









User guide

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Presentation of enterprise management 2013:

Corporate governance

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

1. Implementation and reporting on corporate governance

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

Norwegian Property has drawn up overall principles for corporate governance, which are available at <http://www.norwegianproperty.no/formelle-dokumenter> and are reproduced in the directors' report on [page 17](#) in this annual report. The board has prepared a set of governing documents specifying various guidelines, instructions and policies intended to ensure compliance with good corporate governance in practice. The board regularly assesses the company's governing documents, most recently in December 2012.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 23 October 2012 is set out below. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at www.nues.no. Reference is made to this presentation in the directors' report for 2013, and it is available on the company's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

The group's values base is an important condition for corporate governance in Norwegian Property. This base rests on four core values, which form the basis for the corporate culture.

Reliable

- :: We will create and retain relationships
- :: We will do what we promise
- :: We will ensure quality at every level

Proactive

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

Innovative

- :: We will be innovative
- :: We will be ambitious
- :: We will challenge established truths

Collaborative

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

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

2. Business

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

"The company operates in management, acquisitions, sales and

development of commercial real estate, including participation in other companies as well as businesses which are related to such".

Within the framework of its articles, the company has presented goals and strategies for its business in the directors' report on [page 11](#) and on the [company's website](#).

3. Equity and dividends

Equity

Group equity at 31 December 2013 totalled NOK 5 057.4 million. The equity ratio rose from 33.5 per cent a year earlier to 33.6 per cent. The board regards the present equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial freedom of action, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be a maximum of 65 per cent. The company's financial flexibility is assessed at any given time in relation to the company's goals, strategy and risk profile. At 31 December 2013, the relationship between net interest-bearing debt and gross fair value was 60.2 per cent.

Dividend

Norwegian Property's dividend policy specifies that a goal for the company is to pay a competitive annual dividend. The company's long-term goal is to pay a dividend of 30-50 per cent of its net profit before value adjustments. An independent assessment of the group's financial position and prospects will be carried out before the annual dividend is determined. In light of the company's work to secure good financial freedom of action, the board has signalled that dividend could be lower than the long-term goal for a period. The dividend policy is also described in [note 22](#) to the consolidated

financial statements and in the investor relations section of [the company's website](#).

Board mandates

The annual general meeting of 11 April 2013 mandated the board to increase the company's share capital by up to NOK 27 420 000, corresponding to just under 10 per cent of the company's share capital when the mandate was awarded. The board mandate was restricted to two defined purposes, each of which was treated as a separate item at the AGM. The mandate could only be used to issue new shares through private placements in return for cash payments and/or as settlement for property acquisitions. This mandate had not been utilised at 31 December 2013.

In addition, the board was mandated to raise a convertible loan totalling NOK 750 000 000. This was because the board wanted to have the opportunity to issue new shares in combination with additional debt, partly in order to optimise the financing structure in Norwegian Property ASA. This mandate had not been utilised at 31 December 2013.

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

The board is also mandated to purchase the company's own shares up to a total nominal value of NOK 27 420 000. Norwegian Property did not purchase any of its own shares during 2013. This mandate remains valid until the company's AGM in 2014 and in any event not beyond 30 June 2014.

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

4. Equal treatment of shareholders and transactions with close associates

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

No share issues were conducted by Norwegian Property in 2013. Pursuant to the code, the reasons for waiving the pre-emptive right must be published in a stock exchange announcement in connection with a capital increase. The board will endeavour to comply with this point should such circumstances arise in the future.

Norwegian Property did not purchase or sell any of its own shares in 2013. Possible future transactions will be conducted on the stock exchange or in another manner at the stock market price.

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

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

5. Freely negotiated shares

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

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

6. General meetings

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The 2014 AGM is scheduled to take place on 10 April. The company's financial calendar is published as a stock exchange announcement and in the investor relations section of the company's website.

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

Proxy form and advance voting

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

Chairing meetings, elections, etc

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

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

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

7. Nomination committee

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

ment, 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 has nominated directors and recommended their remuneration. Its recommendations with reasons are made available via the company's website before the election and as soon as they are available. The nomination committee is encouraged to attend the general meetings in order to present and justify its recommendations and to answer questions.

The present nomination committee was elected at the extraordinary general meeting of 11 April 2013 and comprises Marianne Johnsen (chair), Peter Groth and Jan Ole Stangeland. No directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the company's website. The deadline for submitting nominations to the nomination for the 2014 AGM is 1 March 2014.

8. Corporate assembly and board of directors, composition and independence

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

All the directors are regarded as independent of the company's executive management or significant commercial partners. Apart from the chair, they are all considered to be independent of the company's principal shareholders (defined as shareholders with

more than 7.5 per cent of the company's shares). The chair, Nils K Selte, was formerly CFO of the Canica AS investment company, which owned about 10.8 per cent of the shares in Norwegian Property at 31 December 2013, and became its CEO in February 2014. In addition, close associates of Selte owned 587 087 shares in the company at the same date. Directors are encouraged to own shares in the company, and information on shares owned by directors is updated continuously on the company's website.

Thirteen board meetings were held in 2013, and all were attended by every director.

9. The work of the board of directors

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

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

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

Once a year, the board evaluates its own work and that of the

chief executive. The most recent assessment was conducted in the autumn of 2013, and its outcome reported to the nomination committee.

10. Risk management and internal control

Risk areas and internal control environment

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

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

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

The board is responsible for seeing to it that the enterprise, financial reporting and asset management are subject to satisfactory controls. Based on the overall policies, governing processes and routines have been established for day-to-day management. The board periodically reviews the company's governing documents, most recently in December 2012. In connection with its annual review of the company's strategy, the board reviews the most important risk areas faced by Norwegian Property and the internal controls established to deal with and minimise these. The board is also briefed on developments in the risks facing the company on a continuous basis through the operating reports.

Reporting

The administration prepares monthly operating reports which are considered at the board meetings. These reports are based on man-

agement reviews of the various parts of the business, and contain an update of the status for setting targets, important operational conditions, financial conditions and a description of the status in risk areas. In addition, quarterly financial reports are prepared and reviewed by the audit committee ahead of the board meeting.

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

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

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

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

11. Remuneration of the board of directors

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise and the

complexity of the business, and have not been related to results. The directors have not been awarded options.

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

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

12. Remuneration of executive personnel

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

The group's guidelines for the remuneration of senior executives are described in [note 19](#) to the consolidated financial statements. This note also provides further details about remuneration in 2013 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

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

13. Information and communication

Through the company's established principles for investor communication, available on [its website](#), the board has determined guidelines for reporting financial and other information. Based on openness and equal treatment of players in the securities market, the guidelines also cover communication with shareholders outside the general meetings. Reporting of financial and other information will be timely and accurate, while simultaneously being based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presenta-

tions. All information considered to be significant for valuing the company will be distributed and published in both Norwegian and English via Cision and the Oslo Stock Exchange's company disclosure system, and the company's website exists in both Norwegian and English versions.

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

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

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

14. Takeovers

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

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

The board does not intend to prevent or hamper anyone from presenting an offer for the company's business or shares. It will take account of the common interests of the company and the shareholders in the event that possible agreements with bidders are considered. No takeover bids were made for the company's shares in 2013.

15. Auditor

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. Its work

is governed by an instruction. The company's auditor, PricewaterhouseCoopers AS, conducted the following work during 2013 in relation to fiscal 2013.

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

PricewaterhouseCoopers attended three meetings with the audit committee, which included reviewing the main features of the plan for executing the audit for the year and presenting results from the interim audit in preparation for the year-end closing of accounts for 2013.

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

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



Presentation of the directors



Nils K Selte

*Chair
Director since December 2008*

Mr Selte (born 1965) is chief executive of Canica AS with effect from February 2014, and was previously its chief financial officer. This investment company concentrates primarily on such sectors as manufacturing, consumer goods, trading and property. At 31 December 2012, Canica and closely associated companies owned about 10.8 per cent of the shares in Norwegian Property. Mr Selte has previously held senior positions in such companies as Hakon Gruppen and ICA. He is a director of Komplet AS, Jernia AS, several fund management companies and various companies in the Canica group. He has an MBE from the BI Norwegian Business School.

Close associates of Mr Selte owned 587 087 shares in the company and held no options at 31 December 2012. He is a Norwegian citizen.



Synne Syrrist

*Deputy chair
Director since December 2008*

Ms Syrrist (born 1972) is a director of such companies as Awilco LNG ASA, Awilco Drilling Plc, Global Rig Company ASA, Eidsvik Offshore ASA and Aqualis ASA. She has also formerly been a director of a number of other companies, including about 10 listed on the stock exchange. Ms Syrrist was previously a partner and financial analyst at First Securities. She holds an MSc from the Norwegian University of Science and Technology, and qualified as an authorised financial analyst at the Norwegian School of Economics and Business Administration.

Ms Syrrist owned no shares in the company and held no options at 31 December 2012. She is a Norwegian citizen.



Gry Mølleskog

*Director
Director since December 2008*

Ms Mølleskog (born 1962) is head of the royal secretariat at the Royal Palace in Oslo. She was previously senior client partner at Korn Ferry International for five years and has previous experience as chief of staff at the Royal Palace. Ms Mølleskog has also held a number of positions with the SAS group – most recently as senior vice president at its head office in Stockholm.

She is chair of the Norwegian Museum of Cultural History. Ms Mølleskog has a Master of Management from the BI Norwegian Business School.

Ms Mølleskog owned no shares in the company and held no options at 31 December 2012. She is a Norwegian citizen.



Jon Erik Brøndmo

*Director
Director since May 2010*

Mr Brøndmo (born 1964) is chair of a number of companies in such fields as bioenergy, property, business advice and consultancy, and also serves as a director of such companies as Norse Securities AS and Union Corporate AS. He has previously been CFO and vice president IT at Choice Hotels Scandinavia ASA and CFO at Steen & Strøm ASA, and has been a director of Choice Hotels Scandinavia, Home Properties AS and Home Invest AS. He studied finance at the University of Colorado.

Mr Brøndmo owned no shares in the company and had no options at 31 December 2012. He is a Norwegian citizen.



Gunnar Bøyum

*Director
Director since April 2012*

Mr Bøyum (born 1956) has been chief executive of Tjuvholmen KS since 2003, and will become chief executive of Aspelin Ramm Gruppen in the first half of 2014. He has been a vice president in Aspelin Ramm Gruppen AS, chief executive of Skanska Norge AS and partner in ABG Sundal Collier Eiendom AS. His directorships include Schage Eiendom AS, Stor-Oslo Management AS and Stor-Oslo Prosjekt AS. Mr Bøyum is also a member of the investment committee of Storebrand Eiendomsfond AS and a member of the management group for property at Fritzøe Eiendom AS. Bøyum has an MSc in business economics from the Copenhagen Business School and an MSc from the American Graduate School of International Management in the USA and the Oxford Centre for Management Studies in the UK.

Mr Bøyum owned no shares in the company and had no options at 31 December 2012. He is a Norwegian citizen.

Directors' report 2013:

High level of conversion activity

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Operations at Norwegian Property during the 2012-15 period are affected by a high level of conversion activity and its financial results are, as expected, affected both by lower rental income than normal and by refurbishment expenses. These building costs lay the basis for substantial growth in future rental income compared with the present level, and relate primarily to substantial upgrading of several large properties at Aker Brygge and Skøyen in Oslo. Conversion work peaked in the second half of 2013. Project management and letting of development projects have high priority, and a number of large leases were awarded during 2013 for projects which are approaching completion. Eighty-two per cent of the office space in the projects at Aker Brygge had been let at 31 December 2013. At the same time, continuous efforts are being devoted to letting and managing other properties. The big conversion projects are capital intensive, and require attention to be paid to securing adequate project financing. Such funding was strengthened during 2013 by securing several new loans. Further credit frameworks have been established in February 2014, while the financial covenants in credit facilities have been adapted to a development period with temporarily vacant premises and lower rental income. This helps to secure the availability of financing for completing all existing development projects, and Norwegian Property is equipped to complete the upgrading of the property portfolio and realise its underlying growth and value potential.

About Norwegian Property

Norwegian Property owned 41 office and commercial properties in Norway at 31 December. Located in Oslo, Bærum, at Gardermoen and in Stavanger, these had a combined fair value of NOK 14.8 billion at 31 December. The group's properties primarily comprise office premises with associated warehousing and car parks, and retail and catering space. The business is organised in parent company Norwegian Property ASA with subsidiaries. The company's head office is at Aker Brygge in Oslo.

The company's business purpose article states:

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

With 56 employees at 31 December, Norwegian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 4 billion at 31 December.

The year 2013

Highlights of 2013

High level of conversion activity

Operations at Norwegian Property are temporarily affected by a high level of conversion activity. Project management and letting of development projects were accordingly important for the group in 2013 and will continue to occupy a central place in the time to come.

:: The project at Bryggegate 7-9 in Oslo was completed and fully leased in the summer of 2013. Covering a total of 8 200 square metres, this multi-occupancy building is primarily for office

tenants. The energy centre which will deliver heating and cooling to all buildings in Aker Brygge was also completed and brought into trial operation during the summer of 2013.

- :: The project at Stranden 3 in Oslo, covering a total of 30 000 square metres for offices, retailing and restaurants, is being completed in stages from the spring of 2013 to the third quarter of 2014. The project has been handled as client-managed subcontracts, with Vedal Prosjekt responsible for management.
- :: The Stranden 1 and Stranden 5 construction projects in Oslo kicked off in 2013, with completion up to the first quarter of 2015. These properties offer 23 000 and 31 000 square metres respectively for offices, retailing and restaurants. A turnkey contract has been entered into for Stranden 1 with AF Gruppen, while Stranden 5 is covered by a turnkey contract with Bunde Bygg based on the collaboration model.
- :: Norwegian Property took over operation of the Aker Brygge marina in February 2013. This has been undergoing conversion after the completion of the 2013 boating season, and the new marina is due for completion in the spring of 2014. This project involves a substantial upgrading and modernisation of the whole quayside area. The marina will have space for about 200 boats, and a big commitment is being made to events centred on it. An agreement has been reached with Norboat, for example, on staging the Norwegian International in-water boat show from the autumn of 2014.
- :: The former blocks 1-4 at Drammensveien 134 in the Skøyen district were demolished during 2013. Construction of the new 30 000-square-metre building (primarily office space) has begun, with completion scheduled for the end of 2014. A turnkey contract has been awarded to Skanska.
- :: Norwegian Property entered into an agreement in 2012 with Total E&P Norge AS on expanding the buildings at Finnstadveien 44 in Stavanger and a 10-year extension of the existing lease to 2031. Construction of the 3 600-square-metre extension began in 2013 for completion in the spring of 2014 with Backe Bygg as contractor.

Financing strengthened

The scope of the big development projects means that revenues have fallen at the same time as capital requirements for funding the projects has increased. Financing was strengthened during 2013 and at the beginning of 2014. That helps to secure available liquidity for completing all existing development projects.

- :: In connection with the sale of Norgani Hotels in 2010, Norwegian

Property extended a seller credit of NOK 600 million to the buyer. In accordance with the loan agreement, NOK 200 million was repaid in November 2012. Early redemption of the remaining NOK 400 million, originally due to be redeemed in 2015, was made in September 2013.

- :: Norwegian Property issued three bond loans totalling NOK 955 million in 2013. A new three-year secured loan of NOK 500 million was issued in the Norwegian bond market during August. This loan is secured with a first-preferred mortgage in blocks 5-6 at Drammensveien 134. Two secured loans totalling NOK 455 million with maturities of just over four years were issued in the Norwegian bond market during November. These loans are secured with mortgages in the Gullhaugveien 9-13 property. All the new bond loans are listed on the Oslo Stock Exchange.
- :: Norwegian Property entered into an agreement in late 2013 with Nordea Bank Norge ASA and Skandinaviska Enskilda Banken AS to expand its existing loan facility at these banks by NOK 660 million. This facility was originally established in 2011 with final maturity in June 2018. The remaining term is accordingly around 4.5 years. Conditions and commercial terms for the expansion accord with those of the existing facility. The expanded loan was used to refinance liabilities falling due at 31 December.
- :: In addition to the financing measures implemented in 2013, Norwegian Property accepted an offer in February 2014 to expand existing revolving credit facilities in Danske Bank and DNB with drawing rights of NOK 600 million until June 2015. Agreements have also been accepted for the two main credit facilities which provide a temporary relaxation in covenants concerning interest cover up to and including the second quarter of 2015.

Focus on letting and managing properties in regular operation

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

- :: The Norwegian Lessee Index has conducted its annual survey of customer satisfaction. Although many tenants, especially at Aker Brygge, are currently experiencing inconveniences because of the extensive construction work, Norwegian Property achieved a score of 69 for 2013. That was identical with the average for all the companies covered by the index, and significantly better than the 2010 score of 60.
- :: Lysaker Torg 35 in Oslo was vacated by its former tenant in the spring of 2013. A number of new leases were awarded during 2012 and 2013, and the building is now fully leased.

- :: Vacancy was reduced in 2013 for the property portfolio in Nydalen, primarily as a result of a number of new leases entered into for Gullhaug Torg 3 and Maridalsveien 323, both in Oslo.
- :: Vacant space not associated with development projects at 31 December related primarily to Badehusgaten 33-39 in Stavanger. The former tenant vacated the 21 500-square-metre building in 2013.

Strategic goals

Competitive return with balanced risk

Norwegian Property has a long-term goal of delivering a return on equity before tax of 12 per cent, including on-going operational results and the rise in value. In order to deliver a satisfactory return, the company's attention is focused on all the long-term value drivers for property players:

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

The company's ambition is that 30-50 per cent of its ordinary profit after tax, but before value adjustments, will be paid as dividend to the shareholders. In view of the company's efforts to secure good financial freedom of action, the board has signalled that dividend could lie below the long-term target for a time.

The most satisfied customers

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

Environmental improvement in line with the best in the industry

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

- :: a 30 per cent reduction in energy consumption by Norwegian Property's buildings
- :: a 30 per cent reduction in carbon emissions from Norwegian Property's business
- :: a 5 per cent reduction in water consumption for Norwegian Property's buildings
- :: an 80 per cent level of waste sorting for Norwegian Property's buildings.

Investment strategy

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

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

Financing strategy

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

- :: a goal that the loan-to-value ratio will be a maximum of 65 per cent of the total carried amount of the company's investment properties over time
- :: borrowing will be based on long-term relationships with banks which have a long-term strategy in the Norwegian property market
- :: an ambition to achieve a stable development in cash flow which requires a relatively high level of interest rate hedging, at 50-80 per cent of total borrowing over time.

Macroeconomic conditions

After several years of economic recession, the industrial nations and growth economies had returned to a more normal growth rate towards the end of 2013. Expansive monetary policies and a gradual reduction in imbalances in many countries were the main drivers. In addition, the turmoil unleashed by public debt crises in many European countries has gradually declined. However, the economies of the industrial nations remain affected by spare production

capacity and abnormally high unemployment, and the risk of higher interest rates and brakes on growth is therefore relatively limited.

The Norwegian economy is in a somewhat different phase. After several years of high growth as a result of substantial investment in the oil sector, economic expansion has now slowed somewhat. Off-shore investment resulting from exploration activity to identify new oil reserves is expected to fall in the time to come, but this decline will be moderated to a great extent by increased maintenance spending in the petroleum sector. That is offset to some degree by a forecast rise in exports and an expansive financial policy. According to Statistics Norway (SSB), gross domestic product for mainland Norway grew by 3.4 per cent in 2012 and 1.8 per cent in 2013. The SSB forecasts an annual GDP growth of 2.1, 2.5 and 3.1 per cent for mainland Norway in 2014, 2015 and 2016 respectively.

According to the SSB's estimates, employment in Norway rose by 1.4 per cent in 2013. However, unemployment rose from 3.2 per cent of the workforce in 2012 to 3.5 per cent in 2013, and is expected to rise marginally to 3.6 per cent by 2015. Projections indicate a substantial increase in Norway's total population over the next few decades. This rise is expected to be particularly strong in central urban areas such as Oslo and Stavanger, where population growth is predicted to exceed the general forecast.

The market for commercial property

According to Akershus Eiendom, overall vacancy in the Oslo area at 31 December 2013 was around seven per cent of total available space. That represented a marginal increase from an estimated 6.5 per cent at 1 January. After a high level of new building activity over several years, the completion of new space was limited in 2013. A limited start-up of new projects means that relatively little new space will be completed in the coming period. Combined with demand for space from some employment growth, this indicates a slight reduction in vacancy over the next few years and restricted risk for a decline in rents in the same period.

After several years with a strong growth in rents for Skøyen and most central districts in Oslo, the increase in 2013 was rather more moderate. Rent developments were more stable in other areas, such as Lysaker and Nydalen, in line with the trend of recent years.

Demand in Stavanger has been driven in recent years by a high level of activity in the oil and gas business. However, good availability of land and the completion of a number of new commercial buildings mean that rents have remained stable despite good demand. Some slowdown in oil exploration activity in the North Sea suggests that future demand will be somewhat weaker. At the same

time, construction of new commercial buildings is expected to decline in step with the slowdown in demand growth. Overall, relatively stable rents are accordingly expected in the time to come.

Access to financing for commercial property was substantially easier in 2013. The bond market remained strong, and the banks again signalled ambitions for some growth in lending to commercial property. Loan margins declined over the year, and the banks also showed a more positive attitude on other lending terms – such as loan disbursements and redemption profiles. Despite easier access to capital, the overall transaction volume declined somewhat to around NOK 40 billion, compared with roughly NOK 50 billion in 2012. Good and stable access to loan capital suggests that the level of activity in the transaction market will remain good.

Risk and risk management

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

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

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

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

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

Financial risks

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

Hedging is utilised to dampen the effect of interest rate changes on profits and liquidity. At 31 December, 81 per cent (2012: 84 per cent) of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.6 years (2012: 5.7 years). Fluctuations in short- and long-term market interest rates will accordingly have a limited impact on the group's interest expenses before changes in the value of derivatives.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 1 175.9 million (2012: NOK 1 925.1 million). The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements, and to requirements arising from the group's current and planned development projects at any given time.

The group's credit facilities incorporate financial covenants related to interest cover and the loan-to-value ratio. It was in compliance with these and other conditions in credit agreements related to its liabilities at 31 December 2013.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases, and the average remaining term at 31 December was seven years (2012: 5.7 years). However, some of the group's buildings have short remaining lease terms and considerable efforts are accordingly being devoted to re-letting and manifesting the potential of these properties.

The commercial property leases provide fixed revenues over their term. The majority of the leases permit full adjustment for changes in the consumer price index (CPI), so that rents can be adjusted in line with CPI developments.

Vacant space in the group's portfolio was 27.3 per cent of the

total at 31 December (2012: 10.2 per cent), with strategic vacancy related to current and planned conversion projects at Aker Brygge and Skøyen accounting for about 16.6 percentage points. The conversion period will continue in 2014 and 2015, and temporarily mean a continued high level of vacancy in those parts of the portfolio affected by the projects. In addition, vacancy related to Bادهusgaten 33-39 accounted for 3.8 percentage points of the total.

Development risk

Extensive conversion and refurbishment projects were initiated in 2012 and 2013 at the group's properties in Stranden 1, Stranden 3, Stranden 5 and Bryggegata 7-9 at Aker Brygge and blocks 1-4 at Drammensveien 134 in Skøyen, all in Oslo, and Finnestadveien 44 in Stavanger. Although the projects are regarded as adding value to the group's portfolio, the refurbishment involves risk – including in relation to the future letting ratio and level of rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments.

To handle the risk associated with development projects, the group has established a competent organisation with relevant experience from and knowledge of similar development projects. This development department was further strengthened during 2013. In addition, the group benefits from competent external resources to reduce risk related to its development projects. Norwegian Property has developed tools for project management and execution, and the board receives monthly reports on the progress of the projects and identified risk areas.

Credit risk

Norwegian Property's portfolio of office properties is characterised by high quality, central locations and a financially sound and well diversified set of tenants. Bad debts have been limited in recent years. Tenants of the group's office properties normally pay rent quarterly in advance. In addition, most leases require security for rent payments either in the form of a deposit account containing a sum equivalent to three months rent or as a bank guarantee. The group checks the credit rating and history of new tenants. As a result, the risk of direct losses from defaults or payment problems appears to be limited and relates primarily to re-letting of premises.

Liquidity risk

The group's ambition is to have sufficient liquidity/drawing rights to meet its obligations, including existing development projects. It also seeks to maintain a sensible level of liquidity to meet unexpected

commitments. The financing strategy aims to maintain flexibility in the market and to cope with fluctuations in rental income. One goal is that liquidity will consist as far as possible of available revolving credit and overdraft facilities rather than cash holdings.

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

At 31 December, the group had interest-bearing debt of NOK 8 947.4 million (2012: NOK 9 421.7 million), with an average remaining term of 3.1 years. Debt instalments and redemption during 2014 total NOK 30 million, including capitalised expenses, and are classified as current liabilities in the consolidated balance sheet at 31 December. The group had a liquidity reserve of NOK 1 175.9 million at the same date.

Group accounts

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

Going concern assumption

Pursuant to the requirements of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The financial statements for 2013 have been prepared on that basis.

Income statement

The consolidated income statement for 2013 embraces the office portfolio of 41 properties at 31 December, plus the Drammensveien 149 property until its disposal in March 2013.

Gross rental income totalled NOK 769.8 million (2012: NOK 925 million). Adjusted for the purchase and sale of office properties, this represents a decline of NOK 135.6 million which is primarily attributable to temporary vacancy in connection with the major rehabilitation projects.

Maintenance and other operating costs totalled NOK 58 million (2012: NOK 60.5 million). Other property-related costs totalled NOK 64.1 million (2012: NOK 41.8 million). The 2013 rise reflected increased marketing activity and shared costs charged to the owner as a result of the vacancy in development projects. Administrative

owner costs totalled NOK 60.7 million (2012: NOK 72.2 million). Operating profit before fair value adjustments was thereby NOK 586.9 million (2012: NOK 750.5 million). No costs related to research and development activities have been recognised in the 2013 accounts.

Accounting impairments to the fair value of the company's property portfolio totalled NOK 562.6 million in 2013, compared with charges of NOK 70.7 million the year before. These impairments reflect some rise in vacancy in the portfolio as a result of planned and existing development projects, increased investment costs related to these, and a minor increase in the required rate of return for certain properties – primarily those with a short remaining lease term and uncertainty related to future letting. Gain on the sale of Oslo Properties AS, which owned the seller credit from the sale of Norgani, totalled NOK 2.7 million.

Financial income, which consists largely of interest income, totalled NOK 20 million (2012: NOK 40.3 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 432.6 million (2012: NOK 513.2 million).

The change in fair value for financial instruments used to manage interest and exchange rate risk was positive at NOK 97.9 million (2012: negative at NOK 225.5 million). The loss before tax and value adjustments for the continued business was thereby NOK 287.6 million (2012: NOK 18.7 million).

NOK 56.7 million in tax income is recognised in the 2013 accounts (2012: expense of NOK 106.2 million). As a result, the net loss for the year was NOK 230.9 million (2012: NOK 124.9 million).

Cash flow

Net cash flow from operating activities totalled NOK 45.9 million (2012: NOK 243.2 million). This reduction reflected the decline in operating profit before fair value adjustments and adjustments to the group's portfolio of interest rate hedges. Operating profit before fair value adjustments, corrected for net realised financial items came to NOK 174.4 million in 2013. The difference compared with net cash flow from operating activities relates to the buy-out of interest hedging contracts expensed under changes in the market value of financial interests, changes in working capital and the accrual effect of accrued interest at 31 December.

Net cash flow from investing activities was negative at NOK 106.9 million (2012: positive at NOK 922.4 million). Cash flow from the disposal of the Drammensveien 149 property and some minor sections totalled NOK 704.1 million. Acquisition of and spending on investment property totalled NOK 1 211 million. The NOK 400 mil-

lion in remaining seller credit from the buyer of Norgani Hotels AS was redeemed in its entirety in 2013.

Net cash flow from financing activities was negative at NOK 588.1 million (2012: NOK 466.5 million). The company reduced interest-bearing debt by NOK 478.4 million during 2013, compared with NOK 752.1 million the year before. NOK 109.7 million was paid in dividend during 2013, compared with NOK 99.7 million the year before. The net change in cash and cash equivalents was negative at NOK 649 million (2012: positive at NOK 699.1 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 62.9 million (2012: NOK 712 million). In addition, the group had NOK 1 116 million in unused drawing rights at 31 December (2012: NOK 1 216 million). Total equity was NOK 5 057.4 million (2012: NOK 5 393.7 million), representing an equity ratio of 33.6 per cent (2012: 33.5 per cent). Carried equity per share came to NOK 9.22 (2012: NOK 9.83).

Interest-bearing debt at 31 December was NOK 8 947.4 million (2012: NOK 9 421.7 million). At 31 December, the average interest rate on the company's loans was 4.72 per cent (2012: 5.09 per cent). The average loan margin was 1.45 per cent (2012: 1.36 per cent). The average remaining term to maturity for the loans was 3.1 years (2012: 3.9 years).

The company had entered into net interest rate hedging contracts corresponding to a hedging ratio of 81 per cent (2012: 84 per cent). The average remaining term of the interest rate hedges was 4.6 years (2012: 5.7 years). The hedging is not subject to hedge accounting.

Properties

Commercial property

Norwegian Property has a portfolio comprising high-quality properties in the most central and attractive areas of Oslo and Stavanger, and is thereby well positioned to attract new tenants and retain existing ones. The group launched an extensive conversion programme embracing the properties at Aker Brygge and Drammensveien 134 at Skøyen in 2012 and 2013. Expected to extend over roughly four years, the work will periodically result in increased vacancy and reduced rental income for those parts of the portfolio affected by the project. When the new Aker Brygge has been completed, Norwegian Property will be able to offer leases for first-class premises in Oslo's most attractive area for offices, retailing, eating out and entertainment.

Gross rental income from the group's office premises totalled NOK 769.8 million (2012: NOK 925 million). The average remain-

ing term of the portfolio's leases at 31 December was seven years (2012: 5.7 years), and rents are adjusted annually by an average of 97.8 per cent of the CPI.

Norwegian Property has financially sound and attractive tenants from both private and public sectors. The 25 largest office tenants accounted for 76.5 per cent of annual rental income at 31 December 2013.

A total of 95 leases with an overall annual value of about NOK 185 million were awarded or renegotiated by the company during 2013. At 31 December, vacancy in the group's portfolio was affected by the development projects and amounted to 27.3 per cent, compared with 10.2 per cent a year earlier.

Office space in the current conversion projects at Stranden 1, 3 and 5 at Aker Brygge totals roughly 58 000 square metres. Long-term leases have been awarded for just under 46 500 square metres. Only 11 500 square metres of office space accordingly remain to be let in the refurbished properties. Virtually all retailing and restaurant space has either been leased or is awaiting the determination of final tenant composition. The Stranden 3 project will be completed on a continuous basis up to the summer of 2014, while work at Stranden 1 and 5 is due to be completed around the end of 2014.

Norwegian Property awarded a lease in June 2013 to Advokatfirmaet Wiersholm AS for office premises in Stranden 1 (the Terminal Building) at Aker Brygge. Running for 10 years from occupancy in the first quarter of 2015, the lease covers 11 170 square metres of office space.

Several large leases were awarded during 2013 in the Stranden 5 development project at Aker Brygge, with occupation when the project is completed during the first quarter of 2015. A 12-year lease was awarded in June to Kluge Advokatfirma DA for 3 600 square metres. Advokatfirmaet DLA Piper DA was awarded a 10-year lease in November covering just over 5 000 square metres. A lease was awarded in December to Grieg Gruppen relating to 1 700 square metres over 12 years.

Arkwright was awarded an 11-year lease for 1 397 square metres in the development project under completion in Stranden 3 at Aker Brygge. The Gjensidige Foundation secured a 12-year lease for 1 236 square metres.

No further leases were awarded for the development of blocks 1-4 at Drammensveien 134. A 12-year lease was awarded in 2012 to the Norwegian Public Service Pension Fund for 9 200 square metres of office space from the fourth quarter of 2014. The leased area represents in the order of a third of the overall area of the new building.

The Lysaker Torg 35 property was vacated by the former tenant

in the spring of 2013. By 31 December, a number of new leases had been awarded, and the building – which covers about 14 000 square metres – is fully leased. Vacancy was reduced for the portfolio in Nydalen during 2013, first and foremost owing to new leases awarded for Gullhaug Torg 3 and Maridalsveien 323.

Vacant space not associated with development projects at 31 December related primarily to Badehusgaten 33-39 in Stavanger, which covers 21 500 square metres in all. The former tenant vacated the building in 2013.

Valuation of the properties

The company's valuation process is based on quarterly external valuations, supplemented by internal analyses where the company makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. Based on this process, all the properties were valued on 31 December 2013 by two independent professional specialists. DTZ Realkapital and Akershus Eiendom valued all the properties. The company has concluded that the average of these valuations can be used as the basis for recognising the investment properties at fair value at 31 December 2013. 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 board and executive management have carried out independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. For one property, where an offer indication was received in 2012 and a final sales agreement was entered into in February 2013, the administration used the negotiated sales value as the basis. Where the other properties are concerned, the board has concluded that the external valuations provided a realistic valuation of the properties at 31 December in both 2012 and 2013. The total carried amount of the company's investment properties was NOK 14 762.6 million at 31 December 2013 (2012: NOK 14 852.5 million). Net disposal of properties and negative recognised fair value changes during the year are the principal reasons for the decline in value.

Events after the balance sheet date

Norwegian Property ASA accepted an offer in February for a NOK 600 million credit facility with Danske Bank and DNB. Established

as drawing rights until June 2015, this forms part of the group's general investment framework. In connection with establishing the facilities, Norwegian Property also accepted an offer of a temporary reduction in the covenants for interest cover in its two principal credit facilities up to and including the second quarter of 2015. Norwegian Property ASA will not pay dividend as long as the agreement on the adjusted interest cover lasts.

Parent company accounts and allocation of net profit

The parent company, Norwegian Property ASA, had a net profit of NOK 45.3 million in 2013 (2012: loss of NOK 436.5 million). The board proposes that the net profit for the year be transferred to other paid-in equity.

Given the temporary liquidity requirement related to the high level of conversion activity, the board will propose to the annual general meeting in April 2014 that no ordinary dividend be paid.

Corporate social responsibility

Overall guidelines

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

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

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

group and to the directors when they act on behalf of the company. The board is responsible for seeing to compliance with the guidelines.

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

The natural environment

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

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

Some key measures and goals include:

- :: energy class A buildings where possible, minimum class B
- :: construction with environment-friendly materials
- :: waste sorting
- :: measures to reduce water consumption
- :: use of materials and technical solutions which cut energy consumption
- :: pursuing local developments which create added value for society
- :: creating good accessibility to public transport
- :: a seawater pump to reduce energy consumption and carbon emissions by 75 per cent at Aker Brygge.

The overall ambition of the environmental goals for 2012-15 is that Norwegian Property will be one of Norway's leading property companies for creating sustainable growth, a better society and reduced resource consumption by paying attention to integrated solutions and the forward-looking use of architecture, aesthetics, technology and materials.

Where existing buildings are concerned, the strategy involves:

- :: a 30 per cent reduction in energy consumption
- :: more than 30 per cent cut in carbon emissions
- :: over 80 per cent waste sorting in the buildings
- :: 5 per cent reduction in water consumption
- :: the consumer satisfaction index for the company's environmental image and social responsibility to exceed 70 by 2015.

For new buildings, the strategy involves:

- :: more than 80 per cent waste sorting on building sites
- :: only water-borne heating, for flexibility in using alternative energy sources
- :: 30 per cent reduction in energy consumption during construction projects
- :: minimum Breeam "very good" and class B buildings, if possible "excellent" and class A
- :: lost-time injury (LTI) frequency per million working hours of less than five in all construction and rehabilitation projects.

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

Attention was primarily concentrated in 2012 and 2013 on analyses, assessment and implementation of measures, and making provision for measurement and follow-up. More detailed reporting on environmental effects achieved in relation to the targets is expected to be available from 2014.

Combating corruption

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

and society in general.

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

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

The company's reputation depends on the behaviour of its employees. These are expected to conform with the company's base values by behaving responsibly towards colleagues, business contacts and society in general.

Norwegian Property expects its employees to discharge their duties in accordance with their own best objective judgement in all matters affecting the company. To preserve the independence of their judgements and actions, they must avoid what are or could be conflicts of interest on the basis of financial or personal self-interest.

The company requires all its employees to act at all times with the greatest integrity and to treat everyone they come into contact with in an equitable manner and with respect. Norwegian Property rejects corruption, bribery and other conditions which reduce competition or give advantages to the company or its employees. Its personnel must not accept gifts which could affect their own integrity or decisions or those of others, or which could be perceived to do so. Norwegian Property's employees must not work on behalf of the company on matters where they have personal interests, or where others could perceive such interests.

Norwegian Property has prepared detailed processes for procurement covering the whole process from identifying a need to implementing a purchase. One purpose of these processes is to help limit opportunities for corruption related to procurement. This is achieved in part by documented processes and the highest possible degree of work sharing, and by requirements on who can be used as suppliers. Norwegian Property seeks to utilise suppliers with comparable ethical standards and attitudes. Suppliers represent Norwegian

Property, and those it collaborates with must according conform with its core values. The following minimum standards are set for suppliers and possible sub-suppliers:

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

StartBANK is a joint supplier register used by purchasers in Norway's construction, public administration, insurance and property sectors to support serious suppliers and provide updated and checked supplier information. With 3 600 suppliers evaluated on the basis of predetermined approval criteria, StartBANK provides an equitable, open and secure solution for selecting reliable suppliers. This gives suppliers the opportunity to compete on equal terms, contributes to the use of serious players, and creates new business opportunities for both purchasers and suppliers. StartBANK was established on the basis of a pilot project called Serious in the Construction Sector, launched in 2005 as a collaboration between the Federation of Norwegian Building Industries, the Norwegian government and Achilles. It is continuously developed to meet the increasingly demanding legal guidelines and requirements for risk management in the construction industry.

Compliance with the guidelines implemented to combat corruption is checked. In late 2013, for example, a relationship analysis was conducted by comparing internal and external data for employees, suppliers and so forth in order to uncover possible risky links for further investigation.

Norwegian Property found no evidence of corruption or attempted corruption in its business during 2013.

Employee rights and social conditions

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

- :: reliable
- :: proactive
- :: innovative
- :: collaborative.

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

Continuous efforts are devoted to knowledge development in the form of tailored training, so that each employee can fully master their job and develop in step with changing requirements. Continuous learning is an important tool for good enterprise management. 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 has participated in the Great Place to Work (GPW) survey to benchmark the group against the best companies both in Norway and internationally. GPW measures how far Norwegian Property's employees regard it as an attractive workplace. Conducted in 2012, the most recent survey gave the company a good result in both national and international contexts.

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

The group had 56 employees at 31 December, compared with 53 a year earlier. Nineteen of the company's 56 employees are female and 36 are male. The executive management comprises five people, of whom one is a woman and four are men.

Norwegian Property observes established standards of working life, and will comply with all requirements enshrined in relevant legislation. The group seeks to apply working methods which ensure good working conditions, with high standards of HSE. Day-to-day operations take account of HSE considerations. These are important for Norwegian Property because the group is dependent on maintaining high standards for the health and well-being of its em-

ployees in order to succeed. Its strategy involves zero tolerance of serious personal injuries suffered in relation to Norwegian Property's properties and areas of responsibility.

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

Sickness absence is an important HSE indicator. The total recorded for 2013 at Norwegian Property was 2.7 per cent, compared with 1.9 per cent in 2012.

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

Human rights

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

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

Executive management

Bjørn Holm was recruited in 2013 as director of development in succession to Fredrik Baumann, who left the company. Holm has long experience from the construction and property sector, including with

NCC Norge AS and Hæhre Bygg AS. His most recent post was as head of projects and development at Entra Eiendom AS. No other changes in the executive management occurred in 2013.

Board of directors

No changes occurred to the board in 2013. Nils K Selte was elected chair for a two-year term by the annual general meeting in 2012. The same meeting elected Gunnar Bøyum as a director for a two-year term. Synne Syrrist, Jon Erik Brøndmo and Gry Mølleskog were re-elected for two-year terms.

Shareholders

Norwegian Property had 1 547 shareholders at 31 December, down by 213 from the same time in 2012 (1 760 shareholders). Foreigners owned 64.2 per cent of the shares, compared with 60.3 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in the investor relations area of the company's website.

Corporate governance

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

- :: the company will treat all shareholders equally
- :: the interests of the shareholders in general will be protected
- :: the company will provide full, accurate and correlated information about its operations at the right time, and present it simultaneously and with the same content to all recipients
- :: the division of roles between owners, board and executive management will preserve their independence and prevent conflicts of interest
- :: transactions with close associates will be conducted on an arm's-length basis

:: compliance with the applicable code of practice for good corporate governance will be based on the "comply or explain" principle.

A detailed presentation of the company's corporate governance, including a presentation of its internal controls, is provided at www.npro.no, in accordance with the Norwegian code of practice for corporate governance.

Outlook

While the international economy is showing evidence of a more positive trend, with the USA taking the lead, some signs of a certain slowing down can be seen in the Norwegian economy. The expected growth in employment is thereby somewhat lower than earlier estimated. However, new construction activity remains low and the start-up of new commercial building projects is limited. Forecasts for the office market accordingly suggest stable or declining vacant space, which indicates in turn stable development in the

letting market and limited risk of a fall in rents. Continued improvement in capital availability and a robust transaction market also suggest a stable trend for the value of commercial property.

Norwegian Property focuses on high-quality properties close to traffic hubs in the most central and attractive areas of Oslo and Stavanger. The group is pursuing a substantial investment programme with its properties, particularly at Aker Brygge and Skøyen, in order to modernise its property portfolio and meet the requirements of the best-paying tenants for new premises. Tenant requirements for premises are increasingly characterised by a concentration on high quality, functionality and energy efficiency. The company is currently involved in its most demanding project phase, with parallel rehabilitation projects in four of its largest properties (Stranden 1, Stranden 3, Stranden 5 and Drammensveien 134, blocks 1-4). Upgrading and conversion work is also under way at several of the company's other properties. The amount of space not generating rental income was accordingly substantially higher at 31 December 2013 than it has been historically. At the same time, however,

leases have been awarded for many of the converted premises.

The company has worked systematically in recent years to strengthen its financial position. These efforts have been continued during 2013 and at the beginning of 2014 to ensure competitive financial terms and the ability to execute the group's rehabilitation projects.

Norwegian Property is paying close attention to project execution and management. At the same time, work on leasing vacant space in the portfolio and premises being completed in connection with the extensive upgrading projects is the top priority. Rental income is expected to rise gradually during 2014 and early 2015 in step with the completion of the development projects and the phasing-in of the leases which have been awarded. However, the company's financial results will continue to be affected for a time by strategic vacancy and the execution of the current development projects.

Oslo, 13 February 2014

The board of directors for Norwegian Property ASA



Nils K. Selte
Chair



Synne Syrrist
Deputy chair



Gry Mølleskog
Director



Jon Erik Brøndmo
Director



Gunnar Bøyum
Director



Olav Line
CEO

Income statement 1 Jan-31 Dec

Consolidated

(Amounts in NOK million)	Note	2013	2012
Continued operations			
Gross income		769.8	925.0
Maintenance and other operating expenses		(58.0)	(60.5)
Other property-related expenses		(64.1)	(41.8)
Total property-related expenses		(122.1)	(102.3)
Administrative expenses	18,19	(60.7)	(72.2)
Total operating expenses		(182.8)	(174.5)
Operating profit before value adjustments		586.9	750.5
Change in market value of investment property	7	(562.6)	(70.7)
Other profit/(loss)		2.7	-
Operating profit		27.0	679.7
Financial income	20	20.0	40.3
Financial cost	20	(432.6)	(513.2)
Realised net financial items		(412.5)	(472.9)
Change in market value of financial derivative instruments	10,11	97.9	(225.5)
Net financial items		(314.6)	(698.4)
Profit/(loss) before income tax		(287.6)	(18.7)
Income tax	17	56.7	(106.2)
Profit/(loss)		(230.9)	(124.9)
Profit/(loss) attributable to non-controlling interests		-	-
Profit/(loss) attributable to shareholders of the parent company		(230.9)	(124.9)
Earnings per share attributable to shareholders (amounts in NOK) ¹	21	(0.42)	(0.25)

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

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

Comprehensive income statement 1 Jan-31 Dec

Consolidated

(Amounts in NOK million)	2013	2012
Profit/(loss) for the year	(230.9)	(124.9)
Gain/(loss) on financial derivative instruments	-	(1.7)
Income tax related to comprehensive income	-	0.5
Value adjustment of owner-occupied property	4.3	2.2
Total other comprehensive income for the year	4.3	1.0
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax	-	-
Total comprehensive income for the year	(226.6)	(123.9)
Total comprehensive income attributable to shareholders of the parent company	(226.6)	(123.9)
Total comprehensive income attributable to non-controlling interests	-	-

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

Balance sheet at 31 December

Consolidated

(Amounts in NOK million)	Note	2013	2012
ASSETS			
Non-current assets			
Financial derivative instruments	11	15.6	5.1
Investment property	7	14 709.9	14 113.2
Owner-occupied property	7	52.7	45.5
Other fixed assets	8	52.2	18.7
Receivables	10	-	400.0
Total non-current assets		14 830.4	14 582.5
Current assets			
Other receivables	13	153.2	103.6
Cash and cash equivalents	3	62.9	712.0
Total current assets		216.1	815.6
Investment property held for sale	7	-	693.7
TOTAL ASSETS		15 046.5	16 091.9

(Amounts in NOK million)	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital	14	274.2	274.2
Share premium		3 412.2	3 412.3
Other paid-in equity		6 440.1	6 440.1
Retained earnings		(5 069.1)	(4 732.8)
Total equity		5 057.4	5 393.7
Non-current liabilities			
Deferred tax	17	160.3	217.0
Financial derivative instruments	11	602.2	767.1
Interest-bearing debt	16	8 917.4	8 443.0
Non-current liabilities		9 679.9	9 427.0
Current liabilities			
Financial derivative instruments	11	0.3	4.4
Interest-bearing debt	16	30.0	978.7
Other liabilities	15	278.9	288.1
Total current liabilities		309.2	1 271.2
Total liabilities		9 989.1	10 698.2
TOTAL EQUITY AND LIABILITIES		15 046.5	16 091.9

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

Oslo, 13 February 2014

The board of directors for Norwegian Property ASA



Nils K. Sette
Chair



Synne Syrrist
Deputy chair



Gry Mølleskog
Director



Jon Erik Brøndmo
Director



Gunnar Bøyum
Director



Olav Line
CEO

Statement of changes in equity

Consolidated

<i>(Amounts in NOK million)</i>	Share capital	Share premium	Other paid-in equity	Retained earnings	Other reserves ¹	Total equity
Total equity 31 December 2011	249.3	3 048.2	6 440.1	(4 510.4)	1.2	5 228.4
Profit/(loss) for the year	-	-	-	(124.9)	-	(124.9)
Other comprehensive income for the year	-	-	-	2.2	(1.2)	1.0
Total comprehensive income for the year	-	-	-	(122.7)	(1.2)	(123.9)
Capital increase	24.9	373.9	-	-	-	398.8
Equity issue cost, net of tax	-	(9.6)	-	-	-	(9.6)
Paid dividend	-	-	-	(99.7)	-	(99.7)
Purchase of treasury shares ²	(0.1)	(1.1)	-	-	-	(1.2)
Sale of own shares ²	0.1	0.9	-	-	-	1.0
Total contributions by and distributions to owners of the parent	24.9	364.1	-	(99.7)	-	289.3
Total equity 31 December 2012	274.2	3 412.3	6 440.1	(4 732.8)	-	5 393.7
Profit/(loss) for the year	-	-	-	(230.9)	-	(230.9)
Other comprehensive income for the year	-	-	-	4.3	-	4.3
Total comprehensive income for the year	-	-	-	(226.6)	-	(226.6)
Paid dividend	-	-	-	(109.7)	-	(109.7)
Total contributions by and distributions to owners of the parent	-	-	-	(109.7)	-	(109.7)
Total equity 31 December 2013	274.2	3 412.3	6 440.1	(5 069.1)	-	5 057.4

¹ Other reserves include hedging reserves.

² In connection with the stock purchase plan for employees in 2012, the company purchased 150 000 shares at an average price of 7.94. The company has sold 128 764 shares to employees for an average price of 7.46. Remaining holding of own shares by the end of 2013 is 21 236 shares.

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

Cash flow statement 1 Jan-31 Dec

Consolidated

<i>(Amounts in NOK million)</i>	Note	2013	2012
Profit/(loss) before income tax for continued operations		(287.6)	(18.7)
Net financial items	11, 20	314.6	698.4
Interest received	20	20.0	40.3
Interest paid	15, 20	(424.7)	(519.6)
Other financial expenses paid	11	(81.5)	(105.9)
Exchange gains/losses	20	0.1	-
Depreciation of tangible assets	7, 8	6.0	4.5
Change in market value of investment property	7	562.6	70.7
Change in current items		(63.7)	73.5
Net cash flow from operating activities		45.9	243.2
Payments for purchase and development of investment property	7, 8	(1 211.0)	(1 175.1)
Received cash from sale of investment property	7	704.1	1 897.5
Received from payment of interest-bearing receivable (seller's credit)	10	400.0	200.0
Net cash flow from investing activities		(106.9)	922.4
Net repayment of interest-bearing debt	16	(2 693.4)	(2 096.1)
Proceeds from increase in interest bearing liabilities	16	2 215.0	1 344.0
Capital increase	14	-	385.5
Paid dividend	22	(109.7)	(99.7)
Purchase of treasury shares		-	(0.3)
Net cash flow from financial activities		(588.1)	(466.5)
Net change in cash and cash equivalents		(649.0)	699.1
Cash and cash equivalents at the beginning of the period	3	712.0	15.6
Exchange rate effects	20	(0.1)	(2.7)
Cash and cash equivalents at the end of the period	3	62.9	712.0

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

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

Notes to the annual accounts

Consolidated

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NOTE 1 General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 41 properties in Oslo and Stavanger at 31 December 2013.

Via Oslo Properties, Norwegian Property took over all the shares in the previously listed Norgani Hotels group in 2007 and 2008. Norgani Hotels owned 73 hotel properties and a convention centre in Sweden, Norway, Finland and Denmark at the beginning of 2010. Norgani Hotels was sold in the autumn of 2010.

The financial statements are approved by the Board on 13 February 2014 for final approval by the General Meeting on 10 April 2014.

NOTE 2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and effective as of 31 December 2013, and additional requirements according to the Norwegian Accounting Act as of 31 December 2013.

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

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise

judgments in the process of applying the group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in [Note 5](#).

The following standards have been considered and adopted by the group for the first time for the financial year beginning on or after 1 January 2013 if they have a material impact on the group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group has no defined benefit arrangements and the changes have not affected the financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The change has not affected the group's financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the

net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has no investments in joint arrangements and the changes have not affected the financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The disclosure requirements are relevant to the group's investments in subsidiaries.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statement.

Amendments to IAS 36, 'Impairment of Assets', applies to information about the recoverable amount of non-financial assets. The amendment removed some disclosure requirements relating to the recoverable amounts of cash-generating units introduced (by accident) by the publication of IFRS 13. The change is not mandatory before 1 January 2014, and is not expected to significantly impact the financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial

liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact. The group will also consider the impact of the remaining phases of IFRS 9 when completed.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The group is not currently subjected to significant levies so the impact on the group's financial statements is not material.

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

2.2 Consolidation

a) Subsidiaries

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

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

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

the income statement at the date of acquisition.

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

(b) Transactions and minority interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Investment property

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

leases in the light of current market conditions.

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

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

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

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

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

2.6 Property, plant and equipment

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

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

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

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets

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

2.9 Derivative financial instruments and hedging activities

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

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

(a) Derivatives not included as hedge accounting

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

(b) Cash flow hedge

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

Amounts accounted for in comprehensive income are

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at the time remains in comprehensive income and is reversed when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in comprehensive income is immediately transferred to the income statement under 'changes in market value of financial derivatives'.

2.10 Trade receivables

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

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

2.11 Cash and cash equivalents

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

2.12 Share capital and share premium

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

2.13 Trade payables

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of

transaction costs) and the redemption value is recognised in the income statement over the duration of the borrowings.

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

2.15 Deferred income tax

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

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

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

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

2.16 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue comprises the fair value of the consideration received for the services in the ordinary course of the group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the group. Costs related to shared services are recognized in the balance sheet on payments from the tenant and does not affect the result. Final settlement of shared services costs are made after the balance sheet date.

(a) Rental income

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

(b) Other income

Other income is recognised as it is earned.

2.17 Dividend distribution

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

2.18 Interest expense

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

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

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

2.19 Pensions

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

NOTE 3 Financial risk management

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

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

3.1 Market risk

Foreign exchange risk

After the sale of Norgani Hotels in the autumn of 2010, the group no longer operates internationally and its exposure to currency risk is limited to a lease agreement in foreign currency. For 2013, 4.4 per cent (NOK 34 million) of Norwegian Property's rental income are in EUR (2012: 3.5 per cent, NOK 33 million), and in practice all operational costs. This means that the group at the end of 2013 has minimal exposure to currency risk. The group has entered into a hedging agreement to reduce its exposure in foreign currencies.

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

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2013	EUR	(17.1)	(3.6)	(3.8)	(9.6)	-
2012	EUR	(20.6)	(3.6)	(3.6)	(12.3)	(1.1)

Price risk

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The average duration of rental contracts at 31 December 2013 was 7.0 years (2012: 5.7 years).

Rental agreements for commercial properties secure a fixed revenue during the lease term. The majority of leases have a 100 per cent CPI adjustment clause allowing the company to adjust rents in line with CPI changes. The company seeks to secure such regulation clauses in all new leases. CPI regulation in 2013 was 2.4 per cent for leases regulated in October and 2.5 per cent for leases regulated in November, which increased annual rental income at the end of 2013 by NOK 18 million. Rent related to the shopping centre at Aker Brygge in Oslo is partly revenue-based.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property has a policy of hedging a minimum of 70 per cent of floating rate loans outstanding. At 31 December, 81 per cent of such loans (including interest-bearing receivables and cash) were hedged (2012: 84 per cent).

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 7.2 billion at 31 December (2012: NOK 10.0 billion). The average credit margin on floating rate borrowings at 31 December 2013 was 145 basis points (2012: 136 basis points). The average basis rate of the loan portfolio at 31 December 2013 was 4.68 per cent (2012: 5.09 per cent). The average remaining maturity of hedging agreements was 5.4 years (2012: 5.7 years). Notional principal amounts and the duration for the group's total portfolio of interest rate hedges at 31 December are specified in local currencies (million) in the table below (see also [Note 11](#)).

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2013	NOK	(9 378.0)	(1 050.0)	(973.0)	(4 505.0)	(2 850.00)
2012	NOK	(9 987.9)	(912.8)	(300.0)	(3 609.0)	(5 166.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2013 and all other variables constant, this would constitute a change in annual interest expense on unsecured lending portfolio of NOK 4 million and a change in the value of interest rate swaps of NOK 90 million.

3.2 Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sum equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2013 and 2012 has been limited. The group's trade receivables at the balance sheet date are entirely in NOK.

3.3 Liquidity risk

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

(Amounts in NOK million)	2013	2012
Cash and cash equivalents	62.9	712.0
- of which restricted cash and cash equivalents	(3.0)	(2.9)
Available cash and cash equivalents	59.9	709.1
Unused credit and overdraft facilities	1 116.0	1 216.0
Liquidity reserve	1 175.9	1 925.1

As described above, the group has a high level of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes, changes in exchange rates, buyout of derivatives and gain/loss from sale of properties), for both 2013 (NOK 174 million) and 2012 (NOK 280 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. Amounts in the table are undiscounted cash flows (NOK million).

31 December 2013	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	8 947.4	8 976.3	40.1	3 626.4	5 309.8	-
Financial derivatives, net liability ²	586.9	1 033.0	187.4	201.3	487.9	156.4
Other liabilities ³	278.9	224.1	224.1	-	-	-

31 December 2012	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	9 421.7	9 454.7	987.6	53.6	4 028.2	4 385.3
Financial derivatives, net liability ²	766.4	1 026.8	163.8	170.2	445.5	247.4
Other liabilities ³	288.1	200.5	200.5	-	-	-

¹ The difference between the capitalised amount and expected cash flow reflects activated costs.

² Expected cash flow calculated as total interest in the contract period based on interest rates at the end of the year.

³ The difference between carrying value and expected cash flow due to deferred revenue.

3.4 Capital risk management

The group's objectives relating to capital management is to ensure continued operation, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The main objective of the group's capital management is to maintain a good balance between debt and equity. The group must have a satisfactory equity ratio, but where the main focus is related to the debt ratio (loan-to-value/LTV). The LTV ratio is calculated as gross debt less cash and interest-bearing receivables divided by gross property value. The group's goal is to have a debt ratio not exceeding 65 percent. The LTV ratio at year end is specified in the table below. According to the group's loan agreements the LTV ratio should not exceed 80 per cent. The size of the instalments is determined by the level of the LTV. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2012 and 2013. To change the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts in NOK million)	2013	2012
Long-term interest-bearing liabilities	8 917.4	8 443.0
Short-term interest-bearing liabilities	30.0	978.7
Capitalised borrowing cost deducted from the interest-bearing liabilities	28.9	33.0
Cash and cash equivalents	(62.9)	(712.0)
Interest-bearing seller's credit	-	(400.0)
Gross interest-bearing liabilities	8 913.4	8 342.7
Gross property value	14 762.6	14 852.5
Loan-to-value (per cent)	60.4	56.2

NOTE 4 Determination of fair value

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

Investment property

According to the group's valuation process the finance and investment department is responsible for preparation of valuation of investment property for use in the financial accounts. The finance and investment department by the CFO is responsible for that all of the group's investment properties are valued at fair value quarterly. The company's valuation process is based on external valuations, supplemented by internal analysis where the company makes an assessment and determine whether the external valuations give an accurate picture of the fair value of the investment properties. There are performed regular inspections and technical reviews of all properties. The valuations are reviewed quarterly as a key part of the audit committee's quality assurance of the period- and annual accounts. Based on this valuation process all properties were valued by two independent, professional valuers at 31 December 2013. DTZ Realkapital and Akershus Eiendom have prepared a valuation of all properties. The company has concluded that an average of the valuations may be used as basis for accounting of investment properties at fair value at the end of 2013. See also [Note 5](#) for critical accounting estimates and judgements.

Financial instruments and derivatives

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

Cash and cash equivalents

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

Interest-bearing liabilities

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

Accounts receivable/other receivables and trade payables/other liabilities

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

Derivatives

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

NOTE 5 Critical accounting estimates and judgements

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

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

Fair value of investment properties

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

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 2.00 to 2.50 per cent in the calculation period). Cash flows from current leases are discounted with individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of properties and tenants. Current rent is discounted on the basis of discount rates in the interval 5.50-10.00 per cent, based on individual assessments of the single properties. Future rent and residual value is discounted using discount rates in the range of 5.50 to 11.50 per cent.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, market rent and operating costs for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2013, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change ¹
Exit yield	+ 0.25 per cent	(404)
Discount rate	+ 0.25 per cent	(372)
Operating costs	+ NOK 25 per sqm	(330)
Market rent	+ 10 per cent	1 309

¹ The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2013.

Fair value of financial derivatives

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

NOTE 6 Segment information

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

NOTE 7 Investment property and owner-occupied property

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

(Amounts in NOK million)	2013	2012
Total value of investment property at 1 January	14 852.5	15 655.0
Disposals of properties at book value ¹	(693.7)	(1 893.4)
Additions through acquisition of properties	-	740.2
Additions through on-going investments	1 138.6	420.8
Capitalized borrowing costs	33.8	3.8
Total fair value adjustment of investment property	(562.6)	(70.7)
Fair value adjustment of properties sold included in total fair value adjustment ¹	(9.2)	(4.4)
Fair value adjustment of owner-occupied property	3.4	1.4
Total value of investment property at 31 December	14 762.6	14 852.5
Of which investment property held for sale ²	-	(693.7)
Total book value for all properties at 31 December	14 762.6	14 158.8
Owner-occupied property (see specification below)	(52.7)	(45.5)
Total book value of investment property at 31 December	14 709.9	14 113.2

¹ Disposals in 2013 apply to Drammensveien 149 and a smaller area in connection with the Maridalsveien 323 property. Similarly for 2012 apply to Ibsenkvartalet (C. J. Hambros Plass 2) and Middelthunsgate 17.

² In 2012, Norwegian Property received an indicative offer for the property Drammensveien 149 at Skøyen in Oslo. In February 2013, Norwegian Property entered into an agreement to sell the property. The transaction includes the existing property that Norwegian Property acquired in connection with the establishment of the group in 2006, and the neighbouring property acquired in 2012. The sales value amounts to NOK 693.7 million. The property is in the accounts at the end of 2012 valued at estimated realizable value and classified as assets held for sale.

Rental income and property expenses relating to investment properties are stated in the income statement (continuing operations).

At the end of 2013, 27.3 per cent (10.2 per cent) of total property space are vacant. Of the total vacant rate is 16.6 per cent (6.7 per cent) related to space not available for rent because of ongoing development projects. Operating expenses for vacant space totals NOK 34.8 million for 2013 (NOK 17.8 million).

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

Contractual obligations for construction contracts related to investment property totals NOK 1 552 million at the end of the year (NOK 474 million).

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

<i>(Amounts in NOK million)</i>	2013	2012
Opening balance 1 January	45.5	28.2
Addition by transfer from investment property to owner-occupied property	52.9	15.9
Disposal by discontinuance of owner-occupied property	(49.2)	-
Fair value adjustment of owner-occupied property, comprehensive income	3.4	1.4
Book value of owner-occupied property at 31 December	52.7	45.5
Accumulated acquisition costs at 31 December	52.9	41.5
Accumulated depreciation at 31 December	0.5	1.1

The table below shows the fair value of properties.

<i>(Amounts in NOK million)</i>	Determination of fair value using			Total estimated fair value
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	
Investment property	-	-	14 709.9	14 709.9
Owner-occupied property	-	-	52.7	52.7
Investment property held for sale	-	-	-	-
Total value of properties at 31 December 2013	-	-	14 762.6	14 762.6
Investment property	-	-	14 113.2	14 113.2
Owner-occupied property	-	-	45.5	45.5
Investment property held for sale	-	-	693.7	693.7
Total value of properties at 31 December 2012	-	-	14 852.5	14 852.5

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

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

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

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2012 or 2013.

NOTE 8 Other fixed assets

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

<i>(Amounts in NOK million)</i>	Other fixed assets	Energy distribution system (Aker Brygge)	Total
Acquisition costs			
At 31 December 2011	17.4	-	17.4
Additions 2012	10.5	-	10.5
At 31 December 2012	27.9	-	27.9
Additions 2013	7.5	29.0	36.5
Disposals 2013	(2.0)	-	(2.0)
At 31 December 2013	33.4	29.0	62.4
Accumulated depreciation			
At 31 December 2011	5.5	-	5.5
Additions 2012	3.7	-	3.7
At 31 December 2012	9.2	-	9.2
Additions 2013	1.5	-	1.5
Disposals 2013	(0.6)	-	(0.6)
At 31 December 2013	10.2	-	10.2
Book value			
At 31 December 2012	18.7	-	18.7
At 31 December 2013	23.2	29.0	52.2

The company uses linear depreciations. The economic life of the assets is set at four years for IT equipment, five years for licenses, cars and furnishings and seven years for other equipment. The energy centre at Aker Brygge will be depreciated from 2014.

NOTE 9 Operating leases

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

<i>(Amounts in NOK million)</i>	2013	2012
Within 1 year	733.8	764.8
Between 1 and 5 years	3 409.7	2 929.0
Later than 5 years	1 908.7	1 423.4
Total	6 052.3	5 117.2

NOTE 10 Financial instruments

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

At 31 December 2013

(Amounts in NOK million)	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	Total ¹
Financial assets						
Long-term derivatives	15.6	-	-	-	-	15.6
Short-term receivables	-	-	79.8	-	73.4	153.2
Cash and cash equivalents	-	-	62.9	-	-	62.9
Financial liabilities						
Long-term derivatives	602.2	-	-	-	-	602.2
Long-term interest-bearing debt	-	-	-	8 917.4	-	8 917.4
Short-term derivatives	0.3	-	-	-	-	0.3
Short-term interest-bearing debt	-	-	-	30.0	-	30.0
Short-term liabilities	-	-	-	224.1	54.8	278.9
Profit/loss related to financial instruments						
Financial income	-	-	20.0	-	-	20.0
Financial cost	-	-	-	(432.6)	-	(432.6)
Change in market value of financial instruments	97.9	-	-	-	-	97.9
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income, before tax	-	-	-	-	-	-

At 31 December 2012

Financial assets						
Long-term derivatives	5.1	-	-	-	-	5.1
Long-term receivables	-	-	400.0	-	-	400.0
Short-term receivables	-	-	52.3	-	51.3	103.6
Cash and cash equivalents	-	-	712.0	-	-	712.0
Financial liabilities						
Long-term derivatives	767.1	-	-	-	-	767.1
Long-term interest-bearing debt	-	-	-	8 443.0	-	8 443.0
Short-term derivatives	4.4	-	-	-	-	4.4
Short-term interest-bearing debt	-	-	-	978.7	-	978.7
Short-term liabilities	-	-	-	200.5	87.6	288.1
Profit/loss related to financial instruments						
Financial income	-	-	40.3	-	-	40.3
Financial cost	-	-	-	(513.2)	-	(513.2)
Change in market value of financial instruments	(225.5)	-	-	-	-	(225.5)
Gain/loss recognised in comprehensive income						
Recognised in comprehensive income, before tax	-	(1.7)	-	-	-	(1.7)

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

(Amounts in NOK million)	31 December 2013		31 December 2012	
	Book value	Fair value	Book value	Fair value
Long-term derivatives	15.6	15.6	5.1	5.1
Long-term receivables	-	-	400.0	416.7
Short-term receivables	79.8	79.8	52.3	52.3
Cash and cash equivalents	62.9	62.9	712.0	712.0
Total financial assets	158.3	158.3	1 169.4	1 186.1
Long-term derivatives	602.2	602.2	767.1	767.1
Long-term receivables	8 917.4	8 917.4	8 443.0	8 388.2
Short-term derivatives	0.3	0.3	4.4	4.4
Short-term interest-bearing debt	30.0	30.0	978.7	927.1
Short-term liabilities	224.1	224.1	200.5	200.5
Total financial liabilities	9 774.0	9 774.0	10 393.6	10 287.2

Book value of financial instruments in the group's balance sheet is evaluated to provide a reasonable estimate of fair value, except for interest-bearing seller's credit (receivable) and interest-bearing debt. Fair value of interest-bearing debt is described in [Note 16](#). The interest-bearing seller's credit on initial NOK 600 million was given to the purchaser of Nor-gani Hotels in 2010, with a fixed annual interest rate of 5 percent and a maturity of two years from the date of the sale of 200 NOK million (repaid in 2012) and five years for NOK 400 million (early repaid in 2013). The estimated fair value of future cash flows for the sellers' credit at 31 December 2012 amounted to NOK 416.7 million. Fair value for the seller's credit was evaluated based on other significant non-observable input (level 3), where the valuation is based on information that is not observable according to quoted prices in active markets for identical assets (level 1) or other observable market information (level 2). The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2013.

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

NOTE 11 Derivatives

Specification of derivatives in the financial statement

The group is subject to interest rate risk related to floating rate loans. As described in [Note 3](#) the policy is to hedge a minimum of 70 per cent of floating rate loans outstanding. Currency swap agreements are used to secure a small number of leases in foreign currency (see [Note 3](#)).

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

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
<i>(Amounts in NOK million)</i>				
Interest rate contracts, not included as hedge accounting	-	586.6	-	762.0
Exchange rate contracts, not included as hedge accounting	15.6	15.6	5.1	5.1
Derivatives, non-current assets/-liabilities	15.6	602.2	5.1	767.1
Interest rate contracts, not included as hedge accounting	-	0.3	-	4.4
Derivatives, current assets/-liabilities	-	0.3	-	4.4
Total derivatives	15.6	602.5	5.1	771.5
Net financial derivatives in the balance sheet		(586.9)		(766.4)

No inefficiencies related to hedge accounting were accounted for in 2013 and 2012.

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

<i>(Amounts in NOK million)</i>	2013	2012
Net book value of derivatives, 1 January	(766.4)	(645.1)
Fair value adjustments of derivatives included as hedge accounting	-	(1.7)
Buyout of derivatives not included as hedge accounting	81.5	105.9
Net fair value adjustments of derivatives during the year	97.9	(225.5)
Net book value of derivatives, 31 December	(586.9)	(766.4)

Interest rate derivatives

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

<i>(Amounts in NOK million)</i>	Currency	2013	2012
Notional principal amount	NOK	9 378.0	9 987.8

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

Foreign exchange derivatives

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

<i>(Amounts in EUR million)</i>	Currency	2013	2012
Notional principal amount	EUR	(17.1)	(20.6)

Fair value derivatives

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

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

<i>(Amounts in NOK million)</i>	Determination of fair value at 31 December 2012 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Derivatives, assets	-	5.1	-	5.1
Liabilities				
Derivatives, liabilities	-	771.5	-	771.5
Total	-	(766.4)	-	(766.4)

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

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

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

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2012 or 2013.

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

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

At 31 December 2013

(Amounts in NOK million)	Gross financial assets/liabilities	Gross financial assets/liabilities presented net	Book value	Financial instruments	Security in cash	Net amount
Assets						
Long-term derivatives, assets	15.6	-	15.6	(15.6)	-	-
Total	15.6	-	15.6	(15.6)	-	-
Liabilities						
Long-term derivatives, liabilities	602.2	-	602.2	(15.6)	-	586.6
Short-term derivatives, liabilities	0.3	-	0.3	-	-	0.3
Total	602.5	-	602.5	(15.6)	-	586.9

At 31 December 2012

Assets						
Long-term derivatives, assets	5.1	-	5.1	(5.1)	-	-
Total	5.1	-	5.1	(5.1)	-	-
Liabilities						
Long-term derivatives, liabilities	767.1	-	767.1	(5.1)	-	762.0
Short-term derivatives, liabilities	4.4	-	4.4	-	-	4.4
Total	771.5	-	771.5	(5.1)	-	766.4

NOTE 13 Current receivables

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

(Amounts in NOK million)	2013	2012
Accounts receivable	82.6	53.3
Provision for impairment of receivables	(2.8)	(1.0)
Net accounts receivable	79.8	52.3
Other current receivables	73.4	51.3
Total current receivables	153.2	103.6

There are no material legal claims or disputes regarding service and/or maintenance costs to the group at the date of this report.

NOTE 14 Share capital and shareholders

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

Changes in share capital and average number of shares

Date	Type of change	Changes in share capital (NOK)	Share capital after change (NOK)	No of shares after change	Face value (NOK)	Price per share (NOK)
20.07.05	Incorporation	-	100 000	1 000	100.00	100.00
26.04.06	Share split	-	100 000	4 000	25.00	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25.00	50.00
22.05.06	Impairment	100 000	875 000 000	35 000 000	25.00	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25.00	50.00
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25.00	50.00
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25.00	50.00
30.06.06			1 592 453 050	63 698 122	25.00	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25.00	50.00
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25.00	50.00
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25.00	50.00
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25.00	50.00
30.09.06			1 787 823 225	71 512 929	25.00	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25.00	50.00
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25.00	53.50
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25.00	50.00
31.12.06			2 462 823 225	98 512 929	25.00	
29.03.07	Private placement	174 216 025	2 637 039 250	105 481 570	25.00	71.75
31.12.07			2 637 039 250	105 481 570	25.00	
17.06.08	Private placement	2 403 846 150	5 040 885 400	201 635 416	25.00	26.00
31.12.08			5 040 885 400	201 635 416	25.00	
24.06.09	Depreciation of face value	(4 940 067 692)	100 817 708	201 635 416	0.50	-
27.08.09	Private placement	100 817 708	201 635 416	403 270 832	0.50	6.00
07.09.09	Private placement	25 000 000	226 635 416	453 270 832	0.50	6.00
31.12.09			226 635 416	453 270 832	0.50	
18.03.10	Private placement	22 663 000	249 298 416	498 596 832	0.50	12.00
31.12.10			249 298 416	498 596 832	0.50	
31.12.11			249 298 416	498 596 832	0.50	
05.11.12	Private placement	24 925 000	274 223 416	548 446 832	0.50	8.00
31.12.12			274 223 416	548 446 832	0.50	
31.12.13			274 223 416	548 446 832	0.50	

(1 000 shares)	2013	2012
Average number of shares	548 447	505 933
Number of shares issued at 31 December	548 447	548 447

List of main shareholders at 31 December 2013

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 651 642	9.1
Skandinaviska Enskilda Banken AB	NOM	SWE	28 947 104	5.3
The Bank of New York Mellon	NOM	USA	26 230 241	4.8
State Street Bank and Trust Co.	NOM	USA	24 211 522	4.4
State Street Bank and Trust Co.	NOM	USA	23 800 442	4.3
Citibank, N.A.	NOM	GBR	17 597 315	3.2
BNP Paribas Sec. Services S.C.A.	NOM	FRA	16 894 947	3.1
The Bank of New York Mellon	NOM	USA	14 879 359	2.7
State Street Bank & Trust Co.	NOM	USA	12 996 060	2.4
Merrill Lynch International Ltd	NOM	GBR	12 107 500	2.2
Verdipapirfondet DNB Norge Selekti	ORD	NOR	10 085 012	1.8
Fondsfinans Spar	ORD	NOR	10 000 000	1.8
Verdipapirfondet DNB Norge (IV)	ORD	NOR	8 519 740	1.6
Ilmarinen Mutual Pension Insurance	ORD	USA	8 225 409	1.5
JPMorgan Chase Bank N.A. London	NOM	GBR	7 816 379	1.4
BNP Paribas Sec. Services S.C.A.	NOM	FRA	7 421 567	1.4
State Street Bank & Trust Co.	NOM	IRL	7 407 733	1.4
JPMorgan Chase Bank N.A. London	NOM	GBR	6 621 004	1.2
State Street Bank and Trust Co.	NOM	USA	6 341 894	1.2
Other			189 483 730	34.5
Total number of shares at 31 December 2013			548 446 832	100.0

Shares held by directors and senior executive officers at 31 December 2013

Shareholder	Number of shares
Board of directors	
Nils K. Selte, Chair ¹	587 087
Senior executives	
Olav Line, President and CEO	62 000
Svein Hov Skjelle, EVP and CFO	46 594
Aili Klami, EVP Leasing and Marketing	7 944
Shares held by the board of directors and senior executive officers at 31 December 2013	703 625

¹ 233 087 shares owned by Punis AS and 354 000 shares are held by Nian AS. Nils K. Selte owns 50 per cent of shares in Punis AS and 100 per cent of the shares of Nian AS.

The company has not issued share options.

List of main shareholders at 31 December 2012

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 213 874	9.0
State Street Bank and Trust Co.	NOM	USA	39 999 884	7.3
The Bank of New York	NOM	USA	28 154 577	5.1
The Bank of New York	NOM	USA	21 326 560	3.9
Skandinaviska Enskilda Banken	NOM	SWE	19 292 843	3.5
Citibank NA London	NOM	NLD	17 597 315	3.2
State Street Bank and Trust Co.	NOM	USA	14 698 627	2.7
BNP Paribas Secs Services Paris	NOM	LUX	14 345 998	2.6
Fondsfinans Spar	ORD	NOR	10 950 000	2.0
Fram Realinvest AS	ORD	NOR	10 000 000	1.8
Ishare Europe, Fund	ORD	IRL	8 352 125	1.5
BNP Paribas Secs Services Paris	NOM	GBR	8 052 738	1.5
JPMorgan Chase Bank	NOM	GBR	7 959 611	1.5
The Northern Trust	NOM	GBR	7 341 606	1.3
Ilmarinen Mutual Pension Insurance	ORD	FIN	7 125 409	1.3
DNB Livsforsikring	ORD	NOR	6 104 480	1.1
KLP Aksje Norge VPF	ORD	NOR	5 994 589	1.1
JPMorgan Chase Bank	NOM	GBR	5 741 968	1.0
Verdipapirfondet DNB	ORD	NOR	5 623 311	1.0
Other			201 363 085	36.7
Total number of shares at 31 December 2012			548 446 832	100.0

NOTE 15 Other current liabilities

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

(Amounts in NOK million)	2013	2012
Public duties	17.4	16.5
Accrued salaries	5.1	5.2
Accrued interest	90.7	83.0
Prepaid income	54.8	87.6
Trade payables	50.0	34.7
Other payables	60.9	61.1
Total other current liabilities	278.9	288.1

NOTE 16 Interest-bearing debt

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

	2013	2012
Total interest-bearing debt (NOK million)	8 947.4	9 421.7
- Of which hedged (NOK million) ¹	7 228.0	7 937.6
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	81	84
Interest-bearing receivable (NOK million)	-	400.0
Cash and cash equivalents (NOK million)	62.9	712.0
Committed unutilised credit facilities (NOK million)	1 116.0	1 216.0
Average interest rate, including margin (per cent)	4.72	5.09
Average margin (per cent)	1.45	1.36
Average remaining duration, borrowings (years)	3.1	3.9
Average remaining duration, hedging contracts (years)	4.6	5.7

¹ The group's interest rate derivatives hedge the cash flow and are carried at fair value through profit and loss.

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

(Amounts in NOK million)	2013			2012		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank borrowings	7 981.2	40.1	8 021.3	8 467.1	987.6	9 454.7
Bonds	955.0	-	955.0	-	-	-
Total interest-bearing debt	8 936.2	40.1	8 976.3	8 467.1	987.6	9 454.7
Capitalised borrowing cost	(18.8)	(10.1)	(28.9)	(24.1)	(8.9)	(33.0)
Total book value interest-bearing debt	8 917.4	30.0	8 947.4	8 443.0	978.7	9 421.7
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	-	54.8	51.6	106.4
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	-	-	-	-	-	-

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

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

(Amounts in NOK million)	Determination of fair value using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2013	-	-	-	-
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	106.4	106.4
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	-	-	-	-
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2012	-	-	106.4	106.4

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

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

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

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during 2012 or 2013.

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

<i>(Amounts in NOK million)</i>	2013	2012
Due in 2015 and 2016/2014 and 2015	4 148.2	4 007.5
Due in 2017, 2018 and 2019/2016, 2017 and 2018	4 788.0	4 188.6
Due after 2019/after 2018	-	271.0
Total	8 936.2	8 467.1

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

<i>(Amounts in NOK million)</i>	2013	2012
Investment property	14 762.6	14 852.5
Total	14 762.6	14 852.5
Liabilities secured	8 976.3	9 454.7

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

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 9 137.3 million at the end of 2013 (including bank overdraft of NOK 100 million). The term of the facilities is respectively four and seven years from 2011, and is secured by two separate property portfolios. Drawn amount at the end of 2013 totalled NOK 8 021.3 million and NOK 1 116 million is a revolving credit limit. In 2013 the Group issued three bonds totalling NOK 955 million. In August 2013 there was issued a new 3 year secured bond totalling NOK 500 million in the Norwegian bond market. The loan is secured by first priority pledge in two properties. In November 2013 there were issued two secured bonds totalling NOK 455 million with slightly over four years maturity in the Norwegian bond market. The loans are secured by first priority pledge in one property. All the new bonds are listed on Oslo Stock Exchange ultimo 2013 and primo 2014.

The terms of the main loan facility are:

:: Interest: NIBOR + margin.

:: Interest rate hedging: minimum 60 per cent with average duration of three years.

:: Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds.

The agreed senior interest cover at the beginning of 2014 is a minimum 1.2 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2013 and 2012.

:: Instalments are based on the level of LTV.

:: Other covenants: negative pledge, restrictions on granting loan guarantees and change of control. By financing of on-going development projects there is a condition that the company will not pay dividend for the fiscal years 2013 and 2014.

:: Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 17 Deferred tax and income tax

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

<i>(Amounts in NOK million)</i>	2013	2012
Payable tax	-	-
Deferred tax	(56.7)	106.2
Income tax	(56.7)	106.2
Profit before income tax:	(287.6)	(18.7)
Income tax calculated at 28 per cent	(80.5)	(5.2)
Effect on deferred tax by change of tax rate from 28 per cent to 27 per cent ¹	(5.9)	-
Change in unrecognised tax assets for investment properties ²	49.1	61.6
Change in other temporary differences	(12.5)	49.8
Permanent differences	(6.7)	-
Income tax	(56.7)	106.2

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

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

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

<i>(Amounts in NOK million)</i>	2013	2012
At 1 January	217.0	115.0
Recognised through profit and loss	(56.7)	106.2
Tax on exchange rate and interest rate hedges charged to comprehensive income	-	(0.5)
Tax on issue expense charged to equity	-	(3.7)
At 31 December	160.3	217.0

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

<i>(Amounts in NOK million)</i>	2013	2012
Tax on issue expenses	(131.9)	(131.9)
Total deferred tax charged to equity	(131.9)	(131.9)

Change in deferred taxes are as follows:

(Amounts in NOK million)	Investment property ¹	Gain and loss account	Carry forward losses	Financial derivatives	Other	Total ²
Total at 31 December 2011	581.3	20.0	(365.0)	(180.6)	(0.3)	55.3
Not capitalized at 31 December 2011 ³	-	(9.4)	69.1	-	-	59.7
Book value at 31 December 2011	581.3	10.6	(295.9)	(180.6)	(0.3)	115.0
Recognised through profit and loss in 2012	141.9	40.7	(42.9)	(33.5)	-	106.2
Recognised through comprehensive income in 2012	-	-	-	(0.5)	-	(0.5)
Charged to equity in 2012	-	-	(3.7)	-	-	(3.7)
Change of calculated deferred tax in 2012	141.9	40.7	(46.6)	(34.0)	-	102.0
Total at 31 December 2012	723.2	60.7	(411.6)	(214.6)	(0.3)	157.3
Not capitalized at 31 December 2012 ³	-	(7.6)	67.3	-	-	59.7
Book value at 31 December 2012	723.2	53.1	(344.3)	(214.6)	(0.3)	217.0
Recognised through profit and loss in 2013	(77.1)	(10.6)	(24.5)	56.1	(0.5)	(56.7)
Change of calculated deferred tax in 2013	(77.1)	(10.6)	(24.5)	56.1	(0.5)	(56.7)
Total at 31 December 2013	646.0	48.3	(432.3)	(158.5)	(0.8)	102.8
Not capitalized at 31 December 2013 ³	-	(5.8)	63.4	-	-	57.5
Book value at 31 December 2013	646.0	42.5	(368.9)	(158.5)	(0.8)	160.3

¹ Property tax value totals NOK 8.0 billion at the end of 2013.

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

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

NOTE 18 Other operating expenses

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

(Amounts in NOK million)	2013	2012
Payroll expenses (see Note 19)	72.3	69.0
Depreciation	6.0	4.5
Other operating expenses	23.9	32.3
Costs allocated to property costs	(41.5)	(33.6)
Total other operating expenses	60.7	72.2

NOTE 19 Payroll costs and remuneration of executive officers and auditor

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

Payroll costs

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	2013	2012
Salaries and remuneration	57.5	54.2
Social security costs	8.9	9.1
Pension costs (defined contribution plan)	2.5	3.0
Other employee expenses	3.3	2.7
Total payroll costs	72.3	69.0
Number of employees at 31 December	56	53
Number of full-time equivalent positions at 31 December	55	50
Average number of employees	55	51

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

Remuneration of executive officers

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

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

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

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

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

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

Remuneration of senior management in 2012 are specified in the table below (amounts in NOK):

Name	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 245 663	2 000 000	247 350	443 940
Svein Hov Skjelle	EVP & CFO	2 379 295	686 400	131 915	87 152
Aili Klami	EVP Leasing & Marketing	1 561 785	225 000	141 163	108 516
Fredrik W. Baumann	EVP Property Development	2 205 861	315 000	127 728	88 912
Bjørge Aarvold ³	EVP Property Management	1 465 374	294 840	119 341	90 528
Total		10 857 978	3 521 240	767 497	819 048

¹ Paid benefits in 2012. In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2012. Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 220 000 respectively at 31 December 2012. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions are respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013 and NOK 10 000 per month.

Remuneration of directors

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

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

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

Fees paid to directors in 2012 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Nils K. Selte	Chair (Deputy Chair until 12.04)	01.01-31.12	638 462
Arvid Grundekjøn	Chair (until 12.04)	01.01-12.04	722 115
Synne Syrrist	Deputy Chair (Director until 12.04)	01.01-31.12	495 192
Gry Mølleskog	Director	01.01-31.12	370 192
Jon Erik Brøndmo	Director	01.01-31.12	370 192
Gunnar Bøyum	Director	12.04-31.12	275 000
Total			2 871 153

¹ Paid benefits in 2012. In addition, social security costs (14.1 per cent).

Declaration of management benefits

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

This statement applies for the coming fiscal year. The Board will base its work on the declaration after the treatment at the Annual General Meeting in 2014. In 2013, the group has followed the guidelines on executive pays stated in the annual accounts statement on executive salaries for 2012, presented to the General Assembly in 2013. Any changes to the principles in this statement, compared with previous years, are explained.

1. Principles for base salary

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

2. Bonus principles

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

Two senior executives have been granted loans from the company, based on individual agreements. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment.

3. Principles for non-cash related benefits

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

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

4. Payment after termination of contract

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

5. Decision-making process for remuneration

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

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

Auditor's fee

2013

Type of fees	PwC ¹
Statutory audit	2 038 165
Other certification services	239 100
Tax/VAT advice	686 258
Other services	4 000
Total	2 967 523

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

2012

Type of fees	PwC ¹	Deloitte ¹
Statutory audit	450 000	800 000
Other certification services	5 000	277 000
Tax/VAT advice	361 709	-
Other services	17 500	-
Total	834 209	1 077 000

¹ Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies as well as Deloitte AS and affiliated companies. PwC took over as auditor of the company from Deloitte at the Annual General Meeting in 2012. The fees are net of VAT (amounts in NOK).

NOTE 20 Net financial items

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

(Amounts in NOK million)	2013	2012
Interest income on bank deposits	5.3	11.8
Interest income on seller's credit	14.6	28.5
Total financial income	20.0	40.3
Interest expense on borrowings	(432.4)	(510.5)
Currency losses on bank deposits	(0.1)	(2.7)
Total financial expenses	(432.5)	(513.2)
Net realised financial items	(412.5)	(472.9)

NOTE 21 Earnings per share

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

	2013	2012
Net profit attributable to shareholders (NOK million)	(230.9)	(124.9)
Weighted average number of outstanding shares, exclusive treasury shares (million shares) ¹	548.4	505.9
Basic earnings per share (NOK per share)	(0.42)	(0.25)

¹ At the end of 2013 the company owns 21 236 treasury shares (acquired in 2012).

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

NOTE 22 Dividend per share and dividend policy

The board's ambition is that, over time, a substantial portion of Norwegian Property's value creation will be distributed to shareholders in the form of a dividend. The long-term goal is for dividend to account for 30-50 per cent of operating profit after tax but before fair value adjustment.

In 2013, for the fiscal year 2012, a dividend of NOK 0.20 per share was paid. The operation of Norwegian Property is temporarily affected by high rebuilding activities leading to vacancy and lower rental income. By financing of ongoing development projects there is a condition that the company will not pay dividend for the fiscal years 2013 and 2014.

NOTE 23 Related-party disclosures

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

All transactions, agreements and business relationships with related parties are made on normal commercial terms. Balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial relationship related to the board and senior management are described in [Notes 14](#) and [19](#).

In February 2013, Norwegian Property sold the property Drammensveien 149 to Orkla Eiendom AS (see [Note 7](#)). Chairman of Norwegian Property ASA, Nils Selte, is from February 2014 CEO of Canica AS, and was previously CFO of the company. Canica AS is the largest shareholder in both Norwegian Property ASA and Orkla ASA. Nils Selte has not participated in the Board discussions or Board decisions relating to the sale. Until the end of 2018, Orkla ASA subleases 18 653 square meters of office space in Nedre Skøyen vei 26 from Norwegian Property tenant Fellesdata AS (Evry).

A subsidiary of Norwegian Property ASA, Aker Brygge AS, is in the period 2013 to 2015 subletting offices from Canica AS in the property Dronning Maudsgate 1-3 in Oslo. Aker Brygge is subletting the space to a tenant that has temporarily moved from Aker Brygge due to the ongoing refurbishment projects. Annual rent for Aker Brygge AS is approximately NOK 6 million which is in line with the amount Canica AS is paying to the landlord. Aker Brygge AS receives rent from the tenant in line with the previous rent at Aker Brygge.

NOTE 24 Contingent liabilities and assets

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

Guarantees in connection with the sale of properties and companies

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

In connection with sale of properties/companies in the period from 2008 to 2012 and the sale of Norgani Hotels in 2010, Norwegian Property has issued this kind of guarantees to buyers. Provisions are made related to circumstances which are likely to entail an obligation for Norwegian Property.

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

NOTE 25 Events after the balance sheet date

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

The operation of Norwegian Property is temporarily affected by high rebuilding activities. Projects are primarily related to significant upgrading of several large properties at Aker Brygge in Oslo, and lay the foundation for significant future growth in rental income compared to current levels. To finance these projects, the group's debt financing is strengthened in 2013 by the expansion of existing credit facilities and refinancing of credit facilities. In addition to the changes made in 2013, the group's financing is further strengthened after the balance sheet date. This helps to secure liquidity for the completion of all ongoing development projects. After the balance sheet date, the company has accepted an offer of an extended revolving facility of NOK 600 million associated with existing credit facilities. Financial conditions in the company's two main credit facilities are adapted to a development period of temporary vacancies and lower rental income, and there is a condition that the company does not pay dividends for 2013 and 2014.

NOTE 26 Group companies

The consolidated financial statements comprise the following companies at the end of 2013:

Aker Brygge AS	Fondbygget AS	Maskinveien 32 AS
Aker Brygge Business Village AS	Forusbeen 35 AS	Nedre Skøyen vei 26 F AS
Aker Brygge Energisentral AS	Gardermoen Næringseiendom ANS	NPRO Invest AS
Aker Brygge Marina AS	Gardermoen Næringseiendom AS	NPRO Drift AS
Aker Brygge Marina Drift AS	Gardermoen Næringseiendom KS	NPRO Holding AS
Aker Brygge Utearealer ANS	Grenseveien 19 AS	Norwegian Property ASA
Aker Brygge Uteareal AS	Grenseveien 21 AS	Nydalsveien 15-17 AS
Badehusgata 33-39 AS	Hovfaret 11 AS	Sandakerveien 130 AS
Bryggegata 9 AS	Kaibygning I ANS	Skøyen Bygg ANS
Bydel Aker Brygge Forvaltning AS	Kaibygning I AS	Snarøyveien 36 AS
Dokkbygningen ANS	Kaibygning II ANS	Stortingsgata 6 AS
Dokkbygningen Aker Brygge AS	Kaibygning 2 AS	Strandsvingen 10 AS
Drammensveien 134 Bygg 1-4 AS	Gjerdrums vei 10 D AS	Støperiet AS
Drammensveien 134 Bygg 5 AS	Gjerdrums vei 8 ANS	Svanholmen 2 AS
Drammensveien 134 Bygg 6 AS	Gjerdrumsvei 14-16 AS	Terminalbygget ANS
Drammensveien 134 P-Hus AS	Gjerdrumsvei 17 AS	Terminalbygget Aker Brygge AS
Drammensveien 134 Utearealer AS	Gulthaug Torg 3 AS	Terminalbygget DA
Drammensveien 60 AS	Gulthaugveien 9-13 AS	Terminalbygget II DA
Eltofi AS	Lysaker Torg 35 ANS	Tingvalla AS
Finnestadveien 44 ANS	Maridalsveien 323 AS	Verkstedhallene ANS

Income statement 1 Jan-31 Dec

(Amounts in NOK million)	Note	2013	2012
Management and service fee, group companies	13	39.7	31.3
Total operating revenue	2	39.7	31.3
Payroll costs	10	(72.0)	(68.4)
Depreciation	5	(4.0)	(3.4)
Other operating costs		(27.1)	(34.9)
Total operating costs		(103.1)	(106.7)
Operating profit		(63.4)	(75.4)
Financial income	11, 13	635.0	409.2
Financial expenses	11, 13	(488.5)	(718.5)
Net financial items		146.6	(309.2)
Profit before tax		83.1	(384.6)
Income tax expense	12	(37.8)	(51.9)
Profit for the year		45.3	(436.5)
Proposed allocations:			
Dividends		-	109.7
Transferred to/from other paid-in equity		45.3	(546.2)

Balance sheet at 31 December

(Amounts in NOK million)	Note	2013	2012
ASSETS			
Non-current assets			
Deferred tax assets	12	184.2	222.0
Financial derivative instruments	9	4.3	-
Tangible assets	5	12.1	16.2
Investments in subsidiaries	4, 13	12 093.7	5 091.7
Intercompany balances	13	183.3	5 564.0
Total non-current assets		12 477.6	10 893.9
Current assets			
Financial derivative instruments	9	-	5.1
Intercompany balances	13	1 146.0	1 381.3
Other receivables		3.9	3.9
Cash and cash equivalents	3	36.6	668.5
Total current assets		1 186.5	2 058.7
TOTAL ASSETS		13 664.1	12 952.6

(Amounts in NOK million)	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital		274.2	274.2
Share premium		2 295.1	2 295.1
Other paid-in equity		1 362.7	1 317.4
Total equity	6	3 932.0	3 886.6
Non-current liabilities			
Financial derivative instruments	9	602.2	727.1
Interest-bearing debt	8	8 917.4	8 093.0
Intercompany balances	13	70.0	-
Total non-current liabilities		9 589.7	8 820.0
Current liabilities			
Financial derivative instruments	9	0.3	-
Interest-bearing debt	8	30.0	31.9
Intercompany balances	13	-	0.6
Provisory dividend	6	-	109.7
Other current liabilities	7	112.2	103.8
Total current liabilities		142.4	246.0
Total liabilities		9 732.1	9 066.0
TOTAL EQUITY AND LIABILITIES		13 664.1	12 952.6

Oslo, 13 February 2014

The board of directors for Norwegian Property ASA


Nils K. Sette
Chair

Synne Syrrist
Deputy chair

Gry Mølleskog
Director

Jon Erik Brøndmo
Director

Gunnar Bøyum
Director

Olav Line
CEO

Cash flow statement 1 Jan-31 Dec

(Amounts in NOK million)	Note	2013	2012
Ordinary profit before tax		83.1	(384.6)
Net financial items	11	(146.6)	309.2
Interest received	11	261.5	326.6
Other financial income received	11	26.6	14.0
Interest paid	11	(373.5)	(443.3)
Other financial expenses paid	11	(71.0)	(123.1)
Depreciation tangible assets	5	4.0	3.4
Profit/loss by sale of tangible assets	5	(0.1)	-
Changes in current items		2.7	14.5
Net cash flow from operating activities		(213.2)	(283.2)
Purchase of tangible assets	5	(1.1)	(7.7)
Sale of tangible assets	5	0.8	-
Investments in subsidiaries	4	(4.6)	(36.9)
Sale of shares in subsidiaries	4	539.4	210.9
Reduction of capital in subsidiaries	4	310.1	-
Received from payment of interest-bearing receivables (loans to subsidiaries)	13	756.0	1 635.3
New loans to subsidiaries	13	(2 728.1)	(510.4)
Net cash flow from investment activities		(1 127.4)	1 291.2
Proceeds from increase in interest-bearing liabilities	8	2 215.0	1 344.0
Net repayment of interest-bearing liabilities	8	(1 396.6)	(1 982.2)
Capital increase	6	-	385.4
Dividends paid	6	(109.7)	(99.7)
Purchase of treasury shares	6	-	(0.3)
Net cash flow from financing activities		708.7	(352.7)
Net change in cash and cash equivalents		(631.9)	655.3
Cash and cash equivalents 1 January	3	668.5	13.2
Cash and cash equivalents 31 December	3	36.6	668.5

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NOTE 1 General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 41 properties in Oslo and Stavanger at 31 December 2013.

Via Oslo Properties, Norwegian Property took over all the shares in the previously listed Norgani Hotels group in 2007 and 2008. Norgani Hotels owned 73 hotel properties and a convention centre in Sweden, Norway, Finland and Denmark at the beginning of 2010. Norgani Hotels was sold in the autumn of 2010.

The financial statements are approved by the Board on 13 February 2014 for final approval by the General Meeting on 10 April 2014.

NOTE 2 Summary of significant accounting policies

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

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

2.1 Classifications

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

2.2 Subsidiaries

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

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

2.3 Tangible assets

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

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

2.4 Trade receivables

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

2.5 Cash and cash equivalents

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

2.6 Share capital and share premium

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

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

2.7 Borrowings

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

2.8 Interest expense

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

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

2.9 Management fee and other operating revenue

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

2.10 Financial derivative instruments

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

2.11 Pensions

Norwegian Property ASA operates a defined contribution

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

2.12 Deferred income tax

Tax in the income statement consist of tax payable and changes in deferred tax. Deferred income tax is calculated at 27 per cent on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and tax loss carried forward at 31 December. Tax increasing or reducing temporary differences which are reversed or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.13 Estimates

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

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

2.14 Cash flow statement

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

NOTE 3 Financial risk management

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

3.1 Market Risk

Market risk for the company is primarily related to interest rate risk and to a lesser degree of currency and price risk. At the end of 2013, the company has no exposure to currency risk and the company's revenue for 2013 is entirely related to management fees from subsidiaries.

The company is subject to interest rate risk related to floating rate loans. In order to mitigate interest rate risk, the group has entered into interest rate swap agreements. Notional principal amounts and the maturity for the company's total portfolio of interest rate hedges at 31 December 2013 are specified in local currencies (million) in the table below.

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
NOK	(9 378.0)	(1 050.0)	(973.0)	(4 505.0)	(2 850.0)

Norwegian Property ASA has entered into a hedging agreement to reduce exposure related to a lease agreement in foreign currency in one of the subsidiaries.

Notional principal amounts and the maturity for the hedging agreement at 31 December 2013 is specified in local currencies (million) in the table below (see also [Note 9](#)).

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

3.2 Credit risk

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

3.3 Liquidity risk

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

(Amounts in NOK million)	2013	2012
The company's net balance in the group cash pool	1 182.4	2 015.7
Intercompany net balance in the group cash pool ¹	(1 145.9)	(1 347.3)
Cash and cash equivalents	36.6	668.5
Restricted bank deposits	(3.0)	(2.9)
Available cash and cash equivalents	33.6	665.6
Unused credit and overdraft facilities	1 116.0	1 216.0
Liquidity reserve	1 149.6	1 881.6

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

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

31 December 2013

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	8 947.4	8 976.3	40.1	3 626.4	5 309.8	-
Other liabilities ²	780.4	182.5	182.5	-	-	-

31 December 2012

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	8 124.9	8 157.9	40.8	40.6	3 980.2	4 096.3
Other liabilities ²	831.4	104.4	104.4	-	-	-

¹ The difference between the carrying value and expected cash flow reflects activated costs.

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

NOTE 4 Investments in subsidiaries

Investments in subsidiaries at 31 December 2013 are specified in the table below. Several of the companies own shares in other companies, as described in their respective annual accounts.

(Amounts in NOK million)	Acquired/ established	Commercial properties	Share	Voting share	Net book value
Sub-holding companies:					
NPRO Holding AS ¹⁾	17.01.07	Oslo	100.0	100.0	11 701.5
NPRO Invest AS	26.09.13	Oslo	100.0	100.0	10.0
Properties ("single purpose entities"):					
Finnestadveien 44 ANS	22.06.06	Stavanger	100.0	100.0	382.3
Total shares in subsidiaries					12 093.7

1) The company owns the group's premises ("single purpose" entities) which are not owned directly by Norwegian Property ASA.

Changes in book value for the year are as follows:

(Amounts in NOK million)	2013	2012
Book value at 1 January	5 091.7	5 273.2
Purchase of shares in subsidiaries	4.6	-
Investments in subsidiaries	7 657.4	-
Sale of shares in subsidiaries	(332.1)	(110.5)
Repayment of invested capital	(310.1)	(3.6)
Depreciation of shares in subsidiaries	(17.7)	(67.3)
Book value at 31 December	12 093.7	5 091.7

NOTE 5 Tangible assets

Changes in tangible assets are specified in the table below.

Acquisition cost	IT-systems and other intangible assets	Fixtures and equipment	Total
(Amounts in NOK million)			
At 31 December 2011	12.6	4.9	17.4
Additions	7.4	0.4	7.7
Disposals	-	(3.6)	(3.6)
At 31 December 2012	20.0	1.6	21.6
Additions	0.2	1.0	1.2
Disposals	(0.7)	(1.2)	(1.9)
At 31 December 2013	19.5	1.4	20.9

Accumulated depreciation	IT-systems and other intangible assets	Fixtures and equipment	Total
(Amounts in NOK million)			
At 31 December 2011	1.8	3.8	5.6
Depreciation from disposals 2012	(0.3)	(3.3)	(3.6)
Depreciation and impairment 2012	3.1	0.3	3.4
At 31 December 2012	4.6	0.7	5.4
Depreciation from disposals 2013	-	(0.6)	(0.6)
Depreciation and impairment 2013	3.7	0.3	4.0
At 31 December 2013	8.3	0.5	8.8
Book value at 31 December 2011	10.8	1.1	11.8
Book value at 31 December 2012	15.3	0.9	16.2
Book value at 31 December 2013	11.1	0.9	12.1

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

NOTE 6 Equity

(Amounts in NOK million)	Share capital	Share premium	Other paid-in equity	Total equity
Equity at 31 December 2011	249.3	1 930.7	1 963.5	4 143.6
Paid dividend 2012	-	-	(99.7)	(99.7)
Capital increase 2012	24.9	364.3	-	389.3
Treasury shares ¹	-	-	(0.3)	(0.3)
Dividend appropriation	-	-	(109.7)	(109.7)
Loss for the year	-	-	(436.5)	(436.5)
Transactions with shareholders	24.9	364.3	(646.2)	(256.9)
Equity at 31 December 2012	274.2	2 295.1	1 317.3	3 886.6
Loss for the year	-	-	45.3	45.3
Transactions with shareholders	-	-	45.3	45.3
Equity at 31 December 2012	274.2	2 295.1	1 362.7	3 932.0

¹ In connection with the stock purchase plan for employees in 2012, the company purchased 150 000 shares at an average price of 7.94. The company has sold 128 764 shares to employees for an average price of 7.46. Remaining holding of own shares by the end of 2013 is 21 236 shares.

The company had a share capital amounting to NOK 274 233 416 at 31 December 2013, consisting of 548 466 832 shares with a face value of NOK 0.50.

The company's largest shareholders at 31 December 2013:

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 651 642	9.1
Skandinaviska Enskilda Banken AB	NOM	SWE	28 947 104	5.3
The Bank of New York Mellon	NOM	USA	26 230 241	4.8
State Street Bank and Trust Co.	NOM	USA	24 211 522	4.4
State Street Bank and Trust Co.	NOM	USA	23 800 442	4.3
Citibank, N.A.	NOM	GBR	17 597 315	3.2
BNP Paribas Sec. Services S.C.A.	NOM	FRA	16 894 947	3.1
The Bank of New York Mellon	NOM	USA	14 879 359	2.7
State Street Bank & Trust Co.	NOM	USA	12 996 060	2.4
Merrill Lynch International Ltd	NOM	GBR	12 107 500	2.2
Verdipapirfondet DNB Norge Selekti	ORD	NOR	10 085 012	1.8
Fondsfinans Spar	ORD	NOR	10 000 000	1.8
Verdipapirfondet DNB Norge (IV)	ORD	NOR	8 519 740	1.6
Ilmarinen Mutual Pension Insurance	ORD	USA	8 225 409	1.5
JPMorgan Chase Bank N.A. London	NOM	GBR	7 816 379	1.4
BNP Paribas Sec. Services S.C.A.	NOM	FRA	7 421 567	1.4
State Street Bank & Trust Co.	NOM	IRL	7 407 733	1.4
JPMorgan Chase Bank N.A. London	NOM	GBR	6 621 004	1.2
State Street Bank and Trust Co.	NOM	USA	6 341 894	1.2
Other			189 483 730	34.5
Total number of shares at 31 December 2013			548 446 832	100.0

The company's largest shareholders at 31 December 2012:

Largest shareholders	Type of account	Country	Number of shares	Share
Canica AS	ORD	NOR	59 208 232	10.8
Folketrygdfondet	ORD	NOR	49 213 874	9.0
State Street Bank and Trust Co.	NOM	USA	39 999 884	7.3
The Bank of New York	NOM	USA	28 154 577	5.1
The Bank of New York	NOM	USA	21 326 560	3.9
Skandinaviska Enskilda Banken	NOM	SWE	19 292 843	3.5
Citibank NA London	NOM	NLD	17 597 315	3.2
State Street Bank and Trust Co.	NOM	USA	14 698 627	2.7
BNP Paribas Secs Services Paris	NOM	LUX	14 345 998	2.6
Fondsfinans Spar	ORD	NOR	10 950 000	2.0
Fram Realinvest AS	ORD	NOR	10 000 000	1.8
Ishare Europe, Fund	ORD	IRL	8 352 125	1.5
BNP Paribas Secs Services Paris	NOM	GBR	8 052 738	1.5
JPMorgan Chase Bank	NOM	GBR	7 959 611	1.5
The Northern Trust	NOM	GBR	7 341 606	1.3
Ilmarinen Mutual Pension Insurance	ORD	FIN	7 125 409	1.3
DNB Livsforsikring	ORD	NOR	6 104 480	1.1
KLP Aksje Norge VPF	ORD	NOR	5 994 589	1.1
JPMorgan Chase Bank	NOM	GBR	5 741 968	1.0
Verdipapirfondet DNB	ORD	NOR	5 623 311	1.0
Other			201 363 085	36.7
Total number of shares at 31 December 2012			548 446 832	100.0

Shares held by directors and senior executive officers at 31 December 2013 are specified in the table below.

Shareholder	Number of shares
Board of directors	
Nils K Sette, Chair ¹	587 087
Senior executives	
Olav Line, CEO	62 000
Svein Hov Skjelle, EVP & CFO	46 594
Aili Klami, EVP Leasing & Marketing	7 944
Shares held by the board of directors and senior executive officers at 31 December 2013	703 625

¹ 233 087 shares are held by Punis AS and 354 000 shares are held by Nian AS. Nils K. Sette owns 50 per cent of the shares in Punis AS and 100 per cent of the shares in Nian AS.

The company has not issued share options.

NOTE 7 Other current liabilities

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

(Amounts in NOK million)	2013	2012
Public duties	5.0	4.7
Accrued salaries	4.9	4.4
Accrued interest	89.3	79.0
Trade payables	1.7	2.9
Other payables	11.3	12.8
Total other current liabilities	112.2	103.8

NOTE 8 Interest-bearing debt

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

	2013	2012
Total interest-bearing debt (NOK million)	8 947.4	8 124.9
- Of which hedged (NOK million)	7 228.0	6 845.1
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	81	84
Cash and cash equivalents (NOK million)	36.6	668.5
Committed unutilised credit facilities (NOK million)	1 116.0	1 216.0
Average interest rate, including margin (per cent)	4.68	5.36
Average margin (per cent)	1.45	1.40
Average remaining duration, borrowings (years)	3.1	4.0
Average remaining duration, hedging contracts (years)	5.4	5.7

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

(Amounts in NOK million)	Currency	2013			2012		
		Long-term	Short-term	Total	Long-term	Short-term	Total
Bank loan	NOK	7 981.2	40.1	8 021.3	8 117.1	40.8	8 157.9
Bonds	NOK	955.0	-	955.0	-	-	-
Total interest-bearing debt	NOK	8 936.2	40.1	8 976.3	8 117.1	40.8	8 157.9
Capitalised borrowing costs	NOK	(18.8)	(10.1)	(28.91)	(24.1)	(8.9)	(33.0)
Total book value interest-bearing debt	NOK	8 917.4	30.0	8 947.4	8 093.0	31.9	8 124.9

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing

limit of NOK 9 137.3 million at the end of 2013 (including bank overdraft of NOK 100 million). The term of the facilities is respectively four and seven years from 2011, and is secured by two separate property portfolios. Drawn amount at the end of 2013 totalled NOK 8 021.3 million and NOK 1 116 million is a revolving credit limit. In 2013 the group issued three bonds totalling NOK 955 million. In August 2013 there was issued a new 3 year secured bond totalling NOK 500 million in the Norwegian bond market. The loan is secured by first priority pledge in two properties. In November 2013 there were issued two secured bonds totalling NOK 455 million with slightly over four years maturity in the Norwegian bond market. The loan is secured by first priority pledge in one property. All the new bonds are listed on Oslo Stock Exchange ultimo 2013 and primo 2014.

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

(Amounts in NOK million)	2013	2012
Between 1-2 years (2015 and 2016/2014 and 2015)	4 148.2	3 979.5
Between 3-5 years (2017, 2018 and 2019/2016, 2017 and 2018)	4 788.0	4 137.6
Total	8 936.2	8 117.1

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

(Amounts in NOK million)	2013	2012
Shares and interests in subsidiaries ¹	382.3	984.2
Long-term receivables, intercompany ¹	183.3	5 564.0
Total	565.6	6 548.2
Liabilities secured	8 976.3	8 157.9

¹ Shares in subsidiaries of Norwegian Property ASA owning properties are pledged as collateral for debt at 31 December 2013. Long-term intercompany loans are also pledged. The shares of property companies owned by other group entities are also pledged as security for corporate facilities in Norwegian Property ASA. See also [Note 16](#) in the group's annual accounts.

The terms of the main loan facility are:

:: Interest: NIBOR + margin.

:: Interest rate hedging: minimum 60 per cent with average duration of three years.

:: Financial covenants: the company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at the beginning of 2014 is a minimum 1.2 per cent and an agreed LTV ratio of less than 80 per cent. Requirements in the loan agreements are adhered to both by year-end and for the interim periods in 2013 and 2012.

:: Instalments are based on the level of LTV.

:: Other covenants: negative pledge, restrictions on granting loan guarantees and change of control. By financing of on-going development projects there is a condition that the company will not pay dividend for the fiscal years 2013 and 2014.

:: Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 9 Derivatives

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

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

(Amounts in NOK million)	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Exchange rate contracts	-	-	5.1	-
Interest rate contracts	4.3	602.5	-	727.1

Interest rate contracts

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

(Amounts in NOK million)	Currency	2013	2012
Interest rate contracts	NOK	9 378.0	9 585.8
Total interest rate contracts	NOK	9 378.0	9 585.8

Foreign exchange derivatives

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

(Amounts in NOK million)	Currency	2013	2012
Notional principal amount	EUR	(17.1)	(20.6)

NOTE 10 Payroll costs and remuneration of executive officers and auditor

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	2013	2012
Salaries and remuneration	53.6	52.3
Social security costs	8.3	8.9
Pension costs (defined contribution plan)	2.5	2.8
Other employee expenses	7.7	4.3
Total payroll costs	72.0	68.4
Number of employees at 31 December	51	51
Number of full-time equivalent positions at 31 December	52	48
Average number of employees	51	49

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

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

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

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

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

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

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

At 31 December 2013 two members of the senior management have termination payment agreements. Terms of notice is six months, and payment after termination of employment is limited to respectively six and twelve months.

Remuneration of senior management in 2012 are specified in the table below (amounts in NOK):

Name	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension/ insurance benefits ²
Olav Line ³	CEO	3 245 663	2 000 000	247 350	443 940
Svein Hov Skjelle	EVP & CFO	2 379 295	686 400	131 915	87 152
Aili Klami	EVP Leasing & Marketing	1 561 785	225 000	141 163	108 516
Fredrik W. Baumann	EVP Property Development	2 205 861	315 000	127 728	88 912
Bjørge Aarvold ³	EVP Property Management	1 465 374	294 840	119 341	90 528
Total		10 857 978	3 521 240	767 497	819 048

¹ Paid benefits in 2012. In addition, social security costs (14.1 per cent).

² Paid in connection with defined contribution pension plans and employee insurances in 2012. Olav Line has the right to a pension scheme in addition to the defined contribution plan. The additional pension scheme is earned linearly with NOK 350 000 per year (CPI adjusted).

³ Olav Line and Bjørge Aarvold have been granted loans by the company of NOK 600 000 and NOK 220 000 respectively at 31 December 2012. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act). Repayment conditions were respectively 1/3 (NOK 200 000) at the 31 December of each year from 2013 and NOK 10 000 per month.

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

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

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

Fees paid to directors in 2012 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration ¹
Nils K. Selte	Chair (Deputy Chair until 12.04)	12.04-31.12	638 462
Arvid Grundekjøn	Chair (until 12.04)	01.01-12.04	722 115
Synne Syrrist	Deputy Chair (Director until 12.04)	01.01-31.12	495 192
Gry Mølleskog	Director	01.01-31.12	370 192
Jon Erik Brøndmo	Director	01.01-31.12	370 192
Gunnar Bøyum	Director	12.04-31.12	275 000
Total			2 871 153

¹ Paid benefits in 2012. In addition, social security costs (14.1 per cent).

Auditor's fee:

2013

Type of fees	PwC ¹
Statutory audit	532 729
Other certification services	3 500
Tax/VAT advice	269 445
Total	805 674

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

2012

Type of fees	PwC ¹	Deloitte ¹
Statutory audit	450 000	310 200
Tax/VAT advice	-	12 000
Other services	-	28 000
Total	450 000	350 200

¹ Fees to PricewaterhouseCoopers AS (PwC) and affiliated companies as well as Deloitte AS and affiliated companies. PwC took over as auditor of the company from Deloitte at the Annual General Meeting in 2012. The fees are net of VAT (amounts in NOK).

NOTE 11 Net financial items

(Amounts in NOK million)	2013	2012
Financial income		
Income investment subsidiaries ¹	26.6	14.0
Profit from sales of subsidiaries	223.2	63.5
Interest income from group companies	192.6	239.5
Changes in value of financial derivative instruments	123.7	5.1
Other interest income	68.9	87.1
Total financial income	635.0	409.2
Financial expenses		
Loss from sales of subsidiaries	(15.9)	-
Interest costs to group companies	(0.6)	-
Interest costs loans	(383.2)	(426.6)
Impairment of shares in subsidiaries ²	(17.7)	(67.3)
Changes in value of financial derivative instruments	-	(101.5)
Termination of financial derivative instruments	(51.3)	(105.9)
Other financial expenses	(19.8)	(17.2)
Total financial expenses	(488.5)	(718.5)
Net financial items	146.6	(309.2)

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

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

NOTE 12 Deferred tax and income tax

<i>(Amounts in NOK million)</i>	2013	2012
The major components of the income tax expense for the year are:		
Tax payable	-	-
Changes in deferred tax	(37.8)	51.9
Income tax expense	(37.8)	51.9
Calculation of the tax base for the year:		
Profit before tax	83.1	(384.6)
Permanent differences	(214.6)	(9.2)
Changes in temporary differences	(111.7)	97.6
Correction previous years	1.1	3.5
Tax base for the year	(242.1)	(292.6)
Specification of temporary differences and deferred tax:		
Tangible assets	(5.1)	(3.1)
Financial derivative instruments	(598.3)	(722.0)
Limited liability partnerships	(79.0)	(69.0)
Tax loss carried forward	(1 443.1)	(1 199.9)
Total temporary differences	(2 125.4)	(1 994.0)
Of which not capitalised (loss carried forward)	1 443.1	1 199.9
Basis for deferred tax	(682.3)	(794.0)
Deferred tax in the balance sheet	(184.2)	(222.0)
Explanation why the tax expense is not 28 per cent of the profit before tax:		
Calculated tax expense on profit before tax, 28 per cent	23.3	(107.7)
Effect on deferred tax by change of tax rate from 28 per cent to 27 per cent ¹	(6.8)	-
Permanent differences	(60.1)	(2.6)
Changes of temporary differences not capitalised	(31.3)	27.3
Changes of tax asset not capitalised	36.8	133.8
Correction previous years	0.3	1.0
Income tax expense	(37.8)	51.9
Effective tax rate (per cent)	(45.5)	(13.5)

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

NOTE 13 Related-party disclosures

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

<i>(Amounts in NOK million)</i>	2013	2012
Income statement:		
Management and service fee, group companies	39.7	31.3
Rental cost, subsidiaries	(4.1)	(4.1)
Income on investments in subsidiaries (Note 11)	26.6	14.0
Interest income from group companies (Note 11)	192.6	239.5
Interest costs to group companies (Note 11)	(0.6)	-
Balance sheet:		
Investments in subsidiaries (Note 4)	12 093.7	5 091.7
Non-current assets, intercompany balances	183.3	5 564.0
Current assets, intercompany balances	1 146.0	1 381.3
Non-current liabilities, intercompany balances	70.0	-
Current liabilities, intercompany balances	-	0.6

NOTE 14 Contingent liabilities

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

NOTE 15 Events after the balance sheet date

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

The operation of Norwegian Property is temporarily affected by high rebuilding activities. Projects are primarily related to significant upgrading of several large properties at Aker Brygge in Oslo, and lay the foundation for significant future growth in rental income compared to current levels. To finance these projects, the group's debt financing is strengthened in 2013 by the expansion of existing credit facilities and refinancing of credit facilities. In addition to the changes made in 2013, the group's financing is further strengthened after the balance sheet date. This helps to secure liquidity for the completion of all ongoing development projects. After the balance sheet date, the company has accepted an offer of an extended revolving facility of NOK 600 million associated with existing credit facilities. Financial conditions in the company's two main credit facilities are adapted to a development period of temporary vacancies and lower rental income, and there is a condition that the company does not pay dividends for 2013 and 2014.

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 2013. The consolidated financial statements for the year have been prepared in accordance with the IFRS as approved by the EU and associated interpretative statements, and the additional Norwegian information requirements pursuant to the Norwegian Accounting Act and which were to be applied at 31 December 2013. 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 2013. The directors' report for the group and the parent company accord with the requirements of the Accounting Act and good Norwegian accounting practice (NRS 16 directors' report) at 31 December 2013.

To the best of our knowledge, we hereby confirm that

- :: the consolidated and parent company financial statements for 2013 have been prepared in accordance with applicable accounting standards
- :: the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the group and the parent company at 31 December 2013
- :: 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, 13 February 2014

The board of directors for Norwegian Property ASA



Nils K. Sette
Chair



Synne Syrrist
Deputy chair



Gry Mølleskog
Director



Jon Erik Brøndmo
Director



Gunnar Bøyum
Director



Olav Line
CEO



To the Annual Shareholders' Meeting of Norwegian Property ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Property ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2013, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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



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Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norwegian Property ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Norwegian Property ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Governance

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 statement on Corporate Governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit 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, 13 February 2014
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

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

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