-year rate was at its low point for the year in August 2019. An increase towards 31 December resulted in a level virtually unchanged from the same time last year. Short-term rates rose steadily over the year, and the gap between them and long-term rates is now small.

The bond market remains an attractive alternative to bank financing.

FINANCING ACTIVITIES
The group's net LTV ratio related to investment properties is 43.6 per cent, with bonds listed on Oslo Børs accounting for 82 per cent of its borrowings for these properties at 31 December 2019. In addition came bank facilities as well as a construction loan for residential property provided by a bank.

Norwegian Property issued NOK 1.6 billion in new bonds during 2019 and established a three-year overdraft facility of NOK 1 billion with a bank group. Current interest-bearing debt maturing in 2020 totals NOK 2.5 billion, primarily related to two bonds and the construction loan for the housing project at Hasle. Work is underway on refinancing the bonds. The housing project is due to terminate in 2020 with the completion and sale of the final units.

Property transactions

TRANSACTION MARKET
The level of activity in the transaction market has been high over several years, with many property deals in various segments at sharp yield levels. Long-term interest rates remain historically low. Increases in these rates are likely to influence the willingness of investors to accept exposure to investment property. However, many buyer groups are active and hunting for good objects. Prime yield for Oslo is estimated to be about 3.75 per cent, with downward pressure on yields for secondary properties.

TRANSACTIONS CONDUCTED AND AGREED
The board is devoting attention to opportunities which could strengthen the group's position in its core areas of the Oslo region. Against that background, the portfolio of properties in the Oslo CBD was expanded in 2019 with the purchase of Lille Grensen 7 for a gross asset value of NOK 710 million less the tax discount as well as remaining investments and guarantee rent for vacant space. Additional commercial sections were also acquired in the Stranden property at Aker Brygge for a gross asset value of NOK 56 million.

In Nydalen, the Gjerdrums vei 5 commercial property and the adjoining Gjerdrums vei 3 residential property were acquired. The gross asset value comes to NOK 70 million. These new properties are located close the group's existing property inventory, and have the potential for further development.

As part of efforts to concentrate its capital in areas where synergies, its own personnel or other comparative advantages are present, the group has sold certain properties. Several properties in the Stavanger area were sold in 2018. A 50 per cent share in the Badehusgata 33-39 property in central Stavanger was sold in 2019, and remaining exposure to this region subsequently relates to a development property where a project collaboration has been agreed with a local player.

The sale of properties at Skøyen in Oslo and Oslo Airport Gardermoen agreed in earlier years was also completed in 2019.

Strategic goals

Competitive return with balanced risk
Norwegian Property has a goal of paying 30-50 per cent of its ordinary profit after tax, but before fair-value adjustments, as dividend to its shareholders. Before a dividend is determined, an assessment will be made of the group's financial position and prospects, including possible increased capital requirements when investing in properties and changes to the income base when properties are sold.

High tenant satisfaction
Norwegian Property's vision is to create meeting places which encourage engagement and provide favourable conditions for developing interpersonal relationships. The group works to ensure a high level of tenant satisfaction, which contributes in turn to a good reputation and which is important for retaining existing tenants and attracting new ones.

Environmental improvements in line with the best in the industry
Corporate environmental and social responsibility is broadly defined and 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. The group's strategy and goals are outlined in the report on corporate social responsibility.

Investment strategy
Norwegian Property has an investment strategy with the emphasis on the following main parameters:

- leading player for office and associated commercial property in selected areas of the Oslo region
- prioritise properties close to public transport hubs, and seek to create natural property clusters in the group's priority areas
- seek to have five to 15 per cent of the portfolio's area under development over time
- 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 return over time with a balanced financial risk profile. The main parameters of its financial strategy are:

- a goal that the LTV ratio will be a maximum of 45-55 per cent of the total value of the group's investment properties over time
- to base borrowing on long-term relationships with banks and other players pursuing a long-term strategy in the Norwegian property market
- to seek to diversify funding sources and the maturity structure to reduce refinancing risk
- an ambition to achieve a stable development in cash flow which requires a relatively high level of interest-rate hedging, where such hedging will be a minimum of 50 per cent of the group's interest-bearing debt, with the term of the hedging weighted against the term of the leases while also being spread over the period to avoid excessive exposure at specific points in time.

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 management model is based on an appropriate delegation of responsibility for profits, clearly defined operational parameters and internal control.

Overall targets are established and further refined through continuous updating of the group'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.

Guidelines have furthermore been established for managing and handling risk in the most important risk areas, such as operations and finance. Based on these overall guidelines, governing processes and routines have been established for day-to-day management of the group. The board regularly reviews the group's formal documents.

The administration prepares periodic 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 group.

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 projects.

Efforts are made to dampen the effect of interest-rate changes on profits and liquidity through hedging. At 31 December 2019, 69 per cent (60 per cent) of the group's interest-bearing debt was covered by interest-rate hedges with an average term of 4.9 years (4.2 years). Fluctuations in short- and long-term market interest rates will therefore have a limited impact on the group's interest expenses before changes in the value of derivatives.

The group's credit facilities incorporate financial covenants related to interest cover and the LTV ratio. It was in compliance with these and other conditions in the credit agreements related to its liabilities at 31 December 2019.

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. 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).

Project risk
Generally speaking, major construction projects may involve risk relating to such aspects as the future letting ratio and level of rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments.

The group had a housing project under construction at Hasle in Oslo at 31 December 2019. All the residential units have been sold, and a turnkey contract has been entered into for the construction cost. Completion and delivery of the remaining flats will take place in the first half of 2020.

Credit risk
Norwegian Property's portfolio of office properties is characterised by high quality, central locations and a financially sound and 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 in the form of either a deposit account containing a sum equivalent to three to six months of rent, or 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 is limited and relates primarily to re-letting of premises.

Liquidity risk
The group's goal 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 rates, which reduces the need for liquidity to meet unexpected commitments in these areas. Other liquidity risk relates first and foremost to servicing instalments on and redemption of loans. The group generates a positive cash flow from operations.

At 31 December, the group had an interest-bearing debt of NOK 8 161.8 million (NOK 7 833.4 million), including liabilities related to capitalised leases. The remaining term of the debt was 2.7 years. Debt maturing and instalments due during 2020 are recognised as current liabilities in the consolidated balance sheet at 31 December 2019. At the same date, the group had a liquidity including undrawn borrowing facilities of NOK 429.1 million (NOK 772 million). Available loan facilities have increased after 31 December 2019 when receipts from a new NOK 460 million bond replaced temporary use of an overdraft facility for the purchase of property. The group seeks at all times to maintain a liquidity buffer tailored to the redemption profile of its debt and the ongoing short-term fluctuations in its requirements for working capital, as well as the requirements which follow from current and planned projects being pursued by the group at any given time. Good and long-term relations are cultivated by the group with its main bankers.

Sustainability risk
Developments in society is moving towards an increased focus on sustainability. The group has worked according to the TCFD framework to uncover the risks it is most exposed to. These are described in more detail in the corporate social responsibility report.

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 2019 have been prepared on that basis.

Income statement
Operating revenue in 2019 totalled NOK 1 118 million (NOK 798.9 million). Total operating revenue for Norwegian Property in 2019 derived both from leasing of commercial property (NOK 735.1 million) and sale of residential units (NOK 382.9 million). Operating revenues in 2018 did not include income from residential sales.

The group acquired a development project at Hasle in Oslo during the fourth quarter of 2018 which included 223 residential units as well as commercial and retail space. All the flats have been sold on to the end user. Sixty-nine of them were delivered in the fourth quarter of 2019, with the rest due for completion and delivery in the first half of 2020. Housing sales in 2019 contributed to a pre-tax profit of NOK 24.8 million.

Rental income from commercial property in 2019 showed a like-for-like increase of NOK 28.3 million.

Property costs related to operations totalled NOK 63.8 million (NOK 71.7 million). Other property costs totalled NOK 53.4 million (NOK 65.8 million). Administrative owner costs totalled NOK 48.8 million (NOK 57.1 million). The share of profit from part-owned property came to NOK 56.8 million (NOK 0.3 million), including NOK 48.1 million related to the sale of this holding. Operating profit before fair-value adjustments was thereby NOK 651.4 million (NOK 604.6 million). No costs related to research and development activities were recognised in the financial statements for either 2019 or 2018.

Profit before tax and fair-value changes came to NOK 397.4 million, compared with NOK 345 million for 2018.

Fair-value changes to the group's property portfolio totalled NOK 786.8 million in 2019 (NOK 161.1 million). A number of new and improved leases were awarded in 2019, and assumptions concerning market rents have been strengthened in the areas where the group has the bulk of its asset value.

Financial income, which consists largely of interest income, totalled NOK 4.6 million (NOK 3.6 million). Financial expenses, primarily interest expenses and other costs related to the group's financing, were NOK 258.6 million (NOK 263.2 million). Reduced terms to maturity were the main reason for a positive fair-value change of NOK 69.5 million (NOK 71.3 million) for financial derivatives. These are interest-rate hedge agreements entered into to control interest-rate risk.

Profit before tax was thereby NOK 1 253.7 million (NOK 577.4 million).

NOK 247 million in tax expense (NOK 86.8 million) is recognised in the 2019 accounts. As a result, net profit for the year was NOK 1 006.7 million (NOK 490.6 million).

Cash flow

Net cash flow from operating activities was NOK 354.9 million (NOK 419.7 million). Operating profit before tax and fair-value adjustments came to NOK 397.4 million in 2019. The difference compared with net cash flow from operating activities relates to the profit from part-owned property and to changes to inventory and other working capital items.

Net cash flow from investing activities was positive at NOK 271.7 million (negative at NOK 471.6 million). Capital spending totalling NOK 1 040.2 million in 2019 related to the acquisition of properties, tenant adaptations related to new and renegotiated leases, and ongoing operational investment. Property sales of NOK 957.9 million related to properties at Skøyen in Oslo and Oslo Airport Gardermoen as well as the part-owned property in Stavanger. Settlement of seller credits and temporary financing for the part-owned property in Stavanger brought in NOK 354 million.

Net cash flow from financing activities in 2019 was negative at NOK 469.4 million (positive at NOK 87.3 million). The net increase in interest-bearing debt came to NOK 321 million, dividend to NOK 145.9 million and buy-back of shares to NOK 644.5 million.

The net change in cash and cash equivalents was NOK 157.2 million (NOK 35.4 million).

Balance sheet and liquidity

The carrying amount of the group's total assets in the balance sheet was NOK 17 735.1 million (NOK 17 064.3 million), with investment property accounting for NOK 16 469.3 million (NOK 14 573.7 million) and properties used by the owner for NOK 89 million (NOK 75.6 million). Inventory related homes sold but not delivered in the project at Hasle amounted to NOK 708.5 million (NOK 815.5 million).

The group held NOK 281.8 million (NOK 124.6 million) in cash and cash equivalents. In addition, the group had unused drawing rights of NOK 150 million (NOK 650 million).

Total interest-bearing bank and bond liabilities in the balance sheet came to 8 157.4 million (NOK 7 833.4 million), with non-current interest-bearing liabilities totalling NOK 5 690.5 million (NOK 4 679.6 million) and current interest-bearing liabilities amounting to NOK 2 466.8 million (NOK 3 153.8 million). Current interest-bearing liabilities at 31 December 2019 related primarily to bonds falling due in 2020 and construction loans related to residential units being completed and sold in 2020.

The average interest rate for the group's loans (including payments for interest-rate derivatives) amounted to 3.50 per cent at 31 December 2019 (3.62 per cent), while the interest-rate margin averaged 1.22 per cent (1.38 per cent). The remaining term to maturity for interest-bearing debt was 2.7 years (2.3 years). Financial derivatives related to interest hedging accounted for a net liability item of NOK 75.5 million (NOK 156.5 million). The remaining term to maturity for the derivatives was 4.9 years (4.2 years)

Equity at 31 December totalled NOK 8 233.9 million (NOK 8 002.8 million), representing an equity ratio of 46.4 per cent (46.9 per cent). Carried equity per share was NOK 16.68 (NOK 14.59).

Valuation of the properties

The group's valuation process is based on quarterly external valuations, supplemented by internal analyses where the group 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 2019 by two independent professional specialists. Cushman & Wakefield and Akershus Eiendom have each prepared a valuation of all the properties. An average of these valuations is used as the basis for recognising the investment properties at fair value at 31 December 2019. 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 group'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 can be used as a basis for assessing the fair value of the properties. The total carrying amount of the group's investment properties, properties used by the owner and properties held for sale was NOK 16 558.3 million at 31 December 2019 (NOK 15 590.9 million).

Events after the balance sheet date

In accordance with the mandate from the AGM in 2019, the board resolved on 6 February 2020 that a dividend of NOK 0.07 per share will be paid on the basis of the accounts at 31 December 2019.

No other significant incidents since 31 December 2019 provide information concerning the conditions which existed at the balance sheet date.

Parent company accounts and coverage of net loss

The parent company, Norwegian Property ASA, made a net profit of NOK 535.3 million in 2019 (loss of NOK 208.4 million).

The board is mandated by the AGM to make quarterly dividend payments. A total of NOK 0.28 per share was paid in dividend for the four quarters of 2019, which includes a decision by the board meeting of 6 February 2020.

The board proposes that the net profit of NOK 535.3 million and the provision of NOK 34.6 million for dividend be charged to other paid-in equity.

Corporate social responsibility and corporate governance

The group has prepared a separate presentation on CSR pursuant to section 3-3c of the Norwegian Accounting Act, which covers the natural environment, employee rights and social conditions as well as human rights. This report includes information on the conditions mentioned in section 3-3a, paragraphs 9-12 of the Accounting Act related to the working environment, equal opportunities, anti-discrimination and the group's impact on the natural environment. The presentation appears on page 84 of this annual report.

A separate presentation on corporate governance has also been prepared to cover the group's principles and practice in this area, pursuant to section 3-3b of the Accounting Act. The presentation appears on page 74 of this annual report.

Board of directors

At the presentation of the financial statements for 2019, the board comprises Merete Haugli (chair), Bjørn Henningsen (deputy chair). Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen, Carl Erik Krefting and Lars Erich Nilsen. All were elected at the AGM in April 2019.

Shareholders

Norwegian Property had 1 223 shareholders at 31 December, a decline of 256 from the same time in 2018 (1 479 shareholders). Foreigners owned 82.1 per cent of the shares, compared with 68.3 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the group's website.

Outlook

Norwegian Property delivers good and stable results from its operations. The group is experiencing good demand for space with rising market rents in the CBD, and vacancy in the portfolio is low. Modern offices located close to public transport hubs are attractive and achieve good rents. The office market in central areas of Oslo is strong, with low vacancy and good rents.

At the same time, parts of the retail market in Oslo are experienced as a little challenging. Norwegian Property is strengthening its efforts to lay the basis for stable future growth in the retail market.

Valuation of the property portfolio has developed positively over a number of years. The group's financial position is sound, with a high equity ratio and relatively low LTV ratio. The group has concentrated its business through the sale of properties outside the core areas while strengthening the portfolio in the priority areas. The group is working actively on further expansion of the portfolio, and several interesting long-term development opportunities in the existing property portfolio are also being pursued.

Norwegian Property is accordingly well positioned with properties in attractive areas, a solid tenant base, a number of interesting development opportunities and a sound financial position.

When presenting the financial statements for the year, some uncertainty prevails about the effects and extent of the coronavirus on some of the group's tenants, the letting market, the financing market and management in general. These effects do not influence the financial statements presented at the end of 2019. The group will account for possible significant effects in its future interim reporting.

Oslo, 19 March 2020

Norwegian Property ASA

Annual group accounts

Consolidated income statement 1 Jan - 31 Dec

(Amounts in NOK million)	Note	2019	2018
Rental income for commercial property	17, 18	735.1	798.9
Income from the sale of residential properties	12, 17	382.9	-
Revenues		1 118.0	798.9
Property-related operational expenses	20	(63.8)	(71.7)
Other property-related expenses	20	(53.4)	(65.8)
Total property-related expenses		(117.2)	(137.5)
Prosject cost from the sale of residential properties	12, 17	(357.4)	-
Administrative expenses	20, 21	(48.8)	(57.1)
Total operating expenses		(523.4)	(194.6)
Share of profit in joint ventures	8	56.8	0.3
Operating profit before value adjustments		651.4	604.6
Change in fair value of investment property	6	786.8	161.1
Operating profit		1 438.1	765.7
Financial income	9, 19	4.6	3.6
Financial cost	9, 19	(258.6)	(263.2)
Realised net interest expense and realised financial instruments		(253.9)	(259.6)
Change in fair value of financial derivative instruments	9, 10	69.5	71.3
Net financial items		(184.4)	(188.3)
Profit before income tax		1 253.7	577.4
Income tax	16	(247.0)	(86.8)
Profit for the year		1 006.7	490.6
Profit attributable to non-controlling interests		-	-
Profit attributable to shareholders of the parent company		1 006.7	490.6
Earnings per share attributable to parent company shareholders (amounts in NOK)	23	1.95	0.89
Diluted earnings per share attributable to parent company shareholders (amounts in NOK)	23	1.92	0.88

Notes 1 to 28 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income 1 Jan - 31 Dec

(Amounts in NOK million)		2019	2018
Profit for the year		1 006.7	490.6
Value adjustment of owner-occupied property	6	14.7	6.1
Income tax related to value adjustment of owner-occupied property	16	(3.2)	(1.3)
Other comprehensive income that will not be reclassified to profit or loss, net of tax		11.5	4.8
Other comprehensive inc. that subsequently may be reclassified to profit or loss, net of tax		-	-
Total comprehensive income for the year		1 018.2	495.4
Total comprehensive income attributable to shareholders of the parent company		1 018.2	495.4
Total comprehensive income attributable to non-controlling interests		-	-

Notes 1 to 28 are an integral part of the consolidated financial statements.

Consolidated balance sheet as at 31 Dec

(Amounts in NOK million)	Note	2019	2018
ASSETS			
Non-current assets:			
Financial derivative instruments	3, 9, 10, 11	16.2	8.1
Investment property	6	16 469.3	14 573.7
Owner-occupied property	6	89.0	75.6
Other fixed assets	7	40.5	39.2
Investment in joint ventures	8	-	30.1
Receivables	13	-	10.0
Total non-current assets		16 615.1	14 736.7
Current assets:			
Financial derivative instruments	3, 9, 10, 11	1.0	0.2
Receivables	9, 13	128.8	445.7
Inventory (sold, not delivered residential units)	12	708.5	815.5
Cash and cash equivalents	3, 9	281.8	124.6
Investment property held for sale	6	-	941.6
Total current assets		1 120.1	2 327.6
TOTAL ASSETS		17 735.1	17 064.3
EQUITY AND LIABILITIES			
Equity:			
Share capital	22	246.8	274.2
Share premium		1 678.0	2 295.2
Other paid-in equity		7 566.8	7 563.5
Retained earnings		(1 257.6)	(2 130.1)
Total equity		8 233.9	8 002.8
Non-current liabilities:			
Deferred tax	16	866.1	615.9
Financial derivative instruments	3, 9, 10, 11	92.6	163.2
Interest-bearing debt	9, 15	5 690.5	4 679.6
Other liabilities	9, 14	5.3	2.3
Non-current liabilities		6 654.5	5 461.0
Current liabilities:			
Financial derivative instruments	3, 9, 10, 11	-	1.6
Interest-bearing debt	9, 15	2 466.8	3 153.8
Other liabilities	9, 14	379.9	445.1
Total current liabilities		2 846.7	3 600.5
Total liabilities		9 501.2	9 061.5
TOTAL EQUITY AND LIABILITIES		17 735.1	17 064.3

Notes 1 to 28 are an integral part of the consolidated financial statements.

Oslo, 19 March 2020

Norwegian Property ASA

Merete Haugli
Chair

Bjørn Henningsen
Deputy chair

Cecilie Astrup Fredriksen
Director

Kathrine Astrup Fredriksen
Director

Carl Erik Krefting
Director

Lars Erich Nilsen
Director

Bent Oustad
CEO

Changes in the group's equity

(Amounts in NOK million)	Note	Share capital	Treasury shares	Share premium	Other paid-in equity	Retained earnings	Total equity
Total equity 31 December 2017		274.2	-	2 295.1	7 557.2	(2 471.7)	7 654.8
Profit for the year		-	-	-	-	490.6	490.6
Other comprehensive income for the year		-	-	-	-	4.8	4.8
Employee share-option scheme	22	-	-	-	6.2	-	6.2
Total comprehensive income for the year		-	-	-	6.2	495.4	501.6
Paid dividend	24	-	-	-	-	(153.6)	(153.6)
Total contributions by and distributions to owners of the parent		-	-	-	-	(153.6)	(153.6)
Total equity 31 December 2018		274.2	-	2 295.1	7 563.4	(2 129.9)	8 002.8
Profit for the year		-	-	-	-	1 006.7	1 006.7
Other comprehensive income for the year		-	-	-	-	11.5	11.5
Employee share-option scheme	22	-	-	-	3.4	-	3.4
Total comprehensive income for the year		-	-	-	3.4	1 018.2	1 021.5
Paid dividend	24	-	-	-	-	(145.9)	(145.9)
Purchase of treasury shares	22	-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares	22	(24.3)	24.3	-	-	-	-
Total contributions by and distributions to owners of the parent		(24.3)	(3.1)	(617.1)	-	(145.9)	(790.4)
Total equity 31 December 2019		249.9	(3.1)	1 678.0	7 566.8	(1 257.6)	8 233.9

Notes 1 to 28 are an integral part of the consolidated financial statements.

Consolidated cash flow statement 1 Jan - 31 Dec

(Amounts in NOK million)	Note	2019	2018
Profit before income tax		1 253.7	577.4
Net financial items	9, 19	184.4	188.3
Interest received	19	4.6	3.6
Interest and realised interest derivatives paid	15, 19	(245.7)	(250.3)
Buyout of derivatives	10	(11.5)	(3.2)
Depreciation of tangible assets	6, 7	7.7	10.1
Change in fair value of investment property	6	(786.8)	(161.1)
Profit from joint ventures	8	(56.8)	-
Change in property related inventory	12	61.4	-
Change in current items		(56.3)	54.9
Netto kontantstrøm fra operasjonelle aktiviteter		354.9	419.7
Payment for investment in investment property and other fixed assets	6, 7	(1 040.2)	(582.2)
Received cash from sale of investment property	6	957.9	110.6
Other investing activities	7	354.0	-
Net cash flow from investing activities		271.7	(471.6)
Repayment of interest-bearing debt	15	(2 175.4)	(1.3)
New interest-bearing debt	15	2 496.4	242.2
Paid dividend	24	(145.9)	(153.6)
Other financial activities	22	(644.5)	-
Net cash flow from financial activities		(469.4)	87.3
Net change in cash and cash equivalents		157.2	35.4
Cash and cash equivalents at 1 January	3	124.6	89.2
Cash and cash equivalents at 31 December	3	281.8	124.6

Notes 1 to 28 are an integral part of the consolidated financial statements.

NOTE 1: General information

The Norwegian Property real estate group principally owns commercial and residential properties in the Oslo and Stavanger regions. Parent company Norwegian Property ASA is a public limited liability company with its head office at Støperigata 2, NO-0250 Oslo, Norway. The group's shares are listed on Oslo Børs under the ticker NPRO.

The financial statements were adopted by the board on 19 March 2020 for final approval by the AGM on 16 April 2019.

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 the International Financial Reporting Standards (IFRS) as adopted by the EU and effective at 31 December 2019, and additional requirements pursuant to the Norwegian Accounting Act at 31 December 2019.

The consolidated financial statements have been prepared on a historical cost basis, but with key modifications for the assessment of investment property as well as financial instruments and derivatives at fair value (see note 4).

Preparation of financial statements in accordance with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements, are disclosed in note 5.

The group has implemented one new accounting standard in 2019:

IFRS 16 Leases was issued in January 2016 and came into effect from the 2019 financial year. The standard requires that virtually all leases are capitalised, since the distinction between financial and operational leases has been removed. Under the new standard, both an asset (the right to use the leased item) and a financial liability (the value of future lease payments) are recognised in the balance sheet. The only exceptions are short-term leases or leases of low value. Where tenants are concerned, no significant changes will occur in accounting practice. The group has certain minor leases which will be affected by the new standard, which has been implemented by a modified retrospective method through the recognition of an asset equal to the net present value of the lease liability at 1 January 2019. Comparative figures for 2018 have not been restated. The changes at 1 January 2019 are specified in note 7.

There are no other standards or interpretations which are not yet effective and which are expected to have a significant impact on the consolidated financial statements.

2.2 - Consolidation policies

A) SUBSIDIARIES
Subsidiaries are defined as all entities (including special purpose entities) over which the group has the power to govern financial and operating policies, generally resulting from a shareholding of more than half the voting rights. The existence and effect of potential voting rights which 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 deconsolidated from the date on which such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The acquisition cost is measured as the fair value of assets used as consideration, equity instruments issued, and liabilities incurred at the transfer of control. Direct costs related to the acquisition are expensed in the income statement at the date of 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.

Purchases of single-purpose entities owning only property, with no employees, management or recorded procedure descriptions are not considered as the acquisition of business (IFRS 3 Business Combinations is not applicable). The cost of such purchases is capitalised as part of the acquisition price.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated, but assessed as an impairment indicator in relation to the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

B) JOINT OWNERSHIP ARRANGEMENTS

At 1 January 2019, the group has an investment in a joint venture in the form of a 50 per cent equity holding in a property. This holding was sold before the end of the year, and the group thereby had no investments in joint ventures at 31 December 2019.

The group's share of the joint venture's net profit is presented in accordance with the equity method on a separate line in the consolidated income statement, and the investment is similarly recognised on a separate line under fixed assets in the balance sheet. The group's share of gain and loss from the transactions with the joint venture are eliminated. Accounting policies in the joint venture are changed when necessary to achieve conformity with the accounting policies applied by the group.

C) 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 equity and are 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, responsible for allocating resources and assessing performance of the operating segments, has been identified as corporate management. See note 17.

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 statements are presented in NOK, which is the parent 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 - Classification of balance-sheet items

Current assets and liabilities comprise items which mature in less than one year from the balance-sheet date. Other items are classified as non-current assets/liabilities.

Financial assets and liabilities are offset and the net amount recognised 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.

2.6 Investment property
Property which is held for long-term rental yields or for capital appreciation, or both, is 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 pursuant to IAS 40. The fair value of investment property reflects, among 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 value are recorded in the income statement under change in market value of 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 repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Expenses related to accommodating tenants, such as replacement of walls, are capitalised together with the asset's carrying amount at the same time as the remaining carrying amount of the replaced components is derecognised. Costs related to termination of leases are capitalised if the main purpose of the termination is linked to a further development of the property and are expensed if the main purpose of the termination is purely a change of tenant.

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

If an investment property is used by the group, 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 revalued value less accumulated depreciation and amortisation. An evaluation of fair value for such properties is carried out in the same manner as described for investment properties. An increase in the 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) is recognised in the period after the acquisition as a value adjustment to investment property.

Classification as an investment property held for sale assumes anticipated realisation within one year from the balance-sheet date. Investment properties held for sale are recognised at fair value as other investment properties.

2.7 - Property, plant and equipment
All property, plant and equipment are stated at historical cost less depreciation and write-downs. 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 are charged to the income statement during the financial period in which they are incurred.

Pursuant to IFRS 16, significant leases have been capitalised. An asset in the form of the right to use the leased object is recognised in the balance sheet with an associated financial liability related to the value of future lease payments.

2.8 - Impairment of non-financial assets
Assets which have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which 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.

2.9 - Financial instruments

Norwegian Property implemented IFRS 9 Financial instruments at 1 January 2018. Implementation of the standard had no material effect for the group.

(A) GENERAL PRINCIPLES AND DEFINITIONS

Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the group becomes a party to the instrument's contractual provisions. Normal acquisition and disposal of financial assets are recognised at the transaction date and financial liabilities are recognised at the settlement date. On initial recognition of a financial asset or liability, it is measured at fair value with the exception of trade receivables, which are measured at the transaction price with a provision for expected bad debts on initial recognition to the extent that such bad debts have arisen from the service component of the letting business, and where no significant financing element is included in the transaction price.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire or when the group transfers the financial asset in a transaction where all or virtually all risk and opportunities for profit related to ownership of the asset are transferred.

Financial liabilities are derecognised from the balance sheet when they have ceased to apply – in other words, when the obligation specified in the contract is fulfilled, cancelled or expired.

Classification

The group classifies financial instruments in the categories at fair value through profit and loss and at amortised cost. The classification depends on the purpose the instrument, and the group assesses the classification of financial instruments on their acquisition.

(B) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial instruments at fair value through profit and loss are derivatives unless they are part of hedging. See note 2.10.

(C) FINANCIAL INSTRUMENTS AT AMORTISED COST

The group's financial instruments at amortised cost primarily comprise borrowings and bank deposits as well as receivables and payables arising from regular operation.

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.

Cash and cash equivalents

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

Trade receivables

Trade receivables in the balance sheet relate primarily to the letting business. The main priority with such receivables is to secure payment of outstanding rental income when it falls due. Receivables are classified at amortised cost.

Trade payables
Trade payables were assessed at amortised cost.

Definition of amortised cost
Amortised cost pursuant to the effective interest method is used at initial recognition of financial assets and liabilities where the conditions are met. See the discussion below. When calculating the effective interest rate, actual cash flows are estimated and account is taken of such contractual terms as early payment, purchase options and the like. The calculation embraces all fees and interest points paid or received between parties to the contract as an integrated part of the effective interest rate, transaction costs and all other additional payments or discounts.

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

Financial assets recognised at amortised cost are assessed on each balance-sheet date to determine whether objective indications exist of impairment of a financial asset or group of financial asset.

Impairment of financial assets, primarily trade receivables, is based on an expected credit loss model. The group utilises the exception defined in the standard for trade receivables which permits provision for expected credit loss to be based on loss over the whole lifecycle of the receivable.

Before entering into new leases, credit assessments and so forth are conducted to ensure that the tenant is able to meet its obligations. Guarantees are normally obtained from banks, parent companies and the like. Virtually all rent payments are invoiced in advance, and the group has established good routines for reminders and so forth. The group has historically had very low credit losses. No significant changes in the provision for expected credit loss have been identified in the transition from IAS 39 to IFRS 9.

2.10 - Derivatives and hedging
All the group’s interest-rate swaps and forward exchange contracts are used as economic hedges. Hedge accounting is not applied.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently recognised continuously at their fair value.

Changes in the fair value of derivatives are recognised in the income statement under change in market value of financial derivative instruments.

The realised payable part of the interest-rate swap agreements is presented under financial cost, with the split shown in a note.

2.11 - Inventory (residential property)
The inventory related to homes under construction is valued at the lower of acquisition cost and net realisable value. Acquisition cost includes all expenditures for purchase and construction as well as other expenses incurred to bring the inventory to its present condition. Construction costs include direct expenditures on construction of the property as well as indirect fixed and variable costs incurred during development and construction. Borrowing expenses are included in the acquisition cost until the properties are ready for sale. Capitalisation of borrowing costs begins when the property has received planning permission. Capitalisation of other direct attributable costs begins when it is more likely than not that a project will be realised. The net realisable value is the estimated sales price in the ordinary way of business, based on the market price at the reporting date and discounted for the time value of money, less estimated costs for completion and sales. When properties are sold, the carrying amount is recognised as a project cost in the profit and loss account for the same period as the associated revenue is realised.

2.12 - Share capital, treasury shares, share premium and share options
Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Treasury shares are deducted from the share capital in the financial statements.

Employee options represent rights for employees to subscribe for shares in the group at a future time at a predetermined subscription price (subscription right). Exercise requires continued employment. The fair value of employee benefits received in exchange for the granting of options is calculated as an expense. The total amount to be expensed over the vesting period reflects the fair value of the options granted. On the balance-sheet date, the group revises the estimates of the number of options expected to be utilised and changes in estimates are recognised in the income statement over the remaining vesting period with a corresponding adjustment of equity. The strike price after deduction of possible transaction costs is credited to share capital and the share premium when the option is exercised.

2.13 - Deferred income tax
Deferred income tax is calculated in full, using the liability method, on all temporary differences arising between the tax basis 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 which at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and tax laws which have been enacted or substantially enacted at the balance-sheet date, and which 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 soon.

Pursuant to the exception in IAS 12, deferred tax is not recognised when buying a company which 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 will give grounds for a recognition of deferred tax.

2.14 - Revenue recognition
Revenue consists of rental income and other income related to operations. Gain on the sale of investment property is included under change in fair value of investment property in the income statement.

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 charges are invoiced to tenants and recognised in the balance sheet together with payments on account from tenants, and therefore do not affect the result beyond an administrative premium recognised under revenue. Settlement of service charges is made after the balance-sheet date.

(A) RENTAL INCOME
Rental income is recognised on a linear basis over the rental period. Possible costs in the form of rent rebates, compensation payments or the like are distributed over the duration of the lease so that the income is recognised on a linear basis. The accrued amount is presented under other receivables in the balance sheet. Termination of leases is assessed specifically in relation to the individual lease. Buyout of the remaining duration

of a lease is recognised up to the termination date.

(B) SALE OF RESIDENTIAL PROPERTY
Revenue from residential property sales is recognised at the transaction date. Where residential units are concerned, risk and control are considered to be transferred to the buyer on delivery.

(C) OTHER OPERATING INCOME
Other income is recognised as it is earned. Income is earned when the product or service is delivered. The income is often earned at the same time as the transaction. Recognition is delayed for income not earned at the same time as the transaction, and brought forward for income earned before the time of the transaction.

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

2.16 - 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 costs to financial assets and liabilities and for correct accrual of interest income and expense. The effective interest rate distributes the future cash flows over the duration of the loan and indicates the real net value of the financial asset or liability.

The calculation of the effective interest rate considers all estimated contractual cash flows related to the financial instrument (such as payment terms) but does 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 which necessarily take a substantial period to complete for their intended use, are added to the cost of those assets until the assets are substantially ready for their intended use.

2.17 - 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 separate legal entity. The group has no legal or other obligations to pay further amounts. Contributions are recognised as employee benefit expense when they fall due. Prepaid contributions are capitalised as an asset to the extent that cash refunds or reductions in future payments are available.

2.18 - Operating expenses
Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.

Other property expenses include income-related costs associated with leasing, marketing and so forth of the properties, the owner's share of service charges for the properties, project-related property costs and depreciation related to the properties.

Administrative expenses relate to costs not directly related to the operation and letting of properties, and include costs related to overall ownership and corporate functions.

NOTE 3: Financial risk management

The group's activities imply exposure to a variety of financial risks: market (including foreign exchange, interest rate and price), credit and liquidity. 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. Hedge accounting is not applied.

Risk management for the group is managed by a corporate treasury department in accordance with guidelines approved by the board. 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 group has not awarded leases in foreign currency, and all operational costs are in practice in NOK.

PRICE RISK

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The weighted average duration of rental contracts at 31 December 2019 was 4.8 years (3.9 years).

Rental agreements for the commercial properties give a fixed revenue during the lease term. Most leases have a 100 per cent consumer price index (CPI) adjustment clause allowing the group to adjust rents in line with CPI changes. The group seeks to incorporate clauses providing for such regulation in all new leases. CPI regulation in 2019 was 1.8 per cent for leases regulated in October and 1.6 per cent for leases regulated in November, which increased annual rental income at 31 December 2019 by NOK 12 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. Norwegian Property's overall guidance pursuant to current loan agreements is a hedging ratio of at least 60 per cent related to outstanding floating-rate loans. At 31 December, 69.5 per cent (see note 15) of such loans (excluding construction loans) were hedged (60.4 per cent).

To mitigate interest-rate risk, the group had entered into interest-rate swap agreements totalling NOK 5.8 billion at 31 December (NOK 5.7 billion). The average credit margin on floating-rate borrowings at 31 December 2019 was 122 basis points (138 basis points). The average basis rate of the loan portfolio at 31 December 2019 was 3.50 per cent (3.62 per cent). The average remaining maturity of hedging agreements was 4.9 years (4.2 years). Notional principal amounts and the maturity structure for the group's total portfolio of interest-rate hedges at 31 December are specified in NOK million in the table below (see also note 10).

Year	2019	2018
< 1 year	(200.0)	(550.0)
1-2 year	(900.0)	(650.0)
3-5 year	(2 770.0)	(2 335.0)
Over 5 year	(1 900.0)	(2 135.0)
Notional principal amount	(5 770.0)	(5 670.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2019 and all other variables were constant, this would have constituted a change in annual interest expense on unsecured lending portfolio of NOK 7 million and a change in the value of interest-rate swaps of NOK 33 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 risk related to leases. New tenants are checked with credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sums equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss has historically 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. In addition, it will have a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility and withstand fluctuations in rental income. One goal is that the liquidity reserve should consist as far as possible of available revolving credit and overdraft facilities, rather than cash and cash equivalents. The group's liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2019	2018
Cash and cash equivalents	281.8	124.6
- of which restricted cash and cash equiva	(2.7)	(2.6)
Available cash and cash equivalents	279.1	122.0
Unused credit and overdraft facilities	150.0	650.0
Liquidity reserve	429.1	772.0

Before year-end 2019, the group entered into an agreement for a new bond loan of NOK 460 million. The loan was paid on 17 January 2020.

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 operational activities in both 2019 (NOK 354.9 million) and 2018 (NOK 419.7 million). Additional liquidity risks relate primarily to servicing instalments and maturity of liabilities. The maturity structure of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. The figures in the table specify the timing of repayment of principal amounts (NOK million).

2019[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities at amortised cost
< 1 year	2 712.9	258.2
1-2 year	200.8	-
3-5 year	5 789.7	-
Over 5 year	157.9	-
Expected cash flow	8 861.3	258.2
Book value	8 157.4	258.2

2018[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities at amortised cost
< 1 year	3 389.2	234.8
1-2 year	2 045.8	-
3-5 year	2 007.1	-
Over 5 year	987.6	-
Expected cash flow	8 429.7	234.8
Book value	7 833.4	234.8

[1] The difference between carrying amount and expected cash flow for interest-bearing debt reflects capitalised costs and estimated interest costs based on the average interest rate at 31 December.

Norwegian Property established a new three-year overdraft facility of NOK 1 billion in 2019 with Nordea, SEB and DNB to replace earlier overdraft facilities. New bond loans totalling NOK 1 615 million were issued during the year. One bond loan of NOK 350 million matured in 2019.

Interest-bearing bank and bond debt in the balance sheet totalled NOK 8 157.4 million at 31 December 2019, with non-current interest-bearing debt accounting for NOK 5 690.5 million and current interest-bearing debt for NOK 2 466.8 million. Current interest-bearing debt at 31 December 2019 related to facilities maturing in 2020, which will be refinanced during the year, as well as construction loans for homes to be sold in 2020.

3.4 - Capital risk management

The group's objectives relating to capital management are to ensure continued operation in order to provide returns for shareholders and benefits for other stakeholders. To achieve this, the aim is to maintain a capital structure which helps to reduce the cost of capital.

Norwegian Property's goal is to pay a dividend to its shareholders amounting to 30-50 per cent of its ordinary profit after tax payable, but before fair-value adjustments. The dividend can be higher in times with good cash flow. Before a dividend is determined, an assessment is made of the group's financial position and prospects, including the availability of attractive investment opportunities.

Capital management seeks to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus relates to the loan-to-value (LTV) ratio. The latter is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have an LTV ratio of 45-55 per cent. The LTV ratio at 31 December is specified in the table below. A condition of the group's overdraft facilities is that the LTV ratio should not exceed 75 per cent. Agreed requirements related to the LTV ratio in the loan agreements were met with a good margin both at 31 December and at the interim reporting for 2018 and 2019. To change the capital structure, the group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to redeem debt.

(Amounts in NOK million)	2019	2018
Long-term interest-bearing liabilities	5 690.5	4 679.6
Short-term interest-bearing liabilities	2 466.8	3 153.8
Construction loan residential properties included in interest-bearing debt[1]	(662.9)	(631.5)
Capitalised borrowing cost	10.7	13.7
Interest-bearing receivables	-	(354.0)
Cash and cash equivalents	(281.8)	(124.6)
Net interest-bearing liabilities	7 223.4	6 737.0
Market value of property portfolio	16 558.3	15 590.9
Loan to value (per cent)	43.6	43.2

[1] Construction loans included in interest-bearing debt relate not to the property portfolio (investment properties) but to residential units for onward sale (inventory). Their amount has therefore been deducted from interest-bearing debt when calculating the LTV ratio for the property portfolio.

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.

4.1 - Investment property

According to the group's valuation process, the finance and investment department is responsible for the preparation of valuations of investment property for use in the financial statements. The department is responsible for a quarterly valuation of the group's investment properties at fair value. The group's valuation process is based on external valuations, supplemented by internal analysis where the group makes an assessment and determines whether the external valuations give an accurate picture of the fair value of the investment properties. Inspections and technical reviews of all the properties are performed regularly. The valuations are reviewed quarterly as a key part of the audit committee's quality assurance of the interim and annual accounts. Based on this valuation process, all properties were valued by two independent professional valuers at 31 December 2019. Cushman & Wakefield and Akershus Eiendom have prepared a valuation of all the properties. The group has concluded that an average of the valuations may be used as the basis for the accounting of investment properties at fair value at 31 December 2019. See also note 5 for critical accounting estimates and judgements.

4.2 - Financial instruments and derivatives

The estimated fair value of the group's financial instruments is based on market prices 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. Notes to the financial statements (see note 15) provide information on the estimated fair value of interest-bearing liabilities. Bonds are valued at the market price at 31 December and bank loans at the estimated fair value where account is taken of the estimated difference between the current margin and market conditions.

TRADE RECEIVABLES/OTHER RECEIVABLES AND TRADE PAYABLES/OTHER LIABILITIES

In principle, these items are recognised initially at fair value and measured at amortised cost in subsequent periods. 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 performed by the group's banks. The group has checked these valuations and tested them 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 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.

5.1 - Fair value of investment properties
Investment property is valued at its fair value based on a quarterly valuation update. Procedures for determining fair value for investment properties are described in note 4. In line with these policies, the portfolio of commercial properties is valued every quarter on the basis of external valuations.

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 are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. To the extent that a specific development potential is associated with a property, an assessment is made of whether this supports or influences fair value. Updated macroeconomic assumptions for interest-rate levels, inflation expectations and so forth are applied in the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.8 to 2.1 per cent in the calculation period). Based on an assessment of the properties, tenants and macroeconomic conditions at the balance-sheet date, cash flows are discounted using discount rates based on individual assessments of each property.

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table1 below presents examples of how changes related to each of these variables influenced property values at 31 December 2019, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change
Exit yield	+ 0.25 per cent	(773)
Discount rate	+ 0.25 per cent	(505)
Operating costs	+ NOK 25 per sqm	(136)
Market rent	+ 10 per cent	1 471

[1] *The calculations have been performed by Cushman & Wakefield in connection with the valuations at 31 December 2019.*

5.2 - Fair value of financial derivatives
The group's financial derivatives include currency forward/swap contracts, interest-rate swap contracts. The procedures for valuing financial derivatives are described in note 4.

NOTE 6: Investment and owner-occupied properties

6.1 - Carrying amount of investment and owner-occupied properties
Changes to the balance-sheet item on investment property are specified in the table below. The maturity structure for non-cancellable leases

related to investment property is specified in note 18.

(Amounts in NOK million)	2019	2018
Book value of investment property at 1 January	14 573.7	15 289.8
Book value of owner-occupied property at 1 January	75.6	70.8
Book value of investment property held for sale at 1 January	941.6	-
Total opening balance of investment property at 1 January	15 590.9	15 360.6
Disposals of properties at book value[1]	(926.0)	(237.0)
Disposals of properties at book value in connection with establishing joint ventures[2]	-	(280.0)
Additions through acquisitions and ongoing investments	1 086.6	577.7
Change in market value of investment properties recognised in profit and loss	786.8	161.1
Sale of properties	6.7	3.7
Fair value adjustment of owner-occupied property	13.4	4.8
owner-occupied properties at 31 December	16 558.3	15 590.9
Owner-occupied property (see specification below)	(89.0)	(75.6)
Investment property held for sale[3]	-	(941.6)
Book value of investment property at 31 December	16 469.3	14 573.7

[1] *Applies for 2019 to Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo as well as properties at Oslo Airport Gardermoen. Applies for 2018 to properties at Forus outside Stavanger.*
[2] *Applies to the sale of a 50 per cent share in the Badehusgata 33-39 property in Stavanger during 2018. At 31 December 2018, the property was recognised as a joint venture. See note 8.*
[3] *For 2018, investment property held for sale applied to properties covered by a sales agreement with takeover in 2019 (Nedre Skøyen vei 24-26, Hovfaret 11 and properties at Oslo Airport Gardermoen). The properties were classified as investment property held for sale in the balance sheet, valued at the net present value of the agreed cash flows.*

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

At 31 December 2019, financial vacancy for the investment properties was 9.5 per cent. Operating expenses for vacant space totalled NOK 28.7 million for 2019 (NOK 33.4 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.

The group had no significant contractual obligations for construction contracts related to investment properties at 31 December in 2018 or 2019.

6.2 - Owner-occupied property

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

(Amounts in NOK million)	2019	2018
Book value of owner-occupied property at 1 January	75.6	70.8
Addition by transfer from investment property to owner-occupied property	-	-
Disposal by discontinuance of owner-occupied property	-	-
Fair value adjustment of owner-occupied property recognised against the revaluation reserve	14.7	6.1
Depreciation of owner-occupied property recognised against the revaluation reserve	(1.3)	(1.3)
Book value of owner-occupied property at 31 December	89.0	75.6
Accumulated acquisition costs at 31 December	65.1	65.1
Accumulated depreciation at 31 December	4.0	2.7
Accumulated net fair value adjustment at 31 December	25.6	10.9

6.3 - Fair-value assessment

The table below shows the fair-value assessment of properties when using different types of inputs.

2019[1]:

(Amounts in NOK milli	Investment property	Owner-occupied property	Investment property held for sale
Given market value for corresponding assets and liabilities (level 1)	-	-	-
Other significant observable input (level 2)	-	-	-
Other significant non-observable input (level 3)	16 469.3	89.0	-
Total estimated fair value	16 469.3	89.0	-

2018[1]:

(Amounts in NOK milli	Investment property	Owner-occupied property	Investment property held for sale
Given market value for corresponding assets and liabilities (level 1)	-	-	-
Other significant observable input (level 2)	-	-	-
Other significant non-observable input (level 3)	14 573.7	75.6	941.6
Total estimated fair value	14 573.7	75.6	941.6

[1] Level 1: valuation based on quoted prices in active markets for identical assets. Level 2: valuation based on observable market information not covered by level 1. Level 3: valuation based on information not observable under level 2.

The group's policy is to recognise transfers into and out of fair-value hierarchy levels at the date of the event or change in circumstances which caused the transfer. There were no transfers between the levels during 2018 or 2019.

NOTE 7: Other fixed assets

7.1 – Fixed assets
Changes in other fixed assets are specified in the table below.

(Amounts in NOK million)	Other fixed assets	distri-bution system (Aker	Total
Acquisition costs:			
At 31 December 2017	39.1	40.1	79.2
Additions 2018	5.8	-	5.8
Disposals 2018	-	-	-
At 31 December 2018	44.9	40.1	85.0
Additions 2019	5.6	2.1	7.7
Disposals 2019	-	-	-
At 31 December 2019	50.5	42.2	92.7
Accumulated depreciation:			
At 31 December 2017	30.1	6.8	36.9
Additions 2018	6.8	2.0	8.8
Disposals 2018	-	-	-
At 31 December 2018	36.9	8.8	45.7
Additions 2019	4.3	2.1	6.4
Disposals 2019	-	-	-
At 31 December 2019	41.2	10.9	52.1
Book value:			
At 31 December 2018	7.9	31.3	39.2
At 31 December 2019	9.2	31.3	40.5

The group uses linear depreciation. The economic life of the assets is set at four years for IT equipment, five years for licences, cars and furnishings and seven years for other equipment. It is set at 20 years for the energy centre at Aker Brygge.

7.2 - Leases
IFRS 16 Leases came into effect from the 2019 financial year. The standard entails that significant leases are capitalised, after the distinction between financial and operating leases has been removed. IFRS 16 states that both an asset (the right to use the leased object) and a financial liability (the value of future lease payments) are capitalised.

The group has certain leases of limited size which are affected by the new standard, and the changes for 2019 are specified below.

(Alle beløp i mNOK)	Leases for company cars	Lease for offices	Total
Net present value of leases 31.12.2018	0.7	5.1	5.8
- Short-term leases	-	-	-
- Leases with low rent	-	-	-
Carrying amount of rental obligation 01.01.2019	0.7	5.1	5.8
Additions in 2019	-	-	-
Installments in 2019	(0.4)	(1.0)	(1.4)
Carrying amount of rental obligation 31.12.2019	0.3	4.1	4.4

The capitalised lease agreements include a lease for office space at Aker Brygge in Oslo which is used in the business of a subsidiary. In addition, the company rents company cars used in connection with the operation of the group's properties.

In 2019, the right of use is recognised as an asset under other tangible fixed assets, with the lease obligation recognised as a liability under other liabilities in the balance sheet. Comparative figures for 2018 have not been prepared.

NOTE 8: Joint ventures

The Badehusgata 33-39 property in Stavanger was originally acquired by Norwegian Property in 2006. It sold a 50 per stake in the property during December 2018. The group's only investment in joint ventures at 31 December 2018 related to this property. Norwegian Property sold its share of the property on 18 December 2019, and the group had no investments in joint ventures at 31 December 2019.

The changes for the year in the balance-sheet item on net investment in joint ventures are specified in the table below.

(Amounts in NOK million)	2019	2018
Book value 1 January	30.1	-
New joint ventures	-	29.8
Share of profit and loss	8.7	0.3
Sale of joint ventures	(38.8)	-
Book value 31 December	-	30.1

The group's share of income in joint ventures is specified in the table below.

(Amounts in NOK million)	2019	2018
Revenues	18.7	0.9
Property-related expenses	(7.0)	(0.6)
Change in fair value of investment property	20.5	0.8
Operating profit	32.3	1.1
Net financial items	(10.0)	(0.6)
Profit before income tax	22.2	0.5
Income tax	(4.9)	-
Profit for the period	17.3	0.5
The groups share of profit for the period	8.7	0.3
The groups share of gain from sale for the period	48.1	-
The groups share of profit and gain from sale for the period	56.8	0.3

The group's share of equity in joint ventures is specified in the table below.

(Amounts in NOK million)	31.12.19	18.12.19	31.12.18
Total investment property	-	319.9	280.8
Total receivables	-	6.2	0.9
Cash and cash equivalents	-	0.8	0.9
Deferred tax	-	(4.9)	-
Total interest-bearing debt	-	(215.0)	(200.0)
Total loan from shareholders	-	(21.2)	(20.0)
Total other liabilities	-	(8.2)	(2.5)
Total equity	-	(77.5)	(60.1)
The groups share of total equity	-	(38.8)	(30.1)
Share of sales value at disposal on 18 december 2019		86.9	
The groups share of gain from sale for the period		48.1	

At 31 December 2018, Norwegian Property had provided an interest-bearing loan of NOK 200 million to the joint venture. This loan was redeemed in its entirety in January 2019, with the establishment of a corresponding external bank facility in the joint venture. The loan was recognised in the Norwegian Property balance sheet under other current liabilities at 31 December 2018 (see note 13). In addition to their equity interest, the participants in the joint venture had provided a long-term shareholder loan totalling NOK 20 million to the business. Norwegian Property classified its NOK 10 million share under other non-current liabilities in the balance sheet at 31 December 2018 (see note 13).

The sale of the interest in the subsidiary and the transition to a joint venture had no significant effect on profits at the time of the transaction in

2018. In earlier accounting periods, the property was valued at fair value as an investment property and the asset value assumed for the sale did not vary significantly from the previous valuation.

NOTE 9: 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 make 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.

The carrying amount of financial instruments in the group's balance sheet is considered to provide a reasonable expression of their fair value, with the exception of interest-bearing debt. The fair value of interest-bearing debt is described in note 15.

A specification of the group's financial instruments is presented below.

2019[1]:

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
Financial assets:				
Long-term derivatives	16.2	-	-	16.2
Long-term receivables	-	-	-	-
Short-term receivables	-	13.7	115.1	128.8
Short-term derivatives	1.0	-	-	1.0
Cash and cash equivalents	-	281.8	-	281.8
Financial liabilities:				
Long-term derivatives	92.6	-	-	92.6
Long-term interest-bearing debt	-	5 690.5	-	5 690.5
Other long-term liabilities	-	2.2	3.1	5.3
Short-term derivatives	-	-	-	-
Short-term interest-bearing debt	-	2 466.8	-	2 466.8
Short-term liabilities	-	258.2	121.7	379.9
Profit/loss related to financial instruments:				
Financial income	-	4.6	-	4.6
Financial cost	-	(258.6)	-	(258.6)
Change in market value of financial instruments	69.5	-	-	69.5
Gain/loss recognised in comprehensive income:				
Recognised in comprehensive income	-	-	-	-

2018[1]:

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
Financial assets:				
Long-term derivatives	8.1	-	-	8.1
Long-term receivables	-	10.0	-	10.0
Short-term receivables	-	374.1	71.6	445.7
Short-term derivatives	0.2	-	-	0.2
Cash and cash equivalents	-	124.6	-	124.6
Financial liabilities:				
Long-term derivatives	163.2	-	-	163.2
Long-term interest-bearing debt	-	4 679.6	-	4 679.6
Other long-term liabilities	-	-	2.3	2.3
Short-term derivatives	1.6	-	-	1.6
Short-term interest-bearing debt	-	3 153.8	-	3 153.8
Short-term liabilities	-	234.8	210.3	445.1
Profit/loss related to financial instruments:				
Financial income	-	3.6	-	3.6
Financial cost	-	(263.2)	-	(263.2)
Change in market value of financial instruments	71.3	-	-	71.3
Gain/loss recognised in comprehensive income:				
Recognised in comprehensive income	-	-	-	-

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

NOTE 10: Derivatives

10.1 - Specification of derivatives in the financial statements

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 per cent of the group's interest-bearing debt at any time will be hedged.

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

2019:

(Amounts in NOK million)	Assets	Liabilities
Interest rate hedging contracts	16.2	92.6
Exchange rate hedging contracts	-	-
Derivatives, non-current assets/-liabilities	16.2	92.6
Interest rate hedging contracts	1.0	-
Exchange rate hedging contracts	-	-
Derivatives, current assets/-liabilities	1.0	-
Total derivatives	17.1	92.6
Net financial derivatives in the balance sheet		(75.5)

2018:

(Amounts in NOK million)	Assets	Liabilities
Interest rate hedging contracts	8.1	163.2
Exchange rate hedging contracts	-	-
Derivatives, non-current assets/-liabilities	8.1	163.2
Interest rate hedging contracts	0.2	1.6
Exchange rate hedging contracts	-	-
Derivatives, current assets/-liabilities	0.2	1.6
Total derivatives	8.3	164.8
Net financial derivatives in the balance sheet		(156.5)

Changes for the year to net derivatives in the balance sheet are specified in the table below.

(Amounts in NOK million)	2019	2018
Net book value of derivatives, 1 January	(156.5)	(230.9)
Buyout of hedging contracts	11.5	3.1
Net fair value adjustments of derivatives during the year	69.5	71.3
Net book value of derivatives, 31 December	(75.5)	(156.5)

10.2 - Interest-rate derivatives

A specification of principal amounts per currency for the group's interest-rate derivatives at 31 December is presented below. The maturity structure for the derivatives is specified in note 3.

	Currency	2019	2018
Notional principal amount	NOK	5 770.0	5 670.0

The floating interest rate is three-months Nibor for all contracts. Gains and losses for hedge accounting contracts are recognised in other comprehensive income until the underlying hedged loan is repaid.

10.3 - Fair value of derivatives

Fair value is established on the basis of the following methods:

- Level 1: valuation based on quoted prices in active markets for identical assets.
- Level 2: valuation based on observable market information not covered by level 1.
- Level 3: valuation based on information not observable under level 2.

All financial derivatives in the balance sheet relate to interest-rate swap agreements, where fair value is determined in accordance with level 2.

The group's policy is to recognise transfers into and out of fair-value hierarchy levels at the date of the event or change in circumstances which caused the transfer. No transfers were made between the levels in 2018 or 2019.

NOTE 11: Presentation of financial assets and liabilities 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 derivative positions in the balance sheet with related information at 31 December.

2019:

(Amounts in NOK million)	Non-current assets derivatives	Current assets derivatives	Total
Gross financial assets	16.2	1.0	17.1
Gross assets presented net	-	-	-
Book value	16.2	1.0	17.1
Financial instruments	(16.2)	(1.0)	(17.1)
Security in cash	-	-	-
Net amount	-	-	-

(Amounts in NOK million)	Non-current liabilities derivatives	Current liabilities derivatives	Total
Gross financial liabilities	92.6	-	92.6
Gross liabilities presented net	-	-	-
Book value	92.6	-	92.6
Financial instruments	(16.2)	(1.0)	(17.1)
Security in cash	-	-	-
Net amount	76.4	(1.0)	75.5

2018:

(Amounts in NOK million)	Non-current assets derivatives	Current assets derivatives	Total
Gross financial assets	8.1	0.2	8.3
Gross assets presented net	-	-	-
Book value	8.1	0.2	8.3
Financial instruments	(8.1)	(0.2)	(8.3)
Security in cash	-	-	-
Net amount	-	-	-

(Amounts in NOK million)	Non-current liabilities derivatives	Current liabilities derivatives	Total
Gross financial liabilities	163.2	1.6	164.8
Gross liabilities presented net	-	-	-
Book value	163.2	1.6	164.8
Financial instruments	(8.1)	(0.2)	(8.3)
Security in cash	-	-	-
Net amount	155.1	1.4	156.5

NOTE 12: Inventory

The group's business includes a property-related inventory intended for future sale. This inventory comprises residential units under construction. Generally speaking, this type of inventory can cover land, properties for onward sale, and property under development and construction.

Norwegian Property acquired a company in late December 2018 which has 223 residential units under construction at Hasle in Oslo. All these units have been sold on to end users. Sixty-nine were delivered in the fourth quarter of 2019. Income from the sale of residential units in 2019 amounted to NOK 382.9 million. The remainder of the units will be delivered in the first half of 2020 with an estimated income of about NOK 850 million.

Changes to the balance-sheet item on inventory for both 2018 and 2019 relate in their entirety to the project at Hasle, as specified in the table below.

(Amounts in NOK million)	2019	2018
Book value 1 January	815.5	-
Purchase of company	-	815.5
Accrued cost during the period	250.4	-
Cost of units sold	(357.4)	-
Book value 31 December	708.5	815.5

At 31 December 2019, the whole inventory was related to projects under construction/ development as specified in the table below.

(Amounts in NOK million)	2019	2018
Plots	-	-
Project under construction/development	708.5	815.5
Completed units	-	-
Total book value of inventories	708.5	815.5

NOTE 13: Receivables

Current receivables in the balance sheet at 31 December are specified in the table below.

(Amounts in NOK million)	2019	2018
Accounts receivable	19.4	24.6
Provision for impairment of receivables	(5.7)	(4.5)
Net accounts receivable	13.7	20.1
Loans to joint ventures and deferred settlement on sale of properties[1]	-	354.0
Public duties	22.4	11.0
Other current receivables	92.7	60.6
Total other current receivablkes	115.1	425.6
Total current receivables	128.8	445.7

[1] *At 31 December 2018, a loan of NOK 200 million had been made to the joint venture. Deferred settlement for the sale of properties agreed towards the end of the year totalled NOK 154 million. The total receivable of NOK 354 million was redeemed in January 2019.*

NOTE 14: Other liabilities

14.1 - Other current liabilities

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

(Amounts in NOK million)	2019	2018
Trade payables	111,3	67,9
Public duties	5,3	4,9
Accrued salaries	5,5	13,9
Accrued interest	55,9	59,1
Lease liability (see note 7)	1,3	-
Prepaid income	30,4	18,6
Advances on sale of apartments	80,5	117,9
Advance from sale of investment properties (see note 6)	-	55,0
Accrued cost and other debts	89,7	107,8
Total other current liabilities	379,9	445,1

14.2 - Other non-current liabilities

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

(Amounts in NOK million)	2019	2018
Advance from sale of investment properties (see note 7)	3,1	-
Pension liabilities (see note 21)	2,2	2,3
Total other non-current liabilities	5,3	2,3

NOTE 15: Interest-bearing debt

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

	2019	2018
Total interest-bearing debt (NOK million)	8 157.4	7 833.4
Of which construction loan for inventory (NOK million)	(662.9)	(631.5)
Of which other interest-bearing debt (NOK million)	7 494.5	7 201.9
Of which hedged (NOK million)[1]	5 205.0	4 350.0
Interest hedging ratio (per cent)	69.5	60.4
Cash and cash equivalents (NOK million)	281.8	124.6
Interest bearing receivables (NOK million)	-	354.0
Unutilised credit facilities (NOK million)	150.0	650.0
Average interest rate (per cent)	3.50	3.62
Average interest margin (per cent)	1.22	1.38
Remaining time to maturity for interest-bearing debt (years)	2.7	2.3
Remaining time to maturity for interest hedge agreements (years)	4.9	4.2

[1] *All interest-rate swaps which had commenced at the balance-sheet date.*

Group interest-bearing non-current and current debt at 31 December is specified in accordance with the type of debt in the table below.

2019:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	4 314.0	1 806.0	6 120.0
Bank borrowings - loan facilities	1 383.8	1.4	1 385.1
Bank borrowings - construction loan	-	662.9	662.9
Total interest-bearing debt	5 697.8	2 470.3	8 168.0
Capitalised borrowing cost	(7.2)	(3.4)	(10.7)
Total book value interest-bearing debt	5 690.5	2 466.8	8 157.4
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	11.2	16.8	28.0

2018:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	4 505.0	350.0	4 855.0
Bank borrowings - loan facilities	5.2	2 355.4	2 360.6
Bank borrowings - construction loan	174.5	457.0	631.5
Total interest-bearing debt	4 684.7	3 162.4	7 847.1
Capitalised borrowing cost	(5.1)	(8.6)	(13.7)
Total book value interest-bearing debt	4 679.6	3 153.8	7 833.4
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	4.0	4.0
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	(3.1)	2.1	(1.0)

The total fair value of interest-bearing debt consists of bonds valued at their market price at 31 December and bank loans at estimated fair value, where account is taken of the estimated difference between the current margin and market conditions (as an example, a positive fair value of the debt in the overview indicates a negative equity effect when the current loan margins are less favourable than the current market conditions).

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

2019[1]:

(Amounts in NOK million)	Bank loans	Bonds
Given market value for corresponding assets and liabilities (level 1)	-	28.0
Other significant observable input (level 2)	-	-
Other significant non-observable input (level 3)	-	-
Total estimated fair value	-	28.0

2018[1]:

(Amounts in NOK million)	Bank loans	Bonds
Given market value for corresponding assets and liabilities (level 1)	-	(1.0)
Other significant observable input (level 2)	-	-
Other significant non-observable input (level 3)	4.0	-
Total estimated fair value	4.0	(1.0)

[1] *Level 1: valuation based on quoted prices in active markets for identical assets. Level 2: valuation based on observable market information not covered by level 1. Level 3: valuation based on information not observable under level 2.*

The group's policy is to recognise transfers into and out of fair value hierarchy levels at the date of the event or change in circumstances which caused the transfer. There were no transfers between the levels during 2018 or 2019.

Changes for the year to interest-bearing debt in the balance sheet are specified in the table below.

2019:

(Amounts in NOK million)	Bank loans	Bonds	Total
Interest-bearing debt as of 1 January	2 992.1	4 855.0	7 847.1
New debt	881.4	1 615.0	2 496.4
Repayment of debt	(1 825.4)	(350.0)	(2 175.4)
Interest-bearing debt as of 31 December	2 048.1	6 120.0	8 168.1
Capitalised borrowing cost	(3.8)	(6.9)	(10.7)
Bokført verdi rentebærende gjeld	2 044.3	6 113.1	8 157.4

2018:

(Amounts in NOK million)	Bank loans	Bonds	Total
Interest-bearing debt as of 1 January	2 349.7	4 625.0	6 974.7
New debt	12.2	230.0	242.2
Purchase of company	631.5	-	631.5
Repayment of debt	(1.3)	-	(1.3)
Interest-bearing debt as of 31 December	2 992.1	4 855.0	7 847.1
Capitalised borrowing cost	(5.6)	(8.1)	(13.7)
Book value of interest-bearing debt	2 986.5	4 846.9	7 833.4

The maturity structure 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)	2019	2018
Due in 2021 and 2022 (2020 and 2021)	3 682.7	1 914.7
Due in 2023, 2024 and 2025 (2022, 2023 and 2024)	1 865.0	2 770.0
Due after 2025 (after 2024)	150.0	-
Total	5 697.8	4 684.7

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

(Amounts in NOK million)	2019	2018
Investment property[1]	14 842.5	15 325.4
Inventory	708.5	815.5
Total	15 551.0	16 140.9
Liabilities secured	8 168.0	7 847.1

[1] *Properties with a carrying amount of NOK 1 715.8 million at 31 December 2018 were not pledged for interest-bearing debt.*

The group had 11 bonds totalling NOK 6 120 million outstanding at 31 December 2019. These fall due as follows: NOK 1 806 million in 2020, NOK 3 680 million in 2022, NOK 1 864 million in 2024 and NOK 150 million in 2026. All bonds are secured by properties and are listed on Oslo Børs.

Norwegian Property established a three-year overdraft facility for NOK 1 billion with Nordea, SEB and DNB in 2019, with drawings secured by a portfolio of properties. The most important terms for these facilities are a maximum interest-rate hedge ratio of 65 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. Agreed requirements in loan agreements were met at 31 December in 2019 and at interim reporting in 2018 and 2019.

In connection with the housing development project at Hasle in Oslo, a construction loan with NOK 662.9 million drawn down was established at 31 December 2019. The borrowing limit for this loan totals NOK 1 125 million. The project will be completed in 2020.

NOTE 16: Deferred tax and income tax

The table below specifies income tax for the group on payable and deferred taxes respectively, and the calculation of income tax expense based on income before tax.

(Amounts in NOK million)	2019	2018
Payable tax	-	-
Deferred tax	247.0	86.8
Income tax	247.0	86.8
Profit before income tax:	1 253.7	577.4
Income tax calculated at 22 per cent	275.8	127.0
Effect on deferred tax by change of tax rate[1]	-	(22.2)
Other differences[2]	(28.8)	(18.0)
Income tax	247.0	86.8

[1] *The corporate tax rate in Norway was reduced from 23 to 22 per cent at the start of 2019. Deferred tax by 31 December 2018 is therefore calculated on the basis of a tax rate of 22 per cent.*
[2] *Applies primarily to deferred tax assets related to investment property, which is not recognised in the balance sheet when the fair value is greater than the taxable value but lower than cost for the group.*

Changes for the year to net deferred tax are specified as follows.

(Amounts in NOK million)	2019	2018
At 1 January	615.9	531.5
Recognised through profit and loss	247.0	86.8
Change related to the purchase of company	-	(3.7)
Tax charged to comprehensive income	3.2	1.3
At 31 December	866.1	615.9

Changes for the year to deferred tax appear 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 2018	1 137.0	56.1	(656.5)	(53.1)	(0.9)	482.5
Not capitalised at 1 January 2018[3]	-	(4.0)	53.0	-	-	49.0
Book value at 1 January 2018	1 137.0	52.1	(603.5)	(53.1)	(0.9)	531.5
Recognised through profit and loss in 2018	(24.1)	(18.0)	110.1	18.7	-	86.8
Change related to the purchase of company in 2018	-	-	-	-	(3.7)	(3.7)
Recognised through comprehensive income in 2018	1.3	-	-	-	-	1.3
Change of calculated deferred tax in 2018	(22.7)	(18.0)	110.1	18.7	(3.7)	84.4
Total at 31 December 2018	1 114.3	37.9	(544.1)	(34.4)	(4.6)	569.0
Not capitalised at 31 December 2018[3]	-	(3.8)	50.7	-	-	46.9
Book value at 31 December 2018	1 114.3	34.1	(493.4)	(34.4)	(4.6)	615.9
Recognised through profit and loss in 2019	124.3	23.4	78.1	17.8	3.4	247.0
Change related to the purchase of company in 2019	-	-	-	-	-	-
Recognised through comprehensive income in 2019	3.2	-	-	-	-	3.2
Change of calculated deferred tax in 2019	127.5	23.4	78.1	17.8	3.4	250.2
Total at 31 December 2019	1 241.8	57.5	(415.3)	(16.6)	(1.2)	866.1
Not capitalised at 31 December 2019[3]	-	-	-	-	-	-
Book value at 31 December 2019	1 241.8	57.5	(415.3)	(16.6)	(1.2)	866.1

[1] The tax value totalled NOK 6.3 billion at 31 December 2019. Theoretical deferred tax in the event that all the properties are sold at fair value amounts to about NOK 2.2 billion. The difference from estimated deferred tax for investment property reflects the recognition exception in IAS 12.15 for the purchase of assets.
[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 group limited 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 the acquisition of a business (IFRS 3 Business Combinations is not applicable). Capitalised deferred income tax at the acquisition date of the single-purpose entities is not recognised in the consolidated balance sheet, 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.

With effect from 2019, amendments were implemented to the rules on limiting interest deductions under Norwegian tax legislation whereby the limitation was extended to include external interest payments for taxpayers in a group. The change will affect Norwegian Property, which has a foreign controlling shareholder. Norwegian Property has large losses to carry forward and balances in the profit and loss account which can be used to control the effect on tax payable.

NOTE 17: Segment information

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 corporate management.

Norwegian Property's primary business is the ownership and management of commercial properties in the Oslo regions. The group also has a portfolio of residential properties under development in Oslo. The residential property business was acquired in 2018. In earlier periods, the group assumed that it operated only in one business area and a single geographic market, and no further segment information was therefore prepared. The housing project will be completed in 2020.

Apart from administrative owner costs, the division of the operating profit into segments is consistent with the division into the commercial property and residential property segments from 2018. A corresponding division has also been made for balance-sheet items, but without allocating items related to group functions, financing of the group and tax to the segments.

Segment information related to income statement items for 2019 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Revenue	735.1	382.9	-	1 118.0
Prosject cost from the sale of residential properties	-	(357.4)	-	(357.4)
Total property-related expenses	(116.5)	(0.7)	-	(117.2)
Administrative expenses	-	-	(48.8)	(48.8)
Share of profit in joint ventures	56.8	-	-	56.8
Change in market value of investment property	786.8	-	-	786.8
Operating profit	1 462.1	24.8	(48.8)	1 438.1
Net financial items			(184.4)	(184.4)
Profit before income tax			(233.2)	1 253.7
Income tax			(247.0)	(247.0)
Profit for the period			(480.2)	1 006.7

Segment information related to income statement items for 2018 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Revenue	798.9	-	-	798.9
Total property-related expenses	(137.5)	-	-	(137.5)
Administrative expenses	-	-	(57.1)	(57.1)
Share of profit in joint ventures	0.3	-	-	0.3
Change in market value of investment property	161.1	-	-	161.1
Operating profit	822.8	-	(57.1)	765.7
Net financial items			(188.3)	(188.3)
Profit before income tax			(245.4)	577.4
Income tax			(86.8)	(86.8)
Profit for the period			(332.2)	490.6

Segment information related to balance-sheet items at 31 December 2019 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Investment property	16 558.3	-	-	16 558.3
Other fixed assets	39.2	-	1.3	40.5
Investment in joint ventures	-	-	-	-
Receivables	127.2	1.6	-	128.8
Property related inventory	-	708.5	-	708.5
Cash and cash equivalents	-	-	281.8	281.8
Deferred tax	-	-	(866.1)	(866.1)
Financial derivative instruments	-	-	(75.5)	(75.5)
Interest bearing liabilities	-	-	(8 157.4)	(8 157.4)
Other liabilities	(189.9)	(120.1)	(75.2)	(385.2)
Total equity			(8 233.9)	(8 233.9)

Segment information related to balance-sheet items at 31 December 2018 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Investment property	15 590.9	-	-	15 590.9
Other fixed assets	36.7	-	2.5	39.2
Investment in joint ventures	30.1	-	-	30.1
Receivables	455.7	-	-	455.7
Property related inventory	-	815.5	-	815.5
Cash and cash equivalents	-	-	124.6	124.6
Deferred tax	-	-	(615.9)	(615.9)
Financial derivative instruments	-	-	(156.5)	(156.5)
Interest bearing liabilities	-	-	(7 833.4)	(7 833.4)
Other liabilities	(191.5)	(170.9)	(85.0)	(447.4)
Total equity			(8 002.8)	(8 002.8)

NOTE 18: Contractual rental income

Norwegian Property's primary business is the ownership and management of commercial properties. The group also has a project with residential units under construction for onward sale. The group's operating income in 2019 totalled NOK 1 118 million (NOK 798.9 million).

18.1 - Commercial property

The group's commercial properties are located almost entirely in central areas of Oslo. The group has a property at Fornebu in Bærum local authority and a property at Forus outside Stavanger where a change of use to mixed purposes is being sought. The commercial properties consist primarily of office premises with associated warehousing and parking space. Some of the properties include space for letting as retail outlets and restaurants. Offices account for the bulk of all the larger properties. At Aker Brygge in central Oslo, the properties are located by the sea with a small associated marina business and an energy centre which uses seawater for heating/cooling of the properties.

Tenants comprise commercial companies and public-sector institutions of different types and sizes. Rental income is based on leases of varying lengths, where income based on the leases is recognised on a linear basis over the duration of the lease. Rental income is generally invoiced quarterly in advance with 30 days to pay. Income from the marina relates to rental charges by the season, by the day, for events and so forth. Income for the energy centre is invoiced to tenants who are connected to it.

The group's lease-based rental income is distributed as follows, where the figures are given as lease values without index adjustment for leases entered into at 31 December.

(Amounts in NOK million)	2019	2018
Within 1 year	674.6	689.0
Between 1 and 5 years	2 082.7	1 961.1
Later than 5 years	866.2	872.4
Total	3 623.5	3 522.5

Operating revenues do not include service charges invoiced to tenants. Accrued service charges are recognised in the balance sheet together with payments on account from tenants, and therefore do not affect profit beyond an administrative mark-up recognised as income. Settlement of service charges is made after the balance-sheet date. Service charges invoiced to tenants in 2019 amounted to NOK 94.4 million, and the administrative markup recognised as income amounted to NOK 4.7 million.

18.2 - Residential property

The group has a project comprising 223 residential units under development at Hasle in Oslo. All the units have been sold on to end users. Sixty-nine units were delivered in the fourth quarter of 2019, with the remainder due for delivery in the first half of 2020. Sales income from units in 2019 came to NOK 382.9 million. The total sales value of the 223 residential units at Hasle is about NOK 1.2 billion. Assets and liabilities associated with the residential property business are presented in note 17. Assets of NOK 708.5 million at 31 December 2019 relate primarily to the inventory, while current liabilities amount to NOK 120.1 million with NOK 80.5 million representing deposits on homes sold (see note 14.1).

NOTE 19: Realised net financial items

The table below presents a specification of the income statement item on realised net financial items.

(Amounts in NOK million)	2019	2018
Interest income on bank deposits	4.2	2.6
Interest income on receivables	0.4	1.0
Total financial income	4.6	3.6
Interest expense on borrowings	(204.7)	(191.6)
Realised interest rate derivatives	(53.9)	(71.6)
Total financial expenses	(258.6)	(263.2)
Net realised financial items	(254.0)	(259.6)

NOTE 20: Operating expenses

A specification of operating expenses in the income statement is provided below.

20.1 - Property-related operational expenses

(Amounts in NOK million)	2019	2018
Administrative management costs	12.7	12.6
Operating and maintenance costs	51.1	59.1
Total property-related operational expenses	63.8	71.7

20.2 - Other property-related expenses

(Amounts in NOK million)	2019	2018
Rental, market and other income-related expenses	24.7	32.4
Owner's share of service charge expenses	28.7	33.4
Total other property-related expenses	53.4	65.8

20.3 - Administrative owner expenses

(Amounts in NOK million)	2019	2018
Payroll expenses (see note 21)	76.0	82.5
Depreciation	3.6	5.2
Other operating expenses	14.9	14.7
Costs allocated to property costs	(45.7)	(45.3)
Total administrative expenses	48.8	57.1

NOTE 21: Payroll costs and remuneration of executive officers and auditor

The tables below present a break down payroll costs and remuneration of directors, senior executives and auditors.

21.1 - Payroll costs

Payroll costs for the year are as follows.

(Amounts in NOK million)	2019	2018
Salaries and remuneration	58.5	62.1
Employee share-option scheme (see note 22.4)	3.3	6.2
Social security costs	8.9	9.4
Pension costs for defined contribution plans	2.5	2.5
Other employee expenses	2.7	2.4
Total payroll cost	76.0	82.5
Number of employees at 31 December	47	49
Number of full-time equivalent positions in the financial year	51	50
Average number of employees in the financial year	48	49

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA is required to operate certain pension plans. The group has plans which satisfy these requirements (defined contribution plan for all employees).

The group has a controlling interest in Bryggedrift AS (see note 28), which has an individual defined benefit pension obligation of NOK 2.2 million to a former employee funded from operations.

21.2 - Directors' fees

Fees paid to directors in 2019 are presented in the table below.

Name	Remune-ration[1]
Merete Haugli, Chair 01.01-31.12	700 000
Bjørn Henningsen, Deputy Chair 01.01-31.12	408 334
Cecilie Astrup Fredriksen, Director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, Director 01.01-31.12	250 000
Carl Erik Krefting, Director 01.01-31.12	250 000
Lars Erich Nilsen, Director 01.01-31.12	250 000
Kjell Sagstad, Director 01.01-03.09	166 666
Total	2 275 000

1) Reported benefits paid in 2019 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent)

Fees paid to directors in 2018 are presented in the table below.

Name	Remune-ration[1]
Merete Haugli, Chair 19.04-31.12 and Director 01.01-19.04	587 500
Martin Mæland, Chair 01.01-19.04	175 000
Bjørn Henningsen, Deputy Chair 01.01-31.12	416 666
Cecilie Astrup Fredriksen, Director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, Director 01.01-31.12	250 000
Carl Erik Krefting, Director 19.04-31.12	187 500
Lars Erich Nilsen, Director 01.01-31.12	250 000
Kjell Sagstad, Director 01.01-31.12	250 000
Total	2 366 666

[1] Reported benefits paid in 2018 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent)

21.3 - Auditor's fee

Fees paid to the company's elected auditor[1] are shown in the table below.

Type of fees	2019	2018
Statutory audit	1 244 500	1 292 171
Other certification services	186 000	353 300
Tax/VAT advice	811 100	533 910
Total	2 241 600	2 179 381

[1] Fees to PricewaterhouseCoopers AS (PwC) and collaborating companies. The fees are net of VAT (amounts in NOK)

21.4 - Remuneration of senior management

Remuneration of senior management in 2019 is specified in the table below.

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Bent Oustad	CEO	3 548 513	2 000 000	4 392	93 949
Haavard Rønning	CFO	2 558 306	1 116 071	7 392	93 668
Bjørge Aarvold	EVP Property Management	1 854 723	324 000	124 392	107 083
Ellen Cathrine Kobro	EVP Marketing	1 830 979	368 750	7 392	95 733
Total		9 792 522	3 808 821	143 568	390 433

[1] Reported pay for services in 2019 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent)
[2] Contribution paid to defined contribution pension plans and employee insurance in 2019 (amounts in NOK).

Remuneration of senior management in 2018 is specified in the table below.

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Bent Oustad	CEO	3 208 333	-	4 026	89 694
Haavard Rønning	CFO from 01.03.18	2 122 175	-	8 157	75 975
Bjørge Aarvold	EVP Property Management	1 824 703	309 736	144 392	101 201
Ellen Cathrine Kobro	EVP Marketing from 15.06.18	1 568 058	128 125	7 705	91 202
Tore Heldrup Rasmussen	EVP Commercial until 30.04.18	2 411 113	339 844	129 514	87 360
Total		11 134 382	777 705	293 794	445 432

[1] *Reported pay for services in 2018 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent)*
[2] *Contribution paid to defined contribution pension plans and employee insurance in 2018 (amounts in NOK).*

21.5 - 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 which will safeguard shareholder interests in the best possible way at all times. To achieve this, the group must offer competitive remuneration as part of the total compensation package.

This declaration applies for the coming financial year. The board will base its work on the declaration after it has been considered by the AGM in 2020. In 2019, the group followed the guidelines on executive pay specified in the declaration on executive salaries in the financial statements for 2018, presented to the AGM in 2019. Possible changes to the principles in this statement compared with previous years are explained.

1. PRINCIPLES FOR BASIC PAY
Senior executives will receive a competitive basic annual salary, based on the individual's responsibilities and level of expertise.

2. PRINCIPLES FOR VARIABLE PAYMENTS, INCENTIVE SCHEMES, ETC
Senior executives may also receive variable payments (bonuses). Such bonuses are determined by the individual's own performance in meeting key targets for the group, a department or a company in which the individual is employed. These targets may comprise meeting various improvement initiatives or financial criteria, including the group's share-price performance. Criteria for the CEO own performance will be set by the board, while the CEO will set targets for other senior executives. The targets must as far as possible be measurable. Bonuses may not exceed 80 per cent of the CEO's regular annual salary or 30 per cent of regular annual salary for other senior executives.

3. PRINCIPLES FOR RELATED NON-CASH BENEFITS
Senior executives can be offered certain related non-cash benefits, such as a company car, insurance and pensions. Related non-cash benefits should basically comprise mobile phone and newspapers so that senior executives can stay updated and accessible to the group. Senior executives have the right to belong to the group's defined contribution pension plan. Conditions of the individual's pension plan may vary.

At 31 December 2019, the group had no general share option programme or share purchase scheme for employees. The CEO and a director had individual share option schemes (see note 22.4).

4. PAYMENTS AFTER CONTRACT TERMINATION
At 31 December, one senior executive had an agreement on pay after termination of their employment. The period of notice is six months and severance pay is limited to 12 months' salary. Salary can be paid after termination of employment in special circumstances. Salary

payments after employment termination where an employee does not have these documented in their employment contract must be approved by the chair of the board.

5. INFORMATION ON THE PREPARATORY AND DECISION-MAKING PROCESSES
The board determines the CEO's annual salary.

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

NOTE 22: Share capital and shareholders

The tables below specify possible changes to the share capital since the incorporation of Norwegian Property ASA, the average number of shares in the past two years, the group's largest shareholders, and shares owned by directors and senior executives at 31 December.

22.1 - Changes in share capital and average number of shares

	2019	2018
Average number of shares (1 000 shares)	520 493	548 447
Number of shares issued at 31 December (1 000 shares)	499 876	548 447

The share capital of NOK 249 937 798 consisted at 31 December 2019 of 499 875 596 shares, each with a par value of NOK 0.50. The holding of treasury shares at 31 December 2019 was 6 250 000 shares.

The group acquired 54 800 000 of its own shares for NOK 11.75 per share in the second quarter of 2019. Since it already owned 21 236 of its own shares, the total holding in treasury then came to 54 821 236. An extraordinary general meeting on 28 June 2019 resolved to reduce the share capital by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798. The amount of the reduction was applied to deleting 48 571 236 treasury shares. After that, the share capital comprised NOK 249 937 798 divided between 499 875 596 shares, each with a par value of NOK 0.50. The group owned 6 250 000 treasury shares from 30 June 2019. The decision on the capital reduction was registered in the Norwegian Register of Business Enterprises on 29 June 2019. Final deletion of the shares was registered in the Norwegian Register of Business Enterprises on 15 October 2019 after the expiry of the creditor deadline.

22.2 - The group's main shareholders at 31 December

2019:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	79.61
FOLKETRYGDFONDET	ORD	NOR	73 951 642	14.79
NORWEGIAN PROPERTY ASA 1	ORD	NOR	6 250 000	1.25
DANSKE BANK AS	ORD	DNK	3 210 224	0.64
MORGAN STANLEY INVESTMENT FUNDS	ORD	LUX	1 034 229	0.21
SANDEN AS	ORD	NOR	1 000 000	0.20
BANAN II AS	ORD	NOR	1 000 000	0.20
SIJOITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.15
KAS BANK N.V.	NOM	NLD	716 239	0.14
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	714 499	0.14
STATE STREET BANK AND TRUST COMP	NOM	USA	670 769	0.13
SIJOITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.12
NORDEA BANK ABP	NOM	SWE	386 349	0.08
AVANZA BANK AB	NOM	SWE	333 725	0.07
NORDNET BANK AB	NOM	SWE	312 135	0.06
SWEDBANK AB	NOM	SWE	307 390	0.06
CARNEGIE FASTIGHETSFOND NORDEN	ORD	SWE	300 000	0.06
CLEARSTREAM BANKING S.A.	NOM	LUX	294 280	0.06
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.05
SOLBERG INVEST & CONSULT AS	ORD	NOR	233 445	0.05
OTHER			9 621 146	1.92
Total number of shares at 31 December 2019			499 875 596	100.00

2018:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	326 468 339	59.53
FOLKETRYGDFONDET	ORD	NOR	73 751 642	13.45
NIAM V PROSJEKT AS	ORD	NOR	67 437 425	12.30
THE BANK OF NEW YORK MELLON SA/NV	NOM	NLD	23 131 995	4.22
DANSKE BANK AS	NOM	USA	4 285 692	0.78
STATE STREET BANK AND TRUST COMP	ORD	NOR	3 481 459	0.63
SALT VALUE AS	NOM	USA	2 017 969	0.37
NIKI AS	ORD	NOR	2 000 000	0.36
THE BANK OF NEW YORK MELLON SA/NV	NOM	GBR	1 752 264	0.32
GOLDMAN SACHS INTERNATIONAL	ORD	NOR	1 656 436	0.30
KAS BANK N.V.	ORD	NOR	1 591 737	0.29
ECKHOFF HOLDING AS	NOM	LUX	1 489 780	0.27
MATHIAS HOLDING AS	ORD	NOR	1 400 000	0.26
STATE STREET BANK AND TRUST COMP	NOM	FIN	1 377 813	0.25
EIKA NORGE	NOM	NLD	1 364 325	0.25
ESPEDAL & CO AS	ORD	NOR	1 264 767	0.23
MORGAN STANLEY INVESTMENT FUNDS	ORD	NOR	1 207 608	0.22
JPMORGAN CHASE BANK, N.A., LONDON	ORD	NOR	1 102 326	0.20
SANDEN AS	NOM	USA	1 000 000	0.18
BANAN II AS	ORD	GBR	1 000 000	0.18
OTHER			29 665 255	5.41
Total number of shares at 31 December 2018			548 446 832	100.00

22.3 - Shares held by senior executives and directors at 31 December 2019

Shareholder	Number of shares
Board of directors:	
Affiliated with Geveran Trading Co Ltd[1]	397 932 667
Bjørn Henningsen, Deputy Chair[2]	311 556
Carl Erik Krefting, Director[3]	44 884
Senior executives:	
Bent Oustad, CEO[4]	55 000
Total number of shares	398 344 107

[1] Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd, which was the largest shareholder in Norwegian Property ASA at 31 December 2019. Geveran Trading Co Ltd owns 397 932 667 shares in Norwegian Property, representing 79.61 per cent of the issued shares in the company.
[2] At 31 December 2019, 100 000 shares were owned by Max Eiendom AS and 211 556 shares by Camvecti Holding AS. Both companies are wholly owned by Bjørn Henningsen.
[3] At 31 December 2019, 44 884 shares were owned by Carucel Holding AS. This company is wholly owned by Carl Erik Krefting. Carucel Holding also has a TRS agreement relating to 3 500 000 shares with a term to 24 January 2021 and a redemption price of NOK 14.40 per share.
[4] At 31 December 2019, 55 000 shares were owned by Yanka AS. The company is wholly owned by Bent Oustad.

22.4 - Share options

Share options had been granted to the CEO and one director (Carl Erik Krefting) of the group at 31 December 2019. Each share option entitles the holder to subscribe for a share in Norwegian Property ASA.

Employee options	Number of options	Weighted average excercice price (NOK)
Outstanding 1 January 2018	5 750 000	12.54
Awarded	500 000	11.50
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2018	6 250 000	12.46
Earned 1 January 2019	1 166 666	10.21
Outstanding 1 January 2019	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2019	6 250 000	12.46
Earned 1 January 2020	2 583 333	10.92

The fair value of the options is calculated at the time of allocation and expensed over the vesting period. The following amount has been recognised against equity in relation to employee options at 31 December.

Employee options	2019	2018
Recognised against equity at 1 January	6.2	-
Recognised in profit and loss during the period	3.4	6.2
Recognised against equity at 31 December	9.6	6.2

The option agreement with the CEO was entered into in 2017 and entitles him to subscribe for a total of 5 750 000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
01.01.2019	1 000 000	10.00
01.01.2020	1 250 000	11.50
01.01.2021	1 500 000	12.50
01.01.2022	2 000 000	14.50

The options will lapse if they are not exercised by 1 July 2022. As an alternative to delivering shares, the board of Norwegian Property may opt to settle the profit in cash. The agreement otherwise contains normal conditions on such matters as continued employment and adjustment of share prices and so forth as a result of corporate events.

The total fair value of share options granted in 2017 was NOK 11.2 million (excluding the employer's National Insurance contribution). The fair value is calculated by external valuers based on the Black-Scholes model. In calculating fair value, volatility in the period was set at 27.43 per cent and the risk-free interest rate at 0.97 per cent. The share price at the grant date was NOK 10.45.

The option agreement with the director was entered into in 2018 and entitles him to subscribe for a total of 500 000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
01.01.2019	166 666	11.50
01.01.2020	166 667	11.50
01.01.2021	166 667	11.50

The options will lapse if they are not exercised by 19 October 2021. As an alternative to delivering shares, the board of Norwegian Property may opt to settle the profit in cash. The agreement otherwise contains conditions on such matters as continued service as a director during the vesting period and adjustment of share prices and so forth as a result of corporate events.

The total fair value of share options granted in 2018 was NOK 0.9 million (excluding the employer's National Insurance contribution). The fair value is calculated by external valuers based on the Black-Scholes model. In calculating fair value, volatility in the period was set at 26.76 per cent and the risk-free interest rate at 1.21 per cent. The share price at the grant date was NOK 10.24.

NOTE 23: Earnings per share

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

	2019	2018
Net profit attributable to shareholders (NOK million)	1 006.7	490.6
Weighted average number of outstanding shares, exclusive treasury shares (million shares)[1]	516.9	548.4
Weighted average number of diluted outstanding shares, exclusive treasury shares (million shares)[2]	523.1	554.4
Basic earnings per share (NOK per share)	1.95	0.89
Diluted earnings per share (NOK per share)	1.92	0.88

[1] At 31 December 2019, the group owned 6 250 000 treasury shares.
[2] The diluted number of shares has been adjusted for options granted (see note 22).

NOTE 24: Dividend per share and dividend policy

Norwegian Property's goal is to pay a dividend to its shareholders amounting to 30-50 per cent of its ordinary profit after tax payable, but before fair-value adjustments. The dividend can be higher in times with good cash flow. Before a dividend is determined, an assessment is made of the group's financial position and prospects, including the availability of attractive investment opportunities.

The board has a mandate from the group's AGM to make quarterly dividend payments. A dividend of NOK 0.28 per share was approved for each quarter of 2019, including a resolution by the board meeting on 6 February 2020 regarding payment of a dividend of NOK 0.07 per share.

NOTE 25: Related-party disclosures

Parties are related if one party can 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.

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 relationships related to the board and senior management are described in notes 21 and 22.

No significant agreements or significant transactions were entered into with related parties in 2018 and 2019.

NOTE 26: 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 depends on whether some uncertain future events occur which the group cannot fully influence. Similarly, a contingent asset relates to possible rights for the group to receive financial resources at a future date.

Guarantees relating to the sale of properties and companies
The seller normally issues guarantees relating to the sale of properties because of formal, physical and suchlike 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 tax issues, contractual issues, liens, environmental matters, insurance coverage, assessment of defects and so forth. The seller must typically cover financial losses incurred by the buyer from any errors or omissions which may be linked to the guarantees.

Norwegian Property has issued this kind of guarantee to buyers in relation to the sale of properties/companies since the group was established. At 31 December 2019, the assessment is that there are no circumstances which entail an obligation for Norwegian Property and a need to make provisions.

NOTE 27: Events after the balance-sheet date

Events after the balance-sheet date are events, favourable or unfavourable, which occur between the balance-sheet date and the date when the financial statements are authorised for issue. Such events can be events which provide information on conditions existing at the balance-sheet date, resulting in adjustments in the financial statements, or events which do not require such adjustments.

In accordance with the mandate from the AGM in 2019, the board resolved on 6 February 2020 that a dividend of NOK 0.07 per share will be paid on the basis of the accounts at 31 December 2019.

No other significant events have occurred after 31 December 2019 which provide information on conditions existing at the balance-sheet date.

NOTE 28: Group companies

The consolidated financial statements of Norwegian Property ASA comprise the following wholly-owned subsidiaries at 31 December 2019:

Aker Brygge AS
Aker Brygge Business Village AS
Aker Brygge Energisentral AS
Aker Brygge Marina AS
Aker Brygge Marina Drift AS
Aker Brygge Uteareal AS
Bryggegata 9 AS
Bydel Aker Brygge Forvaltning AS
Dokkbygningen Aker Brygge AS
Drammensveien 60 AS
Fondbygget AS
Forusbeen 35 AS
Gardermoen Næringseiendom ANS
Gardermoen Næringseiendom AS
Gardermoen Næringseiendom KS
Gjerdrums vei 3 AS
Gjerdrums vei 5 AS
Gjerdrums vei 10 D AS
Gjerdrums vei 8 AS
Gjerdrums vei 14-16 AS
Gjerdrums vei 17 AS
Grensen Investment AS
Gullhaug Torg 3 AS
Gullhaugveien 9-13 AS
Hasle Linje Bygg 01 AS
Hasle Linje Bygg 01 Næring AS
Hasle Linje 7 AS
Kaibygning 1 AS

Kaibygning 2 AS
Lille Grensen 7 AS
Lille Grensen 7 ANS
Lille Grensen 7 Andel AS
NPRO Drift AS
NPRO Holding AS
NPRO Invest AS
NPRO 1 AS
NPRO 2 AS
Nydalsveien 15-17 AS
Sandakerveien 130 AS
Snarøyveien 36 AS
Stranden AS
Støperiet AS
Terminalbygget Aker Brygge AS
Tingvalla AS
Verkstedhallene AS

All subsidiaries have the same business address as Norwegian Property ASA (Støperigata 2, NO-0250 Oslo, Norway). In addition to its wholly-owned subsidiaries, the Norwegian Property group has an interest in Bryggedrift AS (business address Støperigata 1, NO-0250 Oslo, Norway), which is responsible for certain operating services and management of condominiums at Aker Brygge in Oslo. Bryggedrift AS is a facility management company without significant assets. All condominiums at Aker Brygge are shareholders in Bryggedrift AS, and Norwegian Property as a participant in the condominiums had a controlling interest of about 56 per cent in Bryggedrift AS at 31 December 2019 on the basis of the ownership structure of the condominiums. Norwegian Property is represented on the board of Bryggedrift AS by two of the five directors.

Annual accounts of the parent company

Income statement 1 Jan - 31 Dec

(Amounts in NOK million)	Note	2019	2018
Management and service fee, group companies	13	40.7	46.7
Total operating revenue		40.7	46.7
Payroll costs	10	(69.0)	(75.8)
Depreciation	5	(2.3)	(3.9)
Other operating costs	10	(20.7)	(26.7)
Total operating costs		(91.9)	(106.4)
Operating profit		(51.2)	(59.7)
Financial income	11, 13	797.5	77.6
Financial expenses	11, 13	(260.3)	(251.7)
Net financial items		537.2	(174.1)
Profit before tax		486.0	(233.8)
Income tax expense	12	49.3	25.3
Profit for the year		535.3	(208.4)

Proposed allocations:			
Dividend distribution to shareholders		(34.6)	(38.4)
Transferred to/from other paid-in equity		1 117.9	(171.1)
Transferred to/from share premium		(617.1)	(75.7)

Balance sheet as at 31 Dec

(Amounts in NOK million)	Note	2019	2018
ASSETS			
Non-current assets:			
Deferred tax assets	12	563.4	581.7
Financial derivative instruments	9	16.2	8.1
Tangible assets	5	1.3	2.5
Investments in subsidiaries	4, 13	8 553.9	8 727.4
Intercompany balances	13	-	465.3
Total non-current assets		9 134.8	9 785.0
Current assets:			
Financial derivative instruments	9	1.0	0.2
Intercompany balances	13	567.7	217.0
Other receivables		3.1	2.5
Cash and cash equivalents	3	236.4	42.3
Total current assets		808.2	262.0
TOTAL ASSETS		9 942.9	10 047.0
EQUITY AND LIABILITIES			
Equity:			
Share capital		246.8	274.2
Share premium		1 602.2	2 219.3
Other paid-in equity		396.6	-
Total equity	6	2 245.6	2 493.5
Non-current liabilities:			
Financial derivative instruments	9	92.6	163.2
Interest-bearing debt	8	5 686.8	4 499.9
Intercompany balances	13	-	70.0
Other long-term debt		0.1	-
Total non-current liabilities		5 779.5	4 733.1
Current liabilities:			
Financial derivative instruments	9	-	1.6
Interest-bearing debt	8	1 802.6	2 695.5
Intercompany balances	13	-	-
Provisory dividend	6	34.6	38.4
Other current liabilities	7	80.7	84.9
Total current liabilities		1 917.8	2 820.4
Total liabilities		7 697.3	7 553.5
TOTAL EQUITY AND LIABILITIES		9 942.9	10 047.0

Oslo, 19 March 2020

Norwegian Property ASA

Cash flow statement 1 Jan - 31 Dec

(Amounts in NOK million)	Note	2019	2018
Ordinary profit before tax		486.0	(233.8)
Net financial items	11	(537.2)	174.1
Interest received	11	2.4	3.2
Interest paid	11	(236.3)	(215.7)
Other financial expenses paid	11	(27.2)	(23.0)
Depreciation of tangible assets	5	2.3	3.9
Changes in current items		4.8	16.8
Net cash flow from operating activities		(305.2)	(274.4)
Purchase of tangible assets	5	(1.2)	-
Sale of tangible assets	5	0.1	0.1
Investments in subsidiaries	4	1 124.0	-
Capital increase in subsidiaries	4	(515.0)	-
Repayment of intercompany balances	13	390.9	222.1
Net cash flow from investment activities		998.8	222.2
Repayment of interest-bearing debt	8	(2 174.1)	-
New interest-bearing debt	8	2 465.0	242.2
Dividends paid	6	(145.9)	(153.6)
Other financing activities	6	(644.5)	-
Net cash flow from financing activities		(499.5)	88.6
Net change in cash and cash equivalents		194.1	36.4
Cash and cash equivalents 1 January	3	42.3	5.9
Cash and cash equivalents 31 December	3	236.4	42.3

NOTE 1: General information

The Norwegian Property real estate group owns commercial and residential properties in the Oslo and Stavanger regions. Parent company Norwegian Property ASA is a public limited company with its head office at Støperigata 2, NO-0250 Oslo, Norway. The company's shares are listed on Oslo Børs under the ticker NPRO.

The accounts were adopted by the board on 19 March 2020 for final approval by the AGM on 16 April 2020.

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 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 in the parent company financial statements. Investment is recorded at the acquisition price of the shares unless impairment has been required. Impairment is implemented at fair value when a fall in value arises for reasons which cannot be assumed to be transient and it is deemed necessary in accordance with 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
Tangible assets are stated at historical cost, less depreciation and impairment. 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 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. Other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2.4 - Trade receivables
Trade receivables and other receivables are recognised initially at par, 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, share premium and share options
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 par.

Employee options represent rights for employees to subscribe for shares in the company at a future time at a predetermined subscription price (subscription right). Drawing requires continued employment. The fair value of employee benefits received in exchange for the granting of options is recognised as an expense. The total amount to be expensed over the vesting period reflects the fair value of the options granted. On the balance-sheet date, the company revises the estimates of the number of options expected to be utilised and changes in estimates are recognised in the income statement over the remaining vesting period with a corresponding adjustment of equity. The value of allotted shares after deduction of directly-linked transaction costs is credited to share capital and share premium reserve when exercisable options are exercised.

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 fees and other operating revenue

Management fees charged to subsidiaries relate to property management, managing customer centres and financial management. Management fees are recognised when they are earned.

2.10 - Derivatives

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 profits/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 separate legal entity. The group has no legal or other obligations to pay further amounts if the entity has insufficient assets to make all the pay due to employees under 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 - Income tax

Tax in the income statement consists of tax payable and changes in deferred tax. Deferred income tax is calculated at the applicable rate based on 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 - Use of 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 unsecured 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.

NOTE 3: Financial risk management

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

3.1 - Market risk
Market risk for the company is primarily related to interest-rate risk. The company's revenues relate entirely to management fees from subsidiaries.

The company is exposed to interest-rate risk related to floating rate loans. To mitigate interest-rate risk, the group has entered into interest-rate swap agreements. Notional principal amounts and the maturity structure for the company's overall portfolio of interest-rate hedges at 31 December are specified in NOK million in the table below.

Year	2019	2018
< 1 year	(200.0)	(550.0)
1-2 year	(900.0)	(650.0)
3-5 year	(2 770.0)	(2 335.0)
Over 5 year	(1 900.0)	(2 135.0)
Notional principal amount	(5 770.0)	(5 670.0)

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. In addition, it will have a reasonable capacity to meet unforeseen obligations. One goal is that the liquidity reserve should consist as far as possible of available revolving credit and overdraft facilities, rather than cash and cash equivalents. The company's liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2019	2018
The company's own accounts and net balance in the group accounts	496.9	259.3
Intercompany net balance in the group accounts[1]	(260.5)	(217.0)
Cash and cash equivalents	236.5	42.3
Restricted bank deposits	(2.5)	(2.4)
Available cash and cash equivalents	234.0	39.8
Unused credit and overdraft facilities	150.0	650.0
Liquidity reserve	384.0	689.8

[1] Subsidiaries' deposits in the parent company's group cash pool system are included as cash and cash equivalents in Norwegian Property ASA.

At 31 December 2019, the group had entered into an agreement on a new bond loan of NOK 460 million. The loan was disbursed on 17 January 2020.

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 relate primarily to servicing instalments on and maturity of liabilities. The table below specifies the company's liabilities in accordance with the maturity structure. The classification is based on the timing of maturities specified in the contracts. The amounts in the table specify the timing of repayments of notional principal amounts (NOK million).

2019[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities
< 1 year	1 806.0	80.8
1-2 year	-	
3-5 year	5 544.0	
Over 5 year	150.0	
Expected cash flow	7 500.0	80.8
Book value	7 489.3	80.8

2018[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities
< 1 year	2 918.6	84.9
1-2 year	1 869.2	
3-5 year	2 076.9	
Over 5 year	987.6	
Expected cash flow	7 852.3	84.9
Book value	7 265.4	84.9

[1] The difference between carrying amount and expected cash flow reflects capitalised and estimated interest cost based on the average interest rate at 31 December (intercompany balances are assumed to be settled by 1 January 2023). The difference between carrying amount and expected cash flow for other liabilities relates to provision for hedge contracts.

NOTE 4: Investments in subsidiaries

Investments in subsidiaries at 31 December 2019 are specified in the table below. The companies own the group's properties (single-purpose entities).

		NPRO Holding AS	NPRO Invest AS
Acquired/established	Date	17.01.07	26.09.13
Business office	City	Oslo	Oslo
Share[1]	Per cent	100.0	100.0
Book value	NOK million	8 553.8	0.1

[1] Voting ownership interest is identical to ordinary ownership.

Changes in book value for the year are as follows.

(Amounts in NOK million)	2019	2018
Book value at 1 January	8 727.4	8 981.5
Investments in subsidiaries	515.0	-
Dividends	(409.9)	-
Group contribution recognised against shares in subsidiaries	(278.6)	(254.1)
Book value at 31 December	8 553.9	8 727.4

NOTE 5: Tangible assets

Changes in tangible assets are specified in the table below.

(Amounts in NOK million)	IT-systems and other intangible assets	Fixtures and equipment	Total
Acquisition cost:			
At 31 December 2017	28.3	1.3	29.6
Additions	-	-	-
Disposals/change	(0.1)	-	(0.1)
At 31 December 2018	28.2	1.3	29.5
Additions	0.4	0.7	1.2
Disposals/change	(0.1)	-	(0.1)
At 31 December 2019	28.6	2.0	30.6
Accumulated depreciation:			
At 31 December 2017	22.8	0.3	23.1
Depreciation and impairment for the year	3.9	-	3.9
At 31 December 2018	26.7	0.3	27.0
Depreciation and impairment for the year	1.8	0.5	2.3
At 31 December 2019	28.6	0.8	29.3
Book value:			
At 31 December 2017	5.5	1.0	6.5
At 31 December 2018	1.5	1.0	2.5
At 31 December 2019	-	1.3	1.3

The company uses linear depreciation. The economic life of the assets is four years for IT equipment, five years for licences, cars and furnishings, and seven years for fixtures.

NOTE 6: Equity

6.1 - Change in equity

Changes in the balance-sheet items for equity are specified in the table below.

(Amounts in NOK million)	Share capital[1]	Own shares	Share premium	Other paid-in equity	Other equity	Total equity
Equity at 31 December 2017	274.2	-	2 295.1	280.1	-	-
Paid dividend	-	-	-	(115.2)	-	(115.2)
Employee share options	-	-	-	6.2	-	6.2
Dividend appropriation	-	-	(38.4)	-	-	(38.4)
Transactions with shareholders	-	-	(38.4)	(109.0)	-	(147.4)
Loss for the year	-	-	(37.3)	(171.1)	-	(208.4)
Loss for the year	-	-	(37.3)	(171.1)	-	(208.4)
Equity at 31 December 2018	274.2	-	2 219.3	(0.0)	-	2 493.5
Paid dividend	-	0.0	-	-	(107.5)	(107.5)
Purchase of own shares	-	(27.4)	-	-	-	(27.4)
Deletion of own shares	(24.3)	24.3	(617.1)	-	-	(617.1)
Employee share options	-	-	-	-	3.3	3.3
Dividend appropriation	-			-	(34.6)	(34.6)
Transactions with shareholders	(24.3)	(3.1)	(617.1)	-	(138.7)	(783.2)
Loss for the year	-				535.3	535.3
Loss for the year	-		-	-	535.3	535.3
Equity at 31 December 2019	249.9	(3.1)	1 602.2	(0.0)	396.6	2 245.6

[1] The share capital of NOK 249 937 798 consisted at 31 December 2019 of 499 875 596 shares, each with a par value of NOK 0.50. The holding of treasury shares at 31 December 2019 was 6 250 000 shares.

The company acquired 54 800 000 of its own shares for NOK 11.75 per share in the second quarter of 2019. Since it already owned 21 236 of its own shares, the total holding in treasury then came to 54 821 236. An extraordinary general meeting on 28 June 2019 resolved to reduce the share capital by NOK 24 285 618, from NOK 274 223 416 to NOK 249 937 798. The reduction amount was applied to deleting 48 571 236 treasury shares. After that, the share capital comprised NOK 249 937 798 divided between 499 875 596 shares, each with a par value of NOK 0.50. The company owned 6 250 000 treasury shares from 30 June 2019. The decision on the capital reduction was registered in the Norwegian Register of Business Enterprises on 29 June 2019. Final deletion of the shares was registered in the Norwegian Register of Business Enterprises on 15 October 2019 after the expiry of the creditor deadline.

6.2 - The company's largest shareholders as of 31 December

2019:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	79.61
FOLKETRYGDFONDET	ORD	NOR	73 951 642	14.79
NORWEGIAN PROPERTY ASA 1	ORD	NOR	6 250 000	1.25
DANSKE BANK AS	ORD	DNK	3 210 224	0.64
MORGAN STANLEY INVESTMENT FUNDS	ORD	LUX	1 034 229	0.21
SANDEN AS	ORD	NOR	1 000 000	0.20
BANAN II AS	ORD	NOR	1 000 000	0.20
SIJOITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.15
KAS BANK N.V.	NOM	NLD	716 239	0.14
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	714 499	0.14
STATE STREET BANK AND TRUST COMP	NOM	USA	670 769	0.13
SIJOITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.12
NORDEA BANK ABP	NOM	SWE	386 349	0.08
AVANZA BANK AB	NOM	SWE	333 725	0.07
NORDNET BANK AB	NOM	SWE	312 135	0.06
SWEDBANK AB	NOM	SWE	307 390	0.06
CARNEGIE FASTIGHETSFOND NORDEN	ORD	SWE	300 000	0.06
CLEARSTREAM BANKING S.A.	NOM	LUX	294 280	0.06
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.05
SOLBERG INVEST & CONSULT AS	ORD	NOR	233 445	0.05
OTHER			9 621 146	1.92
Total number of shares at 31 December 2019			499 875 596	100.00

2018:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	326 468 339	59.53
FOLKETRYGDFONDET	ORD	NOR	73 751 642	13.45
NIAM V PROSJEKT AS	ORD	NOR	67 437 425	12.30
THE BANK OF NEW YORK MELLON SA/NV	NOM	NLD	23 131 995	4.22
DANSKE BANK AS	NOM	USA	4 285 692	0.78
STATE STREET BANK AND TRUST COMP	ORD	NOR	3 481 459	0.63
SALT VALUE AS	NOM	USA	2 017 969	0.37
NIKI AS	ORD	NOR	2 000 000	0.36
THE BANK OF NEW YORK MELLON SA/NV	NOM	GBR	1 752 264	0.32
GOLDMAN SACHS INTERNATIONAL	ORD	NOR	1 656 436	0.30
KAS BANK N.V.	ORD	NOR	1 591 737	0.29
ECKHOFF HOLDING AS	NOM	LUX	1 489 780	0.27
MATHIAS HOLDING AS	ORD	NOR	1 400 000	0.26
STATE STREET BANK AND TRUST COMP	NOM	FIN	1 377 813	0.25
EIKA NORGE	NOM	NLD	1 364 325	0.25
ESPEDAL & CO AS	ORD	NOR	1 264 767	0.23
MORGAN STANLEY INVESTMENT FUNDS	ORD	NOR	1 207 608	0.22
JPMORGAN CHASE BANK, N.A., LONDON	ORD	NOR	1 102 326	0.20
SANDEN AS	NOM	USA	1 000 000	0.18
BANAN II AS	ORD	GBR	1 000 000	0.18
OTHER			29 665 255	5.41
Total number of shares at 31 December 2018			548 446 832	100.00

6.3 - Shares held by senior executive officers and directors at 31 December 2019

Shareholder	Number of shares
Board of directors:	
Affiliated with Geveran Trading Co Ltd[1]	397 932 667
Bjørn Henningsen, Deputy Chair[2]	311 556
Carl Erik Krefting, Director[3]	44 884
Senior executives:	
Bent Oustad, CEO[4]	55 000
Total number of shares	398 344 107

[1] Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd, which was the largest shareholder in Norwegian Property ASA at 31 December 2019. Geveran Trading Co Ltd owns 397 932 667 shares in Norwegian Property, representing 79.61 per cent of the issued shares in the company.
[2] At 31 December 2019, 100 000 shares were owned by Max Eiendom AS and 211 556 shares by Camvecti Holding AS. Both companies are wholly owned by Bjørn Henningsen.
[34] At 31 December 2019, 44 884 shares were owned by Carucel Holding AS. This company is wholly owned by Carl Erik Krefting. Carucel Holding also has a TRS agreement relating to 3 500 000 shares with a term to 24 January 2021 and a redemption price of NOK 14.40 per share.
[4] At 31 December 2019, 55 000 shares were owned by Yanka AS. The company is wholly owned by Bent Oustad.

6.4 - Share options

Share options had been granted to the CEO and one director (Carl Erik Krefting) of the company at 31 December 2019. Each share option entitles the holder to subscribe for a share in Norwegian Property ASA.

Employee options	Number of options	Weighted average excercice price (NOK)
Outstanding 1 January 2018	5 750 000	12.54
Awarded	500 000	11.50
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2018	6 250 000	12.46
Earned 1 January 2019	1 166 666	10.21
Outstanding 1 January 2019	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2019	6 250 000	12.46
Earned 1 January 2020	2 583 333	10.92

The fair value of the options is calculated at the time of allocation and expensed over the vesting period. The following amount has been recognised against equity in relation to employee options at 31 December.

Employee options	2019	2018
Recognised against equity at 1 January	6.2	-
Recognised in profit and loss during the period	3.4	6.2
Recognised against equity at 31 December	9.6	6.2

The option agreement with the CEO was entered into in 2017 and entitles him to subscribe for a total of 5 750 000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
01.01.2019	1 000 000	10.00
01.01.2020	1 250 000	11.50
01.01.2021	1 500 000	12.50
01.01.2022	2 000 000	14.50

The options will lapse if they are not exercised by 1 July 2022. As an alternative to delivering shares, the board of Norwegian Property may opt to settle the profit in cash. The agreement otherwise contains normal conditions on such matters as continued employment and adjustment of share prices and so forth as a result of corporate events.

The total fair value of share options granted in 2017 was NOK 11.2 million (excluding the employer's National Insurance contribution). The fair value is calculated by external valuers based on the Black-Scholes model. In calculating fair value, volatility in the period was set at 27.43 per cent and the risk-free interest rate at 0.97 per cent. The share price at the grant date was NOK 10.45.

The option agreement with the director was entered into in 2018 and entitles him to subscribe for a total of 500 000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
01.01.2019	166 666	11.50
01.01.2020	166 667	11.50
01.01.2021	166 667	11.50

The options will lapse if they are not exercised by 19 October 2021. As an alternative to delivering shares, the board of Norwegian Property may opt to settle the profit in cash. The agreement otherwise contains conditions on such matters as continued service as a director during the vesting period and adjustment of share prices and so forth as a result of corporate events.

The total fair value of share options granted in 2018 was NOK 0.9 million (excluding the employer's National Insurance contribution). The fair value is calculated by external valuers based on the Black-Scholes model. In calculating fair value, volatility in the period was set at 26.76 per cent and the risk-free interest rate at 1.21 per cent. The share price at the grant date was NOK 10.24.

NOTE 7: Other current liabilities

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

(Amounts in NOK million)	2019	2018
Public duties	3.9	3.6
Accrued salaries	5.0	6.5
Accrued interest	55.9	59.2
Trade payables	2.3	2.3
Other payables	13.5	13.4
Total other current liabilities	80.7	84.9

NOTE 8: Interest-bearing debt

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

	2019	2018
Interest-bearing debt (NOK million)	7 489.3	7 265.4
- of which hedged (NOK million)[1]	5 205.0	4 350.0
Interest hedging ratio (per cent)	69.5	59.9
Cash and cash equivalents (NOK million)	236.4	42.3
Unutilised credit facilities (NOK million)	150.0	650.0
Average interest rate (per cent)	3.50	3.62
Average interest margin (per cent)	1.22	1.38
Remaining time to maturity for interest-bearing debt (years)	2.7	2.3
Remaining time to maturity for interest hedge agreements (years)	4.9	4.2

[1] *All interest-rate swaps which had commenced at the balance-sheet date.*

The company's interest-bearing non-current and current debt at 31 December is specified in the tables below.

2019:

(Amounts in NOK million)	Long-term	Short-term	Total
Bank borrowings	1 380.0	-	1 380.0
Bonds	4 314.0	1 806.0	6 120.0
Intercompany balances	-	-	-
Total interest-bearing debt	5 694.0	1 806.0	7 500.0
Capitalised borrowing cost	(7.2)	(3.4)	(10.7)
Total book value interest-bearing debt	5 686.8	1 802.6	7 489.3

2018:

(Amounts in NOK million)	Long-term	Short-term	Total
Bank borrowings	-	2 354.1	2 354.1
Bonds	4 505.0	350.0	4 855.0
Intercompany balances	70.0	-	70.0
Total interest-bearing debt	4 575.0	2 704.1	7 279.1
Capitalised borrowing cost	(5.1)	(8.6)	(13.7)
Total book value interest-bearing debt	4 569.9	2 695.5	7 265.4

The group had 11 bonds totalling NOK 6 120 million outstanding at 31 December 2019. These fall due as follows: NOK 1 806 million in 2020, NOK 3 680 million in 2022, NOK 1 864 million in 2024 and NOK 150 million in 2026. All bonds are secured by properties and are listed on Oslo Børs.

Norwegian Property established a three-year overdraft facility for NOK 1 billion with Nordea, SEB and DNB in 2019, with drawings secured by a portfolio of properties. The most important terms for these facilities are a maximum interest-rate hedge ratio of 65 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. Agreed requirements in loan agreements were met at 31 December in 2019 and at interim reporting in 2018 and 2019.

Maturities for the company's non-current interest-bearing debt at 31 December are broken down in the table below.

(Amounts in NOK million)	2019	2018
Due in 2021 and 2022 (2020 and 2021)	3 680.0	4 439.1
Due in 2023, 2024 and 2025 (2022, 2023 and 2024)	1 864.0	1 800.0
Due after 2025 (after 2024)	150.0	1 040.0
Total	5 694.0	7 279.1

The carrying amount of assets pledged as security for debt at 31 December is as follows.

(Amounts in NOK million)	2019	2018
Investment in subsidiaries[1]	8 553.9	8 981.5
Total	8 553.9	8 981.5
Liabilities secured[2]	1 380.0	2 341.9

[1] Shares in property companies owned by other group entities are also pledged as security for the corporate facilities in Norwegian Property ASA. See also note 15 to the group's financial statements.
[2] Properties owned by subsidiaries have been pledged as security for bonds.

NOTE 9: Derivatives

9.1 - Derivatives in the annual accounts
The company is exposed to interest-rate risk related to loans with floating interest rates, and interest-rate hedge agreements have been entered into to reduce interest-rate risk. Unrealised gains/losses associated with such agreements are recognised in the income statement.

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 the company's banks. The company checks and tests the valuation for reasonableness. The fair value of the company's derivatives at 31 December is specified in the table below.

2019:

(Amounts in NOK million)	Assets	Liabilities
Interest rate contracts	17.1	92.6

2018:

(Amounts in NOK million)	Assets	Liabilities
Interest rate contracts	8.3	164.8

9.2 - Interest-rate derivatives
The majority of Norwegian Property's floating-rate loans are hedged with interest-rate hedges. Norwegian Property has a policy of hedging a minimum of 70 per cent of the interest-bearing debt outstanding at any given time. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the applicable market interest rate. Because 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 dates are broken down in note 3.

	Currency	2019	2018
Notional principal amount	NOK	5 770.0	5 670.0

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

The payroll cost for the year is as follows.

(Amounts in NOK million)	2019	2018
Salaries and remuneration	53.3	56.8
Employee share option sheemes	3.3	6.2
Social security costs	8.0	8.6
Pension costs (defined contribution plan)	2.3	2.3
Other employee expenses	2.0	1.9
Total payroll costs	69.0	75.8
Number of employees at 31 December	41	43
Number of full-time equivalent positions in the fiscal year	42	44
Average number of employees in the fiscal year	42	43

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

Remuneration to the auditor is specified in the table below.[1]

Type of fees	2019	2018
Statutory audit	495 700	365 421
Other certification services	51 000	195 000
Tax/VAT advice	125 700	226 260
Total	672 400	786 681

[1] Fees to PricewaterhouseCoopers AS (PwC) and collaborating companies. The fees are net of VAT (amounts in NOK).

Fees paid to directors in 2019 are presented in the table below.

Name	Remune-ration[1]
Merete Haugli, Chair 01.01-31.12	700 000
Bjørn Henningsen, Deputy Chair 01.01-31.12	408 334
Cecilie Astrup Fredriksen, Director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, Director 01.01-31.12	250 000
Carl Erik Krefting, Director 01.01-31.12	250 000
Lars Erich Nilsen, Director 01.01-31.12	250 000
Kjell Sagstad, Director 01.01-03.09	166 666
Total	2 275 000

[1] Reported benefits paid in 2019 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent).

Fees paid to directors in 2018 are presented in the table below.

Name	Remune-ration[1]
Merete Haugli, Chair 19.04-31.12 and Director 01.01-19.04	587 500
Martin Mæland, Chair 01.01-19.04	175 000
Bjørn Henningsen, Deputy Chair 01.01-31.12	416 666
Cecilie Astrup Fredriksen, Director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, Director 01.01-31.12	250 000
Carl Erik Krefting, Director 19.04-31.12	187 500
Lars Erich Nilsen, Director 01.01-31.12	250 000
Kjell Sagstad, Director 01.01-31.12	250 000
Total	2 366 666

[1] Reported benefits paid in 2018 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent).

Remuneration of senior management in 2019 is specified in the table below.

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Bent Oustad	CEO	3 548 513	2 000 000	4 392	93 949
Haavard Rønning	CFO	2 558 306	1 116 071	7 392	93 668
Bjørge Aarvold	EVP Property Management	1 854 723	324 000	124 392	107 083
Ellen Cathrine Kobro	EVP Marketing	1 830 979	368 750	7 392	95 733
Total		9 792 522	3 808 821	143 568	390 433

[1] Reported pay for services in 2019 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent)
[2] Contribution paid to defined contribution pension plans and employee insurance in 2019 (amounts in NOK).).

Remuneration of senior management in 2018 is specified in the table below:

Name	Title	Salary[1]	Bonuses[1]	Other benefits[1]	Pension/ insurance benefits[2]
Bent Oustad	CEO	3 208 333	-	4 026	89 694
Haavard Rønning	CFO from 01.03.18	2 122 175	-	8 157	75 975
Bjørge Aarvold	EVP Property Management	1 824 703	309 736	144 392	101 201
Ellen Cathrine Kobro	EVP Marketing from 15.06.18	1 568 058	128 125	7 705	91 202
Tore Heldrup Rasmussen	EVP Commercial until 30.04.18	2 411 113	339 844	129 514	87 360
Total		11 134 382	777 705	293 794	445 432

[1] Reported pay for services in 2018 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent)
[2] Contribution paid to defined contribution pension plans and employee insurance in 2018 (amounts in NOK).

NOTE 11: Net financial items

Net financial items for the year are as follows.

(Amounts in NOK million)	2019	2018
Financial income:		
Interest income from group companies	2.4	3.1
Income from investment in subsidiaries	714.1	-
Changes in value of financial derivative instruments	81.0	74.5
Total financial income	797.5	77.6
Financial expenses:		
Loss on sale of shares in subsidiaries	-	(1.7)
Interest costs to group companies	(1.8)	(1.7)
Interest costs loans	(231.2)	(227.1)
Termination of financial derivative instruments	(11.5)	(3.5)
Other financial expenses	(15.8)	(17.8)
Total financial expenses	(260.3)	(251.7)
Net financial items	537.2	(174.1)

NOTE 12: Deferred tax and income tax

The tax expense for the year in the income statement and deferred taxes in the balance sheet are as follows.

(Amounts in NOK million)	2019	2018
The tax expense for the year is distributed as follows:		
Tax payable	-	-
Changes in deferred tax	(49.3)	(25.3)
Income tax expense	(49.3)	(25.3)
Calculation of the tax base for the year:		
Profit before tax	486.0	(233.8)
Permanent differences	(710.2)	8.7
Changes in temporary differences	(82.7)	(73.9)
Group contribution	307.2	330.0
Tax base for the year	0.3	31.1
Specification of temporary differences and deferred tax:		
Tangible assets	(12.6)	(12.2)
Financial derivative instruments	(75.5)	(156.5)
Provisions	-	(2.2)
Tax loss carried forward	(2 473.1)	(2 473.1)
Basis for deferred tax	(2 561.2)	(2 643.9)
Deferred tax in the balance sheet	563.5	581.7
Reconciliation of tax expense and calculated effective tax rate:		
Calculated tax expense on profit before tax (22 per cent for 2019 and 23 per cent for 2018)	106.9	(53.8)
Effect on the ending balance for deferred tax by change of tax rate[1]	-	26.4
Permanent differences	(156.2)	2.0
Income tax expense	(49.3)	(25.3)
Effective tax rate (per cent)	(10.1)	10.8

[1] The corporate tax rate in Norway was reduced from 23 to 22 per cent at the start of 2019. Deferred tax at 31 December 2018 is therefore calculated on the basis of a tax rate of 22 per cent.

NOTE 13: Related-party disclosures

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

(Amounts in NOK million)	2019	2018
Income statement:		
Management and service fee, group companies	40.7	46.7
Rental cost, subsidiaries	(4.0)	(3.8)
Interest income from group companies (note 11)	2.4	3.1
Interest costs to group companies (note 11)	(1.8)	(1.7)
Balance sheet:		
Investments in subsidiaries (note 4)	8 553.9	8 727.4
Non-current assets, intercompany balances		465.3
Current assets, intercompany balances	567.7	217.0
Non-current liabilities, intercompany balances	-	70.0
Current liabilities, intercompany balances	-	-

NOTE 14: Contingent liabilities

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

NOTE 15: Events after the balance-sheet date

Events after the balance-sheet date are events, favourable or unfavourable, which occur between the balance-sheet date and the date that the financial statements are authorised for issue. Such events can be events which provide information on conditions which existed at the balance-sheet date, resulting in adjustments in the financial statements, or events which do not require such adjustments.

There are no other significant events after 31 December 2019 which provide information of conditions which existed at the balance-sheet date.

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 2019. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, as well as the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2019. 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 2019. The directors’ report for the group and the parent company accords with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors’ report) at 31 December 2019.

To the best of our knowledge, we hereby confirm that:

- the consolidated and parent company financial statements for 2019 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 parent company and the group at 31 December 2019.
- 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, 19 March 2020

Norwegian Property ASA

Merete Haugli Chair	Bjorn Henningsen Deputy chair	Cecilie Astrup Fredriksen Director	Kathrine Astrup Fredriksen Director
Carl Erik Krefting Director	Lars Erich Nilsen Director	Bent Oustad CEO	

Independent auditors report

To the General Meeting of Norwegian Property ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Property ASA, which comprise:

- The financial statements of the parent company Norwegian Property ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Property ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, the statement of comprehensive income, statement of changes in group's equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Norwegian Property ASA

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. Valuation of investment property and owner occupied property have the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2019 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment property and owner occupied property The group's investment property and owner occupied property represents a substantial portion of the total assets, and primarily consists of office and retail properties, where book value is NOK 16 558,3 million. Investment property and owner occupied property are measured at fair value. Fair value adjustments of investment properties and owner occupied property may affect the group's results significantly for the year and consequently the equity. Valuation of properties requires use of estimates that are subject to judgment by management. Key assumptions for the fair value assessment of the individual property, which is affected by management's judgement is primarily expected future cash flows and yield. The basis for management's estimate is valuations performed by two independent valuation firms. The valuation firms that were hired by management, inform that their work is based on the requirements in IFRS 13 and recognized valuation techniques. Refer to the Directors' report and note 2 (accounting principles), note 4 (determination of fair value), note 5 (critical accounting assumptions and estimates) and note 6 (investment properties) to the financial statements for details of the investment properties and valuation methodology	We obtained, read and understood the valuation reports and met with the valuation firms independently of management. We obtained evidence which supports that the valuation reports were prepared in accordance with a relevant framework and were appropriate to determine fair value of the group's investment property and owner occupied property. We assessed qualifications, competence and objectivity of the valuation firms. Further, we reviewed their terms of engagement in order to determine whether there were unusual terms that might have affected their objectivity or imposed scope limitations upon their work. We found no such indications. In our meetings with the valuation firms, we discussed and challenged assumptions used. Our main area of attention has been the properties where there were significant differences in valuation between the valuation firms. We observed that the group's fair value was based on the average of the fair values from the two independent valuers. We compared the assumptions used by the two firms with observable market data and our knowledge about the market. We further evaluated whether assumptions that were not readily observable in a marketplace were reasonable. For a sample of the properties, we examined whether the property-specific information provided by management to the valuation firms such as lease terms, duration and vacant area are consistent with underlying property information. On a sample basis, we agreed this underlying information to the firms' valuation reports. We found no indication that the information was used inconsistently. We read the relevant notes about this issue and found that the information related to valuation model, different parameters and judgmental assessments was adequate and appropriate.

(2)

Independent Auditor's Report - Norwegian Property ASA

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.

(3)

Independent Auditor's Report - Norwegian Property ASA

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

(4)

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, 19 March 2020

PricewaterhouseCoopers AS

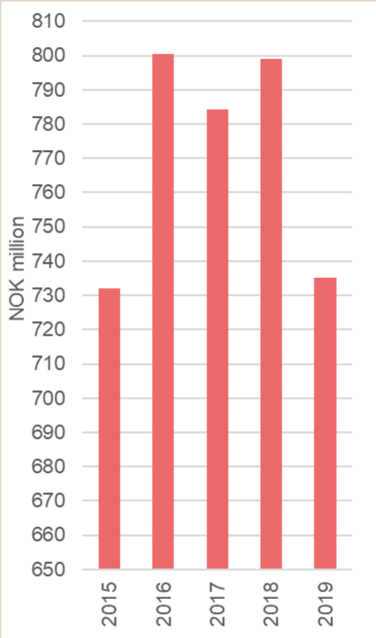
Stig Lund

State Authorised Public Accountant

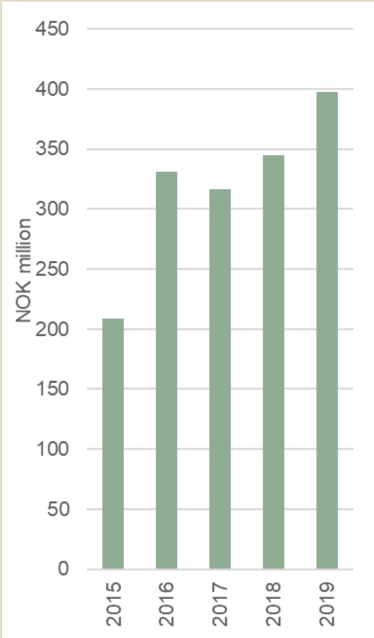
Note: This translation from Norwegian has been prepared for information purposes only.

Key figures

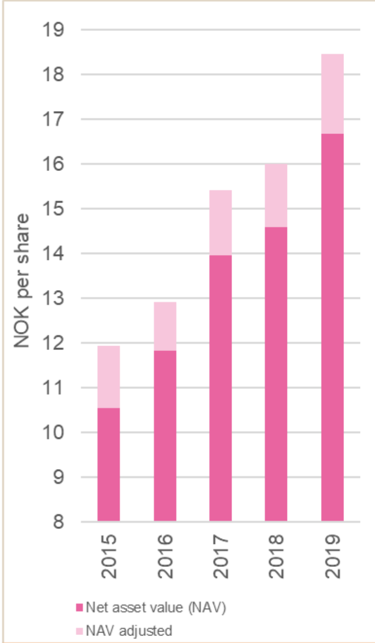
FINANCIAL HIGHLIGHTS



Annual Rental income (excl. sale of properties)

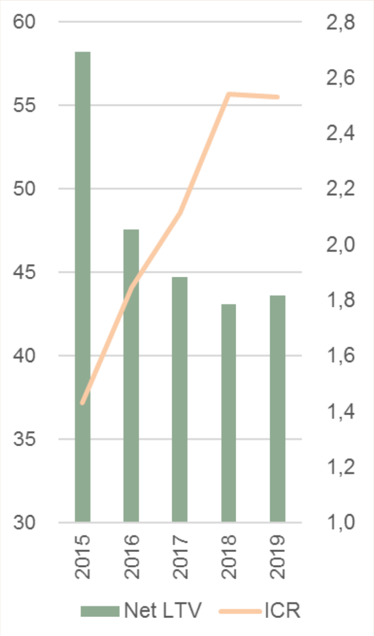


Profit before tax and value adjustments

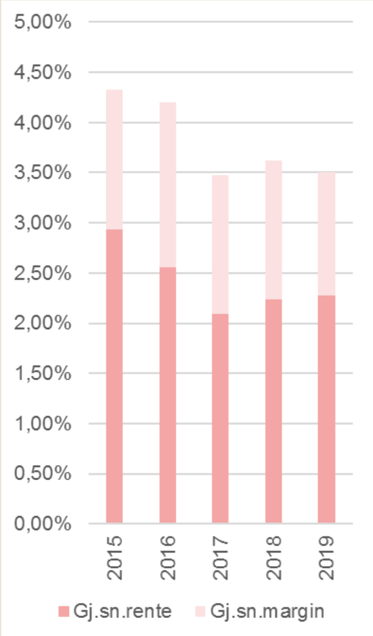


Value per share (reduced nr of shares 2019)

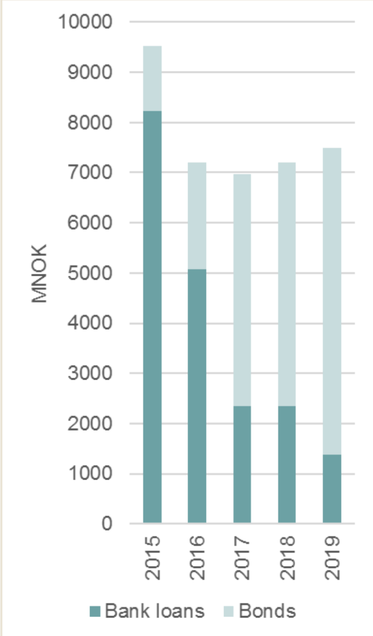
KEY FIGURES FUNDING



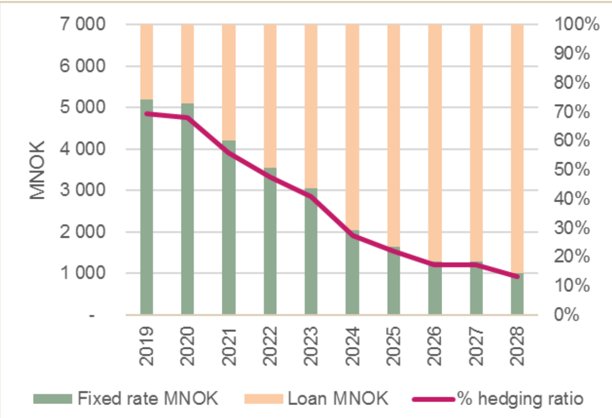
Development of covenants



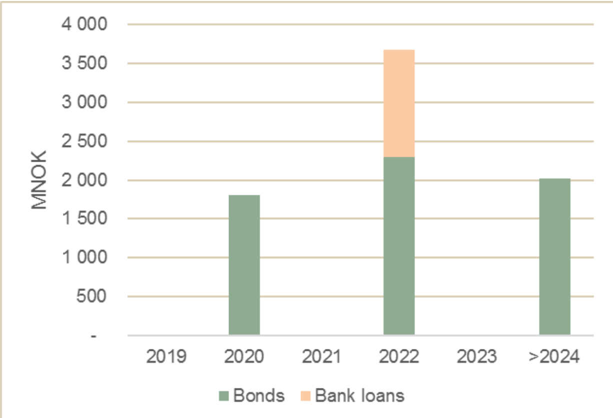
Average interest rate and credit margin



Sources of funding



Interest hedging ratio



Loan portfolio

The table below shows a summary of key accounting figures and financial key figures[2] for the group.

Profit and loss		2019	2018
Revenues	NOK mill.	1 118.0	798.9
Operating profit before admin expenses	NOK mill.	1 000.8	661.4
Operating profit before value adjustments	NOK mill.	651.4	604.6
Profit before income tax and value adjust	NOK mill.	397.4	345.0
Profit before income tax	NOK mill.	1 253.7	577.4
Profit after income tax	NOK mill.	1 006.7	490.6

Balance sheet		2019	2018
Market value of property portfolio	NOK mill.	16 558.3	15 590.9
Total equity	NOK mill.	8 233.9	8 002.8
Interest-bearing debt	NOK mill.	8 157.4	7 833.4
Equity ratio	Per cent	46.4	46.9
Pre-tax return on equity	Per cent	15.4	7.4

Cash flow		2019	2018
Net cash flow from operating activities	NOK mill.	354.9	419.7
Cash and cash equivalents	NOK mill.	281.8	124.6

Key figures; per share		2019	2018
Number of shares issued, end of the period	Mill. shares	493.6	548.4
Average number of shares in the period	Mill. shares	540.6	548.4
Profit before income tax	NOK	2.32	1.05
Earnings per share (EPS)	NOK	1.86	0.89
Net cash flow from operating activities	NOK	0.66	0.77
Interest-bearing debt	NOK	16.53	14.28
NAV, book value	NOK	16.68	14.59
Deferred property tax	NOK	1.65	1.19
Fair value of fin. derivative instruments	NOK	0.12	0.22
NAV, adjusted	NOK	18.45	16.01
Fair value of deferred tax	NOK	(0.98)	(0.62)
Fair value of fin. derivative instruments	NOK	(0.14)	(0.26)
Fair value of debt	NOK	(0.05)	-
NNNAV	NOK	17.29	15.13

[2] Figures which do not derive directly from the financial statements are explained in the overview of definitions at the end of the report. When calculating key figures per share, the figures related to profit and cash flow have been divided by the average number of shares for the period, and those related to the balance sheet by the number of shares at the end of the period.

Corporate governance

The object of corporate governance for Norwegian Property is to secure a clear and appropriate division of roles between shareholders, the board of directors and the executive management, and reassuring control of the group. An appropriate division of roles and reassuring control will contribute to the highest possible value creation over time to the benefit of the owners and other stakeholders. A goal is that good corporate governance will contribute to a positive trust-based relationship between Norwegian Property and the group's shareholders and other stakeholders.

1 Presentation on corporate governance

Norwegian Property complies with the reporting requirements specified in section 3-3b of the Norwegian Accounting Act. As a listed group, it also complies with the stock exchange recommendation of 1 July 2019, available on the Oslo Børs website, and the latest version of the code of practice from the Norwegian Corporate Governance Board (NCGB), published on 17 October 2018. The NCGB code is available on its website at www.nues.no. These recommendations go beyond the legal requirements.

The board's presentation of the way Norwegian Property has implemented the NCGB code. Reference is made to this presentation in the directors' report for 2019, and it is available on the group's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

Overall principles for corporate governance have been drawn up by the board of Norwegian Property. The board has also prepared a set of formal documents which specify guidelines, instructions and policies intended to ensure compliance in practice with good corporate governance. The board regularly assesses the group's formal documents, most recently in February 2020. Guidelines for ethics and corporate social responsibility (CSR) as well as principles for investor communication are available under formal documents at www.npro.no.

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

2 The business

Norwegian Property's articles of association are available on its website. Enshrined in article 3, the group's business purpose 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".

Within the framework of its articles, the group has presented goals and strategies for its business in the directors' report.

The board has formulated guidelines for ethics and CSR in accordance with the group's values base. Norwegian Property's guidelines are available at www.npro.no. The core of the CSR guidelines is the group's responsibility for the people, society and environment affected by its operations, and they deal among other considerations with human rights, anti-corruption, labour conditions, health and safety, discrimination and environmental aspects. More details are provided in the presentation on CSR. These guidelines are subject to annual consideration by the board, and were updated most recently in February 2020.

3 Equity and dividends

Equity
Consolidated equity at 31 December 2019 totalled NOK 8 233.9 million. The equity ratio at the same date was 46.4 per cent. The board regards the equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial freedom of action, the group has a long-term ambition that the relationship between net interest-bearing debt and gross fair value of the properties will be in the range of 45-55 per cent over a business cycle. The group's financial flexibility is assessed at any given time in relation to the group's goals, strategy and risk profile. At 31 December 2019, the relationship between net interest-bearing debt and gross fair value (net LTV) was 43.6 per cent.

Dividend
Pursuant to the group's dividend policy, a goal for Norwegian Property is to pay competitive quarterly dividends. It aims to pay a dividend of 30-50 per cent of its profit after tax payable, but before fair-value adjustments. The dividend can be higher in times of good cash flow or property sales. An independent assessment of the group's financial position and prospects will be carried out before a dividend is determined.

Dividends corresponding to 35.7 per cent of the basis for calculating such payments have been paid for 2019. The board has been mandated by the general meeting to determine quarterly dividends on the basis of the approved financial statements for 2018. Although net LTV is somewhat below target, retaining funds for new investment has been felt to be desirable. The property market is also considered to be experiencing a boom at present, which makes it appropriate stay in the lower part of the measurement scale for LTV.

The dividend policy is also described in note 22 to the consolidated financial statements in this annual report and in the investor relations section of the group's website.

Board mandates
The AGM of 11 April 2019 mandated the board to increase the group's share capital by up to NOK 27 420 000, corresponding to just under 10 per cent of the group's share capital when the mandate was awarded. The board mandate is motivated by the desire to be in a position to issue new shares in return for cash payment, as settlement for property transactions, and/or as a component in fulfilling incentive schemes for employees and/or directors. As a consequence of these purposes, it was also resolved that the board could decide to waive the pre-emptive right of existing shareholders to new shares. In line with the NCGB code, a separate vote was held on each of the three purposes. The incentive scheme for one of the directors does not accord with the NCGB code. This mandate had not been utilised at 31 December 2019.

In addition, the board was mandated to raise convertible loans 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 2019.

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

The board was also mandated to purchase the group's own shares up to a total nominal value of NOK 27 420 000. The grounds were that the board could acquire the group's own shares with the intention of using them as settlement for property transactions, fulfilment of incentive scheme for employees and/or directors, and/or in other circumstances which are considered attractive for the shareholders in general. In this case, too, separate votes were held for each purpose.

The mandate to purchase the group's own shares was used to buy back 54 800 000 shares with a par value of 0.50 in June 2019. This offer was issued on 9 May at a purchase price of NOK 11.75, which represented a premium of 10.3 per cent on the closing quoted price on 8 May. The group took the view than the premium was justified in part by the size of the buy-back offer, the liquidity of the share and the applicable discount on the underlying value of the group's assets. During the acceptance period running from 10-29 May, the group received valid acceptances for 57 862 854 shares at a price of NOK 11.75 per share, and purchased 54 800 000 shares at the above-mentioned price per share.

It was resolved that all shareholders who accepted the offer could sell at least 10 000 shares, while the remaining shares were allocated pro rata on the basis of the number of shares the shareholder had submitted acceptances for. The final allocation was made on 4 June and settlement on 7 June.

The board was mandated to determine the payment of dividend on the basis of the group's financial statements for 2018. This decision was motivated by the desire to give the board the opportunity to pay dividend on a rolling basis if it considered this to be appropriate in light of the group's position. Norwegian Property paid a quarterly dividend of NOK 0.07 per share during 2019.

All board mandates remain valid until the group's AGM in 2019, but in any event not beyond 30 June 2019.

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

4 Equal treatment of shareholders and transactions with close associates

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

No share issues were conducted by Norwegian Property in 2019.

Pursuant to the code, the reasons for waiving the pre-emptive right of existing shareholders 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.

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To maintain equal treatment of the shareholders when buying back 54 800 000 of the group's own shares in June 2019, the same offer was sent to all shareholders. After the acceptance period, it was resolved that all shareholders who had accepted the offer could sell at least 10 000 shares, while the remaining shares were allocated pro rata on the basis of the number of shares which the shareholder had submitted acceptances for. An extraordinary general meeting on 28 June 2019 resolved to reduce the share capital by deleting 48 571 236 of the group's treasury shares.

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 group's shareholders and that transactions with close associates (related parties) take place on an arm's length basis. Note 25 to the consolidated financial statements details transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in notes 21 and 22.

5 Freely negotiated shares

Shares in Norwegian Property are freely tradable on Oslo Børs. 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 group works actively to attract interest from the investor market.

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 2019 AGM is scheduled to take place on 16 April. The group's financial calendar is published as a stock exchange announcement and in the investor relations section of the group's website.

Notice of the general meeting, with comprehensive documentation including the recommendations of the nomination committee, is made available to shareholders on the group's website no later than 21 days before a meeting takes place. Shareholders who want the attachments sent by post can apply to the group 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 group'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 group 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 group'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 group'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, rather than individual candidates as recommended by the NCGB. 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 www.npro.no.

7 Nomination committee

The group'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 CEO. 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 group'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 AGM of 11 April 2019 and comprises Marianne Johnsen and Robin Bakken. Bakken has served as chair since 13 April 2016. No regular directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the group's website. The deadline for submitting nominations to the nomination committee (info@npro.no) for consideration by the 2020 AGM was 1 March 2020. Proposals to the nomination committee are channelled via info.npro.no.

8 Board of directors, composition and independence

The group 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 six shareholder-elected directors. Directors and the chair of the board have been elected by the general meeting until the AGM in 2019. 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 group's website and in the section Presentation of the Directors of this annual report. The board has been composed in such a way that it can act independently of special interests. The group's executive management is not represented on the board.

Two of the six directors are independent of the group's executive management, significant commercial partners and substantial shareholders, while three are related to substantial shareholders and one has an option agreement and an agreement to provide support to the group over and above regular board work. These are:

- Cecilie Astrup Fredriksen is an employee of Seatankers Management Co Ltd in London, and a director of a number of companies, including MOWI ASA. These companies are related to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Kathrine Astrup Fredriksen is an employee of Seatankers Management Co Ltd in London, and a director of SFL Corporation Ltd. She has previously been a director of Seadrill Ltd., Frontline Ltd, Golar LNG and others. These companies are related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Lars Erich Nilsen has been employed by Seatankers Management Norway AS since 2014. This company is related to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd. He serves as director in Axactor SE.
- Carl Erik Krefting has an option agreement with Norwegian Property, and has also entered into an agreement to support the company in assignments over and above regular board work. He is also the owner of Carucel Holding AS, which holds 44 850 shares in Norwegian Property and has entered into a total return swap (TRS) agreement for 3 500 000 shares in Norwegian Property.

Ten board meetings were held in 2019.

9 Work of the board of directors

The board has overall responsibility for managing the group and for supervising the CEO and the group's activities. Its principal tasks include determining the group's strategy and monitoring its operational implementation. In addition, come control functions which ensure acceptable management of the group's assets. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. 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, which specifies topics for board meetings, including reviewing and following up the group'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 appoints the CEO. The division of labour between the board and the CEO is specified in greater detail in standing instructions for the latter. The CEO is responsible for the group's executive management.

The board has considered it appropriate to appoint sub-committees to advise it. Pursuant to the Norwegian Public Limited Liability Companies Act, an audit committee of 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. At 31 December 2019, the committee comprised Bjørn Henningsen (chair), Merete Haugli and Lars Erich Nilsen. Merete Haugli replaced Kjell Sagstad as a member of the audit committee after he resigned as a director. Members of the committee are independent of the business, and their work is governed by a separate instruction. A compensation committee comprising two directors has also been established to assist the board over the employment terms of the CEO and the strategy and main principles for remunerating the group's senior executives. This committee comprised Merete Haugli and Carl Erik Krefting at 31 December 2019. It is again governed by a separate instruction, and consists of members who are independent of the group's executive management.

A board evaluation has been conducted where the board evaluates its own work and expertise during 2019. The findings of the evaluation have been reported to the nomination committee.

Guidelines on conflicts of interest are included in the instructions for the group's board, and ensure that directors inform the board if they have a significant direct or indirect interest in an agreement being entered into by the group. To avoid unintentional conflicts of interest, the group 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.

Pursuant to the group's ethical guidelines, no employee must work on matters in which they have a personal interest or where such an interest could be perceived to exist. Ethical guidelines also apply to directors when they represent Norwegian Property.

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 the money market and the letting market. Risk associated with development projects was greater a few years ago, but is now considered to be small. The group's management model is based on an appropriate delegation of profit responsibility, clearly defined operating parameters and effective internal control.

Overall goals have been established and the group's strategy is updated continuously. 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 management in the most important risk areas, such as operations and finance.

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 group's financial strategy.

The board is responsible for seeing to it that the enterprise, financial reporting and asset management are subject to reassuring controls. Based on the overall policies, governing processes and routines have been established for day-to-day management. The board reviews the group's formal documents annually. In connection with its annual review of the group'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 group on a continuous basis through the operating reports.

Reporting
The administration prepares periodic 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 periodic accounting reports and regular 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-term 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 group is managed on the basis of financial targets related to such aspects as return on equity. Special profitability calculations are made when acquiring investment properties and when launching development projects, based on established routines and required returns.

A special review of the quarterly valuations of investment properties is conducted by management, and meetings are held with the external players responsible for the valuations 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-rate derivatives by the banks 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.

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 time taken as well as the complexity of the business, and have not been related to results. One director has been awarded options as compensation for providing advisory services to the group in addition to his directorship. This was resolved by the AGM in 2019. It does not accord with the NCGB code, but is justified on the grounds that the director in question has special expertise and that it is in this group's interest to utilise this expertise over and above the person's regular duties as a director.

Other directors have not undertaken special assignments for the group other than their work on the board. They 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 note21 to the consolidated financial statements. An overview of shares owned by the directors and their close associates is included in note 22 to the consolidated financial statements.

12 Remuneration of executive personnel

The group's guidelines for the remuneration of senior executives are described in note21 to the consolidated financial statements. This note also provides further details about remuneration in 2019 for certain senior executives. The guidelines are presented to the AGM as a separate item on the agenda. The declaration of management benefits is posted to the group's website under formal documents.

These guidelines specify the main principles for the group's executive pay policy, and have been framed with the aim of ensuring that the interests of shareholders and senior executives coincide. The CEO has a personal share option scheme (see note 22).

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 group in which the recipient is employed. Such goals may comprise the attainment of various improvement measures or financial criteria, including the development of the group'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 group's established principles for investor communication, available on its website under principles and guidelines, 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 group will be distributed and published in both Norwegian and English via Cision and the Oslo Børs company disclosure system, and the group's website exists in both Norwegian and English versions.

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

The group 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 group's website as soon as it has been approved by the board.

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

14 Takeovers

The board has not prepared separate 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 group's articles of association place no restrictions on buying shares in the group. In a takeover process, the group's board and executive management will seek to help ensure that the shareholders are treated equally and that the group'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 group's business or shares.

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

15 Auditor

An audit committee of three directors has been appointed. 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 group's auditor, PricewaterhouseCoopers AS, conducted the following work during 2019 in relation to fiscal 2019.

- 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 had arisen between auditor and executive management.

- Conducted a review, together with the board, of the group'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 group.

PricewaterhouseCoopers attended 3 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 audit.

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.

Corporate social responsibility – sustainable development in Norwegian Property ASA

The group worked during 2019 to renew its strategy for sustainability. It has had a strategy for the environment and CSR since 2011, concentrated on climate-related issues. Attention has recently been expanded to include the social part of the sustainability concept. Having routines and parameters in place in the organisation to ensure financial sustainability and management remains important.

During 2019, Norwegian Property ASA therefore reviewed its strategy and developed it further. The board adopted the new strategy in February 2020, and this is now based on four of the UN's sustainable development goals (SDGs).

SDG 8: Decent work and economic growth was chosen because it fits well with the group's ethical guidelines. Norwegian Property will work to combat corruption, discrimination and social dumping. It will help to ensure that more young people secure apprenticeships and/or summer jobs, both at the group and with its suppliers, and it will work to achieve an organisation with diversity and without discrimination.

SDG 11: Sustainable cities and communities was chosen because this accords very well with both Norwegian Property's business and its values. The areas where it owns property must be secure and accessible to all. The group will choose sustainable solutions for operating and developing its buildings.

SDG 13: Climate action to halt global warming is a goal which Norwegian Property has already pursued actively since 2011, when it adopted its first climate strategy. The group works continuously to reduce energy consumption and convert to cleaner energy sources in its buildings, like the energy centre at Aker Brygge. We also work on the degree of waste sorting in the buildings.

SDG 14: Life below water was chosen because of the proximity of Aker Brygge to the fjord and the Nydalen properties to the river, and therefore a desire for clean water around the buildings, the marina and the outdoor areas. The group wants to help reduce waste in the sea and constantly studies how it can operate the most sustainable possible marina.

Overall guidelines and division of responsibility

The guidelines for CSR were updated and adopted by the board in February 2020 and have been published on the group's website at www.npro.no. Their purpose is to ensure that CSR is exercised in accordance with the approved base values and ethical guidelines, the guidelines for corporate governance, and the group's long-term value creation 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 group. The board is responsible for ensuring compliance with the guidelines. All significant breaches of the guidelines must be reported to and followed up by the board.

The board has adopted the sustainability strategy and has overall responsibility for establishing it.

Overall responsibility for implementing the approved strategy throughout the organisation and for ensuring compliance with it rests with Bent Oustad, the group's CEO.

The operations organisation – commercial management, operation and maintenance (CMOM), headed by Bjørge Aarvold – is responsible for prioritising and implementing all measures related to energy consumption and waste handling in the buildings which have substantial significance for the group's carbon emissions.

The development department headed by Sindre Kornrud is responsible for ensuring that new building and major renovations are pursued in accordance with the group's sustainability strategy.

Haavard Rønning, the group's CFO, is responsible for ensuring that routines and parameters which ensure the group's financial sustainability and management are in place in the organisation.

Risks and opportunities with sustainability

The group has defined the following as the most important risks and opportunities presented by sustainability up to 2030. These are described in more detail in the table in the Risk and risk management section.

Physical risk posed by climate change

1. **Increased precipitation** could lead to greater maintenance and adaptation costs towards 2030.
   Excessive water could produce flooding, and heavy rain may give rise to leaks in facades and roofs.
   The risk also exists that water levels in watercourses, such as the Aker River, could cause flooding of adjacent properties.
2. **Greater humidity** means higher maintenance costs related to cladding and ventilation.
3. **Higher sea levels** are considered less of a risk for properties on the Oslo Fjord, given that the Norwegian Water Resources and Energy Directorate (NVE) estimates a rise of 46 centimetres. This is not expected to be a risk until after 2050.

Transitional risk is divided into market and regulatory components.

MARKET RISK:

1. **Increased demand for more environment-friendly premises** is a trend beginning to emerge in the market.
2. **Environmental standards from investors** will eventually become more demanding. That applies to investors in both bonds and shares. Green bonds also offer opportunities.
3. **Environmental standards from banks** will become stricter. Stiffer requirements for securing financing will be set here. At the same time, however, green loans offer opportunities for lower margins and a larger investor base.
4. **Insurance premiums** can increase if damage from climate change becomes extensive.
5. **Technology risk** is present. Keeping abreast of technical developments for energy solutions and building standards will be important.
6. **Reputational risk** is significant as climate-related awareness spreads. Growing attention is also being paid to working conditions, corruption and money laundering in society, and breaches of legislation and rules could prompt strong reactions in media and society as a whole.

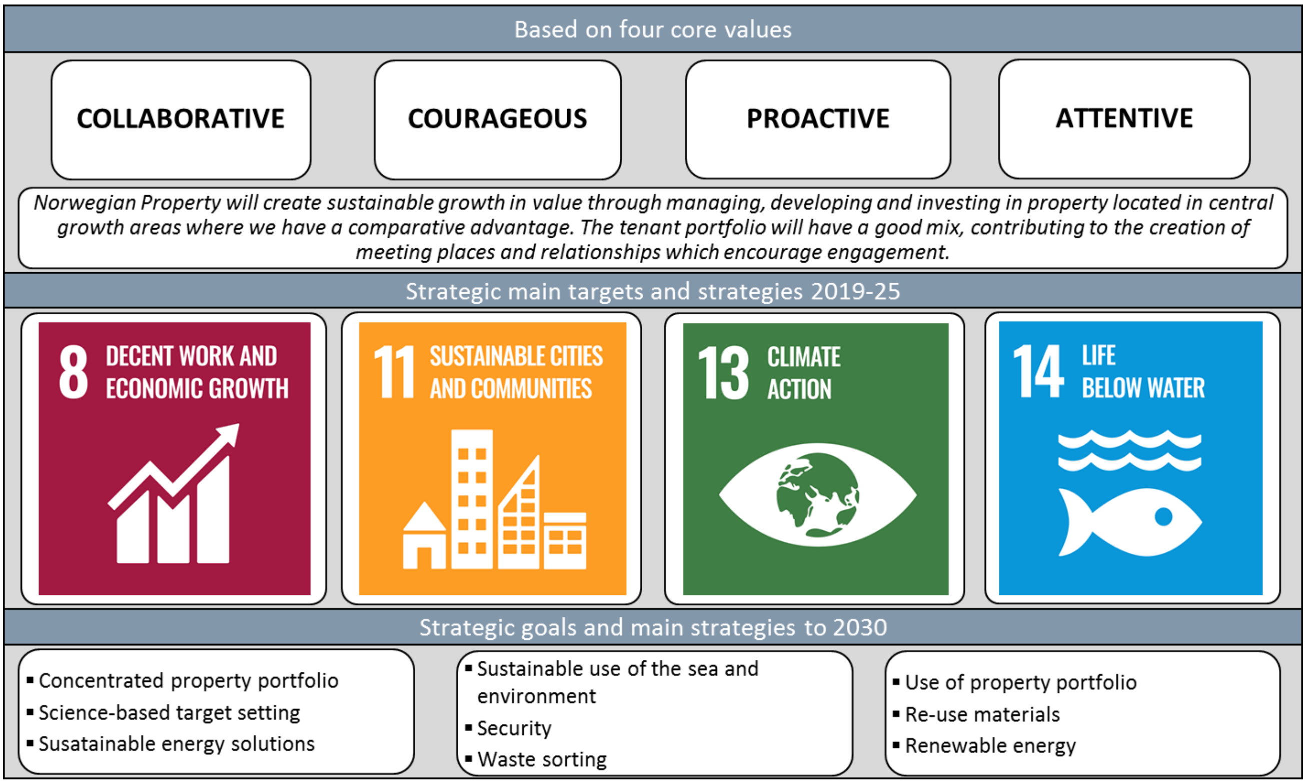
REGULATORY RISK:

1. **Government requirements and permits** such as building standards, traffic and infrastructure are expected to become stricter, and taxes could rise in line with increased public spending.

2. **A car-free central zone** in Oslo offers an opportunity if Aker Brygge remains on the fringe, as it is today, but could be a risk if the zone is extended further out. Consumers and office tenants are expected to adapt to the changes and thereby change their accustomed travel patterns. This is something the group must also adapt to.

Strategy for sustainability

To deal with these risks and opportunities, the group wants to comply with the UN SDGs with particular attention devoted to the following targets in 2019-25:



The natural environment

Where the natural environment is concerned, Norwegian Property considers that its biggest impact takes the form of energy consumption in the buildings owned by the group and the types of building materials used in its projects. But other important considerations are the way the buildings are used, how waste handling is organised and how tenant employees travel to work in the group’s buildings. All this relates to SDGs 11 and 14.

Energy consumption and carbon emissions

SDG 13 Climate-related risk management has been part of the group’s financial planning process and cross-disciplinary risk management ever since 2011. More detailed information is available in its climate report at www.npro.no.

Norwegian Property has set some quantitative targets for 2019-15. These are:

- a 30-50 per cent reduction in energy consumption for renovated buildings
- a five to 10 per cent reduction in energy consumption for the existing portfolio
- a 10-20 per cent reduction in CO_2 equivalent (CO_2e) emissions
- a 60-65 per cent proportion for sorted waste.

Developments in energy consumption per building are measured and reported annually to the board.

The base data are obtained from the group's energy suppliers and the energy monitoring system (EOS) in the properties. Cemasys has provided support in processing and verifying the figures for energy consumption and carbon emissions.

The status for the three years to the end of 2019 is presented in the table, where reductions and increases are measured in relation to the year before. Total consumption and carbon emissions cover all energy use in the group, and include scopes 1, 2 and 3. Energy consumed and CO_2e emissions per square metre are measured for a portfolio of comparable buildings from year to year. For a complete list of which properties are included, see the climate report available at www.npro.no. The numbers which are split between offices, shops and restaurants relate only to these types of premises and their associated energy consumption. Comparable properties are also utilised.

		2019	2018	2017
Total energy consumption	MWh	62 113	67 824	64 370
Energy consumption in properties	KWh/sqm	283	300	339
Change from previous year (percent)	Percent	(6)	(12)	
Office	KWh/sqm	191	202.5	
Retail	KWh/sqm	438	457.7	
Restaurant	KWh/sqm	854	974.1	
Total CO^2e-emission	Ton	3 046	3 683	4 026
CO^2e-emission from properties	Kg/sqm	14	16	21
Change from previous year	Percent	(15)	(23)	
Office	Kg/sqm	6	7.3	
Retail	Kg/sqm	12	15.0	
Restaurant	Kg/sqm	28	36.1	
Proportion of waste sorted (percent)	Percent	56	62	63
Tenant satisfaction index	Percent	78	delayed	77

Aker Brygge represents a significant proportion of the group's building inventory. This is a complex area where many different types of activity are pursued for large parts of the day. That explains why Norwegian Property's average energy consumption could seem high compared with other property companies. The group is therefore more concerned to follow developments in its own usage over several years than to draw comparisons with other players. It split this consumption into three categories – offices, shops and restaurants – for the first time in 2018. That helps to explain why it has some high average figures. In addition comes the effect of the number of hours the buildings are in use during the day.

The reduction in carbon emissions from 2018 to 2019 totalled 636.3 tonnes. Of this, 242.6 tonnes reflected the reduction in energy consumption. Use of distance heating/cooling declined by 9.5 per cent from 2018 to 2019, while output from the energy centre was down by 7.8 per cent. Electricity consumption fell by 8.1 per cent from 2018.

Most energy sources, such as electricity (Nordic mix) and distance heating/cooling, have increased their renewable component and cut carbon emissions by 13.3 per cent from 2018 to 2019 (13 per cent from 2017 to 2018).

ENERGY-SAVING MEASURES

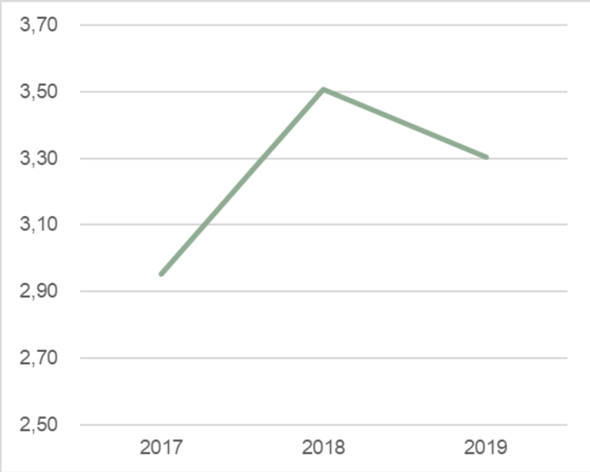
Every time a building is to be renovated, a detailed analysis is carried out in consultation with experts in various fields, concerning such aspects as energy and ventilation, in order to see how energy consumption can be reduced and emissions of CO_2e cut.

GREEN LEASES

Energy-savings in leased buildings can be implemented on the basis of "green" leases. The green clauses allow Norwegian Property to invest in environmental measures during the life of the lease if the sum of savings from reduced energy consumption and increased depreciation of the investment cuts service charges for tenants. Green clauses in 10 leases were used in 2019 to implement energy-saving measures at Gjerdrums vei 16.

ENERGY CENTRE AT AKER BRYGGE

Three of the buildings at Aker Brygge are connected to a common energy centre, which became operational in the summer of 2014. The centre delivered energy corresponding to 330 per cent of the energy input in 2019, and this was used for heating and cooling. The figure below shows developments in the share of produced energy supplied to the buildings compared with the energy input to the centre over the past four years.



Continuous efforts are being devoted to efficiency improvements. Efficiency was so good in 2018 because of a particularly long, hot summer with high output of distance cooling.

The centre generated and delivered 7 163MWh in 2019, compared with 7 834MWh in 2018.

The energy centre's efficiency		2017	2018	2019
Energy consumption	MWh	2 247	2 233.0	2 169.0
Poduced energy delivered to the buildings	MWh	6 632	7 834.0	7 163.0
Production vs consumption		3.0	3.5	3.3

DRAMMENSVEIEN 60

Renovation of Drammensveien 60 for the City of Oslo and the Labour and Welfare Administration (NAV) was completed in the autumn of 2018. This project was executed with a high level of waste sorting, reaching 92 per cent for 17 different fractions.

Some NOK 14 million was invested in energy-saving measures in this building in order to reduce annual consumption by about one million kWh. The results were available at 31 December 2019, the first full year of operation after the renovation. Energy consumption came to 1 382MWh, down by 41 per cent from the average for the last three years of consumption before the work was done. This is well within the target of 30-50 percent.

Drammensveien 60		
Average consumption 2014-2016	MWh	2 352
2019	MWh	1 383
Reduction of consumption	MWh	969.9
percent	Percent	41.2

SANDAKERVEIEN 130

This property was fully renovated and leased during 2019. Investment included a ventilation facility and other energy-saving measures, and the building was converted from single to multiple use. The measures implemented are expected to yield a saving of at least 600 000kWh.

WASTE SORTING

The proportion of waste sorted has shown a good increase since 2011, but fell from 2018 to 2019. 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 58 per cent in 2019. The target in the strategy is 60-65 per cent.

Proportion of waste sorting		2019	2018	2017
Aker Brygge	percent	58	58	60
Nydalen	percent	32	27	28
Stavanger	percent	NA	94	92
Snarøyveien 36	percent	59	58	52
SUM from operations			59	63
Drammensveien 60 (project in 2017 and 2018)	percent	39	92	93
SUM for NPRO	percent	56	62	63

CARBON DISCLOSURE PROJECT (CDP) REPORTING

Norwegian Property achieved a B ranking in the 2019 reporting. The group has been filing CDP reports since 2011, and wants to continue doing so.

Clean water in the fjord

SDG 14 Given its proximity to the fjord at Aker Brygge, Norwegian Property feels it is important to help keep the sea clean. The group has a financial interest in the shoreline, since the properties on the water's edge benefit from an idyllic location – particularly in the summer.

The electrified Aker Brygge Marina provides hire of electrically powered boats and stand-up paddle (SUP) boards in addition to conventional marina operations. Three electric boats were available for hire throughout the 2019 summer season. Comprising renovated older craft given a new lease of life, they were so popular that six will be on offer in the 2020 season. It has also been possible to hire an emission-free sauna during the winter of 2019, which helps to give visitors an up-close experience of the sea. The group's goal is otherwise that the marina will be a driver and facilitator for environment-friendly pleasure-boating.

Norwegian Property has collaborated for several seasons with various players on rubbish collection from the harbour. About two tonnes of waste were retrieved through this Seabin project during the spring, summer and autumn of 2019.

Katapult Ocean is an accelerator programme which helps ocean-technology start-ups to get going. It concentrates on popular information about the importance of the seas and on sustainable solutions for using them. Via its Lekter'n tenant, Norwegian Property has made provision for 11 start-ups from seven different companies to present themselves at Aker Brygge for 12 weeks. Among other moves, the group has allowed Katapult Ocean to use space at Aker Brygge, facilitated collaboration with several of its tenants and provided information on the project through its social media channels.

Meeting places to encourage engagement

SDG 11 Norwegian Property's vision of creating meeting places and relationships which encourage engagement powers a continuous commitment to provide secure and accessible outdoor spaces for its tenants and visitors. The group's buildings will primarily occupy central locations close to public transport hubs, and it will preserve old buildings and cultural heritage.

SUSTAINABILITY AT AKER BRYGGE

Aker Brygge has been pedestrianised for many years, and Norwegian Property believes this has helped to make it an attractive area for the city's residents and tourists to spend time in. The group also pays attention to accessibility for all groups through universal walkways, snow clearance and so forth.

During 2019, the group surveyed the sustainability measures implemented and planned by all the shops and restaurants at Aker Brygge. Subjects included energy consumption, waste, food wastage, plastics and packaging. Respondents were also asked what they were doing in terms of local and ecological products, healthy alternatives, requirements for supplier chains, CSR and sustainability certification. The results were assembled in a report given to all the tenants in order to provide a benchmark they could measure themselves against. In that way, Norwegian Property hopes to encourage learning and developing good measures together. A new survey is planned for 2020.

The group has also made provision for the cultivation of microgreens at Aker Brygge. Plans call for sprouts, salads, herbs and mushrooms to be produced for sale as local ingredients to the restaurants.

SUSTAINABLE TRAVEL TO WORK

Norwegian Property concentrated the composition of its portfolio during 2019 by selling property which lay outside the clusters where it wants to make a commitment. The remaining properties, together with those acquired during the year, are all centrally located close to public transport. That secures opportunities for tenants to take this way of travelling to and from work. The group also offers bicycle parking and cyclist changing rooms in several of its buildings as well as charging points for electric bikes where it has car parks.

BREEAM-IN-USE

The group initiated work during 2019 to secure Breeam-in-use certification for Snarøyveien 36. Both tenants and investors are paying growing attention to certified buildings.

DRAMMENSVEIEN 60

Built in 1960, this building became subject to a conservation order in 2017 because of its architecture, which is typical of the time. That added some extra challenges to the renovation project. Work has been done to preserve the facade, parts of the fittings and the artworks. This is in line with Norwegian Property's goal of preserving the cultural heritage and historic buildings.

Social conditions

SDG 8 This encompasses a number of targets which are in line with Norwegian Property's base values and ethical guidelines.

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.

ETHICAL GUIDELINES

Efforts to combat corruption are pursued first and foremost through the group's work as a responsible investor and owner, as a responsible buyer and through implementing and following up ethical guidelines. 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 ethical guidelines have been adopted by the group's board and are renewed annually. All employees must review the ethical guidelines annually through a web-based solution and confirm that they will comply with them. The guidelines are published on the Norwegian Property website.

Its personnel must not accept or make 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 group on matters where they have personal interests, or where others could perceive such interests.

PROCUREMENT ROUTINES

Norwegian Property has prepared detailed processes for procurement covering the whole process from identifying a need to implementing a purchase. They involve documented processes and work sharing intended to help limit opportunities for corruption in connection with procurement.

Suppliers are also required to have ethical standards and attitudes comparable with those of Norwegian Property. Suppliers who are used represent the group, and those it collaborates with must therefore represent 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 of compliance with legal requirements (business conduct, no use of unregistered workers and so forth)
- satisfy requirements for health, safety and the environment (HSE), internal control and so forth
- have ethical and environmental guidelines which accord with Norwegian Property's strategy
- membership of the StartBANK register for suppliers, where relevant.

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 7 000 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.

Norwegian Property found no evidence of fraud, corruption or attempted corruption in its business during 2019.

Employee rights and social conditions
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. When recruiting staff, emphasis is given 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 conducts regular employee satisfaction surveys to determine how employees regard the group as a workplace and to identify possible areas for development.

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

Norwegian Property wants to provide job opportunities for representatives from disadvantaged groups. One of these is female immigrants. During 2019, the group gave priority to providing such individuals with a chance to get into work when requirements arose for temporary employees. That scheme has been a success, and two of its beneficiaries have now secured a permanent job. Another vulnerable category is young people in education or training. Norwegian Property will work here to secure apprenticeships by setting requirements for its suppliers in the building industry. Summer jobs will also continue to be offered in the marina and the outdoor areas at Aker Brygge.

The construction and property sectors are male-dominated, which creates some challenges for efforts to increase the female proportion in certain posts. The group had 49 employees at 31 December 2019, compared with 43 a year earlier. Thirty-two of the group's 49 employees are male and 17 are female. The executive management comprised four people at 31 December 2019, including one woman. This team was increased by one man in January 2020. At the date when the financial statements were presented, the board comprised six directors – three male and three female.

A total of 51 work-years were performed in the group during 2019.

HSE work
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, which 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.

Sickness absence is an important HSE indicator. The total recorded for 2019 at Norwegian Property was 4.9 per cent, compared with 3.7 per cent in 2018.

Opportunities for employees to participate in determining their own working day form 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 and 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, and no use will be made of forced labour.

As a property group with all its activities in Norway, Norwegian Property does not face the greatest human rights challenges in its everyday operations. But the suppliers it uses could be subject to 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.

Risk and risk management

The group has reviewed risks and opportunities which Norwegian Property is exposed to. The results of this review are structured in the table below.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
Financial conditions Responsible: CFO			
1. Fair value changes for the properties	ON-GOING RISK The fair value of the properties is crucial for the group's balance sheet	The strategy is to own high-quality properties centrally located in selected clusters in Oslo. Four value drivers have been identified, and form the basis for continuous work: • letting • management • transactions and finance • development. The share of the portfolio under development will represent about five to 15 per cent of the space over time.	Generally speaking, the asset value of office properties in Oslo increased during 2019. Low vacancy (particularly in the CBD), rising rents and low interest rates have contributed to a good market. Where Norwegian Property in particular is concerned, both investment in new buildings and higher rents contributed to rising fair value in 2019.
2. Interest-rate risk	ON-GOING RISK Interest charges represent a large proportion of the group's total costs. Interest-rate changes	Policy of fixed interest rates on more than 50 per cent contributes to predictability for interest-rate costs.	Market interest rates remain at a low level. They were virtually unchanged at 1 January and 31

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
	will therefore affect both profits and liquidity.	A sensible LTV ratio (45-55 per cent) helps to reduce the risk of very high costs related to possible interest-rate increases.	December 2019, although there was a period of lower rates – particularly in the third quarter. The hedging ratio in 2019 rose from 60.3 to 69.4 per cent, which helped to reduce the risk to future cash flow.
3. Access to external capital	ON-GOING RISK Refinancing risk is the risk that insufficient capital will be available when loans expire. Compliance with covenants/terms is important, and these must be sufficiently tightly drawn to secure financing but also sufficiently flexible to give the group freedom of action.	The strategy for reducing risk associated with refinancing is to use various financing sources, raise loans with long terms and spread their maturity structure. Norwegian Property seeks to have fixed and predictable loan terms which give it adequate freedom of action. Maintaining good relations with the main banks is important. The group established a new revolving credit facility of NOK 1 000 million with Nordea,	Generally speaking, access to external capital has been good in 2019, with declining margins over the year. No significant changes occurred to covenants or other loan conditions during 2019.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
		DNB and SEB during 2019. Lille Grensen 7 was acquired in December 2019, and the RCF was used for the settlement while a five-year bond loan of NOK 460 million with settlement in January 2020 will secure long-term financing of the property.	
Credit risk Responsible: CFO			
1. Risk of rental income loss	ON-GOING Lease are generally long-term, awarded for several years at a time. The risk exists that the tenant could go bankrupt during the tenancy period, and that both income and investments in the premises could be lost.	All tenants must provide a deposit or guarantee for three-six months rent, and routines are in place for approving the financial institutions which are to provide guarantees. Tenants are credit-assessed at lease award, and total tenancy costs as a share of total turnover are analysed. Extending a lease beyond its term would not be relevant for some tenants, and some leases could be	No significant leases were terminated because of bankruptcy in 2919, and the risk is assessed as unchanged from the year before. Generally speaking, the number of bankruptcies is growing in the retail sector.

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
		terminated early if rent is not paid.	
Liquidity risk Responsible: CFO			
1. Risk associated with refinancing debt and access to external capital	ON-GOING RISK Property is a capital-intensive sector, and refinancing loans is a continuous risk.	The group seeks to reduce its refinancing risk by: - diversity of financing sources - lowest possible instalments - LTV at 45-55 per cent - spread maturity profile - Long loans - RCF to cover part of bonds maturing over the next 12 months.	The group found it had good access to external capital via bank and bond loans in 2019, and margins fell a little during the year.
2. Risk of delayed rent payments	ON-GOING RISK Rents are paid quarterly in advance. Interest on loans usually falls due right after rent payments. Were a big share of rents to be delayed, the ability to service interest payments and possible instalments on debt could be at risk.	Reminders are issued continuously. The group will have spare liquidity in the form of NOK 300 million in cash plus undrawn credit and/or overdraft facilities at any given time	No increase in late rent payments occurred in 2019.
Market risk Responsible: Marketing Vice President			

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
1. Changes in market rents	ON-GOING RISK When awarding new or extending existing leases, market conditions at the negotiation date present a risk.	The strategy is to own high-quality properties centrally located close to public transport hubs. Attractive areas will maintain high market rents for longer than properties in more peripheral areas.	The letting market was good in 2019, and the group achieved good rents when leases expired. It is finding that demand for premises is particularly good in Oslo's CBD.
2. Vacancy in the portfolio	ON-GOING RISK The property sector is exposed to competition. The risk of being unable to let the buildings is higher in an economic downturn. New tenants often involve higher costs than extending existing leases.	The strategy is to own high-quality properties with central locations. Attractive properties are easier to let and also have lower vacancy. A good operations organisation gives tenants good service and helps to enhance their loyalty. A competent marketing team with experienced personnel works on letting. The group has converted several single-user buildings to multi-user, thereby reducing the risk of large single-	The letting market was very good in 2019, and developed positively through the year. During 2019, Norwegian Property sold buildings outside the most attractive locations and filled vacant properties. The portfolio now has fewer single-user buildings, which risk being left vacant in the near future. The risk of increased vacancy is considered to have declined during 2019.

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
		used buildings staying vacant. Norwegian Property is seeking to achieve a spread of lease expiries and a differentiated body of tenants.	
3. Turnover-based rents	ON-GOING RISK A number of the shops and restaurants at Aker Brygge have turnover-based rents. This means that rental income fluctuates with sales by the tenants. The challenges affecting retail could result in lower rents for shop premises.	The Aker Brygge quarter actively develops and markets the area to attract customers. Continuous efforts are made to find the right mix of tenants there who will attract the greatest number of visitors and increase turnover. A relatively high proportion of restaurants makes Aker Brygge less vulnerable to competition from online shopping, for example. Moreover, Norwegian Property has leases where minimum rents are at good levels. Of NOK 118.4 million in rents in Aker Brygge, NOK 106.7 million was fixed and NOK	The summer of 2018 was fantastic, which contributed to a high turnover for Norwegian Property's restaurant premises. The group is very satisfied that total revenue in 2019 was only 0.3 per cent down from the year before.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
		11.7 million turnover-based in 2019.	
4. Inflation	ON-GOING RISK Most leases have full CPI adjustment.	This is regarded as an opportunity to increase income as the CPI rises. All new leases awarded in 2019 have full CPI adjustment.	Inflation in 2019 was 2.2 per cent, which is in line with the level aimed at by Norges Bank.
Project risk Responsible: Project and Marketing vice presidents			
1. Uncertainty over future occupancy rate	WITHIN 3-5 YEARS When launching a construction project, it is unclear what the letting market will look like at completion.	The group does not launch major projects without having secured a certain number of leases for the completed building.	No new projects were initiated in 2019. The letting market developed positively during 2019.
2. Cost overruns	WITHIN 3-5 YEARS Big projects will often have an element of uncertainty related to costs for both procurement and design.	The group makes the maximum possible use of turnkey contracts for its projects.	No big projects were under way in 2019.
3. Delays	WITHIN 3-5 YEARS Late delivery carries a cost in reduced	Project management is important, and is followed up by a competent team.	No big projects were under way in 2019.

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
	income and possible compensation.	Turnkey contracts reduce risk for the group.	
4. Accidents	ON-GOING RISK The threat of project-related accidents is present, and in the worst case could cause injury to people. Material damage could also impose costs on the group.	Serious efforts are devoted to health, safety and the environment in every project run by Norwegian Property.	No big projects were under way in 2019.
5. Demolition and recycling	ON-GOING RISK, RISING The latest trend is tougher requirements for recycling building materials. Norwegian Property expects it to become harder to get permission to demolish existing buildings. Demolition will also get more expensive down the road because greater care and accuracy will be needed so that materials can be recycled.	Norwegian Property is making soundings for major renovations in order to see how these can be implemented cost-effectively in future projects.	This trend attracted great attention during 2019, and is likely to increase. Where tenant adaptations and minor projects are concerned, profitability calculations are made in each individual case.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
Climate risk Responsible: Project and Operations vice presidents, CFO			
A. Physical risk			
1. Increased precipitation	ON-GOING RISK, RISING TOWARDS 2030 Rising precipitation will give growing flooding problems and greater risk of leaks. Facades get more vulnerable, since driving rain affects more than just roofs. It will also increase water levels in rivers which can flood cellars and ground floors in nearby buildings.	Norwegian Property chooses materials and solutions for maintenance which will be sustainable and durable.	Attention paid to climate risk increased in 2019. A greater threat of flooding from an anticipated increase in precipitation has led to stricter government standards for construction projects.
2. Higher sea level	WITHIN 20-30 YEARS Properties at Aker Brygge will be vulnerable in the long term if sea level rises significantly as a result of climate change.	According to the Norwegian Mapping Authority, the sea level will rise 46 cm around Aker Brygge. That will not be critical for the properties there.	These expectations did not change in 2019.
B. Transition risk			

Risk and the responsible executive	**Description and timing**	**Strategy/measures**	**Changes to developments in 2019**
1. Demand for environment-friendly premises	Tenants are seeking energy-efficiency, environment-friendly solutions and certified buildings. Some also want information on material choices. Tenants differ in their requirements. Big and international customers are particularly concerned about this.	Norwegian Property works to establish energy-efficient solutions in its buildings and to convert to as much clean energy as possible. The seawater pump at Aker Brygge, for example, is important in reducing CO_2e emissions there. Buildings are to be certified to Breeam or Breeam-in-use.	The risk did not change markedly in 2019. Big tenants demand this is their specifications. During 2019, the group undertook in leases to certify buildings to Breeam-in-use. The risk is expected to increase.
2. Environmental requirements from investors	PRESENT AND EXPECTED TO RISE TOWARDS 2030 Investors in both bonds and shares want more information on climate risk. Green bonds could provide a broader investor base and perhaps lower financing costs than normal bonds.	Norwegian Property reports to the CDP, produces an annual climate report available on its website and is open about its environmental strategy. Work is under way to establish a framework for green bonds.	The attention paid by the financial community to environmental requirements, as well as to sustainability in general, increased greatly in 2019.
3. Environmental requirements from banks	PRESENT AND EXPECTED TO RISE TOWARDS 2030 Requirements for reporting and climate adaptations are growing. Climate risk	Norwegian Property reports to the CDP, produces an annual climate report available on its website and is open about its environmental	The banks have shown growing interest in the environment during 2019, and the group sees that this is beginning to

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
	will probably be linked more strongly to loan terms and access to financing. Growing offers of green bank loans.	strategy. Work is under way to establish a framework for green bonds.	provide opportunities to reduce financing costs for green purposes.
4. Insurance	FUTURE Growing damage to property from increased precipitation and more extreme weather could lead to higher insurance premiums.	Norwegian Property works continuously to maintain its buildings, and selects good-quality materials for this.	No developments occurred in this area during 2019.
5. Technological risk	PRESENT Failing to update solutions for energy efficiency or adapt to tomorrow's solutions today could leave Norwegian Property with an outdated building inventory where regulatory changes, bank lending terms and customer demand could have a negative impact on the group.	Norwegian Property's strategy is that all new buildings will be certified to Breeam Excellent as a minimum. Older buildings will be renovated when tenants change, with modern and cost-effective technical solutions being chosen.	Technology is constantly developing, including for the property sector. A growing number of new property technology companies emerged in 2019. New solutions are also coming for more climate-friendly building materials and products, such as more climate-friendly concrete.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
6. Reputational risk	ON-GOING RISK, RISING TOWARDS 2030 Being perceived as a reputable and by all means assertive player on the environment and the climate will be important in the future. That applies both in relation to investors and with an eye to recruitment. This image will influence how attractive tenants find it to choose Aker Brygge.	Norwegian Property has established a sustainability strategy which aims to meet the requirements and expectations of society. Tenants at Aker Brygge will be involved in sustainability projects in the time to come.	Given the increased attention paid to the climate by society at large during 2019, the risk associated with reputation increased over the year.
7. Increased CO_2 taxes	FUTURE RISK This relates both to energy prices and waste handling. Considered low risk.	Waste and energy prices are passed to the tenant, but the group is working to reduce discharges/ emissions because this could affect how attractive the buildings become. The risk is regarded as low because it affects the group indirectly.	
C. Regulatory risk			

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
1. Government requirements and permits	ON-GOING RISK, RISING TOWARDS 2030 As society adapts to climate change, official demands for energy consumption, building standards, traffic, and infrastructure and the development of drains/ sewers are likely to call for higher taxes, including on property.	Norwegian Property adapts to the laws and regulations in force at any given time, and applicable building standards are observed in the projects. Where new projects are concerned, the goal is to achieve Breeam Excellent certification Most leases contain clauses that the tenant pays the property tax.	No major tax changes during 2019.
2. Car-free city	ON-GOING RISK Aker Brygge lies on right on the edge of the car-free zone in Oslo, and the multi-storey car park can still be accessed. However, there is no guarantee that the zone will not be expanded.	Access to the multi-storey car park is an advantage for those who work at Aker Brygge and for those visiting in their free time. However, the outdoor areas at Aker Brygge have been pedestrianised for many years, which helps to make it an attractive place to visit for shop and restaurant customers. Norwegian Property has worked to	No big changes occurred in 2019, but it does not look likely either that the scheme will be reversed.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
		ensure that a growing number of visitors will come from the immediate vicinity, which helps to reduce the vulnerability of reaching Aker Brygge by car.	

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2019
Effects of the coronavirus in 2020			
Rents, vacancy, fair value changes, risk of loss of rental income and inflationary pressures.	A general reduction in economic activity as a result of quarantines, fewer people visiting public spaces, reduced travel and companies with less to do will also affect the letting market for commercial properties. That could cut rents, increase vacancy, lower property value and enhance the risk of lost rental income. Inflation is expected to fall.	Attractive, high-quality properties in central locations. Good operations organisation. Competent marketing team. Spread of lease expiry dates. Differentiated tenant portfolio. Active development and marketing of Aker Brygge. Leases with good minimum-rent levels.	Fear of the virus has already reduced economic activity. This could affect property values negatively in the future. Turnover-based rents could be negatively affected if the general public decides to stay at home rather than visit the restaurants at Aker Brygge.
Interest-rate risk and access to capital	An economic downturn could reduce the level of rents. Access to capital will worsen. Negative value of interest-rate derivatives will rise.	Policy of fixed interest rates on more than 50 per cent contributes to predictability for interest-rate costs. A sensible LTV ratio (45-55 per cent) helps to reduce the risk of very high costs associated with possible interest-rate increases.	Interest rates have fallen since 31 December 2019, which reduces financing costs for the part of the debt portfolio with floating interest rates. Higher margins counteract this. It has become more difficult to secure capital, particularly in the bond market.

Presentation of the directors

The board of Norwegian Property ASA comprised the following directors at 31 December 2019.

Merete Haugli (chair)

Merete Haugli (born 1964), director since 13 April 2016 and chair since 19 April 2018, studied at Bankakademiet and the BI Norwegian Business School, and has pursued studies of transpersonal psychology. She runs her own consultancy in such areas as management training, mental training and mentoring, and has a versatile background in finance and the police. She is a director of Solstad Offshore ASA and Axactor SE, and a member of the nomination committee for Mowi ASA and North Energy ASA. She owned or controlled no shares in Norwegian Property ASA at 31 December 2019.

Bjørn Henningsen (deputy chair)

Bjørn Henningsen (born 1962), director since 10 October 2014, has an MSc in economics from Heriot-Watt University and is a partner in Union Eiendomskapital AS, which he helped to found in 2005. Henningsen has very long and broad experience of real estate investment and development, banking and finance. He was previously finance vice president and managing director of Investra ASA, and also has long experience from banks and financial institutions. Henningsen is chair and director of numerous companies in the Union group, including chair of Union Gruppen AS and Union Eiendomskapital AS. He owned and controlled 311 556 shares in Norwegian Property ASA at 31 December 2019.

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 Seatankers Management Co Ltd and serves as a director of several companies, including Mowi ASA. Fredriksen is related to Geveran Trading Co Ltd, which owned and controlled 397 932 667 shares in Norwegian Property ASA at 31 December 2019.

Kathrine Astrup Fredriksen (director)

Kathrine Astrup Fredriksen (born 1983), director since 13 April 2016, studied at the European Business School in London. She is currently employed by Seatankers Management Co Ltd in London. She serves as director in SFL Corporation Ltd. Fredriksen's previous directorships include Seadrill Ltd, Frontline Ltd and Golar LNG. She is related to Geveran Trading Co Ltd, which owned and controlled 397 932 667 shares in Norwegian Property ASA at 31 December 2019.

Carl Erik Krefting (director)

Carl Erik Krefting (born 1953), director since 19 April 2018, has a law degree from the University of Oslo. He helped to found Søylen Eiendom AS in 2004. This company opened Eger as Norway's first high-end department store in May 2009. Krefting was a lawyer and partner in the Thommessen Krefting Greve Lund law company from 1982 to 2004, and in that connection held directorships in such companies as Avantor ASA, Dyno Industrier ASA and Gresvig ASA. He owned and controlled 44 884 shares in Norwegian Property ASA at 31 December 2019 and, through his wholly owned Carucel Holding AS company, has a TRS agreement related to 3 500 000 shares maturing on 24 January 2021 at a strike price of NOK 10.80 per share. Krefting also has an option to acquire a total of 500 000 shares in Norwegian Property ASA in up to three tranches at a price of NOK 14.40 between 19 April 2019 and 19 April 2021.

Lars Erich Nilsen (director)

Lars Erich Nilsen (born 1981) has been employed by Seatankers Management Norway AS since 2014. Before then, he worked as an analyst for Fearnley Advisors AS (2013-14) and Fearnley Fonds ASA/Fearnley Securities AS (2005-13, as partner from 2007). Nilsen holds a master's degree in business economics from the BI Norwegian Business School. He serves as director in Axactor SE. He is related to Geveran Trading Co Ltd, which owned and controlled 397 932 667 shares in Norwegian Property ASA at 31 December 2019.

Definitions

An explanation of figures and terms mentioned in the annual report which are not derived directly from the accounts is provided below.

Run rate for annual rent	Contracted annualised rental income for the property portfolio at the balance sheet date.
Weighted remaining duration of leases	Remaining contractual rent of current leases at the balance sheet date divided by the total contractual rent for the entire lease term.
Space vacancy	Space which does not generate rent at the balance sheet date divided by total space.
Financial vacancy rate	Annualised market rent for space that, at the balance sheet date, do not generate rental income divided by total annualised rent for total space (contract rent for leased space and market rent for vacant space).
Gross yield	Gross yield on the balance sheet date for a property or portfolio of properties is calculated as contractual annualised rental income divided by market value.
Net yield	When calculating net yield, maintenance and property-related costs are deducted from contractual annualised rental income, which is then divided by the market value.
Prime yield	Yield for a fully leased property of best structural quality, with tenants in the best category and in the best location.
Property-related operational expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
Other property-related expenses	Other property-related expenses include income-related costs related to leasing, marketing and so forth, the owner's share of service charges, project-related property costs and depreciation related to the properties.
Administrative expenses	Administrative expenses relate to costs which are not directly related to the operation and leasing of properties, and include costs related to the overall ownership and corporate functions.
Operating profit before administrative expenses	Revenues net of property expenses.
Profit before income tax and value adjustments	Profit before tax, adjusted for fair value adjustments of investment properties and financial derivatives.
Like for like	Change in rental income from one period to another based on the same income generating property portfolio, with rental income adjusted for purchases and sales of properties.
Independent valuers	Akershus Eiendom and Cushman & Wakefield.
Market value of property portfolio	The market value of all the group's properties regardless of accounting classification.
Interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less holdings of own bonds.
Net interest-bearing debt	Interest-bearing debt, less holdings of bonds as well as cash and cash equivalents.
Equity ratio	Total equity divided by total equity and liabilities.

Pre-tax return on equity	Annualised pre-tax profit in the period divided by average total equity for the period in the balance sheet.
Unutilised credit facilities	The difference between total available credit facilities, based on the current loan agreements, and amounts at the balance sheet date which are deducted and accounted for as interest-bearing debt in the balance sheet.
Interest hedging ratio	The share of interest-bearing liabilities hedged at the balance sheet date.
Base interest rate	A weighted average of the fixed and floating average interest-rates at the balance sheet date. The fixed average interest rate is calculated as the weighted average of the fixed interest rate paid by the company in relation to outstanding interest-rate contracts and loans. The floating average interest-rate is calculated as the weighted average of the Nibor rate paid on interest-bearing debt. The interest-rate base does not include accrued finance charges or margin.
Average interest rate	Weighted average interest rate on interest-bearing debt and fixed-rate interest agreements at the balance sheet date.
Average interest margin	The weighted average of the interest margin on the outstanding interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest-bearing debt	Weighted remaining period until maturity for interest-bearing debt at the balance sheet date.
Remaining time to maturity for interest hedge agreements	The weighted remaining period until maturity for interest hedge agreements at the balance sheet date.
LTV	Debt to asset ratio (loan to value).
Gross debt to asset ratio (gross LTV)	Interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Net debt to asset ratio (net LTV)	Net interest-bearing debt divided by the fair market value of the property portfolio at the balance sheet date.
Earnings per share (EPS)	Net earnings for the period divided by the average number of shares during the period. Diluted earnings per share are identical to basic earnings per share, unless otherwise specified.
NAV, book value	Net asset value, the book value of total equity in the balance sheet.
NAV, adjusted	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax related to fair value adjustments of investment properties and for fair value of financial instruments after tax in the balance sheet.
NNNAV	In relation to the Adjusted NAV, NNNAV (triple net asset value) includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and liabilities.
Oslo CBD	Oslo Central Business District is considered the most attractive area for office space in Oslo. The area is usually limited to the districts of Aker Brygge, Tjuvholmen and Vika.
Scope 1	Use of fossil energy sources and CO_2e related to the operation of Norwegian Property as a group. Covers transport for employees in working hours using cars leased or owned by Norwegian Property, but also the use of oil-fired heating in the buildings..

Scope 2	Covers energy consumption and emissions from this in the buildings – in other words, distance heating, cooling and electricity.
Scope 3	Indirect emissions related to leasing or purchasing goods or services. Waste and tenant use of propane, as well as business travel by Norwegian Property's employees, are categorised as scope 3.
CO_2e	CO_2 equivalent. The group's energy consumption and waste are converted to CO_2e emissions on the basis of A Corporate Accounting and Reporting Standard – an international standard developed by the Greenhouse Gas (GHG) Protocol Initiative.

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