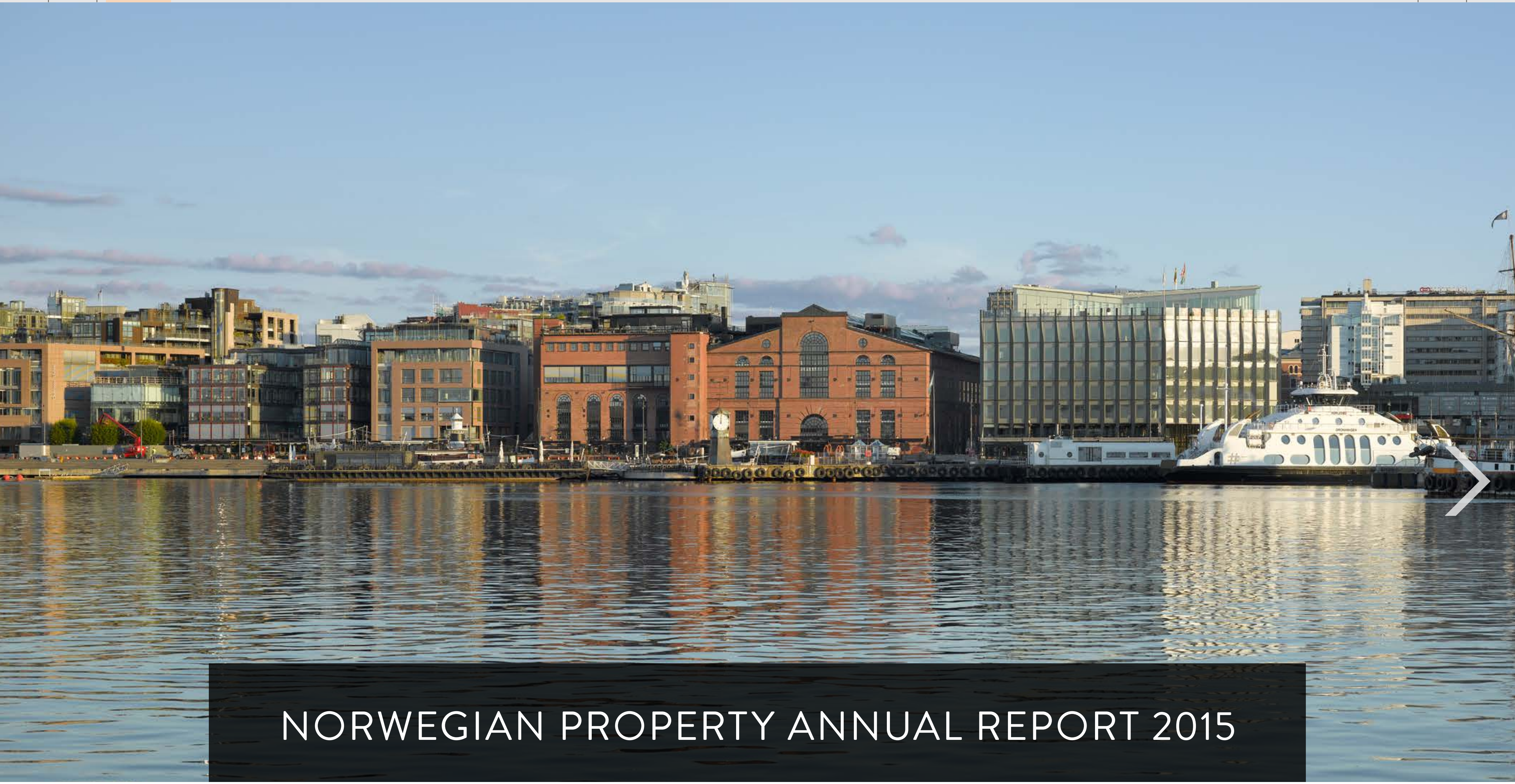

NORWEGIAN PROPERTY ANNUAL REPORT 2015

Aker Brygge, Oslo

NORWEGIAN PROPERTY

USER GUIDE

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A support centre which answer any questions or provides assistance when needed

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A service network consisting of solid professionals with extensive real estate expertise

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A large property portfolio allowing flexibility when change is required

CORPORATE GOVERNANCE 2015

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

Norwegian Property has drawn up overall principles for corporate governance, which are described here and are available at http://www.norwegianproperty.no/formelle-dokumenter. The board has also prepared a set of governing documents specifying various guidelines, instructions and policies intended to ensure compliance with good corporate governance in practice.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 30 October 2014 is set out below. The code is available on the website of the Norwegian Corporate Governance Board (NCGB) at www.nues.no. Reference is made to this presentation in the directors' report for 2015, and it is available on the company's website. The presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

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

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

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

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

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

The board has formulated guidelines for ethics and corporate social responsibility (CSR) in accordance with the group's values base. Norwegian Property's values base, ethical guidelines and guidelines for CSR are available at www.npro.no. 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, 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 17.

3. EQUITY AND DIVIDENDS

Equity

Group equity at 31 December 2015 totalled NOK 5 777.6 million. The equity ratio at the same date was 34.9 per cent. The board regards the equity ratio as satisfactory in relation to the group's goals, strategy and risk profile.

To secure good financial 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 2015, the relationship between net interest-bearing debt and gross fair value was thereby 58.2 per cent.

Dividend

Pursuant to the company's dividend policy, a goal for Norwegian Property is to pay a competitive annual dividend. Its long-term aim is to pay a dividend of 30-50 per cent of its net profit before value adjustments. The dividend can be higher in times of good cash flow or property sales. An independent assessment of the group's financial position and prospects will be carried out before the annual dividend is determined. In light of the company's work to secure good financial freedom of action, it has not paid dividend for a time. However, the board will propose a resumption of dividend payments to the annual general meeting in 2016. The dividend policy is also described in note 22 to the consolidated financial statements in this annual report and in the investor relations section of the company's website.

Board mandates

The AGM of 9 April 2015 mandated the board to increase the company's share capital by up to NOK 27 420 000, corresponding to just under 10 per cent of the company's share capital when the mandate was awarded. The board mandate is motivated by the desire to have the opportunity to issue new shares in return for cash payments and/or as settlement for property transactions. This mandate had not been utilised at 31 December 2015.

In addition, the board was mandated to raise convertible loans totalling NOK 850 000 000. 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 2015.

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 2015. The board was mandated to determine the payment of dividend on the basis of the company's financial statements for 2014. Norwegian Property paid no dividend during 2015. All board mandates remain valid until the company's AGM in 2016 and in any event not beyond 30 June 2016.

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 2015. 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 of sell any of its own shares in 2015. Possible future transactions will be conducted on the stock exchange or in another manner at the stock market price.

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

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

5. FREELY NEGOTIATED SHARES

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

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

6. GENERAL MEETINGS

Notice, registration and participation

The board makes provision for as many as possible of its shareholders to exercise their rights by attending the general meeting. The 2016 AGM is scheduled to take place on 13 April. The company's financial calendar is published as a stock exchange announcement and in the investor relations section of the company's website.

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

Proxy form and advance voting

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

Chairing meetings, elections, etc

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

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

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

7. NOMINATION COMMITTEE

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

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

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

The present nomination committee was elected at the AGM of 9 April 2015 and comprises Marianne Johnsen (chair) and Robin Bakken. No regular directors or executive personnel are represented on the nomination committee. Deadlines for submitting nominations to the nomination committee are published on the company's website. The deadline for submitting nominations to the nomination for the 2015 AGM is 1 March 2015. Suggestions can be submitted to the nomination committee via info@norwegianproperty.no.

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

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has four shareholder-elected directors after one director, Espen D Westeren, resigned from the board in December 2015 in connection with his departure from Geveran Trading Co Ltd. Directors and the chair of the board have been elected by the general meeting until the AGM in 2016. See the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented on the company's website and on page 13 of this annual report. The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board.

Three of the four directors are independent of the company's executive management, significant commercial partners or substantial shareholders. One director, Cecilie Astrup Fredriksen, is an employee of Seatankers Management Co Ltd as well as a director of Marine Harvest ASA and Ship Finance Int. These are all related parties to the largest shareholder in Norwegian Property, Geveran Trading Co Ltd. Twenty-one board meetings were held in 2015.

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 two-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 normally comprising 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 currently has all the directors as its members. It 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 and reports its findings to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk areas and internal control environment

Through its business activities, Norwegian Property manages considerable financial assets which are exposed to substantial risk factors, such as development projects, the money market and the letting market. 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. 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 management reviews of the various parts of the business, and contain an update of the status for setting targets, important operational conditions, financial conditions and a description of the status in risk areas. In addition, quarterly financial reports are prepared and reviewed by the audit committee ahead of the board meeting.

Financial conditions are followed up through 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 players responsible for the valuations where particular attention is paid to market views and risk conditions.

Separate accounting documentation is prepared for significant accounting items and transactions which are not of a routine character. External valuations of financial interest derivatives are quality-assured through the preparation of monthly internal value assessments. All other balance sheet items are reconciled and documented on a continuous basis throughout the year. Significant profit and loss accounts and accounts related to direct and indirect taxation are also reconciled on a continuous basis.

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

11. REMUNERATION OF THE BOARD OF DIRECTORS

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These fees have been based on the board's responsibility, expertise and 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. Following Espen D Westeren's resignation from the board in December 2015, he also resigned from the compensation committee. Only one director sat on the committee at 31 December 2015, but a further member will be appointed during 2016.

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 2015 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 presentations. All information considered to be significant for valuing the company will be distributed and published in both Norwegian and English via Cision and the Oslo Stock Exchange's company disclosure system, and the company's website exists in both Norwegian and English versions.

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

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

Geveran Trading Co Ltd exceeded the limit for a mandatory offer in November 2014, and accordingly made a mandatory offer that December of NOK 10.00 per share for all outstanding shares in Norwegian Property ASA. At the expiry of the offer period, Geveran Trading Co Ltd had received acceptances which increased its overall holding to 43.26 per cent. Its shareholding was subsequently further increased through the purchase of shares in the market. The process is described in greater detail in the annual report for 2014.

15. AUDITOR

An audit committee of three directors has been appointed. This committee is intended to support the board in the exercise of its responsibility for financial reporting, internal control, auditing and overall risk management. Its work is governed by an instruction. The company's auditor, PricewaterhouseCoopers AS, conducted the following work during 2015 in relation to fiscal 2015.

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY 2015

OVERALL GUIDELINES

A strategy for corporate environmental and social responsibility was drawn up by Norwegian Property in 2011 for the 2011-15 period. Its goal was to be a responsible social player as a property company, a contributor to shaping policy for the industry, and an employer. A basic requirement has been for the group to conduct 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 in the shape of more energy-efficient solutions and reduced emissions from the buildings, ensuring good working conditions for the group's tenants, and contributing to positive development in those urban districts where Norwegian Property conducts its business. The company is in the process of establishing targets for the coming period on the basis of the results achieved in 2011-15.

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 at http://www.norwegian-property.no/formal-documents. Their purpose is to ensure that CSR is exercised in accordance with the established base values and ethical guidelines, guidelines for corporate governance, and the group's long-term value creation for shareholders, employees, customers and society. The guidelines apply to all employees of the group and to the directors when they act on behalf of the company. The board is responsible for seeing to compliance with the guidelines.

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

The most important goals defined for CSR in the 2011-15 period have been as follows.

Resources:
- 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
- five per cent reduction in water consumption
- more than 90 per cent of waste sorted on building sites
- 100 per cent water-borne heating in new buildings
- Breeam "very good" and class B buildings, if possible "excellent" and class A in new/rehabilitated buildings

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

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

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

THE NATURAL ENVIRONMENT

From an environmental perspective, the strategy means that Norwegian Property will seek to prevent or reduce undesirable environmental effects from its business. It wants to contribute to increased value for society through local developments. The group has implemented several large conversion and upgrading projects in the 2011-15 period. Urban development and planning have occupied a key place in several of these. Norwegian Property has a slogan that it wants to be "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 the environment. This includes clearly defined goals for environmental protection as well as high standards for the aesthetic design of buildings and outdoor spaces in the local environment. Norwegian Property sets strict standards for its partners and suppliers, and will be a good facilitator for its tenants. 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.

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

Results are measured for those buildings which have been in regular operation or for completed projects where measurable figures have been obtainable for energy consumption, carbon emissions, proportion of waste sorted and water consumption. The base data have been delivered by Norwegian Property, while CO_2focus has provided support in processing and verifying the figures for energy consumption and carbon emissions. The status in relation to the goals set at 31 December 2015 is presented in the table, where reductions and increases are measured in relation to the status at 31 December 2011.

Measure	Goal by 2015	Status at 31 Dec 2013	Status at 31 Dec 2014	Status at 31 Dec 2015
Reduction in energy consumption per sq.m (per cent)	30	3	10	12
Reduction in carbon emissions per sq.m (per cent)	30	3	30	52
Proportion of waste sorted in buildings (per cent)	60	35	40	41
Tenant satisfaction index, environmental	More than 70	62	74	78

The goals for reducing carbon emissions by 2015 were met with a good margin, primarily because the environmental gains from the big construction projects at Aker Brygge were realised as expected. In addition, Nordic Mix (electricity) increased its renewable energy content and reduced carbon emissions by 19 per cent from 2013-14 and by 26 per cent from 2014-15. The rehabilitated buildings at Aker Brygge are linked to a common energy centre, which became operational in the summer of 2014. All the buildings connected to the centre were taken into use during 2015, but some challenges are still being experienced with operational start-up of the buildings, and the effect is expected to be even better in 2016. Energy consumption was high in 2015 since ventilation systems in new buildings must be run-in fully during the first year to air them out.

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

The proportion of waste sorted has shown a good improvement since 2011. Attention has concentrated on achieving an increase at Aker Brygge, since the buildings there account for the largest share of the waste. The project at Aker Brygge has boosted the proportion of sorted waste from 15 per cent in 2011 to 40 per cent in 2015. New waste collection points were installed in five of the buildings at Nydalen during 2015, which has also contributed to improved results.

Where newbuild and rehabilitation projects are concerned, the status for current projects compared with goals at 31 December 2015 is presented in the table below.

Measure	Goal	Terminal Building (Stranden 1, Aker Brygge)	Quay Building I (Stranden 5, Aker Brygge)	Verkstedveien 1 (Skøyen)
Waste sorted at building sites	Over 90 per cent	70 per cent in 2015 and 87 per cent for whole project	71 per cent	85.8 per cent
Water-borne heating	100 per cent	100 per cent	100 per cent	100 per cent
Ecolabelling of buildings	Minimum Breeam "very good" and class B, "excellent" and class A if possible	Energy mark B	Determined in 2016	Energy mark A, Breeam to be determined in 2016
LTI frequency for 2015	Less than 5	Eight in 2015 and 6.8 for whole project	18.7 for 2015 and 18.1 for whole project	Zero in 2015 and 12.9 for whole project

The proportion of sorted waste was close to the goal for the projects completed in 2015. All the projects have met the goal for water-borne heating. Norwegian Property obtained its first Breeam-certified building in 2015, when the Administration Building at Bryggegata 9 achieved a "very good" rating. Work on ecolabelling continues for the other projects. The LTI frequency for the whole project in the Terminal Building is marginally above the target. It has been too high for Quay Building I and Verkstedveien 1, but a substantial reduction was achieved for the latter from 2014 to 2015. Continuous efforts were devoted to measures for improving safety at the contractors.

COMBATING CORRUPTION

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

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

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

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

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

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

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

Compliance with the guidelines implemented to combat corruption is checked.

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

EMPLOYEE RIGHTS AND SOCIAL CONDITIONS

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

- collaborative
- courageous
- innovative
- attentive.

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

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

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

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

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

Norwegian Property has a conscious attitude to equal opportunities when recruiting personnel. But the construction and property sectors are male-dominated, and that creates some challenges for efforts to increase the female proportion in certain posts. The group had 61 employees at 31 December, compared with 57 a year earlier. Forty-one of the company's 61 employees are male and 20 are female. The executive management comprises four people, all of whom were men at 31 December. At the date when the financial statements were presented, the board comprised four directors – two male and two female.

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

Dedicated plans for safety, health and the working environment have been established for all major development projects. An independent construction client representative for safety, health and the working environment has been taken on for these projects. Twelve lost-time injuries were recorded in 2015 at Norwegian Property's sub-contractors for the development projects, compared with nine the year before.

Sickness absence is an important HSE indicator. The total recorded for 2015 at Norwegian Property was 1.6 per cent, compared with 4.2 per cent in 2014.

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 face the greatest human rights challenges in its everyday operations. But the suppliers it uses could be subject to bigger challenges, in part related to social dumping. In the construction industry, the latter could be associated with economic migrants whose pay and employment conditions are significantly worse than for national workers. The greatest opportunities for Norwegian Property to promote, respect and prevent breaches of human rights accordingly lie in being a responsible purchaser of goods and services. Through its ethical guidelines and by acting as a responsible purchaser, the group seeks to help ensure that suppliers apply key principles which accord with its own.

Outside at Aker Brygge, Oslo

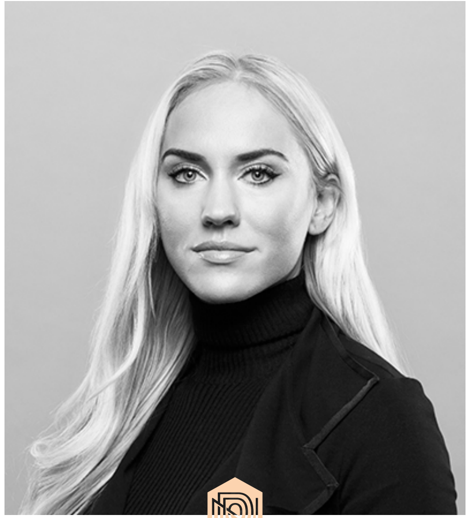
PRESENTATION OF THE DIRECTORS

HENRIK A CHRISTENSEN
Chair

Henrik A Christensen (born 1962), chair since 10 October 2014, received his Master of Law degree (Cand Jur) from the University of Oslo in 1989 and is a lawyer and partner of the law firm Ro Sommernes Advokatfirma DA. Christensen has long and broad experience as a lawyer and adviser to numerous companies in such sectors as real estate, finance, trade and industry. He is today chair or director of numerous companies, including Storebrand Optimér ASA, Home Invest AS, Nordic Choice Hospitality Group AS, Home Capital AS, Home Properties AB, Anker Holding AS, AS Naturbetong, Stangeskovene AS, Pipeliner AS, Cam AS, Vålerenga Fotball AS and Fearnley Advisors AS. He owned and controlled 250 000 shares in Norwegian Property ASA at 31 December 2015.

BJØRN HENNINGSEN
Deputy chair

Bjørn Henningsen (born 1962), director since 10 October 2014, Master of Science in Economics (no: 'siviløkonom') from Heriot-Watt University, and is managing director and partner of Union Eiendomskapital AS, which he was one of the founders of in 2005. Henningsen has long and broad experience of real estate investment and development, banking and finance. He was previously finance director and managing director of Investra ASA, and he also has long experience from leading positions with different banks and finance institutions. Henningsen is chair and director of numerous companies in the Union group, including chair of Union Gruppen AS and Union Eiendomskapital AS. He controlled 224 792 shares in Norwegian Property ASA at 31 December 2015.

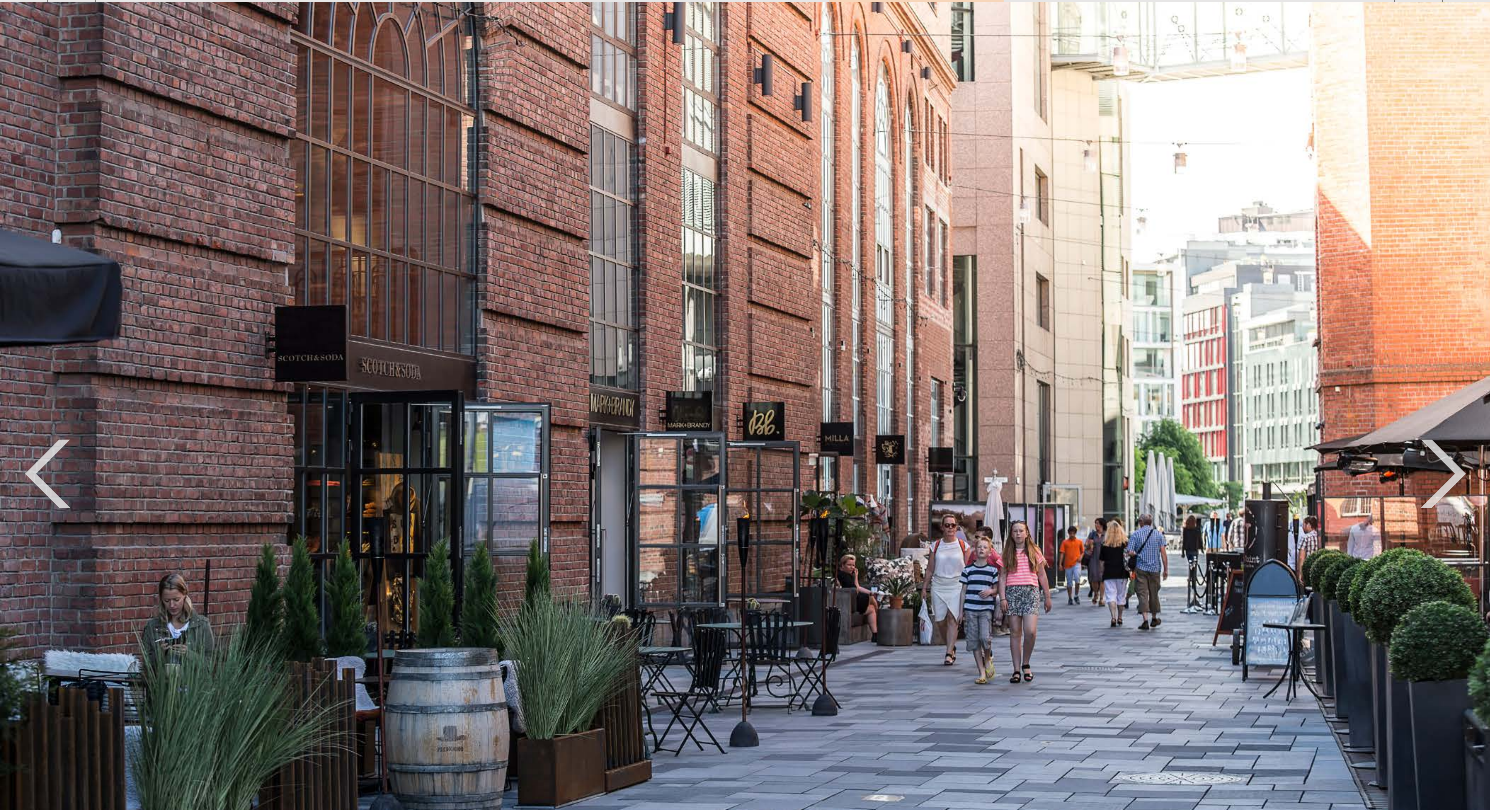


CECILIE ASTRUP FREDRIKSEN
Director

Cecilie Astrup Fredriksen (born 1983), director since 10 October 2014, received a BA in Business and Spanish from London Metropolitan University in 2006. She is currently employed in Seatankers Management Co Ltd, and serves as director of several companies, including Marine Harvest ASA and Ship Finance International Ltd. Related party to Geveran Trading Co Ltd, which owned and controlled 264 724 869 shares in Norwegian Property ASA at 31 December 2015.

MARIANNE HEIEN BLYSTAD
Director

Marianne Heien Blystad (born 1958), director since 9 April 2015, took a law degree at the University of Oslo in 2002 and a master's in business economics at the Norwegian Business School in 1984. She is a lawyer sharing offices with Advokatfirmaet Ro Sommernes. Blystad has worked as a lawyer for the Nordia and Bull & Co law firms, and has earlier experience from the Spencer Holding group, Eksportfinans and Citibank. She is a director of Eksportfinans ASA, Opera Software ASA, Vardar AS and Y Holding AS, and also holds a number of directorships in companies owned wholly or partly by Spencer Holding – including property developer Edda Utvikling AS. Owned and controlled no shares in Norwegian Property ASA at 31 December 2015.



Holmens gate, Aker Brygge, Oslo

Directors' report 2015:

GROWTH IN RENTAL INCOME AND INCREASED PROPERTY VALUES

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

Operating revenues rose from NOK 738.6 million for 2014 to NOK 858.3 in 2015. Corrected for property sales, this represented an increase of NOK 169.8 million or 16.2 per cent. Profit before fair-value adjustments and tax came to NOK 208.3 million, up by NOK 50.7 million from the year before. Fair-value adjustments for investment properties were positive at NOK 387.4 million. Combined with a reduction in required rates of return, completion and letting of development projects have contributed to the improvement in fair value. The value of the group's financial interest rate derivatives rose by NOK 73.3 million. Profit before tax for the year accordingly amounted to NOK 669 million, compared with NOK 129.7 million in 2014. Net profit came to NOK 480.2 million as against NOK 225.3 million the year before.

Seventy-six new leases were awarded during 2015 with a total annual rental income of NOK 127 million. The total run rate at 31 December was NOK 931.4 million, compared with NOK 706.5 million at 1 January when adjusted for property sales.

As part of its strategy for active management of the property portfolio, Norwegian Property entered during the year into agreements on the sale of properties with a total value of NOK 1.4 billion at the sale date. The properties sold were fully developed and leased or ones where a good transaction market was considered to yield the best return on disposal.

ABOUT NORWEGIAN PROPERTY

Norwegian Property owned 38 office and commercial properties in Norway at 31 December 2015. Located in Oslo, Bærum, at Gardermoen and in Stavanger, these had a combined fair value of NOK 16.3 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 61 employees at 31 December, Norwegian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 5 billion.

THE YEAR 2015 – HIGHLIGHTS

Completion of major development projects

Operations at Norwegian Property have been temporarily affected in recent years by a high level of conversion activity, and project management and letting of development projects accordingly had a high priority. The following major development projects were completed during 2015.

- Stranden 3 (the Workshop) in Oslo's Aker Brygge district, covering a total of 30 000 square metres for offices, retailing and restaurants, was completed in stages towards the beginning of 2015. At 31 December, the letting ratio was 91 per cent.
- Stranden 1 (Terminal Building) at Aker Brygge was completed during the first quarter of 2015. It provides 24 000 square metres of space for offices, retailing and restaurants, and was fully occupied by 31 December.
- Stranden 5 (Quay Building I) at Aker Brygge was also completed during the first quarter of 2015. Covering 30 000 square metres, it was fully occupied by 31 December.
- Verkstedveien 1 at Skøyen in Oslo covers a total of 32 000 square metres and was completed in the second quarter of 2015. A number of substantial leases were awarded in 2015, and the letting ratio at 31 December was 83 per cent.

Market and letting

Letting market

According to Akershus Eiendom, vacancy for office space in Oslo at 31 December was eight per cent. Demand for office premises is somewhat restrained as a result of weaker economic growth in Norway. Rental levels are stable or falling slightly in most parts of Oslo. Pressure on rents is greatest in the western corridor which includes the Lysaker and Fornebu areas. Limited newbuilding activity, conversion of certain older office premises into residential accommodation and expectations of some recovery in economic growth contribute to expectations at Akershus Eiendom that overall vacancy will be stable or declining in the 2016-17 period.

Demand remains weak in Stavanger as a result of low crude prices and a focus on costs in the oil and offshore sector. Although newbuilding activity is declining, competition remains strong and the market demanding.

Letting activity

Following the completion of the major development projects, activity in Norwegian Property shifted during 2015 into a phase where attention is concentrated on leasing and managing properties in regular operation. Seventy-six new and extended leases were awarded during 2015, with an annual rental income of NOK 127 million. The largest of these relate to the following leases.

- A number of leases were awarded during 2015 for the completed projects at Aker Brygge, relating to 9 100 square metres. In addition, new leases covering 5 500 square metres were awarded for other Aker Brygge properties.
- New leases covering 12 200 square metres were awarded for the Verkstedveien 1 project at Skøyen during 2015.
- After a lengthy period when occupancy was lower, vacancy for the properties at Nydalen in Oslo is now at a normalised level of less than three per cent when account is taken of leases which come into effect in 2016. New leases covering 7 800 square metres were awarded in 2015.

Some of the company's properties in Stavanger are vacant as a result of a strong focus on costs and reduced demand for office premises from the oil and offshore sector.

- The former lease for 19 000 square metres at Forusbeen 35 expired at 30 September 2015. A agreement to let this property on an "as is" basis was entered into in November 2015, initially for one year with an option for extension. The lessee occupied the building during November, and has entered into a management and letting agreement with the Norwegian Directorate of Immigration (UDI) on temporary emergency accommodation for asylum seekers.
- The lease with the former tenant at Badehusgaten 33-39 expired in 2013. This building covers 19 000 square metres. A number of new leases for these premises were awarded in 2014 and 2015, and the letting ratio at 1 January 2016 was 39 per cent.

Customer satisfaction

The Norwegian Lessee Index has conducted its annual survey of tenant satisfaction. Although many tenants, especially at Aker Brygge and Skøyen, again experienced inconvenience because of the extensive construction work, Norwegian Property achieved a score of 79 for 2015 (2014: 76). The company has positioned itself among Norway's leading property companies in terms of tenant satisfaction. That reflects its efforts to become the country's most tenant-oriented property company.

Financing

Financing market

The trend from the previous year, with long-term market interest rates at a record low, continued during 2015. Developments in the Norwegian economy were a little weaker than expected, and the outlook has weakened somewhat. The Bank of Norway accordingly reduced its benchmark interest rate by 0.25 per cent in both June and September, and by 0.75 per cent at 31 December. The market for loan financing tightened a little towards the end of the year, and loan margins are generally rising slightly.

Financing activities

None of Norwegian Property's credit facilities matured in 2015, and changes made to the borrowing and hedge portfolio were related to redemption of credit facilities following property sales and on-going optimisation of the hedge portfolio. The next substantial credit maturities are in October 2016 for the bond loan with a nominal value of NOK 500 million and at 31 December 2016 for the credit facility with DNB/Danske Bank which had been drawn down by NOK 4.4 billion at 31 December 2015. At the date of the financial statements for 2015, work was under way on refinancing these facilities. This should be completed during the first half of 2016.

Property transactions

Transaction market

Activity in the transaction market was at a record level during 2015. The market consensus is that the overall transaction volume to 31 December exceeded NOK 125 billion. Prime yield is now estimated to be around 4.25 per cent. The biggest buyer categories are still foreign investors and life insurance companies. A low level of long-term interest rates contributed to the high transaction volume, even though the market for loan financing has become somewhat tighter and borrowing margins were generally rising slightly towards the end of the year.

Transactions conducted

As part of its strategy for active management of the property portfolio, Norwegian Property entered during the year into agreements on the sale of properties with a total value of NOK 1.4 billion at the sales date. The properties sold were fully developed and leased or ones where a good transaction market was considered to yield the best return on disposal.

- A sale agreement was entered into in July for Lysaker Torg 35 at a gross agreed value of NOK 601.5 million, which was NOK 56.6 million above the most recent external valuation.
- A sale agreement was entered into in September for Nedre Skøyen vei 24-26, with transfer of possession at 1 March 2019. The gross agreed value was NOK 799 million. Norwegian Property is responsible for regular operation of the property until the sales date, and hereunder receives an on-going net nominal rental income of NOK 276 million. The present value of the sale proceeds was estimated to be NOK 35 million above the most recent valuation.

Transactions assessed

Norwegian Property's properties at Aker Brygge have undergone substantial upgrading over the past few years. Following this upgrade, the portfolio at Aker Brygge represent some of the most attractive properties in Oslo's central business district (CBD). These are assessed as core properties for Norwegian Property in the time to come. The company's ambition over time is to strengthen its position in this segment. During the second half of 2015, the board looked at opportunities for a collective sale of other properties. It was decided before the end of the year that no basis existed for such a transaction.

STRATEGIC GOALS

Competitive return with balanced risk

Norwegian Property has a long-term goal of delivering a return on equity before tax of 10 per cent, including on-going operational results and the rise in value. This target is being pursued through a concentration on letting, property management and development, transactions and financing.

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

The most satisfied customers

Norwegian Property's vision is to create meeting places which encourage engagement and provide favourable conditions for developing relationships between people and with stakeholders. The long-term aim is to be regarded as Norway's most tenant-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 for properties in regular operation up to 2015 are specified in the report on corporate social responsibility. In addition, environment-related targets have been set for all current newbuild and rehabilitation projects.

Investment strategy

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

- attractive properties in office clusters close to traffic hubs
- 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 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 carrying 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.

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, financial conditions, and a description of the status of risk areas. Quarterly financial reports are also prepared and then reviewed by the audit committee ahead of the board meeting. In connection with the presentation of the annual financial statements, the executive management prepares estimates and makes assumptions about the future. The consequent accounting estimates will be subject by definition to uncertainties. Estimates and assumptions which represent a substantial risk of significant changes to the carrying amounts of assets and liabilities in forthcoming accounting periods relate primarily to developments in the value of investment property.

In connection with its annual consideration of Norwegian Property's strategy, the board reviews the most important risk areas facing the company 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, liquidity risk, and profit effects when refinancing debt and implementing major development projects.

Efforts are made to dampen the effect of interest rate changes on profits and liquidity through hedging. At 31 December 2015, 60 per cent (2014: 68 per cent) of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.3 years (2014: 4.6 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 360.2 million (2014: NOK 576.5 million). The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements, and to requirements arising from the group's current and planned development projects at any given time.

The group's credit facilities incorporate financial covenants related to interest cover and the loan-to-value ratio. It was in compliance with these and other conditions in the credit agreements related to its liabilities at 31 December 2015.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The group has a significant proportion of long-term leases, and the average remaining term at 31 December was 5.7 years (2014: 6.2 years). 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 are fully adjusted for changes in the consumer price index (CPI).

Vacant space in the group's portfolio was 13.7 per cent of the total at 31 December (2014: 29.7 per cent). Vacancy in the Oslo portfolio viewed in isolation was 4.8 per cent, which means that the bulk of the group's vacant space relates to the Stavanger portfolio.

Development risk

Generally speaking, major conversion projects involve risk relating to such aspects as the future letting ratio and level of rents for converted areas, cost overruns on procurement and planning, delays, delivery shortfalls and market developments. Extensive conversion and upgrading projects have been pursued in recent years with the group's properties at Aker Brygge and Skøyen in Oslo. These developments were completed by 31 December 2015, and have been managed by competent personnel in the company with relevant experience from and knowledge of similar development projects. In addition, the group has benefited from competent external resources to reduce risk related to its projects. Norwegian Property has developed tools for project management and execution, and the board has received 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 to six months of 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. Other liquidity risk relates first and foremost to servicing instalments on and redemption of loans. The group generates a positive cash flow from operations.

At 31 December, the group had interest-bearing debt of NOK 9 519.7 million (2014: NOK 9 635.4 million), with an average remaining term of 1.7 years. Debt instalments and redemption during 2016 are classified as current liabilities in the consolidated balance sheet. They related at 31 December to the maturation in October 2016 of the bond loan with a nominal value of NOK 500 million, and at 31 December 2016 of the credit facility in DNB/Danske Bank which had been drawn down in the amount of NOK 4.4 billion at the end of 2015. The group had a liquidity reserve of NOK 360.2 million at the same date. Good and long-term relations are cultivated by the group with its main bankers.

GROUP ACCOUNTS

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

Going concern assumption

Pursuant to the requirements of the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The financial statements for 2015 have been prepared on that basis.

Income statement

The consolidated income statement for 2015 embraces the portfolio of 38 properties at 31 December, plus properties sold during the year up to the date of their disposal (Lysaker Torg 35 was sold at 14 August).

Gross rental income totalled NOK 858.3 million (2014: NOK 738.6 million). Adjusted for the purchase and sale of properties and buying-out of leases, this represented an increase of NOK 169.8 million from 2014. That is primarily attributable to the rise in rents from phasing-in development projects.

Maintenance and other operating costs totalled NOK 64.8 million (2014: NOK 60.4 million). Other property-related costs totalled NOK 77.5 million (2014: NOK 75.6 million). Administrative owner costs totalled NOK 79.2 million (2014: NOK 63.5 million). Operating profit before fair-value adjustments was thereby NOK 636.8 million (2014: NOK 539.1 million). No costs related to research and development activities were recognised in the accounts for either 2015 or 2014.

Fair value changes to the company's property portfolio totalled NOK 387.4 million in 2015 (2014: NOK 354.8 million). Combined with a reduction in the required rate of return, completion and letting of development projects contributed to the positive trend in fair value. The fair value of certain properties with a short remaining lease term and uncertainty related to future letting has been reduced.

Financial income, which consists largely of interest income, totalled NOK 0.6 million (2014: NOK 1.7 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 429.1 million (2014: NOK 383.2 million).

The change in fair value for financial instruments used to manage interest and exchange rate risk was NOK 73.3 million (2014: negative at NOK 382.7 million). Profit before tax was thereby NOK 684 million (2014: loss of NOK 129.7 million).

NOK 188.8 million in tax expense is recognised in the 2015 accounts (2014: income of NOK 95.6 million). As a result, net profit for the year was NOK 480.2 million (2014: NOK 225.3 million).

Cash flow

Net cash flow from operating activities was NOK 138 million (2014: negative at NOK 71.2 million). This increase primarily reflected increased turnover following the completion and letting of major development projects. Operating profit before fair value adjustments, corrected for net realised financial items, came to NOK 208.3 million in 2015. The difference compared with net cash flow from operating activities relates to the buy-out of interest hedging contracts expensed under changes in the fair value of financial instruments and changes to working capital items.

Net cash flow from investing activities was NOK 32.6 million (2014: negative at NOK 661.6 million). Cash flow from the disposal of properties totalled NOK 623 million. Acquisition of and capital spending on investment property totalled NOK 590.4 million.

Net cash flow from financing activities was negative at NOK 136.5 million following a net reduction in interest-bearing debt (2014: net increase of NOK 692.6 million).

The net change in cash and cash equivalents was NOK 34.1 million (2014: negative at NOK 40.2 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 55.8 million (2014: NOK 21.7 million). In addition, the group had NOK 308 million in unused drawing rights at 31 December (2014: NOK 558 million). Total equity was NOK 5 777.6 million (2014: NOK 5 290.2 million), representing an equity ratio of 34.9 per cent (2014: 32.9 per cent). Carried equity per share came to NOK 10.53 (2014: NOK 9.65).

Interest-bearing debt at 31 December was NOK 9 519.7 million (2014: NOK 9 635.4 million). At 31 December, the average interest rate on the company's loans was 4.33 per cent (2014: 4.57 per cent). The average loan margin was 1.4 per cent (2014: 1.4 per cent). The average remaining term to maturity for the loans was 1.7 years (2014: 2.8 years).

Valuation of the properties

The company's valuation process is based on quarterly external valuations, supplemented by internal analyses where the company makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. Based on this process, all the properties were valued on 31 December 2015 by two independent professional specialists. DTZ Realkapital and Akershus Eiendom have prepared a valuation of 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 2015. The valuation models used for these assessments are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses, upgrading costs and the risk of vacancy are made on a property-by-property basis.

Oslo's city council will introduce a property tax with effect from 2017. This is expected to represent an additional cost for property owners, even if some of the effect can be charged to tenants pursuant to the leases. The anticipated negative effect of the property tax has been incorporated in future cash flows in the valuation of the investment properties at 31 December 2015.

The executive management and the board have made independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. The conclusion is that the external valuations provided a realistic assessment of the value of the properties. The total carrying amount of the company's investment properties was NOK 16 256.1 million at 31 December 2015 (2014: NOK 15 796.5 million).

EVENTS AFTER THE BALANCE SHEET DATE

No significant incidents since 31 December 2015 provide information concerning the conditions which existed at the balance sheet date.

PARENT COMPANY ACCOUNTS AND ALLOCATION OF NET PROFIT

The parent company, Norwegian Property ASA, made a net profit of NOK 7 million in 2015 (2014: loss of NOK 465.5 million). Administrative owner costs for the group as well as interest costs on the group's credit facilities are recognised in the company's accounts. The company's subsidiaries are largely financed by equity, and no dividends were paid to the parent company in 2015.

The board will seek a mandate from the annual general meeting in April 2016 to consider quarterly payment of dividend, starting from the presentation of results for the first quarter of 2016.

The board proposes that the net profit of NOK 7 million be allocated to other paid-in equity.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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

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

EXECUTIVE MANAGEMENT

Olav Line resigned as CEO in Norwegian Property during 2015, and Svein Hov Skjelle was appointed as the new CEO in August.

BOARD OF DIRECTORS

The annual general meeting in April 2015 elected Espen Westeren and Marianne Heien Blystad as new ordinary directors. The other directors are Henrik A Christensen (chair), Bjørn Henningsen (deputy chair) and Cecilie Astrup Fredriksen. Westeren resigned from the board in December 2015.

SHAREHOLDERS

Norwegian Property had 1 728 shareholders at 31 December, up by 11 from the same time in 2014 (1 717 shareholders). Foreigners owned 62.3 per cent of the shares, compared with 64.3 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.

OUTLOOK

According to Akershus Eiendom, vacancy in Oslo is flattening out at about eight per cent, while rent levels remain under some pressure in most sub-markets. The letting market in Stavanger remains demanding. Statistics Norway expects a rather higher growth in gross domestic product (GDP) for mainland Norway in 2016 than in the year before – two per cent compared with 1.5 per cent. But the figure is expected to exceed 2.6 per cent as early as 2017.

Activity in the transaction market reached record heights in 2015. Long-term market interest rates varied somewhat over the year, but were close to record low levels at the beginning of 2016. The banks signalled more cautious lending activity in late 2015, which has caused some upward pressure on borrowing margins. As its major projects have been completed, Norwegian Property's attention has turned to expansion opportunities. However, the company is experiencing very stiff competition in the transaction market over those objects it regards as relevant.

Rental income is expected to rise somewhat during 2016 in step with the continued phasing-in of new leases. Certain buildings still have a high level of vacancy because some large tenants are moving out, but the company's vacancy is becoming increasingly concentrated in Stavanger as new leases are awarded for the Oslo portfolio.

The board's overall ambition is for a gradual improvement in operating profit. In line with this expected strengthening in operational results, a resumption of dividend payments will be proposed by the board.

Oslo, 10 February 2016
The board of directors of Norwegian Property ASA

Henrik A Christensen	Bjørn Henningsen	Cecilie Astrup Fredriksen	Marianne Heien Blystad	Svein Hov Skjelle
Chair	Deputy chair	Director	Director	President and CEO

Verkstedveien 1, Skøyen, Oslo

FINANCIAL STATEMENTS

INCOME STATEMENT 1 JAN-31 DEC

CONSOLIDATED

(Amounts in NOK million)	Note	2015	2014
Revenues	9	**858.3**	738.6
Maintenance and other operating expenses	18	**(64.8)**	(60.4)
Other property-related expenses	18	**(77.5)**	(75.6)
Total property-related expenses		**(142.3)**	(136.0)
Administrative expenses	18, 19	**(79.2)**	(63.5)
Total operating expenses		**(221.5)**	(199.5)
Operating profit before value adjustments		**636.8**	539.1
Change in market value of investment property	7	**387.4**	354.8
Operating profit		**1 024.2**	893.9
Financial income	10, 20	**0.6**	1.7
Financial cost	10, 20	**(429.1)**	(383.2)
Realised net financial items		**(428.5)**	(381.5)
Change in market value of financial derivative instruments	10, 11	**73.3**	(382.7)
Net financial items		**(355.2)**	(764.2)
Profit before income tax		**669.0**	129.7
Income tax	17	**(188.8)**	95.6
Profit for the year		**480.2**	225.3
Profit attributable to non-controlling interests		**-**	-
Profit attributable to shareholders of the parent company		**480.2**	225.3
Earnings per share attributable to shareholders of the parent company (amounts in NOK)[1]	21	**0.88**	0.41

[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)	2015	2014
Profit for the year	**480.2**	225.3
Value adjustment and depreciation of owner-occupied property	**9.7**	10.1
Income tax related to value adjustment and depreciation of owner-occupied property	**(2.5)**	(2.7)
Other comprehensive income that will not be reclassified to profit or loss, net of tax	**7.2**	7.4
Other comprehensive income that subsequently may be reclassified to profit or loss, net of tax	**-**	-
Total comprehensive income for the year	**487.4**	232.7
Total comprehensive income attributable to shareholders of the parent company	**487.4**	232.7
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	**2015**	2014
ASSETS			
Non-current assets			
Financial derivative instruments	3, 10, 11, 12	**6.1**	6.6
Investment property	7	**16 169.6**	15 695.1
Owner-occupied property	7	**86.5**	101.5
Other fixed assets	8	**45.8**	43.9
Total non-current assets		**16 308.0**	15 847.2
Current assets			
Receivables	10, 13	**181.6**	192.1
Cash and cash equivalents	3, 10	**55.8**	21.7
Total current assets		**237.5**	213.8
TOTAL ASSETS		**16 545.5**	16 060.9

(Amounts in NOK million)	Note	**2015**	2014
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**274.2**	274.2
Share premium		**3 412.3**	3 412.3
Other paid-in equity		**6 440.1**	6 440.1
Retained earnings		**(4 348.9)**	(4 836.3)
Total equity		**5 777.6**	5 290.2
Non-current liabilities			
Deferred tax	17	**258.7**	67.4
Financial derivative instruments	3, 10, 11, 12	**670.2**	824.6
Interest-bearing debt	10, 16	**4 612.7**	9 621.9
Other liabilities	10, 15	**52.6**	-
Non-current liabilities		**5 594.2**	10 513.8
Current liabilities			
Financial derivative instruments	3, 10, 11, 12	**2.0**	2.7
Interest-bearing debt	10, 16	**4 906.9**	13.5
Other liabilities	10, 15	**264.8**	240.8
Total current liabilities		**5 173.7**	256.9
Total liabilities		**10 768.0**	10 770.7
TOTAL EQUITY AND LIABILITIES		**16 545.5**	16 060.9

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

Oslo, 10 February 2016
The board of directors of Norwegian Property ASA

Henrik A Christensen
Chair

Bjørn Henningsen
Deputy chair

Cecilie Astrup Fredriksen
Director

Marianne Heien Blystad
Director

Svein Hov Skjelle
President and CEO

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED

(Amounts in NOK million)	Share capital	Share premium	Other paid-in equity	Retained earnings	**Total equity**
Total equity 31 December 2013	**274.2**	**3 412.3**	**6 440.1**	**(5 068.9)**	**5 057.5**
Profit for the year	-	-	-	225.3	**225.3**
Other comprehensive income for the year	-	-	-	7.4	**7.4**
Total comprehensive income for the year	**-**	**-**	**-**	**232.6**	**232.6**
Paid dividend	-	-	-	-	**-**
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**	**-**	**-**
Total equity 31 December 2014	**274.2**	**3 412.3**	**6 440.1**	**(4 836.3)**	**5 290.2**
Profit for the year	-	-	-	480.2	**480.2**
Other comprehensive income for the year	-	-	-	7.2	**7.2**
Total comprehensive income for the year	**-**	**-**	**-**	**487.4**	**487.4**
Paid dividend	-	-	-	-	-
Total contributions by and distributions to owners of the parent	**-**	**-**	**-**	**-**	**-**
Total equity 31 December 2015	**274.2**	**3 412.3**	**6 440.1**	**(4 348.9)**	**5 777.6**

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

CASH FLOW STATEMENT 1 JAN-31 DEC

CONSOLIDATED

(Amounts in NOK million)	Note	2015	2014
Profit before income tax		**669.0**	129.7
Net financial items	11, 20	**355.2**	764.2
Interest received	20	**0.6**	1.7
Interest paid	15, 20	**(383.7)**	(421.4)
Buyout of derivatives	11	**(81.2)**	(149.0)
Depreciation of tangible assets	7, 8	**9.1**	8.2
Change in market value of investment property	7	**(387.4)**	(354.8)
Change in current items		**(43.6)**	(49.8)
Net cash flow from operating activities		**138.0**	(71.2)
Payments for purchase and development of investment property	7, 8	**(590.4)**	(1 693.9)
Received cash from sale of investment property	7	**573.0**	1 032.4
Advances received from sale of investment property	7	**50.0**	-
Net cash flow from investing activities		**32.6**	(661.6)
Net repayment of interest-bearing debt	16	**(486.5)**	(1 165.5)
Proceeds from increase in interest bearing liabilities	16	**350.0**	1 858.0
Net cash flow from financial activities		**(136.5)**	692.5
Net change in cash and cash equivalents		**34.1**	(40.2)
Cash and cash equivalents at the beginning of the period	3	**21.7**	62.9
Exchange rate effects	20	**-**	(1.0)
Cash and cash equivalents at the end of the period	3	**55.8**	21.7

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

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 38 properties in Oslo and Stavanger at 31 December 2015.

The financial statements are approved by the board on 10 February 2016 for final approval by the general meeting on 13 April 2016.

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 2015, and additional requirements according to the Norwegian Accounting Act as of 31 December 2015.

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.

From 1 January 2015, the following standards have been considered and implemented if relevant for the group:

- Annual improvements to IFRS for the periods 2010-2012 and 2011-2013.
- Amendments to IAS 19 regarding employee contributions to define benefit plans.

The changes have not affected the group's accounting policies or information given in financial statements.

New standards and interpretations not yet adopted:

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

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

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

2.2 - Consolidation

a) Subsidiaries

Subsidiaries are defined as all entities (including special purpose entities) over which the group has the power to govern 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 deconsolidated 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 and liabilities

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

Financial assets not carried at fair value are assessed at each balance sheet date 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 note 2.10 and note 2.18).

2.9 - Derivatives and hedging

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

All of the group's interest rate swaps and forward exchange contracts are used as economic hedges. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised in 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 recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 - Cash and cash equivalents

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

2.12 - Share capital and share premium

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

2.13 - Trade payables

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

2.14 - Borrowings

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

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

2.15 - Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax 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 near 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 consists of rental income. Operating income encompasses the fair value of the consideration received for services in the ordinary business. Revenues are presented net of VAT, discounts and rebates. Service charge expenses are charged to tenants and recognized in the balance sheet together with payments on account of tenants, and therefore does not affect the result beyond an administrative premium. The settlement of service charge expenses is carried out after the balance sheet date. Intercompany transactions are eliminated.

(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 to get ready for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use.

2.19 - Pensions

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

2.20 - Operating expenses

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

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

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

NOTE 3: Financial risk management

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

Risk management for the group is managed by the corporate treasury department in accordance with guidelines approved by the board. 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

The group's currency exposure is very limited. The group had no leases in foreign currency in 2015. In 2014 3 per-cent (22.2 million) of the rental income was related to a lease in EUR, for a property that was sold during the year. All operational costs are in practice in NOK. The group has entered into a hedging agreement to reduce its exposure in foreign currencies. The hedging agreement is not settled in full in connection with the sale of the property.

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

Year	Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
2015	EUR	(1.1)	-	(1.1)	-	-
2014	EUR	(2.3)	-	-	(2.3)	-

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 2015 was 5.7 years (2014: 7.3 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 2015 was 2.5 per cent for leases regulated in October and 2.8 per cent for leases regulated in November, which increased annual rental income at the end of 2015 by NOK 21 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 60 per cent of floating rate loans outstanding. At 31 December, 60 per cent (see note 16) of such loans (including interest-bearing receivables and cash) were hedged (2014: 68 per cent).

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 6.6 billion at 31 December (2014: NOK 7.4 billion). The average credit margin on floating rate borrowings at 31 December 2015 was 140 basis points (2014: 140 basis points). The average basis rate of the loan portfolio at 31 December 2015 was 4.33 per cent (2014: 4.57 per cent). The average remaining maturity of hedging agreements was 4.3 years (2014: 4.6 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
2015	NOK	(6 555.0)	(400.0)	(950.0)	(3 155.0)	(2 050.0)
2014	NOK	(7 428.0)	(473.0)	(400.0)	(3 755.0)	(2 800.0)

If the average interest rate for the group had been 25 basis points higher/lower at 31 December 2015 and all other variables constant, this would constitute a change in annual interest expense on unsecured lending portfolio of NOK 9 million and a change in the value of interest rate swaps of NOK 58 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 2015 and 2014 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)	**2015**	2014
Cash and cash equivalents	**55.8**	21.7
- of which restricted cash and cash equivalents	**(3.6)**	(3.2)
Available cash and cash equivalents	**52.2**	18.5
Unused credit and overdraft facilities	**308.0**	558.0
Liquidity reserve	**360.2**	576.5

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 2015 (NOK 208 million) and 2014 (NOK 158 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. The figures in the table specifies the timing of repayment of principal amounts (NOK million).

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

31 December 2014	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	9 635.4	10 791.7	474.9	5 255.0	5 061.8	-
Other liabilities[2]	240.8	216.0	216.0	-	-	-

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

Norwegian Property has had no major maturity of loan facilities in 2015, and implemented changes in the borrowing and hedging portfolio has been related to repayment of loan facilities after sale of properties and ongoing optimization of the hedging portfolio. Next major maturity of loan facilities are in October 2016 for a bond loan of NOK 500 million and the loan facility with DNB/Danske Bank at the end of 2016 (total credit of NOK 4.4 billion at the end of 2015). Upon completion of the accounts for 2015 a process for refinancing of these facilities is ongoing, and it is expected that this work is completed in the first half of 2016.

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 2014 and 2015. 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)	**2015**	2014
Long-term interest-bearing liabilities	**4 612.7**	9 621.9
Short-term interest-bearing liabilities	**4 906.9**	13.5
Capitalised borrowing cost deducted from the interest-bearing liabilities	**12.7**	33.6
Cash and cash equivalents	**(55.8)**	(21.7)
Gross interest-bearing liabilities	**9 476.6**	9 647.2
Gross property value	**16 256.1**	15 796.6
Loan-to-value (per cent)	**58.3**	61.1

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 2015. 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 2015. 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 are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.6 to 2.8 per cent in the calculation period). Based on an assessment of the properties, tenants and macroeconomic conditions at the balance sheet date, cash flows are discounted using discount rates in the range from 6.4 to 13 per cent based on individual assessments of each property.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, market rent and operating costs for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2015, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change [1]
Net market yield	+ 0.25 per cent	(578)
Discount rate	+ 0.25 per cent	(401)
Operating costs	+ NOK 25 per sqm	(343)
Market rent	+ 10 per cent	1 350

[1] The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2015.

Fair value of financial derivatives

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

NOTE 6: Segment information

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

NOTE 7: Investment property and owner-occupied property

The carrying value of investment property

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

(Amounts in NOK million)	**2015**	2014
Total value of investment property at 1 January	**15 796.6**	14 762.6
Disposals of properties at book value [1]	**(577.3)**	(1 043.7)
Additions through on-going investments	**626.3**	1 649.6
Capitalized borrowing costs	**9.2**	52.7
Total fair value adjustment of investment property	**387.4**	354.8
Fair value adjustment of properties sold included in total fair value adjustment [1]	**6.1**	12.2
Fair value adjustment of owner-occupied property	**7.9**	8.3
Total value of investment property at 31 December	**16 256.1**	15 796.6
Owner-occupied property (see specification below)	**(86.5)**	(101.5)
Total book value of investment property at 31 December	**16 169.6**	15 695.1

[1] Disposals in 2015 apply to Lysaker Torg 35, as well as minor adjustments to prior year disposals. Similarly for 2014 apply to Finnestadveien 44 and Maridalsveien 323, as well as minor adjustments to prior year disposals.

In 2015, Norwegian Property has entered into an agreement to sell the property Nedre Skøyen vei 24-26 in Oslo to Veidekke Eiendom. Takeover is agreed to March 2019 upon expiration of the lease with Evry, and Norwegian Property is entitled to running rental income as well as operating responsibility for the property until this. The property value of the sale is agreed to NOK 799 million, of which NOK 50 million has been paid as an advance in September 2015. Annual rental income in 2015 for the property is 79.3 million. Total nominal value of the rental income before annual adjustment for CPI, which Norwegian Property will receive in addition to property value until March 2019 amounts to approximately NOK 276 million. The property is in the balance sheet classified as an ordinary investment property, at the present value of the aforementioned cash flows. Classification as investment property held for sale are subject to expected realization within one year from the balance sheet date, and are therefore not applicable until 2018.

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

At the end of 2015, 13.7 per cent (29.7 per cent) of total property space are vacant. Operating expenses for vacant space totals NOK 28.9 million for 2015 (NOK 39.3 million).

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

The group has no significant contractual obligations for construction contracts related to investment properties at 31 December 2015 (2014: NOK 375 million).

Owner-occupied property

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

(Amounts in NOK million)	**2015**	2014
Opening balance 1 January	**101.5**	52.7
Addition by transfer from investment property to owner-occupied property	**83.3**	93.2
Disposal by discontinuance of owner-occupied property	**(106.1)**	(52.7)
Fair value adjustment of owner-occupied property, comprehensive income	**7.9**	8.3
Book value of owner-occupied property at 31 December	**86.5**	101.5
Accumulated acquisition costs at 31 December	**83.3**	93.2
Accumulated depreciation at 31 December	**0.8**	1.7

Fair value assessment

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

	Determination of fair value using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	**Total estimated fair value**
Investment property	-	-	16 169.6	**16 169.6**
Owner-occupied property	-	-	86.5	**86.5**
Total properties at 31 December 2015	**-**	**-**	**16 256.1**	**16 256.1**
Investment property	-	-	15 695.1	**15 695.1**
Owner-occupied property	-	-	101.5	**101.5**
Total properties at 31 December 2014	**-**	**-**	**15 796.6**	**15 796.6**

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under 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 2014 or 2015.

NOTE 8: Other fixed assets

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

(Amounts in NOK million)	Other fixed assets	Energy distribution system (Aker Brygge)	**Total**
Acquisition costs			
At 31 December 2013	24.4	38.2	**62.5**
Additions 2014	-	-	**-**
Disposals 2014	-	(1.9)	**(1.9)**
At 31 December 2014	24.4	36.2	**60.6**
Additions 2015	6.7	2.5	**9.2**
Disposals 2015	-	-	**-**
At 31 December 2015	**31.1**	**38.8**	**69.8**
Accumulated depreciation			
At 31 December 2013	10.2	-	**10.2**
Additions 2014	5.3	1.2	**6.5**
Disposals 2014	-	-	**-**
At 31 December 2014	15.5	1.2	**16.6**
Additions 2015	5.6	1.7	**7.3**
Disposals 2015	-	-	**-**
At 31 December 2015	**21.1**	**2.9**	**24.0**
Book value			
At 31 December 2014	8.9	35.1	**43.9**
At 31 December 2015	**9.9**	**35.9**	**45.8**

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

NOTE 9: Contractual rental income

The group is 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.

(Amounts in NOK million)	**2015**	2014
Within 1 year	**962.1**	820.6
Between 1 and 5 years	**3 343.6**	3 363.0
Later than 5 years	**1 566.3**	1 337.6
Total	**5 872.0**	5 521.2

Rental income is recognised over the lease term. The group's recognised rental income for 2015 amounts to NOK 858.3 million (2014: NOK 738.6 million). The figures does not included service charge expenses charged tenants. Accrued service charge expenses are recognized in the balance sheet together with payments on account of the tenant, and does not affect the result beyond an administrative mark-up which is recognised. Settlement of service charge expenses are made after the balance-sheet day. Accrued service charge expenses which are charged tenants in 2015 amounts to NOK 95.6 million (2014: NOK 50.3 million), and the administrative mark-up amounted to NOK 2.8 million (2014: NOK 1.1 million).

NOTE 10: Financial instruments

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

At 31 December 2015 *(Amounts in NOK million)*	Financial instruments at fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Financial assets					
Long-term derivatives	6.1	-	-	-	**6.1**
Short-term receivables	-	181.6	-	123.0	**304.7**
Cash and cash equivalents	-	55.8	-	-	**55.8**
Financial liabilities					
Long-term derivatives	670.2	-	-	-	**670.2**
Long-term interest-bearing debt	-	-	4 612.7	-	**4 612.7**
Long-term liabilities	-	-	-	52.6	**52.6**
Short-term derivatives	2.0	-	-	-	**2.0**
Short-term interest-bearing debt	-	-	4 906.9	-	**4 906.9**
Short-term liabilities	-	-	238.2	26.6	**264.8**
Profit/loss related to financial instruments					
Financial income	-	0.6	-	-	**0.6**
Financial cost	-	-	(429.1)	-	**(429.1)**
Change in market value of financial instruments	73.3	-	-	-	**73.3**
Gain/loss recognised in comprehensive income					
Recognised in comprehensive income, before tax	-	-	-	-	**-**

At 31 December 2014 *(Amounts in NOK million)*	Financial instruments at fair value through profit or loss	Loans and receivables	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Financial assets					
Long-term derivatives	6.6	-	-	-	**6.6**
Short-term receivables	-	158.7	-	33.4	**192.1**
Cash and cash equivalents	-	21.7	-	-	**21.7**
Financial liabilities					
Long-term derivatives	824.6	-	-	-	**824.6**
Long-term interest-bearing debt	-	-	9 621.9	-	**9 621.9**
Short-term derivatives	2.7	-	-	-	**2.7**
Short-term interest-bearing debt	-	-	13.5	-	**13.5**
Short-term liabilities	-	-	216.0	24.8	**240.8**
Profit/loss related to financial instruments					
Financial income	-	1.7	-	-	**1.7**
Financial cost	-	-	(383.2)	-	**(383.2)**
Change in market value of financial instruments	(382.7)	-	-	-	**(382.7)**
Gain/loss recognised in comprehensive income					
Recognised in comprehensive income, before tax	-	-	-	-	**-**

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

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

(Amounts in NOK million)	**31 December 2015** Book value	**31 December 2015** Fair value	31 December 2014 Book value	31 December 2014 Fair value
Long-term derivatives	**6.1**	**6.1**	6.6	6.6
Short-term receivables	**181.6**	**181.6**	158.7	158.7
Cash and cash equivalents	**55.8**	**55.8**	21.7	21.7
Total financial assets	**243.5**	**243.5**	187.0	187.0
Long-term derivatives	**670.2**	**670.2**	824.6	824.6
Long-term interest-bearing debt	**4 612.7**	**4 626.3**	9 621.9	9 664.6
Short-term derivatives	**2.0**	**2.0**	2.7	2.7
Short-term interest-bearing debt	**4 906.9**	**4 916.9**	13.5	14.5
Short-term liabilities	**238.2**	**238.2**	216.0	216.0
Total financial liabilities	**10 430.1**	**10 453.7**	10 678.7	10 722.4

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

NOTE 11: Derivatives

Specification of derivatives in the financial statement

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

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

	2015		2014	
(Amounts in NOK million)	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts	**5.7**	**663.5**	6.2	816.5
Exchange rate contracts	**0.4**	**6.7**	0.4	8.1
Derivatives, non-current assets/-liabilities	**6.1**	**670.2**	6.6	824.6
Interest rate contracts	**-**	**2.0**	-	2.7
Derivatives, current assets/-liabilities	**-**	**2.0**	-	2.7
Total derivatives	**6.1**	**672.2**	6.6	827.3
Net financial derivatives in the balance sheet	**-**	**(666.1)**	-	(820.6)

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

(Amounts in NOK million)	**2015**	2014
Net book value of derivatives, 1 January	**(820.6)**	(586.9)
Buyout of derivatives	**81.2**	149.0
Net fair value adjustments of derivatives during the year	**73.3**	(382.7)
Net book value of derivatives, 31 December	**(666.1)**	(820.6)

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. The maturity is specified in note 3.

	Currency	**2015**	2014
Notional principal amount	NOK	**6 555.0**	7 428.0

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

Foreign exchange derivatives

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

	Currency	**2015**	2014
Notional principal amount	EUR	**(1.1)**	(2.3)

Fair value derivatives

The table below shows the fair value of derivatives.

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

	Determination of fair value at 31 December 2014 using			
(Amounts in NOK million)	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	-	6.6	-	**6.6**
Liabilities				
Derivatives, liabilities	-	827.3	-	**827.3**
Total	**-**	**(820.6)**	**-**	**(820.6)**

Level 1: Financial instruments valued based on quoted prices in active markets for identical assets.
Level 2: Financial instruments valued based on observable market information not covered by level 1.
Level 3: Financial instruments valued based on information that is not observable under 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 2014 or 2015.

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 2015 *(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	6.1	-	6.1	(6.1)	-	-
Total	**6.1**	**-**	**6.1**	**(6.1)**	**-**	**-**
Liabilities						
Long-term derivatives, liabilities	670.2	-	670.2	(6.1)	-	**664.2**
Short-term derivatives, liabilities	2.0	-	2.0	-	-	**2.0**
Total	**672.2**	**-**	**672.2**	**(6.1)**	**-**	**666.1**
At 31 December 2014						
Assets						
Long-term derivatives, assets	6.6	-	6.6	(6.6)	-	-
Total	**6.6**	**-**	**6.6**	**(6.6)**	**-**	**-**
Liabilities						
Long-term derivatives, liabilities	824.6	-	824.6	(6.6)	-	**817.9**
Short-term derivatives, liabilities	2.7	-	2.7	-	-	**2.7**
Total	**827.3**	**-**	**827.3**	**(6.6)**	**-**	**820.6**

NOTE 13: Current receivables

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

(Amounts in NOK million)	**2015**	2014
Accounts receivable	**27.5**	92.4
Provision for impairment of receivables	**(2.7)**	(0.6)
Net accounts receivable	**24.9**	91.8
Public duties	**33.6**	66.9
Other current receivables	**123.0**	33.4
Total current receivables	**181.6**	192.1

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

	2015	2014
Average number of shares (1 000 shares)	**548 447**	548 447
Number of shares issued at 31 December (1 000 shares)	**548 447**	548 447

The share capital consisted of 548 446 832 shares each with a face value of 0.50 NOK, both at the end of 2014 and 2015.

List of main shareholders at 31 December 2015

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

List of main shareholders at 31 December 2014

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	205 910 242	37.5
Canica AS	ORD	NOR	94 683 425	17.3
Folketrygdfondet	ORD	NOR	46 451 642	8.5
The Bank of New York BNY Mellon A/C APG	NOM	NLD	23 730 241	4.3
Verdipapirfondet DNB NOR (IV)	NOM	USA	16 635 701	3.0
State Street Bank AN A/C Client Omnibus	NOM	LUX	12 569 654	2.3
BNP Paribas Sec. Ser S/A Bp2s LUX/FIM/LUX	NOM	USA	8 042 859	1.5
State Street Bank AN A/C West Non-Treaty	ORD	NOR	6 175 392	1.1
ABN Amro Global Custody Services	NOM	USA	5 678 395	1.0
The Bank of New York BNY Mellon	NOM	USA	4 983 541	0.9
State Street Bank & A/C Client Fund Numb	NOM	USA	4 818 311	0.9
The Bank of New York Mellon SA/NV	ORD	NOR	4 809 363	0.9
BNP Paribas Sec Ser S/A Tr Property Inv	NOM	GBR	4 325 659	0.8
Goldman Sachs & Co Equity Segregat	ORD	NOR	3 518 688	0.6
State Street Bank & S/A Ssb Client Omni	NOM	USA	3 486 607	0.6
State Street Bank & S/A Ssb Client Om04	NOM	GBR	3 400 645	0.6
JPMorgan Chase Ba A/C Vanguard BBH	NOM	USA	3 352 360	0.6
DNB Livsforsikring ASA	NOM	USA	3 102 377	0.6
JPMorgan Chase Ba A/C Us Resident Non	NOM	GBR	2 954 647	0.5
State Street Bank & Trust Co	NOM	USA	2 894 112	0.5
Other			86 922 971	15.8
Total number of shares at 31 December 2014			**548 446 832**	**100.0**

Shares held by directors and senior executive officers at 31 December 2015

Shareholder	Number of shares
Board of directors	
Cecilie Astrup Fredriksen, Director[1]	264 724 869
Bjørn Henningsen, Deputy Chair[2]	224 792
Henrik A Christensen, Chair[3]	250 000
Senior executives	
Svein Hov Skjelle, CEO and CFO	101 594
Bjørn Holm, EVP Property Development[4]	30 000
Shares held by the board of directors and senior executive officers at 31 December 2015	**265 331 255**

[1] Cecilie Astrup Fredriksen is a related party to Geveran Trading Co Ltd, who by 31 December 2015 was the largest shareholder in Norwegian Property ASA. Geveran Trading Co Ltd owns 264 724 869 shares in Norwegian Property, which represent approximately 48.3 percent of the issued shares in the company. In addition, Geveran Trading Co. Ltd owns TRS agreements with an underlying exposure to 28 777 466 shares at a strike price of NOK 9.5955 in Norwegian Property ASA due at 3 June 2016.

[2] At year end 2015, 100 000 shares was owned by Max Eiendom AS and 124 792 shares by Camvecti Holding AS. Both companies are 100 per cent owned by Bjørn Henningsen.

[3] At the end of 2015, 100 000 shares are held by August AS. Henrik A Christensen owns 100 per cent of the shares in August AS.

[4] Bjørns Holm has resigned the post as EVP Property Development at the end of January 2016.

The company has not issued share options.

NOTE 15: Other liabilities

Other current liabilities

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

(Amounts in NOK million)	**2015**	2014
Public duties	**5.6**	5.2
Accrued salaries	**5.6**	5.4
Accrued interest	**75.1**	50.5
Prepaid income	**26.6**	24.8
Trade payables	**13.4**	92.7
Provisions (see below)	**15.0**	-
Other payables	**123.6**	62.3
Total other current liabilities	**264.8**	240.8

Change in provisions are specified in the table below.

(Amounts in NOK million)	**2015**	2014
Provision at the start of the period	**-**	-
Expensed in the period[1]	**15.0**	-
Dissolved in the period	**-**	-
Provision at the end of the period	**15.0**	-

[1] In 2015, the company initiated a downsizing process in the organization as a result of reduced activity levels after sales of properties and completion of development projects. Upon presentation of the annual accounts the process is largely completed. Overall reduction in resources constitute 10 to 12 FTEs including contracted resources. A provision of NOK 15 million is recognized in 2015 related to these measures.

Other non-current liabilities

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

(Amounts in NOK million)	**2015**	2014
Advance from sale of investment properties (see note 7)	**50.0**	-
Pension liabilities (see note 19)	**2.6**	-
Total other non-current liabilities	**52.6**	-

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.

	2015	2014
Total interest-bearing debt (NOK million)	**9 519.7**	9 635.4
- of which hedged (NOK million)[1]	**5 750.0**	6 550.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	**60**	68
Cash and cash equivalents (NOK million)	**55.8**	21.7
Committed unutilised credit facilities (NOK million)	**308.0**	558.0
Average interest rate, including margin (per cent)	**4.33**	4.57
Average margin (per cent)	**1.40**	1.40
Average remaining duration, borrowings (years)	**1.7**	2.8
Average remaining duration, hedging contracts (years)	**4.3**	4.6

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

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.

		2015			2014		
(Amounts in NOK million)	Currency	**Long-term**	**Short-term**	**Total**	Long-term	Short-term	Total
Bank borrowings	NOK	**3 812.3**	**4 415.1**	**8 227.4**	7 980.1	33.8	8 013.9
Bonds	NOK	**805.0**	**500.0**	**1 305.0**	1 655.0	-	1 655.0
Total interest-bearing debt	NOK	**4 617.3**	**4 915.1**	**9 532.4**	9 635.1	33.8	9 668.9
Capitalised borrowing cost	NOK	**(4.6)**	**(8.1)**	**(12.7)**	(13.2)	(20.3)	(33.6)
Total book value interest-bearing debt	NOK	**4 612.7**	**4 906.9**	**9 519.7**	9 621.9	13.5	9 635.4
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	NOK	**10.6**	**9.4**	**20.0**	18.9	1.0	19.8
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	NOK	**3.0**	**0.6**	**3.6**	23.8	-	23.8

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 (a positive fair value of the debt in the overview as an example indicate a negative equity effect when the current loan margins are less favorable than the current market conditions).

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

	Determination of fair value using			
(Amounts in NOK million)	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant 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	-	-	20.0	20.0
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	3.6	-	-	3.6
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2015	**3.6**	**-**	**20.0**	**23.6**
Fair value of bank loans, excess value/(reduced value) for the group in relation to book value	-	-	19.8	19.8
Fair value of bonds, excess value/(reduced value) for the group in relation to book value	23.8	-	-	23.8
Total fair value bank loans and bonds, excess value/(reduced value) at 31 December 2014	**23.8**	**-**	**19.8**	**43.7**

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 2014 or 2015.

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

(Amounts in NOK million)	**2015**	2014
Due in 2017 and 2018 (2016 and 2017)	**4 267.3**	4 944.7
Due in 2019, 2020 and 2021 (2018, 2019 and 2020)	**350.0**	4 690.4
Due after 2021 (after 2020)	**-**	-
Total	**4 617.3**	9 635.1

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

(Amounts in NOK million)	**2015**	2014
Investment property	**16 256.1**	15 796.6
Total	**16 256.1**	15 796.6
Liabilities secured	**9 532.4**	9 668.9

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 8 535.4 million at the end of 2015 (including bank overdraft of NOK 100 million). The term of the facilities is respectively December 2016 and June 2018, and is secured by two separate property portfolios. Drawn amount at the end of 2015 totalled NOK 8 227.4 million and NOK 308 million is a revolving credit limit. In 2013 and 2014 the group issued five bonds totalling NOK 1 305 million (the bonds are due in 2016 with NOK 500 million, in 2018 with NOK 455 million and in 2019 with NOK 350 million). The loans are secured by pledge in property. All the new bonds are listed on Oslo Stock Exchange.

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 31 December 2015 is a minimum 1.4 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 2014 and 2015.
- Instalments are based on the level of LTV.
- Other covenants: Negative pledge, restrictions on granting loan guarantees and change of control.
- Security: Secured by pledges on properties and first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

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.

(Amounts in NOK million)	**2015**	2014
Payable tax	**-**	-
Deferred tax	**188.8**	(95.6)
Income tax	**188.8**	(95.6)
Profit before income tax:	**669.0**	129.7
Income tax calculated at 27 per cent	**180.6**	35.0
Effect on deferred tax by change of tax rate from 27 per cent to 25 per cent[1]	**(20.6)**	-
Change in temporary differences[2]	**28.8**	(130.7)
Income tax	**188.8**	(95.6)

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

[2] Relates primarily to deferred tax assets in connection with investment property, which is not 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:

(Amounts in NOK million)	**2015**	2014
At 1 January	**67.4**	160.3
Recognised through profit and loss	**188.8**	(95.6)
Tax charged to comprehensive income	**2.5**	2.7
At 31 December	**258.7**	67.4

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

(Amounts in NOK million)	**2015**	2014
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 1 January 2014	646.0	48.3	(432.3)	(158.5)	(0.8)	**102.8**
Not capitalized at 1 January 2014[3]	-	(5.8)	63.4	-	-	**57.5**
Book value at 1 January 2014	**646.0**	**42.5**	**(368.9)**	**(158.5)**	**(0.8)**	**160.3**
Recognised through profit and loss in 2014	108.4	(48.1)	(93.5)	(63.0)	0.6	**(95.7)**
Recognised through comprehensive income in 2014	2.7	-	-	-	-	**2.7**
Change of calculated deferred tax in 2014	111.1	(48.1)	(93.5)	(63.0)	0.6	**(92.9)**
Total at 31 December 2014	757.1	0.2	(525.8)	(221.6)	(0.2)	**9.9**
Not capitalized at 31 December 2014[3]	-	(4.7)	62.2	-	-	**57.5**
Book value at 31 December 2014	**757.1**	**(4.4)**	**(463.6)**	**(221.6)**	**(0.2)**	**67.4**
Recognised through profit and loss in 2015	101.6	1.8	34.6	55.0	(4.3)	**188.8**
Recognised through comprehensive income in 2015	2.5	-	-	-	-	**2.5**
Change of calculated deferred tax in 2015	104.1	1.8	34.6	55.0	(4.3)	**191.3**
Total at 31 December 2015	861.2	0.5	(485.3)	(166.5)	(4.4)	**205.4**
Not capitalized at 31 December 2015[3]	-	(4.3)	57.6	-	-	**53.3**
Book value at 31 December 2015	**861.2**	**(3.8)**	**(427.8)**	**(166.5)**	**(4.4)**	**258.7**

1 Property tax value totals NOK 9.3 billion at the end of 2015.
2 Deferred tax assets and liabilities are presented net when the group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. All limited group companies are included in the tax group and registered in Norway.
3 Purchases of single-purpose entities owning only property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for, since it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTE 18: Operating expenses

Maintenance and other operating expenses:

(Amounts in NOK million)	**2015**	2014
Administrative management costs	**20.8**	23.6
Operating and maintenance costs	**44.0**	36.8
Total maintenance and other operating expenses	**64.8**	60.4

Other property-related expenses:

(Amounts in NOK million)	**2015**	2014
Rental, market and other income-related expenses	**40.1**	34.3
Owner's share of service charge expenses	**28.9**	39.3
Project-related property costs	**6.6**	0.8
Property related depreciation	**1.9**	1.2
Total other property-related expenses	**77.5**	75.6

Administrative expenses:

(Amounts in NOK million)	**2015**	2014
Payroll expenses (see note 19)	**91.9**	73.8
Depreciation	**5.8**	5.9
Other operating expenses	**35.1**	27.9
Costs allocated to property costs	**(53.7)**	(44.1)
Total administrative expenses	**79.2**	63.5

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)	**2015**	2014
Salaries and remuneration	**61.7**	58.6
Social security costs	**10.3**	9.3
Pension costs for defined contribution plans	**2.8**	2.6
Other employee expenses	**2.1**	3.3
Cost of downsizing (see note 15)	**15.0**	-
Total payroll costs	**91.9**	73.8
Number of employees at 31 December	**61**	57
Number of full-time equivalent positions at 31 December	**59**	57
Average number of employees	**59**	57

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 (a defined contribution plan for all employees).

The group has a controlling stake in Bryggedrift AS of 53.9 percent (see note 26), which has an individual defined benefit obligation to a former employee of NOK 2.6 million funded through operations.

Remuneration of executive officers

Remuneration of senior management in 2015 are specified in the table below (amounts in NOK):

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

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

Remuneration of senior management in 2014 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	3 668 733	1 000 000	232 995	478 604
Svein Hov Skjelle	EVP and CFO	2 554 080	219 521	108 716	67 598
Tore Heldrup Rasmussen [4]	EVP Commercial	575 000	-	27 109	18 330
Bjørn Holm	EVP Property Development	1 821 928	100 000	141 735	66 960
Bjørge Aarvold	EVP Property Management	1 565 912	139 758	113 184	68 678
Total		**10 185 653**	**1 459 279**	**623 739**	**700 170**

[1] Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 2014 (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 has been granted a loan by the company of NOK 600 000 at 31 December 2014 (repaid in 2015). 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 condition is 31 December 2015.
[4] Tore Heldrup Rasmussen was hired at 1 October 2014.

Fees paid to directors in 2015 are presented in the table below (amounts in NOK):

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

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

Fees paid to directors in 2014 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration [1]
Henrik A Christensen	Chair	10.10-31.12	175 000
Bjørn Henningsen	Deputy Chair	10.10-31.12	137 500
Nils K Selte	Director (Chair 01.01-10.04)	01.01-31.12	325 000
Cecilie Astrup Fredriksen	Director	10.10-31.12	62 500
Nina Camilla Hagen Sørli	Director	10.10-31.12	62 500
Synne Syrrist	Deputy Chair	01.01-10.10	300 000
Gry Mølleskog	Director	01.01-10.10	206 250
Jon Erik Brøndmo	Director (Chair 10.04-10.10)	01.01-10.10	318 750
Gunnar Bøyum	Director	01.01-10.10	206 250
Total			**1 793 750**

[1] Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

Declaration of management benefits:

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

This statement applies for the coming fiscal year. The Board will base its work on the declaration after the treatment at the Annual General Meeting in 2016. In 2015, the group has followed the guidelines on executive pays stated in the annual accounts statement on executive salaries for 2014, presented to the General Assembly in 2015. Any changes to the principles in this statement, compared with previous years, are explained.

1. Principles for base salary

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

2. Bonus principles

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

3. Principles for non-cash related benefits

Key management employees can be offered certain non-cash-related compensation benefits, such as a company car scheme, insurance and pension arrangements. Non-cash-related benefits should basically 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 or share schemes. 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, three 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 twelve months salary. Payment of salary after the termination of a contract can occur in special instances. Approval by the chair is required for payments of salary after contract termination for any employees where this right is not already documented in their employment contract.

5. Decision-making process for remuneration

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

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

Auditor's fee[1]

Type of fees	2015	2014
Statutory audit	**1 428 110**	1 649 660
Other certification services	**205 200**	84 330
Tax/VAT advice	**453 229**	448 945
Other services [2]	**4 959 379**	11 500
Total	**7 045 918**	2 194 435

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

NOTE 20: Realised net financial items

Realised net financial items are specified in the table below.

(Amounts in NOK million)	2015	2014
Interest income on bank deposits	**0.6**	1.7
Total financial income	**0.6**	1.7
Interest expense on borrowings	**(429.1)**	(382.2)
Currency losses on bank deposits	**-**	(1.0)
Total financial expenses	**(429.1)**	(383.2)
Net realised financial items	**(428.5)**	(381.5)

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.

	2015	2014
Net profit attributable to shareholders (NOK million)	**480.2**	225.3
Weighted average number of outstanding shares, exclusive treasury shares (million shares)[1]	**548.4**	548.4
Basic earnings per share (NOK per share)	**0.88**	0.41

[1] At the end of 2015 the company owns 21 236 treasury shares (acquired in 2012).

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

NOTE 22: Dividend per share and dividend policy

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

At the annual general meeting in April 2016, the board will request authorisation to consider quarterly dividend payments, the first time after the presentation of the accounts for the first quarter of 2016.

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 note 14 and note 19.

Union Corporate AS has in 2015 been engaged by the board of Norwegian Property ASA to assist in a possible sale process for some of the group's properties, including also to consider other strategic alternatives for the company. Bjørn Henningsen, vice chairman of the board of Norwegian Property ASA, is CEO and partner of Union Property Capital AS and Chairman of Union Gruppen AS. Henningsen has not participated in Norwegian Property's board treatment of these processes. Union Corporate has not been paid any fees for the assignment in 2015.

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. Canica AS has been a shareholder, represented in the board of directors of Norwegian Property, until January 2015.

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 2015 and the sale of Norgani Hotels in 2010, Norwegian Property has issued this kind of guarantees to buyers. At the end of 2015, the assessment is that there are no circumstances which entail an obligation and a need for provisions 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 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. 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.

There are no significant events after 31 December 2015 which provides informations of conditions that existed at the balance sheet day.

NOTE 26: Group companies

The consolidated financial statements of Norwegian Property ASA comprise the following wholly-owned subsidiaries at the end of 2015:

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

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

In addition to its wholly-owned subsidiaries, The Norwegian Property group has a stake in Bryggedrift AS (business address Støperigata 1, 0250 Oslo), which is responsible for certain operating and management of condominiums at Aker Brygge in Oslo. Bryggedrift AS is a facility management company without significant assets. All condominiums at Aker Brygge are shareholders in Bryggedrift AS, and Norwegian Property has mathematically 55.9 per cent stake in Bryggedrift AS by the end of 2015, but the controlling stake is lower based on the ownership structure of the condominiums (53.9 per cent). Norwegian Property is represented on the boards of directors of Bryggedrift AS by two of totally five members.

INCOME STATEMENT 1 JAN-31 DEC

(Amounts in NOK million)	Note	**2015**	2014
Management and service fee, group companies	13	**64.5**	43.8
Total operating revenue	2	**64.5**	43.8
Payroll costs	10	**(97.3)**	(76.7)
Depreciation	5	**(4.1)**	(4.1)
Other operating costs	10	**(44.7)**	(28.1)
Total operating costs		**(146.2)**	(109.0)
Operating profit		**(81.6)**	(65.2)
Financial income	11, 13	**170.7**	316.5
Financial expenses	11, 13	**(516.6)**	(756.1)
Net financial items		**(345.8)**	(439.6)
Profit before tax		**(427.5)**	(504.8)
Income tax expense	12	**434.5**	39.3
Profit for the year		**7.0**	(465.5)
Proposed allocations:			
Transferred to/from other paid-in equity		**7.0**	(465.5)

BALANCE SHEET AT 31 DECEMBER

(Amounts in NOK million)	Note	**2015**	2014
ASSETS			
Non-current assets			
Deferred tax assets	12	**658.0**	223.5
Financial derivative instruments	9	**6.1**	6.6
Tangible assets	5	**5.9**	8.0
Investments in subsidiaries	4, 13	**13 156.2**	13 595.9
Intercompany balances	13	**145.3**	153.3
Total non-current assets		**13 971.5**	13 987.4
Current assets			
Intercompany balances	13	**569.7**	60.6
Accounts receivables		**0.1**	1.6
Other receivables		**2.6**	5.1
Cash and cash equivalents	3	**42.4**	19.9
Total current assets		**614.9**	87.3
TOTAL ASSETS		**14 586.4**	14 074.7

(Amounts in NOK million)	Note	**2015**	2014
EQUITY AND LIABILITIES			
Equity			
Share capital		**274.2**	274.2
Share premium		**2 295.1**	2 295.1
Other paid-in equity		**904.2**	897.2
Total equity	6	**3 473.5**	3 466.5
Non-current liabilities			
Financial derivative instruments	9	**670.2**	824.6
Interest-bearing debt	8	**4 612.7**	9 621.9
Intercompany balances	13	**70.0**	70.0
Total non-current liabilities		**5 353.0**	10 516.5
Current liabilities			
Financial derivative instruments	9	**2.0**	2.7
Interest-bearing debt	8	**4 906.9**	13.5
Intercompany balances	13	**735.4**	1.6
Other current liabilities	7	**115.6**	74.0
Total current liabilities		**5 759.9**	91.7
Total liabilities		**11 112.9**	10 608.2
TOTAL EQUITY AND LIABILITIES		**14 586.4**	14 074.7

Oslo, 10 February 2016
The board of directors of Norwegian Property ASA

Henrik A Christensen Chair	Bjørn Henningsen Deputy chair	Cecilie Astrup Fredriksen Director	Marianne Heien Blystad Director	Svein Hov Skjelle President and CEO

CASH FLOW STATEMENT 1 JAN-31 DEC

(Amounts in NOK million)	Note	**2015**	2014
Ordinary profit before tax		**(427.5)**	(504.8)
Net financial items	11	**345.8**	439.6
Interest received	11	**16.2**	43.1
Interest paid	11	**(375.7)**	(381.3)
Other financial expenses paid	11	**(112.0)**	(193.1)
Depreciation tangible assets	5	**4.1**	4.1
Changes in current items		**42.2**	(5.2)
Net cash flow from operating activities		**(506.7)**	(597.5)
Purchase of tangible assets	5	**(2.6)**	-
Sale of tangible assets	5	**0.5**	-
Investments in subsidiaries	4	**(130.0)**	(1 927.0)
Sale of shares in subsidiaries	4	**(4.6)**	698.2
Received from payment of interest-bearing receivables (loans to subsidiaries)	13	**68.6**	1 115.5
New loans to subsidiaries	13	**733.8**	1.6
Net cash flow from investment activities		**665.7**	(111.6)
Proceeds from increase in interest-bearing liabilities	8	**350.0**	2 204.9
Net repayment of interest-bearing liabilities	8	**(486.5)**	(1 512.3)
Net cash flow from financing activities		**(136.5)**	692.6
Net change in cash and cash equivalents		**22.5**	(16.7)
Cash and cash equivalents 1 January	3	**19.9**	36.6
Cash and cash equivalents 31 December	3	**42.4**	19.9

NOTES TO THE ANNUAL ACCOUNTS

NOTE 1: General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 38 properties in Oslo and Stavanger at 31 December 2015.

The financial statements are approved by the Board on 10 February 2016 for final approval by the General Meeting on 13 April 2016.

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 25 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 2015, the company has no exposure to currency risk and the company's revenue for 2015 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 2015 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	(6 555.0)	(400.0)	(950.0)	(3 155.0)	(2 050.0)

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

Notional principal amounts and the maturity for the hedging agreement at 31 December 2015 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	(1.1)	-	(1.1)	-	-

3.2 - Credit risk

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

3.3 - Liquidity risk

The company aims to ensure that liquidity/credit facilities are sufficient to meet its foreseeable obligations 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)	**2015**	2014
The company's net balance in the group accounts	**(693.0)**	80.5
Intercompany net balance in the group accounts 1)	**735.4**	(60.6)
Cash and cash equivalents	**42.4**	19.9
Restricted bank deposits	**(3.1)**	(3.1)
Available cash and cash equivalents	**39.3**	16.8
Unused credit and overdraft facilities	**308.0**	558.0
Liquidity reserve	**347.3**	574.8

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

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

31 December 2015

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

31 December 2014

(Amounts in NOK million)	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt[1]	9 775.4	10 877.7	478.1	5 258.2	5 071.4	70.0
Other liabilities[2]	902.9	75.6	75.6	-	-	-

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

Norwegian Property has had no major maturity of loan facilities in 2015, and implemented changes in the borrowing and hedging portfolio has been related to repayment of loan facilities after sale of properties and ongoing optimization of the hedging portfolio. Next major maturity of loan facilities are in October 2016 for a bond loan of NOK 500 million and the loan facility with DNB/Danske Bank at the end of 2016 (total credit of NOK 4.4 billion at the end of 2015). Upon completion of the accounts for 2015 a process for refinancing of these facilities is ongoing, and it is expected that this work is completed in the first half of 2016.

NOTE 4: Investments in subsidiaries

Investments in subsidiaries at 31 December 2015 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	Business office	Share	Voting share	Net book value
Sub-holding companies:					
NPRO Holding AS[1]	17.01.07	Oslo	100.0	100.0	13 146.2
NPRO Invest AS[1]	26.09.13	Oslo	100.0	100.0	10.0
Total shares in subsidiaries					**13 156.2**

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

Changes in book value for the year are as follows:

(Amounts in NOK million)	**2015**	2014
Book value at 1 January	**13 595.9**	12 093.7
Investments in subsidiaries	**130.0**	1 927.0
Sale of shares in subsidiaries	**-**	(424.8)
Group contribution recognised against shares in subsidiaries	**(569.7)**	-
Book value at 31 December	**13 156.2**	13 595.9

NOTE 5: Tangible assets

Changes in tangible assets are specified in the table below.

Acquisition cost *(Amounts in NOK million)*	IT-systems and other intangible assets	Fixtures, equipment, cars etc.	Total
At 31 December 2013	**19.5**	**1.4**	**20.9**
Additions	-	-	**-**
Disposals	-	-	**-**
At 31 December 2014	**19.5**	**1.4**	**20.9**
Additions	1.4	1.2	**2.5**
Disposals	-	(1.0)	**(1.0)**
At 31 December 2015	**20.8**	**1.6**	**22.4**

Accumulated depreciation *(Amounts in NOK million)*	IT-systems and other intangible assets	Fixtures, equipment, cars etc.	Total
At 31 December 2013	**8.3**	**0.5**	**8.8**
Depreciation from disposals 2014	-	-	-
Depreciation and impairment 2014	3.9	0.2	4.1
At 31 December 2014	**12.2**	**0.7**	**12.9**
Depreciation from disposals 2015	-	(0.5)	(0.5)
Depreciation and impairment 2015	4.0	0.1	4.1
At 31 December 2015	**16.2**	**0.3**	**16.5**
Book value at 31 December 2013	11.1	0.9	12.1
Book value at 31 December 2014	7.2	0.7	8.0
Book value at 31 December 2015	**4.6**	**1.3**	**5.9**

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

NOTE 6: Equity

(Amounts in NOK million)	Share capital[1]	Share premium	Other paid-in equity	**Total equity**
Equity at 31 December 2013	**274.2**	**2 295.1**	**1 362.7**	**3 931.9**
Loss for the year	-	-	(465.5)	**(465.5)**
Transactions with shareholders	**-**	**-**	**(465.5)**	**(465.5)**
Equity at 31 December 2014	**274.2**	**2 295.1**	**897.2**	**3 466.5**
Loss for the year	-	-	7.0	**7.0**
Transactions with shareholders	**-**	**-**	**7.0**	**7.0**
Equity at 31 December 2015	**274.2**	**2 295.1**	**904.2**	**3 473.5**

[1] The company had a share capital amounting to NOK 274 233 416 at 31 December 2015, consisting of 548 466 832 shares with a face value of NOK 0.50.

The holding of own shares by the end of 2015 is 21 236 shares.

The company's largest shareholders at 31 December 2015

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

The company's largest shareholders at 31 December 2014

Largest shareholders	Type of account	Country	Number of shares	Share
Geveran Trading Co Ltd	ORD	CYP	205 910 242	37.5
Canica AS	ORD	NOR	94 683 425	17.3
Folketrygdfondet	ORD	NOR	46 451 642	8.5
The Bank of New York BNY Mellon A/C APG	NOM	NLD	23 730 241	4.3
Verdipapirfondet DNB NOR (IV)	NOM	USA	16 635 701	3.0
State Street Bank AN A/C Client Omnibus	NOM	LUX	12 569 654	2.3
BNP Paribas Sec. Ser S/A Bp2s LUX/FIM/LUX	NOM	USA	8 042 859	1.5
State Street Bank AN A/C West Non-Treaty	ORD	NOR	6 175 392	1.1
ABN Amro Global Custody Services	NOM	USA	5 678 395	1.0
The Bank of New York BNY Mellon	NOM	USA	4 983 541	0.9
State Street Bank & A/C Client Fund Numb	NOM	USA	4 818 311	0.9
The Bank of New York Mellon SA/NV	ORD	NOR	4 809 363	0.9
BNP Paribas Sec Ser S/A Tr Property Inv	NOM	GBR	4 325 659	0.8
Goldman Sachs & Co Equity Segregat	ORD	NOR	3 518 688	0.6
State Street Bank & S/A Ssb Client Omni	NOM	USA	3 486 607	0.6
State Street Bank & S/A Ssb Client Om04	NOM	GBR	3 400 645	0.6
JPMorgan Chase Ba A/C Vanguard BBH	NOM	USA	3 352 360	0.6
DNB Livsforsikring ASA	NOM	USA	3 102 377	0.6
JPMorgan Chase Ba A/C Us Resident Non	NOM	GBR	2 954 647	0.5
State Street Bank & Trust Co	NOM	USA	2 894 112	0.5
Other			86 922 971	15.8
Total number of shares at 31 December 2014			**548 446 832**	**100.0**

Shares held by directors and senior executive officers at 31 December 2015

Shareholder	Number of shares
Board of directors	
Cecilie Astrup Fredriksen, Director[1]	264 724 869
Bjørn Henningsen, Deputy chair[2]	224 792
Henrik A Christensen, Chair[3]	250 000
Senior executives	
Svein Hov Skjelle, CEO/EVP and CFO	101 594
Bjørn Holm, EVP Property Development[4]	30 000
Shares held by the board of directors and senior executive officers at 31 December 2015	**265 331 255**

[1] Cecilie Astrup Fredriksen is a related party to Geveran Trading Co Ltd, who by 31 December 2015 was the largest shareholder in Norwegian Property ASA. Geveran Trading Co Ltd owns 264 724 869 shares in Norwegian Property, which represent approximately 48.3 percent of the issued shares in the company. In addition, Geveran Trading Co. Ltd owns TRS agreements with an underlying exposure to 28 777 466 shares at a strike price of NOK 9.5955 in Norwegian Property ASA due at 3 June 2016.
[2] At year end 2015, 100 000 shares was owned by Max Eiendom AS and 124 792 shares by Camvecti Holding AS. Both companies are 100 per cent owned by Bjørn Henningsen.
[3] At the end of 2015, 100 000 shares are held by August AS. Henrik A Christensen owns 100 per cent of the shares in August AS.
[4] Bjørns Holm has resigned the post as EVP Property Development at the end of January 2016.

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)	**2015**	2014
Public duties	**3.6**	6.0
Accrued salaries	**5.2**	5.1
Accrued interest	**73.7**	49.3
Trade payables	**0.5**	1.5
Provisions[1]	**15.0**	-
Other payables	**17.7**	12.1
Total other current liabilities	**115.6**	74.0

[1] In 2015, the company initiated a downsizing process in the organization as a result of reduced activity levels after sales of properties and completion of development projects. Upon presentation of the annual accounts the process is largely completed. Overall reduction in resources constitute 10 to 12 FTEs including contracted resources. A provision of NOK 15 million is recognized in 2015 related to these measures.

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.

	2015	2014
Total interest-bearing debt (NOK million)	**9 589.7**	9 705.4
- Of which hedged (NOK million)	**5 750.0**	6 550.0
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	**60**	67
Cash and cash equivalents (NOK million)	**42.4**	19.9
Committed unutilised credit facilities (NOK million)	**308.0**	558.0
Average interest rate, including margin (per cent)	**4.33**	4.57
Average margin (per cent)	**1.40**	1.40
Average remaining duration, borrowings (years)	**1.7**	2.8
Average remaining duration, hedging contracts (years)	**4.3**	4.6

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

		2015			2014		
(Amounts in NOK million)	Currency	**Long-term**	**Short-term**	**Total**	Long-term	Short-term	Total
Bank loan	NOK	**3 812.3**	**4 415.1**	**8 227.4**	7 980.1	33.8	8 013.9
Bonds	NOK	**805.0**	**500.0**	**1 305.0**	1 655.0	-	1 655.0
Intercompany balances	NOK	**70.0**	**-**	**70.0**	70.0	-	70.0
Total interest-bearing debt	NOK	**4 687.3**	**4 915.1**	**9 602.4**	9 705.1	33.8	9 738.9
Capitalised borrowing costs	NOK	**(4.6)**	**(8.1)**	**(12.7)**	(13.2)	(20.3)	(33.6)
Total book value interest-bearing debt	NOK	**4 682.7**	**4 906.9**	**9 589.7**	9 691.9	13.5	9 705.4

The loan facilities consist of two in amount equal facilities established in June 2011, with a total remaining borrowing limit of NOK 8 671.9 million at the end of 2015 (including bank overdraft of NOK 100 million). The term of the facilities is respectively December 2016 and June 2018, and is secured by two separate property portfolios. Drawn amount at the end of 2015 totalled NOK 8 227.4 million and NOK 308 million is a revolving credit limit. As per 31st Desember 2013 and 2014 the group issued five bonds totalling NOK 1 655 million. The bonds are due in 2016 (NOK 500 million), 2018 (NOK 455 million) and 2019 (NOK 700 million). The loans are secured by pledge in property. All the new bonds are listed on Oslo Stock Exchange.

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

(Amounts in NOK million)	2015	2014
Between 1-2 years (2017 and 2018 / 2016 and 2017)	**4 267.3**	4 944.7
Between 3-5 years (2019, 2020 and 2021 / 2018, 2019 and 2020)	**350.0**	4 690.4
Later than 5 years (after 2021 / after 2020)	**70.0**	70.0
Total	**4 687.3**	9 705.1

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

(Amounts in NOK million)	2015	2014
Long-term receivables, intercompany[1]	**145.3**	153.3
Total	**145.3**	153.3
Liabilities secured	**9 602.4**	9 738.9

[1] Long-term intercompany loans are 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 31 December 2015 is a minimum 1.4 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 2014 and 2015.
- Instalments are based on the level of LTV.
- Other covenants: Negative pledge, restrictions on granting loan guarantees and change of control.
- Security: Secured by pledges on properties and first priority pledges on subsidiary shares/interests and intercompany loans. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 9: Derivatives

The company is subject to interest rate risk related to floating rate loans, and has entered into hedging agreements to reduce such interest rate risks. In addition, it signed a currency swap agreement 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.

	2015		2014	
(Amounts in NOK million)	**Assets**	**Liabilities**	Assets	Liabilities
Exchange rate contracts	**0.4**	**6.7**	0.4	8.1
Interest rate contracts	**5.7**	**663.5**	6.2	816.5

Interest rate contracts

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

(Amounts in NOK million)	Currency	**2015**	2014
Interest rate contracts	NOK	**6 555.0**	7 428.0
Total interest rate contracts	NOK	**6 555.0**	7 428.0

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	**2015**	2014
Notional principal amount	EUR	**(1.1)**	(2.3)

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

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

Payroll costs

Payroll expenses for the year are specified as follows:

(Amounts in NOK million)	**2015**	2014
Salaries and remuneration	**57.3**	56.0
Social security costs	**9.6**	9.0
Pension costs (defined contribution plan)	**2.6**	2.4
Other employee expenses	**12.9**	9.4
Cost of downsizing (see note 7)	**15.0**	-
Total payroll costs	**97.3**	76.7
Number of employees at 31 December	**55**	52
Number of full-time equivalent positions at 31 December	**53**	50
Average number of employees	**54**	52

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 (a defined contribution plan for all employees).

Remuneration of executive officers

Remuneration of senior management in 2015 are specified in the table below (amounts in NOK):

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

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

At 31 December, three 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 months salary for two employees and twelve months' salary for one employee.

Remuneration of senior management in 2014 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	3 668 733	1 000 000	232 995	478 604
Svein Hov Skjelle	EVP and CFO	2 554 080	219 521	108 716	67 598
Tore Heldrup Rasmussen [4]	EVP Commercial	575 000	-	27 109	18 330
Bjørn Holm	EVP Property Development	1 821 928	100 000	141 735	66 960
Bjørge Aarvold	EVP Property Management	1 565 912	139 758	113 184	68 678
Total		**10 185 653**	**1 459 279**	**623 739**	**700 170**

[1] Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).
[2] Paid in connection with defined contribution pension plans and employee insurances in 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 has been granted loan by the company of NOK 600 000 at 31 December 2014 (repaid in 2015). 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). Agreed condition for repayment is 31 December 2015.
[4] Tore Heldrup Rasmusssen was hired 1 October 2014.

Remuneration of directors

Fees paid to directors in 2015 are presented in the table below (amounts in NOK):

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

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

Fees paid to directors in 2014 are presented in the table below (amounts in NOK):

Name	Title	Period	Remuneration [1]
Henrik A Christensen	Chair	10.10-31.12	175 000
Bjørn Henningsen	Deputy Chair	10.10-31.12	137 500
Nils K Selte	Director (Chair 01.01-10.04)	01.01-31.12	325 000
Cecilie Astrup Fredriksen	Director	10.10-31.12	62 500
Nina Camilla Hagen Sørli	Director	10.10-31.12	62 500
Synne Syrrist	Deputy Chair	01.01-10.10	300 000
Gry Mølleskog	Director	01.01-10.10	206 250
Jon Erik Brøndmo	Director (Chair 10.04-10.10)	01.01-10.10	318 750
Gunnar Bøyum	Director	01.01-10.10	206 250
Total			**1 793 750**

[1] Paid benefits in 2014 (amounts in NOK). In addition, social security costs (14.1 per cent).

Auditor's fee [1]

Type of fees	2015	2014
Statutory audit	**847 110**	342 124
Other certification services	**57 800**	84 330
Tax/VAT advice	**209 179**	44 800
Other services [2]	**4 959 379**	11 500
Total	**6 073 468**	482 754

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

NOTE 11: Net financial items

(Amounts in NOK million)	2015	2014
Financial income		
Profit from sales of subsidiaries	**-**	273.4
Interest income from group companies	**5.2**	7.1
Changes in value of financial derivative instruments	**154.5**	-
Other interest income	**11.0**	36.0
Total financial income	**170.7**	316.5
Financial expenses		
Loss from sales of subsidiaries	**(4.6)**	-
Interest costs to group companies	**(1.9)**	(2.3)
Interest costs loans	**(398.1)**	(338.4)
Changes in value of financial derivative instruments	**-**	(222.3)
Termination of financial derivative instruments	**(79.8)**	(149.0)
Other financial expenses	**(32.2)**	(44.1)
Total financial expenses	**(516.6)**	(756.1)
Net financial items	**(345.8)**	(439.6)

NOTE 12: Deferred income tax

(Amounts in NOK million)	**2015**	2014
The major components of the income tax expense for the year are:		
Tax payable	**-**	-
Changes in deferred tax	**434.5**	39.3
Income tax expense	**434.5**	39.3
Calculation of the tax base for the year:		
Profit before tax	**(427.5)**	(504.8)
Permanent differences	**5.2**	(278.4)
Changes in temporary differences	**(137.4)**	145.6
Group contribution	**569.7**	-
Tax base for the year	**10.0**	(637.6)
Specification of temporary differences and deferred tax:		
Tangible assets	**(9.4)**	(7.3)
Financial derivative instruments	**(666.1)**	(820.6)
Provisions	**15.0**	-
Tax loss carried forward	**(1 941.4)**	(1 951.3)
Total temporary differences	**(2 631.9)**	(2 779.3)
Of which not capitalised (loss carried forward)	**-**	1 951.3
Basis for deferred tax	**(2 631.9)**	(827.9)
Deferred tax in the balance sheet	**(658.0)**	(223.5)
Specification of why the tax expenses is not 27 per cent of profit before tax:		
Calculated tax expense on profit before tax, 27 per cent	**(115.4)**	(136.3)
Effect on deferred tax by change of tax rate from 27 per cent to 25 per cent[1]	**52.6**	-
Permanent differences	**1.4**	(75.2)
Changes of temporary differences	**(37.1)**	39.3
Changes of tax asset not capitalised	**533.0**	211.5
Income tax expense	**434.5**	39.3
Effective tax rate (per cent)	**(101.6)**	(7.8)

[1] The corporate tax rate in Norway will be reduced from 27 per cent to 25 per cent at the beginning of 2016. Deferred tax by year-end 2015 is for that reason calculated with a basis of a tax rate of 25 per cent.

NOTE 13: Related-party disclosures

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

(Amounts in NOK million)	**2015**	2014
Income statement:		
Management and service fee, group companies	**64.5**	43.8
Rental cost, subsidiaries	**(6.3)**	(5.7)
Interest income from group companies (note 11)	**5.2**	7.1
Interest costs to group companies (note 11)	**(1.9)**	(2.3)
Balance sheet:		
Investments in subsidiaries (note 4)	**13 156.2**	13 595.9
Non-current assets, intercompany balances	**145.3**	153.3
Current assets, intercompany balances	**569.7**	60.6
Non-current liabilities, intercompany balances	**70.0**	70.0
Current liabilities, intercompany balances	**735.4**	1.6

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.

There are no significant events after 31 December 2015 which provides informations of conditions that existed at the balance sheet day.

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 2015. 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 2015. 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 2015. 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 2015.

TO THE BEST OF OUR KNOWLEDGE, WE HEREBY CONFIRM THAT

- the consolidated and parent company financial statements for 2015 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 2015
- 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, 10 February 2016
The board of directors of Norwegian Property ASA

Henrik A Christensen	Bjørn Henningsen	Cecilie Astrup Fredriksen	Marianne Heien Blystad	Svein Hov Skjelle
Chair	Deputy chair	Director	Director	President and CEO

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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 2015, 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 2015, 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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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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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 2015, 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 are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norwegian Property ASA as at 31 December 2015, 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 statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the 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, 10 February 2016
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

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

EPRA KEY FIGURES

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

		Note	**2015**	2014
Number of shares				
Number of shares at the end of the period	Number		**548 425 596**	548 425 596
Average number of shares during the period	Number		**548 425 596**	548 425 596
EPRA earnings				
Annual earnings (as per IFRS the income statement)	NOK mill.		**480.2**	225.3
EPRA adjustments:				
IFRS change in value of investment properties	NOK mill.		**(387.4)**	(354.8)
IFRS change in fair value of financial instruments	NOK mill.		**(73.3)**	382.7
Deferred tax in respect of EPRA adjustments	NOK mill.		**136.7**	(138.2)
EPRA earnings	NOK mill.	1	**156.2**	115.0
EPRA earnings per share	NOK		**0.28**	0.21
EPRA cost ratio				
Maintenance and other operating expenses (IFRS)	NOK mill.		**64.8**	60.4
Other property related expenses (IFRS)	NOK mill.		**77.5**	75.6
Administrative expenses (IFRS)	NOK mill.		**79.2**	63.5
Total operating expenses as per IFRS income statement	NOK mill.		**221.5**	199.5
Investment property depreciation	NOK mill.	2	**(1.8)**	(1.8)
EPRA costs (including direct vacancy costs)	NOK mill.		**219.7**	197.7
Direct vacancy costs	NOK mill.	3	**(28.9)**	(39.3)
EPRA costs (excluding direct vacancy costs)	NOK mill.		**190.8**	158.4
Gross rental income (IFRS)	NOK mill.		**858.3**	738.6
EPRA gross rental income	NOK mill.		**858.3**	738.6
EPRA cost ratio, including direct vacancy cost	Per cent	4	**25.6**	26.8
EPRA cost ratio, excluding direct vacancy cost	Per cent	5	**22.2**	21.4

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

		Note	2015	2014
EPRA NNNAV				
NAV (as per the IFRS financial statements)	NOK mill.		**5 777.5**	5 290.2
Deferred tax related to change in value of investment properties	NOK mill.	6	**272.8**	125.6
Fair value of financial derivative instruments	NOK mill.	7	**499.6**	599.0
EPRA NAV	NOK mill.	8	**6 549.9**	6 014.8
Fair value of deferred tax	NOK mill.	9	**90.2**	146.7
Fair value of financial derivative instruments	NOK mill.	10	**(499.6)**	(599.0)
Fair value of debt	NOK mill.	11	**(17.7)**	(31.9)
EPRA NNNAV	NOK mill.	12	**6 122.8**	5 530.5
NAV (IFRS) per share	NOK		**10.53**	9.65
EPRA NAV per share	NOK		**11.94**	10.97
EPRA NNNAV per share	NOK		**11.16**	10.08
EPRA "topped-up" NIY				
Market value of all investment properties (as per the IFRS income statement)	NOK mill.		**16 256.2**	15 796.5
Market value of development properties	NOK mill.	13	**-**	(6 699.0)
Market value for completed investment properties	NOK mill.		**16 256.2**	9 097.5
Annualised gross rental income for completed investment properties	NOK mill.	14	**915.3**	585.7
Property outgoings	NOK mill.	15	**(54.6)**	(35.1)
Annualised net rents for completed investment properties	NOK mill.		**860.4**	550.6
EPRA adjustments for lease incentives	NOK mill.	16	**16.1**	2.0
"Topped-up" net annualised rent	NOK mill.		**876.5**	552.5
EPRA-NIY	Per cent	17	**5.3**	6.1
EPRA "topped-up" NIY	Per cent	18	**5.4**	6.1
EPRA vacancy rate				
Estimated annualised rent for all completed investment properties	NOK mill.		**973.7**	666.2
Estimated annualised rent for vacant space related to completed properties	NOK mill.		**106.3**	108.8
EPRA vacancy rate	Per cent	19	**10.9**	16.3

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

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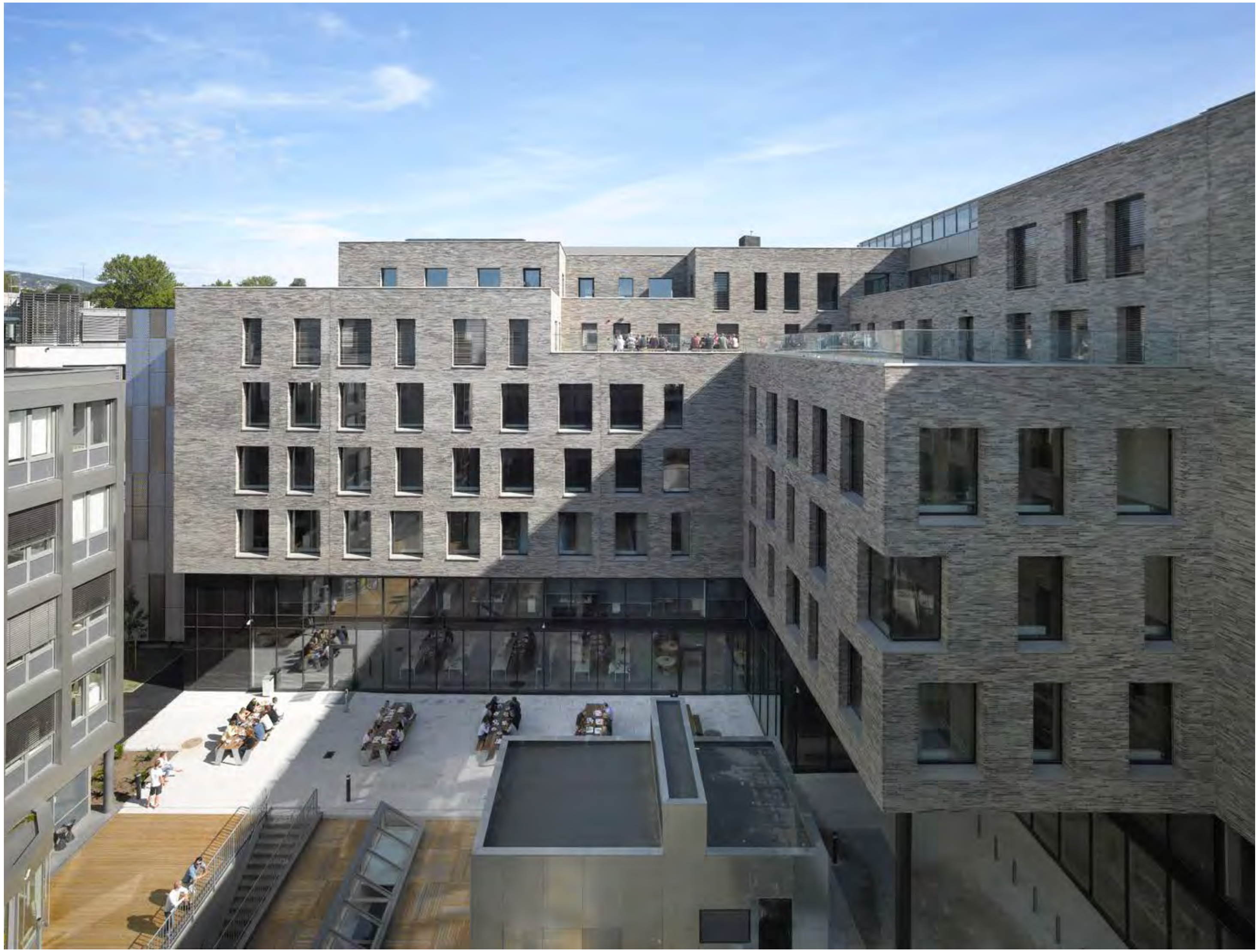

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