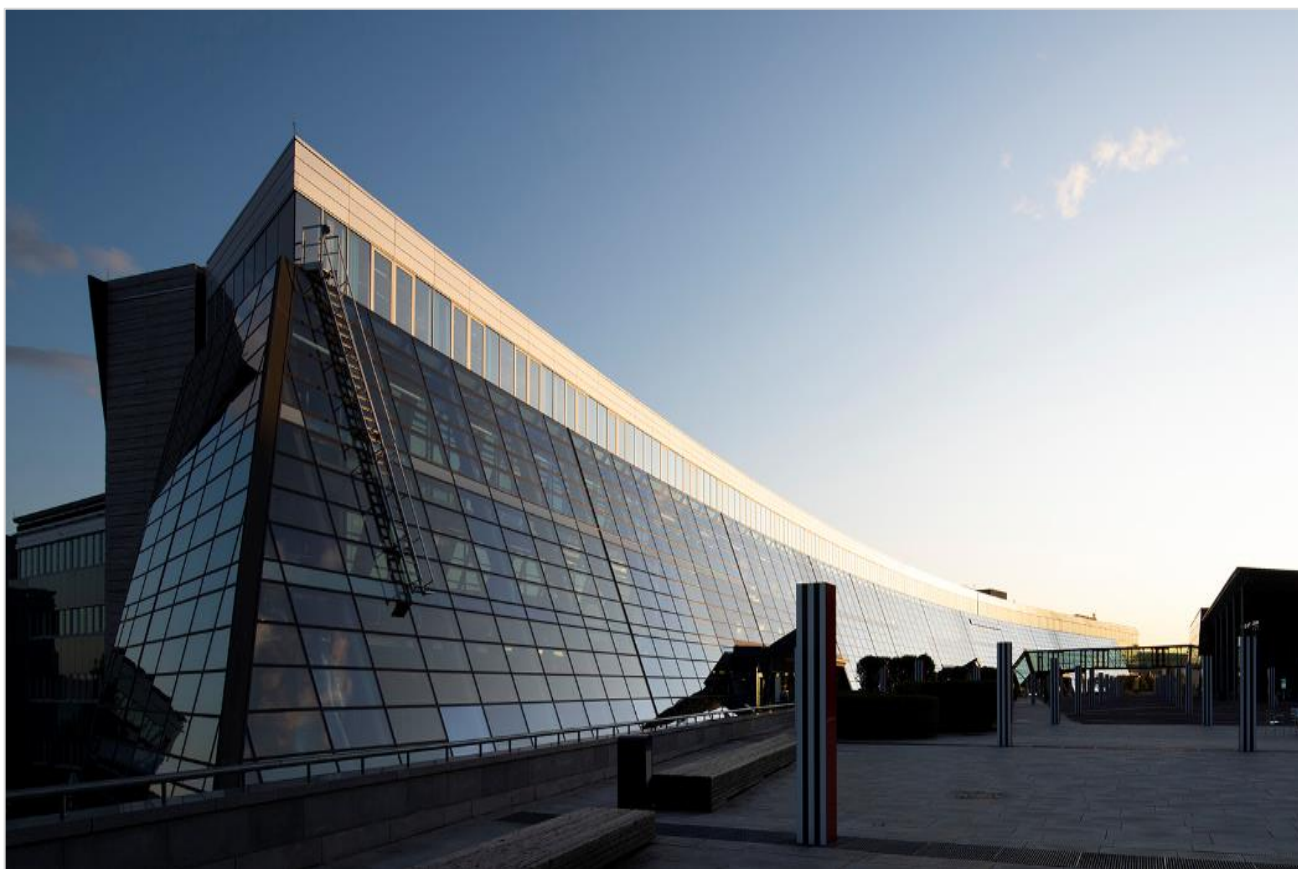


Annual report



NORWEGIAN
PROPERTY



Snarøyveien 30, Fornebu

2020

NORWEGIAN PROPERTY ASA

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Business concept, vision and values

BUSINESS CONCEPT

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

VISION

We will create meeting places and relationships which encourage engagement

VALUES



The property portfolio

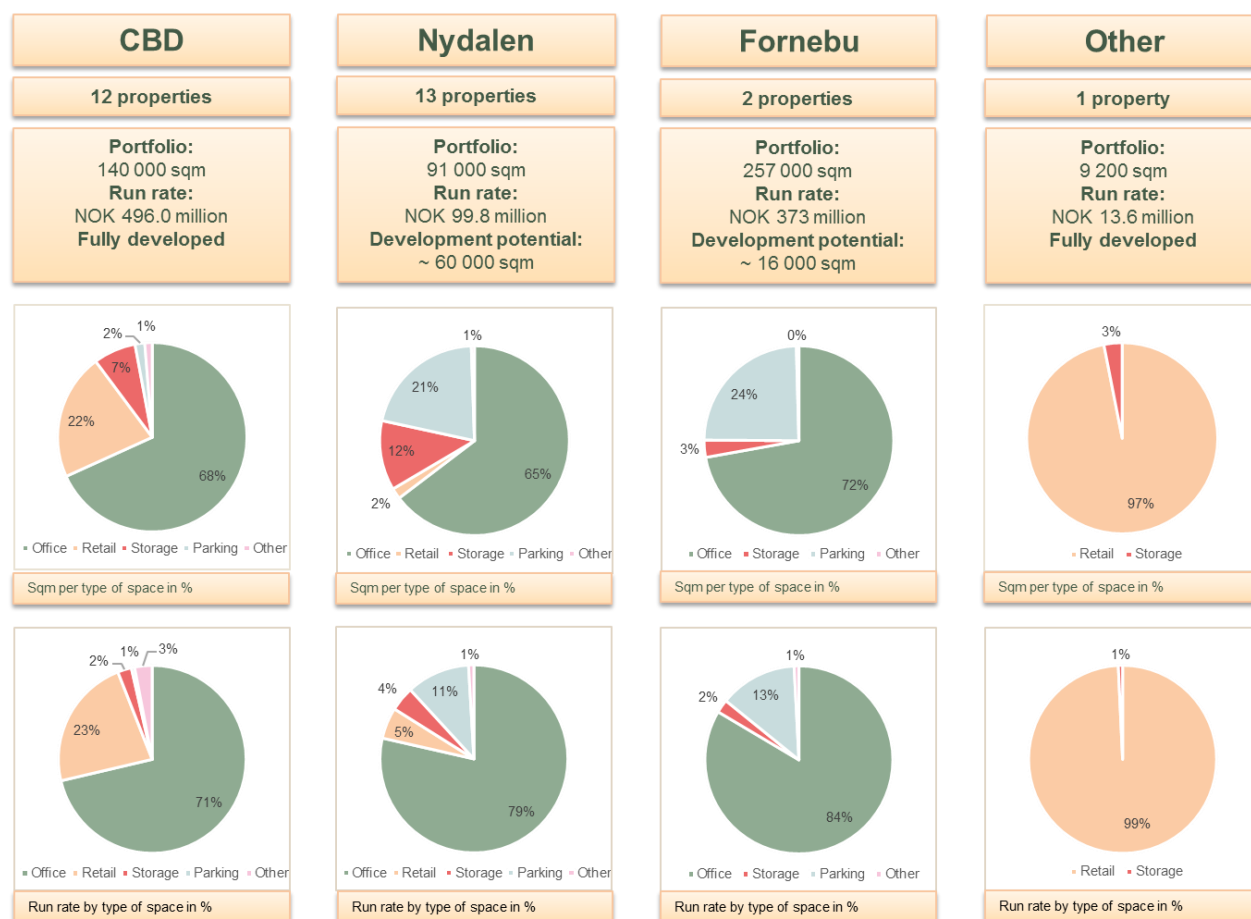
Norwegian Property is a listed property group with its head office in Oslo.

We are a focused and fully integrated real estate specialist, with holdings located primarily in the Oslo area, and we own, develop and manage our properties. We concentrate on developing attractive environments with a mix of offices, retail outlets, services and culture.

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

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

Our property portfolio breaks down into three areas: Oslo's central business district (CBD), the Nydalen district and Fornebu. In addition, the property portfolio includes one retail property at Hasle (Other).



The group also has a major investment related to a 42.5 per cent share in the residential development company Nordr Eiendom, with a land bank of approx. 15 000 units and 1 586 units under development on a 100 per cent basis. In Stavanger, the group has a joint venture with Base Bolig for a development project of 250 residential units and approx. 5 000 gross lettable area (GLA) on a 100 per cent basis.

CEO summary

The year 2020 was exciting and challenging for us. I am impressed with our employees and their adaptability and eagerness to create results, even in a demanding time.

Our core values of collaborative, courageous, proactive and attentive have all been utilised and challenged during the year, which has been both challenging and instructive. But we can understand the feelings of joy, despair and frustration felt among our tenants as the year developed. I think we will emerge stronger from the pandemic in any event.

The year was also very exciting because our owners and sources of financing showed us confidence in making purchases both in our core business and in extending our exposure into the Nordic housing market.



In last year's annual report, I emphasised our ambition for further growth during 2020. Despite a challenging year in general, we have moved our pieces steadily forward.

The acquisition of Veidekke Eiendom was announced in June. This transaction was completed with two partners and we became the owner of 42.5 per cent of the shares. The company has been through a hectic first half year under our ownership, and seeing the good sales figures being achieved in both Sweden and Norway is very satisfying. That bodes well for the future, when the flats are handed over to the end user in 18-24 months. After our takeover, Veidekke Eiendom changed its name to Nordr.

In October, it was announced that we had bought Snarøyveien 30 from Telenor Real Estate. The building covers about 200 000 sqm and tenants include ABB, Norsk Moteforum, Telenor and Tieto Evry. Snarøyveien 30 is classified as BREEAM-in-use Very Good. Through the acquisition, we also established Fornebu as one of our priority areas. This building will increase our rental income significantly. Our office profile is further strengthened, and we have ambitions to continue realising our vision of creating engaging meeting places and relationships at Fornebu. Through activities and services on the ground floor together with an engaging environment which attracts activity and people, our ambition is that tenants will be satisfied and that the property will be in use for an increased number of hours each day. We also believe that an increased desire to provide flexibility for employees in the future will contribute to greater demand for services and activities. The job at Fornebu is only in its start-up phase, and we are respectful of the task ahead. We look forward to many exciting projects, while it is also gratifying to see that construction of the metro line has got off to a good start. Our properties at Snarøyveien 30 and 36 will be located next to a stop on this new service, which fulfils our target to have locations close to public transport. The transaction expands our total property portfolio of about 500 000 sqm with an overall market value NOK 23.5 billion at 31 December.

The year started very well. Most of our tenants had drawn up expansive plans and budgets for the year, optimism was at its peak. However, not many weeks passed before we began to hear about a virus with unknown effects. This eventually also found its way to Norway. The consequences were savage. Good growth in turnover and to some extent great optimism among office users and city-floor tenants were brutally transformed almost overnight when the government shut down all nightlife, shopping and wellness offers, and ordered people to work from home in mid-March. The first half of the year was marked by great uncertainty. We had to adjust the way we organised our working days, while contact with our tenants was stepped up further. Although the uncertainty was great, we were able to adapt quickly to government advice and guidelines. At the same time, we piloted our company forward over fairly uncharted seas. Looking back, I would like to thank our tenants for their creativity and patience, our sources of funding for the trust they have shown us, our shareholders for their massive backing to continue developing our company and, not least, all our employees for rolling up their sleeves, adapting to a new daily reality and driving us forward. This has been an outstanding effort, and I am very grateful for everyone's contribution.

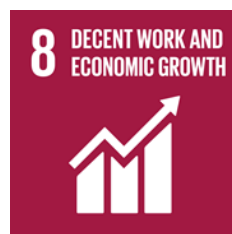
I am aware that the city floor is still under strong pressure. The operating parameters have been completely changed by restrictions on gatherings of people, the nature of businesses, what can be served, opening hours and so forth. My wish for 2021 is that we try to save city floors all over the country, and I would encourage everyone to have an extra lunch or dinner in a restaurant, bring home extra flowers and small gifts for your family, and continue to use wellness services. These businesses enrich the areas we like to visit and increase our creativity and job satisfaction if they are nearby. The consequences for our shareholders were that the board chose not to pay dividends in any of the first three quarters of the year. The total dividend for fiscal 2020 became NOK 0.10 per share.

Our book equity grew by about NOK 3.3 billion during the year. Of this, two large issues comprising 149.95 million new shares in all brought in just under NOK 1.7 billion. The share price opened in 2020 at NOK 13.75 per share and closed on 30 December at NOK 13.15. Over the year, we have paid out about NOK 35 million in dividend.

Our revenues totalled more than NOK 1.5 billion in 2020. This was split between NOK 709 million in rental income and NOK 855 million from the sale of flats. Profit for the year after tax came to NOK 1 676 million. This outcome was affected by the acquisition of Snarøyveien 30, falling interest rates and, to some extent, high fair-value adjustments of the property portfolio towards the end of the year.

Despite a challenging year both for us and for our tenants, the operating organisation remained intact throughout. Work to keep our buildings open and free of infection was a top priority, and I would say we have succeeded well so far. The work of adapting our working methods and properties to achieve our sustainability goals continues with undiminished vigour. Snarøyveien 36 has been classified as BREEAM-in-use Excellent, and we are still implementing energy-saving measures. Our green leases give both our tenants and us as property owners equal incentives to implement environmental measures and to invest in the buildings. The ambition for 2021 is to continue the BREEAM-in-use classification of our property portfolio.

During 2020, we worked consciously on the four sustainable development goals we selected in 2019.



Goal 8: We have given young people opportunities for both holiday and part-time jobs. Several employees with non-Norwegian backgrounds work operationally with our tenants. We have introduced weekly temperature measurements among our employees, where they

anonymously answer five short questions to uncover dissatisfaction, discrimination or other adverse experiences. Any deviations are followed up on an ongoing basis. The programme we use is Winningtemp. All employees must also annually review our ethical guidelines with associated ethical dilemmas experienced in our business over the past year.



Goal 11: During the year, we bought an additional building in Nydalen which is on the yellow list at Oslo's office of cultural heritage management. We want to develop this property and

expect to conduct an architectural competition in 2021 where one of the criteria will be to integrate it as an integral part of a new office building. We also started developing Nydalsveien 15-17 during the year, where we have joined forces with architect MER Arkitekter to try creating a housing project while preserving and highlighting existing listed buildings on the site. The project has been met with critical comments from the council's urban planning and development section as well the office of cultural heritage management. It is therefore gratifying that local politicians from all the parties have supported the project and that the city council sent the case back to the urban planning and development section with instructions to try to find solutions which can allow the project to be realised.



Goal 13: For many years, we have reduced heating and cooling in our buildings by investing in energy-efficient solutions. This work is continuing, supported by a dynamic property portfolio

and great flexibility among our tenants. Owing to the circumstances surrounding the pandemic and the lockdown of society for much of 2020, our key figures for savings will be very good for the year. The work continues with undiminished vigour and classifying the buildings to BREEAM-in-use steadily increases our knowledge of the opportunities in our portfolio.



Goal 14: We are aware of the importance of clean water in all our priority areas. Our properties in Nydalen are exposed to Akerselva, one of Oslo's main rivers. At Fornebu, we

border the sea and much of our business at Aker Brygge is on the waterfront through rentals to restaurants and our own marina. In recent years, we have deliberately focused on electrifying the pleasure-boat fleet and all our boat berths have their own power supply. Some of our marina berths are reserved for electric boats, and we believe this will significantly increase in the years to come. That depends on demand in the market and from boat developers. For electrification of pleasure boats to be sustainable, efficient electrical motors must be developed and the charging network must be in place. Our marina is well equipped for such a development, and we want to be at the forefront here. During the summer, we had a visit from *Brim Explorer*, an electric cruise boat which was supposed to be cruising in the Arctic. Owing to the pandemic and the reduction in tourism, we were happy to help it reschedule its summer programme and give it a base in our marina. From here, the ship made daily excursions on the Oslo Fjord, offering everything from ordinary sightseeing to morning yoga, afternoon cruises with dinner and so forth.

The year 2020 was exciting and challenging for us. I am impressed with our employees and their adaptability and eagerness to create results, even in a demanding time. Our core values of collaborative, courageous, proactive and attentive have all been utilised and challenged during the year, which has been both challenging and instructive. But we can understand the feelings of joy, despair and frustration felt among our tenants as the year developed. I think we will emerge stronger from the pandemic in any event. The year was also very exciting because our owners and sources of financing showed us confidence in making purchases both in our core business and in extending our exposure into the Nordic housing market.

Our total property portfolio now exceeds NOK 23 billion, but our ambitions do not stop there. Growth alone is not an objective, but if we find properties where we believe we have comparative advantages for creating value over time, we will be a potential buyer. The year 2021 is well under way, and you will understand that our ambitions are high. I can assure you that, whether we are working from home or in the office, our entire organisation is concentrating its attention on creating sustainable values for our tenants, visitors and shareholders.



Bent Oustad
CEO

Directors' report

Highlights of 2020

Major investments in the property portfolio completed, with substantial positive changes to the fair value of the properties.

Norwegian Property continued to deliver strong and stable results from its commercial property operations, with substantial positive fair value adjustments of the property portfolio.

Acquisition of Snarøyveien 30 at Fornebu outside Oslo, establishing three clear geographical priority areas for Norwegian Property in the Oslo region: the central business district (CBD), Nydalen and Fornebu.

Expanding the business with the acquisition of the residential development group Nordr Eiendom along with partners.

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

Substantial net profit increase

Net profit for 2020 came to NOK 1 675.9 million, compared with NOK 1 006.7 million the year before. That meant annual earnings per share (EPS) were NOK 3.13, and the book value of equity per share increased from NOK 16.68 to NOK 17.96 in 2020.

This large net profit increase related mainly to a NOK 1 827.5 million positive fair-value adjustment of investment properties (NOK 786.8 million).¹ The increase in property values is mainly a result of yields contracting significantly during the year. The key interest rate in Norway was reduced from

1.5 to zero per cent in the first half of 2020. Lower interest rates contributed to a significant yield compression in the Norwegian market during the second half of 2020, not least in the Oslo region where the Norwegian Property portfolio is located. Following the uncertainties of Covid-19, activity in the transaction market was low during the first half of 2020. Yields were relatively stable and the yield gap increased. In the second half of 2020, activity in the transaction market increased and a number of transactions completed in the fourth quarter confirmed contracting yields.

Strengthening the commercial property portfolio

Norwegian Property's attention has been on strengthening the portfolio of properties in its main priority areas in the Oslo region.

On that basis, Norwegian Property acquired the property at Snarøyveien 30 at Fornebu outside Oslo in December 2020. The agreed gross property value was NOK 5 450 million. The property has several solid tenants with long leases, of whom Telenor is the most important. Telenor has entered into a long-term lease which represents approximately one-third of the income for the property. The run rate for annual rent for the property at 1 January 2021 was NOK 335 million. This acquisition is strategically important for Norwegian Property. It strengthens the group's position in a district currently under development. The property is located next to the company's Fornebu Works building at Snarøyveien 36. Following the transaction, the group will have three clear geographical priority areas in the Oslo region: the central business district (CBD), Nydalen and Fornebu.

Expanding the business

A general meeting in May 2020 gave the company increased flexibility to consider opportunities in

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

segments other than traditional commercial property.

Against this background, Norwegian Property completed the acquisition of Nordr Eiendom (formerly Veidekke Eiendom) together with Fredensborg and Union Real Estate Fund III in September 2020. Norwegian Property and Fredensborg are equal partners with 42.5 per cent each of the preference shares. Union owns 15 per cent. The investor group jointly funded NOK 2.4 billion in new equity for Nordr Eiendom. At 31 December 2020, Nordr Eiendom had 1 586 flats under construction and a land bank of about 15 200 units in Norway and Sweden. This investment is in line with the group's ambitions and strategy for growth, and represented an attractive opportunity to develop the business in collaboration with partners.

Prior to this, Norwegian Property had limited investments related to the residential development business. In 2018, the group acquired a commercial development project at Hasle in Oslo, which also included 223 residential units under construction. The project was completed as planned when the residential units were delivered to end users in 2019 and 2020.

Financing activities

Acquisition of the property at Snarøyveien 30 was financed by a NOK 3 542 million 10-year bilateral loan and a NOK 557 million share issue. The acquisition of Nordr Eiendom was financed by a NOK 1.1 billion private placement and a NOK 28.2 million subsequent offering.

Several major loans which matured in 2020 were refinanced during the year, and the remaining time to maturity for interest-bearing debt has increased from 2.7 to 4.7 years.

Effects of Covid-19 on the business

Norwegian Property focused on the health and safety of employees, tenants, visitors and suppliers during the Covid-19 pandemic in 2020. The company followed the government's

recommendations to help prevent the spread of the virus, and established routines to ensure compliance with these in its daily operations. Norwegian Property was fully operational during the year, with office employees working from home during periods when this was required. Operating personnel handled day-to-day operation of the properties as far as possible on the basis of ordinary routines. Norwegian Property had no major ongoing projects with the properties adversely affected by the pandemic.

The pandemic particularly affected retailers, restaurants and service providers. Many businesses and tenants were put in a stressful financial position by its effects. Government compensation schemes secured the basis for continued operation at many companies. Norwegian Property's turnover-based rental income related to retailers, restaurants and service providers was reduced by approximately NOK 10 million during the Covid-19 pandemic in 2020.

About Norwegian Property

Norwegian Property owned 29 office and commercial properties in Norway at 31 December 2020. All are located in the Oslo region.

The market value of the group's property portfolio was NOK 23.5 billion at 31 December. These properties primarily comprise office premises with associated warehousing and car parks, and retail and restaurant space. The group also has a major investment related to a share in the residential development company Nordr Eiendom, and a joint venture with Base Bolig for a development project in Stavanger

The business is organised in parent company Norwegian Property ASA with subsidiaries. With its head office at Aker Brygge in Oslo, the group had 51 employees at 31 December 2020.

Norwegian Property's business purpose article states: "The Company operates in management, acquisitions, sales and development of real estate and infrastructure, including participation in other

companies and through trading and investment in interest/units and securities, as well as businesses which are related to such.”

The group is listed on Oslo Børs with the ticker code NPRO and had a market value of NOK 8.5 billion at 31 December 2020.

The business in 2020

Market and letting

LETTING MARKET

Office vacancy in Oslo is 6.3 per cent overall and 4.1 per cent in the city centre. Moderate vacancy rates in the past few years have contributed to positive trends for rents. Office vacancy at Fornebu is 8.1 per cent.

The rental market for Oslo was strong prior to the Covid-19 outbreak, driven by higher economic growth, increased employment, and limited new building activity. Covid-19 led to extensive lay-offs for certain employment sectors. Office-intensive businesses were not hit as hard as the hotel and retail industry. The long-term impact on the rental markets is difficult to predict, but previous crises have typically led to a fall in rent levels. The company's preliminary impression is that rental processes are still ongoing, but are taking more time. The requirement for social distancing between employees in both work areas and meeting rooms, the need for flexible rooms for digital meetings, and the desire for permanent seats may increase demand for more space. This may be offset by a reduced need for space as a result of increased home working and a greater focus on costs. Relatively large volumes of new buildings in 2021 may also increase vacancy rates in Oslo. Additional office space of almost 200 000 square metres is expected to be completed in 2021.

Turnover based rent related to the company's retail and restaurant tenants at Aker Brygge has been strong in previous year, driven first and foremost by restaurant revenues. The market for traditional retailing outside this core area has been somewhat more challenging, owing mainly

to the effects of e-commerce, over-supply of stores and changes to customer habits. These trends have been strengthened by Covid-19, but significant differences exist across retail segments. While some areas, such as grocery and leisure/house/ homewares, have seen great demand, others are struggling more.

LETTING ACTIVITY

New leases with a total annual rental income of NOK 54.4 million were signed in 2020, while existing leases totalling NOK 50.6 million were extended. Expired leases totalled NOK 90.3 million. The net increase for the year in annual rents from leases was therefore NOK 14.7 million (NOK 5.6 million).

Overall financial vacancy in the property portfolio totalled 7.2 per cent at 31 December 2020, related largely to Snarøyveien 36. The weighted average remaining duration of the leases was 5.9 years (4.4 years).

Financing

FINANCING MARKET

The Covid-19 pandemic adversely affected many businesses in 2020. Access to loan capital on favourable terms and activity in the property transaction market were very difficult before the summer of 2020. Conditions improved in the second half of 2020. Loan margins in both bank and bond markets are almost back to pre-pandemic levels.

From a historical perspective, market interest rates are at low levels. Risk is connected to the long-term effects of the pandemic, and will depend on how quickly vaccines are distributed.

The bond market remains an attractive alternative to bank financing.

FINANCING ACTIVITIES

The group's net LTV ratio related to investment properties is 48.3 per cent, with bonds listed on Oslo Børs accounting for 84 per cent of its borrowings for these properties at 31 December 2020. In addition came bank facilities.

New bond loans totalling NOK 5 871 million were issued during the year. Bond loans of NOK 1 806 million matured in 2020. Interest-bearing bank and bond debt in the balance sheet totalled NOK 12 097.1 million at 31 December 2020, with non-current interest-bearing debt accounting for NOK 10 700.6 million and current interest-bearing debt for NOK 1 396.4 million. Current interest-bearing debt at 31 December 2020 relates to facilities up for refinancing during 2021.

Property transactions

TRANSACTION MARKET

The level of activity in the transaction market has been high over several years, with many property deals in various segments at sharp yield levels. Long-term interest rates remain historically low. Many buyer groups are active and hunting for good objects. Prime yield for Oslo is estimated to be about 3.3 per cent, with downward pressure on yields for secondary properties.

TRANSACTIONS CONDUCTED

The board is devoting attention to opportunities which could strengthen the group's position in its core areas of the Oslo region. Against that background, the portfolio was expanded in 2020.

In October 2020, Norwegian Property entered into an agreement with Telenor Real Estate for the acquisition of the latter's property at Snarøyveien 30. Tenants include the head office of the Telenor group. With a very attractive location at Fornebu next to the company's Fornebu Works building at Snarøyveien 36, this property consists of a total of 198 000 gross leasable area. The agreed gross value of the property was NOK 5 450 million. Closing of the transaction was completed at 1 December 2020. The run rate for annual rent for the property at 1 January 2021 was NOK 335 million. The acquisition significantly increased and strengthened Norwegian Property's commercial property portfolio, and is in line with the company's ambition to grow in its core areas. It builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to the CBD and Nydalen.

The Forusbeen 35 property at Forus in Stavanger has been re-zoned from a commercial building to a combined residential and commercial property in cooperation with the local residential developer Base Bolig. The residential units will be put on sale in 2021. The development project will be a joint venture between Norwegian Property and Base Bolig.

Strategic goals

Competitive return with balanced risk

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

High tenant satisfaction

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

Environmental improvements in line with the best in the industry

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

Investment strategy

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

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

Financing strategy

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

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

Risk and risk management

Through its activities, Norwegian Property manages major financial assets which are exposed to substantial risk factors, such as development projects, interest rates and the letting market. The

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

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

The administration prepares periodic reports which are reviewed 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 interim and annual financial statements, the executive management prepares estimates and makes assumptions about the future. The accounting estimates is subject to uncertainty. Estimates and assumptions with the greatest potential effect to book values in future periods are related to investment property.

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

Financial risks

The group's financial risks relate primarily to changes in equity as a result of adjustments to the value of the property portfolio, the effect of interest-rate changes on profits and liquidity,

liquidity risk, and profit effects when refinancing debt and implementing major projects.

Efforts are made to manage the effect of interest-rate changes on profits and liquidity through hedging. At 31 December 2020, 75.6 per cent (69.5 per cent) of the group's interest-bearing debt was covered by interest-rate hedges with an average term of 6.7 years (4.9 years). Fluctuations in short- and long-term market interest rates will therefore have a limited impact on the group's interest expenses before changes in the value of derivatives.

The group's credit facilities incorporate financial covenants related to the interest cover ratio and the LTV ratio. Norwegian Property was in compliance with these and other conditions in the credit agreements related to its liabilities at 31 December 2020.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases. The commercial property leases provide fixed revenues over their term. The majority of the leases are fully adjusted for changes in the consumer price index (CPI).

Project risk

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

Credit risk

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

months of rent, or a bank guarantee. The group checks the credit rating and history of new tenants. As a result, the risk of direct losses from defaults or payment problems is limited and relates primarily to re-letting of premises.

Liquidity risk

The group's goal is to have sufficient liquidity/drawing rights to meet its obligations, including existing development projects. It also seeks to maintain a sensible level of liquidity to meet unexpected commitments. The financing strategy aims to maintain flexibility in the market and to cope with fluctuations in rental income. Liquidity should be secured by unused revolving credits and overdraft facilities rather than bank deposits.

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

At 31 December, the group had an interest-bearing debt of NOK 12 097.1 million (NOK 8 157.4 million). The remaining term of the debt was 4.7 years. Debt maturing and instalments due during 2021 are recognised as current liabilities in the consolidated balance sheet at 31 December 2020. At the same date, the group had a liquidity reserve including undrawn borrowing facilities of NOK 1 573.3 million (NOK 429.1 million).

The group seeks at all times to maintain a liquidity buffer tailored to the redemption profile of its debt and the ongoing short-term fluctuations in its requirements for working capital, as well as the requirements which follow from current and planned projects being pursued by the group at any given time. Management strives to maintain a good relationship with its main banks.

Sustainability risk

The group has worked according to the TCFD framework to uncover the risks it is most exposed

to. These are described in more detail in the corporate social responsibility report.

Group accounts

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

Going concern assumption

Pursuant to the requirements of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The financial statements for 2020 have been prepared on that basis.

Income statement

Operating revenue in 2020 totalled NOK 1 564.5 million (NOK 1 118 million). Total operating revenue for Norwegian Property in 2020 derived both from leasing of commercial property (NOK 708.6 million) and sale of residential units (NOK 855.9 million).

In 2018, the group acquired a development project at Hasle in Oslo which included 223 residential units as well as commercial and retail space. Sixty-nine units were delivered in 2019 and 154 in 2020. Sales of residential units at Hasle in 2020 contributed to a pre-tax profit of NOK 56.1 million (NOK 24.8 million).

Rental income from commercial property in 2020 showed a like-for-like reduction of NOK 25.4 million. The revenue reduction in 2020 related mainly to the effects of the Covid-19 shutdown on turnover-based rents and the expiration of a major lease in the property at Snarøyveien 36 during the fourth quarter of 2019.

Property-related operational expenses totalled NOK 51.6 million (NOK 63.8 million). Other property-related expenses came to NOK 55.1 million (NOK 53.4 million). Administrative owner expenses were NOK 46.8 million (NOK 48.8 million).

The share of profit from joint ventures was negative at NOK 0.4 million (NOK 56.8 million). The share in the joint venture for the property at Badehusgata 33-39 was sold in the fourth quarter of 2019. Settlement of pro & contra for the transaction was completed in 2020 with a gain of NOK 4.5 million. Norwegian Property's share of the net loss for Nordr Eiendom related to the establishment of the group was NOK 4.9 million.

Operating profit before fair-value adjustments was thereby NOK 610.2 million (NOK 651.4 million). No costs related to research and development activities were recognised in the financial statements for either 2020 or 2019.

Profit before tax and fair-value changes came to NOK 349.7 million, compared with NOK 397.4 million for 2019.

Fair-value changes to the group's property portfolio totalled NOK 1 827.5 million in 2020 (NOK 786.8 million). The most significant effect is yield compression for the company's attractive properties in the Oslo CBD and Fornebu.

Financial income, which consists largely of interest income, totalled NOK 4.2 million (NOK 4.6 million). Financial expenses, primarily interest expenses and other costs related to the group's financing, were NOK 264.8 million (NOK 258.6 million). Long-term market interest rates were reduced in 2020, and the fair-value adjustment for interest-rate derivatives showed a negative change of NOK 101.6 million (NOK 69.5 million).

Profit before tax was thereby NOK 2 075.5 million (NOK 1 253.7 million).

NOK 399.7 million in tax expense (NOK 247 million) is recognised in the 2020 accounts. As a result, net profit for the year was NOK 1 675.9 million (NOK 1 006.7 million).

Cash flow

Net cash flow from operating activities was NOK 1 007.8 million, where NOK 600 million was related to the delivery of 154 apartments at Hasle (NOK 354.9 million). Operating profit before tax

and fair-value adjustments came to NOK 349.7 million in 2020. The difference compared with net cash flow from operating activities relates to the profit from part-owned property and to changes to inventory and other working capital items.

Net cash flow from investing activities was negative at NOK 6 217.5 million (positive at NOK 271.7 million). Capital spending totalling NOK 5 197.4 million in 2020 related to the acquisition of properties, tenant adaptations related to new and renegotiated leases, and ongoing operational investment. The largest single investment in 2020 related to the purchase of the property at Snarøyveien 30 in Fornebu. The investment in Nordr Eiendom amounted to NOK 1 020.1 million in 2020.

Net cash flow from financing activities in 2020 was positive at NOK 5 593.7 million (negative at NOK 469.4 million). The net increase in interest-bearing debt came to NOK 3 950.6 million, new share issues amounted to NOK 1 677.7 million and dividend payments was NOK 34.6 million.

The net change in cash and cash equivalents was NOK 384 million (NOK 157.2 million).

Balance sheet and liquidity

The carrying amount of the group's total assets in the balance sheet was NOK 25 388.6 million (NOK 17 735.1 million), with investment property accounting for NOK 23 087.6 million (NOK 16 469.3 million) and properties used by the owner for NOK 97.6 million (NOK 89 million). Non-current receivables amounted to NOK 264.8 million, related to the rental guarantee provided by the seller of the property at Snarøyveien 30. Investment in joint ventures was NOK 1 013.6 million at 31 December.

The group held NOK 665.8 million (NOK 281.8 million) in cash and cash equivalents. In addition, the group had unused drawing rights of NOK 950 million (NOK 150 million).

Total interest-bearing liabilities in the balance sheet came to 12 097.1 million (NOK 8 157.4 million), with non-current interest-bearing

liabilities totalling NOK 10 700.6 million (NOK 5 690.5 million) and current interest-bearing liabilities amounting to NOK 1 396.4 million (NOK 2 466.8 million). Current interest-bearing debt at 31 December 2020 related to facilities maturing in 2021, which will be refinanced during the year.

The average interest rate for the group's loans (including payments for interest-rate derivatives) amounted to 2.94 per cent at 31 December 2020 (3.50 per cent), while the interest-rate margin averaged 1.39 per cent (1.22 per cent). The remaining term to maturity for interest-bearing debt was 4.7 years (2.7 years). Financial derivatives related to interest hedging accounted for a net liability item of NOK 177.1 million (NOK 75.5 million). The remaining term to maturity for the derivatives was 6.7 years (4.9 years).

Equity at 31 December totalled NOK 11 560.9 million (NOK 8 233.9 million), representing an equity ratio of 45.5 per cent (46.4 per cent). Carried equity per share was NOK 17.96 (NOK 16.68).

Valuation of the properties

The group's valuation process is based on quarterly external valuations, supplemented by internal analyses where the group makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. Based on this process, all the properties were valued on 31 December 2020 by two independent professional specialists. Cushman & Wakefield and Akershus Eiendom have each prepared a valuation of all the properties. An average of these valuations is used as the basis for recognising the investment properties at fair value at 31 December 2020. The valuation models used for these assessments are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses, upgrading costs and the risk of vacancy are made on a property-by-property basis.

The executive management and the board have made independent assessments of parameters

which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. The conclusion is that the external valuations can be used as a basis for assessing the fair value of the properties. Total market value of the group's property portfolio was NOK 23 450 million at 31 December 2020 (NOK 16 558.3 million).

Events after the balance sheet date

In accordance with the mandate from the AGM in 2020, the board resolved on 4 February 2020 that a dividend of NOK 0.10 per share will be paid on the basis of the accounts at 31 December 2020.

No other significant incidents since 31 December 2020 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 300.8 million in 2020 (NOK 535.3 million).

The board proposes that the net loss of NOK 300.8 million and the provision of NOK 64.4 million for dividend be transferred from other equity.

Corporate social responsibility and corporate governance

The group has prepared a separate presentation on CSR pursuant to section 3-3c of the Norwegian Accounting Act, which covers the natural environment, employee rights and social conditions as well as human rights. This report includes information on the requirements mentioned in section 3-3a, paragraphs 9-12 of the Accounting Act related to the working environment, equal opportunities, anti-discrimination and the group's impact on the natural environment. The presentation appears on page 87 of this annual report, and also includes

reporting duties pursuant to Norway's Gender Equality and Discrimination Act.

A separate presentation on corporate governance has also been prepared to cover the group's principles and practice in this area, pursuant to section 3-3b of the Accounting Act. The presentation appears on page 77 of this annual report.

Board of directors

The annual general meeting in April 2020 re-elected Merete Haugli as chair, Bjørn Henningsen as deputy chair, and Kathrine Astrup Fredriksen, Cecilie Astrup Fredriksen, Lars Erich Nilsen and Carl Erik Krefting as ordinary directors for a period until the AGM in 2021. Anders Buchardt was elected as a new ordinary director for the same period.

Shareholders

Norwegian Property had 1 623 shareholders at 31 December, an increase of 400 from the same time in 2019 (1 223 shareholders). International investors owned 82 per cent of the shares, unchanged from a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the group's website.

Outlook

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

The company has a strategy for growth in its core commercial property business as well as an ambition to consider opportunities in other property segments. In line with these ambitions, Norwegian Property acquired a large and attractive commercial property at Fornebu outside central Oslo in 2020. The acquisition significantly increases and strengthens Norwegian

Property's commercial property portfolio. It also builds and fulfils Fornebu as Norwegian Property's third cluster for commercial properties, in addition to the CBD and Nydalen. Norwegian Property also acquired Nordr Eiendom together with partners in 2020. Nordr Eiendom has residential units under construction and a large land bank in Norway and Sweden. The transaction was considered an attractive opportunity to develop the business in collaboration with partners to share the development risk. Norwegian Property will continue its efforts to expand and develop its business, both in the form of considering additional acquisitions and by pursuing several interesting long-term

development opportunities in the existing property portfolio.

Oslo, 11 March 2021

Norwegian Property ASA



Merete Haugli
Chair



Bjørn Henningsen
Deputy chair



Cecilie Astrup Fredriksen
Director



Kathrine Astrup Fredriksen
Director



Carl Erik Krefling
Director



Lars Erich Nilsen
Director



Anders Buchardt
Director



Bent Oustad
CEO

Annual group accounts

Consolidated income statement 1 Jan - 31 Dec

<i>(Amounts in NOK million)</i>	Note	2020	2019
Rental income for commercial property	17, 18	708.6	735.1
Income from the sale of residential properties	12, 17	855.9	382.9
Revenues		1 564.5	1 118.0
Property-related operational expenses	20	(51.6)	(63.8)
Other property-related expenses	20	(55.1)	(53.4)
Total property-related expenses		(106.7)	(117.2)
Project cost from the sale of residential properties	12, 17	(800.4)	(357.4)
Administrative expenses	20, 21	(46.8)	(48.8)
Total operating expenses		(953.9)	(523.4)
Share of profit in joint ventures	8	(0.4)	56.8
Operating profit before value adjustments		610.2	651.4
Change in fair value of investment property	6	1 827.5	786.8
Operating profit		2 437.7	1 438.1
Financial income	9, 19	4.2	4.6
Financial cost	9, 19	(264.8)	(258.6)
Realised net interest expense and realised financial instruments		(260.6)	(253.9)
Change in fair value of financial derivative instruments	9, 10	(101.6)	69.5
Net financial items		(362.2)	(184.4)
Profit before income tax		2 075.5	1 253.7
Income tax	16	(399.7)	(247.0)
Profit for the year		1 675.9	1 006.7
Profit attributable to non-controlling interests		-	-
Profit attributable to shareholders of the parent company		1 675.9	1 006.7
Earnings per share attributable to parent company shareholders (amounts in NOK)	23	3.13	1.95
Diluted earnings per share attributable to parent company shareholders (amounts in NOK)	23	3.09	1.92

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

Consolidated statement of comprehensive income 1 Jan - 31 Dec

<i>(Amounts in NOK million)</i>		2020	2019
Profit for the year		1 675.9	1 006.7
Value adjustment of owner-occupied property	6	10.0	14.7
Income tax related to value adjustment of owner-occupied property	16	(2.2)	(3.2)
Other comprehensive income that will not be reclassified to profit or loss, net of tax		7.8	11.5
Currency changes on translation of foreign joint venture operations	8	(1.5)	-
Other comprehensive inc. that subsequently may be reclassified to profit or loss, net of tax		(1.5)	-
Total comprehensive income for the year		1 682.1	1 018.2
Total comprehensive income attributable to shareholders of the parent company		1 682.1	1 018.2
Total comprehensive income attributable to non-controlling interests		-	-

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

Consolidated balance sheet as at 31 Dec

(Amounts in NOK million)	Note	2020	2019
ASSETS			
Non-current assets:			
Financial derivative instruments	3, 9, 10, 11	25.5	16.2
Investment property	6	23 087.6	16 469.3
Owner-occupied property	6	97.6	89.0
Other fixed assets	7	37.8	40.5
Investment in joint ventures	8	1 013.6	-
Receivables	13	264.8	-
Total non-current assets		24 526.9	16 615.1
Current assets:			
Financial derivative instruments	3, 9, 10, 11	-	1.0
Receivables	9, 13	195.8	128.8
Inventory (residential units)	12	-	708.5
Cash and cash equivalents	3, 9	665.8	281.8
Total current assets		861.6	1 120.1
TOTAL ASSETS		25 388.6	17 735.1
EQUITY AND LIABILITIES			
Equity:			
Share capital	22	321.8	246.8
Share premium		3 280.7	1 678.0
Other paid-in equity		7 562.5	7 566.8
Retained earnings		395.9	(1 257.6)
Total equity		11 560.9	8 233.9
Non-current liabilities:			
Deferred tax	16	1 268.0	866.1
Financial derivative instruments	3, 9, 10, 11	199.8	92.6
Interest-bearing debt	9, 15	10 700.6	5 690.5
Other liabilities	9, 14	4.4	5.3
Non-current liabilities		12 172.8	6 654.5
Current liabilities:			
Financial derivative instruments	3, 9, 10, 11	2.8	-
Interest-bearing debt	9, 15	1 396.4	2 466.8
Other liabilities	9, 14	255.6	379.9
Total current liabilities		1 654.8	2 846.7
Total liabilities		13 827.7	9 501.2
TOTAL EQUITY AND LIABILITIES		25 388.6	17 735.1

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

Oslo, 11 March 2021

Norwegian Property ASA


Merete Haugli
Chair


Bjørn Henningsen
Deputy chair


Cecilie Astrup Fredriksen
Director


Kathrine Astrup Fredriksen
Director


Carl Erik Krefling
Director


Lars Erich Nilsen
Director


Anders Buchardt
Director


Bent Oustad
CEO

Changes in the group's equity

<i>(Amounts in NOK million)</i>	Note	Share capital	Treasury shares	Share premium	Other paid-in equity	Retained earnings	Total equity
Total equity 31 December 2018		274.2	-	2 295.1	7 557.3	(2 123.9)	8 002.7
Profit for the year		-	-	-	-	1 006.7	1 006.7
Other comprehensive income for the year		-	-	-	-	11.5	11.5
Employee share-option scheme	22	-	-	-	3.4	-	3.4
Total comprehensive income for the year		-	-	-	3.4	1 018.2	1 021.6
Paid dividend	24	-	-	-	-	(145.9)	(145.9)
Purchase of treasury shares		-	(27.4)	(617.1)	-	-	(644.5)
Deletion of shares		(24.3)	24.3	-	-	-	-
Total contributions by and distributions to owners of the parent		(24.3)	(3.1)	(617.1)	-	(145.9)	(790.4)
Total equity 31 December 2019		249.9	(3.1)	1 678.0	7 560.7	(1 251.6)	8 233.9
Profit for the year		-	-	-	-	1 675.9	1 675.9
Other comprehensive income for the year		-	-	-	-	6.2	6.2
Employee share-option scheme	22	-	-	-	1.8	-	1.8
Total comprehensive income for the year		-	-	-	1.8	1 682.1	1 683.9
Paid dividend	24	-	-	-	-	(34.6)	(34.6)
Share issue	22	75.0	-	1 602.6	-	-	1 677.6
Total contributions by and distributions to owners of the parent		75.0	-	1 602.6	-	(34.6)	1 643.0
Total equity 31 December 2020		324.9	(3.1)	3 280.7	7 562.5	395.9	11 560.9

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

Consolidated cash flow statement 1 Jan - 31 Dec

<i>(Amounts in NOK million)</i>	Note	2020	2019
Profit before income tax		2 075.5	1 253.7
Net financial items	9, 19	362.2	184.4
Interest received	19	4.2	4.6
Interest and realised interest derivatives paid	15, 19	(139.5)	(245.7)
Buyout of derivatives	10	-	(11.5)
Depreciation of tangible assets	6, 7	5.6	7.7
Change in fair value of investment property	6	(1 827.5)	(786.8)
Profit from joint ventures	8	1.6	(56.8)
Change in inventory and other current items related to residential properties	12	600.0	61.4
Change in current items		(74.3)	(56.3)
Netto kontantstrøm fra operasjonelle aktiviteter		1 007.8	354.9
Payment for investment in investment property and other fixed assets	6, 7	(5 197.4)	(1 040.2)
Received cash from sale of investment property	6	-	957.9
Payment for investment in joint ventures (Nordr Eiendom)	8	(1 020.1)	-
Other investing activities		-	354.0
Net cash flow from investing activities		(6 217.5)	271.7
Repayment of interest-bearing debt	15	(2 470.4)	(2 175.4)
New interest-bearing debt	15	6 421.0	2 496.4
Share issues		1 677.7	-
Paid dividend	24	(34.6)	(145.9)
Other financial activities		-	(644.5)
Net cash flow from financial activities		5 593.7	(469.4)
Net change in cash and cash equivalents		384.0	157.2
Cash and cash equivalents at 1 January	3	281.8	124.6
Cash and cash equivalents at 31 December	3	665.8	281.8

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

NOTE 1: General information

The Norwegian Property ASA property group primarily owns commercial properties in the Oslo region. Norwegian Property also owns a share (joint venture) in the residential development company Nordr Eiendom. Nordr Eiendom has 1 586 residential units under construction and a land bank of approx. 15 000 units in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden. Norwegian Property also has a joint venture with Base Bolig related to a development project of 250 apartments and approx. 5 000 GLA in Stavanger.

The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

The financial statements were adopted by the board on 11 March 2021 for final approval by the AGM on 16 April 2021.

NOTE 2: Summary of significant accounting policies

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

2.1 - Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and effective at 31 December 2020, and additional requirements pursuant to the Norwegian Accounting Act at 31 December 2020.

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

and equipment and investment property measured at fair value (see note 4).

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

No significant changes have been made to accounting policies compared with the principles used in the preparation of the financial statements for 2019. Norwegian Property has not implemented any new standards or changes of standards in the financial statement for 2020. There are no material new standards and interpretations not yet implemented.

2.2 - Consolidation policies

A) SUBSIDIARIES

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

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

goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement at the date of acquisition.

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

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

B) JOINT ARRANGEMENTS

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

C) MINORITY INTERESTS

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

2.3 - Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of

the operating segments, has been identified as corporate management. See note 17.

2.4 - Foreign currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in NOK, which is the parent company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

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

2.5 - Classification of balance-sheet items

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

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

2.6 Investment property

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

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

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

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

If an investment property is used by the group, it is reclassified as property, plant and equipment unless the internal use is insignificant. Fair value at the date of reclassification is the property's acquisition cost. An owner-occupied property is accounted for at revalued value less accumulated depreciation and amortisation. An evaluation of fair value for such properties is carried out in the same manner as described for investment properties. An increase in the value of owner-occupied property is not recognised in the income statement, but recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

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

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

2.7 - Property, plant and equipment

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

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

2.8 - Impairment of non-financial assets

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

2.9 - Financial instruments

(A) GENERAL PRINCIPLES AND DEFINITIONS

Recognition and derecognition

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

On initial recognition of a financial asset or liability, it is measured at fair value with the exception of trade receivables, which are measured at the transaction price with a provision for expected bad debts on initial recognition to the extent that such bad debts have arisen from the service component of the letting business, and where no significant financing element is included in the transaction price.

Classification

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

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

Financial instruments at fair value through profit and loss include derivatives unless they are part of hedging. See note 2.10 related to interest-rate swaps and forward exchange contracts.

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

guarantee are accounted for against the receivable and the receivable will be updated with any changes of the initial estimate.

(C) FINANCIAL INSTRUMENTS AT AMORTISED COST

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

Borrowings

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

Cash and cash equivalents

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

Trade receivables and other financial assets

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. Any subsequent payments received against accounts for which a provision has previously been made are recognised in the income statement. Trade receivables and other financial assets are classified as current assets, unless they are due more than twelve months after the balance sheet date. If so, they are classified as non-current assets.

Trade payables and other non-interest-bearing liabilities

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

2.10 - Derivatives and hedging

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

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

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

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

2.11 - Inventory (residential property)

The inventory related to homes under construction is valued at the lower of acquisition cost and net realisable value. Acquisition cost includes all expenditures for purchase and construction as well as other expenses incurred to bring the inventory to its present condition. Construction costs include direct expenditures on

construction of the property as well as indirect fixed and variable costs incurred during development and construction. Borrowing costs are included in the acquisition cost until the properties are ready for sale. Capitalisation of borrowing costs begins when the property has received planning permission. Capitalisation of other direct attributable costs begins when it is more likely than not that a project will be realised. The net realisable value is the estimated sales price in the ordinary way of business, based on the market price at the reporting date and discounted for the time value of money, less estimated costs for completion and sales. When properties are sold, the carrying amount is recognised as a project cost in the profit and loss account for the same period as the associated revenue is realised.

2.12 - Share capital, treasury shares, share premium and share options

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

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

2.13 - Deferred income tax

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

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

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

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

2.14 - Revenue recognition

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

Operating income encompasses the fair value of the consideration received for services in the ordinary business. Revenues are presented net of

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

(A) RENTAL INCOME

Rental income is recognised on a linear basis over the rental period. Lease incentives in the form of rent rebates, compensation payments or the like are distributed over the duration of the lease so that the income is recognised on a linear basis. The accrued amount is presented under other receivables in the balance sheet. Termination of leases is assessed specifically in relation to the individual lease. Buyout of the remaining duration of a lease is recognised up to the termination date.

(B) SALE OF RESIDENTIAL PROPERTY

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

(C) OTHER OPERATING INCOME

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

2.15 - Dividend distribution

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

2.16 - Interest expense

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets

which necessarily take a substantial period to complete for their intended use, are added to the cost of those assets until the assets are substantially ready for their intended use.

2.17 - Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. A defined contribution pension scheme is an arrangement whereby the group pays fixed (defined) amounts to a separate legal entity. The group has no legal or other obligations to pay further amounts. Contributions are recognised as employee benefit expense when they fall due. Prepaid contributions are capitalised as an asset to the extent that cash refunds or reductions in future payments are available.

2.18 - Operating expenses

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

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

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

NOTE 3: Financial risk management

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

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

3.1 – Market risk

FOREIGN EXCHANGE RISK

The group has not entered into foreign currencies, and all operational costs are in practice in NOK.

In 2020, Norwegian Property acquired a share (joint venture) in the residential development company Nordr Eiendom of 42.5 per cent of the preference shares (40.6 per cent of all shares). Nordr Eiendom has operations in both Norway and Sweden. The investment is accounted for in accordance with the equity method on a single line in the income statement and balance sheet. The book value in the balance sheet at 31 December 2020 amounts to NOK 1 013.6 million. The currency risk in SEK is not hedged and the negative currency change in 2020, accounted for against comprehensive income, was NOK 1.5 million.

PRICE RISK

Rental income is exposed to changes in market rents, revenue-based rent and changes in the consumer price index (CPI). The group prefers long-term leases. The weighted average duration of rental contracts at 31 December 2020 was 5.9 years (4.8 years).

Rental agreements for the commercial properties give a fixed revenue during the lease term. Most leases have a full CPI adjustment clause allowing the group to adjust rents in line with CPI changes. The group seeks to incorporate clauses providing for such regulation in all new leases. CPI regulation in 2020 was 1.7 per cent for leases regulated in October and 0.7 per cent for leases regulated in November, which increased annual rental income at 31 December 2020 by NOK 15

million. Rent related to the shopping centre at Aker Brygge and Hasle in Oslo is partly revenue-based.

INTEREST-RATE RISK

The group is subject to interest-rate risk related to floating rate loans. Norwegian Property's overall guidance pursuant to current loan agreements is a hedging ratio of at least 60 per cent related to outstanding floating-rate loans. At 31 December, 75.6 per cent (see note 15) of such loans (excluding construction loans) were hedged (69.5 per cent).

To manage interest-rate risk, the group had entered into interest-rate swap agreements totalling NOK 6.1 billion at 31 December (NOK 5.8 billion). The average credit margin on floating-rate borrowings at 31 December 2020 was 139 basis points (122 basis points). The average basis rate of the loan portfolio at 31 December 2019 was 2.94 per cent (3.50 per cent). The average remaining maturity of hedging agreements was 6.7 years (4.9 years). Notional principal amounts and the maturity structure for the group's total portfolio of interest-rate hedges at 31 December are specified in NOK million in the table below (see also note 10).

Year	2020	2019
< 1 year	(900.0)	(200.0)
1-2 year	(1 220.0)	(900.0)
3-5 year	(1 950.0)	(2 770.0)
Over 5 year	(2 000.0)	(1 900.0)
Notional principal amount	(6 070.0)	(5 770.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2020 and all other variables were constant, this would have constituted a change in annual interest expense on the unsecured lending portfolio of NOK 7 million and a change in the value of interest-rate swaps of NOK 44 million.

3.2 - Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces risk related to leases. New tenants are checked with credit rating agencies for an

acceptable credit history. Most tenants have provided bank guarantees or made deposits of sums equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss has historically been limited. The group's trade receivables at the balance-sheet date are entirely in NOK.

3.3 - Liquidity risk

The group aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations. In addition, it will have a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility and withstand fluctuations in rental income. One goal is that the liquidity reserve should consist as far as possible of available revolving credit and overdraft facilities, rather than cash and cash equivalents. The group's liquidity reserve at 31 December is specified in the table below.

(Amounts in NOK million)	2020	2019
Cash and cash equivalents	665.8	281.8
- of which restricted cash and cash equivalents	(2.6)	(2.7)
Available cash and cash equivalents	663.3	279.1
Unused credit and overdraft facilities	910.0	150.0
Liquidity reserve	1 573.3	429.1

As described above, the group has a high level of hedging against changes in market interest rates, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operational activities in both 2020 (NOK 1 007.8 million) and 2019 (NOK 354.9 million). Additional liquidity risks relate primarily to servicing instalments and maturity of liabilities. The maturity structure of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. The figures in the table specify the timing of repayment of principal amounts (NOK million).

2020¹:

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

2019¹:

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

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

New bond loans totalling NOK 5 871 million were issued during the year. Bond loans of NOK 1 806 million matured in 2020.

Interest-bearing bank and bond debt in the balance sheet totalled NOK 12 097.1 million at 31 December 2020, with non-current interest-bearing debt accounting for NOK 10 700.6 million and current interest-bearing debt for NOK 1 396.4 million. Current interest-bearing debt at 31 December 2020 related to facilities maturing in 2021, which will be refinanced during the year.

3.4 - Capital risk management

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

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

Capital management seeks to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus relates to the loan-to-value (LTV) ratio. The latter is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have an LTV ratio of 45-55 per cent. The LTV ratio at 31 December is specified in the table below. A condition of the group's overdraft facilities is that the LTV ratio should not exceed 75 per cent. Agreed requirements related to the LTV ratio in the loan agreements were met with a good margin both at 31 December and at the interim reporting dates for 2020 and 2019. To change the capital structure, the group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to redeem debt.

(Amounts in NOK million)	2020	2019
Long-term interest-bearing liabilities	10 700.6	5 690.5
Short-term interest-bearing liabilities	1 396.4	2 466.8
Construction loan residential properties included in interest-bearing debt ¹	-	(662.9)
Capitalised borrowing cost	21.6	10.7
Interest-bearing receivables	(99.9)	-
Cash and cash equivalents	(665.8)	(281.8)
Net interest-bearing liabilities	11 353.0	7 223.4
Market value of property portfolio	23 450.0	16 558.3
Loan to value (per cent)	48.4	43.6

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

NOTE 4: Assessment of fair value

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

4.1 - Investment property

According to the group's valuation process, the finance and investment department is responsible for the preparation of valuations of investment property for use in the financial statements. The department is responsible for a quarterly valuation of the group's investment properties at fair value. The group's valuation process is based on external valuations, supplemented by internal analysis where the group makes an assessment and determines whether the external valuations give an accurate picture of the fair value of the investment properties. Inspections and technical reviews of all the properties are performed regularly. The valuations are reviewed quarterly as a key part of the audit committee's quality assurance of the interim and annual accounts. Based on this valuation process, all properties were valued by two independent professional appraisers at 31 December 2020. Cushman & Wakefield and Akershus Eiendom have prepared a valuation of all the properties. The group has concluded that an average of the valuations may be used as the basis for the accounting of investment properties at fair value at 31 December 2020. See also note 5 for critical accounting estimates and judgements.

4.2 - Financial instruments and derivatives

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

CASH AND CASH EQUIVALENTS

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

INTEREST-BEARING LIABILITIES

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

TRADE RECEIVABLES/OTHER RECEIVABLES AND TRADE PAYABLES/OTHER LIABILITIES

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

DERIVATIVES

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

RENTAL GUARANTEE RECEIVABLES

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

NOTE 5: Critical accounting estimates and judgements

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

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

5.1 - Fair value of investment properties

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

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair-value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and CPI adjustments. Market rents are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. To the extent that a specific development potential is associated with a property, an assessment is made of whether this supports or influences fair value. Updated macroeconomic assumptions for interest-rate levels, inflation expectations and so forth are applied in the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.7 to 2.9 per cent in the calculation period). Based on an assessment of the properties, tenants and macroeconomic conditions at the balance-sheet date, cash flows are discounted using discount

rates based on individual assessments of each property.

The sensitivity of the fair-value assessment of investment properties depends on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table¹ below presents examples of how changes related to each of these variables influenced property values at 31 December 2020, assuming all other variables remained constant (amounts in NOK million).

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

¹ The calculations have been performed by Cushman & Wakefield in connection with the valuations at 31 December 2020.

5.2 - Fair value of financial derivatives

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

5.3 - Fair value of rental guarantee receivables

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

NOTE 6: Investment and owner-occupied properties

6.1 - Carrying amount of investment and owner-occupied properties

Changes to the balance-sheet item on investment property are specified in the table below. The maturity structure for non-cancellable leases related to investment property is specified in note 18.

(Amounts in NOK million)	2020	2019
Book value of investment property at 1 January	16 469.3	14 573.7
Book value of owner-occupied property at 1 January	89.0	75.6
Book value of investment property held for sale at 1 January	-	941.6
Total opening balance of investment property at 1 January	16 558.3	15 590.9
Disposals of properties at book value ¹	-	(926.0)
Disposals of properties at book value in connection with establishing joint ventures ²	(86.9)	-
Additions through acquisitions and ongoing investments	4 877.5	1 086.6
Change in market value of investment properties recognised in profit and loss	1 827.5	786.8
Sale of properties	-	6.7
Fair value adjustment of owner-occupied property	8.7	13.4
Total value of investment property and owner-occupied properties at 31 December ³	23 185.2	16 558.3
Owner-occupied property (see specification below)	(97.6)	(89.0)
Book value of investment property at 31 December	23 087.6	16 469.3

¹ Applies for 2019 to Nedre Skøyen vei 24-26 and Hovfaret 11 in Oslo as well as properties at Oslo Airport Gardermoen.

² Applies to the sale of a 50 per cent share in the Forusbeen 35 property in Stavanger at 31 December 2020.

³ In addition, an estimated value of NOK 264.8 million related to the rental guarantee provided by the seller of the property at Snarøyveien 30 is presented as a receivable in the balance sheet at 31 December 2020. The seller of the property guarantees an agreed level for rent and common cost coverage of vacant premises from the takeover and until mid-2027.

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

At 31 December 2020, financial vacancy for the investment properties was 7.2 per cent. Operating expenses for vacant space and owner's share of service charge expenses totalled NOK 30.1 million for 2020 (NOK 28.7 million).

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

The group had no significant contractual obligations for construction contracts related to investment properties at 31 December in 2020 or 2019.

6.2 - Owner-occupied property

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

(Amounts in NOK million)	2020	2019
Book value of owner-occupied property at 1 January	89.0	75.6
Fair value adjustment of owner-occupied property recognised against the revaluation reserve	10.0	14.7
Depreciation of owner-occupied property recognised against the revaluation reserve	(1.3)	(1.3)
Book value of owner-occupied property at 31 December	97.6	89.0
Accumulated acquisition costs at 31 December	65.1	65.1
Accumulated depreciation at 31 December	4.0	2.7
Accumulated net fair value adjustment at 31 December	35.6	25.6

6.3 - Fair-value assessment

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

2020¹:

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

2019¹:

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

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

The group's policy is to recognise transfers into and out of fair-value hierarchy levels at the date of the event or change in circumstances which caused the transfer. There were no transfers between the levels during 2020 or 2019.

NOTE 7: Other fixed assets

7.1 – Fixed assets

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

(Amounts in NOK million)	Other fixed assets	Energy distribution system (Aker Brygge)	Total
Acquisition costs:			
At 31 December 2018	44.9	40.1	85.0
Additions 2019	5.6	2.1	7.7
At 31 December 2019	50.5	42.2	92.7
Additions 2020	0.7	0.9	1.6
At 31 December 2020	51.2	43.1	94.3
Accumulated depreciation:			
At 31 December 2018	36.9	8.8	45.7
Additions 2019	4.3	2.1	6.4
At 31 December 2019	41.2	10.9	52.1
Additions 2020	2.2	2.1	4.3
At 31 December 2020	43.4	13.0	56.4
Book value:			
At 31 December 2019	9.2	31.3	40.5
At 31 December 2020	7.7	30.1	37.8

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

7.2 - Leases

Significant leases are capitalised in accordance with IFRS 16 Leases, which states that both an asset (the right to use the leased object) and a financial liability (the value of future lease payments) are capitalised.

The group has certain leases which are capitalised as specified below.

(Alle beløp i mNOK)	Leases for company cars	Lease for offices	Total
Net present value of leases			
31.12.2019	0.3	4.1	4.4
- Short-term leases	-	-	-
- Leases with low rent	-	-	-
Carrying amount of rental obligation 01.01.2020	0.3	4.1	4.4
Additions in 2020	1.0	-	1.0
Installments in 2020	(0.4)	(1.2)	(1.6)
Carrying amount of rental obligation 31.12.2020	0.9	2.9	3.9

The capitalised lease agreements include a lease for office space at Aker Brygge in Oslo which is used in the business of a subsidiary. In addition, the company rents company cars used in connection with the operation of the group's properties. The right of use is recognised as an asset under other tangible fixed assets, with the lease obligation recognised as a liability under other liabilities in the balance sheet.

NOTE 8: Joint ventures

In 2020, Norwegian Property acquired Nordr Eiendom together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg are equal partners, each holding 42.5 per cent of the preference shares, Union owns 15 per cent of the preference shares. Only preference shares have voting rights in the general meeting of the company. Norwegian Property owns 40.6 per cent of all shares in the company. Nordr Eiendom has residential units under construction and a substantial land bank in Norway and Sweden. The land bank is largely located in the largest Norwegian and Swedish cities, with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

In 2019, Norwegian Property owned a 50 per cent stake in the Badehusgata 33-39 property in Stavanger. The ownership interest in this property was sold in December 2019.

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

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

(Amounts in NOK million)	2020	2019
Book value 1 January	-	30.1
Acquisition of joint ventures	1 020.1	-
Share of profit and loss	(4.9)	8.7
Currency changes	(1.5)	-
Sale of joint ventures	-	(38.8)
Book value 31 December	1 013.6	-

Currency risk associated with Nordr Eiendom's business in Sweden is not hedged.

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

(Amounts in NOK million)	2020 ¹	2019 ²
Revenues	1 483.5	18.7
Project cost from sale of residential units	(1 351.5)	-
Other operating expenses	(233.0)	(7.0)
Share of profit in joint ventures	116.0	-
Change in fair value of investment property	-	20.5
Operating profit	15.1	32.3
Net financial items	(35.3)	(10.0)
Profit before income tax	(20.2)	22.2
Income tax	4.5	(4.9)
Profit for the period	(15.7)	17.3
The group's share of profit for the period	(4.9)	8.7
The group's share of gain from sale for the period	4.5	48.1
The group's share of profit and gain from sale for the period	(0.4)	56.8

¹ The group's share of profit before gain from disposal for 2020 is related to Nordr Eiendom, and the group's share of gain from disposal is related to Badehusgata 33-39. NOK 749 million of the revenue for Nordr Eiendom in 2020 is related to the sale of residential units, NOK 714 million related to the sale of plots and NOK 20.5 million related to other revenues.

² The group's total share of profit for 2019 related to Badehusgata 33-39.

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

(Amounts in NOK million)	Nordr Eiendom	Forus-been 35	31.12.20	31.12.19
Investment property	-	86.9	86.9	-
Other fixed assets	87.2	-	87.2	-
Investment in joint ventures	1 189.5	-	1 189.5	-
Land bank and residential projects	7 073.9	-	7 073.9	-
Receivables	1 372.5	-	1 372.5	-
Cash and cash equivalents	951.6	-	951.6	-
Deferred tax	(97.6)	-	(97.6)	-
Interest bearing liabilities	(5 769.8)	-	(5 769.8)	-
Shareholder seller credit ¹	-	(86.9)	(86.9)	-
Other liabilities	(2 405.1)	-	(2 405.1)	-
Equity	(2 402.2)	-	(2 402.2)	-
The groups share of equity	(1 013.6)	-	(1 013.6)	-

in the future. Financial liabilities correspondingly represent contractual obligations for the group to make future payments. Financial instruments are included in several accounting lines in the group's balance sheet and income statement, and are classified in different categories in accordance with their accounting treatment.

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

NOTE 9: Financial instruments

Financial assets represent contractual rights for the group to receive cash or other financial assets

2020¹:

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

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Amortised cost	Non-financial assets and liabilities	Total
Financial assets:				
Non-current derivatives	25.5	-	-	25.5
Non-current receivables	264.8	-	-	264.8
Current receivables	-	116.3	79.5	195.8
Current derivatives	-	-	-	-
Cash and cash equivalents	-	665.8	-	665.8
Financial liabilities:				
Non-current derivatives	199.8	-	-	199.8
Non-current interest-bearing liabilities	-	10 700.6	-	10 700.6
Other non-current liabilities	-	2.1	2.3	4.4
Current derivatives	2.8	-	-	2.8
Current interest-bearing liabilities	-	1 396.4	-	1 396.4
Other current liabilities	-	214.4	41.2	255.6
Profit/loss related to financial instruments:				
Financial income	-	4.2	-	4.2
Financial cost	-	(264.8)	-	(264.8)
Change in market value of financial instruments	(101.6)	-	-	(101.6)
Gain/loss recognised in comprehensive income:				
Recognised in comprehensive income	-	-	-	-

2019¹:

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

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

NOTE 10: Derivatives

10.1 - Specification of derivatives in the financial statements

The group is subject to interest-rate risk related to floating rate loans. The general policy in accordance with the applicable loan agreements is that at least 60 per cent of the group's interest-bearing debt at any time will be hedged.

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

2020:

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

2019:

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

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

(Amounts in NOK million)	2020	2019
Net book value of derivatives, 1 January	(75.5)	(156.5)
Buyout of hedging contracts	-	11.5
Net fair value adjustments of derivatives during the year	(101.6)	69.5
Net book value of derivatives, 31 December	(177.1)	(75.5)

10.2 - Interest-rate derivatives

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

	Currency	2020	2019
Notional principal amount	NOK	6 070.0	5 770.0

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

10.3 - Fair value of derivatives

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

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

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

The group's policy is to recognise transfers into and out of fair-value hierarchy levels at the date of the event or change in circumstances which caused the transfer. No transfers were made between the levels in 2020 or 2019.

NOTE 11: Presentation of financial assets and liabilities subject to net settlement

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

2020:

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

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

2019:

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

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

NOTE 12: Inventory

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

Norwegian Property acquired a company in late December 2018 which had 223 residential units under construction at Hasle in Oslo. All these units were delivered in 2019 and 2020. Income from the sale of residential units in 2020 amounted to NOK 855.9 million (NOK 382.9 million). Changes to the balance-sheet item on inventory for both 2020 and 2019 relate in their entirety to the project at Hasle, as specified in the table below.

(Amounts in NOK million)	2020	2019
Book value 1 January	708.5	815.5
Accrued cost during the period	-	250.4
Cost of units sold	(800.4)	(357.4)
Book value 31 December	-	708.5

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

(Amounts in NOK million)	2020	2019
Plots	-	-
Project under construction/development	-	708.5
Completed units	-	-
Total book value of inventories	-	708.5

NOTE 13: Receivables**13.1 - Current receivables**

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

(Amounts in NOK million)	2020	2019
Accounts receivable	24.7	19.4
Provision for impairment of receivables	(8.4)	(5.7)
Net accounts receivable	16.3	13.7
Loans to joint ventures and deferred settlement on sale of properties ¹	99.9	13.0
Public duties	1.9	22.4
Other current receivables	77.7	79.7
Total other current receivables	179.5	115.1
Total current receivables	195.8	128.8

¹ Interest-bearing receivables at 31 December 2020 related to NOK 86.9 million in short-term seller credits to the joint venture for Forusbeen 35 and NOK 13 million in a seller credit related to the sale of Badehusgata 33-39. The interest-bearing receivable at 31 December 2019 related to the NOK 13 million seller credit for Badehusgata 33-39.

13.2 - Non-current receivables

Non-current receivables at 31 December are specified in the table below.

(Amounts in NOK million)	2020	2019
Rent guarantee receivables (see note 6)	264.8	-
Total non-current receivables	264.8	-

NOTE 14: Other liabilities**14.1 - Other current liabilities**

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

(Amounts in NOK million)	2020	2019
Trade payables	41.4	111.3
Public duties	6.4	5.3
Accrued salaries	6.3	5.5
Accrued interest	66.2	55.9
Lease liability (see note 7)	1.6	1.3
Prepaid income	28.5	30.4
Advances on sale of apartments	-	80.5
Accrued cost and other debts	105.1	89.7
Total other current liabilities	255.6	379.9

14.2 - Other non-current liabilities

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

(Amounts in NOK million)	2020	2019
Lease liability (see note 7)	2.3	3.1
Pension liabilities (see note 21)	2.1	2.2
Total other non-current liabilities	4.4	5.3

NOTE 15: Interest-bearing debt

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

	2020	2019
Total interest-bearing debt (NOK million)	12 097.1	8 157.4
Of which construction loan for inventory (NOK million)	-	(662.9)
Of which other interest-bearing debt (NOK million)	12 097.1	7 494.5
Of which hedged (NOK million) ¹	9 147.0	5 205.0
Interest hedging ratio (per cent)	75.6	69.5
Cash and cash equivalents (NOK million)	665.8	281.8
Interest bearing receivables (NOK million)	99.9	13.0
Unutilised credit facilities (NOK million)	910.0	150.0
Average interest rate (per cent)	2.94	3.50
Average interest margin (per cent)	1.39	1.22
Remaining time to maturity for interest-bearing debt (years)	4.7	2.7
Remaining time to maturity for interest hedge agreements (years)	6.7	4.9

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

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

2020:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	10 185.0	-	10 185.0
Bank borrowings - loan facilities	532.2	1 401.5	1 933.7
Bank borrowings - construction loan	-	-	-
Total interest-bearing debt	10 717.2	1 401.5	12 118.7
Capitalised borrowing cost	(16.6)	(5.1)	(21.6)
Total book value interest-bearing debt	10 700.6	1 396.4	12 097.1
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	(1.6)	(0.6)	(2.1)
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	30.8	-	30.8

2019:

(Amounts in NOK million)	Long-term	Short-term	Total
Bonds	4 314.0	1 806.0	6 120.0
Bank borrowings - loan facilities	1 383.8	1.4	1 385.1
Bank borrowings - construction loan	-	662.9	662.9
Total interest-bearing debt	5 697.8	2 470.3	8 168.0
Capitalised borrowing cost	(7.2)	(3.4)	(10.7)
Total book value interest-bearing debt	5 690.5	2 466.8	8 157.4
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	-
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	11.2	16.8	28.0

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

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

2020¹:

(Amounts in NOK million)	Bank loans	Bonds
Given market value for corresponding assets and liabilities (level 1)	-	30.8
Other significant observable input (level 2)	-	-
Other significant non-observable input (level 3)	(2.1)	-
Total estimated fair value	(2.1)	30.8

2019¹:

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

¹ Level 1: valuation based on quoted prices in active markets for identical assets. Level 2: valuation based on observable market

information not covered by level 1. Level 3: valuation based on information not observable under level 2.

The group's policy is to recognise transfers into and out of fair value hierarchy levels at the date of the event or change in circumstances which caused the transfer. There were no transfers between the levels during 2020 or 2019.

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

2020:

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

2019:

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

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

(Amounts in NOK million)	2020	2019
Due in 2022 and 2023 (2021 and 2022) ¹	4 232.2	3 682.7
Due in 2024, 2025 and 2026 (2023, 2024 and 2025)	3 943.0	1 865.0
Due after 2026 (after 2025)	3 542.0	150.0
Total	11 717.2	5 697.8

¹ Includes a NOK 1 billion RCF that expires in 2022, but where drawings are classified as current liabilities as these must be renewed quarterly. The facility was fully drawn at 31 December 2020.

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

(Amounts in NOK million)	2020	2019
Investment property ¹	23 352.5	14 842.5
Inventory	-	708.5
Total	23 352.5	15 551.0
Liabilities secured	12 118.7	8 168.1

¹ Properties with a carrying amount of NOK 97.5 million at 31 December 2020 were not pledged for interest-bearing debt (NOK 1 715.8 million).

The group had 13 bonds totalling NOK 10 185 million outstanding at 31 December 2020. These fall due as follows: NOK 2 300 million in 2022, NOK 400 million in 2023, NOK 2 443 million in 2024, NOK 1 350 million in 2025, NOK 150 million in 2026 and NOK 3 542 million in 2030. All bonds are secured by properties and are listed on Oslo Stock Exchange.

Norwegian Property established a three-year overdraft facility for NOK 1 billion with Nordea, SEB and DNB in 2019, with drawings secured by a portfolio of properties. Bilateral overdraft facilities with SEB of NOK 510 million secured by a mortgage on Snarøyveien 30 and with DNB of NOK 200 million secured by a mortgage on Vinslottet were established in 2020. An overdraft facility with DNB and SEB of NOK 600 million was established in 2020 with a mortgage on Verkstedhallen at Aker Brygge. The security is shared with bond holders. The three facilities are subject to annual renewal. The most important terms for all these facilities are a minimum interest-rate hedge ratio of 50 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. Agreed requirements in loan agreements were met at 31 December 2020 and at the interim reporting dates in 2020 and 2019.

NOTE 16: Deferred tax and income tax

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

(Amounts in NOK million)	2020	2019
Payable tax	-	-
Deferred tax	399.7	247.0
Income tax	399.7	247.0
Profit before income tax:	2 075.5	1 253.7
Income tax calculated at 22 per cent	456.6	275.8
Other differences ¹	(56.9)	(28.8)
Income tax	399.7	247.0

¹ Applies primarily to deferred tax assets related to investment property, which is not recognised in the balance sheet when the fair

value is greater than the taxable value but lower than the cost for the group.

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

(Amounts in NOK million)	2020	2019
At 1 January	866.1	615.8
Recognised through profit and loss	399.7	247.0
Tax charged to comprehensive income	2.2	3.2
At 31 December	1 268.0	866.1

Changes for the year to deferred tax appear as follows:

(Amounts in NOK million)	Investment property ¹	Gain and loss account	Carry forward losses	Financial derivatives	Other	Total ²
Total at 1 January 2019	1 114.2	38.0	(544.1)	(34.4)	(4.6)	569.0
Not capitalised at 1 January 2019 ³	-	(3.8)	50.7	-	-	46.8
Book value at 1 January 2019	1 114.2	34.2	(493.4)	(34.4)	(4.6)	615.8
Recognised through profit and loss in 2019	124.3	23.4	78.1	17.8	3.4	247.1
Recognised through comprehensive income in 2019	3.2	-	-	-	-	3.2
Change of calculated deferred tax in 2019	127.6	23.4	78.1	17.8	3.4	250.3
Total at 31 December 2019	1 241.7	57.6	(415.3)	(16.6)	(1.3)	866.1
Book value at 31 December 2019	1 241.7	57.6	(415.3)	(16.6)	(1.3)	866.1
Recognised through profit and loss in 2020	463.9	(29.8)	(11.4)	(22.3)	(0.6)	399.7
Recognised through comprehensive income in 2020	2.2	-	-	-	-	2.2
Change of calculated deferred tax in 2020	466.0	(29.8)	(11.4)	(22.3)	(0.6)	401.9
Total at 31 December 2020	1 707.7	27.8	(426.7)	(38.9)	(1.9)	1 268.0
Book value at 31 December 2020	1 707.7	27.8	(426.7)	(38.9)	(1.9)	1 268.0

¹ The tax value totalled NOK 7.7 billion at 31 December 2020. Theoretical deferred tax in the event that all the properties are sold at fair value amounts to about NOK 3.5 billion. The difference from estimated deferred tax for investment property reflects the recognition exception in IAS 12.15 for the purchase of assets.

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

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

With effect from 2019, amendments were made to the rules on limiting interest deductions under Norwegian tax legislation. The limitation has been extended to include external interest payments for taxpayers in a group. The change affects Norwegian Property, which has a foreign controlling shareholder.

NOTE 17: Segment information

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

Norwegian Property's primary business is the ownership and management of commercial properties in the Oslo region. From the end of

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

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

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

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

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

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

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

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

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

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

NOTE 18: Contractual rental income

Norwegian Property's primary business is the ownership and management of commercial properties. Norwegian Property also owns a share (joint venture) in the residential development company Nordr Eiendom. Nordr Eiendom has residential units under construction and a land bank in the largest Norwegian and Swedish cities,

with an emphasis on eastern Norway and the extended Stockholm capital region in Sweden.

Norwegian Property's operating income in 2020 totalled NOK 1 564.5 million (NOK 1 118 million).

18.1 - Commercial property

The group's commercial properties are located in the Oslo region. They consist primarily of office premises with associated warehousing and parking space. Some of the properties include space for letting as retail outlets and restaurants. Offices account for the bulk of all the larger properties. At Aker Brygge in central Oslo, the properties are located by the sea with a small associated marina business and an energy centre which uses seawater for heating/cooling of the properties.

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

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

(Amounts in NOK million)	2020	2019
Within 1 year	961.2	674.6
Between 1 and 5 years	2 981.0	2 082.7
Later than 5 years	2 891.3	866.2
Total	6 833.5	3 623.5

Operating revenues do not include service charges invoiced to tenants. Accrued service charges are recognised in the balance sheet together with payments on account from tenants, and therefore do not affect profit beyond an administrative mark-up recognised as income. Settlement of service charges is made after the balance-sheet date. Service charges invoiced to tenants in 2020 amounted to NOK 96.2 million, and the administrative mark-up recognised as income amounted to NOK 4.8 million.

18.2 - Residential property

In the period from 2018 to 2020, the group had a project comprising 223 residential units under development at Hasle in Oslo. All the units were delivered to end users in 2020. Sales income from units in 2020 came to NOK 855.9 million. The total sales value of the 223 residential units at Hasle was NOK 1 238.8 million. Assets and liabilities associated with the residential property business are presented in note 17.

NOTE 19: Realised net financial items

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

(Amounts in NOK million)	2020	2019
Interest income on bank deposits	3.5	4.2
Interest income on receivables	0.7	0.4
Total financial income	4.2	4.6
Interest expense on borrowings	(264.8)	(204.7)
Realised interest rate derivatives	-	(53.9)
Total financial expenses	(264.8)	(258.6)
Net realised financial items	(260.6)	(254.0)

NOTE 20: Operating expenses

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

20.1 - Property-related operational expenses

(Amounts in NOK million)	2020	2019
Administrative management costs	10.2	12.7
Operating and maintenance costs	41.4	51.1
Total property-related operational expenses	51.6	63.8

20.2 - Other property-related expenses

(Amounts in NOK million)	2020	2019
Rental, market and other income-related expenses	25.0	24.7
Owner's share of service charge expenses	30.1	28.7
Total other property-related expenses	55.1	53.4

20.3 - Administrative owner expenses

(Amounts in NOK million)	2020	2019
Payroll expenses (see note 21)	76.5	76.0
Depreciation	2.3	3.6
Other operating expenses	9.2	14.9
Costs allocated to property costs	(41.2)	(45.7)
Total administrative expenses	46.8	48.8

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

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

21.1 - Payroll costs

Payroll costs for the year are as follows.

(Amounts in NOK million)	2020	2019
Salaries and remuneration	61.3	58.5
Employee share-option scheme (see note 22.4)	2.2	3.3
Social security costs	9.1	8.9
Pension costs for defined contribution plans	2.8	2.5
Other employee expenses	1.1	2.7
Total payroll cost	76.5	76.0
Number of employees at 31 December	51	47
Number of full-time equivalent positions in the financial year	57	51
Average number of employees in the financial year	49	48

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

The group has a controlling interest in Bryggedrift AS (see note 28), which has an individual defined benefit pension obligation of NOK 2.1 million to a former employee funded from operations.

21.2 - Directors' fees

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

Name	Remuneration ¹
Merete Haugli, chair 01.01-31.12	700 000
Bjørn Henningsen, deputy chair 01.01-31.12	450 000
Cecilie Astrup Fredriksen, director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, director 01.01-31.12	250 000
Carl Erik Krefting, director 01.01-31.12	250 000
Lars Erich Nilsen, director 01.01-31.12	250 000
Anders Buchardt, director 16.04-31.12	187 500
Total	2 337 500

¹ Reported benefits paid in 2020 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent).

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

Name	Remuneration ¹
Merete Haugli, chair 01.01-31.12	700 000
Bjørn Henningsen, deputy chair 01.01-31.12	408 334
Cecilie Astrup Fredriksen, director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, director 01.01-31.12	250 000
Carl Erik Krefting, director 01.01-31.12	250 000
Lars Erich Nilsen, director 01.01-31.12	250 000
Kjell Sagstad, director 01.01-03.09	166 666
Total	2 275 000

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

21.3 - Auditor's fee

Fees paid to the company's elected auditor¹ are shown in the table below.

Type of fees	2020	2019
Statutory audit	1 157 000	1 244 500
Other certification services	55 000	186 000
Tax/VAT advice	712 000	811 100
Total	1 924 000	2 241 600

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

21.4 - Remuneration of senior management

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

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

¹ Reported pay for services in 2020 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent).

² Contribution paid to defined contribution pension plans and employee insurance in 2020 (amounts in NOK).

³ Started 1 January 2020.

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

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

¹ Reported pay for services in 2019 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent).

² Contribution paid to defined contribution pension plans and employee insurance in 2019 (amounts in NOK).

21.5 - Declaration of management benefits

New rules are introduced from 2021, which means that the company's guidelines for remuneration to senior executives will be presented for approval at the AGM in 2021. From 2022, an annual report on the company's remuneration to senior executives will also be presented for the AGM's advisory vote.

In 2020, the group followed the guidelines on executive pay specified in the declaration on executive salaries in the financial statements for 2019, presented to the AGM in 2020.

This declaration relates to benefits received by key management personnel for work performed in the group. The group will always ensure that it has a professional management which will safeguard shareholder interests in the best possible way at all times. To achieve this, the group must offer competitive remuneration as part of the total compensation package.

1. PRINCIPLES FOR BASIC PAY

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

2. PRINCIPLES FOR VARIABLE PAYMENTS, INCENTIVE SCHEMES, ETC

Senior executives may also receive variable payments (bonuses). Such bonuses are determined by the individual's own performance in meeting key targets for the group, a department or a company in which the individual is employed. These targets may comprise meeting various improvement initiatives or financial criteria, including the group's share-price performance. Criteria for the CEO's own performance will be set by the board, while the CEO will set targets for other senior executives. The targets must as far as possible be measurable. Bonuses may not exceed 80 per cent of the CEO's regular annual salary, 50 per cent of the CFO's regular annual salary or 30 per cent of regular annual salary for other senior executives.

3. PRINCIPLES FOR RELATED NON-CASH BENEFITS

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

At 31 December 2020, the group had no general share option programme or share purchase scheme for employees. The CEO and a director had individual share option schemes (see note 22.4).

4. PAYMENTS AFTER CONTRACT TERMINATION

At 31 December, one senior executive had an agreement on pay after termination of their employment. The period of notice is six months and severance pay is limited to 12 months' salary. Salary can be paid after termination of employment in special circumstances. Salary payments after employment termination where an employee does not have these payments documented in their employment contract must be approved by the chair of the board.

5. INFORMATION ON THE PREPARATORY AND DECISION-MAKING PROCESSES

The board determines the CEO's annual salary.

For 2020, the board prepared guidelines submitted to shareholders at the AGM for ratification in accordance with section 5-6 of the Norwegian Public Limited Liabilities Companies Act.

NOTE 22: Share capital and shareholders

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

22.1 - Changes in share capital and average number of shares

	2020	2019
Average number of shares (1 000 shares)	541 750	520 493
Number of shares issued at 31 December (1 000 shares)	649 826	499 876

The share capital of NOK 324 912 798 consisted at 31 December 2020 of 649 825 596 shares, each with a par value of NOK 0.50. The holding of treasury shares at 31 December 2020 was 6 250 000 shares.

A private placement of 97 477 857 shares in connection with the acquisition of Nordr Eiendom was completed in August 2020 with gross proceeds of NOK 1.1 billion. A private placement of 49 980 000 shares with gross proceeds of NOK 557 million was completed in November 2020 in connection with the acquisition of Snarøyveien 30. In December 2020, a subsequent offering of 2 492 143 shares with gross proceeds of NOK 28 million was completed in connection with the acquisition of Nordr Eiendom.

22.2 - The group's main shareholders at 31 December

2020:

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

2019:

Largest shareholders	Type of account	Country	Number of shares	Percentage
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	61.24
FOLKETRYGDFONDET	ORD	NOR	73 951 642	11.38
NORWEGIAN PROPERTY ASA 1	ORD	NOR	6 250 000	0.96
DANSKE BANK AS	ORD	DNK	3 210 224	0.49
MORGAN STANLEY INVESTMENT FUNDS	ORD	LUX	1 034 229	0.16
SANDEN AS	ORD	NOR	1 000 000	0.15
BANAN II AS	ORD	NOR	1 000 000	0.15
SUIJITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.12
KAS BANK N.V.	NOM	NLD	716 239	0.11
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	714 499	0.11
STATE STREET BANK AND TRUST COMP	NOM	USA	670 769	0.10
SUIJITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.09
NORDEA BANK ABP	NOM	SWE	386 349	0.06
AVANZA BANK AB	NOM	SWE	333 725	0.05
NORDNET BANK AB	NOM	SWE	312 135	0.05
SWEDBANK AB	NOM	SWE	307 390	0.05
CARNEGIE FASTIGHETSFOND NORDEN	ORD	SWE	300 000	0.05
CLEARSTREAM BANKING S.A.	NOM	LUX	294 280	0.05
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.04
SOLBERG INVEST & CONSULT AS	ORD	NOR	233 445	0.04
OTHER			9 621 146	1.48
Total number of shares at 31 December 2019			499 875 596	76.92

22.3 - Shares held by senior executives and directors at 31 December 2020

Shareholder	Number of shares
Board of directors:	
Affiliated with Geveran Trading Co Ltd ¹	521 840 723
Bjørn Henningsen, deputy chair ²	405 999
Carl Erik Krefting, director ³	356 664
Anders Buchardt, director ⁴	10 024
Senior executives:	
Bent Oustad, CEO ⁵	71 672
Total number of shares	522 685 082

¹ Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd according to IAS 24, which was the largest shareholder in Norwegian Property ASA at 31 December 2020. Geveran Trading Co Ltd owns 521 840 723 shares in Norwegian Property, representing 80.30 per cent of the issued shares in the company.

² At 31 December 2020, 130 313 shares were owned by Max Eiendom AS and 275 686 shares by Camvecti Holding AS. Both companies are wholly owned by Bjørn Henningsen.

³ At 31 December 2020, 356 664 shares were owned by Carucel Holding AS. This company is wholly owned by Carl Erik Krefting. Carucel Holding also has a TRS agreement relating to 4 262 801 shares with a term to 14 January 2022 and a redemption price of NOK 13 per share. Krefting also has an option to acquire 500 000 shares in Norwegian Property ASA in up to three tranches at a price of NOK 11.50 between 19 April 2019 and 19 October 2021.

⁴ At 31 December 2020, 10 024 shares were owned by AB Invest AS. This company is wholly owned by Anders Buchardt and related parties.

⁵ At 31 December 2020, 71 672 shares were owned by Yanka AS. This company is wholly owned by Bent Oustad.

22.4 - Share options

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

Employee options	Number of options	Weighted average exercise price (NOK)
Outstanding 1 January 2019	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2019	6 250 000	12.46
Earned 1 January 2020	2 583 333	10.92
Outstanding 1 January 2020	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2020	6 250 000	12.46
Earned 1 January 2021	4 083 333	11.50

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

Employee options	2020	2019
Recognised against equity at 1 January	9.6	6.2
Recognised in profit and loss during the period	1.8	3.4
Recognised against equity at 31 December	11.4	9.6

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

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

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

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

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

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

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

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

NOTE 23: Earnings per share

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

	2020	2019
Net profit attributable to shareholders (NOK million)	1 675.9	1 006.7
Weighted average number of outstanding shares, exclusive treasury shares (million shares) ¹	535.5	516.9
Weighted average number of diluted outstanding shares, exclusive treasury shares (million shares) ²	541.7	523.1
Basic earnings per share (NOK per share)	3.13	1.95
Diluted earnings per share (NOK per share)	3.09	1.92

¹ At 31 December 2020, the group owned 6 250 000 treasury shares.

² The diluted number of shares has been adjusted for options granted (see note 22).

NOTE 24: Dividend per share and dividend policy

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

The board has a mandate from the group's AGM to make quarterly dividend payments. A dividend of NOK 0.10 per share was approved by the board meeting on 4 February 2020.

NOTE 25: Related-party disclosures

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

Balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial relationships related to the board and senior management are described in notes 21 and 22.

A private equity placement of NOK 1.1 billion in connection with the acquisition of Nordr Eiendom was completed in 2020. It was underwritten by Norwegian Property's largest shareholder, Gevean Trading Co Ltd, and the underwriting fee paid was NOK 3.8 million.

No other agreements or significant transactions with related parties were carried out in 2020.

NOTE 26: Contingent liabilities and assets

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

Guarantees relating to the sale of properties and companies

The seller normally issues guarantees relating to the sale of properties because of formal, physical and suchlike conditions related to the transferred properties and/or companies. The guarantees typically include conditions related to legal status, ownership of shares, validity of financial statements and tax issues, contractual issues, liens, environmental matters, insurance coverage, assessment of defects and so forth. The seller must typically cover financial losses incurred by the buyer from any errors or omissions which may be linked to the guarantees.

Norwegian Property has issued this kind of guarantee to buyers in relation to the sale of properties/companies since the group was established. At 31 December 2020, the assessment is that there are no circumstances which entail an obligation for Norwegian Property and a need to make provisions.

NOTE 27: Events after the balance-sheet date

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

In accordance with the mandate from the AGM in 2020, the board decided on 4 February 2021 that a dividend of NOK 0.10 per share will be paid for 2020.

No other significant events have occurred after 31 December 2020 which provide information on conditions existing at the balance-sheet date.

NOTE 28: Group companies

The consolidated financial statements of Norwegian Property ASA comprise the following wholly-owned subsidiaries at 31 December 2020:

Aker Brygge AS
Aker Brygge Business Village AS
Aker Brygge Energisentral AS
Aker Brygge Marina AS
Aker Brygge Marina Drift AS
Aker Brygge Uteareal AS
Bryggegate 9 AS
Bydel Aker Brygge Forvaltning AS
Dokkbygningen Aker Brygge AS
Drammensveien 60 AS
Fondbygget AS
Gardermoen Næringseiendom ANS
Gardermoen Næringseiendom AS
Gardermoen Næringseiendom KS
Gjerdrums vei 10 D AS
Gjerdrums vei 5 AS
Gjerdrums vei 8 AS
Gjerdrums vei 14-16 AS
Gjerdrums vei 17 AS
Gjerdrums vei 3 AS
Grensen Investment AS
Gullhaug Torg 3 AS

Gullhaugveien 9-13 AS
Hasle Linje 7 AS
Hasle Linje Bygg 01 AS
Hasle Linje Bygg 01 Næring AS
Kaibygning 1 AS
Kaibygning 2 AS
Lille Grensen 7 Andel AS
Lille Grensen 7 ANS
Lille Grensen 7 AS
Norwegian Property ASA
Npro 1 AS
Npro 2 AS
NPRO Drift AS
NPRO Holding AS
NPRO Invest AS
Nydalsveien 15-17 AS
Sandakerveien 130 AS
Snarøyveien 30 AS
Snarøyveien 36 AS
Stranden AS
Støperiet AS
Terminalbygget Aker Brygge AS
Tingvalla AS
Verkstedhallene AS

All subsidiaries have the same business address as Norwegian Property ASA (Støperigata 2, NO-0250 Oslo, Norway).

In addition to its wholly-owned subsidiaries, the Norwegian Property group has an interest in Bryggedrift AS (business address Støperigata 1, NO-0250 Oslo, Norway), which is responsible for certain operating services and management of condominiums at Aker Brygge in Oslo. Bryggedrift AS is a facility management company without significant assets. All condominiums at Aker Brygge are shareholders in Bryggedrift AS, and Norwegian Property as a participant in the condominiums had a controlling interest in Bryggedrift AS at 31 December 2020 on the basis of the ownership structure of the condominiums. Norwegian Property is represented on the board of Bryggedrift AS by two of the five directors. In 2020, Norwegian Property acquired Nordr Holding AS together with Fredensborg and Union Real Estate Fund III. While Norwegian Property and Fredensborg are equal partners, each holding 42.5 per cent of the preference shares, Union owns 15 per cent of the preference shares (see note 8).

At 31 December 2020, Norwegian Property sold a 50 per cent share in the property at Forusbeen 35 to Base Bolig, and thus owned the company FB35 Bolig AS as a joint venture from 31 December (see note 8).

Annual accounts of the parent company

Income statement 1 Jan - 31 Dec

<i>(Amounts in NOK million)</i>	Note	2020	2019
Management and service fee from group companies	13	45.6	40.7
Total operating revenue		45.6	40.7
Payroll costs	10	(73.2)	(69.0)
Depreciation	5	(1.0)	(2.3)
Other operating costs	10	(24.2)	(20.7)
Total operating costs		(98.4)	(91.9)
Operating profit		(52.8)	(51.2)
Financial income	11, 13	8.4	797.5
Financial expenses	11, 13	(332.1)	(260.3)
Net financial items		(323.7)	537.2
Profit before tax		(376.5)	486.0
Income tax expense	12	75.7	49.3
Profit for the year		(300.8)	535.3
Proposed allocations:			
Dividend distribution to shareholders		(64.4)	(34.6)
Transferred to/from other equity		(365.2)	500.8

Balance sheet as at 31 Dec

(Amounts in NOK million)	Note	2020	2019
ASSETS			
Non-current assets:			
Deferred tax assets	12	541.6	563.4
Financial derivative instruments	9	25.5	16.2
Tangible assets	5	2.0	1.3
Investments in subsidiaries	4, 13	4 665.4	8 553.9
Total non-current assets		5 234.6	9 134.8
Current assets:			
Financial derivative instruments	9	-	1.0
Intercompany balances	13	10 149.5	567.7
Other receivables		1.9	3.1
Cash and cash equivalents	3	624.2	236.4
Total current assets		10 775.6	808.2
TOTAL ASSETS		16 010.2	9 942.9
EQUITY AND LIABILITIES			
Equity:			
Share capital		321.8	246.8
Share premium		3 204.8	1 602.2
Other paid-in equity		33.2	396.6
Total equity	6	3 559.8	2 245.6
Non-current liabilities:			
Financial derivative instruments	9	199.8	92.6
Interest-bearing debt	8	10 698.4	5 686.8
Other long-term debt		0.5	0.1
Total non-current liabilities		10 898.7	5 779.5
Current liabilities:			
Financial derivative instruments	9	2.8	-
Interest-bearing debt	8	1 394.9	1 802.6
Provision for dividend	6	64.4	34.6
Other current liabilities	7	89.5	80.7
Total current liabilities		1 551.6	1 917.8
Total liabilities		12 450.3	7 697.3
TOTAL EQUITY AND LIABILITIES		16 010.2	9 942.9

Oslo, 11 March 2021

Norwegian Property ASA


 Merete Haugli
 Chair


 Bjørn Henningsen
 Deputy chair


 Cecilie Astrup Fredriksen
 Director


 Kathrine Astrup Fredriksen
 Director


 Carl Erik Kretting
 Director


 Lars Erich Nilsen
 Director


 Anders Buchardt
 Director


 Bent Oustad
 CEO

Cash flow statement 1 Jan - 31 Dec

(Amounts in NOK million)	Note	2020	2019
Ordinary profit before tax		(376.5)	486.0
Net financial items	11	323.7	(537.2)
Interest received	11	8.4	2.4
Interest paid	11	(214.1)	(236.3)
Other financial expenses paid	11	(9.4)	(27.2)
Depreciation of tangible assets	5	1.0	2.3
Changes in other current items		(5.8)	4.8
Net cash flow from operating activities		(272.7)	(305.2)
Purchase of tangible assets	5	(1.7)	(1.2)
Sale of tangible assets	5	-	0.1
Investments in subsidiaries	4	(0.1)	1 124.0
Capital increase in subsidiaries	4	-	(515.0)
Repayment of intercompany balances	13	(5 595.8)	-
Utlån datterselskap	13	-	390.9
Net cash flow from investment activities		(5 597.7)	998.8
Repayment of interest-bearing debt	8	(1 806.0)	(2 174.1)
New interest-bearing debt	8	6 421.0	2 465.0
Dividends paid	6	(34.6)	(145.9)
Share issue	6	1 677.6	-
Other financing activities	6	-	(644.5)
Net cash flow from financing activities		6 258.1	(499.5)
Net change in cash and cash equivalents		387.7	194.1
Cash and cash equivalents 1 January	3	236.4	42.3
Cash and cash equivalents 31 December	3	624.2	236.4

NOTE 1: General information

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

The holding company, Norwegian Property ASA, is a public limited company with its headquarters at Støperigata 2, Oslo (Norway). The company's shares are listed on the Oslo Stock Exchange under the ticker NPRO.

The financial statements were adopted by the board on 11 March 2021 for final approval by the AGM on 16 April 2021.

NOTE 2: Summary of significant accounting policies

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

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

2.1 - Classifications

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

2.2 - Subsidiaries

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

2.3 - Tangible assets

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

2.4 - Trade receivables

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

2.5 - Cash and cash equivalents

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

2.6 - Share capital, share premium and share options

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

tax, from the proceeds. Treasury shares are recognised at par.

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

2.7 - Borrowings

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

2.8 - Interest expense

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

When calculating the effective interest rate, the group estimates all contractual cash flows related to the financial instrument (such as terms of payment) but does not take future loss into account. When calculating the effective interest

rate, all fees are included and distributed over the relevant period (term to maturity).

2.9 - Management fees and other operating revenue

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

2.10 - Derivatives

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

2.11 - Pensions

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

2.12 - Income tax

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

2.13 - Use of estimates

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

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

2.14 - Cash flow statement

The preparation of the cash flow statement is based on the indirect method.

NOTE 3: Financial risk management

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

3.1 - Market risk

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

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

Year	2020	2019
< 1 year	(900.0)	(200.0)
1-2 year	(1 220.0)	(900.0)
3-5 year	(1 950.0)	(2 770.0)
Over 5 year	(2 000.0)	(1 900.0)
Notional principal amount	(6 070.0)	(5 770.0)

3.2 - Credit risk

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

3.3 - Liquidity risk

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

(Amounts in NOK million)	2020	2019
The company's own accounts and net balance in the group accounts	6 794.5	496.9
Intercompany net balance in the group accounts ¹	(6 170.3)	(260.5)
Cash and cash equivalents	624.2	236.5
Restricted bank deposits	(2.3)	(2.5)
Available cash and cash equivalents	621.9	234.0
Unused credit and overdraft facilities	910.0	150.0
Liquidity reserve	1 531.9	384.0

¹Subsidiaries' deposits in the parent company's group cash pool system are included as cash and cash equivalents 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 relates primarily to servicing instalments on and maturity of liabilities. The table below specifies the company's liabilities in accordance with the maturity structure. The classification is based on the timing of maturities specified in the contracts. The amounts in the table specify the timing of repayments of notional principal amounts (NOK million).

2020¹:

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

2019¹:

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

¹ The difference between carrying amount and expected cash flow reflects capitalised and estimated interest cost based on the average interest rate at 31 December. The difference between carrying amount and expected cash flow for other liabilities relates to provision for hedge contracts.

NOTE 4: Investments in subsidiaries

Investments in subsidiaries at 31 December 2020 are specified in the table below. The companies own the group's properties (single-purpose entities).

		NPRO Holding AS	NPRO Invest AS
	Npro 1 AS	AS	Invest AS
Acquired/established	Date	23.11.20	17.01.07 26.09.13
Business office	City	Oslo	Oslo Oslo
Share ¹	Per cent	100.0	100.0 100.0
Book value	NOK mill.	0.1	4 665.3 0.1

¹ Voting ownership interest is identical to ordinary ownership.

Changes in book value for the year are as follows.

(Amounts in NOK million)	2020	2019
Book value at 1 January	8 553.9	8 727.4
Investments in subsidiaries	0.1	515.0
Dividends	(2 500.0)	(409.9)
Group contribution recognised against shares in subsidiaries	(1 388.6)	(278.6)
Book value at 31 December	4 665.4	8 553.9

NOTE 5: Tangible assets

Changes in tangible assets are specified in the table below.

(Amounts in NOK million)	IT-systems and other intangible assets	Fixtures and equipment	Total
Acquisition cost:			
At 31 December 2018	28.2	1.3	29.5
Additions	0.4	0.7	1.2
Disposals	(0.1)	-	(0.1)
At 31 December 2019	28.6	2.0	30.6
Additions	0.6	1.1	1.7
Disposals	(11.1)	-	(11.1)
At 31 December 2020	18.1	3.1	21.2
Accumulated depreciation:			
At 31 December 2018	26.7	0.3	27.0
Depreciation and impairment for the year	1.8	0.5	2.3
At 31 December 2019	28.6	0.8	29.3
Disposals	(11.1)	-	(11.1)
Depreciation and impairment for the year	0.5	0.4	1.0
At 31 December 2020	18.0	1.2	19.2
Book value:			
At 31 December 2018	1.5	1.0	2.5
At 31 December 2019	-	1.3	1.3
At 31 December 2020	0.1	1.9	2.0

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

NOTE 6: Equity

6.1 - Change in equity

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

(Amounts in NOK million)	Share capital ¹	Own shares	Share premium	Other equity	Total equity
Equity at 31 December 2018	274.2	-	2 219.3	-	2 493.5
Paid dividend	-	0.0	-	(107.5)	(107.5)
Purchase of own shares	-	(27.4)	-	-	(27.4)
Deletion of own shares	(24.3)	24.3	(617.1)	-	(617.1)
Employee share options	-	-	-	3.3	3.3
Dividend appropriation	-	-	-	(34.6)	(34.6)
Transactions with shareholders	(24.3)	(3.1)	(617.1)	(138.7)	(783.2)
Profit for the year	-	-	-	535.3	535.3
Profit for the year	-	-	-	535.3	535.3
Equity at 31 December 2019	249.9	(3.1)	1 602.2	396.6	2 245.6
Share issue	75.0	-	1 602.6	-	1 677.6
Employee share options	-	-	-	1.8	1.8
Dividend appropriation	-	-	-	(64.4)	(64.4)
Transactions with shareholders	75.0	-	1 602.6	(62.6)	1 615.0
Loss for the year	-	-	(152.6)	(148.3)	(300.8)
Loss for the year	-	-	(152.6)	(148.3)	(300.8)
Equity at 31 December 2020	324.9	(3.1)	3 052.2	185.8	3 559.8

¹ The share capital of NOK 324 912 798 consisted at 31 December 2020 of 649 825 596 shares, each with a par value of NOK 0.50. The holding of treasury shares at 31 December 2020 was 6 250 000 shares.

A private placement of 97 477 857 shares in connection with the acquisition of Nordr Eiendom was completed in August 2020 with gross proceeds of NOK 1.1 billion. A private placement of 49 980 000 shares with gross proceeds of NOK 557 million was completed in November 2020 in connection with the acquisition of Snarøyveien 30. In December 2020, a subsequent offering of 2 492 143 shares with gross proceeds of NOK 28 million was completed in connection with the acquisition of Nordr Eiendom.

6.2 - The company's largest shareholders at 31 December

2020:

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

2019:

Largest shareholders	Type of account	Country	Number of shares	Percentage
GEVERAN TRADING CO LTD	ORD	CYP	397 932 667	61.24
FOLKETRYGDFONDET	ORD	NOR	73 951 642	11.38
NORWEGIAN PROPERTY ASA 1	ORD	NOR	6 250 000	0.96
DANSKE BANK AS	ORD	DNK	3 210 224	0.49
MORGAN STANLEY INVESTMENT FUNDS	ORD	LUX	1 034 229	0.16
SANDEN AS	ORD	NOR	1 000 000	0.15
BANAN II AS	ORD	NOR	1 000 000	0.15
SIJOITUSRAHASTO UB EUROOPPA REIT	ORD	FIN	763 640	0.12
KAS BANK N.V.	NOM	NLD	716 239	0.11
MORGAN STANLEY & CO. INTERNATIONAL	ORD	GBR	714 499	0.11
STATE STREET BANK AND TRUST COMP	NOM	USA	670 769	0.10
SIJOITUSRAHASTO UB GLOBAL REIT	ORD	FIN	607 777	0.09
NORDEA BANK ABP	NOM	SWE	386 349	0.06
AVANZA BANK AB	NOM	SWE	333 725	0.05
NORDNET BANK AB	NOM	SWE	312 135	0.05
SWEDBANK AB	NOM	SWE	307 390	0.05
CARNEGIE FASTIGHETSFOND NORDEN	ORD	SWE	300 000	0.05
CLEARSTREAM BANKING S.A.	NOM	LUX	294 280	0.05
STATE STREET BANK AND TRUST COMP	NOM	GBR	235 440	0.04
SOLBERG INVEST & CONSULT AS	ORD	NOR	233 445	0.04
OTHER			9 621 146	1.48
Total number of shares at 31 December 2019			499 875 596	76.92

6.3 - Shares held by senior executive officers and directors at 31 December 2020

Shareholder	Number of shares
Board of directors:	
Affiliated with Geveran Trading Co Ltd ¹	521 840 723
Bjørn Henningsen, deputy chair ²	405 999
Carl Erik Krefting, director ³	356 664
Anders Buchardt, director ⁴	10 024
Senior executives:	
Bent Oustad, CEO ⁵	71 672
Total number of shares	522 685 082

¹ Cecilie Astrup Fredriksen, Kathrine Astrup Fredriksen and Lars Erich Nilsen are related to Geveran Trading Co Ltd according to IAS 24, which was the largest shareholder in Norwegian Property ASA at 31 December 2020. Geveran Trading Co Ltd owns 521 840 723 shares in Norwegian Property, representing 80.30 per cent of the issued shares in the company.

² At 31 December 2020, 130 313 shares were owned by Max Eiendom AS and 275 686 shares by Camvecti Holding AS. Both companies are wholly owned by Bjørn Henningsen.

³ At 31 December 2020, 356 664 shares were owned by Carucel Holding AS. This company is wholly owned by Carl Erik Krefting. Carucel Holding also has a TRS agreement relating to 4 262 801 shares with a term to 14 January 2022 and a redemption price of NOK 13 per share. Krefting also has an option to acquire 500 000 shares in Norwegian Property ASA in up to three tranches at a price of NOK 11.50 between 19 April 2019 and 19 October 2021.

⁴ At 31 December 2020, 10 024 shares were owned by AB Invest AS. This company is wholly owned by Anders Buchardt and related parties.

⁵ At 31 December 2020, 71 672 shares were owned by Yanka AS. This company is wholly owned by Bent Oustad.

6.4 - Share options

Share options had been granted to the CEO and one director (Carl Erik Krefting) of the company at 31 December 2020. Each share option entitles the holder to subscribe for a share in Norwegian Property ASA.

Employee options	Number of options	Weighted average exercise price (NOK)
Outstanding 1 January 2019	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2019	6 250 000	12.46
Earned 1 January 2020	2 583 333	10.92
Outstanding 1 January 2020	6 250 000	12.46
Awarded	-	-
Exercised	-	-
Terminated	-	-
Outstanding 31 December 2020	6 250 000	12.46
Earned 1 January 2021	4 083 333	11.50

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

Employee options	2020	2019
Recognised against equity at 1 January	9.6	6.2
Recognised in profit and loss during the period	1.8	3.4
Recognised against equity at 31 December	11.4	9.6

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

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

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

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

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

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

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

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

NOTE 7: Other current liabilities

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

(Amounts in NOK million)	2020	2019
Public duties	3.2	3.6
Accrued salaries	5.7	6.5
Accrued interest	66.2	59.2
Trade payables	0.3	2.3
Other payables	14.1	9.2
Total other current liabilities	89.5	80.7

NOTE 8: Interest-bearing debt

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

	2020	2019
Interest-bearing debt (NOK million)	12 093.4	7 489.3
- of which hedged (NOK million) ¹	9 147.0	5 205.0
Interest hedging ratio (per cent)	75.6	69.5
Cash and cash equivalents (NOK million)	624.2	236.4
Unutilised credit facilities (NOK million)	910.0	150.0
Average interest rate (per cent)	2.94	3.50
Average interest margin (per cent)	1.39	1.22
Remaining time to maturity for interest-bearing debt (years)	4.7	2.7
Remaining time to maturity for interest hedge agreements (years)	6.7	4.9

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

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

2020:

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

2019:

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

The company had 13 bonds totalling NOK 10 185 million outstanding at 31 December 2020. These fall due as follows: NOK 2 300 million in 2022, NOK 400 million in 2023, NOK 2 443 million in 2024, NOK 1 350 million in 2025, NOK 150 million in 2026 and NOK 3 542 million in 2030. All bonds are secured by properties and are listed on Oslo Børs.

Norwegian Property established a three-year overdraft facility for NOK 1 billion with Nordea, SEB and DNB in 2019, with drawings secured by a portfolio of properties. The most important terms for these facilities are a maximum interest-rate hedge ratio of 65 per cent, interest cover of at least 1.4 and a maximum LTV of 75 per cent. Agreed requirements in loan agreements were met at 31 December in 2020 and at the interim reporting dates in 2020 and 2019.

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

(Amounts in NOK million)	2020	2019
Due in 2022 and 2023 (2021 and 2022)	3 230.0	3 680.0
Due in 2024, 2025 and 2026 (2023, 2024 and 2025)	3 943.0	1 864.0
Due after 2026 (after 2025)	3 542.0	150.0
Total	10 715.0	5 694.0

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

(Amounts in NOK million)	2020	2019
Investment in subsidiaries ¹	4 665.4	8 553.9
Total	4 665.4	8 553.9
Liabilities secured ²	1 930.0	1 380.0

¹ Shares in property companies owned by other group entities are also pledged as security for the corporate facilities in Norwegian Property ASA. See also note 15 to the group's financial statements.

² Properties owned by subsidiaries have been pledged as security for bonds.

NOTE 9: Derivatives

9.1 - Derivatives in the annual accounts

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

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

2020:

(Amounts in NOK million)	Assets	Liabilities
Interest-rate contracts	25.5	202.6

2019:

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

9.2 - Interest-rate derivatives

The majority of Norwegian Property's floating-rate loans are hedged with interest-rate hedges. Norwegian Property has a policy of hedging a minimum of 70 per cent of the interest-bearing debt outstanding at any given time. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the applicable market interest rate. Because of these fluctuations, the interest-rate cost will vary. Notional principal amounts for the company's interest-rate hedges at 31 December are specified in the table below. The maturity dates are broken down in note 3.

	Currency	2020	2019
Notional principal amount	NOK	6 070.0	5 770.0

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

The payroll cost for the year is as follows.

(Amounts in NOK million)	2020	2019
Salaries and remuneration	59.1	53.3
Employee share option schemes	2.5	3.3
Social security costs	7.8	8.0
Pension costs (defined contribution plan)	2.5	2.3
Other employee expenses	1.2	2.0
Total payroll costs	73.2	69.0
Number of employees at 31 December	43	41
Number of full-time equivalent positions in the fiscal year	46	42
Average number of employees in the fiscal year	42	42

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

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

Type of fees	2020	2019
Statutory audit	476 000	495 700
Other certification services	-	51 000
Tax/VAT advice	308 900	125 700
Total	784 900	672 400

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

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

Name	Remuneration ¹
Merete Haugli, chair 01.01-31.12	700 000
Bjørn Henningsen, deputy chair 01.01-31.12	450 000
Cecilie Astrup Fredriksen, director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, director 01.01-31.12	250 000
Carl Erik Krefting, director 01.01-31.12	250 000
Lars Erich Nilsen, director 01.01-31.12	250 000
Anders Buchardt, director 16.04-31.12	187 500
Total	2 337 500

¹ Reported benefits paid in 2020 (amounts in NOK). In addition come employer's National Insurance contributions (14.1 per cent).

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

Name	Remuneration ¹
Merete Haugli, chair 01.01-31.12	700 000
Bjørn Henningsen, deputy chair 01.01-31.12	408 334
Cecilie Astrup Fredriksen, director 01.01-31.12	250 000
Kathrine Astrup Fredriksen, director 01.01-31.12	250 000
Carl Erik Krefting, director 01.01-31.12	250 000
Lars Erich Nilsen, director 01.01-31.12	250 000
Kjell Sagstad, director 01.01-03.09	166 666
Total	2 275 000

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

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

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

¹ Reported pay for services in 2020 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent).

² Contribution paid to defined contribution pension plans and employee insurance in 2020 (amounts in NOK).

³ Started 1 January 2020.

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

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

¹ Reported pay for services in 2019 (amounts in NOK). In addition comes employer's National Insurance contributions (14.1 per cent).

² Contribution paid to defined contribution pension plans and employee insurance in 2019 (amounts in NOK).

NOTE 11: Net financial items

Net financial items for the year are as follows.

(Amounts in NOK million)	2020	2019
Financial income:		
Interest income from group companies	8.4	2.4
Income from investment in subsidiaries	-	714.1
Changes in value of financial derivative instruments	-	81.0
Total financial income	8.4	797.5
Financial expenses:		
Interest costs to group companies	-	(1.8)
Interest costs loans	(221.1)	(231.2)
Changes in value of financial derivative instruments	(101.6)	-
Termination of financial derivative instruments	-	(11.5)
Other financial expenses	(9.4)	(15.8)
Total financial expenses	(332.1)	(260.3)
Net financial items	(323.7)	537.2

NOTE 12: Deferred tax and income tax

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

(Amounts in NOK million)	2020	2019
The tax expense for the year is distributed as follows:		
Tax payable	-	-
Changes in deferred tax	(75.7)	(49.3)
Income tax expense	(75.7)	(49.3)
Calculation of the tax base for the year:		
Profit before tax	(376.5)	486.0
Permanent differences	32.6	(710.2)
Changes in temporary differences	80.2	(83.0)
Group contribution	443.0	307.2
Tax base for the year	179.3	-
Specification of temporary differences and deferred tax:		
Tangible assets	(12.0)	(12.6)
Financial derivative instruments	(177.0)	(75.5)
Provisions	21.1	0.3
Tax loss and interests carried forward	(2 293.8)	(2 473.1)
Basis for deferred tax	(2 461.8)	(2 560.9)
Deferred tax in the balance sheet	541.6	563.4
Reconciliation of tax expense and calculated effective tax rate:		
Calculated tax expense on profit before tax (22 per cent)	(82.8)	106.9
Permanent differences	7.2	(156.2)
Income tax expense	(75.7)	(49.3)
Effective tax rate (per cent)	20.1	(10.1)

NOTE 13: Related-party disclosures

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

Financial relationships related to the board and senior management are described in notes 6 and 10.

A private equity placement of NOK 1.1 billion in connection with the acquisition of Nordr Eiendom

was completed in 2020. It was underwritten by Norwegian Property ASA's largest shareholder, Gevevan Trading Co Ltd and the underwriting fee paid was NOK 3.8 million.

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

(Amounts in NOK million)	2020	2019
Income statement:		
Management and service fee, group companies	45.6	40.7
Rental cost, subsidiaries	(7.5)	(4.0)
Interest income from group companies (note 11)	8.4	2.4
Interest costs to group companies (note 11)	-	(1.8)
Balance sheet:		
Investments in subsidiaries (note 4)	4 665.4	8 553.9
Current assets, intercompany balances	10 149.5	567.7

NOTE 14: Contingent liabilities

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

NOTE 15: Events after the balance-sheet date

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

No significant events have occurred after 31 December 2020 which provide information on conditions existing 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 2020. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, as well as the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2020. 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 2020. The directors' report for the group and the parent company accords with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors' report) at 31 December 2020.

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


- the consolidated and parent company financial statements for 2020 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 2020.
- the directors' report for the group and the parent company provides a true and fair view of the development, financial results and position of the group and the parent company, and of the most important risk factors and uncertainties facing the group and the parent company.

Oslo, 11 March 2021

Norwegian Property ASA


Merete Haugli
Chair


Bjørn Henningsen
Deputy chair


Cecilie Astrup Fredriksen
Director


Kathrine Astrup Fredriksen
Director


Carl Erik Kretting
Director


Lars Erich Nilsen
Director


Anders Buchardt
Director


Bent Oustad
CEO

Independent auditors report



To the General Meeting of Norwegian Property ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Norwegian Property ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Property ASA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statements of comprehensive income, changes in the group's equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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

Independent Auditor's Report - Norwegian Property ASA



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.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters. Valuation of investment property have the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2020 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of investment property</i></p> <p>The group's investment property represents a substantial portion of the total assets, and primarily consists of office and retail properties, where book value is NOK 23 087.6 million.</p> <p>Investment property are measured at fair value. Fair value adjustments of investment properties may affect the group's results significantly for the year and consequently the equity.</p> <p>Valuation of properties requires use of estimates that are subject to judgment by management.</p> <p>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.</p> <p>For details of valuation methodology and the investment properties, refer to the Directors' report and note 2 (accounting principles), note 4 (determination of fair value), note 5 (critical accounting assumptions and estimates) and note 6 (investment and owner-occupied properties) to the financial statements.</p>	<p>We have obtained, read and understood the valuation reports and met with the valuation firms independently of management. We obtained evidence which supports that the valuation reports were prepared in accordance with a relevant framework and were appropriate to determine fair value of the group's investment property.</p> <p>We have assessed qualifications, competence and objectivity of the valuation firms. Further, we reviewed their terms of engagement in order to determine whether there were unusual terms that might have affected their objectivity or imposed scope limitations upon their work. Based on this work, we satisfied ourselves that the valuation firms remain objective and competent, and that the scope of their work was appropriate.</p> <p>In our meetings with the valuation firms, we discussed and challenged assumptions used. 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.</p> <p>For a sample of investment properties, we have evaluated whether the property-specific information</p>

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Independent Auditor's Report - Norwegian Property ASA



provided by management to the valuation firms such as lease terms, duration and vacant area are consistent with underlying property information. Furthermore, we have agreed this underlying information to the firms' valuation reports. We have also obtained the valuation reports directly from the valuation firms. We found no indication that the information was used inconsistently.

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

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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Independent Auditor's Report - Norwegian Property ASA



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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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Independent Auditor's Report - Norwegian Property ASA



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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

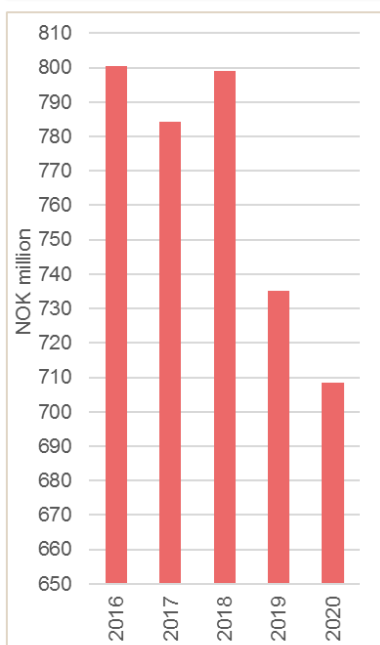
Oslo, 11 March 2021
PricewaterhouseCoopers AS

Stig Lund
State Authorised Public Accountant
(This document is signed electronically)

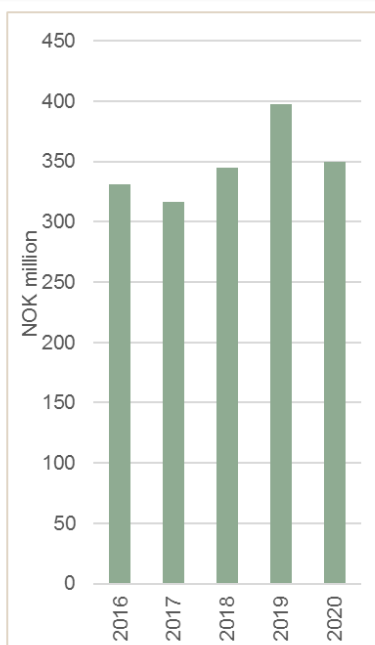
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Key figures

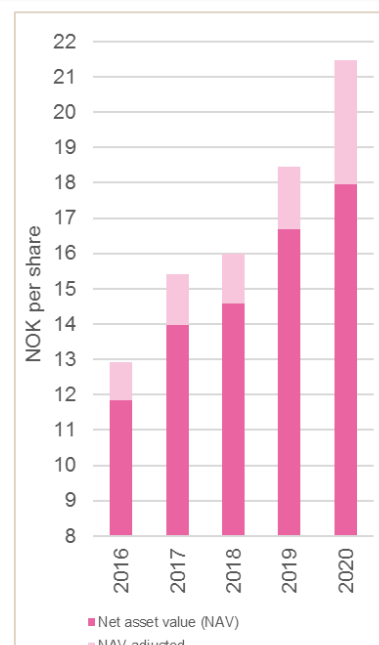
FINANCIAL HIGHLIGHTS



Annual rental income (excl. sale of properties)

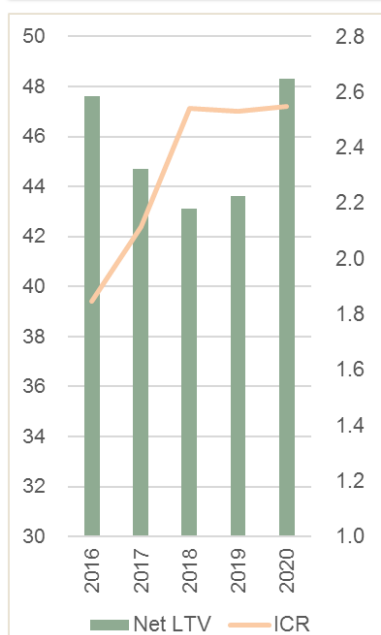


Profit before tax and value adjustments

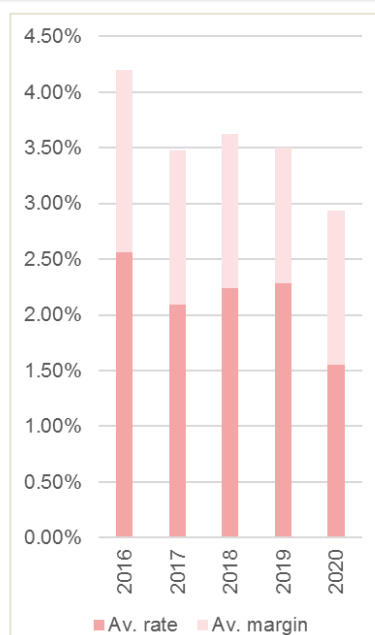


Value per share

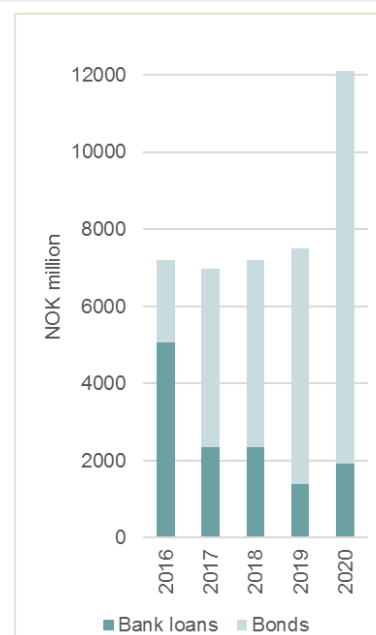
KEY FIGURES FUNDING



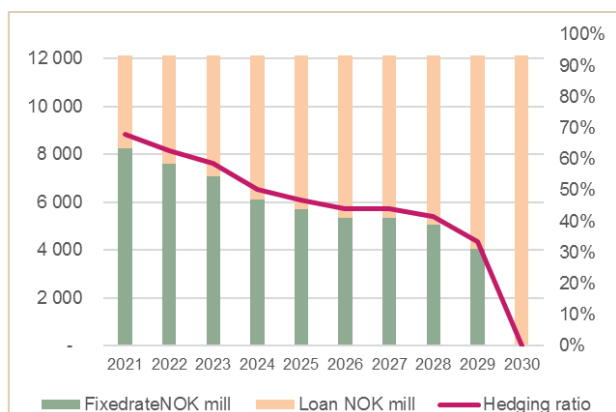
Development of covenants



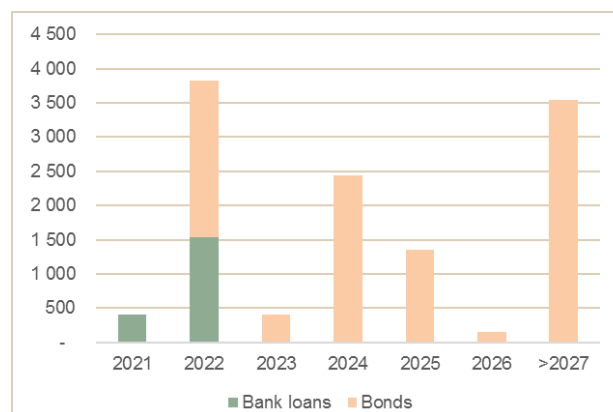
Average interest rate and credit margin



Sources of funding



Interest hedging ratio



Loan portfolio

The table below shows a summary of key accounting figures and financial key figures² for the group.

Profit and loss		2020	2019
Revenues	NOK mill.	1 564.5	1 118.0
Operating profit before admin expenses	NOK mill.	1 457.8	1 000.8
Operating profit before value adjustments	NOK mill.	610.3	651.4
Profit before income tax and value adjust	NOK mill.	349.7	397.4
Profit before income tax	NOK mill.	2 075.6	1 253.7
Profit after income tax	NOK mill.	1 675.9	1 006.7
Balance sheet		2020	2019
Market value of property portfolio	NOK mill.	23 450.0	16 558.3
Total equity	NOK mill.	11 560.9	8 233.9
Interest-bearing debt	NOK mill.	12 097.1	8 157.4
Equity ratio	Per cent	45.5	46.4
Pre-tax return on equity	Per cent	21.0	15.4
Cash flow		2020	2019
Net cash flow from operating activities	NOK mill.	1 007.8	354.9
Cash and cash equivalents	NOK mill.	665.8	281.8
Key figures; per share		2020	2019
Number of shares issued, end of the period	Mill. shares	643.6	493.6
Average number of shares in the period	Mill. shares	535.5	540.6
Profit before income tax	NOK	3.88	2.32
Earnings per share (EPS)	NOK	3.13	1.86
Net cash flow from operating activities	NOK	1.88	0.66
Interest-bearing debt	NOK	18.80	16.53
NAV, book value	NOK	17.96	16.68
Deferred property tax	NOK	1.86	1.65
Fair value of fin. derivative instruments	NOK	0.21	0.12
NAV, adjusted	NOK	20.04	18.45
Fair value of deferred tax	NOK	(1.30)	(0.98)
Fair value of fin. derivative instruments	NOK	(0.25)	(0.14)
Fair value of debt	NOK	(0.04)	(0.05)
NNNAV	NOK	18.45	17.29

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

Corporate governance

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

1 Presentation on corporate governance

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

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

Overall principles for corporate governance have been drawn up by the board of Norwegian Property. The board has also prepared a set of formal documents which specify guidelines, instructions and policies intended to ensure compliance in practice with good corporate governance. The board regularly assesses the group's formal documents, most recently in

February 2021. Guidelines for ethics and corporate social responsibility (CSR) as well as principles for investor communication are available under formal documents at www.npro.no.

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

COLLABORATIVE

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

COURAGEOUS

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

PROACTIVE

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

ATTENTIVE

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

2 The business

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

"The Company operates in management, acquisitions, sales and development of real estate and infrastructure, including participation in other companies and through trading and investment in interest/units and securities, as well as businesses which are related to such".

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

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

The board has formulated guidelines for ethics and CSR in accordance with the group's values base. Norwegian Property's guidelines are available at www.npro.no. The core of the CSR guidelines is the group's responsibility for the people, society and environment affected by its operations, and they deal with such considerations, as human rights, anti-corruption, labour conditions, health and safety, discrimination and environmental aspects. More details are provided in the presentation on CSR. These guidelines are subject to annual consideration by the board, and were updated most recently in February 2021.

3 Equity and dividends

Equity

Consolidated equity at 31 December 2020 totalled NOK 11 560.9 million. The equity ratio at the same date was 45.5 per cent. The board regards the equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial freedom of action, the group has a long-term ambition that the relationship between net interest-bearing debt and gross fair value of the properties will be in the range of 45-55 per cent over a business cycle. The group's financial flexibility is assessed at any given time in relation to the group's goals, strategy and risk profile. At 31 December 2020, the relationship between net interest-bearing debt and gross fair value (net LTV) was 48.3 per cent.

Dividend

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

group's financial position and prospects are carried out before any dividend is determined.

Dividends corresponding to 18.4 per cent of the basis for calculating such payments have been paid for 2020. The board has been mandated by the general meeting to determine quarterly dividends on the basis of the approved financial statements for 2019. Net LTV on 31 December 2020 was within the range specified in the group's financial policy.

The dividend policy is also described in note 24 to the consolidated financial statements in this annual report and in the investor relations section of the group's website.

Board mandates

The AGM of 16 April 2020 mandated the board to increase the group's share capital by up to NOK 24 990 000, corresponding to just under 10 per cent of the group's share capital when the mandate was awarded. The board mandate is motivated by the desire to be in a position to issue new shares in return for cash payment, as settlement for property transactions, and/or as a component in fulfilling incentive schemes for employees and/or directors. As a consequence of these purposes, it was also resolved that the board could decide to waive the pre-emptive right of existing shareholders to new shares. In line with the NCGB code, a separate vote was held on each of the three purposes. The incentive scheme for one of the directors does not accord with the NCGB code. This mandate had not been utilised at 31 December 2020.

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 2020.

It was also resolved that the board's overall use of mandates to issue new shares awarded to it by

the AGM should not exceed 10 per cent of the share capital.

The board was also mandated to purchase the group's own shares up to a total nominal value of NOK 24 990 000. The grounds were that the board could acquire the group's own shares with the intention of using them as settlement for property transactions, fulfilment of incentive schemes for employees and/or directors, and/or in other circumstances which are considered attractive for the shareholders in general. In this case, too, separate votes were held for each purpose.

The board was mandated to determine the payment of dividend on the basis of the group's financial statements for 2019. This decision was motivated by the desire to give the board the opportunity to pay dividend on a rolling basis if it considered this to be appropriate in light of the group's position. Norwegian Property paid a dividend of NOK 0.07 per share in February 2020.

All board mandates remain valid until the group's AGM in 2021, but in any event not beyond 30 June 2021.

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

A general meeting held on 10 August 2020 resolved to mandate the board to increase the share capital by up to NOK 49 985 000 through the subscription of new shares, equivalent to just under 20 per cent of the current share capital. The board wished to be able to raise capital by issuing new shares in connection with the investment in Veidekke Eiendom. This mandate was additional to the mandates granted to the board at the AGM of 25 May 2020.

4 Equal treatment of shareholders and transactions with close associates

Norwegian Property has only one share class, and all shares have equal rights in the group. Its

articles of association impose no voting restrictions.

Norwegian Property completed a private placement with gross proceeds of NOK 1 101 499 754.10 on 23 August 2020. The subscription price per offer share was set at NOK 11.30, which was NOK 0.10 above the closing price on 21 August 2020. This private placement was underwritten by Geveran Trading Co Ltd (Geveran), and was directed at Geveran and other existing shareholders in the Company. The share capital increase pertaining to the private placement was resolved by the board on 23 August 2020 pursuant to a mandate granted by the extraordinary general meeting held on 10 August 2020. Following registration of the new share capital pertaining to the private placement, the group's share capital amounted to NOK 298 676 726 50 divided between 597 353 453 shares, each with a par value of NOK 0.5.

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.

Completion of the private placement implied a deviation from the existing shareholders' pre-emptive rights to subscribe for and be allocated new shares. The board considered the private placement in light of the equal treatment obligations under the Norwegian Securities Trading Act and Oslo Børs' circular no 2/2014, and took the view that the private placement was in compliance with these requirements. Following careful consideration, the board took the view that it would be in the common interest of the Company and its shareholders to raise equity through a private placement which waived the pre-emptive rights of existing shareholders to subscribe for shares. By structuring the transaction as a private placement, the Company would be in a position to raise capital in a timely manner to finance the acquisition of Veidekke Eiendom. Shareholders representing directly or

indirectly about 96 per cent of the share capital were invited to participate in the private placement, and the equity was raised at a price above the last trading price and with significantly lower completion risks than a rights issue.

A subsequent offering of 2 492 143 new shares with a par value of NOK 0.5 and a subscription price of NOK 11.30 per share was completed on 8 December 2020, allowing the shareholders who did not participate in the private placement to maintain their pro rata shareholding in the company. Of these shares, 1 638 971 were allocated on the basis of subscription rights and 853 172 were allocated on the basis of over-subscription. No allocations were made on the basis of subscription without subscription rights. Owing to the size of the subsequent offering, the dilutive effect of the private placement was considered to be insignificant.

Possible future transactions will be conducted on the stock exchange or in another manner at the stock market price.

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

5 Freely negotiated shares

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

The board considers good liquidity of the share to be important for Norwegian Property to be regarded as an attractive investment, and the group works actively to attract interest from the investor market.

6 General meetings

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The 2021 AGM is scheduled to take place on 16 April. The group's financial calendar is published as a stock exchange announcement and in the investor relations section of the group's website.

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

Proxy form and advance voting

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

Chairing meetings, elections, etc

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

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

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

7 Nomination committee

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

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

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

The present nomination committee was elected at the AGM of 25 May 2020 and comprises Anne Lise E. Gryte (chair) and Marianne Johnsen. No regular directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the group's website. The deadline for submitting nominations to the nomination committee (info@npro.no) for consideration by the 2020 AGM was 1 March 2021. Proposals to the nomination committee are channelled via [info.npro.no](mailto:info@npro.no).

8 Board of directors, composition and independence

The group does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has seven shareholder-elected directors. Directors and the chair of the board have been elected by the general meeting to serve until the AGM in 2021. See the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the

shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the group's website and in the section of this annual report on presentation of the directors. The board has been composed in such a way that it can act independently of special interests. The group's executive management is not represented on the board.

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

- Cecilie Astrup Fredriksen is an employee of Seatankers Management Co Ltd in London, and a director of a number of companies, including MOWI ASA. According to Norwegian Corporate Governance Code, these companies are related to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Kathrine Astrup Fredriksen is an employee of Seatankers Management Co Ltd in London, and a director of SFL Corporation Ltd and Axactor SE. She has previously been a director of Seadrill Ltd, Frontline Ltd, Golar LNG and others. According to Norwegian Corporate Governance Code, these companies are related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.
- Lars Erich Nilsen has been employed by Seatankers Management Norway AS since 2014. He serves as director of a

number of companies. According to Norwegian Corporate Governance Code, these companies are related to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd.

- Carl Erik Krefting has an option agreement with Norwegian Property, and has also entered into an agreement to support the company in assignments over and above regular board work. He is also the owner of Carucel Invest AS, which on 31 December 2020 held 356,664 shares in Norwegian Property ASA, and had a TRS agreement related to 4 262 801 shares maturing on 22 January 2021 at a strike price of NOK 11.30 per share. The TRS agreement has been renewed in January at a strike price of NOK 13 per share and maturity on 14 January 2022. Krefting also has an option to acquire 500 000 shares in Norwegian Property ASA in up to three tranches at a price of NOK 11.50 between 19 April 2019 and 19 October 2021.

Seventeen board meetings were held in 2020.

9 Work of the board of directors

The board has overall responsibility for managing the group and for supervising the CEO and the group's activities. Its principal tasks include determining the group's strategy and monitoring its operational implementation. In addition, come control functions which ensure acceptable management of the group's assets. Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair.

The board establishes an annual plan for its meetings, which specifies topics for board meetings, including reviewing and following up the group's goals and strategy, budgets, reporting of financial information, the notice for the general

meeting with associated documentation, and the board's meeting with the auditor.

The board appoints the CEO. The division of labour between the board and the CEO is specified in greater detail in standing instructions for the latter. The CEO is responsible for the group's executive management.

The board has considered it appropriate to appoint sub-committees to advise it. Pursuant to the Norwegian Public Limited Liability Companies Act, an audit committee of three directors has been established to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. At 31 December 2020, the committee comprised Bjørn Henningsen (chair), Merete Haugli and Lars Erich Nilsen. Members of the committee are independent of the business, and their work is governed by a separate instruction. A compensation committee comprising two directors has also been established to assist the board over the employment terms of the CEO and the strategy and main principles for remunerating the group's senior executives. This committee comprised Merete Haugli and Carl Erik Krefting at 31 December 2020. It is again governed by a separate instruction, and consists of members who are independent of the group's executive management.

A board evaluation of its own work and expertise was conducted in 2019. This covered the composition of the board as well as how the directors' function both as a group and individually. The findings of the evaluation have been reported to the nomination committee. A new evaluation will be conducted by the chair of the nomination committee in 2021.

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

has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This overview is updated as and when required and in the event of changes in the board's composition.

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

10 Risk management and internal control

Risk areas and internal control environment

Through its business activities, Norwegian Property manages considerable financial assets which are exposed to substantial risk factors, such as the money market and the letting market. Risk associated with development projects was greater a few years ago, but is now considered to be small. The group's management model is based on an appropriate delegation of profit responsibility, clearly defined operating parameters and effective internal control.

Overall goals have been established and the group's strategy is updated in annual board meetings. On the basis of the strategy, the values base and the ethical guidelines, the board has established general instructions 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, finance and sustainability.

Operational risk related to the award of contracts and renegotiation of leases, is 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, HSE work, energy efficiency and other climate-related actions. Financial risk is managed in accordance with the group's financial policy.

The board is responsible for seeing to it that the business, financial reporting and asset management are subject to reassuring controls. Based on the overall policies, governing processes and routines have been established for day-to-day management. Steering documents, such as ethical guidelines and guidelines for corporate social responsibility are updated by the board on an annual basis. A subsequent annual review on the web ensures that the content of the steering documents is made known to all employees. These documents also contain whistleblower routines to ensure that the board is informed of any breaches of the guidelines or any illegal action.

In connection with its annual review of the group's strategy, the board reviews the most important risk areas faced by Norwegian Property and the internal controls established to deal with and minimise these. The board is also briefed on developments in the risks facing the group on a continuous basis through the operating reports.

Reporting

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

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

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

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

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

11 Remuneration of the board of directors

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise and time taken as well as the complexity of the business, and have not been related to results. One director has been awarded options as compensation for providing advisory services to the group in addition to his directorship. This was resolved by the AGM in 2019. It does not accord

with the NCGB code, but is justified on the grounds that the director in question has special expertise and that it is in this group's interest to utilise this expertise over and above the person's regular duties as a director.

Other directors have not undertaken special assignments for the group other than their work on the board. Board approval is necessary before any director can be offered such special assignments which lead to extra remuneration.

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

12 Remuneration of executive personnel

The group's guidelines for the remuneration of senior executives are described in note 21 to the consolidated financial statements. This note also provides further details about remuneration for senior executives.

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

Profit-related remuneration in the form of a bonus programme is based on the attainment of goals for the group or for a department or company in which the recipient is employed. Such goals may comprise the attainment of various improvement measures or financial criteria, including the development of the group's share price. A ceiling has been set on the size of profit-related remuneration for those employees entitled to receive this.

13 Information and communication

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

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

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

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

Norwegian Property complies with the recommendations of Oslo Børs concerning the reporting of investor relations information. The applicable recommendation for such reporting is available on the Oslo Børs website at <https://www.euronext.com/nb/markets/oslo>.

14 Takeovers

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

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

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

15 Auditor

An audit committee of three directors has been appointed. This committee is intended to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Its work is governed by an instruction. The group's auditor, PricewaterhouseCoopers AS, conducted the following work during 2020 in relation to fiscal 2020.

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

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

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

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

Corporate social responsibility – sustainable development in Norwegian Property ASA

The main focus in 2020 has been on Covid-19 and how to avoid infection among employees, tenants and visitors to the group's properties.

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

Norwegian Property has an ambition to report in accordance with the standard from the task force on climate-related financial disclosures (TCFD). It is also working to meet future requirements in the EU taxonomy for sustainable activities.

The group renewed its strategy for sustainability in 2019, including greater emphasis on the social component in the sustainability concept. Its first CSR strategy was established in 2011 and concentrated on climate-related issues. Having routines and parameters in place in the organisation to ensure financial sustainability and management remains important.

The board adopted the current strategy in February 2020. This is based on four of the UN's sustainable development goals (SDGs).



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

SDG 11: Sustainable cities and communities was chosen because this accords very well with both Norwegian Property's business and its values. The areas where it owns property must be secure and accessible to all. The group will choose sustainable solutions for operating and developing its buildings, and will make an effort to protect the historical cultural heritage by preserving its historic and listed buildings.

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

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

Overall guidelines

The strategy is also based on guidelines for CSR which are updated and adopted by the board on

an annual basis, most recently in February 2021, and published on the group's website at www.npro.no. Their purpose is to ensure that CSR is exercised in accordance with the approved base values and ethical guidelines, the guidelines for corporate governance, and the group's long-term value creation for shareholders, employees, customers and society. The guidelines apply to all employees of the group and to the directors when they act on behalf of the group. The board is responsible for ensuring compliance with the guidelines. All significant breaches of the guidelines must be reported to and followed up by the board.

Division of responsibility

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

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

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

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

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

In February 2021, Ane Grimsmo was appointed to head the group's work on sustainability.

Risks and opportunities with sustainability

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

Physical risks and opportunities posed by climate change

- 1. Increased precipitation** could lead to greater maintenance and adaptation costs towards 2030.
Excessive water could produce flooding, and heavy rain may give rise to leaks in facades and roofs.
The risk also exists that water levels in watercourses, such as the Aker River, could cause flooding of adjacent properties.
- 2. Greater humidity** means higher maintenance costs related to cladding and ventilation.
- 3. Higher sea levels** are considered less of a risk for properties on the Oslo Fjord, given that the Norwegian Water Resources and Energy Directorate (NVE) estimates a rise of 46 centimetres. This is not expected to be a risk until after 2050.
- 4. Temperatures are expected to change**, with warmer winters and cooler weather in summer. This could represent an opportunity for reducing cost because the need for energy for heating in winter and cooling in summer will decrease.

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

MARKET RISK (INCLUDING REPUTATION):

- 1. Increased demand for more environment-friendly premises** is a trend beginning to emerge in the market.
- 2. Environmental standards from investors** will eventually become more demanding. That applies to investors in both bonds and shares. Green bonds also offer opportunities. The EU taxonomy for sustainable activities is also expected to affect the financial markets.

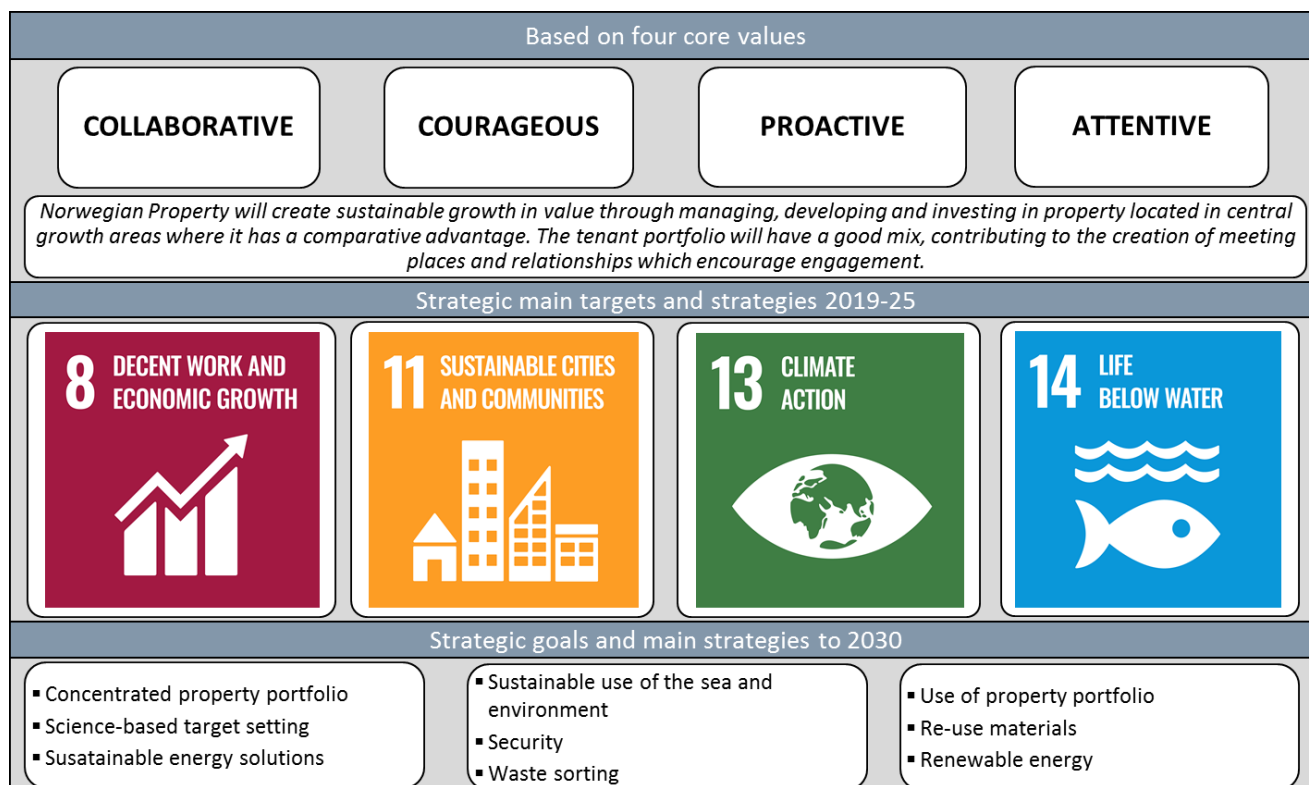
3. **Environmental standards from banks** will become stricter. Stiffer requirements for securing financing will be set here. At the same time, however, green loans offer opportunities for lower margins and a larger investor base.
4. **Insurance premiums** can increase if damage from climate change becomes extensive.
5. **Technology risk** is present. Keeping abreast of technical developments for energy solutions and building standards will be important. Opportunities also exist for more energy-efficient solutions with new technology.
6. **Reputational risk** is significant as climate-related awareness spreads. Growing attention is also being paid in society to working conditions, corruption and money laundering, and breaches of legislation and rules could prompt strong reactions in the media and society as a whole.

REGULATORY RISK:

1. **Government requirements and permits** in such areas as building standards, traffic and infrastructure are expected to become stricter, and taxes could rise in line with increased public spending.
2. **A car-free central zone** in Oslo offers an opportunity if Aker Brygge remains on the fringe, as it is today, but could be a risk if the zone is extended further out. Consumers and office tenants are expected to adapt to the changes and thereby change their accustomed travel patterns. This is something the group must also adapt to.

Strategy for sustainability

To deal with these risks and opportunities, the group wants to comply with the UN SDGs with particular attention devoted to the following targets towards 2025, and with 2019 as the base year.



The natural environment

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

Energy consumption and carbon emissions



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

Norwegian Property has set some quantitative targets for 2019-25. These are:

- a 30-50 per cent reduction in energy consumption for renovated buildings
- a five to 10 per cent reduction in energy consumption for the existing portfolio
- a 10-20 per cent reduction in CO₂ equivalents (CO₂e) emissions
- a 60-65 per cent proportion for sorted waste.

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

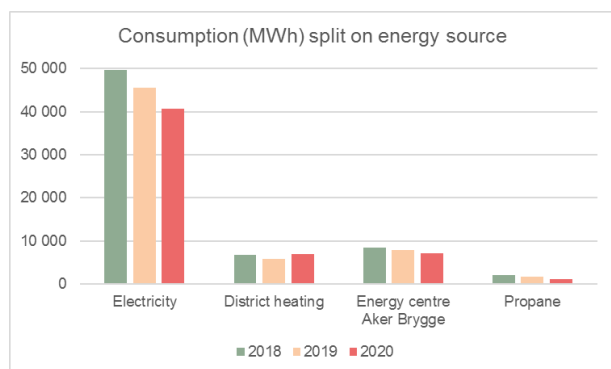
The base data are obtained from the group's energy suppliers and the energy monitoring system (EOS) in the properties. Cemasys has provided support in processing and verifying the figures for energy consumption and carbon emissions.

The status for the three years to the end of 2020 is presented in the table, where reductions and increases are measured in relation to the year before.

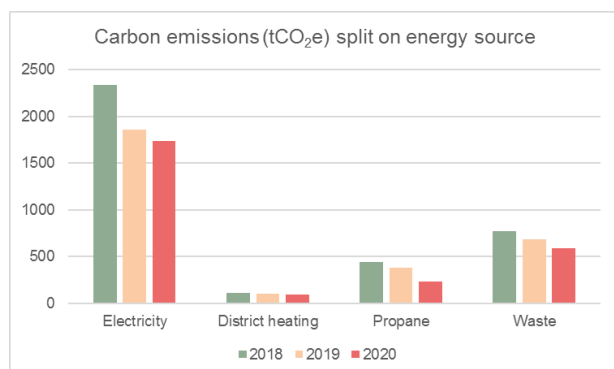
	2020	2019	2018
Total consumption (MWh)	55 652	61 022	66 979
sqm	234 152	219 143	225 803
Energy consumption per sqm	238	278	300
Change from previous year (percent)	(15)	(7)	(11.5)
Office (kWh per sqm)	171	191.4	202.5
Retail (kWh per sqm)	341	438.5	457.7
Restaurant (kWh per sqm)	630	853.7	974.1
Total CO ₂ e-emission (tonne)	2 653	3 046	3 683
sqm	234 152	219 143	225 803
CO ₂ e-emissions (kg per sqm)	11	14	16
Change from previous year (percent)	(19)	(15)	(23.2)
Office (kg per sqm)	6	6.0	7.3
Retail (kg per sqm)	7	12.5	15.0
Restaurant (kg per sqm)	20	27.6	36.1
Proportion of waste sorted (percent)	58	56	62
Customer satisfaction index	79	78	

The use of energy in 2020 was clearly reduced as an effect of the Covid-19 pandemic. Total consumption was down 5 370 MWh, 9 per cent from 2019, even when taking into account that the property portfolio increased significantly in December with the acquisition of Snarøyveien 30. Total carbon emissions were reduced by 393.7 tonnes or 13 per cent from 2019 to 2020.

Consumption is split into three categories – offices, shops and restaurants. Both use of energy and carbon emissions were significantly lower in 2020 than previous years, and the effect was more important for shops and restaurants than for offices. This is most likely because of the covid-19 lockdown. Aker Brygge represents a significant proportion of the group's building inventory. This is a complex area where many different types of activity are pursued for large parts of the day, compared with traditional office premises which are in use only within ordinary office hours. That explains why Norwegian Property's average energy consumption could seem high compared with other property companies. The group is therefore more concerned to follow developments in its own usage over several years than to draw comparisons with other players. In addition comes the effect of the number of hours the buildings are in use during the day. That helps to explain why NPRO has some high average figures.



The group's energy consumption has been reduced each year from 2018 to 2020. The 2018 figures include the Stavanger portfolio which was divested. Use of energy came down from 2019 to 2020 even though the property portfolio augmented, the main reason being the lockdown because of the corona virus. The use of district heating increased following the acquisition of Snarøyveien 30 in December. The property is included with one month of energy consumption in the 2020 numbers.



Total carbon emissions came down 13 percent. Electricity is the group's main source to carbon emissions and constitute about 65% of all emissions. The electricity consumption came down 12% from 2019 to 2020, but as the renewable component in the electricity mix (Nordic mix) was reduced, the carbon emissions from electricity was only reduced with 7% from 2019 to 2020. Carbon emissions from district heating is low and account for about 4% of the total emissions while the consumption accounts for about 12% (not including the energy centre at Aker Brygge).

Total consumption and carbon emissions cover all energy use in the group, and include scopes 1, 2 and 3. Energy consumed and CO₂e emissions per square metre are measured for a portfolio of comparable buildings from year to year. Energy consumption for Snarøyveien 30 in December is included in the total figures, since it was acquired on 1 December, and the number of square meters is adjusted accordingly. For a complete list of the properties included, see the climate report available at www.npro.no. The figures broken down between offices, shops and restaurants relate only to these types of premises and their associated energy consumption. Comparable properties are also utilised.

ENERGY-SAVING MEASURES

Every time a building is to be renovated, a detailed analysis of such aspects as energy and ventilation is carried out in consultation with experts in various fields in order to determine how energy consumption and CO₂e emissions can be reduced.

GREEN LEASES

Energy savings in leased buildings can be achieved through "green" leases. Such green clauses allow Norwegian Property to invest in environmental measures during the life of the lease if the sum of savings from reduced energy consumption and increased depreciation of the investment cuts service charges for tenants. Green clauses in 9 leases were utilised in 2020 to implement energy-saving measures at Snarøyveien 36.

ENERGY CENTRE AT AKER BRYGGE

Three of the buildings at Aker Brygge are connected to a common energy centre, which became operational in the summer of 2014. The centre delivered energy corresponding to 368 per cent of the energy input in 2020, and this was used for heating and cooling. The figure below shows developments in the share of produced energy supplied to the buildings compared with the energy input to the centre over the past four years.



Continuous efforts are being devoted to efficiency improvements. The energy centre is much more efficient for cooling than heating. Efficiency was therefore good in 2018 because of a particularly long, hot summer with a high output of distance cooling. Temperatures in 2019 were closer to regular levels, while 2020 was characterised by a low level of activity in the buildings because of lockdowns in the March-April and October-November periods when heating is required. Most activities were opened up during the summer, and cooling was at a normal level. Overall efficiency ended up at a very high level in 2020.

The centre generated and delivered 6 165MWh in 2020, compared with 7 163MWh in 2019.

The energy centre's efficiency	2018	2019	2020
Energy consumption	2 233 351	2 169 363	1 674 814
Produced energy delivered to the buildings	7 834 498	7 163 111	6 165 046
Production vs consumption	3.51	3.30	3.68

SNARØYVEIEN 36

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

NOK 6.7 million was invested later in the year in new heat pump technology as part of the ongoing energy-saving programme at Snarøyveien 36. The new solution is expected to yield an annual reduction of about 1.1 million kWh.

Enova is contributing some NOK 1.6 million in financial support to this project.

WASTE SORTING

Work to increase waste sorting has been under way since 2011. CO2 e-emissions from waste is second most important source to emissions for the group, with 22% of total emissions in 2010. The target for this strategy is a minimum level of waste sorting of 60-65 per cent. Attention has concentrated on achieving an increase at Aker Brygge, since the buildings there account for roughly 90 per cent of the waste. The project at Aker Brygge boosted the proportion of sorted waste from 15 per cent in 2011 to 58 in 2020. It is hard to say if the 2020 figures are representative, since they were clearly lower than in earlier years owing to the lockdown.

Proportion of waste sorting		2020	2019	2018
Aker Brygge	percent	58	58	58
Nydalen	percent	41	32	27
Vinslottet	percent	74	NA	NA
Stavanger	percent	NA	NA	94
Snarøyveien 36	percent	68	59	58
Sum from operations	percent			59
Drammensveien 60 (project in 2018)	percent	29	39	92
Sum for NPRO	percent	58	56	62

CARBON DISCLOSURE PROJECT (CDP) REPORTING

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

Clean water in the fjord



SDG 14 Given its proximity to the fjord at Aker Brygge, Norwegian Property feels it is important to help keep the sea clean. The group has a financial interest in the shoreline, since the properties on the water's edge benefit from an idyllic location – particularly in the summer. The group's goal is otherwise that the marina will be a driver and facilitator for environment-friendly pleasure-boating.

The electrified Aker Brygge Marina provides hire of electrically powered boats and stand-up paddle

(SUP) boards in addition to conventional marina operations. Norwegian Property cooperates with GreenBoats, with the mission to make the Inner Oslo Fjord accessible to as many people as possible by offering sustainable, social and healthy water-based activities all year round. It offered six electric boats for hire throughout the 2020 summer season. These comprised renovated older craft given a new lease of life. It was also possible to hire an emission-free sauna during the winter of 2020, which helped to give visitors a up-close experience of the sea – although with restrictions imposed by the pandemic. GreenBoats also arranges the Fjord Clean Up campaign, where volunteers were invited to 41 harbour clean-up events with electric boats, kayaks and SUP boards provided for them. Afterwards, participants were welcomed to use the sauna and enjoy hot soup. Rubbish removed from the sea around Aker Brygge amounted to 5150kg, with 581 volunteers taking part.

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

Meeting places to encourage engagement



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

SUSTAINABILITY AT AKER BRYGGE

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

Attention during 2020 concentrated on infection control and seeking to offer a safe environment for tenants and visitors. Several measures were adopted in the shopping street, such as restricting the maximum number of people allowed in each shop, placing antibacterial gel at all entrances, posting signs to remind people to socially distance, and removing all seating groups.

The survey of sustainability measures planned and implemented by all the shops and restaurants at Aker Brygge, which started in 2019, was put on hold in 2020 owing to the Covid-19 pandemic. Plans call for it to be resumed in 2021.

The group has also rented facilities at Aker Brygge to the Microgreens project, which pursues urban farming. Sprouts, salads, herbs and mushrooms are being produced for sale as local ingredients to the restaurants at Aker Brygge.

SUSTAINABLE TRAVEL TO WORK

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

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

The group has started a pilot project with the Otto car-sharing programme. This initially involves two cars in Nydalen and two at Fornebu. Depending on demand, this arrangement may be expanded.

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

BREEAM-IN-USE

The Snarøyveien 36 property was certified as BREEAM-in-use Excellent in 2020. The newly acquired Snarøyveien 30 property is certified as BREEAM-in-use Very Good. Both tenants and investors are paying growing attention to certified buildings, and Norwegian Property will continue this work. The process has already been started for Kaibygning 1 and Fondbygget at Aker Brygge.

PRESERVATION OF CULTURAL HERITAGE

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

The history of Vinslottet began in 1932, when it was completed to serve as the bottling plant for Norway's Wine and Spirit Monopoly (Vinmonopolet). This building quickly became an Oslo landmark, and is regarded as an architectural icon of its time. It has received a number of architectural awards, including Houen's award for good architecture in 1934. Since it closed in 2012, the former bottling plant at Haslevangen 16 has undergone a fantastic transformation. It now houses more than 200 homes and a modern retail facility. Vinslottet opened its doors again on 24 October 2019 as a pleasant and informal meeting place for everyone who lives and works in the area.

When Norwegian Property acquired the property and sought to conceptualise it for further business activities, it was natural to preserve the historical background. The result was a modern shopping

centre renovated and rebuilt while preserving its past associations.

Many people have close and strong associations with the building which once housed the largest bottling plant in the Nordic region. The building is a milestone and landmark in Oslo's history, and passing it on as part of the city's cultural heritage will be important – even though it now offers everyday services to the local community.

Social conditions



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

Combating corruption

Norwegian Property wants fair and open competition in all markets, sets high standards of personal and professional integrity, and does not tolerate any form of corruption or bribery.

ETHICAL GUIDELINES

Efforts to combat corruption are pursued first and foremost through the group's work as a responsible investor and owner, as a responsible buyer and through implementing and following up ethical guidelines. Its ethical guidelines provide norms and rules which apply to all employees. They also apply to directors when these act on behalf of Norwegian Property.

The ethical guidelines have been adopted by the group's board and are renewed annually. All employees must review the ethical guidelines annually through a web-based solution and confirm that they will comply with them. The guidelines are published on the Norwegian Property website.

Its personnel must not accept or make gifts which could affect their own integrity or decisions or those of others, or which could be perceived to do so. Norwegian Property's employees must not work on behalf of the group on matters where they have personal interests, or where others could perceive such interests.

PROCUREMENT ROUTINES

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

Suppliers are also required to have ethical standards and attitudes comparable with those of Norwegian Property. These companies represent the group, and must therefore communicate its core values. The following minimum standards are set for suppliers and possible sub-suppliers:

- financial strength and the capacity to deliver
- a good history of compliance with legal requirements (business conduct, no use of unregistered workers and so forth)
- satisfy requirements for health, safety and the environment (HSE), internal control and so forth
- have ethical and environmental guidelines which accord with Norwegian Property's strategy
- membership of the StartBANK register for suppliers, where relevant.

StartBANK is a joint supplier register used by purchasers in Norway's construction, public administration, insurance and property sectors to support serious suppliers and provide updated and checked supplier information. With 7 000 suppliers evaluated on the basis of predetermined approval criteria, StartBANK provides an equitable, open and secure solution for selecting reliable suppliers. This gives suppliers the opportunity to compete on equal terms, contributes to the use of serious players, and creates new business opportunities for both purchasers and suppliers. StartBANK is being continuously developed to meet the increasingly demanding legal guidelines and requirements for risk management in the construction industry.

Norwegian Property found no evidence of fraud, corruption or attempted corruption in its business during 2020.

Employee rights and social conditions

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

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

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

Norwegian Property conducts regular employee satisfaction surveys to determine how employees regard the group as a workplace and to identify possible areas for development. A survey among all employees was ongoing during 2020.

Equal opportunities and inclusion

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

INCLUSION

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

Vinslottet has used Fossheim as a partner since the start-up and takeover of the property in the autumn of 2019. Fossheim is a foundation established in 1967 to help unemployed people with various disabilities to succeed and integrate into society. It offers rehabilitation-related services based on getting the disadvantaged into work as part of a broader rehabilitation process.

As a landowner, Norwegian Property has a desire and ambition to be an active facilitator for the local community at Hasle. Fossheim assists with assignments large and small. Each mission is tackled boldly and enthusiastically. Throughout the year, it helped to distribute marketing material to the district and to clean outdoor areas in collaboration with Norwegian Property's caretaker. The latter work is seasonal and covers various tasks. Vinslottet has also assisted in facilitating training and work experience for several of the group's tenants.

EQUAL OPPORTUNITIES

The construction and property sectors are male-dominated, which creates some challenges for efforts to increase the female proportion in certain posts. The group had 51 employees at 31 December 2020, compared with 47 a year earlier. Thirty-four of the group's 51 employees are male and 17 are female. The executive management comprised five people at 31 December 2020, including one woman. Annual salary in 2020

excluding the executive management team specified in the annual accounts averaged NOK 820 000 for men and NOK 685 000 for women. Maternity leave in 2020 amounted to 36 weeks for one woman. One female is employed part-time. A total of 57 work-years were performed in the group during 2020.

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

HSE work

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

Sickness absence is an important HSE indicator. The total recorded for 2020 at Norwegian Property was 3.7 per cent, while the target in the group's strategy is three per cent. With a relatively low number of employees, however, long-term sick leave will necessarily have an effect on the absence rate. Efforts to reduce sickness absence include financial support for employees to exercise and have massage, health insurance, and physiotherapy sessions to address their seated posture. Covid-19 led to some increase in short-term sickness absence.

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

significance for the working environment and so forth.

Human rights

Norwegian Property supports and respects international human rights. Respect for the individual represents a fundamental guideline for the group. Everyone will be treated with dignity and respect, without discrimination on the basis of ethnicity, nationality, religion, age, gender, disability or sexual orientation. Children will not be used as labour, and no use will be made of forced labour.

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

Risk and risk management

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

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Financial conditions Responsible: CFO			
1. Fair-value changes for the properties	ON-GOING The fair value of the properties is crucial for the group's balance sheet	The strategy is to own high-quality properties centrally located in selected clusters in Oslo. Four value drivers have been identified, and form the basis for continuous work: <ul style="list-style-type: none"> • letting • management • transactions and finance • development. The share of the portfolio under development will represent about five to 15 per cent of the space over time.	The asset value of office properties in Oslo increased markedly during 2020. Low vacancy (particularly in the CBD), rising rents and low interest rates have contributed to a good market. For Norwegian Property, both investment in new buildings and higher valuations contributed to rising book values in 2020.
2. Interest-rate risk	ON-GOING Interest charges represent a large proportion of the group's total costs. Interest-rate changes will therefore affect both profits and liquidity.	Policy of fixed interest rates on more than 50 per cent contributes to predictability for interest-rate costs. A sensible LTV ratio (45-55 per cent) helps to reduce the risk of very high costs related to possible interest-rate increases.	Market interest rates remained at a low level through 2020. They were at their lowest in May, owing to the Covid-19 pandemic. At the beginning of 2020, the 10-year interest rate was two per cent. It reached 0.58 per cent in May and was at 1.26 per cent in December. The hedging ratio in 2020 increased from

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
			69.4 to 75.5 per cent, which helped to reduce the risk to future cash flow.
3. Access to external capital	<p>ON-GOING</p> <p>Refinancing risk is the risk that insufficient capital will be available when loans expire.</p> <p>Compliance with covenants/terms is important, and these must be sufficiently tightly drawn to secure financing but also sufficiently flexible to give the group freedom of action.</p> <p>The group's main funding source has changed from bank loans to bonds the last years. The refinancing risk in the bond market could be viewed as higher than in the bank market.</p>	<p>The strategy for reducing risk associated with refinancing is to use various financing sources, raise loans with long terms and spread their maturity structure.</p> <p>Norwegian Property seeks to have fixed and predictable loan terms which give it adequate freedom of action.</p> <p>Maintaining good relations with the main banks is important to reduce refinancing risk.</p> <p>The group has refinanced maturing bonds and the acquisition of Snarøyveien 30 with new bonds in 2020 amounting to NOK 5 292 million. Revolving credit facilities (RCFs) of NOK 1 310 million have been established in relationship banks, and equity of NOK 1 687 million has been issued.</p>	Access to external capital was limited after the pandemic hit Norway in March 2020. It improved considerably during summer, and liquidity and margins were almost back to pre-coronavirus levels in the second half of 2020.
Credit risk Responsible: CFO			
1. Risk of rental income loss	<p>ON-GOING</p> <p>Lease are generally long-term, awarded for several years at a time. The risk exists that the tenant could go bankrupt during</p>	All tenants must provide a deposit or guarantee for three-six months' rent, and routines are in place for approving the financial institutions	<p>No significant leases were terminated because of bankruptcy in 2020.</p> <p>Generally speaking, the number of</p>

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
	the tenancy period, and that both income and investments in the premises could be lost.	which are to provide guarantees. Tenants are credit-assessed at lease award, and total tenancy costs as a share of total turnover are analysed. Extending a lease beyond its term would not be relevant for some tenants, and some leases could be terminated early if rent is not paid.	bankruptcies is growing in the retail and restaurant sector owing to effects of the pandemic.
Liquidity risk Responsible: CFO			
1. Risk associated with refinancing debt and access to external capital	ON-GOING RISK Property is a capital-intensive sector, and refinancing loans is a continuous risk.	The group seeks to reduce its refinancing risk by: <ul style="list-style-type: none"> - diversity of financing sources - lowest possible instalments - LTV at 45-55 per cent - spread maturity profile - Long loans - RCF to cover part of bonds maturing over the next 12 months. 	Liquidity in the capital market was scarce In March and April 2020, but access to capital and margins were almost back to pre-Covid-19 levels during the second half of the year.
2. Risk of delayed rent payments	ON-GOING RISK Rents are paid quarterly in advance. Interest on loans usually falls due right after rent payments. Were a big share of rents to be delayed, the ability to service interest payments and possible instalments on debt could be at risk.	Reminders are issued continuously. The group will have spare liquidity in the form of NOK 300 million in cash plus undrawn credit and/or overdraft facilities at any given time	Delayed payments, particularly in the retail and restaurant sectors, have been one effect of lockdowns imposed to combat Covid-19. The reduction in revenue-based rental income has been about NOK 10 million.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Market risk Responsible: marketing vice president			
1. Changes in market rents	<p>ON-GOING RISK</p> <p>When awarding new or extending existing leases, market conditions at the negotiation date present a risk.</p> <p>Opportunity: market rents expected to increase at Fornebu with the completion of the new metro line around 2027.</p>	<p>The strategy is to own high-quality properties centrally located close to public transport hubs. Attractive areas will maintain high market rents for longer than properties in more peripheral areas.</p> <p>Acquisition of Snarøyveien 30. Working on a strategy for developing the Fornebu area.</p>	<p>The letting market was good in 2020, and the group achieved good rents when leases expired. It is finding that demand for premises is particularly good in Oslo's CBD.</p> <p>Construction of the new metro to Fornebu started in 2020 and plans call for it to be finished in 2027.</p>
Vacancy in the portfolio	<p>ON-GOING RISK</p> <p>The property sector is exposed to competition. The risk of being unable to let the buildings is higher in an economic downturn.</p> <p>New tenants often involve higher costs than extending existing leases.</p>	<p>The strategy is to own high-quality properties with central locations. Attractive properties are easier to let and also have lower vacancy.</p> <p>A good operations organisation gives tenants good service and helps to enhance their loyalty.</p> <p>A competent marketing team with experienced personnel works on letting.</p> <p>The group has converted several single-user buildings to multi-user, thereby reducing the risk of large single-user buildings remaining vacant.</p>	<p>The letting market was very good in 2020. Norwegian Property experienced a flattish market in all its core areas.</p> <p>Good demand for the group's Business Village concept.</p> <p>During 2020, Norwegian Property acquired buildings in Nydalen for development and at Fornebu where Telenor signed a rental guarantee.</p> <p>The portfolio now has fewer single-user buildings which risk being left vacant in the near future. The risk of increased</p>

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
		<p>Expanded the Business Village concept to cover many categories of tenants, increasing flexibility in terms of duration and size.</p> <p>Norwegian Property is seeking to achieve a spread of lease expiries and a differentiated body of tenants.</p>	vacancy is considered to have declined during 2020.
Turnover-based rents	<p>ON-GOING RISK</p> <p>A number of the shops and restaurants at Aker Brygge have turnover-based rents. This means that rental income fluctuates with sales by the tenants.</p> <p>The challenges affecting retail could result in lower rents for shop premises.</p>	<p>The Aker Brygge quarter actively develops and markets the area to attract customers.</p> <p>Continuous efforts are made to find the right mix of tenants at Aker Brygge who will attract the greatest number of visitors and increase turnover. A relatively high proportion of restaurants makes Aker Brygge less vulnerable to competition from online shopping, for example.</p> <p>Moreover, Norwegian Property has leases where minimum rents are at good levels.</p>	Owing to Covid-19 and lockdowns, the group has not received any material turnover-based rents in 2020. It expects these to resume as soon as the pandemic is over and activity resumes.
2. Inflation	<p>ON-GOING RISK</p> <p>Most leases have full CPI adjustment.</p>	<p>This is regarded as an opportunity to increase income as the CPI rises.</p> <p>All new leases awarded in 2020 have full CPI adjustment.</p>	Inflation in 2020 was 1.7 per cent, which is in line with the level aimed at by Norges Bank.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Project risk Responsible: project and marketing vice presidents			
1. Uncertainty over future occupancy rate	<p>WITHIN THREE-FIVE YEARS</p> <p>When launching a construction project, it is unclear what the letting market will look like at completion.</p>	The group does not launch major projects without having secured a certain number of leases for the completed building.	<p>No new projects were initiated in 2020.</p> <p>The letting market developed positively during 2020.</p>
Cost overruns	<p>WITHIN THREE-FIVE YEARS</p> <p>Big projects will often have an element of uncertainty related to costs for both procurement and design.</p>	The group makes the maximum possible use of turnkey contracts for its projects.	No big projects were under way in 2020.
2. Delays	<p>WITHIN THREE-FIVE YEARS</p> <p>Late delivery carries a cost in reduced income and possible compensation.</p> <p>Progress and capacity in planning processes is an increasing challenge in the City of Oslo.</p>	Project management is important, and is followed up by a competent team. Turnkey contracts reduce risk for the group.	No big projects were under way in 2020.
3. Accidents	<p>ON-GOING RISK</p> <p>The threat of project-related accidents is present, and in the worst case could cause injury to people. Material damage could also impose costs on the group.</p>	Serious efforts are devoted to HSE in every project run by Norwegian Property.	No big projects were under way in 2020.
4. Demolition and recycling	<p>ON-GOING RISK, RISING</p> <p>The latest trend is tougher requirements for recycling building materials.</p> <p>Norwegian Property expects it to become harder to get permission</p>	Norwegian Property is making soundings for major renovations in order to see how these can be implemented cost-effectively in future projects.	<p>This trend attracted great attention during 2020, and is likely to increase.</p> <p>A separate market for the sale of recycled materials is being established.</p>

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
	<p>to demolish existing buildings.</p> <p>Demolition will also get more expensive down the road because greater care and accuracy will be needed so that materials can be recycled.</p>	In collaboration with new and existing tenants, the group will find solutions for re-using materials, and rent out premises with just the necessary adjustments. Where tenant adaptations and minor projects are concerned, profitability calculations are made in each individual case.	Public requirements and regulations will most probably be adapted to this market in the future.
Climate risk Responsible: project and operations vice presidents, CFO			
A. Physical risk			
1. Increased precipitation	<p>ON-GOING RISK, RISING TOWARDS 2030</p> <p>Rising precipitation will give growing flooding problems and greater risk of leaks. Facades get more vulnerable, since driving rain affects more than just roofs.</p> <p>This will also increase water levels in rivers, which can flood cellars and ground floors in nearby buildings.</p>	Norwegian Property chooses materials and solutions for maintenance which will be sustainable and durable.	<p>Attention paid to climate risk increased in 2020.</p> <p>A greater threat of flooding from an anticipated increase in precipitation has led to stricter government standards for construction projects, and discussions on insurance cost and coverage.</p>
2. Higher sea level	<p>WITHIN 20-30 YEARS</p> <p>Properties at Aker Brygge will be vulnerable in the long term if sea level rises significantly as a result of climate change.</p>	According to the Norwegian Mapping Authority, the sea level will rise 46 cm around Aker Brygge. That will not be critical for the properties there.	These expectations did not change in 2020.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
B. Transition risk			
1. Demand for environment-friendly premises	<p>Tenants are seeking energy-efficiency, environment-friendly solutions and certified buildings. Some also want information on material choices. Tenants differ in their requirements. Big and international customers are particularly concerned about this.</p> <p>Norwegian Property's property portfolio includes several old buildings which are listed as worthy of preservation. There are limits on how many energy-efficiency measures can be implemented, and which ones. These buildings may therefore become less attractive in the future.</p> <p>This could also be looked upon as an opportunity because tenants will be positive to sign green leases which will enable Norwegian Property to make investments in properties which would otherwise not be affordable.</p>	<p>Norwegian Property works to establish energy-efficient solutions in its buildings and to convert to as much clean energy as possible. The seawater pump at Aker Brygge, for example, is important in reducing CO₂e emissions there. Buildings are to be certified to Breeam or Breeam-in-use.</p> <p>During 2020, the group completed its first Breeam-in-use certification as Excellent at Snarøyveien 36. Certification of two more buildings has started.</p> <p>Green leases mean that, if an investment in energy efficiency measures lowers the energy cost for tenants, the capex will be covered by increased rent equal to the reduced energy cost.</p> <p>Green actions, such as urban farming at Aker Brygge and a green wall of flowers, are measures which have become profitable because of the positive interest from tenants and visitors.</p>	<p>The risk did not change markedly in 2020. Big tenants demand this in their specifications.</p> <p>The risk is expected to increase.</p>
2. Environmental requirements from investors	PRESENT, EXPECTED TO RISE TOWARDS 2030	Norwegian Property reports to the CDP, produces an annual	The attention paid by the financial community to

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
	Investors in both bonds and shares want more information on climate risk. Green bonds could provide a broader investor base and perhaps lower financing costs than normal bonds.	climate report available on its website and is open about its environmental strategy. Work is under way to establish a framework for green bonds.	environmental requirements, as well as to sustainability in general, continued to increase, much because of the EU taxonomy.
3. Environmental requirements from banks	PRESENT, EXPECTED TO RISE TOWARDS 2030 Requirements for reporting and climate adaptations are growing. Climate risk will probably be linked more strongly to loan terms and access to financing. Growing offers of green bank loans.	Norwegian Property reports to the CDP, produces an annual climate report available on its website and is open about its environmental strategy. Work is under way to establish a framework for green bonds.	The banks have shown growing interest in the environment during 2020, and the group sees that this is beginning to provide opportunities to reduce financing costs for green purposes.
4. Insurance	FUTURE Growing damage to property from increased precipitation and more extreme weather could lead to higher insurance premiums.	Norwegian Property works continuously to maintain its buildings, and selects good-quality materials for this.	No developments occurred in this area during 2020.
5. Technological risk	PRESENT Failing to update solutions for energy efficiency or adapt to tomorrow's solutions today could leave Norwegian Property with an outdated building inventory where regulatory changes, bank lending terms and customer demand could have a negative impact on the group. New technological solutions, such as the internet of things (IoT) represent an opportunity	Norwegian Property's strategy is that all new buildings will be certified to Breeam Excellent as a minimum. Older buildings will be renovated when tenants change, with modern and cost-effective technical solutions being chosen. An IoT project with an MSc student at the Norwegian University of Science and Technology (NTNU) was introduced in 2020. This will look at	Technology is constantly developing, including for the property sector. A growing number of new property technology companies emerged in 2020. New solutions are also coming for more climate-friendly building materials and products, such as concrete.

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
	for enhanced energy efficiency and cost cuts.	how the use of sensor technology in existing buildings can boost operational and energy efficiency. The aim is to be at the forefront in terms of technological risk for the existing building stock.	
6. Reputational risk	<p>ON-GOING RISK, RISING TOWARDS 2030</p> <p>Being perceived as a reputable and by all means assertive player on the environment and the climate will be important in the future. That applies both in relation to investors and with an eye to recruitment.</p> <p>This image will influence how attractive tenants find it to choose Aker Brygge.</p>	<p>Norwegian Property has established a sustainability strategy which aims to meet the requirements and expectations of society.</p> <p>Tenants at Aker Brygge will be involved in sustainability projects in the time to come.</p>	Given the increased attention paid to the climate by society at large during 2020, reputational risk increased over the year.
7. Increased CO ₂ taxes	<p>FUTURE RISK</p> <p>This relates both to energy prices and waste handling. Considered high risk in probability, but low risk since the cost affects the group indirectly.</p>	Waste and energy prices are passed to the tenant, but the group is working to reduce discharges/ emissions because this could affect how attractive the buildings become.	The Norwegian government has recently presented a plan for increased taxes on carbon emissions.
C. Regulatory risk			
1. Government requirements and permits	<p>ON-GOING RISK, RISING TOWARDS 2030</p> <p>As society adapts to climate change, official demands for energy consumption, building standards, traffic, infrastructure, and the</p>	Norwegian Property adapts to the laws and regulations in force at any given time, and applicable building standards are observed in the projects. Where new projects are concerned, the goal is to	<p>No major property tax changes during 2020.</p> <p>However, the government has decided to increase taxes on carbon</p>

Risk/opportunity and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
	development of drains/ sewers are likely to call for higher taxes, including on property.	<p>achieve Breeam Excellent certification</p> <p>Most leases contain clauses that the tenant pays the property tax.</p>	<p>emissions, and this will probably affect</p> <p>energy costs in the future.</p>
2. Car-free city	<p>ON-GOING RISK</p> <p>Aker Brygge lies right on the edge of the car-free zone in Oslo, and the multi-storey car park can still be accessed. However, there is no guarantee that the zone will not be expanded.</p>	<p>Access to the multi-storey car park is an advantage for those who work at Aker Brygge and for those visiting in their free time.</p> <p>However, the outdoor areas at Aker Brygge have been pedestrianised for many years, which helps to make it an attractive place to visit for shop and restaurant customers. Norwegian Property has worked to ensure that a growing number of visitors will come from the immediate vicinity, which helps to reduce the vulnerability of reaching Aker Brygge by car.</p>	<p>The focus on car-free zones in Oslo is increasing. The city council is working on a proposal to establish zones where fossil-fuel cars are banned.</p>

Risk and the responsible executive	Description and timing	Strategy/measures	Changes to developments in 2020
Effects of the coronavirus in 2020			
Rents, vacancy, fair value changes, risk of reduced rental income and inflationary pressures.	A general reduction in economic activity as a result of quarantines, fewer people visiting public spaces, reduced travel and companies with less to do will also affect the letting market for commercial properties. That could cut rents, increase vacancy, lower property values and enhance the risk of lost rental income. Inflation is expected to fall.	<p>Norwegian Property has introduced infection control measures for tenants, visitors and employees in its properties, in order to contribute to a safe environment for all.</p> <p>Attractive, high-quality properties in central locations.</p> <p>Good operations organisation.</p> <p>Competent marketing team.</p> <p>Spread of lease expiry dates.</p> <p>Differentiated tenant portfolio.</p> <p>Active development and marketing of Aker Brygge.</p> <p>Leases with good minimum-rent levels.</p>	<p>There has been no material run rate based on turnover in 2020, as both shops and restaurants have been locked down for parts of the year.</p> <p>Office tenants have not been affected to the same extent.</p>
Interest-rate risk and access to capital	<p>An economic downturn could reduce the level of rents.</p> <p>Access to capital will worsen.</p> <p>Negative value of interest-rate derivatives will rise.</p>	<p>Policy of fixed interest rates on more than 50 per cent contributes to predictability for interest-rate costs.</p> <p>A sensible LTV ratio (45-55 per cent) helps to reduce the risk of very high costs associated with possible interest-rate increases.</p>	<p>Interest rates have fallen since 31 December 2019, which reduces financing costs for the part of the debt portfolio with floating interest rates. Higher margins counteract this. Access to capital was difficult in March and April, but improved during the second half of the year in both bank and bond markets.</p>

Presentation of the directors

The board of Norwegian Property ASA comprised the following directors at 31 December 2020.

Merete Haugli (chair)

Merete Haugli (born 1964), director since 13 April 2016 and chair since 19 April 2018, studied at Bankakademiet and the BI Norwegian Business School, and has pursued studies of transpersonal psychology. She runs her own consultancy in such areas as management training, mental training and mentoring, and has a versatile background in finance such as SEB, Norway (head of private banking), Formuesforvaltning AS (managing director and director for the Oslo office), and ABG Sundal Collier ASA (consultant for the compliance department and the board) as well as assistant chief of police, economic and environmental crime in the Oslo police district. Haugli has held various directorships since 2009. She is also a director of Axactor SE and a member of the nomination committees for Mowi ASA and North Energy ASA. She owned or controlled no shares in Norwegian Property ASA at 31 December 2020.

Bjørn Henningsen (deputy chair)

Bjørn Henningsen (born 1962), director since 10 October 2014, has a Bachelor Honours Degree in Business administration from Heriot-Watt University and is a partner in Union Eiendomskapital AS, which he helped to found in 2005. Henningsen has very long and broad experience of real estate investment and development, banking and finance. He was previously finance 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 controlled 405 999 shares in Norwegian Property ASA at 31 December 2020.

Anders Buchardt (director)

Anders Buchardt (born 1974), director since 16 April 2020, holds an MSc in business economics from the Norwegian School of Economics (NHH) in Bergen and is the owner and working chair of AB Invest AS and Agate Utvikling AS. Buchardt has a background from PwC Consulting and Finansbanken/Storebrand Bank, before establishing and growing his property development business. In addition to several residential projects, he has developed a number of new large hotel facilities in Norway and Sweden over the past 15 years. Buchardt has been responsible for the development of a number of holiday home projects at mountain destinations such as Hafjell, Kvitfjell, Gaustatoppen and Hemsedal. Together with his father Arthur, he owns and manages a large portfolio of hotel and office properties through AB Invest AS. In addition to being chair of the board of his own companies, he is currently chair of Pangea Property Partners. AB Invest AS owned or controlled 10 024 shares in Norwegian Property ASA at 31 December 2020.

Cecilie Astrup Fredriksen (director)

Cecilie Astrup Fredriksen (born 1983), director since 10 October 2014, received a BA in business and Spanish from London Metropolitan University in 2006. She is currently employed in Seatankers Management Co Ltd and serves as a director of several companies, including Mowi ASA. According to the Norwegian Corporate Governance Code, she is related to Geveran Trading Co Ltd, which owned or controlled 521 840 723 shares in Norwegian Property ASA at 31 December 2020.

Kathrine Astrup Fredriksen (director)

Kathrine Astrup Fredriksen (born 1983), director since 13 April 2016, studied at the European Business School in London. She is currently employed by Seatankers Management Co Ltd in London and serves as a director of SFL Corporation Ltd and Axactor SE. Fredriksen's previous directorships include Seadrill Ltd, Frontline Ltd and Golar LNG. According to the Norwegian Corporate Governance Code, she is related to Geveran Trading Co Ltd, which owned

or controlled 521 840 723 shares in Norwegian Property ASA at 31 December 2020.

Carl Erik Krefting (director)

Carl Erik Krefting (born 1953), director since 19 April 2018, has a law degree from the University of Oslo. He helped to found Søylen Eiendom AS in 2004. This company opened Eger as Norway's first high-end department store in May 2009. Krefting was a lawyer and partner in the Thommessen Krefting Greve Lund law company from 1982 to 2004, and in that connection held directorships in such companies as Avantor ASA, Dyno Industrier ASA and Gresvig ASA. He owns and controls 356 664 shares in Norwegian Property ASA through his wholly owned companies at 31 December 2020, and has a TRS agreement related to 4 262 801 shares maturing on 14 January 2022 at a strike price of NOK 13 per share. Krefting also has an option to acquire 500 000 shares in Norwegian Property ASA in up to three tranches at a price of NOK 11.50 between 19 April 2019 and 19 October 2021.

Lars Erich Nilsen (director)

Lars Erich Nilsen (born 1981), director since 26 April 2017, has been employed by Seatankers Management Norway AS since 2014. He is the general manager and chair of Seatankers Management Norway AS, and a director of Axactor Capital AS, Axactor SE, Bulk Infrastructure Holding AS, FP Bolig Holding AS and FP Bolig AS. He has previously worked as an analyst at Fearnley Advisors AS (2013-2014) and Fearnley Fonds ASA/Fearnley Securities AS (2005-2013, partner from 2007). Nilsen holds a master's degree (Siviløkonom) in business economics from the BI Norwegian Business School. According to the Norwegian Corporate Governance Code he is related to Geveran Trading Co Ltd, which owned and controlled 521 840 723 shares in Norwegian Property ASA at 31 December 2020.

Definitions

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

Run rate for annual rent	Contracted annualised rental income for the property portfolio at the balance sheet date.
Weighted remaining duration of leases	Remaining contractual rent of current leases at the balance sheet date divided by the total contractual rent for the entire lease term.
Space vacancy	Space which does not generate rent at the balance sheet date divided by total space.
Financial vacancy rate	Annualised market rent for space which generated no rental income at the balance sheet date, divided by total annualised rent for total space (contract rent for leased space and market rent for vacant space).
Gross yield	Gross yield on the balance sheet date for a property or portfolio of properties is calculated as contractual annualised rental income divided by market value.
Net yield	When calculating net yield, maintenance and property-related costs are deducted from contractual annualised rental income, which is then divided by the market value.
Prime yield	Yield for a fully leased property of best structural quality, with tenants in the best category and in the best location.
Property-related operational expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
Other property-related expenses	Other property-related expenses include income-related costs related to leasing, marketing and so forth, the owner's share of service charges, project-related property costs and depreciation related to the properties.
Administrative expenses	Administrative expenses relate to costs which are not directly related to the operation and leasing of properties, and include costs related to the overall ownership and corporate functions.
Operating profit before administrative expenses	Revenues net of property expenses.
Profit before income tax and value adjustments	Profit before tax, adjusted for fair value adjustments to investment properties and financial derivatives.
Like for like	Change in rental income from one period to another based on the same income-generating property portfolio, with rental income adjusted for purchases and sales of properties.
Independent appraisers	Akershus Eiendom and Cushman & Wakefield.
Market value of property portfolio	The market value of all the group's properties regardless of accounting classification.
Interest-bearing debt	Book value totals for long-term and short-term interest-bearing debt, less holdings of own bonds.
Net interest-bearing debt	Interest-bearing debt, less holdings of bonds as well as cash and cash equivalents.
Equity ratio	Total equity divided by total equity and liabilities.

Pre-tax return on equity	Annualised pre-tax profit in the period divided by average total equity for the period in the balance sheet.
Unutilised credit facilities	The difference between total available credit facilities, based on the current loan agreements, and amounts at the balance sheet date which are deducted and accounted for as interest-bearing debt in the balance sheet.
Interest hedging ratio	The share of interest-bearing liabilities hedged at the balance sheet date.
Base interest rate	A weighted average of the fixed and floating average interest rates at the balance-sheet date. The fixed average interest rate is calculated as the weighted average of the fixed interest rate paid by the company in relation to outstanding interest-rate contracts and loans. The floating average interest rate is calculated as the weighted average of the Nibor rate paid on interest-bearing debt. The interest-rate base does not include accrued finance charges or margin.
Average interest rate	Weighted average interest rate on interest-bearing debt and fixed-rate interest agreements at the balance-sheet date.
Average interest margin	The weighted average of the interest margin on the outstanding interest-bearing debt at the balance-sheet date.
Remaining time to maturity for interest-bearing debt	Weighted remaining period until maturity for interest-bearing debt at the balance-sheet date.
Remaining time to maturity for interest hedge agreements	The weighted remaining period until maturity for interest hedge agreements at the balance-sheet date.
LTV	Debt to asset ratio (loan to value).
Gross debt to asset ratio (gross LTV)	Interest-bearing debt divided by the fair market value of the property portfolio at the balance-sheet date.
Net debt to asset ratio (net LTV)	Net interest-bearing debt divided by the fair market value of the property portfolio at the balance-sheet date.
Earnings per share (EPS)	Net earnings for the period divided by the average number of shares during the period. Diluted earnings per share are identical to basic earnings per share, unless otherwise specified.
NAV, book value	Net asset value, the book value of total equity in the balance sheet.
NAV, adjusted	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax related to fair value adjustments of investment properties and for the fair value of financial instruments after tax in the balance sheet.
NNNAV	In relation to the Adjusted NAV, NNNAV (triple net asset value) includes estimated realisable fair values at the balance-sheet date for deferred taxes, financial instruments and liabilities.
Oslo CBD	The central business district is considered the most attractive area for office space in Oslo. It is usually restricted to the districts of Aker Brygge, Tjuvholmen and Vika.
Scope 1	Use of fossil energy sources and CO ₂ e related to the operation of Norwegian Property as a group. Covers transport for employees in working hours using cars leased or owned by Norwegian Property, but also the use of oil-fired heating in the buildings.

Scope 2	Covers energy consumption and associated emissions in the buildings – in other words, distance heating, cooling and electricity.
Scope 3	Indirect emissions related to leasing or purchasing goods or services. Waste and tenant use of propane, as well as business travel by Norwegian Property's employees, are categorised as scope 3.
CO ₂ e	CO ₂ equivalent. The group's energy consumption and waste are converted to CO ₂ e emissions on the basis of a corporate accounting and reporting standard – an international standard developed by the greenhouse gas (GHG) protocol initiative.

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