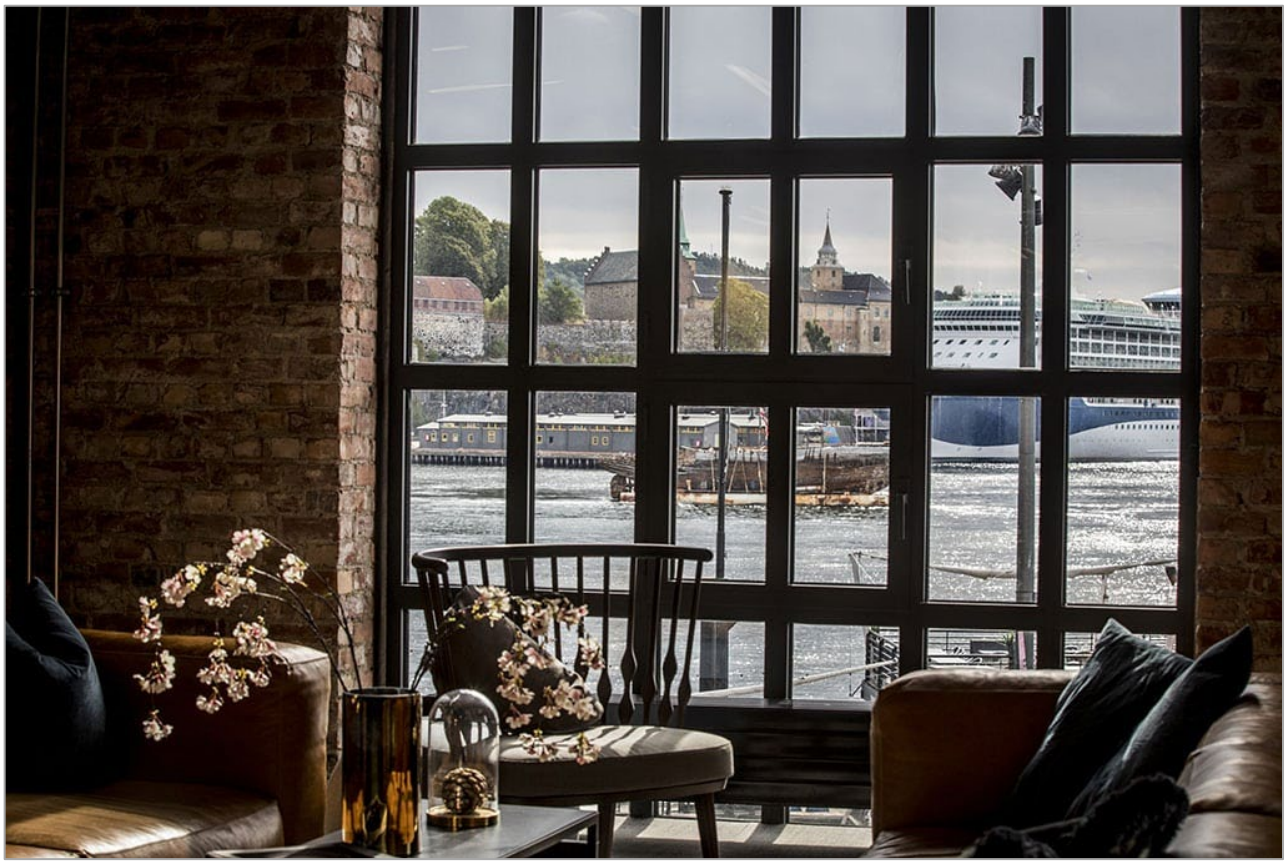
Annual report

NORWEGIAN PROPERTY



Pier X - Aker Brygge, Oslo

2021

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

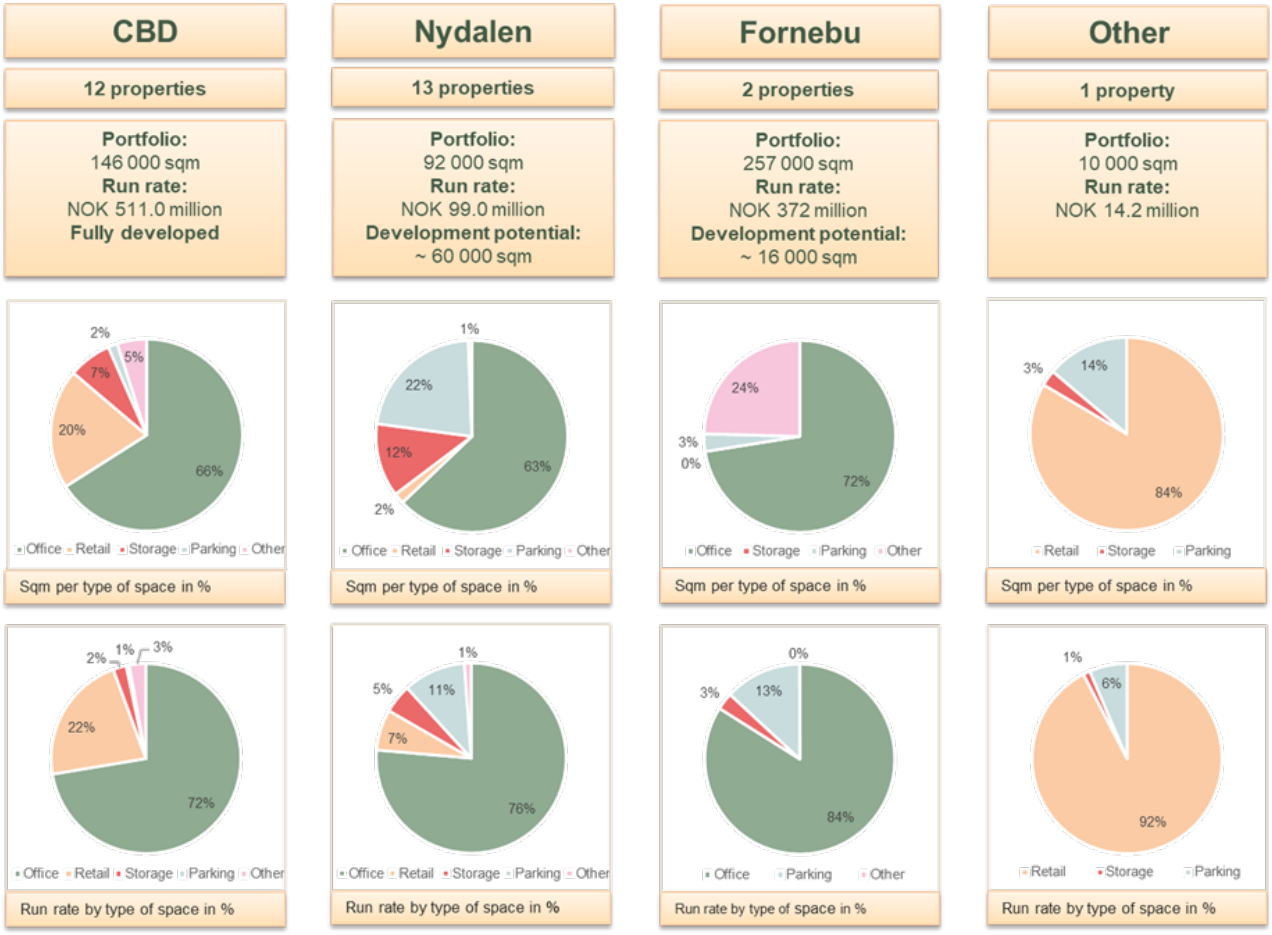
Norwegian Property is a property group with its head office in Oslo.

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 Fornebu. In addition, the property portfolio includes one retail property at Hasle (Other).



The group also has a major investment related to a 42.5 per cent share in the residential development company Nordr, with a land bank of approx. 13,378 units and 1,927 units under development on a 100 per cent basis. In Stavanger, the group has a joint venture with Base Bolig for a development project of 250 residential units and approx. 3,000 gross lettable area (GLA) on a 100 per cent basis

CEO summary

The year 2021 was the second year marked by the COVID-19 pandemic. Therefore, I will start by repeating my appeal from last year. Everyone should try to go out and eat an extra lunch or dinner, buy some flowers or other gifts for friends and family and use different wellness offers around the city. These services and shops help to enrich our everyday lives and create pleasant meeting places for both employees and visitors. If there is one thing the pandemic has shown us, it is that humans need to be social to further develop ourselves, give us new impulses and to foster creativity and a corporate culture. Therefore, NPRO's vision is also firm; we want to create meeting places that engage and contribute to good relations between those who use these areas.

Our core values are the basis for all of our work. We must be brave, interactive, show initiative and listen to tenants, visitors, employees, authorities and other stakeholders. The annual report for 2021 shows signs of the opportunities we took advantage of during 2020. Our real estate portfolio has grown to NOK 25.1 billion at the end of 2021, up from NOK 23.4 billion as of Q4 2020. The increase in value of NOK 1.7 billion is partly due to the total investments during 2021 of NOK 314 million, and partly an increase in net rents of NOK 89 million. The results show the high activity we have managed to maintain throughout the year, despite the pandemic and restrictions. The results also show that the organisation has managed to maintain a results-based focus despite various government-imposed restrictions throughout the year.

Our rental income increased by 33 per cent compared to 2020, and for the first time in many years, NPRO again has a run rate of more than NOK 1 billion at the end of 2021. In addition, our profit before tax and value adjustments has increased by 37 per cent compared to 2020, which shows that the company's focus on cost control and operations over time provides returns. In addition to these results, we also receive a return on our investment in Nordr of 42.5 per cent. The return will only be reflected in our figures when the apartments are handed over to the customer that has purchased the apartment. The activity since the takeover in September 2020 will, therefore, first be reflected during the second half of 2022. At the end of 2021, Nordr had a total of 1,927 units under construction and the sales price for these corresponded to NOK 11.6 billion. 88 per cent of the properties under construction were already sold.

During the year, our largest owner bought the remaining shares in NPRO, and we are no longer listed on the Oslo Stock Exchange. On the other hand, we still have listed bonds, and as mentioned earlier, we want to continue to expand our sources of financing. Our total bond portfolio was approximately NOK 11.5 billion at the end of the year. In order to remain relevant and attractive to debt investors, we will continue to report quarterly results, despite the fact that our equity has been delisted.

During 2021, we carried out several refinancing activities. Our ambition to expand our financing sources was followed up with our first Green Bond in May 2021. The loan was NOK 650 million and with a mortgage on our Breeam-in-Use certified building at Snarøyveien 36. During 2021, we have environmentally certified 70 per cent of our office portfolio. Our goal is to have our entire office portfolio certified by the end of 2024. In parallel with the certification, we will also carry out upgrades and improvements on our portfolio.

Despite restrictions and limitations, it is gratifying to see an ever-stronger focus from our employees on ESG projects. Aker Brygge has opened Norway's first electric boat harbour. Here, electric boat owners can charge their boats' batteries during their use of other services at our ground floor in Aker Brygge. At the same time, Kruser AS organises the rental of electric boats to visitors who want a few hours or a day out at sea from the same pier.

Throughout the year, we have tried to strengthen our focus on bio-diversity in the city. We have established a new environmentally friendly kiosk in the front at Aker Brygge covered with plants which are able to withstand the Nordic climate. After a couple of challenges in the first months, the kiosk has established itself as an eye-catcher for the public when they enter Aker Brygge. Our bees, which are deployed in the garden at Snarøyveien 30, have also had a good production year and our tenants in the building can daily enjoy the honey produced right outside their office window for lunch.

We continue to report on our climate emissions in accordance with the TCFD standard. This year, we are also expanding the reporting with a scenario analysis. It feels good to see that the climate challenge is no longer perceived as an extra burden. It has become part of all our DNA, and hence has become a part of our daily work.

Every year, we support various initiatives in our local area. For the second year in a row, we have contributed to the Zuccarello Foundation in 2021. The foundation distributes funds to children in Norway so they can afford to participate in different sports activities. The founder, Mats Zuccarello, is strongly involved in the foundation's work, and spends much of his free time working for the foundation. We also spend time offering various events to the surrounding areas where we own properties. We organise free outdoor cinemas and a Christmas concert with "Sølvguttene". We also sponsor Fjord Oslo Light Festival and participate in Oslo Art Walk. During 2021, we have also had an art project at Vinslottet in Hasle, where 7 different young and ambitious artists have been given areas available to present their projects in a separate art exhibition.

We want to be a company that also offers opportunities for the younger generation. During 2021, we have had a total of 15 young people in summer and holiday jobs at the marina at Aker Brygge. A total of 3 students have been deployed for 1-3 days and participated in job shadowing to learn what life in a normal job can look like. Their commitment and interest are impeccable and educational not only for the students, but also for us as employees.

Two years ago, we moved away from annual employee surveys and replaced it with a program that measures the climate in our company on a weekly basis. Despite years of a pandemic and restrictions, the results show that we have highly motivated employees who are proud to work at Norwegian Property. Now that most restrictions have been removed and everyone is back at the office, we will actively continue to work with the climate measurements and continuously raise issues that we can find in the surveys. I think this will be a good tool for us in the future.

Through the acquisition of Snarøyveien 30 at the end of 2020, we are now established in 3 main areas in the Oslo region. We are always looking for new opportunities. With the support of a strong balance sheet and a supportive owner, we are ready to approach new opportunities in the market. During the first quarter of 2022, the pandemic restrictions have been removed and employees are flowing back to the office. Some tourists have also started to return and visit our areas. Despite acts of war in Europe, optimism prevails in our submarkets. We will spend much of 2022 on further developing our existing properties. The vacancy in our portfolio is low, but we are working specifically with some large tenants in all the significant vacant areas.

We are looking forward to 2022 and a new adventure!

Bent Oustad
CEO

Directors' report

Highlights in 2021

Norwegian Property continues to deliver strong financial results

- *Following expansion of the property portfolio rental income increased by 33 per cent.*
- *Total annual rental income (run rate) from the company's property portfolio increased during the year as a result of the new and improved leases, and it has exceeded NOK 1 billion by the end of the year.*
- *Profit before income tax and value adjustments improved by 37 per cent.*
- *The positive fair-value adjustment of investment properties for Norwegian Property was 5.7 per cent, which is related to compressed yields, improved market rents and new and improved leases.*
- *Due to a major increase in the order backlog for the housing business, Nordr is expected to realise the large income potential in the land bank for the coming years.*
- *A number of financing activities have been carried out in 2021. Average interest rates and margins decreased during the year.*

Norwegian Property will continue its efforts to expand and develop the business

- *The property portfolio has been significantly expanded through acquisitions in recent years. Norwegian Property will continue its efforts to expand and develop its business through additional acquisitions and by pursuing long-term development opportunities in the existing portfolio.*
- *Norwegian Property has achieved environmental certifications for 70 per cent of the office portfolio, with a plan for the approval of the remaining properties.*

About Norwegian Property

The commercial real estate company Norwegian Property owned 29 commercial properties in Norway as at 31 December 2021. All of them are located in the Oslo region.

The market value of the group's property portfolio was NOK 25.1 billion as at 31 December. These properties primarily comprise office premises with associated warehousing and car parks as well as retail and restaurant space. The group also has a major investment in the residential development company Nordr. Nordr's business consists of both wholly owned and partly owned plots and projects. Norwegian Property also has a joint venture with Base Bolig which is related to a development project in Stavanger.

The business is organised in the parent company Norwegian Property ASA with subsidiaries. With its head office at Aker Brygge in Oslo, the group had 57 employees as at 31 December 2021.

Norwegian Property's business purpose article states: "The Company operates in management, acquisitions, sales and development of real estate and infrastructure, including participation in other companies and through trading and investment in interest/units and securities, as well as businesses which are related to such."

The business in 2021

Market and letting

LETTING MARKET
Norwegian Property estimates the office vacancy in Oslo at 6.1 per cent overall and 4.2 per cent in the city centre. Moderate vacancy rates in the past few years have contributed to positive trends for rents. Office vacancy at Fornebu is 7.4 per cent.

The rental market for Oslo was strong prior to the COVID-19 pandemic, driven by higher economic growth, increased employment, and limited new building activity. COVID-19 led to extensive layoffs for certain employment sectors. Office-intensive

businesses were not hit as hard as the hotel and retail industry.

The economic activity is expected to pick up post COVID-19 during 2022. The volume for new buildings for the coming year is relatively limited, particularly in the Oslo CBD. Vacancy in Oslo is still expected to be low and rent levels in all core areas for Norwegian Property are increasing.

Turnover based rent related to the company's retail and restaurant tenants at Aker Brygge was increasing pre-COVID-19, driven first and foremost by restaurant revenues. The positive development for these segments is expected to continue as society returns to normal in 2022.

LETTING ACTIVITY

Total annual rental income (run rate) from the company's property portfolio increased during the year as a result of a large number of new and improved leases, and it has exceeded NOK 1 billion by the end of the year (increase from NOK 0.983 billion to NOK 1.039 billion in 2021).

New leases with a total annual rental income of NOK 77.9 million (NOK 54.4 million) were signed in 2021, while the existing leases totalling NOK 49.3 million (NOK 50.6 million) were extended. Expired leases totalled 38.2 million (NOK 90.3 million). Therefore, the net increase for the year in annual rents from leases was NOK 89 million (NOK 14.7 million).

Overall financial vacancy in the property portfolio totalled 5.5 per cent as at 31 December 2021 (7.2 per cent), which was largely related to Snarøyveien 36 at Fornebu. The weighted average remaining duration of the leases was 5.1 years (5.9 years).

Financing

FINANCING MARKET

Loan margins in the bond market are still at low levels at the end of 2021, but they have increased towards the end of the year.

Market interest rates are still at historically low levels, but they are rising towards the end of 2021. Inflation rates are rising in both the United States and Europe. Energy costs are very high, and together with a shortage of goods and materials as a result of the COVID-19 pandemic, this has led to increased inflation. Higher inflation has increased the probability of a further increase in interest rates.

FINANCING ACTIVITIES

The group's net LTV ratio related to the fair value of investment properties and investments in joint ventures is 42.2 per cent (44.6 per cent), with bonds listed on Oslo Børs accounting for 96 per cent (84 per cent) of its borrowings for these assets as at 31 December 2021. This is in addition to bank facilities.

A number of financing activities have been carried out in 2021. Two new bond loans have been established, several extensions of existing bond loans have been made and several bonds have been repurchased. Average interest rates were reduced from 2.94 per cent to 2.81 per cent and average margins from 1.39 per cent to 1.33 per cent during the year.

Interest-bearing bank and bond debt in the balance sheet totalled NOK 12,004.8 million as at 31 December 2021 (NOK 12,097.1 million), with non-current interest-bearing debt accounting for NOK 9,583 million and current interest-bearing debt for NOK 2,421.7 million. Current interest-bearing debt as at 31 December 2021 relates to facilities up for refinancing during 2022.

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, but they have increased towards the end of the year. Many buyer groups are active and hunting for good objects. The independent appraisers assess that the prime yield for the Oslo CBD is approx. 3.3 per cent.

TRANSACTIONS CONDUCTED

Norwegian Property has a strategy to strengthen the portfolio of properties in its main priority areas in the Oslo region, both by the acquisition of additional properties and by further developing the existing property portfolio.

Norwegian Property bought the Felix property at Aker Brygge in Oslo in 2021. The 5,400 sq.m. property is located on the lower floors of the Fondbygget building. After the purchase, Norwegian Property owns all the business units in the building. The agreed gross value for the property was NOK 172 million.

Through several acquisitions in recent years, Norwegian Property has gained control of a 4,800 sq.m. plot of land at Gjerdrums vei 1-5 in Nydalen. In 2021, Gjerdrums vei 1 was purchased for NOK 18 million. An architectural competition has been held for the development of the area, and Norwegian Property plans to build a new office building on the property with a total space of approx. 15,000 sq.m. The process of a new zoning has been initiated.

Effects of COVID-19 on the business

Norwegian Property has focused on the health and safety of employees, tenants, visitors and suppliers during the pandemic period. The company has followed the governments recommendations to help prevent the spread of the virus. Norwegian Property has been fully operational, with office employees working from home when required. Operating personnel have handled the day-to-day operation of the properties as far as possible on the basis of ordinary routines. Norwegian Property has had no major ongoing projects adversely affected by the pandemic.

The COVID-19 pandemic has particularly affected retailers, restaurants and service providers. Government compensation schemes has secured the basis for continued operation at many companies. Similar to last year, Norwegian Property does not expect to receive any significant turnover based rent beyond the minimum rents from such tenants in 2021. Loss of such rental income constitutes an annual income reduction of NOK 10-15 million. In close dialogue with tenants, some payment deferrals have been granted during the pandemic. At the end of 2021, however, there was no significant need for such measures. There have been no significant realised losses on claims related to the effects of the pandemic. No significant rent discounts or other concessions have been granted.

Investment in Nordr

Norwegian Property owns Nordr as a joint venture together with Fredensborg and Union Real Estate Fund III. At the end of 2021, Nordr had 1,927 flats under construction and a land bank of about 13,400 units in Norway and Sweden. The land bank is mainly located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden. Nordr's business consists of both wholly owned and partly owned plots and projects.

The housing business Nordr experienced an increase in the order backlog in 2021 and at the start of 2022. This is expected to realise the large income potential in the land bank for the coming years. Norwegian Property's share of the net profit relating to Nordr was NOK 75.5 million for 2021.

During 2021, sales agreements were entered into regarding 986 residential units. The construction started on 915 units, and a total of 572 units were delivered. A total of 950 residential units are expected to be completed during the next year.

Norwegian Property's share of net assets in the balance sheet as at 31 December 2021 was NOK 1,084.8 million. Independent appraisers have valued all the plots in the portfolio of Nordr, and there has been a substantial increase in the values compared to the values at the time of the acquisition in the third quarter of 2020. The NOK 1,258 million value uplift increases the EPRA NAV metrics for Norwegian Property, but does not affect the book value of the investment.

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 a dividend to its shareholders. Before a dividend is determined, an assessment will be made of the group's financial position and prospects, including the 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 out 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 5 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 the continuous updating of the group's strategy. On the basis of this strategy, the values 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 the day-to-day management of the group. The board regularly reviews the group's formal documents.

The administration prepares periodic reports which are reviewed at board meetings. These reports are based on management reviews of the various parts of the business, and they 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 interim and annual financial statements, the executive management prepares estimates and makes assumptions about the future. The accounting estimates are subject to uncertainty. Estimates and assumptions with the greatest potential effect to book values in future periods are related to investment property.

In connection with its annual consideration of Norwegian Property's strategy, the board reviews the most important risk factors.

Financial risks
The group's financial risks primarily relate 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 manage the effect of interest-rate changes on profits and liquidity through hedging. As at 31 December 2021, 71.2 per cent (75.6 per cent) of the group's interest-bearing debt was covered by interest-rate hedges with an average term of 6.3 years (6.7 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. All the group's interest-rate swaps are used as economic hedges. Hedge accounting is not applied.

The group's credit facilities incorporate financial covenants related to the interest cover ratio and the LTV ratio. Norwegian Property was in compliance with these and other conditions in the credit agreements related to its liabilities as at 31 December 2021.

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).

Increases in market interest rates can lead to increased yield levels for the group's properties, which in turn can affect the valuations of the properties.

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.

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 primarily relates to the 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. Liquidity should be secured by unused revolving credits and overdraft facilities rather than bank deposits.

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.

As at 31 December, the group had an interest-bearing debt of NOK 12,004.8 million (NOK 12,097.1 million). The remaining term of the debt was 4.4 years (4.7 years). Debt maturing and instalments due during 2022 are recognised as current liabilities in the consolidated balance sheet as at 31 December 2021. At the same date, the group had a liquidity reserve including undrawn borrowing facilities of NOK 2,110.3 million (NOK 1,573.3 million).

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.

Sustainability risk
The group has worked to uncover risks within the social, environmental and governance areas of sustainability. These are described in more detail in the corporate governance report and the sustainability report.

Directors and officers liability insurance
The group has taken out insurance with an insurance company for the directors and officers of all group companies for their possible liability to the company and third parties. The sum insured amounts to NOK 100 million per claim and in total during the year.

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 2021 have been prepared on that basis.

Income statement

Revenues
Norwegian Property's attention on strengthening the portfolio of properties has contributed to a rental income growth of 33 per cent for the year. Following the acquisition of Snarøyveien 30 in December 2020, the overall rental income for 2021 showed significant growth compared with last year. Total rental income amounted to NOK 919.6 million for 2021, which is up from NOK 708.6 million in 2020.

Rental income from commercial property in 2021 showed a like-for-like reduction of NOK 21.6 million. The revenue reduction mainly related to the expiry of a large lease agreement at Sandakerveien 140.

Total operating revenue in 2021 totalled NOK 919.6 million (NOK 1,564.5 million). Operating revenue for Norwegian Property in 2021 derived from leasing of commercial property. In 2020, revenues derived both from the leasing of commercial property (NOK 708.6 million) and the sale of residential units at Hasle (NOK 855.9 million).

Operating expenses
Property-related operational expenses totalled NOK 64.3 million (NOK 51.6 million). Other property-related expenses came to NOK 60.1 million (NOK 55.1 million). Administrative owner expenses were NOK 59.2 million (NOK 46.8 million).

No costs related to research and development activities were recognised in the financial statements for either 2021 or 2020.

Share of profit in joint ventures
The share of profit from joint ventures was positive at NOK 74.9 million (negative at NOK 0.4 million), mainly related to Norwegian Property's share of the net profit for Nordr.

Operating profit before fair-value adjustments
Operating profit before fair-value adjustments was NOK 810.8 million (NOK 610.2 million).

Net realised financial items
Financial income, which consists largely of interest income, totalled NOK 15 million (NOK 4.2 million). Financial expenses, primarily interest expenses and other costs related to the group's financing, were NOK 346 million (NOK 264.8 million).

Profit before income tax and value adjustments
Profit before tax and fair-value changes showed an improvement of 37 per cent in 2021, and it came to NOK 479.7 million compared with NOK 349.7 million for 2020.

Fair-value changes of investment property and interest-rate derivatives
Fair-value changes to the group's property portfolio of 5.7 per cent totalled NOK 1,365 million in 2021 (NOK 1,827.5 million), related to compressed yields and improved market rents as well as new and improved leases. The transaction market in Norway is very active and competitive, with record high transaction volumes. Norwegian Property is experiencing increasing rent levels in all core areas.

Long-term market interest rates increased in 2021, and the fair-value adjustment for interest-rate derivatives showed a positive change of NOK 150.2 million (negative of NOK 101.6 million).

Net profit
Profit before tax was NOK 1,994.9 million (NOK 2,075.5 million). NOK 421.8 million in tax expense (NOK 399.7 million) is recognised in the 2021 accounts. As a result, net profit for the year was NOK 1,573.1 million (NOK 1,675.9 million).

Cash flow
Net cash flow from operating activities was NOK 447.1 million (NOK 1,007.8 million). Operating profit before tax and fair-value adjustments came to NOK 479.7 million in 2021. The difference compared with net cash flow from operating activities relates to the profit from joint ventures and to changes to working capital items.

Net cash flow from investing activities was negative at NOK 409.7 million (NOK 6,217.5 million). Capital spending totalling NOK 385.9 million in 2021 related to the acquisition of properties, tenant adaptations related to new and renegotiated leases as well as ongoing operational investment. Investments in the joint venture Nordr amounted to NOK 23.8 million in 2021.

Net cash flow from financing activities in 2021 was negative at NOK 389.7 million (negative at NOK 5,593.7 million). The net reduction of interest-bearing debt came to NOK 115.5 million. Dividend payments totalled NOK 273.5 million.

The net reduction in cash and cash equivalents was NOK 352.3 million (increase of NOK 384 million).

Balance sheet and liquidity
The carrying amount of the group's total assets in the balance sheet was NOK 26,780.7 million (NOK 25,388.6 million), with investment property accounting for NOK 24,801.3 million (NOK 23,087.6 million) and properties used by the owner for NOK 106.7 million (NOK 97.6 million). Non-current receivables amounted to NOK 234.9 million (NOK 264.8 million), related to the rental guarantee provided by the seller of the property

at Snarøyveien 30. Investment in joint ventures was NOK 1,084.8 million (NOK 1,013.6 million).

The group held NOK 313.5 million (NOK 665.8 million) in cash and cash equivalents. In addition, the group had unused drawing rights of NOK 1,800 million (NOK 950 million).

Total interest-bearing liabilities in the balance sheet came to NOK 12,004.8 million (NOK 12,097.1 million), with non-current interest-bearing liabilities totalling NOK 9,583 million (NOK 10,700.6 million) and current interest-bearing liabilities amounting to NOK 2,421.7 million (NOK 1,396.4 million). Current interest-bearing debt as at 31 December 2021 related to facilities maturing in 2022.

The average interest rate for the group's loans (including payments for interest-rate derivatives) amounted to 2.81 per cent as at 31 December 2021 (2.94 per cent), while the interest-rate margin averaged 1.33 per cent (1.39 per cent). The remaining term to maturity for interest-bearing debt was 4.4 years (4.7 years). Financial derivatives related to interest hedging accounted for a net liability item of NOK 26.9 million (NOK 177.1 million). The remaining term to maturity for the derivatives was 6.3 years (6.7 years).

Equity as at 31 December totalled NOK 12,836.6 million (NOK 11,560.9 million), representing an equity ratio of 47.9 per cent (45.5 per cent). Carried equity per share was NOK 19.95 (NOK 17.96).

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 2021 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 as at 31 December 2021. 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. Total market value of the group's property portfolio was NOK 25,143 million as at 31 December 2021 (NOK 23,450 million).

Norwegian Property has achieved environmental certifications for 70 per cent of the office portfolio, with a plan for the approval of the remaining properties.

Events after the balance sheet date

In accordance with the mandate from the AGM in 2021, the board resolved on 3 February 2022 that a dividend of NOK 0.425 per share will be paid on the basis of the accounts as at 31 December 2021.

No other significant incidents since 31 December 2021 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 loss of NOK 52.9 million in 2021 (NOK 300.8 million).

The board proposes that the net loss of NOK 52.9 million and the provision of NOK 273.5 million for dividend be transferred from other equity and the share premium as presented in the annual accounts.

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 requirements 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 88 of this annual report, and it also includes reporting duties pursuant to Norway's Gender Equality and Discrimination Act.

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 79 of this annual report.

Board of directors

The annual general meeting for 2021 was held on 16 April. The AGM re-elected Merete Haugli as chair of the board and Bjørn Henningsen as deputy chair. Kathrine Astrup Fredriksen, Cecilie Astrup Fredriksen, Anders Buchardt, Lars Erich Nilsen and Carl Erik Krefting were re-elected as directors. All were elected until the next AGM in 2022.

Shareholders

In July 2021, Geveran Trading Co. Ltd. (Geveran) acquired shares equalling more than 90 per cent of the shares in Norwegian Property ASA. In August 2021, Geveran carried out a compulsory acquisition of all the remaining shares and the shares in Norwegian Property ASA were delisted from the Oslo Stock Exchange.

The company is still listed on the Oslo Stock Exchange for the portfolio of bonds totalling NOK 11.5 billion.

Outlook

Norwegian Property manages modern and flexible properties located in attractive clusters near public transport hubs. The company has delivered strong and stable results from its operations and from fair value changes for its properties over a long period.

The company has three clusters for commercial properties, which are Oslo CBD, Nydalen and Fornebu, in addition to the investment in the residential developer Nordr.

Norwegian Property has a strategy for growth in its core commercial property business as well as an ambition to consider opportunities in other property segments. Norwegian Property will continue its efforts to expand and develop its business through additional acquisitions and by pursuing several interesting long-term development opportunities in the existing property portfolio.

Oslo, 24 March 2022

Norwegian Property ASA

Annual group accounts

Consolidated income statement 1 Jan-31 Dec

(Amounts in NOK million)	Note	2021	2020
Rental income for commercial property	17, 18	919.6	708.6
Income from the sale of residential properties	12, 17	-	855.9
Revenues		919.6	1,564.5
Property-related operational expenses	20	(64.3)	(51.6)
Other property-related expenses	20	(60.1)	(55.1)
Total property-related expenses		(124.4)	(106.7)
Project cost from the sale of residential properties	12, 17	-	(800.4)
Administrative expenses	20, 21	(59.2)	(46.8)
Total operating expenses		(183.7)	(953.9)
Share of profit in joint ventures	8	74.9	(0.4)
Operating profit before value adjustments		810.8	610.2
Change in fair value of investment property and rental guarantee	6	1,365.0	1,827.5
Operating profit		2,175.8	2,437.7
Financial income	9, 19	15.0	4.2
Financial cost	9, 19	(346.0)	(264.8)
Net interest expense and realised interest derivatives		(331.1)	(260.6)
Change in fair value of interest derivatives	9, 10	150.2	(101.6)
Net financial items		(180.9)	(362.2)
Profit before income tax		1,994.9	2,075.5
Income tax	16	(421.8)	(399.7)
Profit for the year		1,573.1	1,675.9
Profit attributable to non-controlling interests		-	-
Profit attributable to shareholders of the parent company		1,573.1	1,675.9
Earnings per share attributable to parent company shareholders (amounts in NOK)	23	2.44	3.13
Diluted earnings per share attributable to parent company shareholders (amounts in NOK)	23	2.43	3.09

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)		2021	2020
Profit for the year		1,573.1	1,675.9
Value adjustment of owner-occupied property	6	10.4	10.0
Income tax related to value adjustment of owner-occupied property	16	(2.3)	(2.2)
Other comprehensive income that will not be reclassified to profit or loss, net of tax		8.1	7.8
Currency changes on the share in joint venture	8	(28.1)	(1.5)
Other comprehensive inc. that subsequently may be reclassified to profit or loss, net of tax		(28.1)	(1.5)
Total other comprehensive income for the year		(20.0)	6.2
Total comprehensive income for the year		1,553.1	1,682.1
Total comprehensive income attributable to shareholders of the parent company		1,553.1	1,682.1
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	2021	2020
Financial derivative instruments	3, 9, 10, 11	16.5	25.5
Investment property	6	24,801.3	23,087.6
Owner-occupied property	6	106.7	97.6
Other fixed assets	7	35.4	37.8
Investment in joint ventures	8	1,084.8	1,013.6
Receivables	13	234.9	264.8
Total non-current assets		26,279.6	24,526.9
Financial derivative instruments	3, 9, 10, 11	0.8	-
Receivables	9, 13	186.7	195.8
Cash and cash equivalents	3, 9	313.5	665.8
Total current assets		501.1	861.6
TOTAL ASSETS		26,780.7	25,388.6
Share capital	22	321.8	321.8
Share premium		3,279.9	3,280.7
Other paid-in equity		7,563.2	7,562.5
Retained earnings		1,671.7	395.9
Total equity		12,836.6	11,560.9
Deferred tax	16	1,685.8	1,268.0
Financial derivative instruments	3, 9, 10, 11	36.2	199.8
Interest-bearing debt	9, 15	9,583.0	10,700.6
Other liabilities	9, 14	2.7	4.4
Non-current liabilities		11,307.8	12,172.8
Financial derivative instruments	3, 9, 10, 11	7.9	2.8
Interest-bearing debt	9, 15	2,421.7	1,396.4
Other liabilities	9, 14	206.6	255.6
Total current liabilities		2,636.2	1,654.8
Total liabilities		13,944.1	13,827.7
TOTAL EQUITY AND LIABILITIES		26,780.7	25,388.6

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

Oslo, 24 March 2022

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

Anders Buchardt
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 2019		249.9	(3.1)	1,678.0	7,560.7	(1,251.6)	8,233.9
Profit for the year	22	-	-	-	-	1,675.9	1,675.9
Other comprehensive income for the year	22	-	-	-	-	6.2	6.2
Total comprehensive income for the year		-	-	-	-	1,682.1	1,682.1
Paid dividend	24	-	-	-	-	(34.6)	(34.6)
Share issue	22	75.0	-	1,602.6	-	-	1,677.6
Employee share-option scheme	22	-	-	-	1.8	-	1.8
Total contributions by and distributions to owners of the parent		75.0	-	1,602.6	1.8	(34.6)	1,644.9
Total equity 31 December 2020		324.9	(3.1)	3,280.7	7,562.5	395.9	11,560.9
Profit for the year	22	-	-	-	-	1,573.1	1,573.1
Other comprehensive income for the year	22	-	-	-	-	(20.0)	(20.0)
Total comprehensive income for the year		-	-	-	-	1,553.1	1,553.1
Paid dividend	24	-	-	-	-	(273.5)	(273.5)
Share issue	22	-	-	(0.7)	-	-	(0.7)
Employee share-option scheme	22	-	-	-	0.7	-	0.7
Settlement of share-option schemes	22	-	-	-	-	(3.8)	(3.8)
Total contributions by and distributions to owners of the parent		-	-	(0.7)	0.7	(277.3)	(277.3)
Total equity 31 December 2021		324.9	(3.1)	3,280.0	7,563.3	1,671.6	12,836.6

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	2021	2020
Profit before income tax		1,994.9	2,075.5
Paid taxes	16	(6.3)	-
Net financial items	9, 19	180.9	362.2
Interest received	19	15.0	4.2
Interest and realised interest derivatives paid	15, 19	(339.6)	(139.5)
Depreciation of tangible assets	6, 7	5.4	5.6
Change in fair value of investment property	6	(1,365.0)	(1,827.5)
Profit from joint ventures	8	(74.9)	1.6
Change in inventory and other current items related to residential properties	12	-	600.0
Change in rental guarantee receivables	6	85.9	-
Change in current items		(49.1)	(74.3)
Net cash flow from operational activities		447.1	1,007.8
Payment for investment in investment property and other fixed assets	6, 7	(385.9)	(5,197.4)
Payment for investment in joint ventures (Nordr)	8	(23.8)	(1,020.1)
Net cash flow from investing activities		(409.7)	(6,217.5)
Repayment of interest-bearing debt	15	(1,812.5)	(2,470.4)
New interest-bearing debt	15	1,697.0	6,421.0
Share issues		(0.7)	1,677.7
Paid dividend	24	(273.5)	(34.6)
Net cash flow from financial activities		(389.7)	5,593.7
Net change in cash and cash equivalents		(352.3)	384.0
Cash and cash equivalents at 1 January	3	665.8	281.8
Cash and cash equivalents at 31 December	3	313.5	665.8

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

NOTE 1: General information

The Norwegian Property ASA property group primarily owns commercial properties in the Oslo region. Norwegian Property also owns a share (joint venture) in the residential development company Nordr. Nordr's business consists of both wholly owned and partly owned plots and projects. Calculated on the basis of the ownership share in the projects, Nordr has 1,927 residential units under construction and a land bank of approx. 13,400 units in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden. Norwegian Property also has a joint venture with Base Bolig related to a development project at Forusbeen 35 in Stavanger.

The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway).

The financial statements were adopted by the board on 24 March 2022 for final approval by the AGM on 22 April 2022.

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 as at 31 December 2021, and additional requirements pursuant to the Norwegian Accounting Act as at 31 December 2021.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property measured 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.

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2020.

The group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2021: Interest Rate Benchmark Reform (Phase 2) – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Norwegian Property has not implemented any other new standards or changes of standards in the financial statement for 2021. There are no material new standards and interpretations not yet implemented.

2.2 - Consolidation policies

A) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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.

The acquisition 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 as well as the 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.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated, but they are 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 ARRANGEMENTS
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.

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 the 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 the related transaction costs. After the initial recognition, investment property is carried at fair value pursuant to IAS 40. The fair value of investment property reflects, among other things, the rental income from current leases and the

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 fair 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 the 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 the 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 the 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 it is recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to the revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

Tax compensation related to the 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.

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 the 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

(A) GENERAL PRINCIPLES AND DEFINITIONS

Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on the trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has substantially transferred all the risks and rewards of ownership.

On the 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 the initial recognition to the extent that such bad debts have arisen from the letting business, and where no significant financing element is included in the transaction price.

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 of 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 include derivatives unless they are part of hedging. See note 2.10 related to interest-rate swaps and forward exchange contracts.

The group's financial instruments at fair value through profit and loss also include non-current receivables related to rental guarantees provided by the seller of a property, where the seller guarantees an agreed level for rent and common cost coverage of vacant premises for an agreed period. The value of the receivable is calculated as the discounted value of expected payments under the rental guarantee. Payments under the guarantee are accounted for against the receivable and the receivable will be updated with any changes of the initial estimate.

(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 are 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 and other financial assets
Trade receivables and other financial assets are classified as financial assets measured at amortised cost. Interest is ignored if it is insignificant. The Group applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. A provision for bad debt is determined by estimating the expected credit losses with reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made

during the current reporting period. Any subsequent payments received against accounts for which a provision has previously been made are recognised in the income statement. Trade receivables and other financial assets are classified as current assets, unless they are due more than twelve months after the balance sheet date. If so, they are classified as non-current assets.

Trade payables and other non-interest-bearing liabilities

Trade payables and other non-interest bearing liabilities are classified as financial liabilities at amortised cost, and are measured at fair value upon initial recognition, and subsequently at amortised cost using the effective interest rate method. Interest is ignored if it is insignificant.

2.10 - Derivatives and hedging

All the group's interest-rate swaps 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 the construction of the property as well as the indirect fixed and variable costs incurred during development and construction. Borrowing costs 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 the 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 the 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 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 the 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 the 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 the initial cost, while a fall in value below the initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in the 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. A 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 recognised net as an agent of the tenant. Therefore, the 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. The 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. Lease incentives 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. Upon a tenant's termination, the renegotiated remaining cash flows are recognised over the remaining period until the premises are vacated.

(B) SALE OF RESIDENTIAL PROPERTY

Residential property are sold to individual customers, and the revenue is recognised when the flat is handed over.

(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 that is brought forward for income earned before the time of the transaction.

2.15 - Dividend distribution

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

2.16 - Interest expense

Interest expenses on borrowings are recognised under financial costs in the income statement using the effective interest-rate method.

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 an 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 and project-related property costs.

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 the potential adverse effects on the group's profit/loss and equity. The group uses 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 no lease agreements with tenants in foreign currencies, and all operational costs are in practice in NOK.

In 2020, Norwegian Property acquired a share (joint venture) in the residential development company Nordr. Nordr has operations in both Norway and Sweden. The investment is accounted for in accordance with the equity method on a single line in the income statement and balance sheet. The book value in the balance sheet as at 31 December 2021 amounts to NOK 1,084.8 million (NOK 1,013.6 million). The group's share of Nordr is partly exposed to SEK, and its share of translation differences recognised under the equity method is presented within other comprehensive income.

PRICE RISK
Rental income is exposed to changes in market rents, revenue-based rent and changes in the consumer price index (CPI). The group prefers long-term leases. The weighted average duration of rental contracts as at 31 December 2021 was 5.1 years (5.9 years).

Rental agreements for the commercial properties give a fixed revenue during the lease term. Most leases have a full 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 2021 was 3.5 per cent for leases regulated in October and 5.1 per cent for leases regulated in November, which increased the annual rental income as at 31 December 2021 by NOK 33 million. Rent related to the shopping

centre at Aker Brygge and Hasle 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. As at 31 December, 71.2 per cent (see note 15) of such loans (excluding construction loans) were hedged (75.6 per cent).

To manage interest-rate risk, the group had entered into interest-rate swap agreements totalling NOK 5.2 billion as at 31 December (NOK 6.1 billion). The average credit margin on floating-rate borrowings as at 31 December 2021 was 133 basis points (139 basis points). The average basis rate of the loan portfolio as at 31 December 2021 was 2.81 per cent (2.94 per cent). The average remaining maturity of hedging agreements was 6.3 years (6.7 years). Notional principal amounts and the maturity structure for the group's total portfolio of interest-rate hedges as at 31 December are specified in NOK million in the table below (see also note 10).

Year	2021	2020
< 1 year	(1,220.0)	(900.0)
1-2 years	(500.0)	(1,220.0)
3-5 years	(1,650.0)	(1,950.0)
Over 5 years	(1,800.0)	(2,000.0)
Notional principal amount	(5,170.0)	(6,070.0)

If the average interest rate for the group had been 25 basis points higher/lower as at 31 December 2021 and all other variables were constant, this would have constituted a change in annual interest expense on the unsecured lending portfolio of NOK 7 million and a change in the value of interest-rate swaps of NOK 36 million.

Increases in market interest rates can lead to increased yield levels for the group's properties, which in turn can affect the valuations of the properties.

3.2 - Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked 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 as at 31 December is specified in the table below.

(Amounts in NOK million)	2021	2020
Cash and cash equivalents	313.5	665.8
- of which restricted cash and cash equivalents	(3.3)	(2.6)
Available cash and cash equivalents	310.3	663.3
Unused credit and overdraft facilities	1,800.0	910.0
Liquidity reserve	2,110.3	1,573.3

As described hereinabove, the group 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. The group has generated positive cash flows from operational activities in both 2021 (NOK 447.1 million) and 2020 (NOK 1,007.8 million). Additional liquidity risks primarily relate to servicing instalments and the 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 the principal amounts (NOK million).

2021[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities at amortised cost
< 1 year	2,737.9	167.5
1-2 years	676.4	-
3-5 years	6,163.9	-
Over 5 years	3,906.5	-
Expected cash flow	13,484.7	167.5
Book value	12,004.8	167.5

2020[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities at amortised cost
< 1 year	1,737.2	214.4
1-2 years	3,104.9	-
3-5 years	4,732.2	-
Over 5 years	4,162.8	-
Expected cash flow	13,737.1	214.4
Book value	12,097.1	214.4

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

A number of financing activities were carried out in 2021. Several new bond loans have been established. A number of extensions of existing bond loans have also been made and several bonds have been repurchased. Average interest rates and margins decreased during the year.

The share of bond loans has increased from 84 per cent at the beginning of the year to 96 per cent at the end of the year.

Interest-bearing bank and bond debt in the balance sheet totalled NOK 12,004.8 million as at 31 December 2021, with non-current interest-bearing debt accounting for NOK 9,583 million and current interest-bearing debt for NOK 2,421.7 million. Current interest-bearing debt as at 31 December 2020 related to facilities maturing in 2022, which will be refinanced during the year.

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 the gross property value. The group's goal is to have an LTV ratio of 45-55 per cent. The LTV ratio as 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 as at 31 December and at the interim reporting dates for 2021 and 2020. 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)	2021	2020
Long-term interest-bearing liabilities	9,583.0	10,700.6
Short-term interest-bearing liabilities	2,421.7	1,396.4
Interest-bearing receivables	(96.6)	(99.9)
Cash and cash equivalents	(313.5)	(665.8)
Net interest-bearing liabilities	11,594.7	11,331.3
Market value of property portfolio	25,143.0	23,450.0
Market value of investment in joint ventures [1]	2,342.8	1,942.0
Market value of property portfolio and investment in joint ventures	27,485.7	25,392.0
Net loan to value (per cent)	42.2	44.6

[1] Applies to the book value of the investment in Nordr (joint venture), adjusted for the EPRA-revaluation of the investment.

NOTE 4: Assessment of fair value

The consolidated financial statements have been prepared on a historical cost basis except for investment property and some 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 appraisers as at 31 December 2021. 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 as at 31 December 2021. 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.

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 as 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 interest-rate swaps and currency forward exchange contracts/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.

RENTAL GUARANTEE RECEIVABLES

Rental guarantee receivables relate to rental guarantees provided by the seller of properties, where the seller guarantees an agreed level for rent and common costs of vacant premises for an agreed period. The valuation is based on an internal assessment. The value of the receivable is calculated as the discounted value of expected payments under the rental guarantee. Payments under the guarantee are accounted for against the receivable, and the receivable will be updated with any changes to the initial estimate.

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 involves the greatest 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. Therefore, the fair-value assessment of investment properties largely depends on assumptions related to market rents, discount rates and CPI adjustments. 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 1.6 to 3.5 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 on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table[1] below presents examples of how changes related to each of these variables influenced property values as at 31 December 2021, 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 2021.

5.2 - Fair value of financial derivatives
The group's financial derivatives include interest-rate swap contracts and currency forward/swap contracts. The procedures for valuation are described in note 4. The calculations are performed by the group's banks. The group has checked these valuations and tested them for reasonableness. The valuations involve a small degree of discretionary assessments, and the company's internal assessments deviate to a very small extent from the external valuations.

5.3 - Fair value of rental guarantee receivables
Rental guarantee receivables relate to rental guarantees provided by the seller of properties. The procedures for valuation are described in note 4. The valuation is based on internal assessments. The value of the receivable is calculated as the discounted value of expected future payments under the rental guarantee. Therefore, the fair-value assessment largely depends on the assumptions related to future rentals, discount rates and CPI adjustments. Management's rental expectations are the basis for the assessments, together with a discount rate of three per cent and comparable inflation expectations as used in the valuation of investment properties.

5.3 - Climate risk in the accounts
Climate risk can represent financial risk that must be reflected in the accounts.

Further information on climate risk is provided in the declaration of corporate social responsibility as well as in the table in the risk and risk management section of the annual report.

Climate risk is linked to both the impact of climate change on the company and the impact the

company's activities has on the climate. Both of these factors can be financially significant for the company, and the materiality assessments are often referred to as double materiality. Climate risk can be linked both to physical risk where there is a risk of assets being damaged or shortened in life, and to transitional risk due to changes in the market and regulatory conditions.

Climate risk can affect future cash flows and thus the valuation of assets and liabilities in the accounts. The most important assessment for Norwegian Property is how climate risk affects the valuation of investment property.

VALUATION OF INVESTMENT PROPERTY
Physical risk associated with the properties is first and foremost related to the extent to which conditions such as warmer climates, increased water levels, more extreme weather, etc. affect the properties.

Transition risks are divided into market and regulatory components.

Market risk includes the risk for increased demand for more environment-friendly premises, more demanding environmental standards from investors and banks, increased insurance premiums if damage from climate change becomes extensive, technology risk related to new energy solutions and building standards and reputational risk as climate-related awareness spreads.

Examples of regulatory risk are government requirements and permits in such areas as building standards, traffic and infrastructure. Taxes could rise in line with increased public spending.

Norwegian Property has had a scenario analysis carried out by external experts in the field, who has analysed risk elements related to the company's real estate portfolio. No critical factors have been identified that obviously have a material impact on the market value of the properties.

In preparing the external valuations of the company's properties, it has been assessed with the valuers to what extent climate risk affects the valuation. The assessment is that so far there are no significant factors related to climate risk that affect the market's pricing of the property portfolio. It is assumed that this assessment will change over time as the risk elements to a greater extent may affect future cash flows for the properties.

NOTE 6: Investment property, owner-occupied property and guarantee receivables

6.1 – Development in carrying amounts
Changes to the balance-sheet items of investment property, owner-occupied property and guarantee receivables are specified in the table below. Changes in the market value of investment property and guarantee receivables are recognised on a separate line in the profit and loss statement.

2021:

(Amounts in NOK million)	Investment property	Owner-occupied property	Guarantee receivables	Total
Book value at 1 January	23,087.6	97.6	264.8	23,450.0
Disposals	(0.5)	-	-	(0.5)
Additions	397.3	-	-	397.3
Payments related to the rental guarantee	-	-	(85.9)	(85.9)
Fair value adjustment recognised in profit and loss	1,316.9	-	48.1	1,365.0
Interest income recognised in profit and loss	-	-	7.9	7.9
Fair value adjustment recognised against the revaluation reserve	-	9.1	-	9.1
Book value at 31	24,801.3	106.7	234.9	25,143.0

2020:

(Amounts in NOK million)	Investment property	Owner-occupied property	Guarantee receivables	Total
Book value at 1 January	16,469.3	89.0	-	16,558.3
Disposals[1]	(86.9)	-	-	(86.9)
Additions[2]	4,877.5	-	264.1	5,141.6
Change in market value recognised in profit and loss	1,827.5	-	-	1,827.5
Fair value adjustment recognised against the revaluation reserve	-	10.0	-	10.0
Interest income recognised in profit and loss	-	-	0.7	0.7
Depreciation recognised against the revaluation	-	(1.3)	-	(1.3)
Book value at 31	23,087.6	97.6	264.8	23,450.0

[1] Applies to the sale of a 50 per cent share in the Forusbeen 35 property in Stavanger as at 31 December 2020.
[2] Additions in 2020 include NOK 4,724.1 million related to the acquisition of the property at Snarøyveien 30. An estimated value of NOK 264.1 million related to the rental guarantee provided by the seller of the property is presented as a receivable in the balance sheet as at 31 December 2020. The seller of the property guarantees an agreed level for rent and common cost coverage of vacant premises from the takeover and until mid-2027.

Rental income and property expenses related to investment properties are stated in the income statement. The maturity structure for non-cancellable leases related to investment property is specified in note 18.

As at 31 December 2021, financial vacancy for the investment properties was 5.5 per cent. Operating expenses for vacant space and the owner's share of service charge expenses totalled NOK 32.1 million for 2021 (NOK 30.1 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 as at 31 December in 2021 or 2020.

6.2 - Fair-value assessment

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

2021[1]:

(Amounts in NOK million)	Investment property	Owner-occupied property	Guarantee receivables
Given market value for corresponding assets and liabilities (level 1)	-	-	-
Other significant observable input (level 2)	-	-	-
Other significant non-observable input (level 3)	24,801.3	106.7	234.9
Total estimated fair value	24,801.3	106.7	234.9

2020[1]:

(Amounts in NOK million)	Investment property	Owner-occupied property	Guarantee receivables
Given market value for corresponding assets and liabilities (level 1)	-	-	-
Other significant observable input (level 2)	-	-	-
Other significant non-observable input (level 3)	23,087.6	97.6	264.8
Total estimated fair value	23,087.6	97.6	264.8

[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 2021 or 2020.

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	Energy distri-bution system (Aker Brygge)	Total
Acquisition costs:			
At 31 December 2019	50.5	42.2	92.7
Additions 2020	0.7	0.9	1.6
At 31 December 2020	51.2	43.1	94.3
Additions 2021	0.3	1.3	1.6
At 31 December 2021	51.5	44.4	95.9
Accumulated depreciation:			
At 31 December 2019	41.2	10.9	52.1
Additions 2020	2.2	2.1	4.3
At 31 December 2020	43.4	13.0	56.4
Additions 2021	1.9	2.2	4.1
At 31 December 2021	45.3	15.2	60.5
Book value:			
At 31 December 2020	7.7	30.1	37.8
At 31 December 2021	6.1	29.3	35.4

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

Significant leases are capitalised in accordance with IFRS 16 Leases, which 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 which are capitalised as specified below.

(Alle beløp i mNOK)	Leases for company cars	Lease for offices	Total
Net present value of leases as of 31 December 2020	0.9	2.9	3.9
- Short-term leases	-	-	-
- Leases with low rent	-	-	-
Carrying amount of rental obligation as of 1 January 2021	0.9	2.9	3.9
Additions in 2021	-	-	-
Installments in 2021	(0.4)	(1.2)	(1.6)
Carrying amount of rental obligation as of 31 December 2021	0.5	1.8	2.3

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. 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.

NOTE 8: Joint ventures

In 2021, Norwegian Property acquired Nordr together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg are equal partners, each holding 42.5 per cent of the preferred shares (A-shares), Union owns 15 per cent of the preferred shares (B-shares). Only preferred A-shares have voting rights in the general meeting of the company. The preferred A and B shares have a pre-emptive right to payments from the company. C-shares are entitled to payments from the company only after a certain return on invested capital has been achieved. C-shares are earmarked for senior executives in Nordr, and at the end of 2021 represent an ownership interest of 0.3 per cent. Norwegian Property owns 42.4 per cent of all shares in the company.

Nordr has residential units under construction and a substantial land bank in Norway and Sweden. The land bank is largely located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden. Nordr's business consists of both wholly owned and partly owned plots and projects. Entity's over which Nordr has control are fully consolidated in the accounts for the Nordr group. Nordr's share of joint venture's net profit and net equity is presented in accordance with the equity method in the accounts for the Nordr group.

At the year end of 2020, the property at Forusbeen 35 in Stavanger had been reregulated from a commercial building to a property with a combined residential and commercial purpose. Norwegian Property sold a 50 per cent share in the project to Base Bolig, and thus owned the project as a joint venture from 31 December 2020.

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)	2021	2020
Book value 1 January	1,013.6	-
Acquisition of joint ventures	23.8	1,020.1
Share of profit and loss	74.9	(4.9)
Currency changes [1]	(28.1)	(1.5)
Reduction in receivables	0.6	-
Book value 31 December	1,084.8	1,013.6

[1] Currency risk associated with Nordr's business in Sweden is not hedged.

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

2021:

(Amounts in NOK million)	Nordr	Forus-been 35	Total
Revenues	3,058.1	1.8	3,059.9
Project cost from sale of residential units	(2,669.9)	-	(2,669.9)
Other operating expenses	(355.2)	(3.3)	(358.5)
Share of profit in joint ventures	183.0	-	183.0
Operating profit	216.1	(1.5)	214.6
Net financial items	(11.5)	-	(11.5)
Profit before income tax	204.5	(1.5)	203.0
Income tax	(14.7)	0.3	(14.4)
Profit for the period	189.8	(1.2)	188.6
The group's share of profit for the period	75.5	(0.6)	74.9
The group's share of gain from sale for the period	-	-	-
The group's share of profit and gain from sale for the period	75.5	(0.6)	74.9
The group's share of other comprehensive income for the period	(28.1)	-	(28.1)
The group's share of total comprehensive income for the period	47.4	(0.6)	46.8

2020:

(Amounts in NOK million)	Nordr	Forus-been 35	Total
Revenues	1,483.5	-	1,483.5
Project cost from sale of residential units	(1,351.5)	-	(1,351.5)
Other operating expenses	(233.0)	-	(233.0)
Share of profit in joint ventures	116.0	-	116.0
Operating profit	15.1	-	15.1
Net financial items	(35.3)	-	(35.3)
Profit before income tax	(20.2)	-	(20.2)
Income tax	4.5	-	4.5
Profit for the period	(15.7)	-	(15.7)
The group's share of profit for the period	(4.9)	-	(4.9)
The group's share of gain from sale for the period [1]	4.5	-	4.5
The group's share of profit and gain from sale for the period	(0.4)	-	(0.4)
The group's share of other comprehensive income for the period	(1.5)	-	(1.5)
The group's share of total comprehensive income for the period	(2.0)	-	(2.0)

[1] The group's share of gain from disposal is related to Badehusgata 33-39.

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

2021:

(Amounts in NOK million)	Nordr	Forus-been 35	Total
Investment property	-	17.3	17.3
Other fixed assets	31.2	-	31.2
Investment in joint ventures	1,373.6	-	1,373.6
Land bank and residential projects	8,690.8	92.0	8,782.8
Receivables	935.3	0.9	936.1
Cash and cash equivalents	1,005.9	0.2	1,006.1
Deferred tax	(396.7)	0.3	(396.4)
Interest bearing liabilities	(6,340.7)	-	(6,340.7)
Shareholder debt [1]	-	(108.4)	(108.4)
Other liabilities	(2,752.8)	(3.5)	(2,756.3)
Equity	(2,546.6)	1.1	(2,545.4)
The group's share of equity	(1,084.8)	-	(1,084.8)

2020:

(Amounts in NOK million)	Nordr	Forus-been 35	Total
Investment property	-	86.9	86.9
Other fixed assets	87.2	-	87.2
Investment in joint ventures	1,189.5	-	1,189.5
Land bank and residential projects	7,073.9	-	7,073.9
Receivables	1,372.5	-	1,372.5
Cash and cash equivalents	951.6	-	951.6
Deferred tax	(97.6)	-	(97.6)
Interest bearing liabilities	(5,769.8)	-	(5,769.8)
Shareholder seller credit [1]	-	(86.9)	(86.9)
Other liabilities	(2,405.1)	-	(2,405.1)
Equity	(2,402.2)	-	(2,402.2)
The group's share of equity	(1,013.6)	-	(1,013.6)

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 they 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.

2021[1]:

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
Financial assets:				
Non-current derivatives	16.5	-	-	16.5
Non-current receivables	234.9	-	-	234.9
Current receivables	-	107.0	79.7	186.7
Current derivatives	0.8	-	-	0.8
Cash and cash equivalents	-	313.5	-	313.5
Financial liabilities:				
Non-current derivatives	36.2	-	-	36.2
Non-current interest-bearing liabilities	-	9,583.0	-	9,583.0
Other non-current liabilities	-	-	2.7	2.7
Current derivatives	7.9	-	-	7.9
Current interest-bearing liabilities	-	2,421.7	-	2,421.7
Other current liabilities	-	167.5	39.1	206.5
Profit/loss related to financial instruments:				
Financial income	-	15.0	-	15.0
Financial cost	-	(346.0)	-	(346.0)
Change in market value of financial instruments	150.2	-	-	150.2
Gain/loss recognised in comprehensive income:				
Recognised in comprehensive income	-	-	-	-

2020[1]:

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
Financial assets:				
Non-current derivatives	25.5	-	-	25.5
Non-current receivables	264.8	-	-	264.8
Current receivables	-	116.2	79.6	195.8
Current derivatives	-	-	-	-
Cash and cash equivalents	-	665.8	-	665.8
Financial liabilities:				
Non-current derivatives	199.8	-	-	199.8
Non-current interest-bearing liabilities	-	10,700.6	-	10,700.6
Other non-current liabilities	-	2.1	2.3	4.4
Current derivatives	2.8	-	-	2.8
Current interest-bearing liabilities	-	1,396.4	-	1,396.4
Other current liabilities	-	214.4	41.2	255.6
Profit/loss related to financial instruments:				
Financial income	-	4.2	-	4.2
Financial cost	-	(264.8)	-	(264.8)
Change in market value of financial instruments	(101.6)	-	-	(101.6)
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. A specification of the derivatives in the balance sheet as at 31 December is shown in the following.

2021:

(Amounts in NOK million)	Assets	Liabilities
Interest rate hedging contracts	16.5	36.2
Exchange rate hedging contracts	-	-
Derivatives, non-current assets/liabilities	16.5	36.2
Interest rate hedging contracts	0.8	7.9
Exchange rate hedging contracts	-	-
Derivatives, current assets/liabilities	0.8	7.9
Total derivatives	17.3	44.2
Net financial derivatives in the balance sheet		(26.9)

2020:

(Amounts in NOK million)	Assets	Liabilities
Interest rate hedging contracts	25.5	199.8
Exchange rate hedging contracts	-	-
Derivatives, non-current assets/liabilities	25.5	199.8
Interest rate hedging contracts	-	2.8
Exchange rate hedging contracts	-	-
Derivatives, current assets/liabilities	-	2.8
Total derivatives	25.5	202.6
Net financial derivatives in the balance sheet		(177.1)

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

(Amounts in NOK million)	2021	2020
Net book value of derivatives, 1 January	(177.1)	(75.5)
Net fair value adjustments of derivatives during the year	150.2	(101.6)
December	(26.9)	(177.1)

10.2 - Interest-rate derivatives

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

	Currency	2021	2020
Notional principal amount	NOK	5,170.0	6,070.0

The floating interest rate is three-months Nibor for all contracts. Management assumes that the IBOR-reform will not have a significant impact for the group.

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 2021 or 2020.

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 the derivative positions in the balance sheet with related information as at 31 December.

2021:

(Amounts in NOK million)	Non-current assets derivatives	Current assets derivatives	Total
Gross financial assets (interest derivatives)	16.5	0.8	17.3
Gross assets presented net	-	-	-
Book value	16.5	0.8	17.3
Financial instruments (interest derivatives)	(16.5)	(0.8)	(17.3)
Security in cash	-	-	-
Net amount	-	-	-

(Amounts in NOK million)	Non-current liabilities derivatives	Current liabilities derivatives	Total
Gross financial liabilities (interest derivatives)	36.2	7.9	44.2
Gross liabilities presented net	-	-	-
Book value	36.2	7.9	44.2
Financial instruments (interest derivatives)	(16.5)	(0.8)	(17.3)
Security in cash	-	-	-
Net amount	19.8	7.1	26.9

2020:

(Amounts in NOK million)	Non-current assets derivatives	Current assets derivatives	Total
Gross financial assets (interest derivatives)	25.5	-	25.5
Gross assets presented net	-	-	-
Book value	25.5	-	25.5
Financial instruments (interest derivatives)	(25.5)	-	(25.5)
Security in cash	-	-	-
Net amount	-	-	-

(Amounts in NOK million)	Non-current liabilities derivatives	Current liabilities derivatives	Total
Gross financial liabilities (interest derivatives)	199.8	2.8	202.6
Gross liabilities presented net	-	-	-
Book value	199.8	2.8	202.6
Financial instruments (interest derivatives)	(25.5)	-	(25.5)
Security in cash	-	-	-
Net amount	174.3	2.8	177.1

NOTE 12: Inventory

The change in the balance sheet item for inventories in 2020 was in its entirety related to a project which was previously under development at Hasle in Oslo, as specified in the table below. All the units were sold and delivered to the end users in 2019 and 2020.

(Amounts in NOK million)	2021	2020
Book value 1 January	-	708.5
Accrued cost during the period	-	91.9
Cost of units sold	-	(800.4)
Book value 31 December	-	-

NOTE 13: Receivables

13.1 - Current receivables

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

(Amounts in NOK million)	2021	2020
Accounts receivable	17.9	24.7
Provision for impairment of receivables	(7.5)	(8.4)
Net accounts receivable	10.4	16.3
Loans to joint ventures and deferred settlement on sale of properties[1]	96.6	99.9
Public duties	13.6	1.9
Other current receivables	66.1	77.7
Total other current receivables	176.3	179.5
Total current receivables	186.7	195.8

[1] Entirely related to the receivable on the joint venture for the property at Forusbeen 35 as at 31 December 2021. As at 31 December 2020 receivables related to a NOK 86.9 million seller credit to the joint venture for Forusbeen 35 and NOK 13 million in a seller credit related to the sale of Badehusgata 33-39.

13.2 - Non-current receivables

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

(Amounts in NOK million)	2021	2020
Rent guarantee receivables (see note 6)	234.9	264.8
Total non-current receivables	234.9	264.8

NOTE 14: Other liabilities

14.1 - Other current liabilities

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

(Amounts in NOK million)	2021	2020
Trade payables	39.2	41.4
Public duties	6.4	6.4
Accrued salaries	7.0	6.3
Accrued interest	72.6	66.2
Lease liability (see note 7)	1.6	1.6
Prepaid income	25.7	28.5
Accrued cost and other debts	54.0	105.1
Total other current liabilities	206.6	255.6

14.2 - Other non-current liabilities

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

(Amounts in NOK million)	2021	2020
Lease liability (see note 7)	0.7	2.3
Pension liabilities (see note 21)	2.0	2.1
Total other non-current liabilities	2.7	4.4

NOTE 15: Interest-bearing debt

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

	2021	2020
Total interest-bearing debt (NOK million)	12,004.8	12,097.1
Of which hedged (NOK million)[1]	8,547.0	9,147.0
Interest hedging ratio (per cent)	71.2	75.6
Cash and cash equivalents (NOK million)	313.5	665.8
Interest bearing receivables (NOK million)	96.6	99.9
Unutilised credit facilities (NOK million)	1,800.0	910.0
Average interest rate (per cent)	2.81	2.94
Average interest margin (per cent)	1.33	1.39
Remaining time to maturity for interest-bearing debt (years)	4.4	4.7
Remaining time to maturity for interest hedge agreements (years)	6.3	6.7

[1] All interest-rate swaps and loans with fixed rate which had commenced at the balance-sheet date.

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

2021:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	9,582.0	1,889.0	11,471.0
Bank borrowings (loan facilities)	0.6	531.6	532.2
Total interest-bearing debt	9,582.6	2,420.6	12,003.2
Accrued financial items	0.5	1.2	1.6
Total book value interest-bearing debt	9,583.1	2,421.8	12,004.8
Fair value of bonds[1]	9,586.2	1,914.5	11,500.7
Fair value of bank borrowings[1]	0.6	531.4	532.0

2020:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	10,185.0	-	10,185.0
Bank borrowings (loan facilities)	532.2	1,401.5	1,933.7
Total interest-bearing debt	10,717.2	1,401.5	12,118.7
Accrued financial items	(16.6)	(5.1)	(21.6)
Total book value interest-bearing debt	10,700.6	1,396.4	12,097.1
Fair value of bonds[1]	10,200.1	-	10,200.1
Fair value of bank borrowings[1]	529.8	1,395.8	1,925.6

[1] The fair value of bonds are based on given market values for corresponding assets and liabilities (level 1). The fair value of bank borrowings are based on other significant non-observable input (level 3). 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 2021 or 2020.

The total fair value of interest-bearing debt consists of bonds valued at their market price as 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.

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

2021:

(Amounts in NOK million)	Bank loans	Bonds	Total
Interest-bearing debt as of 1 January	1,933.7	10,185.0	12,118.7
New debt	-	1,697.0	1,697.0
Repayment of debt	(1,401.5)	(411.0)	(1,812.5)
Interest-bearing debt as of 31 December	532.2	11,471.0	12,003.2
Accrued financial items	(1.3)	3.0	1.6
Book value of interest-bearing debt	530.8	11,474.0	12,004.8

2020:

(Amounts in NOK million)	Bank loans	Bonds	Total
Interest-bearing debt as of 1 January	2,048.1	6,120.0	8,168.1
New debt	550.0	5,871.0	6,421.0
Repayment of debt	(664.4)	(1,806.0)	(2,470.4)
Interest-bearing debt as of 31 December	1,933.7	10,185.0	12,118.7
Accrued financial items	(3.1)	(18.6)	(21.6)
Book value of interest-bearing debt	1,930.6	10,166.4	12,097.1

The maturity structure of the group's long-term interest-bearing debt as 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)	2021	2020
Due in 2022 (2021)	2,420.6	1,401.5
Due in 2023 (2022)	400.6	2,831.5
Due in 2024, 2025 and 2026 (2023, 2024 and 2025)	5,640.0	4,193.7
Due after 2026 (after 2025)	3,542.0	3,692.0
Total	12,003.2	12,118.7

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

(Amounts in NOK million)	2021	2020
Investment property[1]	24,909.2	23,352.5
Total	24,909.2	23,352.5
Liabilities secured	12,003.2	12,118.7

[1] *Properties with a carrying amount of NOK 263.6 million as at 31 December 2021 were not pledged for interest-bearing debt (NOK 97.5 million).*

The group had 10 bonds totalling NOK 11,471 million outstanding as at 31 December 2021. These fall due as follows: NOK 1,889 million in 2022, NOK 400 million in 2023, NOK 2,615 million in 2024, NOK 1,675 million in 2025, NOK 1,350 million in 2026 and NOK 3,542 million in 2030. All bonds are secured by properties and are listed on the Oslo Stock Exchange. None of the bonds have running terms related to financial covenants. All the bonds have change of control clauses, and requirement of a maximum of 65 per cent LTV on the mortgaged building at the time of borrowing.

Norwegian Property has a NOK 1 billion overdraft facility with Nordea, SEB and DNB, where drawings are secured by a portfolio of properties. In addition, the company has a NOK 530 million bilateral overdraft facilities with SEB secured by a mortgage on Snarøyveien 30, a NOK 200 million bilateral overdraft facilities with DNB secured by a mortgage on Vinslottet and an overdraft facility with DNB and SEB of NOK 600 million with a mortgage on Verkstedhallen at Aker Brygge. The security is shared with bond holders. The facilities are subject to annual renewal. The most important terms for all these facilities are a minimum interest-rate hedge ratio of 50 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. Agreed requirements in the loan agreements were met at year-end 2021 and 2020, as well as all quarterly interim reporting dates in 2021 and 2020.

NOTE 16: Deferred tax and income tax

The table below specifies the 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)	2021	2020
Payable tax	6.3	-
Deferred tax	415.5	399.7
Income tax	421.8	399.7
Profit before income tax:	1,994.9	2,075.5
Income tax calculated at 22 per cent	438.9	456.6
Other differences[1]	(23.4)	(56.9)
Deferred tax	415.5	399.7
Payable tax	6.3	-
Income tax	421.8	399.7

[1] 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 the cost for the group.

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

(Amounts in NOK million)	2021	2020
At 1 January	1,268.0	866.1
Recognised through profit and loss	415.5	399.7
Tax charged to comprehensive income	2.3	2.2
At 31 December	1,685.8	1,268.0

Changes for the year to deferred tax appear as follows:

(Amounts in NOK million)	Investment property[1]	Gain and loss account	Carry forward losses	Carry forward interest deductions	Financial derivatives	Other	Total[2]
Total at 1 January 2020	1,241.7	57.6	(415.3)	(200.7)	(16.6)	(1.3)	665.4
Not capitalised at 1 January 2020[3]	-	-	-	200.7	-	-	200.7
Book value at 1 January 2019	1,241.7	57.6	(415.3)	-	(16.6)	(1.3)	866.1
Recognised through profit and loss in 2020	463.9	(29.8)	(11.4)	-	(22.3)	(0.6)	399.7
Recognised through comprehensive income in 2020	2.2	-	-	-	-	-	2.2
Change of calculated deferred tax in 2020	466.0	(29.8)	(11.4)	-	(22.3)	(0.6)	401.9
Total at 31 December 2020	1,707.7	27.8	(426.7)	(380.3)	(38.9)	(1.9)	887.7
Not capitalised at 31 December 2020[3]	-	-	-	380.3	-	-	380.3
Book value at 31 December 2020	1,707.7	27.8	(426.7)	-	(38.9)	(1.9)	1,268.0
Recognised through profit and loss in 2021	373.2	(3.6)	12.5	-	33.0	0.4	415.5
Recognised through comprehensive income in 2021	2.3	-	-	-	-	-	2.3
Change of calculated deferred tax in 2021	375.5	(3.6)	12.5	-	33.0	0.4	417.8
Total at 31 December 2021	2,083.2	24.2	(414.2)	(380.3)	(5.9)	(1.5)	1,305.5
Not capitalised at 31 December 2021[3]	-	-	-	380.3	-	-	380.3
Book value at 31 December 2021	2,083.2	24.2	(414.2)	-	(5.9)	(1.5)	1,685.8

[1] The tax value totalled NOK 8.3 billion as at 31 December 2021. Theoretical deferred tax in the event that all the properties are sold at fair value amounts to about NOK 3.4 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] With effect from 2019, amendments were made to the rules on limiting interest deductions under Norwegian tax legislation. The limitation has been extended to include external interest payments for taxpayers in a group. The change affects Norwegian Property, which has a foreign controlling shareholder.

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 the performance of the operating segments, has been identified as the senior management team.

Norwegian Property's primary business is the ownership and management of commercial properties in the Oslo region. From the end of 2018, the company has also had residential units under construction in Oslo. The project was completed in 2020. In the third quarter of 2020, the company made an investment in 42.5 per cent of the preferred shares in the residential development company Nordr. The Forusbeen 35 property at Forus in Stavanger was reregulated from a commercial building to a property with a combined residential and commercial purpose in 2020. Norwegian Property owned the project as a joint venture from 31 December 2020.

The segmentation of operating profit, excluding the administrative owner costs, reflects the division into commercial property and residential property segments. A similar division has also been made for all balance sheet items apart from those related to group functions, financing of the group and tax positions.

Segment information related to the income statement items for 2021 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Revenue	919.6	-	-	919.6
Project cost from the sale of residential properties	-	-	-	-
Total property-related expenses	(124.4)	-	-	(124.4)
Administrative expenses	-	-	(59.2)	(59.2)
Share of profit in joint ventures	(0.4)	75.3	-	74.9
Change in market value of investment property	1,365.0	-	-	1,365.0
Operating profit	2,159.7	75.3	(59.2)	2,175.8
Net financial items			(180.9)	(180.9)
Profit before income tax			(240.1)	1,994.9
Income tax			(421.8)	(421.8)
Profit for the period			(661.9)	1,573.1

Segment information related to income statement items for 2020 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Revenue	708.6	855.9	-	1,564.5
Project cost from the sale of residential properties	-	(800.4)	-	(800.4)
Total property-related expenses	(107.2)	0.5	-	(106.7)
Administrative expenses	-	-	(46.8)	(46.8)
Share of profit in joint ventures	4.5	(4.9)	-	(0.4)
Change in market value of investment property	1,827.5	-	-	1,827.5
Operating profit	2,433.4	51.2	(46.8)	2,437.8
Net financial items			(362.2)	(362.2)
Profit before income tax			(409.0)	2,075.6
Income tax			(399.7)	(399.7)
Profit for the period			(808.7)	1,675.9

Segment information related to balance-sheet items as at 31 December 2021 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Investment property	24,908.0	-	-	24,908.0
Other fixed assets	32.6	-	2.8	35.4
Investment in joint ventures	-	1,084.8	-	1,084.8
Receivables	421.7	-	-	421.7
Cash and cash equivalents	-	-	313.5	313.5
Deferred tax	-	-	(1,685.8)	(1,685.8)
Financial derivative instruments	-	-	(26.9)	(26.9)
Interest bearing liabilities	-	-	(12,004.8)	(12,004.8)
Other liabilities	(110.9)	-	(98.4)	(209.3)
Total equity			(12,836.6)	(12,836.6)

Segment information related to balance-sheet items as at 31 December 2020 is specified in the table below.

(Amounts in NOK million)	Commercial properties	Residential properties	Group	Total
Investment property	23,185.2	-	-	23,185.2
Other fixed assets	35.8	-	2.0	37.8
Investment in joint ventures	-	1,013.6	-	1,013.6
Receivables	458.8	-	1.9	460.6
Cash and cash equivalents	-	-	665.8	665.8
Deferred tax	-	-	(1,268.0)	(1,268.0)
Financial derivative instruments	-	-	(177.0)	(177.0)
Interest bearing liabilities	-	-	(12,097.1)	(12,097.1)
Other liabilities	(169.6)	(1.0)	(89.5)	(260.0)
Total equity			(11,560.9)	(11,560.9)

NOTE 18: Contractual rental income

Norwegian Property's operating income in 2021 totalled NOK 919.6 million (NOK 1,564.5 million).

18.1 - Commercial property

The group's commercial properties are located in the Oslo region. They primarily consist 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 etc. Income for the energy centre is invoiced to the 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 as at 31 December.

(Amounts in NOK million)	2021	2020
Within 1 year	1,034.9	961.2
Between 1 and 2 years	956.6	903.7
Between 2 and 3 years	861.9	817.9
Between 3 and 4 years	625.8	728.9
Between 4 and 5 years	510.1	530.6
Later than 5 years	2,518.1	2,891.3
Total	6,507.4	6,833.5

Service charges are recognised net as an agent of the tenant. Therefore, the operating revenues does not include service charges invoiced to the 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. The settlement of service charges is made after the balance-sheet date. Service charges invoiced to tenants in 2021 amounted to NOK 124 million, and the administrative mark-up recognised as income amounted to NOK 6.2 million.

18.2 - Residential property

In the period from 2018 to 2020, the group had a project comprising 223 residential units under development at Hasle in Oslo. All the units were delivered to end users in 2019 and 2020. Sales income from units in 2020 came to NOK 855.9 million. The total sales value of the 223 residential units at Hasle was NOK 1,238.8 million.

NOTE 19: Net realised financial items

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

(Amounts in NOK million)	2021	2020
Interest income on bank deposits and receivables	7.1	3.5
Interest income on guarantee receivables	7.9	0.7
Total financial income	15.0	4.2
Interest expense on borrowings	(346.0)	(264.8)
Total financial expenses	(346.0)	(264.8)
Net interest expense and realised interest derivatives	(331.1)	(260.6)

NOTE 20: Operating expenses

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

20.1 - Property-related operational expenses

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

(Amounts in NOK million)	2021	2020
Administrative management costs	11.4	10.2
Operating and maintenance costs	52.9	41.4
Total property-related operational expenses	64.3	51.6

20.2 - Other property-related expenses

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

(Amounts in NOK million)	2021	2020
Rental, market and other income-related expenses	28.0	25.0
Owner's share of service charge expenses	32.1	30.1
Total other property-related expenses	60.1	55.1

20.3 - Administrative owner expenses

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

(Amounts in NOK million)	2021	2020
Payroll expenses (see note 21)	81.2	76.5
Depreciation	2.1	2.3
Other operating expenses	22.7	9.2
Costs allocated to property costs	(46.7)	(41.2)
Total administrative expenses	59.2	46.8

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

The tables below present a breakdown of 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)	2021	2020
Salaries and remuneration	72.6	61.3
Employee share-option scheme (see note 22.4)	0.7	2.2
Social security costs	12.9	9.1
Pension costs for defined contribution plans	2.7	2.8
Other employee expenses	1.6	1.1
Total payroll cost	90.5	76.5
Number of employees at 31 December	61	51
Number of full-time equivalent positions in the financial year	61	57
Average number of employees in the financial year	56	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 million to a former employee funded from operations.

21.2 - Directors' fees

Fees to directors in 2021 are presented in the table below.

Name	Remune-ration[1]	Share based payment expense[2]
Merete Haugli, chair 01.01-31.12	700,000	-
Bjørn Henningsen, deputy chair 01.01-31.12	450,000	-
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	20,922
Lars Erich Nilsen, director 01.01-31.12	250,000	-
Anders Buchardt, director 01.01-31.12	250,000	-
Total	2,400,000	20,922

[1] Reported benefits paid in 2021 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2021. See note 22.4 for information about the options exercised in 2021.

Fees to directors in 2020 are presented in the table below.

Name	Remune-ration[1]	Share based payment expense[2]
Merete Haugli, chair 01.01-31.12	700,000	-
Bjørn Henningsen, deputy chair 01.01-31.12	450,000	-
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	120,984
Lars Erich Nilsen, director 01.01-31.12	250,000	-
Anders Buchardt, director 16.04-31.12	187,500	-
Total	2,337,500	120,984

[1] Reported benefits paid in 2020 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2020. No options have been exercised in 2020.

21.3 - Auditor's fee

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

Type of fees	2021	2020
Statutory audit	1,441,000	1,157,000
Other certification services	42,000	55,000
Tax/VAT advice	508,000	712,000
Other services	3,873,000	-
Total	5,864,000	1,924,000

[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 2021 is specified in the table below.

Name	Title	Salary[1]	Bonuses[1]	Share based payment expense[2]	Other benefits[1]	Pension/ insurance benefits[3]
Bent Oustad	CEO	3,915,188	2,625,000	703,344	4,392	94,128
Haavard Rønning	CFO	2,657,422	1,297,500	-	7,831	93,883
Bjørge Aarvold	EVP property management	1,916,644	561,000	-	124,392	104,165
Ellen Cathrine Kobro	EVP sales and marketing	2,132,951	630,000	-	7,392	93,198
Sindre Kornrud	EVP projects	1,775,167	534,000	-	4,392	92,757
Thomas Weeden[4]	EVP business development and strategy	487,500	-	-	1,098	24,464
Total		12,884,872	5,647,500	703,344	149,497	502,595

[1] Reported pay for services in 2021 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2021. No options have been exercised in 2021.
[3] Contribution paid to defined contribution pension plans and employee insurance in 2021 (amounts in NOK).
[4] Started 31 October 2021.

Remuneration of senior management in 2020 is specified in the table below:

Name	Title	Salary[1]	Bonuses[1]	Share based payment expense[2]	Other benefits[1]	Pension/ insurance benefits[3]
Bent Oustad	CEO	3,783,135	2,625,000	1,645,668	4,392	86,718
Haavard Rønning	CFO	2,601,248	1,275,000	-	16,541	86,434
Bjørge Aarvold	EVP property management	1,875,627	440,640	-	141,456	97,892
Ellen Cathrine Kobro	EVP sales and marketing	1,975,863	550,800	-	19,324	86,767
Sindre Kornrud[4]	EVP projects	1,662,323	-	-	15,286	74,243
Total		11,898,196	4,891,440	1,645,668	196,999	432,054

[1] Reported pay for services in 2020 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2020. No options have been exercised in 2020.
[3] Contribution paid to defined contribution pension plans and employee insurance in 2020 (amounts in NOK).
[4] Started 1 January 2020.

NOTE 22: Share capital and shareholders

The table below specifies the average number of shares in the past two years, the group's largest shareholders and the shares owned by the directors and senior executives as at 31 December.

22.1 - Changes in share capital and average number of shares

	2021	2020
Average number of shares (1 000 shares)	649,826	541,750
Number of shares issued at 31 December (1 000 shares)	649,826	649,826

22.2 - The group's main shareholders at 31 December

As at 31 December 2021, the company has a share capital of NOK 324,912,798 divided into 649,825,596 shares, each with a par value of NOK 0.50. The company owns 6,250,000 treasury shares. Geveran Trading Co. Ltd. owns the remaining 643,575,596 shares in the company.

In July 2021, Geveran Trading Co. Ltd. (Geveran) acquired shares equalling more than 90 per cent of the shares in Norwegian Property ASA. In August 2021, Geveran carried out a compulsory acquisition of all the remaining shares and the shares in Norwegian Property ASA was delisted from the Oslo Stock Exchange.

The compulsory acquisition included the following shareholdings for senior executives and directors:

- 130,313 shares owned by Max Eiendom AS and 275,686 shares owned by Camvecti Holding AS, where both companies are wholly owned by the deputy chair Bjørn Henningsen.
- 356,664 shares and a TRS agreement relating to 4,262,801 shares owned by Carucel Holding AS, which is a wholly owned company of the director Carl Erik Krefting.
- 55,000 shares owned by Yanka AS, which is a wholly owned company of the CEO Bent Oustad.

As at 31 December 2020, the group's largest shareholders were as follows:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	521,840,723	80.30
FOLKETRYGDFONDET	ORD	NOR	95,766,570	14.74
NORWEGIAN PROPERTY ASA	ORD	NOR	6,250,000	0.96
DANSKE BANK AS	ORD	DNK	4,262,801	0.66
BANAN II AS	ORD	NOR	1,596,000	0.25
SANDEN AS	ORD	NOR	1,584,078	0.24
PACTUM AS	ORD	NOR	1,022,213	0.16
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	884,883	0.14
KAS BANK N.V.	NOM	NLD	811,156	0.12
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	767,151	0.12
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	697,296	0.11
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	LUX	487,105	0.07
SELSA AS	ORD	NOR	357,605	0.06
CARUCEL INVEST AS	ORD	NOR	356,664	0.05
ECKHOFF HOLDING AS	ORD	NOR	346,090	0.05
BANQUE DE LUXEMBOURG S.A.	NOM	LUX	342,203	0.05
FUNDER	ORD	NOR	296,000	0.05
AVANZA BANK AB	NOM	SWE	291,143	0.04
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	SWE	284,244	0.04
CAMVECTI HOLDING AS	ORD	NOR	275,686	0.04
OTHER			11,305,985	1.74
Total number of shares at 31 December 2020			649,825,596	100.00

22.3 - Shares held by senior executives and directors as at 31 December 2021

The directors Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd, which is the company's sole proprietor as at 31 December 2021.

22.4 - Share options

Share options had been granted to the CEO and the director Carl Erik Krefting. Each share option entitles the holder to subscribe for a share in Norwegian Property ASA.

Employee options	Number of options	Weighted average excercise price (NOK)
Outstanding 1 January 2020	6,250,000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2020	6,250,000	12.46
Earned 1 January 2021	4,083,333	11.50
Outstanding 1 January 2021	6,250,000	12.46
Awarded	-	-
Exercised	-500,000	11.50
Terminated	-	-
Outstanding 31 December 2021	5,750,000	12.54
Earned 1 January 2022	5,750,000	12.54

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 as at 31 December.

Employee options	2021	2020
Recognised against equity at 1 January	11.4	9.6
Recognised in profit and loss during the period	0.7	1.8
Recognised against equity at 31 December	12.1	11.4

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 entitled him to subscribe for a total of 500,000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
19.04.2019	166,666	11.50
19.04.2020	166,667	11.50
19.04.2021	166,667	11.50

The options were exercised in the third quarter of 2021. The NOK 3.8 million profit was settled in cash.

22.5 - Revaluation reserve

A revaluation reserve of NOK 37.2 million (net profit) related to owner occupied property is included in retained earnings at 31 December 2021.

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.

	2021	2020
Net profit attributable to shareholders (NOK million)	1,573.1	1,675.9
Weighted average number of outstanding shares, exclusive treasury shares (million shares)[1]	643.6	535.5
Weighted average number of diluted outstanding shares, exclusive treasury shares (million shares)[2]	647.1	541.7
Basic earnings per share (NOK per share)	2.44	3.13
Diluted earnings per share (NOK per share)	2.43	3.09

[1] At 31 December 2021, the group owned 6,250,000 treasury shares.
[2] The diluted number of shares at 31 December 2021 has been adjusted for options granted.

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 0.425 per share was approved by the board meeting on 4 February 2022.

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.

A management fee of NOK 2.4 million has been expensed in 2021 from a company related to the shareholder Geveran Trading Co. Ltd.

No other agreements or significant transactions with related parties were carried out in 2021.

NOTE 26: Contingent liabilities and assets

The group has a liability if it is committed to giving 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 the 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 etc. The seller must typically cover the 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. As at 31 December 2021, 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 to the financial statements, or events which do not require such adjustments.

In accordance with the mandate from the AGM in 2021, the board decided on 4 February 2022 that a dividend of NOK 0.425 per share will be paid for 2021.

No other significant events have occurred after 31 December 2021 which provide information on the 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 as at 31 December 2020:

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
Bryggetorget Invest AS
Bryggetorget 3 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 10 D AS
Gjerdrums vei 5 AS
Gjerdrums vei 8 AS
Gjerdrums vei 14-16 AS
Gjerdrums vei 17 AS
Gjerdrums vei 3 AS
Grensen Investment AS
Gullhaug Torg 3 AS
Gullhaugveien 9-13 AS
Hasle Linje Bygg 01 AS
Nye Hasle Linje Bygg 01 Næring AS
Kaibygning 1 AS
Kaibygning 2 AS
Lille Grensen 7 Andel AS
Lille Grensen 7 ANS
Lille Grensen 7 AS
Norwegian Property ASA
Npro 1 AS
Npro 2 AS
NPRO Drift AS
NPRO Holding AS
NPRO Invest AS
Nydalsveien 15-17 AS
Sandakerveien 130 AS
Snarøyveien 30 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 a controlling 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 in Bryggedrift AS as at 31 December 2021 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.

Norwegian Property owns Nordr together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg are equal partners, each holding 42.5 per cent of the preferred shares, Union owns 15 per cent of the preferred shares (see note 8).

Norwegian Property also owns a 50 per cent share in the property at Forusbeen 35 together with Base Bolig (see note 8).

Annual accounts of the parent company

Income statement 1 Jan-31 Dec

(Amounts in NOK million)	Note	2021	2020
Management and service fee from group companies	13	50.9	45.6
Total operating revenue		50.9	45.6
Payroll costs	10	(81.2)	(73.2)
Depreciation	5	(0.8)	(1.0)
Other operating costs	10	(25.5)	(24.2)
Total operating costs		(107.5)	(98.4)
Operating profit		(56.6)	(52.8)
Financial income	11, 13	460.8	8.4
Financial expenses	11, 13	(369.7)	(332.1)
Net financial items		91.1	(323.7)
Profit before tax		34.5	(376.5)
Income tax expense	12	(87.4)	75.7
Profit for the year		(52.9)	(300.8)

Proposed allocations:		
Dividend distribution to shareholders	(273.5)	(64.4)
Transferred to/from other equity	(30.1)	(365.2)
Transferred to/from share premium	(296.3)	-

Balance sheet as at 31 Dec

(Amounts in NOK million)	Note	2021	2020
ASSETS			
Non-current assets:			
Deferred tax assets	12	423.1	541.6
Financial derivative instruments	9	16.5	25.5
Tangible assets	5	2.8	2.0
Investments in subsidiaries	4, 13	4,986.8	4,665.4
Total non-current assets		5,429.1	5,234.6
Current assets:			
Financial derivative instruments	9	0.8	-
Intercompany balances	13	9,720.8	10,149.5
Other receivables		2.9	1.9
Cash and cash equivalents	3	290.9	624.2
Total current assets		10,015.4	10,775.6
TOTAL ASSETS		15,444.5	16,010.2
EQUITY AND LIABILITIES			
Equity:			
Share capital		321.8	321.8
Share premium		2,698.7	3,204.8
Other paid-in equity		0.0	33.2
Total equity	6	3,020.5	3,559.8
Non-current liabilities:			
Financial derivative instruments	9	36.2	199.8
Interest-bearing debt	8	9,582.5	10,698.4
Other long-term debt		0.2	0.5
Total non-current liabilities		9,618.9	10,898.7
Current liabilities:			
Financial derivative instruments	9	7.9	2.8
Interest-bearing debt	8	2,420.2	1,394.9
Provision for dividend	6	273.5	64.4
Other current liabilities	7	103.4	89.5
Total current liabilities		2,805.1	1,551.6
Total liabilities		12,423.9	12,450.3
TOTAL EQUITY AND LIABILITIES		15,444.5	16,010.2

Oslo, 24 March 2022

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

Anders Buchardt
Director

Bent Oustad
CEO

Cash flow statement 1 Jan-31 Dec

(Amounts in NOK million)	Note	2021	2020
Ordinary profit before tax		34.5	(376.5)
Paid taxes	12	(3.2)	-
Net financial items	11	(91.1)	323.7
Interest received	11	310.6	8.4
Other financial income received	11	0.1	-
Interest paid	11	(343.4)	(214.1)
Other financial expenses paid	11	(19.9)	(9.4)
Depreciation of tangible assets	5	0.8	1.0
Changes in other current items		30.1	(5.8)
Net cash flow from operating activities		(81.5)	(272.6)
Purchase of tangible assets	5	(1.5)	(1.7)
Investments in subsidiaries	4	-	(0.1)
Repayment of intercompany balances	13	141.8	(5,595.8)
Net cash flow from investment activities		140.3	(5,597.7)
Repayment of interest-bearing debt	8	(1,811.0)	(1,806.0)
New interest-bearing debt	8	1,697.0	6,421.0
Dividends paid	6	(273.5)	(34.6)
Share issue	6	(0.7)	1,677.6
Other financing activities	6	(3.8)	-
Net cash flow from financing activities		(392.0)	6,258.1
Net change in cash and cash equivalents		(333.3)	387.8
Cash and cash equivalents 1 January	3	624.2	236.4
Cash and cash equivalents 31 December	3	290.9	624.2

NOTE 1: General information

The Norwegian Property ASA real estate group primarily owns commercial properties in the Oslo region. Norwegian Property also owns a share (joint venture) in the residential development company Nordr. In Stavanger, Norwegian Property has a joint venture for the development of a property with a combined residential and commercial purpose.

The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway).

The financial statements were adopted by the board on 24 March 2022 for final approval by the AGM on 22 April 2022.

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 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 representing 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
The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividends from other companies are reflected as financial income when it has been approved.

2.3 - Tangible assets

Impairment tests are carried out if there is an indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less the cost to sell and the value in use.

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 the 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 the 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 are recognised in the income statement over the duration of the borrowings.

2.8 - Interest expense
Interest expenses on borrowings are recognised under the financial costs in the income statement using the effective interest-rate method. This method is used to allocate amortised cost on financial assets and financial liabilities and for the 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 payments 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 as well as their carrying amounts in the consolidated financial statements and the tax loss carried forward as 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 the generally accepted Norwegian 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 contingent 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.

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 the 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 manage 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 as at 31 December are specified in NOK million in the table below.

Year	2021	2020
< 1 year	(1,220.0)	(900.0)
1-2 year	(500.0)	(1,220.0)
3-5 year	(1,650.0)	(1,950.0)
Over 5 year	(1,800.0)	(2,000.0)
Notional principal amount	(5,170.0)	(6,070.0)

3.2 - Credit risk
The company's receivables relate mainly 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 as at 31 December is specified in the table below.

(Amounts in NOK million)	2021	2020
The company's own accounts and net balance in the group accounts	6,355.0	6,794.5
Intercompany net balance in the group accounts[1]	(6,064.1)	(6,170.3)
Cash and cash equivalents	290.9	624.2
Restricted bank deposits	(2.7)	(2.3)
Available cash and cash equivalents	288.2	621.9
Unused credit and overdraft facilities	1,800.0	910.0
Liquidity reserve	2,088.2	1,531.9

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

As described hereinabove, 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 relates 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).

2021[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities
< 1 year	2,736.3	103.4
1-2 year	675.8	
3-5 year	6,163.9	
Over 5 year	3,906.5	
Expected cash flow	13,482.5	103.4
Book value	12,002.6	103.4

2020[1]:

(Amounts in NOK million)	Interest-bearing debt	Other liabilities
< 1 year	1,735.6	89.5
1-2 year	3,103.4	
3-5 year	4,731.5	
Over 5 year	4,162.8	
Expected cash flow	13,733.3	89.5
Book value	12,093.4	89.5

[1] The difference between carrying amount and expected cash flow reflects capitalised and estimated interest cost based on the average interest rate as at 31 December. 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 as at 31 December 2021 are specified in the table below. The companies own the group's properties (single-purpose entities).

		Npro 1 AS	NPRO Holding AS	NPRO Invest AS
Acquired/established	Date	23.11.20	17.01.07	26.09.13
Business office	City	Oslo	Oslo	Oslo
Share[1]	Per cent	100.0	100.0	100.0
Book value	NOK mill.	0.1	4,986.7	0.1

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

Changes in the book value for the year are as follows.

(Amounts in NOK million)	2021	2020
Book value at 1 January	4,665.4	8,553.9
Investments in subsidiaries	-	0.1
Dividends	-	(2,500.0)
Group contribution recognised against shares in subsidiaries	321.3	(1,388.6)
Book value at 31 December	4,986.8	4,665.4

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 2019	28.6	2.0	30.6
Additions	0.6	1.1	1.7
Disposals	(11.1)	-	(11.1)
At 31 December 2020	18.1	3.1	21.2
Additions	0.9	0.6	1.5
At 31 December 2021	19.0	3.8	22.7
Accumulated depreciation:			
At 31 December 2019	28.6	0.8	29.3
Disposals	(11.1)	-	(11.1)
Depreciation and impairment for the year	0.5	0.4	1.0
At 31 December 2020	18.0	1.2	19.2
Depreciation and impairment for the year	0.3	0.4	0.8
At 31 December 2021	18.3	1.6	20.0
Book value:			
At 31 December 2019	-	1.3	1.3
At 31 December 2020	0.1	1.9	2.0
At 31 December 2021	0.6	2.1	2.8

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 prem-ium	Other equity	Total equity
Equity at 31 December 2019	249.9	(3.1)	1,602.2	396.6	2,245.6
Paid dividend	-	-	-	-	-
Share issue	75.0	-	1,602.6	-	1,677.6
Employee share options	-	-	-	1.8	1.8
Dividend appropriation	-	-	-	(64.4)	(64.4)
Transactions with shareholders	75.0	-	1,602.6	(62.6)	1,615.0
Profit for the year	-	-		(300.8)	(300.8)
Profit for the year	-	-	-	(300.8)	(300.8)
Equity at 31 December 2020	324.9	(3.1)	3,204.8	33.2	3,559.8
Paid dividend	-	-	(209.2)	-	(209.2)
Share issue	-	-	(0.7)	-	(0.7)
Employee share options	-	-	-	0.7	0.7
Settlement of share-option schemes	-	-	-	(3.8)	(3.8)
Dividend appropriation	-	-	(243.4)	(30.1)	(273.5)
Transactions with shareholders	-	-	(453.2)	(33.2)	(486.4)
Profit for the year	-	-	(52.9)	-	(52.9)
Loss for the year	-	-	(52.9)	-	(52.9)
Equity at 31 December 2021	324.9	(3.1)	2,698.7	0.0	3,020.5

[1] The share capital of NOK 324 912 798 consisted as at 31 December 2021 of 649,825,596 shares, each with a par value of NOK 0.50. The holding of treasury shares as at 31 December 2021 was 6,250,000 shares.

6.2 - The company's largest shareholders at 31 December

As at 31 December 2021, the company has a share capital of NOK 324,912,798 divided into 649,825,596 shares, each with a par value of NOK 0.50. The company owns 6,250,000 treasury shares. Geveran Trading Co. Ltd. owns the remaining 643,575,596 shares in the company.

In July 2021, Geveran Trading Co. Ltd. (Geveran) acquired shares equalling more than 90 per cent of the shares in Norwegian Property ASA. In August 2021, Geveran carried out a compulsory acquisition of all the remaining shares and the shares in Norwegian Property ASA was delisted from the Oslo Stock Exchange.

The compulsory acquisition included the following shareholdings for senior executives and directors:

- 130,313 shares owned by Max Eiendom AS and 275,686 shares owned by Camvecti Holding AS, where both companies are wholly owned by the deputy chair Bjørn Henningsen.
- 356,664 shares and a TRS agreement relating to 4,262,801 shares owned by Carucel Holding AS, which is a wholly owned company of the director Carl Erik Krefting.
- 55,000 shares owned by Yanka AS, which is a wholly owned company of the CEO Bent Oustad.

As at 31 December 2020, the group's largest shareholders were as follows:

Largest shareholders	Type of account	Country	Number of shares	Percen-tage
GEVERAN TRADING CO LTD	ORD	CYP	521,840,723	80.30
FOLKETRYGDFONDET	ORD	NOR	95,766,570	14.74
NORWEGIAN PROPERTY ASA	ORD	NOR	6,250,000	0.96
DANSKE BANK AS	ORD	DNK	4,262,801	0.66
BANAN II AS	ORD	NOR	1,596,000	0.25
SANDEN AS	ORD	NOR	1,584,078	0.24
PACTUM AS	ORD	NOR	1,022,213	0.16
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	884,883	0.14
KAS BANK N.V.	NOM	NLD	811,156	0.12
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	767,151	0.12
SKANDINAVISKA ENSKILDA BANKEN AB	NOM	FIN	697,296	0.11
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	LUX	487,105	0.07
SELSA AS	ORD	NOR	357,605	0.06
CARUCEL INVEST AS	ORD	NOR	356,664	0.05
ECKHOFF HOLDING AS	ORD	NOR	346,090	0.05
BANQUE DE LUXEMBOURG S.A.	NOM	LUX	342,203	0.05
FUNDER	ORD	NOR	296,000	0.05
AVANZA BANK AB	NOM	SWE	291,143	0.04
J.P. MORGAN BANK LUXEMBOURG S.A.	NOM	SWE	284,244	0.04
CAMVECTI HOLDING AS	ORD	NOR	275,686	0.04
OTHER			11,305,985	1.74
Total number of shares at 31 December 2020			649,825,596	100.00

6.3 - Shares held by senior executives and directors as at 31 December 2021

The directors Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd, which is the company's sole proprietor as at 31 December 2021.

6.4 - Share options

Share options had been granted to the CEO and the director Carl Erik Krefting. Each share option entitles the holder to subscribe for a share in Norwegian Property ASA.

Employee options	Number of options	Weighted average excercise price (NOK)
Outstanding 1 January 2020	6,250,000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2020	6,250,000	12.46
Earned 1 January 2021	4,083,333	11.50
Outstanding 1 January 2021	6,250,000	12.46
Awarded	-	-
Exercised	-500,000	11.50
Terminated	-	-
Outstanding 31 December 2021	5,750,000	12.54
Earned 1 January 2022	5,750,000	12.54

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 the employee options as at 31 December.

Employee options	2021	2020
Recognised against equity at 1 January	11.4	9.6
Recognised in profit and loss during the period	0.7	1.8
Recognised against equity at 31 December	12.1	11.4

The option agreement with the CEO was entered into in 2017 and entitles him to subscribe to 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 entitled him to subscribe to a total of 500,000 shares as follows.

Earliest exercise date	No. of shares	Subscr. price (NOK)
19.04.2019	166,666	11.50
19.04.2020	166,667	11.50
19.04.2021	166,667	11.50

The options were exercised in the third quarter of 2021. The NOK 3.8 million profit was settled in cash.

NOTE 7: Other current liabilities

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

(Amounts in NOK million)	2021	2020
Public duties	4.6	3.2
Accrued salaries	6.3	5.7
Accrued interest	72.6	66.2
Trade payables	2.1	0.3
Other payables	17.8	14.1
Total other current liabilities	103.4	89.5

NOTE 8: Interest-bearing debt

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

	2021	2020
Interest-bearing debt (NOK million)	12,002.6	12,093.4
- of which hedged (NOK million)[1]	8,547.0	9,147.0
Interest hedging ratio (per cent)	71.2	75.6
Cash and cash equivalents (NOK million)	290.9	624.2
Unutilised credit facilities (NOK million)	1,800.0	910.0
Average interest rate (per cent)	2.81	2.94
Average interest margin (per cent)	1.33	1.39
Remaining time to maturity for interest-bearing debt (years)	4.4	4.7
Remaining time to maturity for interest hedge agreements (years)	6.3	6.7

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

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

2021:

(Amounts in NOK million)	Long-term	Short-term	Total
Bank borrowings	-	530.0	530.0
Bonds	9,582.0	1,889.0	11,471.0
Total interest-bearing debt	9,582.0	2,419.0	12,001.0
Capitalised borrowing cost	0.5	1.2	1.6
Total book value interest-bearing debt	9,582.5	2,420.2	12,002.6

2020:

(Amounts in NOK million)	Long-term	Short-term	Total
Bank borrowings	530.0	1,400.0	1,930.0
Bonds	10,185.0	-	10,185.0
Total interest-bearing debt	10,715.0	1,400.0	12,115.0
Capitalised borrowing cost	(16.6)	(5.1)	(21.6)
Total book value interest-bearing debt	10,698.4	1,394.9	12,093.4

The group had 10 bonds totalling NOK 11,471 million outstanding as at 31 December 2021. These fall due as follows: NOK 1,889 million in 2022, NOK 400 million in 2023, NOK 2,615 million in 2024, NOK 1,675 million in 2025, NOK 1,350 million in 2026 and NOK 3,542 million in 2030. All bonds are secured by properties and are listed on the Oslo Stock Exchange.

Norwegian Property has a NOK 1 billion overdraft facility with Nordea, SEB and DNB, where drawings are secured by a portfolio of properties. In addition, the company has a NOK 530 million bilateral overdraft facilities with SEB secured by a mortgage on Snarøyveien 30, a NOK 200 million bilateral overdraft facilities with DNB secured by a mortgage on Vinslottet and an overdraft facility with DNB and SEB of NOK 600 million with a mortgage on Verkstedhallen at Aker Brygge. The security is shared with bond holders. The facilities are subject to annual renewal. The most important terms for all these facilities are a minimum interest-rate hedge ratio of 50 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. The agreed requirements in the loan agreements were met at year-end 2021 and 2020, as well as all the quarterly interim reporting dates in 2021 and 2020.

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

(Amounts in NOK million)	2021	2020
Due in 2023 and 2024 (2022 and 2023)	3,015.0	3,230.0
Due in 2025, 2026 and 2027 (2024, 2025 and 2026)	3,025.0	3,943.0
Due after 2027 (after 2025)	3,542.0	3,542.0
Total	9,582.0	10,715.0

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

(Amounts in NOK million)	2021	2020
Investment in subsidiaries[1]	4,986.8	4,665.4
Total	4,986.8	4,665.4
Liabilities secured[2]	530.0	1,930.0

[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 the 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 in order to reduce the 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 as at 31 December is specified in the table below.

2021:

(Amounts in NOK million)	Assets	Liabilities
Interest-rate contracts	17.3	44.2

2020:

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

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 as at 31 December are specified in the table below. The maturity dates are broken down in note 3.

	Currency	2020	2019
Notional principal amount	NOK	6 070.0	5 770.0

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

The payroll cost for the year is as follows.

(Amounts in NOK million)	2021	2020
Salaries and remuneration	65.4	59.1
Employee share option schemes	0.7	2.5
Social security costs	11.8	7.8
Pension costs (defined contribution plan)	2.4	2.5
Other employee expenses	0.9	1.2
Total payroll costs	81.2	73.2
Number of employees at 31 December	51	43
Number of full-time equivalent positions in the fiscal year	48	46
Average number of employees in the fiscal year	47	42

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	2021	2020
Statutory audit	704,800	476,000
Tax/VAT advice	299,600	308,900
Total	1,004,400	784,900

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

Fees to directors in 2021 are presented in the table below.

Name	Remune-ration[1]	Share based payment expense[2]
Merete Haugli, chair 01.01-31.12	700,000	-
Bjørn Henningsen, deputy chair 01.01-31.12	450,000	-
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	20,922
Lars Erich Nilsen, director 01.01-31.12	250,000	-
Anders Buchardt, director 01.01-31.12	250,000	-
Total	2,400,000	20,922

[1] Reported benefits paid in 2021 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2021. See note 6.4 for information about options exercised in 2021.

Fees to directors in 2020 are presented in the table below.

Name	Remune-ration[1]	Share based payment expense[2]
Merete Haugli, chair 01.01-31.12	700,000	-
Bjørn Henningsen, deputy chair 01.01-31.12	450,000	-
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	120,984
Lars Erich Nilsen, director 01.01-31.12	250,000	-
Anders Buchardt, director 16.04-31.12	187,500	-
Total	2,337,500	120,984

[1] Reported benefits paid in 2020 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2020. No options have been exercised in 2020.

Remuneration of senior management in 2021 is specified in the table below.

Name	Title	Salary[1]	Bonuses[1]	Share based payment expense[2]	Other benefits[1]	Pension/ insurance benefits[3]
Bent Oustad	CEO	3,915,188	2,625,000	703,344	4,392	94,128
Haavard Rønning	CFO	2,657,422	1,297,500	-	7,831	93,883
Bjørge Aarvold	EVP property management	1,916,644	561,000	-	124,392	104,165
Ellen Cathrine Kobro	EVP sales and marketing	2,132,951	630,000	-	7,392	93,198
Sindre Kornrud	EVP projects	1,775,167	534,000	-	4,392	92,757
Thomas Weeden[4]	EVP business development and strategy	487,500	-	-	1,098	24,464
Total		12,884,872	5,647,500	703,344	149,497	502,595

[1] Reported pay for services in 2021 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2021. No options have been exercised in 2021.
[3] Contribution paid to defined contribution pension plans and employee insurance in 2021 (amounts in NOK).
[4] Started 31 October 2021.

Remuneration of senior management in 2020 is specified in the table below:

Name	Title	Salary[1]	Bonuses[1]	Share based payment expense[2]	Other benefits[1]	Pension/ insurance benefits[3]
Bent Oustad	CEO	3,783,135	2,625,000	1,645,668	4,392	86,718
Haavard Rønning	CFO	2,601,248	1,275,000	-	16,541	86,434
Bjørge Aarvold	EVP property management	1,875,627	440,640	-	141,456	97,892
Ellen Cathrine Kobro	EVP sales and marketing	1,975,863	550,800	-	19,324	86,767
Sindre Kornrud[4]	EVP projects	1,662,323	-	-	15,286	74,243
Total		11,898,196	4,891,440	1,645,668	196,999	432,054

[1] Reported pay for services in 2020 (amounts in NOK). In addition to that are the employer's National Insurance contributions (14.1 per cent).
[2] Amount expensed in the accounts for 2020. No options have been exercised in 2020.
[3] Contribution paid to defined contribution pension plans and employee insurance in 2020 (amounts in NOK).
[4] Started 1 January 2020.

NOTE 11: Net financial items

Net financial items for the year are as follows.

(Amounts in NOK million)	2021	2020
Financial income:		
Interest income from group companies	156.4	8.4
Other interest income	154.1	-
Changes in value of financial derivative instruments	150.2	-
Other financial income	0.1	-
Total financial income	460.8	8.4
Financial expenses:		
Interest cost on loans	(349.8)	(221.1)
Changes in value of financial derivative instruments	-	(101.6)
Other financial expenses	(19.9)	(9.4)
Total financial expenses	(369.7)	(332.1)
Net financial items	91.1	(323.7)

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)	2021	2020
The tax expense for the year is distributed as follows:		
Tax payable	3.2	-
Changes in deferred tax	84.2	(75.7)
Income tax expense	87.4	(75.7)
Calculation of the tax base for the year:		
Profit before tax	34.5	(376.5)
Permanent differences	(3.4)	32.6
Changes in temporary differences	351.6	80.2
Group contribution	156.0	443.0
Tax base for the year	538.8	179.3
Specification of temporary differences and deferred tax:		
Tangible assets	(10.8)	(12.0)
Financial derivative instruments	(26.9)	(177.0)
Provisions	(2.2)	21.1
Tax loss and interests carried forward	(1,883.1)	(2,293.8)
Basis for deferred tax	(1,923.0)	(2,461.8)
Deferred tax in the balance sheet	423.1	541.6
Reconciliation of tax expense and calculated effective tax rate:		
Calculated tax expense on profit before tax (22 per cent)	7.6	(82.8)
Permanent differences	76.6	7.2
Tax payable	3.2	-
Income tax expense	87.4	(75.7)
Effective tax rate (per cent)	253.2	20.1

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.

A management fee of NOK 2.4 million has been expensed in 2021 from a company related to the shareholder Geveran Trading Co. Ltd.

Income-statement and balance-sheet items related to group companies are specified in the table below.

(Amounts in NOK million)	2021	2020
Income statement:		
Management and service fee, group companies	50.9	45.6
Rental cost, subsidiaries	(5.1)	(7.5)
Interest income from group companies (note 11)	156.4	8.4
Balance sheet:		
Investments in subsidiaries (note 4)	4,986.8	4,665.4
Current assets, intercompany balances	9,720.8	10,149.5

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 when 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 to the financial statements or events which do not require such adjustments.

No significant events have occurred after 31 December 2021 which provide information on the conditions existing as at the balance-sheet date.

Declaration by the board of directors and the CEO

The board and the chief executive have considered and approved the directors' report and the annual consolidated and parent company financial statements for Norwegian Property ASA as at 31 December 2021. 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 as at 31 December 2021. The parent company financial statements for the year have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting standards as at 31 December 2021. 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) as at 31 December 2021.

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

- the consolidated and parent company financial statements for 2021 have been prepared in accordance with the 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 as at 31 December 2021.
- 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, 24 March 2022

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	Anders Buchardt 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 2021, 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 consolidated balance sheet as at 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, changes in the group's equity and consolidated 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 comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 10 years from the election by the general meeting of the shareholders on 12 April 2012 for the accounting year 2012.

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.

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 have the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2021 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment property	
The group's investment property represents a substantial portion of the total assets, and primarily consists of office and retail properties, where book value is NOK 23 087.6 million. Investment property are measured at fair value. Fair value adjustments of investment properties 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. The basis for management's estimate is valuations performed by two independent valuation firms. The valuation firms, that were hired by management, carried out their work based on the requirements in IFRS 13 and recognized valuation techniques.	We have 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. We have 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. Based on this work, we satisfied ourselves that the valuation firms remain objective and competent, and that the scope of their work was appropriate. In our meetings with the valuation firms, we discussed and challenged assumptions used and reason behind significant movements in valuations from previous periods. Assumptions regarding cash flows and yield were evaluated. Our main area of attention has been the properties with the highest value and properties

(2)

For details of valuation methodology and the investment properties, 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 and owner-occupied properties) to the financial statements.

where there were significant differences in valuation between the valuation firms. 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.

We have challenged management and external valuers for the possible effect of climate risk in determining fair value of investment property.

For a sample of investment properties, we have evaluated 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. Furthermore, we have agreed this underlying information to the firms' valuation reports. We have also obtained the valuation reports directly from the valuation firms. We found no indication that the information was used inconsistently.

We assessed whether the disclosures in note 2, 4, 5 and 6 regarding valuation of investment properties was adequate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use 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 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 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.
- 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

(4)

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 a true and fair view.
- 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 Audit Committee 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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 5967007LIEEXZXGQFS44-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 24 March 2022
PricewaterhouseCoopers AS

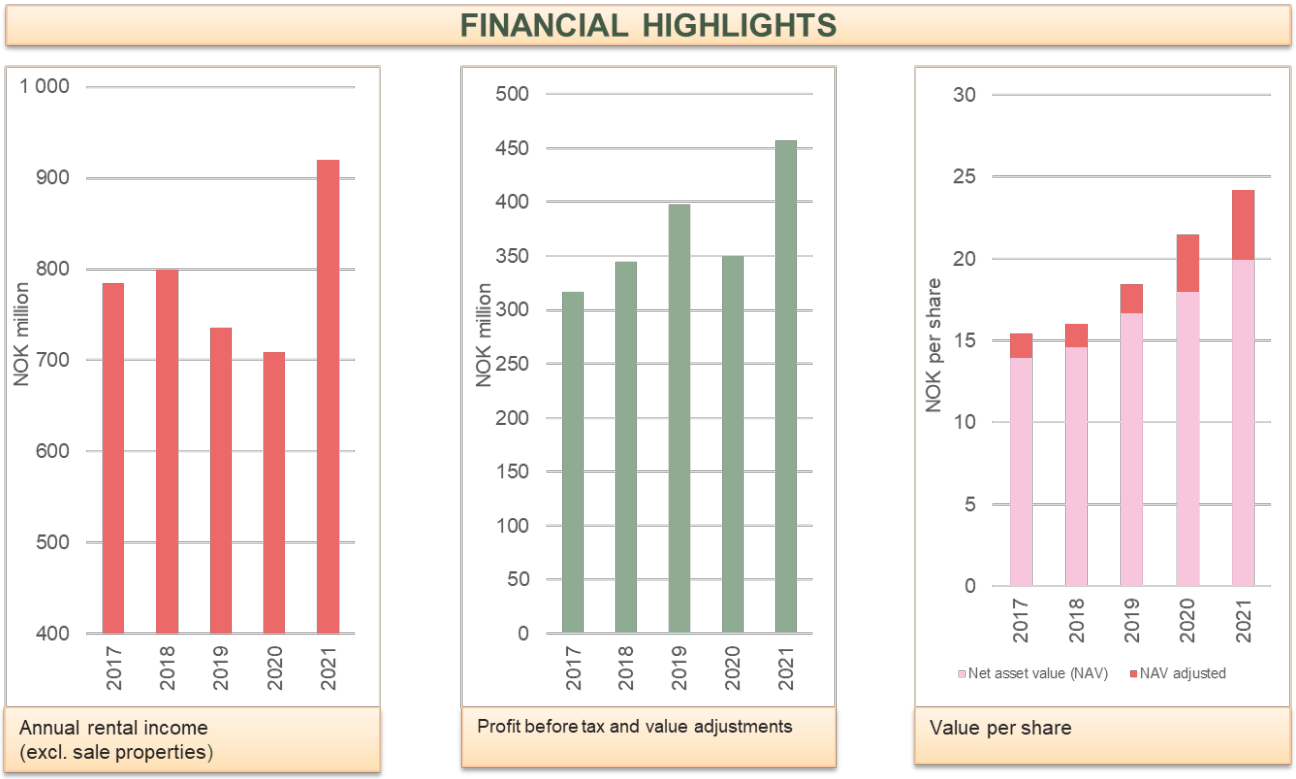
Stig Lund
State Authorised Public Accountant

(This document is signed electronically)

(6)

Key figures

Financial highlights



Key figures funding

Key financial figures and APMs

The table below shows a summary of key IFRS figures from the annual group accounts as well as alternative performance measures (APMs). The financial information for Norwegian Property is prepared in accordance with IFRS. The company also reports on supplementary financial alternative performance measures (APMs).

Profit and loss measures	Measure	Units	2021	2020
Revenues	IFRS[1]	NOK mill.	919.6	1,564.5
Operating profit before administrative expenses	APM[2]	NOK mill.	795.1	1,457.8
Operating profit before value adjustments	IFRS[1]	NOK mill.	810.8	610.3
Profit before income tax and value adjustments	APM[2]	NOK mill.	479.7	349.7
Change in fair value of investment property and rental guarantee	IFRS[1]	NOK mill.	1,365.0	1,827.5
Profit before income tax	IFRS[1]	NOK mill.	1,994.9	2,075.6
Profit after income tax	IFRS[1]	NOK mill.	1,573.1	1,675.9
Balance sheet measures	**Measure**	**Units**	**2021**	**2020**
Market value of property portfolio	APM[2]	NOK mill.	25,143.0	23,450.0
Market value of joint ventures	APM[2]	NOK mill.	2,342.8	1,942.0
Gross interest-bearing debt	APM[2]	NOK mill.	12,004.8	12,097.1
Net interest-bearing debt	APM[2]	NOK mill.	11,594.7	11,331.3
Net LTV	APM[2]	Per cent	42.2	44.6
Total equity	IFRS[1]	NOK mill.	12,836.6	11,560.9
Equity ratio	APM[2]	Per cent	47.9	45.5
Pre-tax return on equity	APM[2]	Per cent	16.4	3.5
Cash flow measures	**Measure**	**Units**	**2021**	**2020**
Net cash flow from operating activities	IFRS[1]	NOK mill.	447.1	1,007.8
Cash and cash equivalents (year end balance)	IFRS[1]	NOK mill.	313.5	665.8
IFRS measures; per share	**Measure**	**Units**	**2021**	**2020**
Number of shares outstanding, end of the period		Mill. shares	643.6	643.6
Average number of shares in the period		Mill. shares	643.6	535.5
Profit before income tax (IFRS)	APM[3]	NOK	3.10	3.88
Earnings per share (EPS)	APM[3]	NOK	2.44	3.13
Net cash flow from operating activities (IFRS)	APM[3]	NOK	0.69	1.88
Gross interest-bearing debt	APM[3]	NOK	18.65	18.80
NAV, book value	APM[3]	NOK	19.95	17.96
EPRA performance measures	**Measure**	**Units**	**2021**	**2020**
EPRA Earnings				
EPRA earnings, per share	APM[4]	NOK	0.48	0.47
EPRA NAV metrics				
Net Reinstatement Value (NRV), per share	APM[4]	NOK	25.17	22.27
Net Tangible Assets (NTA), per share	APM[4]	NOK	24.84	21.97
Net Disposal Value (NDV), per share	APM[4]	NOK	21.87	19.37
EPRA net initial yield				
EPRA Net Initial Yield (NIY)	APM[4]	Per cent	3.89	3.84
EPRA "Topped-up" NIY	APM[4]	Per cent	3.95	3.90
EPRA vacancy rate				
EPRA vacancy rate	APM[4]	Per cent	5.56	7.06
EPRA cost ratio				
EPRA cost ratio, including direct vacancy cost	APM[4]	Per cent	20.13	21.66
EPRA cost ratio, excluding direct vacancy cost	APM[4]	Per cent	17.89	18.41

[1] The IFRS figures appear in the annual group accounts.
[2] APMs which do not derive directly from the IFRS group accounts and explained in the overview of definitions at the end of this report.
[3] When calculating the APMs and IFRS measures per share, the figures related to the 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. The number of shares excludes treasury shares.
[4] The calculation of the EPRA APMs is specified in the separate EPRA performance measures section of this report.

EPRA Performance Measures

EPRA (European Public Real Estate Association) is an association for the publicly traded European real estate sector. EPRA was founded in 1999 as a not-for-profit association. It has more than 275 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers). EPRA's mission is to promote, develop and represent the European public real estate sector through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices as well as the cohesion and strengthening of the industry. For further information, see www.epra.com.

EPRA has issued Best Practices Recommendations Guidelines on areas of reporting that are the most relevant to investors and where more consistent reporting across Europe would bring the greatest benefits in the overall transparency of the sector.

Norwegian Property report on the following EPRA Performance Measures.

EPRA Earnings

EPRA Earnings is a key measure of the underlying operating performance of the property portfolio and an indication of the extent to which current dividend payments are supported by earnings. EPRA Earnings is calculated based on the IFRS Earnings for the commercial property portfolio adjusted for changes in the market value of investment properties, changes in the market value of financial derivative instruments and the related tax effects.

EPRA earnings		31/12/2021	31/12/2020
IFRS earnings	NOK mill.	1,573.1	1,675.9
Adjustments to calculate EPRA Earnings:			
Change in market value of inv. property and rental guarantee	NOK mill.	(1,365.0)	(1,827.5)
Change in market value of financial derivative instruments	NOK mill.	(150.2)	101.6
Share of profit from JVs[1]	NOK mill.	(75.5)	0.4
Income tax	NOK mill.	326.7	298.9
EPRA earnings	NOK mill.	309.1	249.3
Average outstanding shares (million)	Mill. shares	643.6	535.5
EPRA Earnings per share	NOK	0.48	0.47

[1] Earnings from the Nordr joint venture (JV) are adjusted for as it is related to the development of residential properties for sale, and they are not relevant for the measurement of the performance of the commercial property portfolio.

EPRA NAV Metrics

The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

EPRA Net Reinstatement Value (NRV)

The EPRA NRV metric assumes that entities never sell assets and it aims to represent the value required to rebuild the entity.

Investments in JVs are revalued based on an estimated fair value of such investments. The fair value on financial derivatives and deferred taxes on investment properties are excluded. Property transfer taxes do

not normally apply to Norwegian transactions and, therefore, such taxes are not included in the NRV calculation. The fair value of financial instruments, which are used for hedging purposes where the company has the intention of keeping the hedge position until the end of the contractual duration, is excluded. Under normal circumstances, the financial derivatives that companies use to provide an economic hedge are held until maturity and so any fair value movements will not crystallise.

EPRA Net Reinstatement Value (NRV)		31/12/2021	31/12/2020
IFRS equity	NOK mill.	12,836.6	11,560.9
Revaluation of investments made in JVs	NOK mill.	1,258.0	928.4
Net Asset Value (NAV) at fair value	NOK mill.	14,094.6	12,489.3
Deferred tax on properties and financial instruments	NOK mill.	2,077.4	1,668.9
Net fair value on financial derivatives	NOK mill.	26.9	177.1
Net Reinstatement Value (NRV)	NOK mill.	16,198.9	14,335.2
Outstanding shares at period end (million)	Mill. shares	643.6	643.6
NRV per share (NOK)	NOK	25.17	22.27

EPRA Net Tangible Assets (NTA)

The EPRA NTA metric assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

Investments in JVs are revalued based on an estimated fair value of such investments. Norwegian Property has adopted the second option in the EPRA BPR guidelines to adjust for deferred tax, estimating the real tax assets and liabilities based on how the company has previously carried out transactions and otherwise utilised the existing tax positions. The fair value of financial instruments that are used for hedging purposes are excluded.

EPRA Net Tangible Assets (NTA)		31/12/2021	31/12/2020
IFRS equity	NOK mill.	12,836.6	11,560.9
Revaluation of investments made in JVs	NOK mill.	1,258.0	928.4
Net Asset Value (NAV) at fair value	NOK mill.	14,094.6	12,489.3
Reversal deferred tax liability as per balance sheet	NOK mill.	1,685.8	1,268.0
Adjustment for estimated fair value of deferred tax[2]	NOK mill.	182.1	205.5
Net fair value on financial derivatives	NOK mill.	26.9	177.1
Net Tangible Assets (NTA)	NOK mill.	15,989.5	14,139.9
Outstanding shares at period end (million)	Mill. shares	643.6	643.6
NTA per share (NOK)	NOK	24.84	21.97

[2] Estimated fair value of deferred taxes where the estimated fair value of the tax asset related to carry-forward losses are greater than the estimated fair value of relevant tax liabilities. The calculations assume that carry-forward losses can be utilised over the next 5 years with a discount rate of 5 per cent. The real tax liability related to the gains/losses accounts is estimated on the basis of the annual depreciation rates in the Norwegian tax legislation and a discount rate of 5 per cent. The estimated fair value of the deferred tax liability related to the temporary differences of properties as at 31 December 2021 has been calculated to 3.6 per cent based on a discount rate of 5 per cent and the assumption that properties outside Aker Brygge are realised over the next 50 year period in transactions structured as the sale of companies in which the tax discount is 5.7 per cent.

EPRA Net Disposal Value (NDV)

The EPRA NDV metric represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

Investments in JVs are revalued based on an estimated fair value of such investments. Financial liabilities are valued at the estimated fair value, net of deferred tax.

EPRA Net Disposal Value (NDV)		31/12/2021	31/12/2020
IFRS equity	NOK mill.	12,836.6	11,560.9
Revaluation of investments made in JVs	NOK mill.	1,258.0	928.4
Net Asset Value (NAV) at fair value	NOK mill.	14,094.6	12,489.3
Fair value adjustment of financial liabilities, net of tax[3]	NOK mill.	(21.7)	(22.3)
Net Disposal Value (NDV)	NOK mill.	14,072.9	12,467.0
Outstanding shares at period end (million)	Mill. shares	643.6	643.6
NDV per share (NOK)	NOK	21.87	19.37

[3] The fair value adjustment related to financial liabilities is related to the valuation as shown in note 8 to the interim financial statement, where the estimated difference between the current margins and the market conditions are taken into account as well as changes in the fair value of listed bonds. Tax is taken into account with 22 per cent.

EPRA Net Initial Yield

EPRA Net Initial Yield (NIY) and EPRA "Topped-up" NIY

The EPRA Net Initial Yield metrics presents annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property and increased with estimated purchasers' costs. The EPRA NIY is a comparable measure for portfolio valuations.

The EPRA "Topped-up" NIY metric incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents.

EPRA Net Initial Yield		31/12/2021	31/12/2020
Investment property, wholly owned	NOK mill.	25,143.0	23,450.0
Investment property, share of JVs	NOK mill.	8.7	10.9
Total property portfolio	NOK mill.	25,151.6	23,460.9
Less projects and land and developments[4]	NOK mill.	(589.4)	-
Completed management portfolio	NOK mill.	24,562.2	23,460.9
Allowance for estimated purchasers' cost	NOK mill.	97.5	93.0
Gross up completed management portfolio valuation	NOK mill.	24,659.7	23,553.9
12 months rolling rent, including share of JVs	NOK mill.	1,040.5	983.7
Estimated ownership cost	NOK mill.	(81.5)	(79.5)
Annualised net rents	NOK mill.	959.0	904.2
Rent free periods or other lease incentives	NOK mill.	15.8	15.3
Topped up net annualised net rents	NOK mill.	974.7	919.5
EPRA NIY (net initial yield)	Per cent	3.89	3.84
EPRA "topped-up" NIY (net initial yield)	Per cent	3.95	3.90

[4] Applies to the property Sandakerveien 140 (Gullhaugveien 9-13 building A-B).

EPRA Vacancy Rate

The EPRA Vacancy Rate is calculated based on the Estimated Market Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio, and it is a per cent measure of investment property space that is vacant, based on ERV.

EPRA Vacancy Rate		31/12/2021	31/12/2020
Market rent vacant areas[5]	NOK mill.	60.4	76.3
Total market rent[5]	NOK mill.	1,087.0	1,080.6
EPRA vacancy rate	Per cent	5.56	7.06

[5] *Assumptions based on the external valuations for the periods.*

EPRA Cost Ratio

The EPRA Cost Ratio is calculated based on the administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income. It is a key measure to enable the meaningful measurement of the changes in a company's operating costs.

EPRA Cost Ratios		31/12/2021	31/12/2020
Operating costs	NOK mill.	(183.7)	(153.5)
Share of joint venture expenses	NOK mill.	(1.7)	-
EPRA cost (including direct vacancy cost)	NOK mill.	(185.3)	(153.5)
Direct vacancy cost	NOK mill.	20.6	23.0
EPRA cost (excluding direct vacancy cost)	NOK mill.	(164.7)	(130.5)
Gross rental income less ground rent	NOK mill.	919.6	708.6
Share of joint ventures	NOK mill.	0.9	-
Total gross rental income less ground rent	NOK mill.	920.5	708.6
EPRA cost ratio (including direct vacancy cost)	Per cent	20.13	21.66
EPRA cost ratio (excluding direct vacancy cost)	Per cent	17.89	18.41

Corporate governance

Norwegian Property's corporate governance is for securing a clear and appropriate division of the responsibilities between the shareholder, board of directors and executive management as well as ensuring control of the group and contribute to a positive trust-based relationship between Norwegian Property and the group's bond investors, shareholder and other stakeholders. Good corporate governance will contribute to the highest possible value creation over time to the benefit of all stakeholders.

1 Presentation on corporate governance

Norwegian Property complies with the reporting requirements specified in section 3-3b of the Norwegian Accounting Act. The company was de-listed in 2021, and the requirements for reporting on corporate governance have, therefore, been reduced. Where relevant, the company will continue to report according to the stock exchange recommendation of 1 July 2019, available on the Euronext Oslo Børs website, and the latest version of the code of practice from the Norwegian Corporate Governance Board (NCGB) which was published on 14 October 2021. The NCGB code is available at www.nues.no. These recommendations go beyond the legal requirements.

Below is 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 2021, and it is available on the group's website. The presentation covers the relevant sections 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 the 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 March 2021. 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 the 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 the established truths

PROACTIVE
- We will always seek to overcome problems before they arise
- We will seek and discover 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 real estate and infrastructure, including participation in other companies and through trading and investment in interest/units and securities as well as businesses which are related to such".

The business purpose was updated in the annual general meeting held on 25 May 2020.

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

The board has adopted a sustainability strategy stating that Norwegian Property is one of Norway's leading property companies on sustainable growth, a better society and reduced consumption of resources through a focus on complete solutions and a forward-looking use of architecture, aesthetics, technology and materials. The strategy and achievements of the goals and targets are further described in the sustainability section of the annual 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 with human rights, anti-corruption, labour conditions, health and safety, discrimination and the environmental aspects. More details are provided in the presentation on CSR. These guidelines are subject to annual consideration by the board, and they were updated most recently in March 2021.

3 Equity and dividends

Equity

Consolidated equity as at 31 December 2021 totalled NOK 12,836.6 million. The equity ratio at the same date was 47.9 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 leeway, the group has a long-term ambition for the relationship between net interest-bearing debt and gross fair value of the properties to 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. As at 31 December 2021, the relationship between net interest-bearing debt and gross fair value (net LTV) was 42.2 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 updated assessment by the board of the group's financial position and prospects are carried out before any dividend is determined.

Dividends corresponding to 102 per cent of the basis for calculating such payments have been paid in 2021. The board has been mandated by the general meeting to determine quarterly dividends on the basis of the approved financial statements for 2020. Net LTV as at 31 December 2021 was below the range specified in the group's financial policy.

The dividend policy is also described in note 24 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 16 April 2021 mandated the board to increase the group's share capital by up to NOK 32,490,000, 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, which has been exercised during 2021, did not accord with the NCGB code. This mandate had not been utilised on 31 December 2021.

In addition, the board was mandated to raise convertible loans totalling NOK 840 billion. 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 as at 31 December 2021.

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 32,490,000. The grounds were that the board could acquire the group's own shares with the intention of using them as settlement for property transactions, the fulfilment of incentive schemes 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 board was mandated to determine the payment of a dividend on the basis of the group's financial statements for 2020. This decision was motivated by the desire to give the board the opportunity to pay a dividend on a rolling basis if it considered this to be appropriate in light of the group's position. Norwegian Property paid a dividend of NOK 0.425 per share in 2021.

All board mandates remain valid until the group's AGM in 2022, but in any event not beyond 30 June 2022.

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.

Geveran Trading Co. Limited ("Geveran"), acquired 95,766,570 shares in Norwegian Property ASA on 15 July 2021 at a price of NOK 18.25 per share. Following the acquisition, Geveran held 618,867,613 shares, equalling 95.2 per cent of the shares and votes in the company. Geveran carried out a compulsory acquisition of the remaining shares in Norwegian Property ASA on 16 August 2021. The price per share was the same as in the original offer, NOK 18.25. A general meeting held on 20 August 2021 resolved to de-list Norwegian Property's shares.

4 Equal treatment of shareholders

Since 16 August 2021 Norwegian Property has only one shareholder. Therefore, the code's article 4 regarding equal treatment of shareholders is not relevant.

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

The group's share capital amounted to NOK 298,676,726.50 divided between 597,353,453 shares, each with a par value of NOK 0.5.

5 Shares and negotiability

Since 16 August 2021, Norwegian Property has only one shareholder, and the company has been delisted. Therefore, the code's article 5 regarding the free negotiability of the shares is not relevant.

6 General meetings

Notice, registration and participation

The 2022 AGM is scheduled to take place on 22 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, along with comprehensive documentation, will be distributed no later than two weeks before a meeting takes place. As the company is no longer listed, there is no need for 21 days' notice.

The general meeting elects the directors on the board. In the work of assembling the board, it is emphasised that the board functions optimally as a collective body, that the legal requirements for gender representation can be met and that the

directors complement each other in terms of their background and expertise. Therefore, the general meeting is 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.

The 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

In the extraordinary General Meeting on 20 August 2021, it was resolved that the company will no longer have a nomination committee.

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 seven shareholder-elected directors. Directors and the chair of the board have been elected by the general meeting to serve until the AGM in 2022. 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 of this annual report on the presentation of the directors. 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.

The composition of the board is in accordance with the Public Limited Liability Companies Act §6-11. The chairman of the board and two board members are women, four board members are men. There is also a good age composition of the board members from 39 to 69 years. The company is working to establish guidelines for board composition to ensure equality and diversity in the future.

Four of the seven directors are independent of the group's executive management, significant commercial partners and substantial shareholders, while three are related to the shareholder. 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. According to Norwegian Corporate Governance Code, 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 and Axactor SE. She has previously been a director of Seadrill Ltd, Frontline Ltd, Golar LNG and others. According to Norwegian Corporate Governance Code, 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. He serves as director of a number of companies. According to Norwegian Corporate Governance Code, these companies are related to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.

10 board meetings were held in 2021.

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 the 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. In 2021, the audit committee's tasks were expanded to also ensure the auditor's independence. The responsibility includes monitoring the appropriateness of the provision of non-audit services to the audited entity. The audit committee was also responsible for the election of the company's auditor. As at 31 December 2021, the committee comprised Bjørn Henningsen (chair), Merete Haugli and Lars Erich Nilsen. The 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 as at 31 December 2021. It is again governed by a separate instruction, and it consists of members who are independent of the group's executive management.

A board evaluation of its own work and expertise was conducted in 2019. This covered the composition of the board as well as how the directors' function both as a group and individually. A new evaluation is planned for 2022. The findings of the evaluation will be reported to the shareholder. Guidelines on conflicts of interest are included in the instructions for the group's board, and they ensure that the 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. The board and the executive management must ensure 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.

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 now it is 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.

The overall goals have been established and the group's strategy is updated in annual board meetings. On the basis of the strategy, the values base, ethical guidelines and guidelines for corporate social responsibility, the board has established general instructions which specify the authorisations for delegating responsibility to defined roles in the organisation. Furthermore, policies have been established for control and risk management in the most important risk areas, such as operations, finance and sustainability.

Operational risk related to the award of contracts and renegotiation of leases, is followed up on in accordance with the established guidelines and authorisations. Operational risk related to property management is handled through routines for day-to-day operation, compliance, HSE work, energy efficiency and other climate-related actions. Financial risk is managed in accordance with the group's financial policy.

The board is responsible for seeing to it that the business, 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. Steering documents, such as ethical guidelines and guidelines for corporate social responsibility are updated by the board on an annual basis. A subsequent annual review on the Web ensures that the content of the steering documents is made known to all employees. These documents also contain whistle-blower routines to ensure that the board is informed of any breaches of the guidelines or any illegal action.

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 reports which are considered at the board meetings. These reports are based on management reviews of the various parts of the business, and they 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 on 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 independent appraisers 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. Significant matters 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. These fees have been based on the board's responsibility, expertise and time taken as well as the complexity of the business, and they have not been related to the results. One director was awarded options as compensation for providing advisory services to the group in addition to his directorship. The options were exercised during 2021. It does not accord with the NCGB code, but it was justified on the grounds that the director in question had special expertise and that it was 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. Board approval is necessary before any director can be offered such special assignments which lead to extra remuneration.

Further details on the remuneration paid to individual directors are provided in note 21 to the consolidated financial statements. An overview of the shares owned by the directors and their close associates is included in note 22 to the consolidated financial statements.

12 Salaries and other remuneration of executive personnel

The guidelines for salary and other remuneration to leading personnel were adopted by the general meeting in 2021 and are available on the company's website. The group's guidelines for the remuneration of senior executives are described in note 21 to the consolidated financial statements. This note also provides further details about remuneration for senior executives.

These guidelines specify the main principles for the group's executive pay policy, and they have been formed 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 company in which the recipient is employed. Such goals may comprise the attainment of various improvement measures or financial criteria, including the development of the 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 the equal treatment of the 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 the information which is considered to be

significant for valuing the group will be distributed and published 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, to the extent relevant for a company with listed bonds. The applicable recommendation for such reporting is available at https://www.euronext.com/nb/markets/oslo.

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 the 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.

On 15th July 2021 Geveran Trading Co. Limited ("Geveran"), acquired 95,766,570 shares in Norwegian Property ASA at a price of NOK 18.25 per share. Following the acquisition, Geveran held 618,867,613 shares in Norwegian Property ASA, equalling 95.2 per cent of the shares and votes in Norwegian Property ASA. Geveran offered to purchase further shares in Norwegian Property until 13th August 2021 at the same price, NOK 18.25 per share.

The board of directors of Geveran announced on 12 August 2021 that it would resolve a compulsory acquisition of all the remaining shares in Norwegian Property ASA not already owned by Geveran (the "Minority Shares") effective from end of trading on the Oslo Stock Exchange on 16 August 2021. The offered redemption price for each Minority Share was NOK 18.25, which was the same price at which Geveran had purchased shares in the acquisition announced on 15 July 2021 and in transactions in the market thereafter. The full redemption amount was placed on a separate bank account in accordance with Section 4-25 of the Norwegian Public Limited Liability Companies Act.

After the end of trading on the Oslo Stock Exchange on 16 August 2021, the rights and ownership of the Minority Shares were transferred to Geveran. Accordingly, Geveran was the beneficial owner of 100 per cent of the shares in the Company (other than treasury shares held by the Company itself).

A letter regarding the compulsory acquisition was sent to all former shareholders of Norwegian Property with known address and whose shares had been acquired by way of the compulsory acquisition. In addition, the compulsory acquisition was announced in the Brønnøysund

Register Centre's electronic publication. Any objections to, or rejection of, the offered redemption price had to be made no later than two months after the announcement.

After end of trading on 16 August 2021 Geveran announced that it owned 636,347,425 shares in Norwegian Property ASA, representing approximately 98.88 per cent of the share capital and voting rights (excluding treasury shares held by the Company itself). Geveran resolved a compulsory acquisition of all remaining shares in the Company not already owned by it (the "Minority Shares") with immediate effect.

The offered redemption price for each Minority Share was NOK 18.25, which was the same price at which Geveran has purchased shares in the acquisition announced on 15 July 2021 and in transactions in the market thereafter. The full redemption amount has been placed on a separate bank account in accordance with Section 4-25 of the Norwegian Public Limited Liability Companies Act.

The rights and ownership of the Minority Shares were automatically transferred to Geveran. Accordingly, Geveran was from 16 August 2021 the beneficial owner of 100 per cent of the shares in Norwegian Property ASA (other than treasury shares held by the Company itself).

Settlement of the offer price to the minority shareholders took place on or about Monday 23 August 2021.

It was resolved in an extraordinary general meeting on 20 August 2021 to apply for delisting of the shares in Norwegian Property ASA Property ASA from the Oslo Stock Exchange.

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 2021 in relation to fiscal 2021.

- Presented the audit plan for 2021.
- Presented the additional report to the audit committee of the audited entity. This report covers the requirements in the Auditors Act § 12-1, cf. regulation (EU) No 537/2014.
- Attended board meetings considering the annual report, reviewing possible significant changes in accounting principles, assessing significant accounting estimates as well as considering all cases where possible disagreements had arisen between the 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 they provided an overview of services other than auditing which have been rendered to the group.

PricewaterhouseCoopers attended three meetings with the audit committee, which included reviewing the main features of the plan for executing the audit for the year and presenting results from the 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.

Sustainability report

Norwegian Property is experiencing increasing interest from investors and tenants in the environmental, social and corporate governance (ESG) area. Investors and analysts are showing interest in its strategy for and results from efforts to reduce energy consumption and carbon emissions. Tenants are eager to report their own emissions and request figures from the group.

The main focus in 2021 has been on COVID-19 and how to avoid infection among employees, tenants and visitors to the group's properties. Several new ESG reporting requirements have been imposed in the legislation. Norwegian Property has an ambition to carry out its climate reporting in accordance with the standard from the Task force on Climate-related Financial Disclosures (TCFD). It is also working to meet the future requirements in the EU taxonomy for sustainable activities.

The board adopted the current strategy in February 2020. This is 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 internally 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, and it will make an effort to protect the historical cultural heritage by preserving its historic and listed buildings.

SDG 13: Climate action to halt global warming is a goal which Norwegian Property has pursued actively since 2011. The group works continuously to reduce energy consumption and convert to cleaner energy sources in its buildings, like the energy centre at Aker Brygge. It also works 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. Therefore, the group wishes to ensure there is clean water around the buildings, marina and outdoor areas. It wants to help reduce waste in the sea and constantly studies how it can operate the most sustainable possible marina.

Overall guidelines

The strategy is also based on the guidelines for CSR which are updated and adopted by the board on an annual basis, most recently in March 2022, and published 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 the 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 on by the board.

Division of responsibility

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. This also includes BREEAM-in-use certifications.

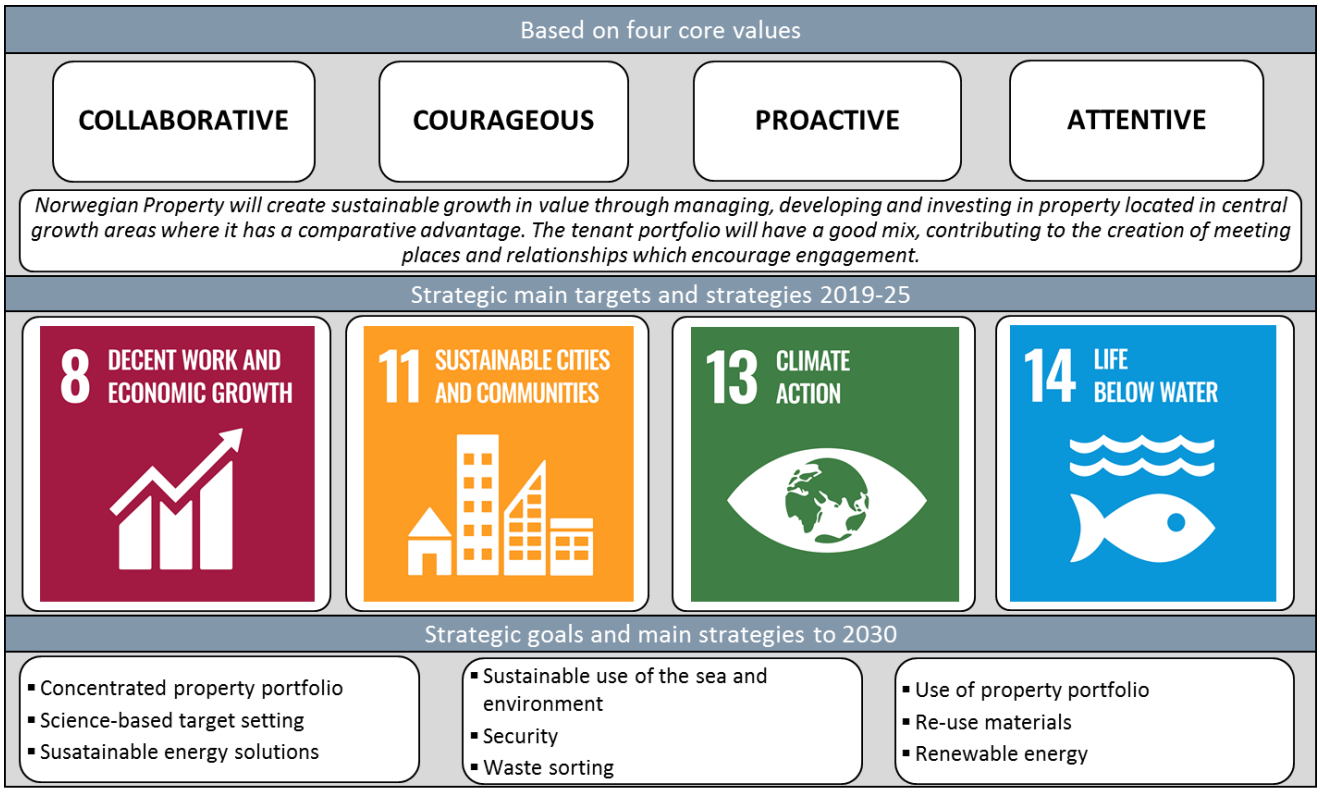
The development department headed by Sindre Kornrud is responsible for ensuring that new building and major renovations are pursued in accordance with the group's sustainability strategy.

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.

In February 2021, Ane Grimsmo was appointed to head the group's work on sustainability, focusing on the sustainability strategy, implementation of efforts across departments and reporting.

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 towards 2025, and with 2019 as the base year.



SDG 13 Climate-related risk management has been part of the group's financial planning process and cross-disciplinary risk management ever since 2011. The group has an ambition to report according to the TCFD framework.

Where climate change 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.

Risks and opportunities with climate change

Norwegian Property has identified and assessed climate-related risks and opportunities according to the TCFD framework. Such risks and opportunities are categorised as physical and transitional risks and opportunities related to climate change. Substantive risks may lead to increased capital expenditures or operational costs, alternatively they may reduce future income unless the strategy is adapted. A risk is identified to be substantive when it influences the way Norwegian Property does its business. Risks and opportunities are described in more detail in the table in the risk and risk management section.

Physical risks and opportunities 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.
4. **Temperatures are expected to change**, with warmer winters and cooler weather in summer. This could represent an opportunity for reducing cost because the need for energy for heating in winter and cooling in summer will decrease.

Transition risks and opportunities are divided into market and regulatory components.

MARKET RISK (INCLUDING REPUTATION):

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. The EU taxonomy for sustainable activities is also expected to affect the financial markets.
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. Opportunities also exist for more energy-efficient solutions with new technology.
6. **Reputational risk** is significant as climate-related awareness spreads.

REGULATORY RISK:

1. **Government requirements and permits** in such areas 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.

In relation to the identified risks and opportunities, Norwegian Property has quantified what is viewed as a substantive financial impact. Norwegian Property has defined impact levels for one-time incidents in the following intervals, where high-impact and medium-impact are considered substantive:

- Low impact < NOK 50 million
- Medium impact = NOK 50-200 million
- High impact > NOK 200 million

Some impacts could be recurring and are defined in the following intervals, where high-impact and medium-impact are considered substantive:

- Low impact < NOK 5 million annually
- Medium impact = NOK 5-35 million annually
- High impact > NOK 35 million annually

Scenario analysis

When determining what risks to include in the scenario analysis, the most significant risks were evaluated, in addition to TCFD's recommendations of including scenarios that

explore alternatives that will significantly alter the basis for business-as-usual assumptions in a changing environment and society due to the implications of climate change.

Based on Norwegian Property's evaluation, the following transitional risks have been included:

- The reputational risk of not keeping up with society's expectations in terms of a climate-related focus and, therefore, not being viewed as an attractive provider of office spaces.
- The risk of carbon pricing mechanisms becoming more stringent and changes in energy prices which will increase operational costs.

Furthermore, the following physical risk has been included:

- The risks related to higher global temperatures which will trigger more frequent extreme weather events and chronical weather patterns such as storms, heavy precipitation, flooding, sea rise etc.

The following climate-related opportunity has also been included in the scenario analysis:

- The opportunity of being a front runner in terms of energy efficient buildings and attractive office locations (e.g. close to public transportation).

SCENARIOS

The presented scenarios are descriptions of hypothetical, plausible futures (not forecasts) that help companies to answer the question of "what would be the potential implications for our strategy if the future, as described in a scenario, came to pass".

The assessed scenarios are mainly based on existing publicly available scenarios:

WELL-BELOW 2°C SCENARIO: TRANSITION RISK INCREASE

- IEA World Energy Outlook (WEO) 2021

i. IEA Sustainable Development Scenario (SDS)

ii. IEA Net Zero Emissions (NZE)

BUSINESS-AS-USUAL 4°C SCENARIO: PHYSICAL RISK INCREASE

- IPCC 5th (RCP 8.5) and 6th AR (SSP5-8.5)
- Business-as-usual (BAU) Scenario

The two scenarios inform the identified Transition risks and Physical risks:

- Transition risks are related to the financial risks of not being prepared for the socio-economic changes of a world striving to meet the Paris ambition of limiting global warming to well-below 2°C.
- Physical risks are related to the financial risks of not being prepared for the physical changes of a world where ambitious climate policies fail or fall short, and the global warming of the world pushes towards 4°C.

The scenarios have been selected to test Norwegian Property's resilience, and to better understand the future strategic and financial impacts in both favourable and non-favourable scenarios. Both medium- (2030) and long-term time horizons (2040-2060) were taken into consideration. The defined reports from the IEA and IPCC have functioned as the main sources of information for the analyses of both transition- and physical risks, with supportive input from geographical-specific and industry-specific reports and articles.

NARRATIVE WELL-BELOW 2°C (RCP 2.6/SSP1-2.6 & IEA SDS AND NZE)

In this scenario, we assume a rather orderly transition to limit global warming to well-below 2°C. The scenario assumes a rise in climate policy ambition and coordinated, global climate action to start gradually in immediate future. The well-below 2°C scenario is dominated by transitional risks and opportunities. Moreover, the well-below 2°C scenario assumes that global CO2-emissions peaked in 2020 and decline fast. A high carbon

price is introduced in most economies, and global power is mostly generated using renewables. Due to low demand, fossil fuel prices are low. Customers and investors are increasingly becoming climate-conscious and demand more sustainable products from all companies.

To meet the goals set in the Paris Agreement, limiting global warming to well-below 2°C, new and more stringent regulations will emerge. It is very likely that this will lead to an increase in regulations directly impacting Norwegian Property when the world transitions to a lower-emission economy. In Norway, policy assumptions include (but are not limited to):

- Full implementation of the Green New Deal, updated to NDCs and 2030 Climate and Energy Framework, reducing GHG emissions to 55 per cent below 1990 levels.
- Long-term strategy for climate neutrality by 2050.
- Increased carbon taxation

The Norwegian government submitted an updated Nationally Determined Contribution under the Paris Agreement in February 2020. The new and enhanced climate target is to reduce greenhouse gas emissions by at least 50 per cent, and towards 55 per cent by 2030 (excluding carbon uptake by forests), compared to 1990 levels, in alignment with the EU's decision to strengthen its 2030 target. Through the EEA and Norway Grants, Norway supports social and economic cohesion in Europe. A substantial share of the funds is aimed at protecting the environment and developing innovative green and blue economies in the beneficiary states. What the implications of the Commission's 'Fit for 55 package' are for Norwegian companies is yet to be determined. However, Norway has stated that for the next financing period of the Grants, Norway intends to emphasise even further on interventions that can underpin the core objectives of the European Green Deal.

RISK AND OPPORTUNITY: REPUTATION

In a future where consumers focus on sustainability when making choices, it becomes essential to not only be aligned with current laws and regulations, but to be a front runner. Because companies can attract customers by having good reputations but also promote scepticism through a bad reputation, the climate-related reputational factor for Norwegian Property can be considered as an both a risk and an opportunity.

Due to consumers' willingness to prioritise sustainability, NPRO's buildings that are close to public transportation in addition to having a high energy efficiency, and access to local renewable energy will be sought after and can maintain a higher rental price. A higher rental price throughout NPRO's building portfolio would provide NPRO with increased income. In comparison, if NPRO's buildings that are average or below average in terms of energy efficiency (regardless of access to public transportation), the rental prices might have to be reduced to attract tenants, and due to increased energy consumption and, therefore, higher energy costs for tenants.

RISK: ENERGY COST AND CARBON PRICING MECHANISMS

An increase in both regional and national industry specific regulations might impact Norwegian Property financially through increased operating costs.

Power prices are expected to be higher in Norway (and Europe) than what has been seen historically. We are in a time of major changes in the energy systems in Europe and in the last couple of years we have seen changes that are likely to have an impact on the power prices in the long run. The EU decided to raise its emission targets for 2030 and submitted proposals for changes in regulations to achieve this. This has already contributed to raising the CO2 price significantly and had a clear effect on power prices in Norway in 2021, as countries and companies are demanding more renewable energy. The increased exchange capacity between the Nordic countries and Europe is also impacting the power prices. Power prices will become more volatile, and the average energy price will be 50 ore/kWh towards 2040. Due to the increased

demand for renewable energy and the increased energy prices, one can assume that increased power production will become more attractive to the suppliers. However, it is expected that the energy consumption will increase more than the energy production until 2030 as there are long planning- and licensing processes for new power production. This assumption has been accounted for in NVE's energy marked analysis, and it is projected that the energy price will be lower than 50 øre/kWh in the longer term (after 2040) as renewable power production in Europe increases.

In 2021, Norwegian Property had an electricity consumption of 62,667 MWh in the common areas of its buildings. With energy prices more than doubling in the coming years, NPRO's operational costs are likely to increase in a medium timeframe. Similarly, NPRO's tenants will have increased operating costs, which might affect how new lease agreements are defined in terms of rent. It is challenging to predict how such a steep power price increase might change the market dynamics and tenants' willingness to pay rent at the same rates as NPRO has defined in its agreements as of today. Increased prices on energy might also lead to increased investments in more energy efficient buildings, or in upgrading buildings that are already in NPRO's portfolio. Both of which might mitigate the risk of tenants demanding lower rent due to higher power prices.

About 40 countries and more than 20 cities, states and provinces already use carbon pricing mechanisms, with more countries planning to implement them in the future. The choice of the instrument will depend on national and economic circumstances. However, as carbon pricing is seen as a key policy mechanism to curb and mitigate the dangerous impacts of greenhouse gas emissions and drive investments towards cleaner and more efficient alternatives, the EU Commission has stated that the EU ETS allowances in the market will be reduced by 61 per cent by 2030, compared to 2005. Furthermore, the Commission proposes to apply emissions trading in other sectors through a separate new system, to build on the result of the current trading system.

For society to be able to limit global warming to well-below 2°C it will become more expensive to pollute. An increased carbon price for activities already included in the EU ETS pose a modest risk to Norwegian Property. Seeing that the construction of buildings is not a substantial part of NPRO's business model as of today, an increase in carbon pricing will not constitute a considerable extra cost for NPRO in the medium- or long-term. However, new sectors might be included in the mandatory carbon pricing mechanisms. The carbon price for companies subject to the EU ETS is expected to increase in advanced economies between 2025-2040, reaching NOK 1,300/tonne in 2040 in the Sustainable Development Scenario. In the Net Zero Emissions Scenario, carbon prices are in place in all regions, rising by 2050 to an average of NOK 2,200/tonne (USD 250). The Norwegian Government recommends companies and activities not subject to the EU ETS to use a price of NOK 2,083/tonne in 2040 when putting a price on their emissions. Moreover, the Norwegian Government recommend companies conducting sensitivity analyses to test future resilience against climate change by using a price on carbon of NOK 5,940/tonne in 2040 and NOK 9,029/tonne in 2050. If activities within commercial real estate are included in the mandatory carbon pricing mechanisms, NPRO's operating costs will increase.

Narrative business-as-usual 4°C (RCP 8.5/SSP5-8.5 & BAU)

The 4°C business-as-usual scenario is dominated by increasing physical risks, due to a lack of coordinated policy actions to limit climate change. In this scenario, economic growth is preferred over climate action overconsumption of resources continues. The world is still dependent on fossil fuels and energy intensity continues to be high. The growth of greenhouse gas emissions will cause further warming and long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems. Consumers are not prioritising climate in their decision making. The ambition for economic growth is not met, as GDP losses occur due to increased physical risks as the temperatures rise. As the globe is warming up, the severity and frequency

of extreme weather events are increasing. The probability of compound flooding events (e.g. storm surge, extreme rainfall and/or river flow) has increased globally in later years and will continue to increase due to both sea level rise and increases in heavy precipitation, including changes in precipitation intensity and frequency of occurrence. The median projections for Norway indicate an 18 per cent increase (span: 7 to 23 per cent) in annual precipitation towards the end of the century, and a doubling of days with heavy precipitation. Preliminary analyses suggest that rainfall intensity for durations of a few hours may increase by more than 30 per cent.

RISK: CHRONIC AND ACUTE WEATHER EVENTS

Rain flooding and landslides because of heavy precipitation as well as increased storm surge levels could impact Norwegian Property's operations due to the geographical locations of most of its buildings (i.e. Akerselva and Aker Brygge). However, the potential financial impact is evaluated to be low in the medium term due to NPRO's insurance. In the long-term perspective, the cost might be somewhat higher if insurance premiums increase due to more frequent extreme weather events.

Increased intensity and frequency of heavy rainfall (including rain floods) can result in more damages to all NPROs buildings, both in terms of exterior and moisture damages. Akerselva is a regulated river and is, therefore, not a big risk in terms of flood water flow for NPRO's buildings located in Nydalen. Nevertheless, heavy rain over longer periods of time might still overflow Akerselva to the point where it affects buildings nearby to some degree. None of NPRO's current buildings are in areas with increased danger of landslides (including quick clay). However, if NPRO seeks to acquire or build new buildings, the risk of landslides should be considered. Of the buildings NPRO own which is located at Aker Brygge, Dokkbygget is the only building that might be affected by storm surge levels in the long term, which could have a financial impact due to water damage.

References are available on page 123.

Targets

Norwegian Property has set some quantitative targets for 2019-25 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 equivalents (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 status for the three years to the end of 2021 is presented in the table, where reductions and increases are measured in relation to the year before.

Climate accounting 2021

	2021	2020	2019
Total consumption (MWh)	105,923	55,652	61,022
sqm	410,157	234,152	219,143
Energy consumption per sqm	258	238	278
Change from previous year (per cent)	9	- 15	- 7
Office (kWh per sqm)	214	171	191
Retail (kWh per sqm)	323	341	438
Restaurant (kWh per sqm)	610	630	854
Total CO_2e-emission (tonne)	3,038	2,653	3,046
sqm	410,157	234,152	219,143
CO_2e-emissions (kg per sqm)	7	11	14
Change from previous year (per cent)	- 35	- 19	- 15
Office (kg per sqm)	4	6	6
Retail (kg per sqm)	5	10	13
Restaurant (kg per sqm)	24	20	28
Proportion of waste sorted (per cent)	60	58	56
Customer satisfaction index	78	79	78

Total energy consumption and carbon emissions in the table above include Snarøyveien 30 with a full year in 2021, but only the month of December in 2020. Vinslottet and Lille Grensen 7 are not included in 2019.

The total use of energy in 2021 increased substantially compared to 2020 because of the acquisition of Snarøyeien 30 in December 2020. In addition, the winter months of 2021 were very cold, which made the need for heating higher than normal. Both 2020 and 2021 had lower activity in the properties than a normal year due

to the COVID-19 pandemic. Energy consumption per square meter also increased from 2020 to 2021, due to the acquisition of Snarøyveien 30 with a data centre which uses a lot of electricity. Excluding the Snarøyveien 30 consumption leaves the energy consumption per square meter almost unchanged from 2020. The target of 5-10 per cent annual reduction was not met.

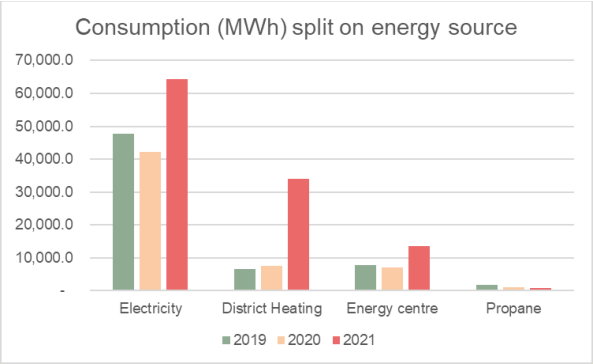
The total amount of carbon emissions increased from 2020 to 2021 because of the enlarged property portfolio. Breaking down the emissions per square meter shows a decrease of 33 per cent, which is above the target of 10 to 20 per cent. This was partly due to increased use of renewable energy in the production of electricity and central heating. Another effect is the increased proportion of central heating in the group's energy mix, as central heating causes less carbon emissions than electricity.

Both energy consumption and carbon emissions are split into three categories – offices, retail and restaurants. These KPIs are used to make sure that the figures are comparable from one year to another, and target for reduction of energy use and carbon emissions are measured using these KPIs.

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, compared with traditional office premises which are in use only within ordinary office hours. 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. In addition to that is the effect of the number of hours the buildings are in use during the day. That helps to explain why NPRO has some high average figures.

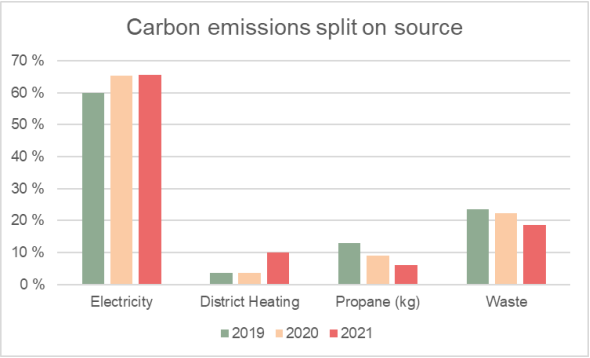
The base data are obtained from the group's energy suppliers and the energy monitoring system (EOS) in the properties. Cemasys has provided support in processing and verifying the figures for energy consumption and carbon emissions.

ENERGY MIX



The group's energy consumption is a mix of electricity, district heating and the energy centres' production in Aker Brygge and Fornebu. One of the ways to reduce carbon emissions for the property portfolio is to replace energy sources with more renewable energy sources. With the acquisition of Snarøyveien 30, the mix of energy was altered. Electricity was reduced from 73 per cent to 57 per cent, and the district heating increased from 13 per cent to 30 per cent. The group's own production of renewable energy in the Energy Centres in Aker Brygge and Fornebu doubled, while the proportion of total energy consumption was nearly unchanged. The use of propane mainly takes place in the restaurants' kitchens. Due to the pandemic, they were closed several months, and the consumption of gas decreased.

SOURCE OF CARBON EMISSIONS



Total carbon emissions per square meter came down 33 per cent. Electricity is the group's main source to carbon emissions and constitute about 57 per cent of all emissions in 2021. The renewable component in the electricity mix (Nordic mix) was enhanced from 2020 to 2021, so even though the use of electricity rose by 52 per cent following the acquisition of Snarøyveien 30, the carbon emissions only increased by 15 per cent. Carbon emissions from district heating is low and account for about 10 per cent of the total emissions while the consumption accounts for about 30 per cent (not including the energy centre).

Emissions from waste constituted approximately 19 per cent of the total emissions in 2021. Of this, 90 per cent (525 tonnes) came from waste not sorted.

Total consumption and carbon emissions cover all energy use in the group, and include scopes 1, 2 and 3. For a complete list of the properties included, see the climate report available at www.npro.no. The figures broken down between offices, shops and restaurants only relate to these types of premises and their associated energy consumption.

ENERGY-SAVING MEASURES

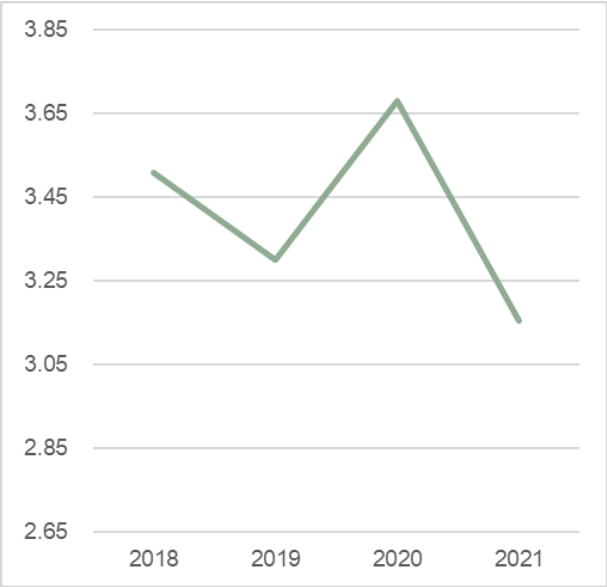
Every time a building is to be renovated, a detailed analysis of such aspects as energy and ventilation is carried out in consultation with experts in various fields in order to determine how energy consumption and CO_2e emissions can be reduced.

GREEN LEASES

Energy savings in leased buildings can be achieved through "green" leases. Such 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.

ENERGY CENTRE AT AKER BRYGGE

Three of the buildings at Aker Brygge are connected to a common energy centre, which became operational in summer 2014. The centre delivered energy corresponding to 316 per cent of the energy input in 2021, 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. The energy centre is much more efficient for cooling than heating. Efficiency was therefore good in 2018 because of a particularly long, hot summer with a high output of distance cooling. Temperatures in 2019 were closer to regular levels, while 2020 was characterised by a low level of activity in the buildings because of lockdowns in the March-April and October-November periods when heating is required. Most activities were opened up during the summer, and cooling was at a normal level. Overall efficiency ended up at a very high level in 2020. In 2021, the very cold winter months contributed to a high production of heating and thereby lower efficiency.

The centre generated and delivered 7,241 MWh in 2021 compared with 6,165 MWh in 2020.

The energy centre's efficiency	2021	2020	2019
Energy consumption	2,295,082	1,674,814	2,169,363
Produced energy delivered to the buildings	7,241,743	6,165,046	7,163,111
Production vs consumption	3.16	3.68	3.30

Another energy centre in Aker Brygge with a seawater pump delivers energy to four other buildings. This is an older energy centre, and it is estimated that it produces approximately 1.9 times as much energy as it uses. In 2021, the production was estimated to 5,3410 MWh.

SNARØYVEIEN 36

The property was the first to be certified to BREEAM-in-use by Norwegian Property, and it was graded Excellent in spring 2020.

New heat pump technology was installed in 2020 as part of the ongoing energy-saving programme at Snarøyveien 36. The new solution produced 901 600 kWh of renewable central heating and cooling in 2021, which constitutes 15 per cent of the property's energy consumption.

WASTE SORTING

Norwegian Property has placed a special focus on waste sorting in 2021. CO_2e-emissions from waste is second most important source to emissions for the group. Approximately 19 per cent of carbon emissions in 2021 (22 per cent in 2020) came from waste, and 90 per cent of these emissions were due to waste which had not been sorted. Hence, increasing the degree of waste sorting is an important measure. The project includes, among other things, the following initiatives:

- Updated information to all tenants about how to sort waste.
- Together with our tenant, BNP, arranging a Green Week for tenants at Aker Brygge with focus on waste.
- Staffing of waste rooms to assist with the sorting.
- In collaboration with tenants and the garbage removal company, work has been done to improve signs and equipment to ease waste sorting.

The target for this strategy is a minimum level of waste sorting of 60-65 per cent. Attention has been concentrated on achieving an increase at Aker Brygge, since the buildings account for over 72 per cent of the waste in 2021.

Amount of waste	tons	2021	2020	2019
Aker Brygge	tons	1,853	1,924	2,661
Other CBD	tons	80	38	29
Nydalen	tons	134	156	192
Vinslottet	tons	109	132	NA
Fornebu	tons	384	47	63
Sum from operations	tons	2,560	2,297	2,944

Since 2011 the proportion of sorted waste at Aker Brygge has boosted from 15 per cent to 58 in 2021. It is hard to say if the 2020 and 2021 figures are representative, since they were clearly lower than in earlier years owing to the lockdown.

Proportion of waste sorting		2021	2020	2019
Aker Brygge	per cent	58	58	58
Other CBD	per cent	72	62	92
Nydalen	per cent	53	41	32
Vinslottet	per cent	55	70	NA
Fornebu	per cent	68	68	59
Sum from operations	per cent	60	58	56

CARBON DISCLOSURE PROJECT (CDP) REPORTING

Norwegian Property achieved a B ranking in the 2020 reporting. The group has been filing CDP reports since 2011, and it wants to continue doing so.

GREEN BOND

Norwegian Property published its Green Bond framework with a Medium Green score from Cicero, and it issued its first Green Bond in June 2021. The Green Bond Framework is available in the company's webpage.

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 summer. The group's goal is also that the marina will be a driver and facilitator for environment-friendly pleasure-boating.

The electrified Aker Brygge Marina provides hire of electrically powered boats and stand-up paddle (SUP) boards in addition to conventional marina operations.

Norway's first electric boat marina was opened at Aker Brygge in June 2021. The chargers were installed by BKK. Kruser offered membership in an electric boat pool and had eight berths in the electric boat harbour. Instead of owning your own boat, you as a member can reserve and use an environmentally friendly electric boat. With plenty of space, minimal engine noise and long range, the boats are well suited for everything from one person to larger groups. The boats are emission-free in use, and they emit neither exhaust nor environmentally harmful antifouling.

GreenBoats arranged the Fjord Clean Up campaign, where volunteers were invited to weekly harbour clean-up events with electric boats, kayaks and SUP boards provided for them. Afterwards, the participants were welcomed to use the sauna and enjoy some hot soup.

Norwegian Property has collaborated for several seasons with various players on rubbish collection from the harbour. Over the past three years, the Seabin project has recovered some five tonnes of waste. While two tonnes were collected in 2019, the amount in 2020 was reduced to one tonne because the system did not work for a time owing to a lack of spare parts. The Seabin was back in full capacity in 2021, and it collected approximately two tonnes of waste.

Meeting places to encourage engagement

SDG 11 Norwegian Property's vision of creating meeting places and relationships which encourage engagement drives a continuous commitment to providing secure and accessible outdoor spaces for 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 and snow clearance.

The group has rented facilities at Aker Brygge to the Microgreens project, which pursues urban farming. Sprouts, salads, herbs and mushrooms are being produced for sale as local ingredients to the restaurants at Aker Brygge. Some of the sprouts are grown in a stand in the atrium of the Terminalbygget which is accessible for visitors to see. In 2021, despite the lockdown, the sales of Microgreens amounted to NOK 370,000. When society opens and activity is back to normal, the sales are expected to rise substantially.

Improving bio-diversity
In Fornebu, Norwegian Property have beehives where approximately 160,000 bees produce 80 kg of honey per year.

Norway's first kiosk with an all-green façade was opened at Aker Brygge in 2021. The kiosk was covered by native vegetation for the Oslo area, and it contains several pollinator-friendly flower species.

Climate-positive park in Nydalen
On the old parking deck outside the canteen in Sandakerveien 140, Norwegian Property plans to establish a "green lung" that will be available to the tenants in Nydalen. AsplanViak has been engaged to create a concept for Oslo's first recycling park that will include outdoor exercise equipment, plants, green walkways, furniture with focus on reuse, a greenhouse and art made by local artists.

Through conscious choices of solutions, type of vegetation and recycling elements, the park has the potential to become a climate-positive park.

Which means that the park stores more CO2 in soil and vegetation than what is released upon establishment. This will be the first documented climate-positive park in Norway.

Sustainable travel to work
Norwegian Property has concentrated the composition of its portfolio in three clusters: Aker Brygge including the CBD, Nydalen and Fornebu, in addition to Vinslottet (Wine Palace) at Hasle. The properties are all located close to public transport. Those in the CBD, Nydalen and Hasle are located close to bus stops and the metro. The properties at Fornebu are next to existing bus stops and to a new stop on the planned metro line to this area. That provides opportunities for tenants to take public transport to and from work. The group also offers cycle parking and cyclist changing rooms in several of its buildings as well as charging points for electric bikes where it has car parks.

Growing investments are also being made in charging points for electric cars. About 13 per cent of the parking spaces at Snarøyveien 36 and in Nydalen are now equipped with these.

The group has started a pilot project with the Otto car-sharing programme. This initially involves a few cars in Snarøyveien 36 at Fornebu. Due to the lockdown, the interest has been low so far, but some of the tenants are interested in pursuing this solution when society opens up again.

Demand for parking in office buildings appears to be decreasing slightly. Once the COVID-19 pandemic has ended, it will be clearer whether this is a persisting trend. Other uses for parking spaces are being explored.

BREEAM-in-use
The Snarøyveien 36 property was certified as BREEAM-in-use Excellent in 2020, and the Kaibygning 1 and Fondbygget were BREEAM-in-use certified Very Good in 2021. The Snarøyveien 30 property is also certified as BREEAM-in-use Very Good. Both tenants and investors are paying growing attention to certified buildings, and Norwegian Property will continue this work. The target is to BREEAM in use certify all properties within 2025.

Preservation of cultural heritage
Old buildings with historic value are found at Aker Brygge, in Nydalen and Vinslottet at Hasle. The group sees the value of preserving the architecture and communicating this history when creating an attractive and engaging area for visitors and tenants. That target conflicts from time to time with climate-related goals, since improving energy efficiency is hard when windows and facades are old and of lower quality than today's standard.

Community engagement
Norwegian Property is a proud sponsor of Zuccarello Classic, The Zucarello Foundations main target is to assure that all children and young people are given equal opportunity to participate in sports and physical activity – regardless of background, ethnicity, place of residence and family income.

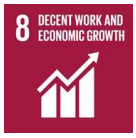
In 2021, as in 2020, most planned community arrangements were cancelled due to COVID-19. Nevertheless, some adjusted arrangements took place. At Aker Brygge, the following arrangements were open for the public and free of charge: Outdoor Christmas cinema, Pop-up concerts with Norwegian artist, Christmas concert with the "Sølvguttene" in addition to our participation in Oslo Art Walk and the Oslo Fjord Light festival.

Creating engaging meeting places is Norwegian Property's vision. This applies both to the properties and the outdoor areas. Aker Brygge hosted the Mexican artist Jorge Marin's exhibition "The Reconstruction of Being" from august 2020 until September 2021. The exhibition is since September 2021 to be found at the property Snarøyveien 30.

In the outdoor areas of Vinslottet, "Kunst Kræsj" has taken place as a Pop-up Exhibition through 2021. "Kunst Kræsj" presents young artists across genres and forms of expression. The purpose is to create an open and inclusive experience for a wide audience, where leading young artists and

talents are given the opportunity to exhibit their works. There were in total seven unique exhibitions that were changed every other month throughout 2021.

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. These companies represent the group and, therefore, they must communicate 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 2021.

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 bi-weekly employee satisfaction surveys to determine how employees regard the group as a workplace and to identify possible areas for development. The survey has been ongoing among all employees since late 2019. The response rate for 2021 was 90 per cent, which is considered good. The results show that the job satisfaction is high, 8.2 out of 10 for the organisation as a whole. Areas with the lowest score are innovation at 7.3 and diversity at 7.5.

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 – based on gender, race, religion or orientation, for instance.

INCLUSION

Norwegian Property wants to provide job opportunities for representatives from disadvantaged groups. One of these is female immigrants. The group has succeeded in providing jobs to such individuals, as some of its beneficiaries have later had secured permanent jobs both in Norwegian Property as well as outside of the company.

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. Norwegian Property has also secured one young female a permanent job during her gap year as a Maintenance Technician.

Summer jobs will also continue to be offered in the marina and the outdoor areas at Aker Brygge. In 2021, we hired in total 15 young people, five females and 11 males, in summer jobs.

EQUAL OPPORTUNITIES

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 59 employees on 31 December 2021, compared with 51 a year earlier. In total, that gives us 8 new employees in addition to 3 employees which got promoted throughout 2021. Forty of the group's 59 employees are male and 19 are female. The executive management comprised six people as at 31 December 2021, including one woman. Annual salary in 2021 excluding the executive management team specified in the annual accounts averaged NOK 795,000 for men and NOK 716,000 for women. Maternity leave in 2021 amounted to 90 weeks in total for three women, in addition to one man who had five weeks paternity leave. Two females are employed part-time. A total of 61 work-years were performed in the group during 2021, up from 57 in 2020.

At the date when the financial statements were presented, the board comprised seven directors – four male and three female.

HSE work

Norwegian Property observes the established standards of working life, and it will comply with all the requirements enshrined in the 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 2021 at Norwegian Property was 3.7 per cent, while the target in the group's strategy is three per cent. With a relatively low number of employees, however, long-term sick leave will necessarily influence the absence rate. Efforts to reduce sickness absence include financial support for employees to exercise and have massages, health insurance and physiotherapy sessions to address their seated posture. COVID-19 led to some increase in short-term sickness absence.

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. 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 based on gender, pregnancy, maternity or adoption leave, care responsibilities, ethnicity, religion, philosophy of life, disability, sexual orientation, gender identity or gender expression. Children will not be used as labour if it could harm their education or development. When offering job opportunities to young people this must be done within the requirements of the Working Enquirement Act. 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. However, 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 wages and employment conditions are significantly worse than for national workers. The greatest opportunities for Norwegian Property to promote and respect human rights and help prevent human rights abuses 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 ensure that suppliers apply key principles which accord with those of Norwegian Property.

Risk and risk management

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

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
Financial conditions Responsible: CFO			
1. Fair-value changes for the properties	ON-GOING 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.	The asset value of office properties in Oslo increased markedly during 2021. Low vacancy (particularly in the CBD), rising rents and low interest rates have contributed to a good market. For Norwegian Property, both investment in new buildings and higher valuations contributed to rising book values in 2021.
2. Interest-rate risk	ON-GOING Interest charges represent a large proportion of the group's total costs. Interest-rate changes will therefore affect both profits and liquidity.	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 related to possible interest-rate increases.	Market interest rates remained at a low level through 2021, but there are indications that they will rise, especially because of higher inflation. At the beginning of 2021, the 10-year interest rate was 1.26 per cent. It reached almost two per cent in December. The hedging ratio in 2021 was

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
			approximately 70 per cent, which helped to reduce the risk to future cash flow.
3. Access to external capital	ON-GOING 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 group's main funding source has changed from bank loans to bonds the last years. The refinancing risk in the bond market could be viewed as higher than in the bank market.	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 to reduce refinancing risk. The group has issued its first Green Bond of NOK 530 million in 2021. In Q3 2021 the bond market was very liquid, and the group took the advantage to refinance some of the bonds maturing in 2022. The group has decided to get an official credit rating during first half of 2022.	Access to external capital has been good, and liquidity and margins were back to pre-coronavirus levels in the second half of 2021. Bond investors have become more aware of the official credit rating. The interest for green bonds and ESG bonds seems to increase.
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	All tenants must provide a deposit or guarantee for three-six months' rent, and routines are in place for approving the financial institutions	No significant leases were terminated because of bankruptcy in 2021.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	could go bankrupt during the tenancy period, and that both income and investments in the premises could be lost.	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 terminated early if rent is not paid.	Generally speaking, the number of bankruptcies is growing in the retail and restaurant sector owing to effects of the pandemic.
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.	Liquidity in the capital market was good, particularly in Q3-2021, and margins were back to pre-COVID-19 levels during the second half of 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	Delayed payments, particularly in the retail and restaurant sectors, have been one effect of lockdowns imposed to combat COVID-19. The reduction in revenue-based rental income has been about NOK 10 million.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
Market risk Responsible: marketing vice president			
1. Changes in market rents	ON-GOING RISK When awarding new or extending existing leases, market conditions at the negotiation date present a risk. Opportunity: market rents expected to increase at Fornebu with the completion of the new metro line around 2027.	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. Acquisition of Snarøyveien 30. Working on a strategy for developing the Fornebu area.	The letting market was good in 2021, and the group achieved good rents when leases expired. It is finding that demand for premises is particularly good in Oslo's CBD. Construction of the new metro to Fornebu started in 2020 and plans call for it to be finished in 2027.
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-user buildings remaining vacant.	The letting market was very good in 2021. Norwegian Property experienced a flattish market in all its core areas. Good demand for the group's Business Village concept. 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 2021.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
		Expanded the Business Village concept to cover many categories of tenants, increasing flexibility in terms of duration and size. Norwegian Property is seeking to achieve a spread of lease expiries and a differentiated body of tenants.	
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 at Aker Brygge 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.	Owing to COVID-19 and lockdowns, the group has not received any material turnover-based rents in 2021. It expects these to resume as soon as the pandemic is over and activity resumes.
2. 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 2021 have full CPI adjustment.	Inflation in 2021 was 5.3 per cent, which is high compared to the level aimed at by Norges Bank. However, most leases in the portfolio were adjusted according

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
			to the 3.5 per cent October CPI.
Project risk Responsible: project and marketing vice presidents			
1. Uncertainty over future occupancy rate	WITHIN THREE-FIVE 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 2021. The letting market developed positively during 2021.
2. Cost overruns	WITHIN THREE-FIVE YEARS Big projects will often have an element of uncertainty related to costs for both procurement and design. Through the pandemic the cost of raw materials has risen, and in turn increased the construction cost.	The group makes the maximum possible use of turnkey contracts for its projects.	No big projects were under way in 2021. Construction cost increased in 2021. Still no sign of lower cost in 2022.
3. Delays	WITHIN THREE-FIVE YEARS Late delivery carries a cost in reduced income and possible compensation. As a result of the pandemic, late delivery and uncertainty related to time of delivery has increased. This has increased uncertainty for completion of projects. Progress and capacity in planning processes is an increasing challenge in the City of Oslo.	Project management is important, and is followed up by a competent team. Turnkey contracts reduce risk for the group.	No big projects were under way in 2021. Problems with late delivery has increased in 2021 due to the pandemic.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
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 HSE in every project run by Norwegian Property.	No big projects were under way in 2021.
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. In collaboration with new and existing tenants, the group will find solutions for re-using materials, and rent out premises with just the necessary adjustments. Where tenant adaptations and minor projects are concerned, profitability calculations are made in each individual case.	This trend attracted continued attention during 2021, and is likely to increase. A separate market for the sale of recycled materials is being established. Public requirements and regulations will most probably be adapted to this market in the future.
Social and governance risk Responsible: CEO and CFO			
1. Risk of human rights violations and decent working conditions	ONGOING RISK As a property group with all its activities in Norway, Norwegian Property does not face the greatest human rights challenges in its everyday operations. However, the suppliers it uses could be subject to challenges, in part related to social dumping. In the construction industry, the latter could be associated	NPRO is seeking to be a responsible purchaser of goods and services. Through its ethical guidelines and by acting as a responsible purchaser, the group seeks to ensure that suppliers apply key principles which accord with those of Norwegian Property.	The Transparency Act was passed in 2021, and it will take effect from July 2022.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	with economic migrants whose wages and employment conditions are significantly worse than for national workers.	Work is being done to make expectations and requirements towards suppliers even more explicit.	
2. Equality and non-discrimination among employees.	ONGOING RISK: In the construction industry and in the real estate industry, there is a clear predominance of male employees. It is usually women who work involuntarily part-time in Norway, and there are also generally lower average wages for women than for men.	Norwegian Property's ethical guidelines clearly states that discrimination is not accepted. All employees have to go through the ethical guidelines annually. Most employees are working full-time in Norwegian Property, but for those who wish part-time work this has been accepted. The salary level for all employees will be reviewed, and opportunities for skills development and new work tasks that can raise salaries will be considered for those with low wages.	The Transparency Act was passed in 2021, and it will take effect from July 2022.
3. Non-discrimination of people with disabilities in properties and out-door areas.	ONGOING RISK: The focus is increasing on the rights of people with disabilities. There is a risk that the reputation of the company will be damaged if it does not meet the requirements for Universal design of the buildings.	When doing refurbishments of buildings the company complies with the Norwegian law and requirements regarding Universal design. One example in 2021 was Sandakerveien 140.	Media has had several stories about discrimination of people with disabilities.
4. Risk of corruption	Corruption can be devastating to the company's finances and operations.	NPRO aims to be a responsible buyer and investor. Ethical guidelines that are made known to all employees	

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
		contain rules to combat corruption.	
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. This 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 2021. A greater threat of flooding from an anticipated increase in precipitation has led to stricter government standards for construction projects, and discussions on insurance cost and coverage.
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 2021.
B. Transition risk			
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	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	The risk did not change markedly in 2021. Big tenants demand this in their specifications. The risk is expected to increase.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	customers are particularly concerned about this. Norwegian Property's property portfolio includes several old buildings which are listed as worthy of preservation. There are limits on how many energy-efficiency measures can be implemented, and which ones. These buildings may therefore become less attractive in the future. This could also be looked upon as an opportunity because tenants will be positive to sign green leases which will enable Norwegian Property to make investments in properties which would otherwise not be affordable.	CO_2e emissions there. Buildings are to be certified to Breeam or Breeam-in-use within 2025. During 2021, the group completed its Breeam-in-use certification as Very Good of Kaibygning 1 and Fondbygget at Aker Brygge. Green leases mean that, if an investment in energy efficiency measures lowers the energy cost for tenants, the capex will be covered by increased rent equal to the reduced energy cost. Green actions, such as urban farming at Aker Brygge and a green wall of flowers, are measures which have become profitable because of the positive interest from tenants and visitors.	
2. Environmental requirements from investors	PRESENT, 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. During 2021 the group established a framework for green bonds and issued its first green bond.	The attention paid by the financial community to environmental requirements, as well as to sustainability in general, continued to increase, much because of the EU taxonomy.
3. Environmental requirements from banks	PRESENT, EXPECTED TO RISE TOWARDS 2030	Norwegian Property reports to the CDP, produces an annual	The banks have shown growing interest in the

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	Requirements for reporting and climate adaptations are growing. Climate risk will probably be linked more strongly to loan terms and access to financing. Growing offers of green bank loans.	climate report available on its website and is open about its environmental strategy. During 2021 the group established a framework for green bonds.	environment during 2020, and the group sees that this is beginning to 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 2021.
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. New technological solutions, such as the internet of things (IoT) represent an opportunity for enhanced energy efficiency and cost cuts.	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. An IoT project was introduced in 2020 and continued in 2021. This will look at how the use of sensor technology in existing buildings can boost operational and energy efficiency. The aim is to be at the forefront in terms of technological risk for the existing building stock.	Technology is constantly developing, including for the property sector. The trend with a growing number of new property technology companies continued in 2021. New solutions are also coming for more climate-friendly building materials and products, such as concrete.
6. Reputational risk	ON-GOING RISK, RISING TOWARDS 2030 Being perceived as a reputable and by all means	Norwegian Property has established a sustainability strategy which aims to meet the	Given the increased attention paid to the climate by society at large during 2021, reputational risk

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	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.	requirements and expectations of society. Tenants are being more involved in sustainability thinking such as reuse of building materials, waste sorting and energy efficiency efforts.	increased over the year. An increased number of tenants show interest in how they may contribute to reduce carbon emissions. Many tenants also ask for input to their own climate reporting.
7. Increased CO_2 taxes	FUTURE RISK This relates both to energy prices and waste handling. Considered high risk in probability, but low risk since the cost affects the group indirectly.	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 Norwegian government has recently presented a plan for increased taxes on carbon emissions.
C. Regulatory risk			
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, 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 property tax changes during 2020. The government decided to increase taxes on carbon emissions in 2020, and this will probably affect energy costs in the future. No further changes in 2021.
2. Car-free city	ON-GOING RISK Aker Brygge lies 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	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.	The focus on car-free zones in Oslo is increasing. The city council is working on a proposal to establish zones

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2021
	the zone will not be expanded.	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 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.	where fossil-fuel cars are banned.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Effects of the coronavirus in 2021			
Rents, vacancy, fair value changes, risk of reduced 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 values and enhance the risk of lost rental income. Inflation is expected to fall.	Norwegian Property has introduced infection control measures for tenants, visitors and employees in its properties, in order to contribute to a safe environment for all. 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.	There has been no material run rate based on turnover in 2021 and 2020, as both shops and restaurants have been locked down for parts of the year. Office tenants have not been affected to the same extent.
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.	As we hopefully approach the end of the pandemic, inflation is on the rise in most countries, which again leads to higher interest rates. This will increase financing costs for the part of the debt portfolio with floating interest rates. Lower margins counteract this. Access to capital was good in 2021 in both bank and bond markets.

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Effects of the war in Ukraine			
Rents, vacancy, fair value changes, risk of reduced rental income and inflationary pressures.	Increased energy cost seems to be the immediate effect of the war in Ukraine. As food production in Ukraine is important for the global supply, the war may lead to higher food prices. It is probable that inflation will raise considerably. If the war leads to reduced economic activity, it could end up with more vacancy, reduced rental income and negative fair value changes.	Attractive, high-quality properties in central locations. Good operations organisation. Competent marketing team. Spread of lease expiry dates. Differentiated tenant portfolio. Leases with good minimum-rent levels. Most leases have full CPI adjustment.	The risk for economic consequences for the Norwegian market is present and increasing.
Interest-rate risk and access to capital	An economic downturn could reduce the level of rents. Access to capital will probably be more restricted, and credit margins may increase. Due to sanctions towards Russians, compliance routines and policies in banks will most likely become stricter, and this could slow processes regarding financing.	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.	.

Presentation of the directors

The board of Norwegian Property ASA comprised the following directors as at 31 December 2021.

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 she has a versatile background in finance such as SEB, Norway (Head of Private Banking), Formuesforvaltning AS (Managing director and board member for the Oslo office), and ABG Sundal Collier ASA (consultant for the compliance department and the board) as well as Assistant Chief of Police, Economic and environmental crime in Oslo Police District. Since 2009 she has held various positions as a board member. Haugli is also director of the company Axactor SE as well as a member of the nomination committee for Mowi ASA and North Energy ASA.

Bjørn Henningsen (deputy chair)

Mr 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 establish in 2005. Henningsen has very long and broad experience in real estate investment and development, banking and finance. He was previously finance director and managing director of Investra ASA, and he also has extensive 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.

Anders Buchardt (director)

Anders Buchardt (born 1974) is a graduate (nw: Siviløkonom) from the Norwegian School of Economics (NHH) in Bergen and is the owner and working chairman of AB Invest AS and Agate Utvikling AS. Buchardt has a background from PwC Consulting and Finansbanken/Storebrand Bank, before establishing and growing his property development business. In addition to several residential projects, he has developed a number of new, large hotel facilities in Norway and Sweden over the past 15 years. Anders has been responsible for the development of a number of holiday home projects at mountain destinations such as Hafjell, Kvitfjell, Gaustatoppen and Hemsedal. Together with his father Arthur, he owns and manages a larger portfolio of hotel and office properties through AB Invest AS. In addition to being chairman of the board of his own companies, he is currently chairman of the board of Pangea Property Partners and board member of the trade association Norsk Eiendom.

Cecilie Astrup Fredriksen (director)

Cecilie Astrup Fredriksen (born 1983), director since 10 October 2014, obtained 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. She is affiliated with Geveran Trading Co Ltd, which owned all the shares in Norwegian Property ASA as at 31 December 2021.

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 and serves as director in SFL Corporation Ltd, Axactor SE and Avance Gas AS. Fredriksen's previous directorships include Seadrill Ltd, Frontline Ltd and Golar LNG. She is affiliated with Geveran Trading Co Ltd, which owned all the shares in Norwegian Property ASA as at 31 December 2021.

Carl Erik Krefting (director)

Carl Erik Krefting (born 1953), director since 19 April 2018, has a law degree from the University of Oslo. He was a founder, CEO and major shareholder of Søylen Eiendom AS. This company opened Eger as Norway's first high-end department store in May 2009, acquired Norway's most well-known and oldest department store Steen & Strøm and developed the Promenaden Luxury District in Oslo with Luxury brands like Gucci. Hermes, Louis Vuitton, Botega Veneta i.e . Krefting has recently developed the Oslo Bay Area with more than 100 Retail and F&B premises in a joint ownership with Madison Int. 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.

Lars Erich Nilsen (director)

Lars Erich Nilsen (born 1981), director since 26 April 2017, has been employed by Seatankers Management Norway AS since 2014. He is the general manager and chair of Seatankers Management Norway AS as well as a director of Axactor Capital AS, Axactor SE, Bulk Infrastructure Holding AS, FP Bolig Holding AS and FP Bolig AS. He has previously worked as an analyst at Fearnley Advisors AS (2013-2014) and Fearnley Fonds ASA/Fearnley Securities AS (2005-2013, partner from 2007). Nilsen has a master's degree in business economics from the BI Norwegian Business School. He is affiliated with Geveran Trading Co Ltd, which owned all the shares in Norwegian Property ASA as at 31 December 2021.

Definitions

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

Definition of financial APMs

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 to investment properties and financial derivatives.
Market value of property portfolio	The market value of all the group's properties regardless of accounting classification.
Market value of joint ventures	The book value of the investment in joint ventures, adjusted for the EPRA-revaluation of such investments.
Gross interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less the holdings of own bonds.
Net interest-bearing debt	Gross interest-bearing debt, less interest bearing receivables and cash/cash equivalents.
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.
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.
Earnings per share (EPS)	Net earnings for the period divided by the average number of common shares during the period. Diluted earnings per share takes into account the dilution effect of share options.
NAV, book value	Net asset value, the book value of total equity in the balance sheet.

Definition of other financial and operational measures and terms

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/Office vacancy	Space vacancy is the total number of square metres available for rent divided by the total number of square metres in the market. Similarly, office vacancy is the number of office square metres available for rent divided by the total number of office square metres in the market.

Financial vacancy rate	Annualised market rent for space which generated no rental income at the balance sheet date, 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.
Unutilised credit facilities	The difference between the total available credit facilities, based on the current loan agreements, and the 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.
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 appraisers	Akershus Eiendom and Cushman & Wakefield.
Oslo CBD	The central business district is considered the most attractive area for office space in Oslo. It is usually restricted 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 associated emissions 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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