NORWEGIAN PROPERTY ANNUAL REPORT 2016

Aker Brygge, Oslo

NORWEGIAN PROPERTY

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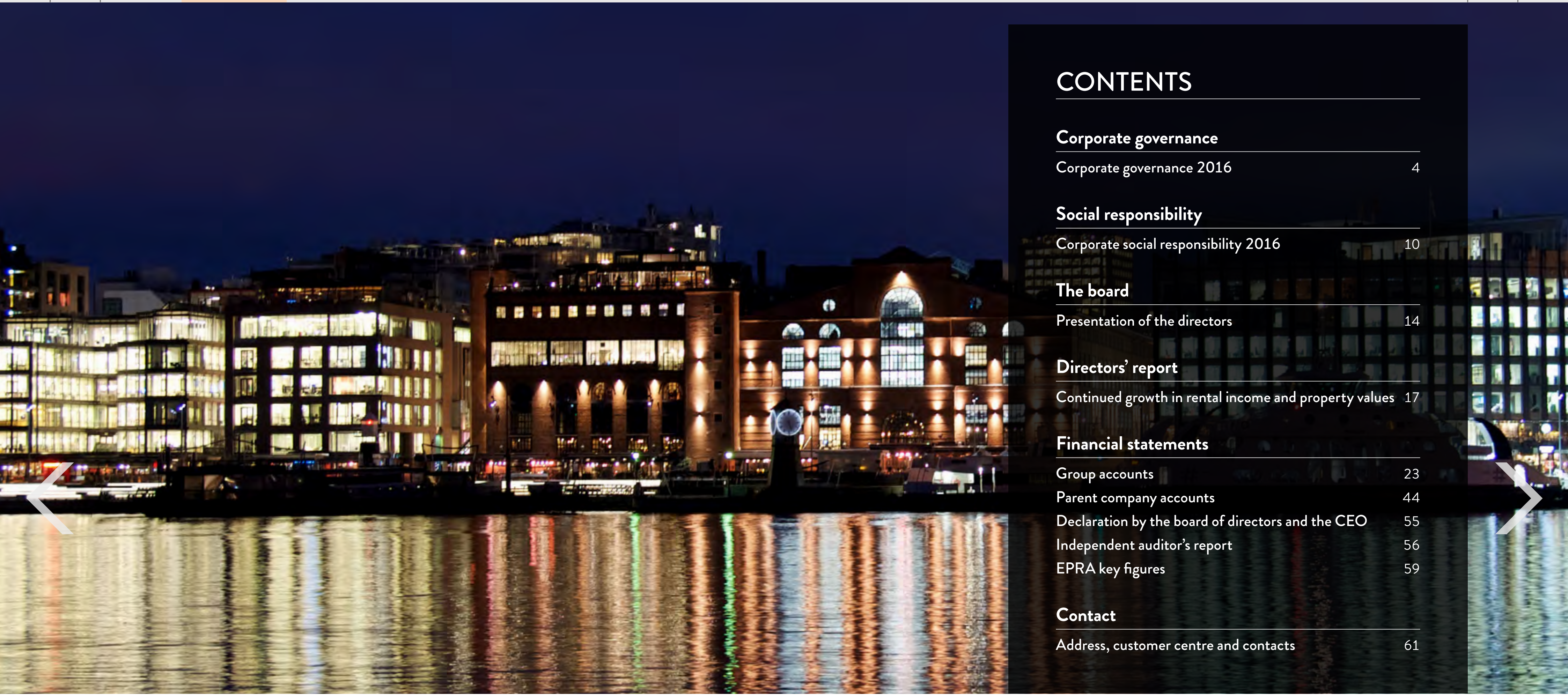

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Aker Brygge, Oslo

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CORPORATE GOVERNANCE 2016

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

Norwegian Property has drawn up overall principles for corporate governance, which are described here and are available at the company's website. The board has also prepared a set of governing documents specifying various guidelines, instructions and policies intended to ensure compliance with good corporate governance in practice.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 30 October 2014 is set out below. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at www.nues.no. Reference is made to this presentation in the directors' report for 2016, and it is available on the company's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

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

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

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

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

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

The board has formulated guidelines for ethics and corporate social responsibility (CSR) in accordance with the group's values base. Norwegian Property's ethical guidelines and guidelines for CSR are available at the company's website. The core of the CSR guidelines is the company's responsibility for the people, society and environment influenced by its operations, and deal among other considerations with human rights, anti-corruption, labour conditions, health, safety and the environment (HSE), discrimination and environmental aspects.

2. BUSINESS

Norwegian Property's articles of association are available on the company's website. Enshrined in article 3, the company's business purpose states: "The company operates in management, acquisitions, sales and development of commercial real estate, including participation in other companies as well as businesses which are related to such".

Within the framework of its articles, the company has presented goals and strategies for its business in the directors' report on page 18.

3. EQUITY AND DIVIDENDS

Equity

Group equity at 31 December 2016 totalled NOK 6 488.9 million. The equity ratio at the same date was 45.3 per cent. The board regards the equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial freedom of action, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be in the range of 45–55 per cent. The company's financial flexibility is assessed at any given time in relation to the company's goals, strategy and risk profile. At 31 December 2016, the relationship between net interest-bearing debt and gross fair value was thereby 47.6 per cent.

Dividend

Pursuant to the company's dividend policy, a goal for Norwegian Property is to pay a competitive annual dividend. Its long-term aim is to pay a dividend of 30–50 per cent of its net profit before value adjustments. The dividend can be higher in times of good cash flow or property sales. An independent assessment of the group's financial position and prospects will be carried out before the annual dividend is determined. After a period when no dividend was paid, payments were resumed with dividends of NOK 0.05 per share in May and July 2016 and NOK 0.12 per share in February 2017. The dividend policy is also described in note 22 to the consolidated financial statements in this annual report and in the investor relations section of the company's website.

Board mandates

The AGM of 13 April 2016 mandated the board to increase the company's share capital by up to NOK 27 420 000, corresponding to just under 10 per cent of the company's share capital when the mandate was awarded. The board mandate is motivated by the desire to have the opportunity to issue new shares in return for cash payments and/or as settlement for property transactions. This mandate had not been utilised at 31 December 2016.

In addition, the board was mandated to raise convertible loans totalling NOK 750 000 000. This was because the board wanted to have the opportunity to issue new shares in combination with additional debt, partly in order to optimise the financing structure in Norwegian Property ASA. This mandate had not been utilised at 31 December 2016.

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

The board is also mandated to purchase the company's own shares up to a total nominal value of NOK 27 420 000. Norwegian Property did not purchase any of its own shares during 2016.

The board was mandated to determine the payment of dividend on the basis of the company's financial statements for 2015. Norwegian Property paid dividends of NOK 0.05 per share in May and NOK 0.05 per share in July during 2016. In addition, the board decided in February 2017 to pay a dividend of NOK 0.12 per share based on the annual accounts for 2016.

All board mandates remain valid until the company's AGM in 2017, but in any event not beyond 30 June 2017.

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

No share issues were conducted by Norwegian Property in 2016. Pursuant to the code, the reasons for waiving the pre-emptive right of existing shareholders must be published in a stock exchange announcement in connection with a capital increase. The board will endeavour to comply with this point should such circumstances arise in the future.

Norwegian Property did not purchase or sell any of its own shares in 2016. Possible future transactions will be conducted on the stock exchange or in another manner at the stock market price.

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

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

5. FREELY NEGOTIATED SHARES

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

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

6. GENERAL MEETINGS

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The 2017 AGM is scheduled to take place on 6 April. The company's financial calendar is published as a stock exchange announcement and in the investor relations section of the company's website.

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

Proxy form and advance voting

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

Chairing meetings, elections, etc

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

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

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

7. NOMINATION COMMITTEE

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

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

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

The present nomination committee was elected at the AGM of 13 April 2016 and comprises Marianne Johnsen and Robin Bakken. Bakken has served as chair since 13 April 2016. No regular directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the company's website. The deadline for submitting nominations to the nomination for the 2017 AGM is 1 March 2017. Suggestions can be submitted to the nomination committee via info@norwegianproperty.no.

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

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has seven shareholder-elected directors. Directors and the chair of the board have been elected by the general meeting until the AGM in 2017. See the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the company's website and on page 14 of this annual report. The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board.

Three of the seven directors are independent of the company's executive management, significant commercial partners or substantial shareholders, while four are related to substantial shareholders. These are:

- Cecilie Astrup Fredriksen is an employee of Seatankers Management Co Ltd in London, and a director of a number of companies – including Marine Harvest ASA and Ship Finance International Ltd. These companies are related parties 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 Seadrill Ltd. She has previously been a director of Frontline Ltd, Golar LNG and others. These companies are related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Harald Herstad is the chair and CEO of Seatankers Management Norway AS and chair of Golden Ocean Management AS, Frontline Management AS and Ship Finance Management AS. These companies are related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Kjell Sagstad is senior director of Niam and head of the company's Norwegian business. A company managed by Niam has a substantial shareholding in Norwegian Property

Fifteen board meetings were held in 2016.

9. THE WORK OF THE BOARD OF DIRECTORS

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

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

The board has considered it appropriate to appoint sub-committees to advise it. An audit committee of three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. At 31 December 2016, the committee comprised Bjørn Henningsen (chair), Kjell Sagstad and Merete Haugli. Members of the committee are independent of the business, and their work is governed by a separate instruction. A compensation committee comprising three directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee comprised Martin Mæland, Harald Herstad and Kathrine Astrup Fredriksen at 31 December 2016. It is again governed by a separate instruction, and consists of members who are independent of the company's executive management.

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk areas and internal control environment

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

Overall goals have been established and the company's strategy is updated continuously. On the basis of this strategy, the values base and the ethical guidelines, overall instructions have been established for the board which specify authorisations for delegating responsibility to defined roles in the organisation. Policies have furthermore been established for control and risk management in the most important risk areas, such as operations and finance.

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

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

Reporting

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

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

The company is managed on the basis of financial targets related to such aspects as return on equity. Special profitability calculations are made when acquiring investment properties and launching development projects, based on established routines and required returns.

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

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

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

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

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

12. REMUNERATION OF EXECUTIVE PERSONNEL

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

The group's guidelines for the remuneration of senior executives are described in note 19 to the consolidated financial statements. This note also provides further details about remuneration in 2016 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

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

13. INFORMATION AND COMMUNICATION

Through the company's established principles for investor communication, available on the company's website, the board has determined guidelines for reporting financial and other information. Based on openness and equal treatment of players in the securities market, the guidelines also cover communication with shareholders outside the general meetings.

Reporting of financial and other information will be timely and accurate, while simultaneously being based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information considered to be significant for valuing the company will be distributed and published in both Norwegian and English via Cision and the Oslo Stock Exchange's company disclosure system, and the company's website exists in both Norwegian and English versions.

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

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

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

14. TAKEOVERS

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

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

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

Geveran Trading Co Ltd exceeded the limit for a mandatory offer (and change of control) in September 2016, and made a mandatory offer on 21 September of NOK 10.80 per share for all outstanding shares in Norwegian Property ASA. The offer period ran from 22 September to 20 October 2016, but was later extended to 3 November 2016. The board of Norwegian Property hired Swedbank Corporate Finance as its adviser. In a statement dated 5 October 2016, the board of Norwegian Property concluded that the offer conformed with section 6-16 of the Norwegian Securities Trading Act. That statement was based in part on a fairness opinion prepared by Swedbank in accordance with the recommendation to secure a valuation from an independent expert. At the expiry of the offer period on 3 November, Geveran Trading Co Ltd had received acceptances which increased its overall holding to 57.06 per cent. Its shareholding was subsequently further increased through the purchase of shares in the market, and stood at 57.6 per cent at 31 December 2016.

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 company's auditor, PricewaterhouseCoopers AS, conducted the following work during 2016 in relation to fiscal 2016.

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

PricewaterhouseCoopers attended two 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.

Sandakerveien 130, Nydalen, Oslo

CORPORATE SOCIAL RESPONSIBILITY 2016

OVERALL GUIDELINES

Norwegian Property has renewed its strategy for corporate environmental and social responsibility for the 2017–22 period. Its goal is to be a responsible social player as a property company, a contributor to shaping policy for the industry, and an employer. The basic requirement that the group will conduct a profitable and sustainable business is maintained. Long-term profitability is fundamental for exercising corporate social responsibility (CSR) in such respects as providing good, secure jobs, implementing environmental measures in the property portfolio in the shape of more energy-efficient solutions and reduced emissions from the buildings, ensuring good working conditions for the group's tenants, and contributing to positive development in those urban districts where Norwegian Property conducts its business. The company has established targets for the coming period on the basis of the results achieved in the previous strategy period, and these will be revised when results for 2016 have been reported.

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

The guidelines for CSR have been approved by the board and published on the company's website. Their purpose is to ensure that CSR is exercised in accordance with the established base values and ethical guidelines, guidelines for corporate governance, and the group's long-term value creation for shareholders, employees, customers and society. The guidelines apply to all employees of the group and to the directors when they act on behalf of the company. The board is responsible for seeing to compliance with the guidelines.

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

The most important goals defined for CSR in the 2017–22 period are as follows.

Resources:
- 30–50 per cent reduction in energy consumption from total rehabilitation of buildings
- 5–10 per cent reduction in energy consumption in the existing portfolio
- 10–20 per cent cut in carbon emissions
- 60–65 per cent waste sorting in the buildings
- five per cent reduction in water consumption/establish good metering methods and follow-up of water consumption in the buildings

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

Stakeholders and society
- forward-looking local developments
- active participation in industry associations
- encourage and contribute to good transport solutions

Employees and suppliers
- no breaches of ethical guidelines
- develop relevant environmental expertise
- responsible supplier/contractor management
- lost-time injury (LTI) frequency of less than five per million hours worked.

THE NATURAL ENVIRONMENT

From an environmental perspective, the strategy means that Norwegian Property will seek to prevent or reduce undesirable environmental effects from its business. It wants to contribute to increased value for society through local developments.

The group applies a broad definition of the environment (and of social responsibility). This includes clearly defined goals for environmental protection as well as high standards for the aesthetic design of buildings and outdoor spaces in the local environment. Norwegian Property sets strict standards for its partners and suppliers, and will be a good facilitator for its tenants.

Environmental analyses were carried out for each of the company's buildings in 2011, with associated measures identified to reduce energy consumption. Based on cost/benefit priorities, the company has implemented a number of these measures. Enova has supported the work and provided some NOK 33 million in investment grants for the measures. Where buildings in regular operation are concerned, the work is pursued in close cooperation with tenants through "green" leases. Lessee and lessor can agree to invest in environmental measures during the life of the tenancy which will reduce energy consumption and thereby cut overhead costs. The capital spending involved will be covered by rental payments agreed between the parties.

Results are measured for those buildings which have been in regular operation or for completed projects where measurable figures have been obtainable for energy consumption, carbon emissions, proportion of waste sorted and water consumption. Energy consumption and carbon emissions are measured per square metre of lighted/heated areas which have been let. The base data have been delivered by Norwegian Property, while CO_2focus has provided support in processing and verifying the figures for energy consumption and carbon emissions. Norwegian Property has had a strategy period which ran from 2011 to 2015. A new strategy period is now beginning on the basis of the 2016 results. The status at 31 December 2016 is presented in the table, where reductions and increases are measured in relation to the status at 31 December 2011 for the properties in the portfolio at 31 December 2016.

The 2011 goals for reducing carbon emissions by 2015 were met with a good margin, primarily because the environmental gains for the big construction projects at Aker Brygge were realised. In addition, the bulk of the energy sources – such as electricity (Nordic Mix) and distance heating/cooling – increased their renewable energy content and reduced carbon emissions by 8.5 per cent from 2015 to 2016.

The rehabilitated buildings at Aker Brygge are connected to a common energy centre, which became operational in the summer of 2014. The centre delivers energy corresponding to 250 per cent of the input quantity, and this is used for heating and cooling. All the buildings connected to the centre were gradually taken into use during 2015. Some challenges were faced in 2015 and 2016 related to operational start-up in the buildings and adjusting the technical installations, and continuous efforts are being devoted to improvements. The share of energy consumption in the connected buildings delivered by the energy centre increased from 27 per cent in 2015 to 33 per cent in 2016, reducing the company's carbon emissions by 101 tonnes (3.4 per cent). The centre delivered 6 323 MWh in 2016, compared with 4 739 MWh in 2015, which corresponded to an increase of 33 per cent. That helped to cut emissions per square metres for the whole property portfolio. Without the centre, emissions per square metre per annum would have been about six-seven per cent higher assuming that consumption was replaced by an equivalent amount of electricity.

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

The proportion of waste sorted has shown a good improvement since 2011. Attention has concentrated on achieving an increase at Aker Brygge, since the buildings there account for the largest share of the waste. The project at Aker Brygge boosted the proportion of sorted waste from 15 per cent in 2011 to 52 per cent in 2016.

Measure	2014	2015	**2016**
Change from 2011 in energy consumption per sq.m	9 per cent down	3 per cent up	**7 per cent down**
Change from 2011 in carbon emissions per sq.m	30 per cent down	48 per cent down	**60 per cent down**
Proportion of waste sorted in buildings	40 per cent	41 per cent	**52 per cent**
Tenant satisfaction index, environmental	74	78	**80**

COMBATING CORRUPTION

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

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

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

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

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

- financial strength and the capacity to deliver
- a good history for compliance with legal requirements (business conduct, use of unregistered workers and so forth)
- satisfy requirements for health, safety and the environment (HSE), internal control and so forth
- ethical and environmental guidelines which accord with Norwegian Property's strategy
- membership of the StartBANK register for suppliers.

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

Norwegian Property found no evidence of fraud, corruption or attempted corruption in its business during 2015.

EMPLOYEE RIGHTS AND SOCIAL CONDITIONS

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

- collaborative
- courageous
- innovative
- attentive.

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

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

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

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

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

Norwegian Property has a conscious attitude to equal opportunities when recruiting personnel. But the construction and property sectors are male-dominated, and that creates some challenges for efforts to increase the female proportion in certain posts. The group had 52 employees at 31 December 2016, compared with 61 a year earlier. Thirty-six of the company's 52 employees are male and 16 are female. The executive management comprises three people, all of whom were men at 31 December. At the date when the financial statements were presented, the board comprised seven directors – four male and three female.

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

Sickness absence is an important HSE indicator. The total recorded for 2016 at Norwegian Property was 3.3 per cent, compared with 1.6 per cent in 2015.

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

HUMAN RIGHTS

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

As a property company with all its activities in Norway, Norwegian Property does not face the greatest human rights challenges in its everyday operations. But the suppliers it uses could be subject to bigger challenges, in part related to social dumping. In the construction industry, the latter could be associated with economic migrants whose pay and employment conditions are significantly worse than for national workers. The greatest opportunities for Norwegian Property to promote, respect and prevent breaches of human rights accordingly lie in being a responsible purchaser of goods and services. Through its ethical guidelines and by acting as a responsible purchaser, the group seeks to help ensure that suppliers apply key principles which accord with its own.

Badehusgata 33–39, Stavanger

PRESENTATION OF THE DIRECTORS

MARTIN MÆLAND
Chair

Martin Mæland (born 1949), chair since 13 April 2016, has an MSc in economics and a master's degree in science from the University of Oslo and was CEO of OBOS from 1983–2015. He is chair of Veidekke ASA and Kultur- og Idrettsbygg Oslo KF, and has board appointments in several companies – including Ticon Eiendom AS and Arctic Securities. Mæland has earlier held directorships in a number of companies, including in property and listed enterprises. He owned or controlled no shares in Norwegian Property ASA at 31 December 2016.

BJØRN HENNINGSEN
Deputy chair

Bjørn Henningsen (born 1962), director since 10 October 2014, has an MSc in economics from Heriot-Watt University and is managing director of and a partner in Union Eiendomskapital AS, which he helped to found in 2005. Henningsen has very long and broad experience of real estate investment and development, banking and finance. He was previously finance director and managing director of Investra ASA, and also has long experience from banks and financial institutions. Henningsen is chair and director of numerous companies in the Union group, including chair of Union Gruppen AS and Union Eiendomskapital AS. He owned and controlled 311 556 shares in Norwegian Property ASA at 31 December 2016.

CECILIE ASTRUP FREDRIKSEN
Director

Cecilie Astrup Fredriksen (born 1983), director since 10 October 2014, received a BA in business and Spanish from London Metropolitan University in 2006. She is currently employed in Seatankers Management Co Ltd and serves as a director of several companies, including Marine Harvest ASA and Ship Finance International Ltd. Fredriksen is affiliated with Geveran Trading Co Ltd, which owned and controlled 315 969 937 shares in Norwegian Property ASA at 31 December 2016.

KJELL SAGSTAD
Director

Kjell Sagstad (born 1948), director since 13 April 2016, has an MSc in economics from the University of Oslo and is senior director and investment director at Niam and head of its Norwegian business. He is chair of a number of property companies owned and controlled by Niam. Sagstad has previously been investment vice president for Vital Eiendom and CEO of Norgani Hotels ASA, and has long experience of management, acquisition and sale of property. He is affiliated with Niam V Prosjekt AS, which owned and controlled 67 437 425 shares in Norwegian Property ASA at 31 December 2016.

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 in Seatankers Management Co Ltd in London. Fredriksen's previous directorships include Seadrill Ltd, Frontline Ltd and Golar LNG. She is affiliated with Geveran Trading Co Ltd, which owned and controlled 315 969 937 shares in Norwegian Property ASA at 31 December 2016.

HARALD HERSTAD
Director

Harald Herstad (born 1947), director since 13 April 2016, has been a lawyer in private practice for 30 years with the emphasis on real property and estate agency. He has held a number of directorships in a range of sectors. Herstad is currently chair and CEO of Seatankers Management Norway AS and chair of Golden Ocean Management AS, Frontline Management AS and Ship Finance Management AS. He is affiliated with Geveran Trading Co Ltd, which owned and controlled 315 969 937 shares in Norwegian Property ASA at 31 December 2016.

MERETE HAUGLI
Director

Merete Haugli (born 1964), director since 13 April 2016, studied at Bankakademiet and the BI Norwegian Business School and has studied transpersonal psychology. She runs her own consultancy in such areas as management training, mental training and mentoring, and has a versatile background in finance and the police. She is a director of Reach Subsea ASA and a member of the nomination committee for Marine Harvest ASA. She owned or controlled no shares in Norwegian Property ASA at 31 December 2016.

Kaibygning I Aker Brygge, Oslo

Directors' report 2016:

CONTINUED GROWTH IN RENTAL INCOME AND PROPERTY VALUES

The financial statements for 2016 show substantial growth in rental income and property values. This primarily reflects letting of the major development projects pursued from 2012 to 2015.

Operating revenues rose from NOK 858.3 million for 2015 to NOK 900.9 million in 2016. Corrected for purchases and sales of property, this represented an increase of NOK 103.2 million or 12.9 per cent. Profit before fair-value adjustments and tax came to NOK 331.3 million, up by NOK 123 million from the year before. Fair-value adjustments for investment properties were positive at NOK 475.1 million. Combined with a reduction in required rates of return, completion and letting of development projects have contributed to the improvement in fair value. The value of the group's financial interest rate derivatives rose by NOK 171 million. Profit before tax for the year accordingly amounted to NOK 977.4 million, compared with NOK 669 million in 2015. Net profit came to NOK 764.5 million as against NOK 480.2 million the year before.

Thirty-six new leases were awarded during 2016 with a total annual rental income of NOK 66 million. The total run rate at 31 December was NOK 794.3 million.

As part of its strategy for active management of the property portfolio, Norwegian Property entered during the year into agreements on the sale of properties with a total value of NOK 3 billion at the sale date. The properties sold were fully developed and leased or ones where disposal in a good transaction market was considered to yield the best return.

ABOUT NORWEGIAN PROPERTY

Norwegian Property owned 32 office and commercial properties in Norway at 31 December 2016. Located in the Oslo and Stavanger regions, these had a combined fair value of NOK 14.1 billion at 31 December. The group's properties primarily comprise office premises with associated warehousing and car parks, and retail and restaurant space. The business is organised in parent company Norwegian Property ASA with subsidiaries. The group's head office is at Aker Brygge in Oslo.

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

With 52 employees at 31 December, Norwegian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 5.5 billion at 31 December 2016.

THE YEAR 2016

Market and letting

Letting market

Vacant space in Oslo is estimated to be 7.25 per cent. This percentage is expected to decline over the next few years as a result of space being converted to other applications (primarily residential accommodation), limited newbuild activity and continued growth in employment. A reduction in vacancy will be positive for the development of rents in the time to come.

Demand for commercial property remains cautious in Stavanger. However, signs indicate that the market is bottoming out.

Letting activity

Following the completion of the major development projects, activity in Norwegian Property has entered a phase where attention is concentrated on leasing and managing properties in regular operation. Vacancy at 1 January 2016 related primarily to Stavanger and the remaining unlet space in the Verkstedveien 1 development project, which was completed in 2015. Thirty-six new and extended leases were awarded during 2016, with an annual rental income of NOK 66 million.

Vacancy for properties in the Oslo region was at a normalised level of 3.4 per cent on 31 December 2016. The Verkstedveien 1 project at Skøyen was fully let before this property was sold in the third quarter of 2016. Drammensveien 60 has been leased in its entirety since 2005 to Skanska, which will be moving out in the first half of 2017. Norwegian Property awarded new leases in 2016 to the Frogner city district and the central government arm of the Labour and Welfare Administration (NAV Stat) for the whole building of about 11 000 square metres, with occupation in the second half of 2018.

The company's properties at Forus in Stavanger are vacant as a result of a strong focus on costs and reduced demand for office premises from the oil and offshore sector. This applies to Grenseveien 19 and 21 and Forusbeen 35. After Badehusgaten 33–39 fell vacant, a number of new leases have been awarded for the building and its letting ratio at 31 December 2016 was 45 per cent.

Customer satisfaction

The Norwegian Lessee Index has conducted its annual survey of tenant satisfaction, where Norwegian Property continued its progress with a score of 81 for 2016 (2015: 79). The company has positioned itself among Norway's leading property companies in terms of tenant satisfaction.

Financing

Financing market

The trend from the previous couple of years, with long-term market interest rates at a record low, continued during 2016 even though rates were rising towards the end of the year. Some tightening in lending activity for commercial property by the banks has put upward pressure on loan margins. At the same time, the bond market has increasingly become a source of financing on competitive terms for more players than before.

Financing activities

Substantial repayments of loan facilities were made during 2016 in connection with property sales, and the loan-to-value ratio was reduced from 58.3 to 47.6 per cent during the year.

One of the company's two large bank facilities and a bond loan matured in late 2016. These credit facilities were refinanced before the end of the year. None of Norwegian Property's large loans mature during 2017.

Geveran Trading Co Ltd acquired a shareholding of more than 50 per cent in Norwegian Property ASA in 2016. The change of control had been accepted in relation to all the group's credit facilities before the end of year. As a result of repurchases following the change of control, the group owned NOK 417 million of its own bonds at 31 December 2016. This holding was sold in the market at a small overall profit in January 2017.

Property transactions

Transaction market

After record activity in the transaction market the year before, the volume of transactions was lower during 2016. Many buyer groups are still active and hunting for good objects, but fewer objects are being offered for sale in the market. Prime yield is estimated by Akershus Eiendom to be 3.75 per cent. Transactions towards the end of the year confirmed the record low yields.

Transactions conducted

As part of its strategy for active management of the property portfolio, Norwegian Property entered during the year into agreements on the sale of properties with a total value of NOK 3 billion at the sale date. The properties sold were fully developed and leased, and disposal in a good transaction market was considered to yield the best return.

- The Verkstedveien 1, Verkstedveien 3 and Drammensveien 134 properties at Skøyen in Oslo were sold to Entra ASA for a gross value of NOK 2.5 billion. Verkstedveien 1 is a new building of 31 700 square metres completed in the first half of 2015 and fully let before the sale. The neighbouring Verkstedveien 3 and Drammensveien 134 properties, with areas of 8 400 and 20 900 square metres respectively, were also fully let.
- Stortingsgata 6 in Oslo was sold to Deka Immobilien GmbH for a gross value of NOK 506.5 million. Covering 6 700 square metres, the property was fully let at the sale date.
- Strandsvingen 10, a specially adapted and fully let logistics property of 2 100 square metres near Forus in Stavanger, was sold to Sakon AS for a value of NOK 30.9 million.
- At Aker Brygge, Norwegian Property acquired centrally located retail and warehouse sections with a combined area of 3 200 square metres for a gross value of NOK 210 million.

STRATEGIC GOALS

Competitive return with balanced risk

Norwegian Property's ambition is that 30–50 per cent of its ordinary profit after tax, but before fair-value adjustments, will be paid as dividend to its shareholders. The goal is stable progress for dividend payments, but these could be higher in periods of good cash flow. Before the dividend is determined, an assessment will be made of the group's financial position and prospects – including the availability of attractive investment opportunities.

High tenant satisfaction

Norwegian Property's vision is to create meeting places which encourage engagement and provide favourable conditions for developing interpersonal relationships. The company 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 improvement in line with the best in the industry

Corporate environmental and social responsibility is broadly defined and includes clearly defined targets for measures to protect the environment as well as high aesthetic standards for buildings and outside areas in the local environment. The group's strategy and goals are outlined in the report on corporate social responsibility.

Investment strategy

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

- leading player for office and associated commercial property in the Oslo region
- prioritise properties close to public transport hubs, and seek to create natural property clusters in the company's priority areas
- active management of the portfolio in Stavanger to maximise value while constantly assessing a reduction in exposure
- seek to have five to 15 per cent of the portfolio's area under development over time
- active management of the portfolio through transactions, including the purchase of properties with value development potential.

Financing strategy

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

- a goal that the loan-to-value ratio will be a maximum of 45–55 per cent of the total value of the company's investment properties over time
- borrowing will be based on long-term relationships with banks and other players which have a long-term strategy in the Norwegian property market
- diversified funding sources and 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 company's interest-bearing debt.

RISK AND RISK MANAGEMENT

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

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

The administration prepares periodic activity reports which are considered at board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status in relation to targets, important operational conditions, financial conditions, and a description of the status of risk areas. Quarterly financial reports are also prepared and then reviewed by the audit committee ahead of the board meeting. In connection with the presentation of the annual financial statements, the executive management prepares estimates and makes assumptions about the future. The consequent accounting estimates will be subject by definition to uncertainties. Estimates and assumptions which represent a substantial risk of significant changes to the carrying amounts of assets and liabilities in forthcoming accounting periods relate primarily to developments in the value of investment property.

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

Financial risks

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

Efforts are made to dampen the effect of interest rate changes on profits and liquidity through hedging. At 31 December 2016, 63 per cent (2015: 61 per cent) of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.1 years (2015: 4.3 years). Fluctuations in short- and long-term market interest rates will accordingly have a limited impact on the group's interest expenses before changes in the value of derivatives.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 1 100.2 million (2015: NOK 360.2 million). The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements, and to requirements arising from the group's current and planned development projects at any given time.

The group's credit facilities incorporate financial covenants related to interest cover and the loan-to-value ratio. It was in compliance with these and other conditions in the credit agreements related to its liabilities at 31 December 2016.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases, and the average remaining term at 31 December was 5.1 years (2015: 5.7 years). Certain of the group's buildings have short remaining lease terms, and considerable efforts are accordingly being devoted to re-letting and manifesting the potential of these properties.

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

Vacant space in the group's portfolio was 20.3 per cent of the total at 31 December (2015: 13.7 per cent). Vacancy in the Oslo portfolio viewed in isolation was 3.4 per cent, which means that the bulk of the group's vacant space relates to the Stavanger portfolio.

Development risk

Generally speaking, major conversion projects may involve risk relating to such aspects as the future letting ratio and level of rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments. The group had no major development projects under way at 31 December 2016. Projects implemented earlier were managed by competent personnel in the company with relevant experience and knowledge. In addition, the group has benefited from external resources to reduce risk related to its development projects. Norwegian Property has developed tools for risk management and project execution, whereby the board receives monthly reports on the progress of the projects and identified risk areas.

Credit risk

Norwegian Property's portfolio of office properties is characterised by high quality, central locations and a financially sound and 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 bank guarantee or a deposit account containing a sum equivalent to three to six months of rent. The group checks the credit rating and history of new tenants. As a result, the risk of direct losses from defaults or payment problems appears to be limited and relates primarily to re-letting of premises.

Liquidity risk

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

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

At 31 December, the group had interest-bearing debt of NOK 6 767.2 million (2015: NOK 9 519.7 million), with an average remaining term of 2.3 years. Debt instalments during 2017 are classified as current liabilities in the consolidated balance sheet at 31 December 2016. At the same date, the group had a liquidity of NOK 1 100.2 million. Good and long-term relations are cultivated by the group with its main bankers.

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 2016 have been prepared on that basis.

Income statement

The consolidated income statement for 2016 embraces the portfolio of 32 properties at 31 December, plus properties sold during the year up to the date of their disposal.

Gross rental income totalled NOK 900.9 million (2015: NOK 858.3 million). Adjusted for the purchase and sale of properties and payments on termination of leases, this represented an increase of NOK 103.2 million from 2015. That is primarily attributable to the rise in rents from reduced vacancy and phasing in development projects.

Maintenance and other operating costs totalled NOK 54.2 million (2015: NOK 64.8 million). Other property-related costs totalled NOK 56.6 million (2015: NOK 77.5 million). Administrative owner costs totalled NOK 57.3 million (2015: NOK 79.2 million). Operating profit before fair-value adjustments was thereby NOK 732.8 million (2015: NOK 636.8 million). No costs related to research and development activities were recognised in the accounts for either 2016 or 2015.

Fair value changes to the company's property portfolio totalled NOK 475.1 million in 2016 (2015: NOK 387.4 million). Combined with a reduction in the required rate of return, completion and letting of development projects contributed to the positive trend in fair value. The fair value of certain properties with a short remaining lease term and uncertainty related to future letting has been reduced.

Financial income, which consists largely of interest income, totalled NOK 1.1 million (2015: NOK 0.6 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 402.6 million (2015: NOK 429.1 million).

The change in fair value for financial instruments used to manage interest and exchange rate risk was NOK 171 million (2015: NOK 73.3 million). Profit before tax was thereby NOK 977.4 million (2015: NOK 669 million).

NOK 212.9 million in tax expense is recognised in the 2016 accounts (2015: NOK 188.8 million). As a result, net profit for the year was NOK 764.5 million (2015: NOK 480.2 million).

Cash flow

Net cash flow from operating activities was NOK 137.7 million (2015: NOK 138 million). Operating profit before fair value adjustments, corrected for net realised financial items, came to NOK 331.3 million in 2016. The difference compared with net cash flow from operating activities relates to payments for termination of interest hedging contracts expensed under changes in the fair value of financial instruments and changes to working capital items.

Net cash flow from investing activities was NOK 2 647.6 million (2015: NOK 32.6 million). Cash flow from the disposal of properties totalled NOK 3 034.3 million. Acquisition of and capital spending on investment property totalled NOK 391.7 million.

Net cash flow from financing activities was negative at NOK 2 794.9 million following a net reduction in interest-bearing debt (2015: net increase of NOK 136.5 million).

The net change in cash and cash equivalents was negative at NOK 9.6 million (2015: positive at NOK 34.1 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 46.2 million (2015: NOK 55.8 million). In addition, the group had NOK 1 058 million in unused drawing rights at 31 December (2015: NOK 308 million). Total equity was NOK 6 488.9 million (2015: NOK 5 777.6 million), representing an equity ratio of 45.3 per cent (2015: 34.9 per cent). Carried equity per share came to NOK 11.83 (2015: NOK 10.53).

Interest-bearing debt at 31 December was NOK 6 767.2 million (2015: NOK 9 519.7 million). At 31 December, the average interest rate on the company's loans was 4.2 per cent (2015: 4.33 per cent). The average loan margin was 1.64 per cent (2015: 1.4 per cent). The average remaining term to maturity for the loans was 2.3 years (2015: 1.7 years).

Valuation of the properties

The company's valuation process is based on quarterly external valuations, supplemented by internal analyses where the company makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. Based on this process, all the properties were valued on 31 December 2016 by two independent professional specialists. DTZ Realkapital and Akershus Eiendom have prepared a valuation of all the properties. An average of these valuations is used as the basis for recognising the investment properties at fair value at 31 December 2016. 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.

Oslo is introducing a property tax with effect from 2017. This represents an additional cost for property owners, even if some of the effect can be charged to tenants pursuant to their leases. The anticipated negative effect of the property tax has been incorporated in future cash flows in the valuation of the investment properties at 31 December 2015 and 2016.

The executive management and the board have made independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. The conclusion is that the external valuations can be used as a basis for assessing the fair value of the properties. The total carrying amount of the company's investment properties was NOK 14 112.1 million at 31 December 2016 (2015: NOK 16 256.1 million).

EVENTS AFTER THE BALANCE SHEET DATE

The group's own holdings of bond loans NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market at prices of NOK 100.7885 and NOK 97.7750 respectively during January 2017.

In accordance with the mandate from the annual general meeting in 2016, the board resolved on 9 February 2017 that a dividend of NOK 0.12 per share will be paid on the basis of the accounts at 31 December 2016.

No other significant incidents since 31 December 2016 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 241.4 million in 2016 (2015: profit of NOK 160.8 million). Administrative owner costs for the group as well as interest costs on the group's credit facilities are recognised in the company's accounts. The company's subsidiaries are largely financed by equity, and no dividends were recognised by the parent company in 2016.

The board received a mandate from the annual general meeting in April 2016 to make quarterly dividend payments. A total of NOK 0.10 per share in dividend was paid in 2016 as two tranches of NOK 0.05 each following decisions by the board in May and July. The board resolved at its meeting of 9 February 2017 to pay a dividend of NOK 0.12 per share.

The board proposes that the net loss of NOK 241.4 million be charged to other paid-in equity. The provision of NOK 65.8 million for dividend is transferred from other paid-in equity.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The company has prepared a separate report on CSR pursuant to section 3-3c of the Norwegian Accounting Act, which covers the natural environment, employee rights and social conditions as well as human rights. This report includes information on the conditions mentioned in section 3-3a, paragraphs 9–12 of the Accounting Act related to the working environment, equal opportunities, anti-discrimination and the company's impact on the natural environment. The report appears on page 10 of the company's annual report.

A separate report on corporate governance has also been prepared to present the company's principles and practice in this area, pursuant to section 3-3b of the Accounting Act. This report appears on page 4 of the company's annual report.

BOARD OF DIRECTORS

The annual general meeting in April 2016 elected Martin Mæland (chair), Kjell Sagstad, Kathrine Astrup Fredriksen, Harald Herstad and Merete Haugli as new ordinary directors until the next annual general meeting in 2017. The other directors are Bjørn Henningsen (deputy chair) and Cecilie Astrup Fredriksen.

SHAREHOLDERS

Norwegian Property had 1 671 shareholders at 31 December, a reduction of 57 from the same time in 2015 (1 728 shareholders). Foreigners owned 68.3 per cent of the shares, compared with 62.3 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the company's website.

Geveran Trading Co Ltd made a mandatory offer for all outstanding shares in Norwegian Property ASA during the third quarter of 2016 after acquiring a shareholding of more than 50 per cent. At 31 December, the company owned 57.61 per cent of the shares in Norwegian Property ASA.

OUTLOOK

Vacant space in Oslo was estimated to be 7.25 per cent at 31 December, and is expected to continue declining as a result of employment growth, the conversion of space to other applications and extremely limited newbuild activity. The letting market in Stavanger remains demanding.

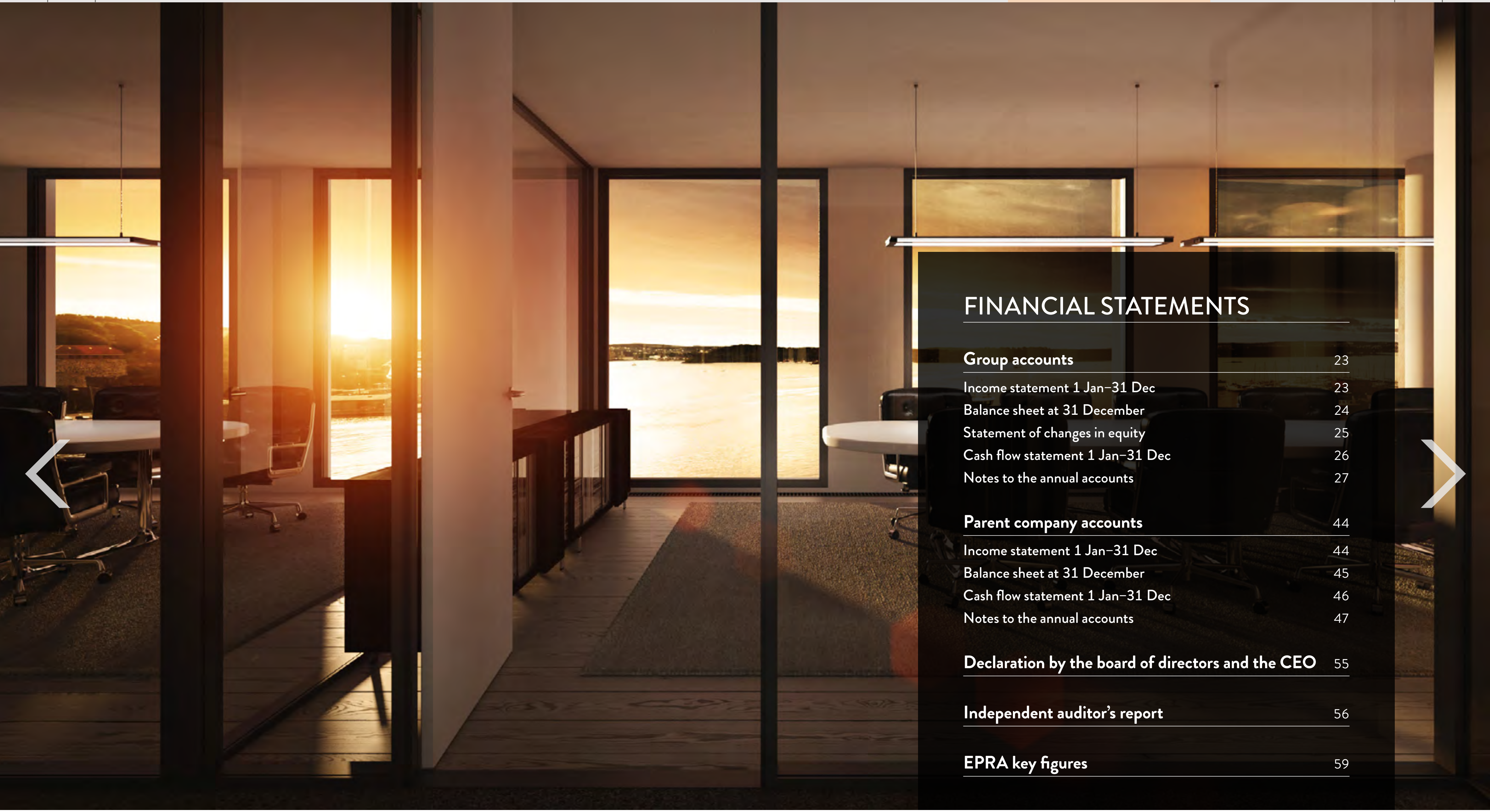
Activity in the transaction market during 2016 was lower than in the record year of 2015. Compared with alternative investment classes, however, property yields a competitive return and substantial buyer interest continues to shown both in good objects in the most attractive areas and in properties in more secondary locations.

The Oslo portfolio, which now accounts for 95 per cent of the property value in the group, has little vacancy. Operationally, the company is devoting particular attention to properties with high vacancy (Stavanger) and where leases are approaching their expiry date.

Norwegian Property is also working actively with long-term development opportunities in the portfolio – particularly in the Nydalen district, where exciting developments are looming. In a demanding transaction market, the board is also concentrating on opportunities which strengthen the company's position in its core areas. These were exemplified by the acquisition of retail and warehouse sections at Aker Brygge in 2016.

Oslo, 9 February 2017
Norwegian Property ASA

Martin Mæland Chair	Bjørn Henningsen Deputy chair	Cecilie Astrup Fredriksen Director	Kathrine Astrup Fredriksen Director	Kjell Sagstad Director	Merete Haugli Director	Harald Herstad Director	Svein Hov Skjelle President and CEO



FINANCIAL STATEMENTS

Verkstedhallene, Aker Brygge, Oslo

INCOME STATEMENT 1 JAN–31 DEC

Consolidated

(Amounts in NOK million)	Note	2016	2015
Revenues	9	**900.9**	858.3
Maintenance and other operating expenses	18	**(54.2)**	(64.8)
Other property-related expenses	18	**(56.6)**	(77.5)
Total property-related expenses		**(110.8)**	(142.3)
Administrative expenses	18, 19	**(57.3)**	(79.2)
Total operating expenses		**(168.1)**	(221.5)
Operating profit before value adjustments		**732.8**	636.8
Change in market value of investment property	7	**475.1**	387.4
Operating profit		**1 207.9**	1 024.2
Financial income	10, 20	**1.1**	0.6
Financial cost	10, 20	**(402.6)**	(429.1)
Realised net financial items		**(401.6)**	(428.5)
Change in market value of financial derivative instruments	10, 11	**171.0**	73.3
Net financial items		**(230.5)**	(355.2)
Profit before income tax		**977.4**	669.0
Income tax	17	**(212.9)**	(188.8)
Profit for the year		**764.5**	480.2
Profit attributable to non-controlling interests		**-**	-
Profit attributable to shareholders of the parent company		**764.5**	480.2
Earnings per share attributable to shareholders of the parent company (amounts in NOK)[1]	21	**1.39**	0.88

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

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

COMPREHENSIVE INCOME STATEMENT 1 JAN–31 DEC

Consolidated

(Amounts in NOK million)	Note	2016	2015
Profit for the year		**764.5**	480.2
Value adjustment and depreciation of owner-occupied property	7	**1.2**	9.7
Income tax related to value adjustment and depreciation of owner-occupied property	17	**0.6**	(2.5)
Other comprehensive income that will not be reclassified to profit or loss, net of tax		**1.7**	7.2
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax		**-**	-
Total comprehensive income for the year		**766.2**	487.4
Total comprehensive income attributable to shareholders of the parent company		**766.2**	487.4
Total comprehensive income attributable to non-controlling interests		**-**	-

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

BALANCE SHEET AT 31 DECEMBER

Consolidated

(Amounts in NOK million)	Note	**2016**	2015
ASSETS			
Non-current assets			
Financial derivative instruments	3, 10, 11, 12	**6.6**	6.1
Investment property	7	**14 025.1**	16 169.6
Owner-occupied property	7	**87.0**	86.5
Other fixed assets	8	**48.8**	45.8
Total non-current assets		**14 167.5**	16 308.0
Current assets			
Financial derivative instruments	3, 10, 11, 12	**1.6**	-
Receivables	10, 13	**115.9**	181.6
Cash and cash equivalents	3, 10	**46.2**	55.8
Total current assets		**163.8**	237.5
TOTAL ASSETS		**14 331.2**	16 545.5

(Amounts in NOK million)	Note	**2016**	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**274.2**	274.2
Share premium		**2 295.2**	3 412.3
Other paid-in equity		**7 557.3**	6 440.1
Retained earnings		**(3 637.8)**	(4 348.9)
Total equity		**6 488.9**	5 777.6
Non-current liabilities			
Deferred tax	17	**472.1**	258.7
Financial derivative instruments	3, 10, 11, 12	**338.9**	670.2
Interest-bearing debt	10, 16	**6 755.8**	4 612.7
Other liabilities	10, 15	**57.5**	52.6
Non-current liabilities		**7 624.2**	5 594.2
Current liabilities			
Financial derivative instruments	3, 10, 11, 12	**5.7**	2.0
Interest-bearing debt	10, 16	**11.4**	4 906.9
Other liabilities	10, 15	**201.1**	264.8
Total current liabilities		**218.2**	5 173.7
Total liabilities		**7 842.4**	10 768.0
TOTAL EQUITY AND LIABILITIES		**14 331.2**	16 545.5

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

Oslo, 9 February 2017
Norwegian Property ASA

Martin Mæland Chair	Bjørn Henningsen Deputy chair	Cecilie Astrup Fredriksen Director	Kathrine Astrup Fredriksen Director	Kjell Sagstad Director	Merete Haugli Director	Harald Herstad Director	Svein Hov Skjelle President and CEO

STATEMENT OF CHANGES IN EQUITY

Consolidated

(Amounts in NOK million)	Note	Share capital	Share premium	Other paid-in equity	Retained earnings	**Total equity**
Total equity 31 December 2014		**274.2**	**3 412.3**	**6 440.1**	**(4 836.3)**	**5 290.2**
Profit for the year		-	-	-	480.2	**480.2**
Other comprehensive income for the year		-	-	-	7.2	**7.2**
Total comprehensive income for the year		**-**	**-**	**-**	**487.4**	**487.4**
Total equity 31 December 2015		**274.2**	**3 412.3**	**6 440.1**	**(4 348.9)**	**5 777.6**
Profit for the year		-	(1 117.2)	1 117.2	764.5	**764.5**
Other comprehensive income for the year		-	-	-	1.7	**1.7**
Total comprehensive income for the year		**-**	**(1 117.2)**	**1 117.2**	**766.2**	**766.2**
Paid dividend	22	-	-	-	(54.8)	(54.8)
Total contributions by and distributions to owners of the parent		**-**	**-**	**-**	**(54.8)**	**(54.8)**
Total equity 31 December 2016		**274.2**	**2 295.1**	**7 557.2**	**(3 637.5)**	**6 488.9**

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

CASH FLOW STATEMENT 1 JAN–31 DEC

Consolidated

(Amounts in NOK million)	Note	**2016**	2015
Profit before income tax		**977.4**	669.0
Net financial items	11, 20	**230.5**	355.2
Interest received	20	**1.1**	0.6
Interest paid	15, 20	**(423.6)**	(383.7)
Buyout of derivatives	11	**(158.6)**	(81.2)
Depreciation of tangible assets	7, 8	**9.0**	9.1
Change in market value of investment property	7	**(475.1)**	(387.4)
Change in current items		**(22.9)**	(43.6)
Net cash flow from operating activities		**137.7**	138.0
Payments for purchase of investment property and other fixed assets	7, 8	**(391.7)**	(590.4)
Received cash from sale of investment property	7	**3 034.3**	573.0
Advances received from sale of investment property	7	**5.0**	50.0
Net cash flow from investing activities		**2 647.6**	32.6
Repayment of interest-bearing debt	16	**(6 375.1)**	(486.5)
New interest-bearing debt	16	**3 635.0**	350.0
Paid dividend	22	**(54.8)**	-
Net cash flow from financial activities		**(2 794.9)**	(136.5)
Net change in cash and cash equivalents		**(9.6)**	34.1
Cash and cash equivalents at 1 January	3	**55.8**	21.7
Cash and cash equivalents at 31 December	3	**46.2**	55.8

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

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

NOTES TO THE ANNUAL ACCOUNTS

Consolidated

NOTE 1: General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 32 properties in Oslo and Stavanger at 31 December 2016.

The financial statements have been approved by the board on 9 February 2017 for final approval by the general meeting on 6 April 2017.

NOTE 2: Summary of significant accounting policies

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

2.1 – Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and effective at 31 December 2016, and additional requirements according to the Norwegian Accounting Act at 31 December 2016.

The consolidated financial statements have been prepared on a historical cost basis, with modifications specified separately.

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

There are no new or changed IFRSs or IFRIC interpretations that have come into force during 2016 that have a significant impact on the consolidated financial statements.

New standards and interpretations not yet adopted:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities and hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to similar issues. Under IFRS 9, financial assets are classified into three categories: fair value through other comprehensive income, fair value through profit and amortised cost. The measurement category is determined on initial recognition of the asset. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of the individual instrument. Equity instruments shall initially be measured at fair value. The company may elect to present value changes in other comprehensive income, but the choice is binding and subsequent gain or loss cannot be reclassified to income. Impairment due to credit risk should be recognised based on expected loss rather than the current model where losses must be incurred. For financial liabilities, the standard is more or less based on IAS 39. The biggest change is where the fair value option is adopted for financial liabilities, the changes in fair value due to changes in own credit risk are recognised in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting by linking hedging effectiveness more closely to management's risk control and provides a greater scope for assessment. Meanwhile hedge documentation is still required. The standard is effective for the fiscal year 2018, but early adoption is permitted. The group still has not fully assessed the impact of IFRS 9.

IFRS 15 Income from customer contracts is related to revenue recognition. The standard requires a division of the customer contract in the individual performance obligations. A performance obligation can be a product or a service. Revenue is recognised when a customer obtains control of the product or service and thus has the ability to determine the use and receive the benefits of the product or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for the fiscal year 2018, but early adoption is permitted. The group still has not fully assessed the impact of IFRS 15.

IFRS 16 Leases was issued in January 2016 and is effective at fiscal year 2019. This standard will result in almost all leases being capitalised, since the distinction between financial and operational leases is removed. Under the new standard, both an asset (the right to use the leased item) and a financial liability (the value of future lease payments) are recognised. The only exceptions are short-term leases or leases of low value. For tenants, there will be no significant changes of the accounting practice. The group has no significant leases that will be affected by the new standard.

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

2.2 – Consolidation

a) Subsidiaries

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

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

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

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

If it is expected that a property will be sold within one year from the balance sheet date it shall be classified as an investment property held for sale. Investment property held for sale is recognised at fair value as other investment properties.

b) Transactions and minority interests

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

2.3 – Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as corporate management. See note 6.

2.4 – Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statement is presented in NOK, which is the 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 – Investment property

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

Changes in fair values are recorded in the income statement under 'change in market value of investment property'.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Expenses related to accommodating tenants e.g. replacement of walls, are activated together with the asset's carrying amount simultaneously as the remaining carrying amount of the replaced components is derecognised. Costs related to termination of leases are capitalised if the main purpose of the termination is linked to a further development of the property, and are expensed if the main purpose of the termination is purely a change of tenant.

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

If an investment property is used by the company, it is reclassified as property, plant and equipment unless the internal use is insignificant. Fair value at the date of reclassification is the property's acquisition cost. An owner-occupied property is accounted for at 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. Increase in value of owner-occupied property is not recognised in the income statement, but recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

Tax compensation related to acquisition of investment properties ('single purpose' entities) is recognised in the period after the acquisition as a value adjustment on investment property.

2.6 – Property, plant and equipment

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

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

2.7 – Impairment of non-financial assets

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

2.8 – Financial assets and liabilities

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

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

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

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

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

(b) Loans and receivables

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

2.9 – Derivatives and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the type of hedge. Hedge accounting is not applied.

All of the group's interest rate swaps and forward exchange contracts are used as economic hedges. Changes in the fair value of any derivative instruments are recognised in the income statement under 'change in market value of financial derivative instruments'.

2.10 – Trade receivables

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

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

2.11 – Cash and cash equivalents

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

2.12 – Share capital and share premium

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

2.13 – Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method (see note 2.18).

2.14 – Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method (see note 2.18). Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

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

2.15 – Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that 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 that have been enacted or substantially enacted at the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

2.16 – Revenue recognition

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

(a) Rental income

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

(b) Other income

Other income is recognised as it is earned.

2.17 – Dividend distribution

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

2.18 – Interest expense

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

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

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

2.19 – Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension scheme is an arrangement whereby the group pays fixed (defined) amounts to a privately held administrated scheme. The group has no legal or other obligations to pay further amounts. Contributions are recognised as employee benefits 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.

2.20 – 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 related to rental, marketing etc., owner's share of service charge expenses, project-related property costs and depreciation related to the properties.

Administrative expenses relate to costs that are not directly related to the operations and rental of properties, and include costs related to the overall ownership and corporate functions.

NOTE 3: Financial risk management

The group's activities imply exposure to a variety of financial risks: market risk (including foreign exchange, interest rate and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's profit/loss and equity. The group use hedging instruments designed to mitigate certain risks. Hedge accounting is not applied.

Risk management for the group is managed by the 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's currency exposure is very limited. The group had no leases in foreign currency in 2016 and 2015. All operational costs are in practice in NOK. The group has entered into a hedging agreement to reduce its exposure in foreign currencies related to a sold property. The hedging agreement is not settled in full in connection with the sale of the property.

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

Year	Currency	Notional principal amount in currency	< 1 year	1–2 year	3–5 year	> 5 year
2016	EUR	(1.1)	(1.1)	-	-	-
2015	EUR	(1.1)	-	(1.1)	-	-

Price risk

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The average duration of rental contracts at 31 December 2016 was 5.1 years (2015: 5.7 years).

Rental agreements for commercial properties secure a fixed revenue during the lease term. The majority of leases have a 100 per cent CPI adjustment clause allowing the company to adjust rents in line with CPI changes. The company seeks to secure such regulation clauses in all new leases. CPI regulation in 2016 was 3.7 per cent for leases regulated in October and 3.5 per cent for leases regulated in November, which increased annual rental income at the end of 2016 by NOK 24 million. Rent related to the shopping centre at Aker Brygge in Oslo is partly revenue-based.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property's policy according to current loan agreements is a hedging ratio of minimum 60 per cent related to floating rate loans outstanding. At 31 December, 63 per cent (see note 16) of such loans were hedged (2015: 60 per cent).

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 4.7 billion at 31 December (2015: NOK 6.6 billion). The average credit margin on floating rate borrowings at 31 December 2016 was 164 basis points (2015: 140 basis points). The average basis rate of the loan portfolio at 31 December 2016 was 4.20 per cent (2015: 4.33 per cent). The average remaining maturity of hedging agreements was 4.1 years (2015: 4.3 years). Notional principal amounts and the duration for the group's total portfolio of interest rate hedges at 31 December are specified in local currencies (million) in the table below (see also note 11).

Year	Currency	Notional principal amount in currency	< 1 year	1–2 year	3–5 year	> 5 year
2016	NOK	(4 655.0)	(200.0)	(855.0)	(2 350.0)	(1 250.00)
2015	NOK	(6 555.0)	(400.0)	(950.0)	(3 155.0)	(2 050.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2016 and all other variables constant, this would constitute a change in annual interest expense on unsecured lending portfolio of NOK 6 million and a change in the value of interest rate swaps of NOK 42 million.

3.2 – Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sums equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2016 and 2015 has been limited. The group's trade receivables at the balance sheet date are entirely in NOK.

3.3 – Liquidity risk

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

(Amounts in NOK million)	**2016**	2015
Cash and cash equivalents	**46.2**	55.8
– of which restricted cash and cash equivalents	**(4.0)**	(3.6)
Available cash and cash equivalents	**42.2**	52.2
Unused credit and overdraft facilities	**1 058.0**	308.0
Liquidity reserve	**1 100.2**	360.2

As described above, the group has a high level of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes and buyout of derivatives), for both 2016 (NOK 331 million) and 2015 (NOK 208 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. The figures in the table specify the timing of repayment of principal amounts (NOK million).

31 December 2016	Book value	Expected cash flow	< 1 year	1–2 year	3–5 year	> 5 year
Interest-bearing debt[1]	6 767.2	7 488.2	296.8	3 329.7	2 498.2	1 363.5
Other liabilities[2]	201.1	138.2	138.2	-	-	-

31 December 2015	Book value	Expected cash flow	< 1 year	1–2 year	3–5 year	> 5 year
Interest-bearing debt[1]	9 519.7	10 144.0	5 210.1	106.0	4 827.8	-
Other liabilities[2]	264.8	238.2	238.2	-	-	-

[1] There are differences between the carrying amount and the expected cash flow due to capitalised costs and estimated interest cost based on the average interest rate at year-end.
[2] The difference between carrying value and expected cash flow due to deferred revenue.

In 2016, Norwegian Property has refinanced some loan facilities that matured by the end of the year. After this there is no maturity of credit facilities until 2018. The reduction in the loan and hedge portfolio in 2016 was primarily related to sale of properties and optimisation of the hedging portfolio. See note 16.

3.4 – Capital risk management

The group's objectives relating to capital management are to ensure continued operation, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The main objective of the group's capital management is to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus is related to the debt ratio (loan-to-value/LTV). The LTV ratio is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have a debt ratio of 45–55 per cent. The LTV ratio at year-end is specified in the table below. According to the group's loan agreements the LTV ratio should not exceed 75 and 78 per cent respectively. The size of the instalments is determined by the level of the LTV. Requirements related to LTV in the loan agreements are adhered to both by year-end and for the interim periods in 2015 and 2016. To change the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts in NOK million)	**2016**	2015
Long-term interest-bearing liabilities	**6 755.8**	4 612.7
Short-term interest-bearing liabilities	**11.4**	4 906.9
Capitalised borrowing cost deducted from the interest-bearing liabilities	**25.2**	12.7
Cash and cash equivalents	**(46.2)**	(55.8)
Gross interest-bearing liabilities	**6 746.1**	9 476.6
Gross property value	**14 112.1**	16 256.1
Loan-to-value (per cent)	**47.8**	58.3

NOTE 4: Determination of fair value

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

Investment property

According to the group's valuation process, the finance and investment department is responsible for preparation of valuation of investment property for use in the financial accounts. The finance and investment department is responsible for that all of the group's investment properties are valued at fair value quarterly. The company's valuation process is based on external valuations, supplemented by internal analysis where the company makes an assessment and determines whether the external valuations give an accurate picture of the fair value of the investment properties. Inspections and technical reviews of all properties are performed regularly. The valuations are reviewed quarterly as a key part of the audit committee's quality assurance of the period and annual accounts. Based on this valuation process all properties were valued by two independent, professional valuers at 31 December 2016. DTZ Realkapital and Akershus Eiendom have prepared a valuation of all properties. The company has concluded that an average of the valuations may be used as the basis for accounting of investment properties at fair value at the end of 2016. See also note 5 for critical accounting estimates and judgements.

Financial instruments and derivatives

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

Cash and cash equivalents

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

Interest-bearing liabilities

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

Accounts receivable/other receivables and trade payables/other liabilities

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

Derivatives

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

NOTE 5: Critical accounting estimates and judgements

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

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

Fair value of investment properties

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

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and inflation. Market rents are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.9 to 2.5 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 in the range from 2.7 to 11.3 per cent based on individual assessments of each property.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, market rent and operating costs for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2016, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change [1]
Net market yield	+ 0.25 per cent	(433)
Discount rate	+ 0.25 per cent	(217)
Operating costs	+ NOK 25 per sqm	(432)
Market rent	+ 10 per cent	719

[1] The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2016.

Fair value of financial derivatives

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

NOTE 6: Segment information

Norwegian Property's main activity is ownership and management of commercial properties in Norway. No material differences in risks and returns exist in the economic environments in which the company operates. Consequently, the company is only present in one business segment and one geographic market, and no further segment information has been prepared.

NOTE 7: Investment property

The carrying value of investment property

Changes in the carrying amount of investment property are specified in the table below. Future minimum annual rent payments receivable under non-cancellable operating leases are specified in note 9.

(Amounts in NOK million)	**2016**	2015
Total value of investment property at 1 January	**16 256.1**	15 796.6
Disposals of properties at book value [1]	**(3 033.8)**	(577.3)
Additions through on-going investments	**381.3**	626.3
Capitalised borrowing costs	**-**	9.2
Total fair value adjustment of investment property	**475.1**	387.4
Fair value adjustment of properties sold included in total fair value adjustment [1]	**32.9**	6.1
Fair value adjustment of owner-occupied property	**0.5**	7.9
Total value of investment property at 31 December	**14 112.1**	16 256.1
Owner-occupied property (see specification below)	**(87.0)**	(86.5)
Total book value of investment property at 31 December	**14 025.1**	16 169.6
Of this investment property sold with forward closing of the transaction [2]	**968.0**	901.5

[1] Disposals in 2016 apply to Drammensveien 134, Verkstedveien 1 and 3, Strandsvingen 10 and Stortingsgata 6 as well as minor adjustments to disposals from the previous year. Similarly for 2015 apply to Lysaker Torg 35, as well as minor adjustments to disposals from the previous year.

[2] Norwegian Property has entered into an agreement to sell Nedre Skøyen vei 24–26 (2015) and Hovfaret 11 (2016) in Oslo. Takeover is agreed to March 2019 upon expiration of the lease contract for the properties, and Norwegian Property is entitled to rental income and has the operating responsibility for the properties until takeover. In the balance sheet, these properties are classified as ordinary investment property at the present value of the contractual cash flows.

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

At the end of 2016, 20.3 per cent (13.7 per cent) of total property space stands vacant. Operating expenses for vacant space totals NOK 22.9 million for 2016 (NOK 28.9 million).

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

The group had no significant contractual obligations for construction contracts related to investment properties at 31 December 2015 or 31 December 2016.

Owner-occupied property

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

(Amounts in NOK million)	**2016**	2015
Opening balance at 1 January	**86.5**	101.5
Addition by transfer from investment property to owner-occupied property	**-**	83.3
Disposal by discontinuance of owner-occupied property	**-**	(106.1)
Fair value adjustment of owner-occupied property, comprehensive income	**0.5**	7.9
Book value of owner-occupied property at 31 December	**87.0**	86.5
Accumulated acquisition costs at 31 December	**83.3**	83.3
Annual depreciation	**1.7**	0.8
Accumulated depreciation at 31 December	**2.5**	0.8
Accumulated fair value adjustment at 31 December	**3.8**	3.3

Fair value assessment

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

	Determination of fair value using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant unobservable input (level 3)	**Total estimated fair value**
Investment property	-	-	14 025.1	**14 025.1**
Owner-occupied property	-	-	87.0	**87.0**
Total properties at 31 December 2016	**-**	**-**	**14 112.1**	**14 112.1**
Investment property	-	-	16 169.6	**16 169.6**
Owner-occupied property	-	-	86.5	**86.5**
Total properties at 31 December 2015	**-**	**-**	**16 256.1**	**16 256.1**

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under 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 that caused the transfer. There were no transfers between the levels during 2015 or 2016.

NOTE 8: Other fixed assets

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

(Amounts in NOK million)	Other fixed assets	Energy distribution system (Aker Brygge)	**Total**
Acquisition costs			
At 31 December 2014	24.4	36.2	**60.6**
Additions 2015	6.7	2.5	**9.2**
Disposals 2015	-	-	**-**
At 31 December 2015	31.1	38.8	**69.8**
Additions 2016	8.9	0.9	**9.9**
Disposals 2016	-	-	**-**
At 31 December 2016	**40.0**	**39.7**	**79.7**
Accumulated depreciation			
At 31 December 2014	15.5	1.2	**16.6**
Additions 2015	5.6	1.7	**7.3**
Disposals 2015	-	-	**-**
At 31 December 2015	21.1	2.9	**24.0**
Additions 2016	4.9	1.9	**6.8**
Disposals 2016	-	-	**-**
At 31 December 2016	**26.0**	**4.8**	**30.8**
Book value			
At 31 December 2015	9.9	35.9	**45.8**
At 31 December 2016	**14.0**	**34.8**	**48.8**

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

NOTE 9: Contractual rental income

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

(Amounts in NOK million)	**2016**	2015
Within 1 year	**703.3**	962.1
Between 1 and 5 years	**2 217.1**	3 343.6
Later than 5 years	**929.6**	1 566.3
Total	**3 850.0**	5 872.0

Rental income is recognised over the lease term. The group's recognised rental income for 2016 amounts to NOK 900.9 million (2015: NOK 858.3 million). The figures do not included service charge expenses charged to tenants. Accrued service charge expenses are recognised in the balance sheet together with payments on account of the tenant, and does not affect the result beyond an administrative mark-up which is recognised. Settlement of service charge expenses is made after the balance-sheet day. Accrued service charge expenses which are charged to tenants in 2016 amount to NOK 83.7 million (2015: NOK 95.6 million), and the administrative mark-up amounted to NOK 3.8 million (2015: NOK 2.8 million).

NOTE 10: Financial instruments

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

At 31 December 2016 *(Amounts in NOK million)*	Financial instruments at fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Financial assets					
Long-term derivatives	6.6	-	-	-	**6.6**
Short-term receivables	-	37.5	-	78.5	**115.9**
Short-term derivatives	1.6	-	-	-	**1.6**
Cash and cash equivalents	-	46.2	-	-	**46.2**
Financial liabilities					
Long-term derivatives	338.9	-	-	-	**338.9**
Long-term interest-bearing debt	-	-	6 755.8	-	**6 755.8**
Long-term liabilities	-	-	-	57.5	**57.5**
Short-term derivatives	5.7	-	-	-	**5.7**
Short-term interest-bearing debt	-	-	11.4	-	**11.4**
Short-term liabilities	-	-	138.2	62.9	**201.1**
Profit/loss related to financial instruments					
Financial income	-	1.1	-	-	**1.1**
Financial cost	-	-	(402.6)	-	**(402.6)**
Change in market value of financial instruments	171.0	-	-	-	**171.0**
Gain/loss recognised in comprehensive income					
Recognised in comprehensive income, before tax	-	-	-	-	**-**

At 31 December 2015 *(Amounts in NOK million)*	Financial instruments at fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Financial assets					
Long-term derivatives	6.1	-	-	-	**6.1**
Short-term receivables	-	58.6	-	123.0	**181.6**
Cash and cash equivalents	-	55.8	-	-	**55.8**
Financial liabilities					
Long-term derivatives	670.2	-	-	-	**670.2**
Long-term interest-bearing debt	-	-	4 612.7	-	**4 612.7**
Long-term liabilities	-	-	-	52.6	**52.6**
Short-term derivatives	2.0	-	-	-	**2.0**
Short-term interest-bearing debt	-	-	4 906.9	-	**4 906.9**
Short-term liabilities	-	-	238.2	26.6	**264.8**
Profit/loss related to financial instruments					
Financial income	-	0.6	-	-	**0.6**
Financial cost	-	-	(429.1)	-	**(429.1)**
Change in market value of financial instruments	73.3	-	-	-	**73.3**
Gain/loss recognised in comprehensive income					
Recognised in comprehensive income, before tax	-	-	-	-	**-**

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

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

	31 December 2016		31 December 2015	
(Amounts in NOK million)	**Book value**	**Fair value**	Book value	Fair value
Long-term derivatives	**6.6**	**6.6**	6.1	6.1
Short-term receivables	**37.5**	**37.5**	181.6	181.6
Cash and cash equivalents	**46.2**	**46.2**	55.8	55.8
Total financial assets	**90.2**	**90.2**	243.5	243.5
Long-term derivatives	**338.9**	**338.9**	670.2	670.2
Long-term interest-bearing debt	**6 755.8**	**6 759.5**	4 612.7	4 626.3
Short-term derivatives	**5.7**	**5.7**	2.0	2.0
Short-term interest-bearing debt	**11.4**	**11.4**	4 906.9	4 916.9
Short-term liabilities	**138.2**	**138.2**	238.2	238.2
Total financial liabilities	**7 250.0**	**7 253.7**	10 430.1	10 453.7

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

NOTE 11: Derivatives

Specification of derivatives in the financial statement

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

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

	2016		2015	
(Amounts in NOK million)	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts	**6.2**	**338.9**	5.7	663.5
Exchange rate contracts	**0.4**	**-**	0.4	6.7
Derivatives, non-current assets/liabilities	**6.6**	**338.9**	6.1	670.2
Interest rate contracts	**-**	**-**	-	2.0
Exchange rate contracts	**1.6**	**5.7**	-	-
Derivatives, current assets/liabilities	**1.6**	**5.7**	-	2.0
Total derivatives	**8.1**	**344.6**	6.1	672.2
Net financial derivatives in the balance sheet		**(336.4)**		(666.1)

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

(Amounts in NOK million)	**2016**	2015
Net book value of derivatives, 1 January	**(666.1)**	(820.6)
Buyout of derivatives	**158.6**	81.2
Net fair value adjustments of derivatives during the year	**171.0**	73.3
Net book value of derivatives, 31 December	**(336.4)**	(666.1)

Interest rate derivatives

Below follows a specification of principal notional amounts per currency for the group's interest rate derivatives at 31 December. The maturity is specified in note 3.

	Currency	**2016**	2015
Notional principal amount	NOK	**4 655.0**	6 555.0

Floating interest rate is 3 months NIBOR for all contracts. Gains and losses for hedge accounting contracts are recognised in other comprehensive income until the underlying hedged loan is repaid.

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the group's exchange rate derivatives at 31 December. The maturity is specified in note 3.

	Currency	**2016**	2015
Notional principal amount	EUR	**(1.1)**	(1.1)

Fair value derivatives

The table below shows the fair value of derivatives.

	Determination of fair value at 31 December 2016 using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant unobservable input (level 3)	**Total estimated fair value**
Assets				
Derivatives, assets	-	8.1	-	**8.1**
Liabilities				
Derivatives, liabilities	-	344.6	-	**344.6**
Total	**-**	**(336.4)**	**-**	**(336.4)**

	Determination of fair value at 31 December 2015 using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant unobservable input (level 3)	**Total estimated fair value**
Assets				
Derivatives, assets	-	6.1	-	**6.1**
Liabilities				
Derivatives, liabilities	-	672.2	-	**672.2**
Total	**-**	**(666.1)**	**-**	**(666.1)**

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under 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 that caused the transfer. There were no transfers between the levels during 2015 or 2016.

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

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

At 31 December 2016 (Amounts in NOK million)	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Net amount
Assets						
Long-term derivatives, assets	6.6	-	6.6	(6.6)	-	-
Short-term derivatives, liabilities	1.6	-	1.6	(1.6)	-	-
Total	**8.1**	**-**	**8.1**	**(8.1)**	**-**	**-**
Liabilities						
Long-term derivatives, liabilities	338.9	-	338.9	(6.6)	-	**332.4**
Short-term derivatives, liabilities	5.7	-	5.7	(1.6)	-	**4.1**
Total	**344.6**	**-**	**344.6**	**(8.1)**	**-**	**336.4**

At 31 December 2015						
Assets						
Long-term derivatives, assets	6.1	-	6.1	(6.1)	-	-
Total	**6.1**	**-**	**6.1**	**(6.1)**	**-**	**-**
Liabilities						
Long-term derivatives, liabilities	670.2	-	670.2	(6.1)	-	**664.2**
Short-term derivatives, liabilities	2.0	-	2.0	-	-	**2.0**
Total	**672.2**	**-**	**672.2**	**(6.1)**	**-**	**666.1**

NOTE 13: Current receivables

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

(Amounts in NOK million)	**2016**	2015
Accounts receivable	**16.9**	27.5
Provision for impairment of receivables	**(4.1)**	(2.7)
Net accounts receivable	**12.8**	24.9
Public duties	**24.7**	33.6
Other current receivables	**78.5**	123.0
Total current receivables	**115.9**	181.6

NOTE 14: Share capital and shareholders

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

Changes in share capital and average number of shares

	2016	2015
Average number of shares (1 000 shares)	**548 447**	548 447
Number of shares issued at 31 December (1 000 shares)	**548 447**	548 447

The share capital of NOK 274 223 416 consisted of 548 446 832 shares, each with a face value of NOK 0.50, both at the end of 2015 and 2016.

List of main shareholders at 31 December 2016

Largest shareholders	Type of account	Country	Number of shares	Percentage
Geveran Trading Co Ltd	ORD	CYP	315 969 937	57.6
Folketrygdfondet	ORD	NOR	73 701 642	13.4
Niam V Prosjekt AS	ORD	NOR	67 437 425	12.3
The Bank of New York	NOM	NLD	23 730 241	4.3
State Street Bank an A/C West Non-Treaty	NOM	USA	5 230 788	1.0
CEK Holding AS	ORD	NOR	3 255 807	0.6
State Street Bank & S/A SSB Client Omni.	NOM	USA	2 650 029	0.5
State Street Bank & SSB, Ishares Europe	NOM	IRL	2 261 143	0.4
J.P. Morgan Chase Ba A/C Vanguard BBH LEN	NOM	USA	1 921 295	0.4
KLP Aksjenorge Indeks	ORD	NOR	1 767 321	0.3
BNP Paribas Securiti S/A TR Property Inv.	NOM	GBR	1 641 484	0.3
JP Morgan Bank Luxem JPML SA RE CLT Asset	NOM	LUX	1 584 380	0.3
Niki AS	ORD	NOR	1 500 000	0.3
KAS Bank NV S/A Client ACC Treat.	NOM	NLD	1 490 620	0.3
Mathias Holding AS	ORD	NOR	1 400 000	0.3
Skandinaviska Enskil SEB AB, UCITS V - Fi.	NOM	FIN	1 194 261	0.2
J.P. Morgan Securiti A/C Customer Safe Ke.	NOM	USA	1 158 000	0.2
State Street Bank an SSBTC A/C UK LO. BR.	NOM	USA	1 102 898	0.2
Sanden A/S	ORD	NOR	1 000 000	0.2
Kolberg Motors AS	ORD	NOR	900 504	0.2
Other			37 549 057	6.8
Total number of shares at 31 December 2016			**548 446 832**	**100.0**

List of main shareholders at 31 December 2015

Largest shareholders	Type of account	Country	Number of shares	Percentage
Geveran Trading Co Ltd	ORD	CYP	264 724 869	48.3
Folketrygdfondet	ORD	NOR	73 951 642	13.5
Niam V Prosjekt AS	ORD	NOR	67 437 425	12.3
DNB NOR Markets, AKS DNB Bank ASA	ORD	NOR	28 786 374	5.2
BNY Mellon SA/NV BNYM, Stichting Dep.	NOM	NLD	23 730 241	4.3
BNP Paribas Sec. Ser S/A BP2S LUX/FIM LUX	NOM	LUX	5 887 392	1.1
State Street Bank & Trust Co	NOM	USA	4 436 421	0.8
BNP Paribas Sec. Services S.C.A GBR	NOM	GBR	4 325 659	0.8
State Street Bank & Trust Co	NOM	USA	3 968 734	0.7
Alden AS	ORD	NOR	3 500 000	0.6
State Street Bank & SSB, Ishares Europe	NOM	IRL	3 360 187	0.6
State Street Bank & S/A SSB Client Omni.	NOM	USA	2 524 545	0.5
JP Morgan Chase Bank A/C Vanguard BBH LEN	NOM	USA	2 352 360	0.4
Petrus AS	ORD	NOR	2 000 000	0.4
JP Morgan Bank Luxem JPML SA RE CLT Asset	NOM	LUX	1 943 325	0.4
KLP Aksjenorge Indeks	ORD	NOR	1 912 879	0.3
KAS Bank NV S/A Client ACC Treat.	NOM	NLD	1 712 800	0.3
Mathias Holding AS	ORD	NOR	1 400 000	0.3
Alta Invest AS	ORD	NOR	1 270 157	0.2
Niki AS	ORD	NOR	1 250 000	0.2
Other			47 971 822	8.7
Total number of shares at 31 December 2015			**548 446 832**	**100.0**

Shares held by senior executive officers and directors at 31 December 2016

Shareholder	Number of shares
Senior executives	
Svein Hov Skjelle, CEO/EVP and CFO	101 594
Board of directors	
Affiliated with Geveran Trading Co Ltd[1]	315 969 937
Affiliated with Niam V Prosjekt AS[2]	67 437 425
Bjørn Henningsen, Deputy Chair[3]	311 556
Shares held by the board of directors and senior executive officers at 31 December 2016	**383 820 512**

[1] Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Harald Herstad are affiliated with Geveran Trading Co Ltd, which was the largest shareholder in Norwegian Property ASA at 31 December 2016. Geveran Trading Co Ltd owns 315 969 937 shares in Norwegian Property, which represent approximately 57.6 per cent of the issued shares in the company.
[2] Kjell Sagstad is affiliated with Niam V Prosjekt AS, which owns 67 437 425 shares in Norwegian Property at 31 December 2016, representing approximately 12.3 per cent of the issued shares in the company.
[3] At year-end 2016, 100 000 shares were owned by Max Eiendom AS and 211 556 shares by Camvecti Holding AS. Both companies are 100 per cent owned by Bjørn Henningsen.

The company has not issued share options.

NOTE 15: Other liabilities

Other current liabilities

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

(Amounts in NOK million)	**2016**	2015
Public duties	**8.5**	5.6
Accrued salaries	**7.0**	5.6
Accrued interest	**54.1**	75.1
Prepaid income	**62.9**	26.6
Trade payables	**27.2**	13.4
Provisions (see below)	**1.9**	15.0
Other payables	**39.5**	123.6
Total other current liabilities	**201.1**	264.8

Changes in provisions are specified in the table below.

(Amounts in NOK million)	**2016**	2015
Provisions at the start of the period	**15.0**	-
Expensed in the period[1]	**-**	15.0
Dissolved in the period	**(13.1)**	-
Provisions at the end of the period	**1.9**	15.0

[1] In 2015, the company initiated a downsizing process in the organisation as a result of reduced activity levels after sales of properties and completion of development projects. The overall reduction in resources constituted 10 to 12 FTEs, including contracted resources. A provision of NOK 15 million was recognised in 2015 related to these measures.

Other non-current liabilities

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

(Amounts in NOK million)	**2016**	2015
Advance from sale of investment properties (see note 7)	**55.0**	50.0
Pension liabilities (see note 19)	**2.5**	2.6
Total other non-current liabilities	**57.5**	52.6

NOTE 16: Interest-bearing debt

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

	2016	2015
Total interest-bearing debt (NOK million)	**6 767.1**	9 519.7
- of which hedged (NOK million)[1]	**4 250.0**	5 750.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	**63**	60
Cash and cash equivalents (NOK million)	**46.2**	55.8
Committed unutilised credit facilities (NOK million)	**1 058.0**	308.0
Average interest rate, including margin (per cent)	**4.20**	4.33
Average margin (per cent)	**1.64**	1.40
Average remaining duration, borrowings (years)	**2.3**	1.7
Average remaining duration, hedging contracts (years)	**4.1**	4.3

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

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

		2016			2015		
(Amounts in NOK million)	Currency	**Long-term**	**Short-term**	**Total**	Long-term	Short-term	Total
Bank borrowings	NOK	**5 057.8**	**11.5**	**5 069.3**	3 812.3	4 415.1	8 227.4
Bonds	NOK	**1 723.0**	**-**	**1 723.0**	805.0	500.0	1 305.0
Total interest-bearing debt	NOK	**6 780.8**	**11.5**	**6 792.3**	4 617.3	4 915.1	9 532.4
Capitalised borrowing cost	NOK	**(25.1)**	**(0.1)**	**(25.2)**	(4.6)	(8.1)	(12.7)
Total book value interest-bearing debt	NOK	**6 755.7**	**11.4**	**6 767.1**	4 612.7	4 906.9	9 519.7
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	NOK	**-**	**-**	**-**	10.6	9.4	20.0
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	NOK	**3.8**	**-**	**3.8**	3.0	0.6	3.6

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

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

	Determination of fair value using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant unobservable input (level 3)	**Total estimated fair value**
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	3.8	-	-	3.8
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2016	**3.8**	**-**	**-**	**3.8**
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	20.0	20.0
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	3.6	-	-	3.6
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2015	**3.6**	**-**	**20.0**	**23.6**

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under 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 that caused the transfer. There were no transfers between the levels during 2015 or 2016.

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

(Amounts in NOK million)	**2016**	2015
Due in 2018 and 2019 (2017 and 2018)	**5 445.8**	4 267.3
Due in 2020, 2021 and 2022 (2019, 2020 and 2021)	**1 335.0**	350.0
Due after 2022 (after 2021)	**-**	-
Total	**6 780.8**	4 617.3

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

(Amounts in NOK million)	**2016**	2015
Investment property	**14 112.1**	16 256.1
Total	**14 112.1**	16 256.1
Liabilities secured	**6 792.3**	9 532.4

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

The credit facilities consist of two main facilities with a total remaining borrowing limit of NOK 6 127.3 million at the end of 2016, which includes an overdraft facility of NOK 100 million. The facilities mature in June 2018 and December 2019 respectively. Drawings are secured by two separate property portfolios. Amounts drawn at the end of 2016 totalled NOK 5 069.3 million and NOK 1 058 million are available unused credit limits.

Four bonds totalling NOK 1 723 million were outstanding at the end of 2016, after deduction of own bond holdings of NOK 417 million acquired as a result of conditions regarding change of control in the loan agreements. The bonds are due as follows: NOK 329 million in 2018, NOK 59 million in 2019 and NOK 1 335 million in 2020. Holdings of own bonds related to the loans NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market at prices of NOK 100.7885 and NOK 99.7750, respectively, in January 2017. The loan NPRO02 matures in 2018 and NPRO05 matures in 2019. All bonds are secured by properties and are listed on the Oslo stock Exchange.

The key terms of the main loan facilities are:

- Interest: NIBOR + margin.
- Interest rate hedging: Minimum 50 and 60 per cent respectively with an average duration of at least three years.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at 31 December 2016 is a minimum interest cover ratio of 1.4 and an agreed LTV ratio for the two main facilities of less than 75 and 78 per cent respectively.
- Other covenants: Negative pledge, restrictions on granting loan guarantees and change of control.
- Security: Secured by pledges on properties and first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

Agreed requirements in the loan agreements are adhered to at year-end 2015 and 2016. Geveran Trading Co. Ltd. aquired more than 50 per cent of the shares in Norwegian Property ASA in the third quarter of 2016. The loan agreements for Norwegian Property ASA contain clauses about change of control. Based on ongoing processes for acceptance of change of control, the bank facility with SEB/Nordea and the bond loans NPRO 02, -03, -05 and -06 were classified as current liabilities in the balance sheet at 30 September 2016.

Costs of NOK 10.6 million related to the processes of acceptance of ownership of the group's credit facilities are expensed in 2016 (see note 20). Costs include fees to banks and costs associated with bondholders who demanded redemption at the exercise price of NOK 101 in the loan agreements. It is assumed that the modified loan terms do not mean that the present value of cash flows under the new terms discounted at the original effective interest rate is changed by more than 10 per cent from the present value of the remaining cash flows in accordance with the original liability. In addition, the bondholders in the loan NPRO06 were offered a compensation of 0.25 per cent of face value if they did not use the clause for redemption. This remuneration is regarded as a modification of the existing loan facility, and amortised over the remaining term by NOK 3.5 million.

NOTE 17: Deferred tax and income tax

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

(Amounts in NOK million)	**2016**	2015
Payable tax	**-**	-
Deferred tax	**212.9**	188.8
Income tax	**212.9**	188.8
Profit before income tax:	**977.4**	669.0
Income tax calculated at 25 per cent for 2016 and 27 per cent for 2015	**244.3**	180.6
Effect on the ending balance for deferred tax from change of the tax rate[1]	**(19.7)**	(20.6)
Change in temporary differences[2]	**(11.8)**	28.8
Income tax	**212.9**	188.8

[1] The corporate tax rate in Norway is reduced from 25 per cent to 24 per cent at the start of 2017. Deferred tax by year-end 2016 is therefore calculated based on a tax rate of 24 per cent. Equivalent the corporate tax rate was reduced from 27 per cent to 25 per cent at the start of 2016. Deferred tax by year-end 2015 is therefore calculated based on a tax rate of 25 per cent.

[2] Relates primarily to deferred tax assets in connection with investment property, which is not recognised when the fair value is greater than the taxable value but lower than cost for the group.

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

(Amounts in NOK million)	**2016**	2015
At 1 January	**258.7**	67.4
Recognised through profit and loss	**212.9**	188.8
Tax charged to comprehensive income	**0.6**	2.5
At 31 December	**472.1**	258.7

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

(Amounts in NOK million)	**2016**	2015
Tax on issue expenses	**(131.9)**	(131.9)
Total deferred tax charged to equity	**(131.9)**	(131.9)

Changes in deferred taxes are as follows:

(Amounts in NOK million)	Investment property[1]	Gain and loss account	Carry for-ward losses	Financial derivatives	Other	**Total[2]**
Total at 1 January 2015	757.1	0.2	(525.8)	(221.6)	(0.2)	**9.9**
Not capitalised at 1 January 2015[3]	-	(4.7)	62.2	-	-	**57.5**
Book value at 1 January 2015	**757.1**	**(4.4)**	**(463.6)**	**(221.6)**	**(0.2)**	**67.4**
Recognised through profit and loss in 2015	101.6	1.8	34.6	55.0	(4.3)	**188.8**
Recognised through comprehensive income in 2015	2.5	-	-	-	-	**2.5**
Change of calculated deferred tax in 2015	104.1	1.8	34.6	55.0	(4.3)	**191.3**
Total at 31 December 2015	861.2	2.0	(491.1)	(166.5)	(4.4)	**201.2**
Not capitalised at 31 December 2015[3]	-	(4.7)	62.2	-	-	**57.5**
Book value at 31 December 2015	**861.2**	**(2.6)**	**(428.9)**	**(166.5)**	**(4.4)**	**258.7**
Recognised through profit and loss in 2016	(31.9)	103.2	52.8	85.8	3.0	**212.9**
Recognised through comprehensive income in 2016	0.6	-	-	-	-	**0.6**
Change of calculated deferred tax in 2016	(31.4)	103.2	52.8	85.8	3.0	**213.4**
Total at 31 December 2016	829.8	103.5	(430.2)	(80.7)	(1.4)	**421.0**
Not capitalised at 31 December 2016[3]	-	(4.1)	55.3	-	-	**51.1**
Book value at 31 December 2016	**829.8**	**99.4**	**(374.9)**	**(80.7)**	**(1.4)**	**472.1**

[1] Property tax value totals NOK 8.4 billion at the end of 2016.
[2] Deferred tax assets and liabilities are presented net when the group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. All limited group companies are included in the tax group and registered in Norway.
[3] Purchases of single-purpose entities owning only property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for, since it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTE 18: Operating expenses

Maintenance and other operating expenses:

(Amounts in NOK million)	**2016**	2015
Administrative management costs	**11.9**	20.8
Operating and maintenance costs	**42.3**	44.0
Total maintenance and other operating expenses	**54.2**	64.8

Other property-related expenses:

(Amounts in NOK million)	**2016**	2015
Rental, market and other income-related expenses	**31.3**	40.1
Owner's share of service charge expenses	**22.9**	28.9
Project-related property costs	**0.3**	6.6
Property-related depreciation	**2.0**	1.9
Total other property-related expenses	**56.6**	77.5

Administrative expenses:

(Amounts in NOK million)	**2016**	2015
Payroll expenses (see note 19)	**67.4**	91.9
Depreciation	**5.8**	5.8
Other operating expenses	**21.1**	35.1
Costs allocated to property costs	**(37.0)**	(53.7)
Total administrative expenses	**57.3**	79.2

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

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

Payroll costs

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	**2016**	2015
Salaries and remuneration	**53.4**	61.7
Social security costs	**9.6**	10.3
Pension costs for defined contribution plans	**2.5**	2.8
Other employee expenses	**1.9**	2.1
Cost of downsizing (see note 15)	**-**	15.0
Total payroll costs	**67.4**	91.9
Number of employees at 31 December	**52**	61
Number of full-time equivalent positions in the fiscal year	**54**	59
Average number of employees	**57**	59

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

The group has a controlling stake in Bryggedrift AS of 57.4 per cent (see note 26), which has an individual defined benefit obligation to a former employee of NOK 2.5 million funded through operations.

Remuneration of executive officers

Remuneration of senior management in 2016 is specified in the table below:

Name	Title	Salary [1]	Bonuses [1]	Other benefits [1]	Pension/ insurance benefits [2]
Svein Hov Skjelle	CEO/EVP and CFO	3 683 944	800 000	134 666	70 397
Tore Heldrup Rasmussen	EVP Commercial	2 515 486	552 000	108 879	67 610
Bjørge Aarvold	EVP Property Management	1 757 097	336 373	114 666	71 150
Total		**7 956 527**	**1 688 373**	**358 211**	**209 157**

[1] Paid benefits in 2016 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 2016 (amounts in NOK).

Remuneration of senior management in 2015 are specified in the table below:

Name	Title	Salary [1]	Bonuses [1]	Other benefits [1]	Pension/ insurance benefits [2]
Svein Hov Skjelle [3]	CEO/EVP and CFO	3 107 538	379 588	123 456	67 604
Olav Line [3]	Former CEO	4 981 600	1 500 000	170 102	44 999
Tore Heldrup Rasmussen	EVP Commercial	2 203 261	86 250	115 024	64 820
Bjørn Holm [4]	EVP Property Development	2 043 128	292 500	118 567	65 392
Bjørge Aarvold	EVP Property Management	1 625 214	232 929	114 561	69 070
Total		**13 960 741**	**2 491 267**	**641 710**	**311 885**

[1] Paid benefits in 2015 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 2015 (amounts in NOK).
[3] Olav Line resigned in June 2015 as CEO. The CFO of Norwegian Property, Svein Hov Skjelle, was appointed acting CEO in June 2015, and in August 2015, he was appointed as the new CEO.
[4] Bjørn Holm resigned the post of EVP Property Development at the end of January 2016.

Remuneration of directors

Fees paid to directors in 2016 are presented in the table below:

Name	Title	Period	Remuneration [1]
Martin Mæland	Chair	13.04–31.12	525 000
Bjørn Henningsen	Deputy chair	01.01–31.12	550 000
Cecilie Astrup Fredriksen	Director	01.01–31.12	250 000
Kjell Sagstad	Director	13.04–31.12	187 500
Kathrine Astrup Fredriksen	Director	13.04–31.12	187 500
Harald Herstad	Director	13.04–31.12	187 500
Merete Haugli	Director	13.04–31.12	187 500
Henrik A. Christensen	Chair	01.01–13.04	175 000
Marianne Heien Blystad	Director	01.01–13.04	62 500
Total			**2 312 500**

[1] Paid benefits in 2016 (amounts in NOK). In addition, social security costs (14.1 per cent).

Fees paid to directors in 2015 are presented in the table below:

Name	Title	Period	Remuneration [1]
Henrik A. Christensen	Chair	01.01–31.12	700 000
Bjørn Henningsen	Deputy chair	01.01–31.12	550 000
Cecilie Astrup Fredriksen	Director	01.01–31.12	250 000
Marianne Heien Blystad	Director	09.04–31.12	187 500
Espen D. Westeren	Director	09.04–11.12	296 250
Total			**1 983 750**

[1] Paid benefits in 2015 (amounts in NOK). In addition, social security costs (14.1 per cent).

Declaration of management benefits:

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

This statement applies for the coming fiscal year. The board will base its work on the declaration after the treatment at the Annual General Meeting in 2017. In 2016, the group has followed the guidelines on executive pay stated in the annual accounts statement on executive salaries for 2015, presented to the General Meeting in 2016. Any changes to the principles in this statement, compared with previous years, are explained.

1. Principles for base salary

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

2. Bonus principles

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in meeting key targets for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets will consist of performance improvement initiatives or financial targets, including the company's share price performance. Targets in relation to the chief executive officer's own performance will be established by the board, while the chief executive officer will establish targets for other key management personnel. The targets must be measurable wherever possible. Bonus payment must not exceed 80 per cent of the chief executive officer's annual salary or 30 per cent of annual base salary for other key management employees.

3. Principles for non-cash related benefits

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

The group has currently no employee option programmes or share schemes.

4. Payment after termination of contract

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

5. Decision-making process for remuneration

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

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

Auditor's fee[1]

Type of fees	2016	2015
Statutory audit	**1 743 218**	1 428 110
Other certification services	**303 410**	205 200
Tax/VAT advice	**329 200**	453 229
Other services[2]	**65 000**	4 959 379
Total	**2 440 828**	7 045 918

[1] Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies. The fees are net of VAT (amounts in NOK).
[2] The fee for 2015 includes other assistance fees relating to due diligence in connection with a possible sale process for some of the group's properties.

NOTE 20: Realised net financial items

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

(Amounts in NOK million)	2016	2015
Interest income on bank deposits	**1.1**	0.6
Total financial income	**1.1**	0.6
Interest expense on borrowings[1]	**(402.6)**	(429.1)
Total financial expenses	**(402.6)**	(429.1)
Net realised financial items	**(401.6)**	(428.5)

[1] Includes 10.6 NOK million related to the processes for securing acceptance of the change in ownership with regard to the group's credit facilities (see note 16).

NOTE 21: Earnings per share

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

	2016	2015
Net profit attributable to shareholders (NOK million)	**764.5**	480.2
Weighted average number of outstanding shares, excluding treasury shares (million shares)[1]	**548.4**	548.4
Basic earnings per share (NOK per share)	**1.39**	0.88

[1] At the end of 2016 the company owns 21 236 treasury shares (acquired in 2012).

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

NOTE 22: Dividend per share and dividend policy

Norwegian Property's long term goal is to pay a dividend which represents a high percentage of the company's current cash flow defined as net profit after tax payable, but before value adjustments. In determining dividend payments, the board will also be concerned with optimal capital structure in relation to new investment opportunities and any need for investments in the existing portfolio.

At the Annual General Meeting in April 2016 the board was authorised to make quarterly dividend payments. In 2016, a total of NOK 0.10 per share was paid, divided by two payments of NOK 0.05 following a decision of the board in May and July. The board resolved at the board meeting on 9 February 2017 a payment of a dividend of NOK 0.12 per share.

NOTE 23: Related-party disclosures

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

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 note 14 and note 19.

There are no significant agreements or significant transactions with related parties in 2015 and 2016.

NOTE 24: Contingent liabilities and assets

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

Guarantees in connection with the sale of properties and companies

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

In connection with sale of properties/companies in the period from 2008 to 2016, Norwegian Property has issued this kind of guarantees to buyers. At the end of 2016, the assessment is that there are no circumstances which entail an obligation and a need for provisions for Norwegian Property.

NOTE 25: Events after the balance sheet date

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

Own holdings of the bonds NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market in January 2017 at prices of NOK 100.7885 and NOK 99.7750, respectively (see note 16).

In accordance with authorisation from the 2016 Annual General Meeting, the board decided on 9 February 2017 that a dividend of NOK 0.12 per share will be paid based on accounts at year-end 2016.

There are no other significant events after 31 December 2016 which provide information of conditions that existed at the balance sheet date.

NOTE 26: Group companies

The consolidated financial statements of Norwegian Property ASA comprise the following wholly-owned subsidiaries at the end of 2016:

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

All subsidiaries have the same business address as Norwegian Property ASA (Bryggegata 9, 0250 Oslo).

In addition to its wholly-owned subsidiaries, the Norwegian Property group has a stake in Bryggedrift AS (business address Støperigata 1, 0250 Oslo), which is responsible for certain operating 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 has mathematically a 57.4 per cent stake in Bryggedrift AS by the end of 2016, but the controlling stake is lower based on the ownership structure of the condominiums (55.9 per cent). Norwegian Property is represented on the board of directors of Bryggedrift AS by one of a total of five members.

INCOME STATEMENT 1 JAN–31 DEC

(Amounts in NOK million)	Note	**2016**	2015
Management and service fee, group companies	13	**36.2**	64.5
Total operating revenue	2	**36.2**	64.5
Payroll costs	10	**(61.8)**	(97.3)
Depreciation	5	**(4.1)**	(4.1)
Other operating costs	10	**(29.8)**	(44.7)
Total operating costs		**(95.7)**	(146.2)
Operating profit		**(59.5)**	(81.6)
Financial income	11, 13	**333.7**	170.7
Financial expenses	11, 13	**(567.2)**	(516.6)
Net financial items		**(233.5)**	(345.8)
Profit before tax		**(293.0)**	(427.5)
Income tax expense	12	**51.7**	588.3
Profit for the year		**(241.4)**	160.8
Proposed allocations:			
Proposed dividend		**(65.8)**	-
Transferred to/from other paid-in equity		**(307.2)**	160.8

BALANCE SHEET AT 31 DECEMBER

(Amounts in NOK million)	Note	2016	2015
ASSETS			
Non-current assets			
Deferred tax assets	12	**513.8**	658.0
Financial derivative instruments	9	**6.6**	6.1
Tangible assets	5	**10.2**	5.9
Investments in subsidiaries	4, 13	**12 722.4**	13 310.0
Intercompany balances	13	**145.3**	145.3
Total non-current assets		**13 398.3**	14 125.3
Current assets			
Financial derivative instruments	9	**1.6**	-
Intercompany balances	13	**783.5**	569.7
Accounts receivables		**-**	0.1
Other receivables		**3.4**	2.6
Cash and cash equivalents	3	**20.2**	42.4
Total current assets		**808.7**	614.9
TOTAL ASSETS		**14 207.0**	14 740.2

(Amounts in NOK million)	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital		**274.2**	274.2
Share premium		**2 295.1**	2 295.1
Other paid-in equity		**696.0**	1 058.0
Total equity	6	**3 265.3**	3 627.3
Non-current liabilities			
Financial derivative instruments	9	**338.9**	670.2
Interest-bearing debt	8	**6 755.7**	4 612.7
Intercompany balances	13	**70.0**	70.0
Total non-current liabilities		**7 164.6**	5 353.0
Current liabilities			
Financial derivative instruments	9	**5.7**	2.0
Interest-bearing debt	8	**11.4**	4 906.9
Intercompany balances	13	**3 617.1**	735.4
Provisory dividend	6	**65.8**	-
Other current liabilities	7	**77.1**	115.6
Total current liabilities		**3 777.1**	5 759.9
Total liabilities		**10 941.7**	11 112.9
TOTAL EQUITY AND LIABILITIES		**14 207.0**	14 740.2

Oslo, 9 February 2017
Norwegian Property ASA

Martin Mæland	Bjørn Henningsen	Cecilie Astrup Fredriksen	Kathrine Astrup Fredriksen	Kjell Sagstad	Merete Haugli	Harald Herstad	Svein Hov Skjelle
Chair	Deputy chair	Director	Director	Director	Director	Director	President and CEO

CASH FLOW STATEMENT 1 JAN–31 DEC

(Amounts in NOK million)	Note	**2016**	2015
Ordinary profit before tax		**(293.0)**	(427.5)
Net financial items	11	**233.5**	345.8
Interest received	11	**4.0**	16.2
Interest paid	11	**(404.3)**	(375.7)
Other financial expenses paid	11	**(183.4)**	(112.0)
Depreciation of tangible assets	5	**4.1**	4.1
Changes in current items		**(31.1)**	42.2
Net cash flow from operating activities		**(670.2)**	(506.7)
Purchase of tangible assets	5	**(8.5)**	(2.6)
Sale of tangible assets	5	**-**	0.5
Investments in subsidiaries	4	**-**	(130.0)
Sale of shares in subsidiaries	4	**-**	(4.6)
Repayment of intercompany balances	13	**569.7**	68.6
New loans to subsidiaries	13	**2 881.7**	733.8
Net cash flow from investment activities		**3 442.9**	665.8
Repayment of interest-bearing debt	8	**(6 375.1)**	350.0
New interest-bearing debt	8	**3 635.0**	(486.5)
Dividends paid	6	**(54.8)**	-
Net cash flow from financing activities		**(2 794.9)**	(136.5)
Net change in cash and cash equivalents		**(22.2)**	22.5
Cash and cash equivalents 1 January	3	**42.4**	19.9
Cash and cash equivalents 31 December	3	**20.2**	42.4

NOTES TO THE ANNUAL ACCOUNTS

NOTE 1: General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 32 properties in Oslo and Stavanger at 31 December 2016.

The financial statements have been approved by the board on 9 February 2017 for final approval by the general meeting on 6 April 2017.

NOTE 2: Summary of significant accounting policies

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

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

Classifications

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

Subsidiaries

Subsidiaries are accounted for using the cost method. The investments are recorded at the acquisition price of the shares unless impairment is required. Impairment is implemented at fair value when a fall in value is caused by reasons which cannot be assumed to be transient and is deemed necessary according to generally accepted accounting principles. Impairment is reversed when the basis for it no longer exists.

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

Tangible assets

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

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

Trade receivables

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

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.

Share capital and share premium

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

Borrowings

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

Interest expense

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

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

Management fees and other operating revenue

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

Financial derivative instruments

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

Pensions

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

Deferred income tax
Tax in the income statement consists of tax payable and changes in deferred tax. Deferred income tax is calculated at 24 per cent on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and tax loss carried forward at 31 December. Tax increasing or reducing temporary differences which are reversed or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Estimates
The preparation of the income statement in accordance with Norwegian generally accepted accounting principles requires the use of estimates and assumptions which affect the income statement and the valuation of assets and liabilities as well as information related to unsecured assets and liabilities at the balance sheet date. Contingent losses which are probable and quantifiable are recognised as they occur.

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

Correction of previous year
In the annual accounts for 2015, group contribution was recognised gross as a reduction of shares in subsidiaries before deferred tax, and deferred tax was recognised in the income statement. In 2016, group contribution is recognised net as a reduction of shares in subsidiaries after deduction of deferred tax. Corresponding figures in the income statement, balance sheet and notes in 2015 are corrected.

NOTE 3: Financial risk management

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

3.1 – Market Risk
Market risk for the company is primarily related to interest rate risk and, to a lesser degree, currency and price risk. At the end of 2016, the company has no exposure to currency risk and the company's revenue for 2016 is entirely related to management fees from subsidiaries.

The company is subject to interest rate risk related to floating rate loans. In order to mitigate interest rate risk, the group has entered into interest rate swap agreements. Notional principal amounts and the maturity for the company's total portfolio of interest rate hedges at 31 December 2016 are specified in local currencies (million) in the table below.

Currency	Notional principal amount in currency	< 1 year	1–2 year	3–5 year	> 5 year
NOK	(4 655.0)	(200.0)	(855.0)	(2 350.0)	(1 250.0)

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

Notional principal amounts and the maturity for the hedging agreement at 31 December 2016 are specified in local currencies (million) in the table below (see also note 9).

Currency	Notional principal amount in currency	< 1 year	1–2 year	3–5 year	> 5 year
EUR	(1.1)	(1.1)	-	-	-

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

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

(Amounts in NOK million)	**2016**	2015
The company's own accounts and net balance in the group accounts	**(3 591.9)**	(693.0)
Intercompany net balance in the group accounts[1]	**3 612.1**	735.4
Cash and cash equivalents	**20.2**	42.4
Restricted bank deposits	**(3.9)**	(3.1)
Available cash and cash equivalents	**16.3**	39.3
Unused credit and overdraft facilities	**1 058.0**	308.0
Liquidity reserve	**1 074.3**	347.3

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

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

31 December 2016

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1–2 year	3–5 year	> 5 year
Interest-bearing debt[1]	6 837.1	7 557.5	285.3	3 388.5	2 520.7	1 363.0
Other liabilities[2]	4 038.8	3 694.2	3 694.2	-	-	-

31 December 2015

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1–2 year	3–5 year	> 5 year
Interest-bearing debt[1]	9 659.7	10 225.1	5 211.9	107.9	4 905.3	-
Other liabilities[2]	1 523.2	851.0	851.0	-	-	-

[1] The difference between the carrying value and expected cash flow reflects activated costs and estimated interest cost based on average interest rate at year-end (intercompany balances assumed settled by 1 January 2020).
[2] The difference between carrying value and expected cash flow related to provision for hedge contracts.

In 2016, Norwegian Property has refinanced some loan facilities that matured by the end of the year. After this there is no maturity of credit facilities until 2018. The reduction in the loan and hedge portfolio in 2016 was primarily related to the sale of properties and the continuous optimisation of the hedging portfolio.

NOTE 4: Investments in subsidiaries

Investments in subsidiaries at 31 December 2016 are specified in the table below. The companies own shares in other companies, as described in their respective annual accounts.

(Amounts in NOK million)	Acquired/ established	Business office	Share	Voting share	Net book value
NPRO Holding AS[1]	17.01.07	Oslo	100.0	100.0	12 712.4
NPRO Invest AS[1]	26.09.13	Oslo	100.0	100.0	10.0
Total shares in subsidiaries					**12 722.4**

[1] The companies own the group's business premises ('single purpose' entities).

Changes in book value for the year are as follows:

(Amounts in NOK million)	**2016**	2015
Book value at 1 January	**13 310.0**	13 595.9
Investments in subsidiaries	**-**	130.0
Sale of shares in subsidiaries	**-**	-
Group contribution recognised against shares in subsidiaries	**(587.6)**	(415.9)
Book value at 31 December	**12 722.4**	13 310.0

NOTE 5: Tangible assets

Changes in tangible assets are specified in the table below.

Acquisition cost *(Amounts in NOK million)*	IT-systems and other intangible assets	Fixtures and equipment	Total
At 31 December 2014	**19.5**	**1.4**	**20.9**
Additions	1.4	1.2	**2.5**
Disposals	-	(1.0)	**(1.0)**
At 31 December 2015	**20.8**	**1.6**	**22.4**
Additions	8.0	-	**8.0**
Disposals	-	-	**-**
At 31 December 2016	**28.8**	**1.6**	**30.4**

Accumulated depreciation *(Amounts in NOK million)*	IT-systems and other intangible assets	Fixtures and equipment	Total
At 31 December 2014	**12.2**	**0.7**	**12.9**
Depreciation from disposals 2015	-	(0.5)	(0.5)
Depreciation and impairment 2015	4.0	0.1	4.1
At 31 December 2015	**16.2**	**0.3**	**16.5**
Depreciation from disposals 2016	-	-	-
Depreciation and impairment 2016	3.7	-	3.7
At 31 December 2016	**19.9**	**0.3**	**20.2**
Book value			
Book value at 31 December 2014	7.2	0.7	8.0
Book value at 31 December 2015	4.6	1.3	5.9
Book value at 31 December 2016	**8.9**	**1.3**	**10.2**

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

NOTE 6: Equity

(Amounts in NOK million)	Share capital[1]	Share premium	Other paid-in equity	**Total equity**
Equity at 31 December 2014	**274.2**	**2 295.1**	**897.2**	**3 466.5**
Profit for the year	-	-	160.8	**160.8**
Profit for the year	**-**	**-**	**160.8**	**160.8**
Equity at 31 December 2015[2]	**274.2**	**2 295.1**	**1 058.0**	**3 627.3**
Paid dividend	-	-	(54.8)	(54.8)
Dividend appropriation	-	-	(65.8)	(65.8)
Transactions with shareholders	**-**	**-**	**(120.7)**	**(120.7)**
Loss for the year	-	-	(241.4)	(241.4)
Loss for the year	**-**	**-**	**(241.4)**	**(241.4)**
Equity at 31 December 2016	**274.2**	**2 295.1**	**696.0**	**3 265.3**

[1] The company had a share capital amounting to NOK 274 233 416 at 31 December 2016, consisting of 548 466 832 shares with a face value of NOK 0.50.

[2] In the annual accounts for 2015, group contribution was recognised gross as a reduction of shares in subsidiaries before deferred tax, and deferred taxes was recognised in the income statement. In 2016, group contribution is recognised net as a reduction of shares in subsidiaries after deduction of deferred tax. Corresponding figures in the income statement, balance sheet and notes in 2015 are corrected. This correction involves an increase in equity at 31 December 2015 of NOK 153.8 million.

The holding of own shares by the end of 2016 is 21 236 shares.

The company's largest shareholders at 31 December 2016

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	315 969 937	57.6
Folketrygdfondet	ORD	NOR	73 701 642	13.4
Niam V Prosjekt AS	ORD	NOR	67 437 425	12.3
The Bank of New York	NOM	NLD	23 730 241	4.3
State Street Bank an A/C West Non-Treaty	NOM	USA	5 230 788	1.0
CEK Holding AS	ORD	NOR	3 255 807	0.6
State Street Bank & S/A SSB Client Omni.	NOM	USA	2 650 029	0.5
State Street Bank & SSB, Ishares Europe	NOM	IRL	2 261 143	0.4
J.P. Morgan Chase Ba A/C Vanguard BBH LEN	NOM	USA	1 921 295	0.4
KLP Aksjenorge Indeks	ORD	NOR	1 767 321	0.3
BNP Paribas Securiti S/A TR Property Inv.	NOM	GBR	1 641 484	0.3
JP Morgan Bank Luxem JPML SA RE CLT Asset	NOM	LUX	1 584 380	0.3
Niki AS	ORD	NOR	1 500 000	0.3
KAS Bank NV S/A Client ACC Treat.	NOM	NLD	1 490 620	0.3
Mathias Holding AS	ORD	NOR	1 400 000	0.3
Skandinaviska Enskil SEB AB, UCITS V - Fi.	NOM	FIN	1 194 261	0.2
J.P. Morgan Securiti A/C Customer Safe Ke.	NOM	USA	1 158 000	0.2
State Street Bank an SSBTC A/C UK LO. BR.	NOM	USA	1 102 898	0.2
Sanden A/S	ORD	NOR	1 000 000	0.2
Kolberg Motors AS	ORD	NOR	900 504	0.2
Other			37 549 057	6.8
Total number of shares at 31 December 2016			**548 446 832**	**100.0**

The company's largest shareholders at 31 December 2015

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	264 724 869	48.3
Folketrygdfondet	ORD	NOR	73 951 642	13.5
Niam V Prosjekt AS	ORD	NOR	67 437 425	12.3
DNB NOR Markets, AKS DNB Bank ASA	ORD	NOR	28 786 374	5.2
BNY Mellon SA/NV BNYM, Stichting Dep.	NOM	NLD	23 730 241	4.3
BNP Paribas Sec. Ser S/A BP2S LUX/FIM LUX	NOM	LUX	5 887 392	1.1
State Street Bank & Trust Co	NOM	USA	4 436 421	0.8
BNP Paribas Sec. Services S.C.A GBR	NOM	GBR	4 325 659	0.8
State Street Bank & Trust Co	NOM	USA	3 968 734	0.7
Alden AS	ORD	NOR	3 500 000	0.6
State Street Bank & SSB, Ishares Europe	NOM	IRL	3 360 187	0.6
State Street Bank & S/A SSB Client Omni.	NOM	USA	2 524 545	0.5
JP Morgan Chase Bank A/C Vanguard BBH LEN	NOM	USA	2 352 360	0.4
Petrus AS	ORD	NOR	2 000 000	0.4
JP Morgan Bank Luxem JPML SA RE CLT Asset	NOM	LUX	1 943 325	0.4
KLP Aksjenorge Indeks	ORD	NOR	1 912 879	0.3
KAS Bank NV S/A Client ACC Treat.	NOM	NLD	1 712 800	0.3
Mathias Holding AS	ORD	NOR	1 400 000	0.3
Alta Invest AS	ORD	NOR	1 270 157	0.2
Niki AS	ORD	NOR	1 250 000	0.2
Other			47 971 822	8.7
Total number of shares at 31 December 2015			**548 446 832**	**100.0**

Shares held by senior executive officers and directors at 31 December 2016

Shareholder	Number of shares
Senior executives	
Svein Hov Skjelle, CEO/EVP and CFO	101 594
Board of directors	
Affiliated with Geveran Trading Co Ltd[1]	315 969 937
Affiliated with Niam V Prosjekt AS[2]	67 437 425
Bjørn Henningsen, Deputy Chair[3]	311 556
Shares held by the board of directors and senior executive officers at 31 December 2016	**383 820 512**

[1] Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Harald Herstad are affiliated with Geveran Trading Co Ltd, which was the largest shareholder in Norwegian Property ASA at 31 December 2016. Geveran Trading Co Ltd owns 315 969 937 shares in Norwegian Property, which represent approximately 57.6 per cent of the issued shares in the company.

[2] Kjell Sagstad is affiliated with Niam V Prosjekt AS, which owns 67 437 425 shares in Norwegian Property at 31 December 2016, representing approximately 12.3 per cent of the issued shares in the company.

[3] At year-end 2016, 100 000 shares were owned by Max Eiendom AS and 211 556 shares by Camvecti Holding AS. Both companies are 100 per cent owned by Bjørn Henningsen.

The company has not issued share options.

NOTE 7: Other current liabilities

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

(Amounts in NOK million)	**2016**	2015
Public duties	**5.5**	3.6
Accrued salaries	**4.7**	5.2
Accrued interest	**53.1**	73.7
Trade payables	**1.9**	0.5
Provisions[1]	**1.9**	15.0
Other payables	**10.0**	17.7
Total other current liabilities	**77.1**	115.6

[1] In 2015, the company initiated a downsizing process in the organisation as a result of reduced activity levels after sales of properties and completion of development projects. The overall reduction in resources constituted 10 to 12 FTEs including contracted resources. A provision of NOK 15 million was recognised in 2015 related to these measures.

NOTE 8: Interest-bearing debt

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

	2016	2015
Total interest-bearing debt (NOK million)	**6 837.1**	9 589.7
- Of which hedged (NOK million)	**4 250.0**	5 750.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	**62**	60
Cash and cash equivalents (NOK million)	**20.2**	42.4
Committed unutilised credit facilities (NOK million)	**1 058.0**	308.0
Average interest rate, including margin (per cent)	**4.20**	4.33
Average margin (per cent)	**1.64**	1.40
Average remaining duration, borrowings (years)	**2.3**	1.7
Average remaining duration, hedging contracts (years)	**4.1**	4.3

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

		2016			2015		
(Amounts in NOK million)	Currency	**Long-term**	**Short-term**	**Total**	Long-term	Short-term	Total
Bank loans	NOK	**5 057.8**	**11.5**	**5 069.3**	3 812.3	4 415.1	8 227.4
Bonds	NOK	**1 723.0**	**-**	**1 723.0**	805.0	500.0	1 305.0
Intercompany balances	NOK	**70.0**	**-**	**70.0**	70.0	-	70.0
Total interest-bearing debt	NOK	**6 850.8**	**11.5**	**6 862.3**	4 687.3	4 915.1	9 602.4
Capitalised borrowing costs	NOK	**(25.1)**	**(0.1)**	**(25.2)**	(4.6)	(8.1)	(12.7)
Total book value interest-bearing debt	NOK	**6 825.7**	**11.4**	**6 837.1**	4 682.7	4 906.9	9 589.7

The credit facilities consist of two main facilities with a total remaining borrowing limit of NOK 6 127.3 million at the end of 2016, which includes an overdraft facility of NOK 100 million. The facilities mature in June 2018 and December 2019, respectively. Drawings are secured by two separate property portfolios. Amounts drawn at the end of 2016 totalled NOK 5 069.3 million and NOK 1 058 million are available unused credit limits.

Four bonds totalling NOK 1 723 million were outstanding at the end of 2016, after deduction of own bond holdings of NOK 417 million acquired as a result of conditions regarding change of control in the loan agreements. The bonds are due as follows: NOK 329 million in 2018, NOK 59 million in 2019 and NOK 1 335 million in 2020. Holdings of own bonds related to the loans NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market at prices of NOK 100.7885 and NOK 99.7750, respectively, in January 2017. The loan NPRO02 matures in 2018 and NPRO05 matures in 2019. All bonds are secured by properties and are listed on the Oslo stock Exchange.

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

(Amounts in NOK million)	**2016**	2015
Between 1–2 years (2018 and 2019/2017 and 2018)	**5 515.8**	4 267.3
Between 3–5 years (2020, 2021 and 2022/2019, 2020 and 2021)	**1 335.0**	350.0
Later than 5 years (after 2022/after 2021)	**-**	70.0
Total	**6 850.8**	4 687.3

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

(Amounts in NOK million)	**2016**	2015
Investment in subsidiaries[1]	**12 722.4**	13 310.0
Total	**12 722.4**	13 310.0
Liabilities secured[2]	**5 069.3**	8 227.4

[1] The shares of property companies owned by other group entities are also pledged as security for corporate facilities in Norwegian Property ASA. See also note 16 in the group's annual accounts.
[2] Properties owned by subsidiaries have been pledged as security for bonds.

The key terms of the main loan facilities are:

- Interest: NIBOR + margin.
- Interest rate hedging: Minimum 50 and 60 per cent respectively with an average duration of at least three years.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at 31 December 2016 is a minimum interest cover ratio of 1.4 and an agreed LTV ratio for the two main facilities of less than 75 and 78 per cent respectively.
- Other covenants: Negative pledge, restrictions on granting loan guarantees and change of control.
- Security: Secured by pledges on properties and first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

Agreed requirements in the loan agreements are adhered to at year-end 2015 and 2016. Geveran Trading Co. Ltd. aquired more than 50 per cent of the shares in Norwegian Property ASA in the third quarter of 2016. The loan agreements for Norwegian Property ASA contain clauses about change of control. Based on ongoing processes for acceptance of change of control, the bank facility with SEB/Nordea and the bond loans NPRO 02, -03, -05 and -06 were classified as current liabilities in the balance sheet at 30 September 2016. Costs of NOK 10.6 million related to the processes of acceptance of ownership of the group's credit facilities are expensed in 2016 (see note 11).

NOTE 9: Derivatives

The company is subject to interest rate risk related to floating rate loans, and has entered into hedging agreements to reduce such interest rate risks. In addition, the company has a currency swap agreement as described in note 3. Unrealised profits/losses on such contracts 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 banks. The company has checked and tested the valuation for reasonableness. Fair value of the company's derivatives at 31 December is specified in the table below.

	2016		2015	
(Amounts in NOK million)	**Assets**	**Liabilities**	Assets	Liabilities
Exchange rate contracts	**0.4**	**4.1**	0.4	6.7
Interest rate contracts	**7.7**	**340.5**	5.7	663.5

Interest rate contracts

The majority of Norwegian Property's floating rate loans are hedged with interest rate hedge contracts. Norwegian Property has a policy of hedging a minimum of 70 per cent of the interest-bearing debt outstanding. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the short-term interest rate. As a result of these fluctuations, the interest rate cost will vary. Notional principal amounts for the company's interest rate hedges at 31 December are specified in the table below. The maturity is specified in note 3.

(Amounts in NOK million)	Currency	**2016**	2015
Interest rate swap contracts	NOK	**4 655.0**	6 555.0
Total interest rate contracts	NOK	**4 655.0**	6 555.0

Foreign exchange derivatives

Below follows a specification of principal notional amounts per currency for the company's exchange rate derivatives at 31 December. The maturity is specified in note 3.

(Amounts in NOK million)	Currency	**2016**	2015
Notional principal amount	EUR	**(1.1)**	(1.1)

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

In the tables below is a breakdown of payroll costs and remuneration of directors, senior executives and auditors.

Payroll costs

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	**2016**	2015
Salaries and remuneration	**48.7**	57.3
Social security costs	**8.9**	9.6
Pension costs (defined contribution plan)	**2.3**	2.6
Other employee expenses	**1.8**	12.9
Cost of downsizing (see note 7)	**-**	15.0
Total payroll costs	**61.8**	97.3
Number of employees at 31 December	**45**	55
Number of full-time equivalent positions in the fiscal year	**49**	53
Average number of employees	**50**	54

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

Remuneration of executive officers

Remuneration of senior management in 2016 is specified in the table below:

Name	Title	Salary [1]	Bonuses [1]	Other benefits [1]	Pension/ insurance benefits [2]
Svein Hov Skjelle	EVP CEO and CFO	3 683 944	800 000	134 666	70 397
Tore Heldrup Rasmussen	EVP Commercial	2 515 486	552 000	108 879	67 610
Bjørge Aarvold	EVP Property Management	1 757 097	336 373	114 666	71 150
Total		**7 956 527**	**1 688 373**	**358 211**	**209 157**

[1] Paid benefits in 2016 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 2016 (amounts in NOK).

Remuneration of senior management in 2015 is specified in the table below:

Name	Title	Salary [1]	Bonuses [1]	Other benefits [1]	Pension/ insurance benefits [2]
Svein Hov Skjelle [3]	EVP CEO and CFO	3 107 538	379 588	123 456	67 604
Olav Line [3]	Ex . EVP & CFO	4 981 600	1 500 000	170 102	44 999
Tore Heldrup Rasmussen	EVP Commercial	2 203 261	86 250	115 024	64 820
Bjørn Holm [4]	EVP Property Development	2 043 128	292 500	118 567	65 392
Bjørge Aarvold	EVP Property Management	1 625 214	232 929	114 561	69 070
Total		**13 960 741**	**2 491 267**	**641 710**	**311 885**

[1] Paid benefits in 2015 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 2015 (amounts in NOK).
[3] Olav Line resigned in June 2015 as CEO. The CFO of Norwegian Property, Svein Hov Skjelle, was appointed acting CEO in June 2015, and in August 2015, he was appointed as the new CEO.
[4] Bjørn Holm resigned as EVP Property Development as per 31st January 2016.

Remuneration of directors

Fees paid to directors in 2016 are presented in the table below:

Name	Title	Period	Remuneration [1]
Martin Mæland	Chair	13.04–31.12	525 000
Bjørn Henningsen	Deputy chair	01.01–31.12	550 000
Cecilie Astrup Fredriksen	Director	01.01–31.12	250 000
Kjell Sagstad	Director	13.04–31.12	187 500
Kathrine Astrup Fredriksen	Director	13.04–31.12	187 500
Harald Herstad	Director	13.04–31.12	187 500
Merete Haugli	Director	13.04–31.12	187 500
Henrik A. Christensen	Chair	01.01–13.04	175 000
Marianne Heien Blystad	Director	01.01–13.04	62 500
Total			**2 312 500**

[1] Paid benefits in 2016 (amounts in NOK). In addition, social security costs (14.1 per cent).

Fees paid to directors in 2015 are presented in the table below:

Name	Title	Period	Remuneration [1]
Henrik A. Christensen	Chair	01.01–31.12	700 000
Bjørn Henningsen	Deputy chair	01.01–31.12	550 000
Cecilie Astrup Fredriksen	Director	01.01–31.12	250 000
Marianne Heien Blystad	Director	09.04–31.12	187 500
Espen D. Westeren	Director	09.04–11.12	296 250
Total			**1 983 750**

[1] Paid benefits in 2015 (amounts in NOK). In addition, social security costs (14.1 per cent).

Auditor's fee [1]

Type of fees	2016	2015
Statutory audit	**449 132**	847 110
Other certification services	**-**	57 800
Tax/VAT advice	**46 400**	209 179
Other services [2]	**65 000**	4 959 379
Total	**560 532**	6 073 468

[1] Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies. The fees are net of VAT (amounts in NOK).
[2] The fee for 2015 includes other assistance fees relating to due diligence in connection with a possible sale process for some of the group's properties.

NOTE 11: Net financial items

(Amounts in NOK million)	2016	2015
Financial income		
Interest income from group companies	**4.0**	5.2
Changes in value of financial derivative instruments	**329.7**	154.5
Other interest income	**0.1**	11.0
Total financial income	**333.7**	170.7
Financial expenses		
Loss from sales of subsidiaries	**-**	(4.6)
Interest costs to group companies	**(1.8)**	(1.9)
Interest costs loans	**(382.0)**	(398.1)
Termination of financial derivative instruments	**(156.6)**	(79.8)
Other financial expenses [1]	**(26.9)**	(32.2)
Total financial expenses	**(567.2)**	(516.6)
Net financial items	**(233.5)**	(345.8)

[1] Includes 10.6 NOK million related to the processes for securing acceptance of the change in ownership with regard to the group's credit facilities (see note 8).

NOTE 12: Deferred tax and income tax

(Amounts in NOK million)	**2016**	2015
The major components of the income tax expense for the year are:		
Tax payable	**-**	-
Changes in deferred tax	**(51.7)**	(588.3)
Income tax expense	**(51.7)**	(588.3)
Calculation of the tax base for the year:		
Profit before tax	**(293.0)**	(427.5)
Permanent differences	**0.8**	5.2
Changes in temporary differences	**(342.4)**	(137.4)
Group contribution recognised against shares in subsidiaries	**783.5**	569.7
Tax base for the year	**148.9**	10.0
Specification of temporary differences and deferred tax:		
Tangible assets	**(9.8)**	(9.1)
Financial derivative instruments	**(336.4)**	(666.1)
Provisions	**(1.9)**	(15.0)
Tax loss carried forward	**(1 792.5)**	(1 941.6)
Basis for deferred tax	**(2 140.7)**	(2 631.9)
Deferred tax in the balance sheet	**(513.8)**	(658.0)
Reconciliation of tax expense and calculated effective tax rate:		
Calculated tax expense on profit before tax, 25 per cent for 2016 and 27 per cent for 2015	**(73.3)**	(115.4)
Effect on the ending balance for deferred tax by change of the tax rate[1]	**21.4**	64.0
Permanent differences	**0.2**	1.4
Changes of tax asset not capitalised	**-**	(538.3)
Income tax expense	**(51.7)**	(588.3)
Effective tax rate (per cent)	**17.6**	137.6

[1] The corporate tax rate in Norway is reduced from 25 per cent to 24 per cent at the start of 2017. Deferred tax by year-end 2016 is therefore calculated based on a tax rate of 24 per cent. Equivalent the corporate tax rate was reduced from 27 per cent to 25 per cent at the start of 2016. Deferred tax by year-end 2015 is therefore calculated based on a tax rate of 25 per cent.

NOTE 13: Related-party disclosures

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

(Amounts in NOK million)	**2016**	2015
Income statement:		
Management and service fees, group companies	**36.2**	64.5
Rental cost, subsidiaries	**(5.3)**	(6.3)
Interest income from group companies (note 11)	**4.0**	5.2
Interest costs to group companies (note 11)	**(1.8)**	(1.9)
Balance sheet:		
Investments in subsidiaries (note 4)	**12 722.4**	13 310.0
Non-current assets, intercompany balances	**145.3**	145.3
Current assets, intercompany balances	**783.5**	569.7
Non-current liabilities, intercompany balances	**70.0**	70.0
Current liabilities, intercompany balances	**3 617.1**	735.4

NOTE 14: Contingent liabilities

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

NOTE 15: Events after the balance sheet date

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

Own holdings of the bonds NPRO02 (NOK 126 million) and NPRO05 (NOK 291 million) were sold in the market in January 2017 at prices of NOK 100.7885 and NOK 99.7750, respectively (see note 8).

There are no other significant events after 31 December 2016 which provide information of conditions that existed at the balance sheet date.

DECLARATION BY THE BOARD OF DIRECTORS AND THE CEO

The board and the chief executive have today considered and approved the directors' report and the annual consolidated and parent company financial statements for Norwegian Property ASA at 31 December 2016. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, and the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2016. The parent company financial statements for the year have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting standards at 31 December 2016. The directors' report for the group and the parent company accord with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors' report) at 31 December 2016.

TO THE BEST OF OUR KNOWLEDGE, WE HEREBY CONFIRM THAT

- the consolidated and parent company financial statements for 2016 have been prepared in accordance with applicable accounting standards
- the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the parent company and the group at 31 December 2016
- 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, 9 February 2017
Norwegian Property ASA

Martin Mæland Chair	Bjørn Henningsen Deputy chair	Cecilie Astrup Fredriksen Director	Kathrine Astrup Fredriksen Director	Kjell Sagstad Director	Merete Haugli Director	Harald Herstad Director	Svein Hov Skjelle President and CEO

INDEPENDENT AUDITOR'S REPORT

pwc

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. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, 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 financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, 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.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
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 14 101.1 million. Fair value adjustments of investment properties may affect the group's results significantly for the year and consequently the equity. Valuation of investment properties requires use of estimates that are subject to judgment by management. Key assumptions for the fair value assessment of the individual property is primarily expected future cash flows and yield. The basis for management's estimate is valuations performed by two independent valuation firms. The valuation firms that were hired by management carried out their work based on the requirements in IFRS 13 and recognized valuation techniques. Refer to the Directors' report, note 2 (accounting principles), note 4 (determination of fair value), note 5 (critical accounting assumptions and estimates) and note 7 (investment properties) to the financial statements for details of the investment properties and valuation methodology.	We have obtained, read and understood the valuation reports for all properties and met with the valuation firms independently of management. We obtained evidence 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 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 independent 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 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 examined whether the property-specific information provided by management to the valuation firms such as lease terms, market rent, duration and vacant area are consistent with underlying property information. Furthermore, we have agreed this underlying information to the firms' valuation reports. We found no indication that the information was used inconsistently.
Revenue recognition	
Revenue for the group consists primarily of lease income from commercial property. The group has a substantial number of lease contracts where there are continuous changes of lease terms. The existence, accuracy and timeliness of income depends among other things on accurate recording of data from the lease contracts in the systems. Recorded data from the systems is also used as a basis for the valuation firms who value the properties (see above). Therefore, inaccurate registration of lease clauses in the systems may have an impact both for the revenue recognition and for the valuation of investment properties. We focused on the registration of data in the systems as a basis for the group's revenue recognition, and on the existence on, accuracy and timeliness of recognition of income. See note 2 (accounting principles) and note 9 (contractual rental income).	We have evaluated and tested internal controls designed by the group to ensure existence of and timeliness of revenue recognition. Our audit procedures indicated that the controls ensured existence and timely recognition of income. We have performed procedures to ensure that data in lease contracts were accurately recorded in the systems. As a basis for this procedure, we obtained a sample of contracts and agreed the data in the contracts to registrations in the systems. Our testing did not identify significant differences. Further, we have conducted data analysis to test whether transaction patterns were in accordance with our expectations. Our analyses did not reveal unexplained revenue transactions. We satisfied ourselves through another analysis, that revenue was recognised in the appropriate period.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance, Corporate Social Responsibility and EPRA-key figures, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by 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 parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (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 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 9 February 2017
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant

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

EPRA KEY FIGURES

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

		Note	**2016**	2015
Number of shares				
Number of shares at the end of the period	Number		**548 425 596**	548 425 596
Average number of shares during the period	Number		**548 425 596**	548 425 596
EPRA earnings				
Annual earnings (as per IFRS income statement)	NOK mill.		**764.5**	480.2
EPRA adjustments:				
IFRS change in value of investment properties	NOK mill.		**(475.1)**	(387.4)
IFRS change in fair value of financial instruments	NOK mill.		**(171.0)**	(73.3)
Deferred tax in respect of EPRA adjustments	NOK mill.		**133.4**	136.7
EPRA earnings	NOK mill.	1	**251.8**	156.2
EPRA earnings per share	NOK		**0.46**	0.28
EPRA cost ratio				
Maintenance and other operating expenses (IFRS)	NOK mill.		**54.2**	64.8
Other property-related expenses (IFRS)	NOK mill.		**56.6**	77.5
Administrative expenses (IFRS)	NOK mill.		**57.3**	79.2
Total operating expenses as per IFRS income statement	NOK mill.		**168.1**	221.5
Investment property depreciation	NOK mill.	2	**(1.7)**	(1.8)
EPRA costs (including direct vacancy costs)	NOK mill.		**166.4**	219.7
Direct vacancy costs	NOK mill.	3	**(22.9)**	(28.9)
EPRA costs (excluding direct vacancy costs)	NOK mill.		**143.5**	190.8
Gross rental income (IFRS)	NOK mill.		**900.9**	858.3
Gross rental income	NOK mill.		**900.9**	858.3
EPRA cost ratio, including direct vacancy cost	Per cent	4	**18.5**	25.6
EPRA cost ratio, excluding direct vacancy cost	Per cent	5	**15.9**	22.2

1) Calculated based on the IFRS profit after tax for the period, adjusted for changes in the value of investment properties and financial instruments after taxes.
2) Owner-occupied property is carried at fair value in the IFRS accounts and calculated depreciation of such properties is recognised as a revaluation reserve in comprehensive income.
3) Service charge expenses for vacant space covered by the property owner.
4) The cost ratio includes all IFRS operating expenses excluding depreciation calculated on owner occupied-property.
5) The cost ratio includes all IFRS operating expenses excluding depreciation calculated on owner-occupied property and service charge expenses for vacant space covered by the property owner.

		Note	**2016**	2015
EPRA NNNAV				
NAV (as per the IFRS financial statements)	NOK mill.		6 488.9	5 777.5
Deferred tax related to change in value of investment properties	NOK mill.	6	333.6	272.8
Fair value of financial derivative instruments	NOK mill.	7	255.7	499.6
EPRA NAV	NOK mill.	8	7 078.2	6 549.9
Fair value of deferred tax	NOK mill.	9	113.3	90.2
Fair value of financial derivative instruments	NOK mill.	10	(302.8)	(499.6)
Fair value of debt	NOK mill.	11	(3.4)	(17.7)
EPRA NNNAV	NOK mill.	12	6 885.3	6 122.8
NAV (IFRS) per share	NOK		11.83	10.53
EPRA NAV per share	NOK		12.91	11.94
EPRA NNNAV per share	NOK		12.56	11.16
EPRA "topped-up" NIY				
Market value of all investment properties (as per the IFRS income statement)	NOK mill.		14 112.1	16 256.2
Market value of development properties	NOK mill.	13	-	-
Market value for completed investment properties	NOK mill.		14 112.1	16 256.2
Annualised gross rental income for completed investment properties	NOK mill.	14	788.9	915.3
Property outgoings	NOK mill.	15	(47.3)	(54.9)
Annualised net rents for completed investment properties	NOK mill.		741.6	860.4
EPRA adjustments for lease incentives	NOK mill.	16	5.4	16.1
"Topped-up" net annualised rent	NOK mill.		747.0	876.5
EPRA-NIY	Per cent	17	5.3	5.3
EPRA "topped-up" NIY	Per cent	18	5.3	5.4
EPRA vacancy rate				
Estimated annualised rent for all completed investment properties	NOK mill.		838.7	973.7
Estimated annualised rent for vacant space related to completed properties	NOK mill.		120.9	106.3
EPRA vacancy rate	Per cent	19	14.4	10.9

6) Adjusts for carrying amount of deferred tax related to fair value adjustments of investment properties (not deferred taxes of tax depreciation in the period of ownership).
7) Adjusts for fair value in the balance sheet of financial instruments after taxes.
8) EPRA recommendations to the calculation of NAV at an ordinary long-term operational perspective to the business.
9) Adjusts for the estimated fair value of deferred tax, including tax depreciation differences, tax losses and gain/loss accounts carry forward.
10) Adds fair value in the balance sheet for financial instruments after taxes, which is deducted from EPRA NAV.
11) Adjustment for the estimated fair value of debt in accordance with the principles described in notes to the financial statements.
12) EPRA recommendations to the calculation of NAV where EPRA NNNAV ("triple net asset value") in relation to the EPRA NAV includes estimated realisable fair values at the balance sheet date for deferred taxes, financial instruments and debt.
13) Market value of investment properties at the balance sheet date related to development properties that are not in regular operation.
14) Annualised gross rental income for investment properties in ordinary operation based on leases effective at the balance sheet date.
15) Estimated to six per cent of rental income.
16) Includes rental discounts and the like included in running lease contracts on the balance sheet date.
17) Calculated as net annualised rental income (net of operating related property costs) based on signed leases on the balance sheet date for properties in ordinary operations, in relation to the market value of the properties.
18) Calculated similar to EPRA NIY, but annualised rental income on the balance sheet date is adjusted for lease incentives.
19) Calculated as the estimated annualised rental income for vacant premises relating to properties in ordinary operation from valuations at the reporting date in relation to the corresponding estimate of rental income for all properties in ordinary operation.

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