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Prospectus

NORWEGIAN PROPERTY

Norwegian Property ASA

(Organisation number: 988 622 036)
www.npro.no




Fully underwritten Rights Offering of 96,153,846 New Shares with pre-emptive rights for existing shareholders as of 18 June 2008, each with a nominal value of NOK 25 per New Share, at a subscription price of NOK 26 per New Share.

Total proceeds of NOK 2,499,999,996.

The subscription period is from and including 26 June to and including 10 July 2008

THE NEW SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED.

SEE "RISK FACTORS" IN SECTION 2 FOR A DISCUSSION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NEW SHARES.

Joint Lead Managers:

Pareto Securities AS   Pareto Private Equity AS   SEB ENSKILDA

25 June 2008

Important information

This Prospectus has been prepared in order to provide information about Norwegian Property ASA ("Norwegian Property" or the "Company") and its business in connection with the Rights Offering of 96,153,846 New Shares as described in this Prospectus.

For the definitions of terms used throughout this Prospectus, see Section 18 "Definitions and Glossary of Terms".

The Company has furnished the information in this Prospectus. The Managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, nor shall be relied upon as, a promise or representation by the Managers. This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and the Norwegian Regulation on Contents of Prospectuses, which implements the Prospectus Directive (EC/2003/71), including the Commission Regulation EC/809/2004, in Norwegian law. Oslo Børs ASA ("Oslo Børs") has reviewed and approved this Prospectus in accordance with Section 7-7 of the Norwegian Securities Trading Act. This Prospectus has been published in an English version only.

All inquiries relating to this Prospectus should be directed to the Company or the Managers. No other person has been authorised to give any information about, or make any representation on behalf of, the Company in connection with the Rights Offering, and, if given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Managers.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. There may have been changes affecting the Company or its subsidiaries subsequent to the date of this Prospectus. Any new material information and any material inaccuracy that might have an effect on the assessment of the Shares arising after the publication of this Prospectus and before the listing of the New Shares on Oslo Børs, will be published and announced promptly as a supplement to this Prospectus in accordance with Section 7-15 of the Norwegian Securities Trading Act. Neither the delivery of this Prospectus nor the completion of the Rights Offering at any time after the date hereof will, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The distribution of this Prospectus and the offering of the New Shares and the Subscription Rights in the Rights Offering may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or a solicitation of an offer to purchase, any of the New Shares or the Subscription Rights in any jurisdiction or in any circumstances in which such offer or solicitation would be unlawful. No one has taken any action that would permit a public offering of the New Shares or the Subscription Rights to occur outside of Norway.

The New Shares and the Subscription Rights have not been and will not be registered under the U.S. Securities Act of 1933 as amended, or with any securities authority of any state of the United States. The New Shares and the Subscription Rights may not be offered or sold in or into the United States, Canada, Japan or Australia.

The contents of this Prospectus shall not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

In the ordinary course of their respective businesses, the Managers and certain of their respective affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company and its subsidiaries.

Without limiting the manner in which the Company may choose to make any public announcements, and subject to the Company's obligations under applicable law, announcements relating to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

Investing in the Company's Shares involves risks. See Section 2 "Risk Factors" of this Prospectus.

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APPENDICES

1. SUMMARY

The following summary should be read as an introduction to the Prospectus and in conjunction with, and is qualified in its entirety, by the more detailed information and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by the investor.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation, have to bear the cost of translating the Prospectus before legal proceedings are initiated. No civil liability attaches to those persons who have prepared the summary including any translation thereof, and applied for its notification, unless the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.1 DESCRIPTION OF NORWEGIAN PROPERTY

1.1.1 Introduction

Norwegian Property is a Norwegian public limited liability company incorporated on 20 July 2005 under the laws of Norway. The Company's principal place of business is in Oslo. Its office address is Stranden 3 A, P.O. Box 1657 Vika, 0120 Oslo, Norway, telephone: +47 22 83 40 20, telefax: +47 22 83 40 21, web.address: www.npro.no.

1.1.2 History

Some of the key events in the history of Norwegian Property are:

Year	Significant events
2005......................................	• Incorporation.
2006......................................	• Norwegian Property completed its first private placement of NOK 1.75 billion. • Acquired its first 28 properties with a total value of approximately NOK 8.4 billion. • Acquired the properties Finnestadveien 44 in Stavanger, Lysaker Torg 35 (the "If-building") located at Lysaker, C. J. Hambros plass 2 (the "Ibsen-block"), Drammensveien 134 (building 2-6), Drammensveien 149 ("the Esso-building"), Grev Wedels plass 9 (the "Fearnley-building"), Kokstad Næringseiendom in Bergen, Gardermoen Næringseiendom, the new headquarter of Aker ASA and companies within the Aker ASA Group, Drammensveien 144 and a portfolio of 11 office properties in Nydalen and two office properties at Økern. • Norwegian Property was listed on Oslo Børs.
2007......................................	• Acquired four office and retail properties at Aker Brygge in Oslo and Park Inn in downtown Oslo. • Acquired 17.5 % of the shares of Oslo Properties AS ("Oslo Properties") (holding 100% of the shares of Norgani Hotels AS ("Norgani Hotels")), and entered into agreements whereby Norwegian Property may become owner of more than 90% of the shares of Oslo Properties. • Sold the properties Mauritz Kartevolds plass 1 and Kokstadveien 23.
2008......................................	• Sold the properties Østre Aker vei 20/22 at Økern, Forskningsveien 2 in Oslo, Magnus Poulssonsvei 7 at Lysaker, Økernveien 9 at Tøyen, Nedre Holmegate 30-34 in Stavanger and Elvegaten 25 in Sandnes. • Norwegian Property entered into an agreement with NEAS ASA regarding management and operation of its office portfolio. • Norwegian Property announced to have entered into a letter of intent with a group of buyers, who where granted exclusivity to medio May 2008 to acquire Norgani Hotels. • Norwegian Property announced that the negotiations with the potential buyers of Norgani Hotels had ceased and the Rights Offering where resolved upon.

A detailed overview of significant events is set out in Section 6.2 of this Prospectus.

1.1.3 Business description

The Group's business segments are commercial properties (Norwegian Property) and hotel properties (Oslo Properties/Norgani Hotels).

The combined portfolio of Norwegian Property and Norgani Hotels as of the date of this Prospectus consist of 125 properties with a total of 1,347,014 sqm. of prime office, retail and hotel properties across the Nordic Region.

Commercial properties

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Over time, the ambition is for attractively-located office and commercial properties in Norway to account for more than 70% of the value of the Group's property portfolio.

Norwegian Property owns 51 properties, mainly located in Oslo and Stavanger. Norwegian Property's properties mainly comprise office areas, warehouses, shopping areas and parking in connection with the office areas. On Aker Brygge, Norwegian Property also owns a shopping centre with outlets and restaurants.

Norwegian Property has a tenant portfolio of attractive and solid organizations and companies. The tenants are from different industries, with Oil/Oil Service, Telecom/Data/IT and Financial services representing 62%. The weighted average duration of lease contracts as of 31 March 2008 is approximately 6.1 years.

Norwegian Property has sold 8 non-core assets during 2008[1], amounting to a total of NOK 1,347 million. The gross profit from these sales is approximately NOK 15 million.

A detailed overview of the commercial properties owned by Norwegian Property as of this date is set out in Section 6.7.2 below.

Hotel properties

Norgani Hotels was acquired in the autumn of 2007 by Oslo Properties. Norwegian Property owns 17.5% of the shares in Oslo Properties.

As of 31 March 2008, Norgani Hotels owned a total of 73 hotels and one conference centre. In addition, the company has also reached an agreement acquiring a new hotel in Oslo upon completion in 2009. Altogether, the 74 properties have 12,804 rooms and an area of 671,080 square metres. The hotels are are operated on long term rental contracts (mainly revenue based) with some of the largest and leading hotel operators in the Nordic market, including Scandic, Rezidor and Choice. The weighted average duration of lease contracts as of 31 March 2008 is approximately 10.7 years.

Detailed information of the hotel properties in Norway, Denmark, Sweden and Finland is set out in Section 6.8.2 below.

1.2 PURPOSE AND BACKGROUND FOR THE RIGHTS OFFERING

At the board meeting held on 30 May 2008, the Board of Directors of Norwegian Property resolved to call for an extraordinary general meeting in order to propose a share capital increase rasing gross proceeds of approximately NOK 2,500 million directed towards the Company's Existing Shareholders in form of a Rights Offering which is fully underwritten by a guarantee consortium. The proceeds from the Rights Offering will, inter alia, finance the remaining settlement of the acquisition of the shares in Oslo Properties (Norgani Hotels) from EQT/Scandic Hotels AB ("Scandic") and other financial investors and will strengthen the Company's balance sheet. In addition, the Board of Directors resolved to cease the negotiations with the potential buyers of Norgani Hotels. Norwegian Property plans to maintain the ownership of Norgani Hotels, but has been contacted by several attractive potential partners and/or buyers and will continue to investigate these opportunities in order to create shareholder values.

[1] The closing related to Elvegaten 25 is expected late June 2008.

On 17 June 2008, the extraordinary general meeting resolved to conduct a rights issue raising gross proceeds of approximately NOK 2,500 million, directed towards Existing Shareholders as of 18 June 2008.

1.3 DESCRIPTION OF THE RIGHTS OFFERING

1.3.1 Overview

The extraordinary general meeting held on 17 June 2008 resolved to carry out an increase in the Company's share capital by issuance of 96,153,846 New Shares each with a nominal value of NOK 25 per New Share, with pre-emptive right for Existing Shareholders. The Rights Offering will increase the share capital of the Company from NOK 2,637,039,250 to NOK 5,040,885,400.

1.3.2 Pre-emptive right/Subscription Rights

Existing Shareholders have a pre-emptive right to subscribe the New Shares in the same ratio as their existing holdings. The Company will issue 1 Subscription Right per 1.097 Share owned as per 18 June 2008. 1 Subscription Right will give the right to subscribe for 1 New Share. Fractions of Subscription Rights will not be issued. The Subscription Rights are fully transferable and will be listed on Oslo Børs in the Subscription Period with ticker code NPRO T and registered in the VPS with the international securities code: ISIN NO 001 0441843. The Subscription Rights are distributed free of charge, and the recipient of Subscription Rights will not be debited any cost.

The Subscription Rights was registered on each Existing Shareholders' VPS account on 23 June 2008.

The Subscription Rights may only be used by the person with the Subscription Rights registered on his/hers account. After the expiry of the Subscription period, the Subscription Rights will be of no value. Acquired Subscription Rights give the same right to subscription as allocated Subscription Rights.

Persons interested in trading in Subscription Rights should be aware that the exercise of Subscription Rights by holders who are located in countries outside of Norway may be restricted or prohibited by applicable securities laws.

Eligible Shareholders who are legally prevented from subscribing the New Shares and who will not receive this Prospectus or the subscription material, will as a general rule not be credited Subscription Rights. Norwegian Property has authorised the Managers to sell the Subscription Rights on these shareholders' behalf during the Subscription Period, provided that the Subscription Rights has an economic value which is expected to exceed the estimated sales costs.

1.3.3 Subscription period and Subscription Offices

The Subscription Period is from and including 26 June 2008 to and including 10 July 2008 at 16:30 hours (CET). Subscriptions must be made on a Subscription Form especially drawn up for this purpose. A properly filled out Subscription Form must be submitted to one of the Subscription Offices prior to 16:30 hours (CET) on 10 July 2008.

The Subscription Offices are Pareto Securities AS, Dronning Maudsgate 3, P.O.Box 1411 Vika, 0115 Oslo, Norway, telephone: (+47) 22 87 87 00, telefax: (+47) 22 83 43 09 and SEB Enskilda AS, Filipstad Brygge 1, P.O. Box 1363 Vika, 0113 Oslo, Norway, telephone: (+47) 21 00 85 00, telefax: (+47) 21 00 89 62.

1.3.4 Subscription Price

The Subscription price is set to NOK 26 per New Share. Total proceeds will amount to approximately NOK 2,500 million. The discount in relation to the last known share price prior to the announcement (closing price on Oslo Børs on 29 May 2008) is approximately 26%.

1.3.5 Allocation/over-subscription

The allocation of New Shares will be made in accordance with the following criteria:

1. Allocation will be made to holders in accordance with held and acquired Subscription Rights used in the Subscription Period. 1 Subscription Right will give the right to subscribe for and be allocated 1 New Share.
2. In the event the Subscription Rights are not fully used, those who have used their Subscription Rights and have over-subscribed, will have the right to be allocated remaining New Shares not subscribed for on a pro rata basis. In the event a pro rata allocation is not applicable due to few New Shares, the Company will determine the allocation by drawing lots or applying similar mechanisms through the automated procedures applicable through VPS.
3. Subscriptions from non-holders of Subscription Rights are allowed. In the event, after applying criteria 1. and 2. above, there still remain New Shares which are not allocated, the remaining number of New Shares shall be allocated to these subscribers in accordance with the subscribed amount. In the event of over-subscription from this group, allocation will be made on a pro rata basis using the subscribed amount.
4. In the event there still remain New Shares which have not been allocated, the participants in the guarantee consortium shall have a right and obligation to be allocated the New Shares in accordance with the guarantee agreements. The underwriters will be allocated on a pro rata basis of the guarantors pro rata share of the guarantee consortium. Allocation to guarantors based on subscriptions will be deducted from each guarantor's share of the guarantee consortium.

1.3.6 Payment for allocated New Shares

Each Subscriber in the Rights Offering must provide a one-time authorization to Pareto Securities AS ("Pareto Securities") and SEB Enskilda AS ("SEB Enskilda") to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the New Shares allotted to such Subscriber. The amount will be debited on 21 July 2008. If there are insufficient funds on a Subscriber's bank account or it is impossible to debit a bank account for the amount the Subscriber is obligated to pay or payment is not received by the Managers according to other instructions, the allotted New Shares will be withheld.

Interest will in such event accrue at the applicable rate according to the Norwegian Act on Interest on Overdue Payments 1976, currently being 12.25% per annum.

1.3.7 Summary of details of the Rights Offering

Size of Rights Offering:	Approximately NOK 2,500 million by issuance of 96,153,846 New Shares.
Nominal value:	NOK 25 per New Share.
Subscription price:	NOK 26 per New Share.
Date for listing of Shares ex. Subscription Rights (Ex-date):	19 June 2008.
Subscription ratio:	It will be issued 1 Subscription Right per each 1.097 Shares owned in Norwegian Property per 18 June 2008. 1 Subscription Right give the right to subscribe and be allocated 1 New Share.
Transfer of Subscription Rights to Eligble Shareholders:	23 June 2007.
Subscription Period:	From and including 26 June 2008 to and including 10 July 2008 at 16.30 (CET).
Allocation date:	Notification of allocation will be sent on or about 17 July 2008.
Payment:	Debit of the subscribers accounts will take place on 21 July 2008.
Registration of New Shares in the VPS:	On or about 29 July 2008.
Subscription offices:	Pareto Securities and SEB Enskilda.
Existing ISIN on Shares:	ISIN NO 001 0317811.
ISIN Subscription Rights:	ISIN NO 001 0441843.
Oslo Børs ticker symbol:	”NPRO”.
Oslo Børs ticker symbol for Subscription Rights: ...	"NPRO T".

1.3.8 Expenses

Transaction costs and all other directly attributable costs in connection with the Rights Offering will be borne by the Company. The total costs are expected to amount to approximately NOK 155 million, whereof the guarantee provision to the underwriters amounts to approximately NOK 50 million.

1.4 THE LISTING AND ADMISSION TO TRADING OF THE NEW SHARES

The New Shares to be issued in the Rights Offering will be listed on Oslo Børs as soon as the share capital is registered in the Norwegian Registry of Business Enterprises and in the VPS. Assuming timely payment by all Subscribers, the Company expects that the New Shares will be listed on Oslo Børs on or about 29 July 2008.

1.5 SUMMARY OF RISK FACTORS

A number of risk factors may adversely affect the Company. Below is a summary of the most relevant risk factors described in Section 2 below. Please note that the risks below are not the only risks that may affect the Company's business or the value of the New Shares. Additional risks not presently known to the Company or currently considered immaterial may also impair its business operations and prospects.

1.5.1 Market risk

Market risk include the risk for macro economic fluctuations, inflation, risk for changes in, or completion, of existing planning regulations, risk for decrease in demand and supply for office space and accommodation.

1.5.2 Operational risk

Operational risk include risk for decreased financial strength of the Company's tenants, risk related to restrictions in lease contracts, risk related to legal claims from tenants, authorities, including tax authorities and other third parties, risk for poor relationship with property managers, risk for increased maintenance, risk for decreased technical conditions, risk for hidden defects and emissions, risk related to Aker Hus (headquarter of Aker ASA), risk for regulated areas which restricts use, risk from use of title companies and fraud risk.

1.5.3 Financial risk

Financial risk include risk for not fulfilling loan obligations, interest rate fluctuations, risks related to effects of fair value adjustments, changes in laws and rules regarding tax and duties, exchange rate risk, and risk for settlement to co-owners of Oslo Properties.

1.5.4 Risk factors relating to the Shares

The risk related to the Shares include price volatility of publicly traded securities, negative public announcements, including those relating to any of the Company's substantial shareholders or key personnel which may adversely affect the share price and the stock performance of the Company, whether or not this is justifiable.

1.6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

1.6.1 Board of Directors

The Company's Board of Directors currently consists of six (6) members: Widar Salbuvik (Chairman), Torstein Ingvald Tvenge, Anne Birgitte Fossum, Jostein Devold, Hege Bømark and Thorhild Widvey. For more information, please refer to Section 12.1 of this Prospectus.

None of the Board members is part of the management of Norwegian Property.

1.6.2 Management

The management of the Company currently consists of the following members: Petter Jansen (Chief Executive Officer), Svein Hov Skjelle (Chief Financial Officer), Dag Fladby (Chief Investment Officer), and Aili E. Klami (Chief Operating Officer). For more information, please refer to Section 12.2 of this Prospectus.

1.6.3 Employees

As of the date of this Prospectus, the Norwegian Property Group employs approximately 30 people. For more information, please refer to Section 12.6 of this Prospectus.

1.6.4 Trend information

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Norwegian Property Group between 31 March 2008 and the date of this Prospectus, other than those described elsewhere in this Prospectus. Please see Section 6 “Presentation of the Company”, Section 7 “The Market”, Section 8 “Consolidated Financial Information” and Section 13 “Share Capital and Shareholder Matters” for more information about significant recent trends in the Group’s business and relevant markets.

1.7 ADVISORS AND AUDITORS

1.7.1 Managers

The Managers for the Rights Offering are Pareto Securities AS, P.O. Box 1411 Vika, 0115 Oslo, Norway and SEB Enskilda AS, P.O. Box 1363 Vika, 0113 Oslo, Norway. As of 25 June 2008, Pareto Securities/Pareto Private Equity and SEB Enskilda (including associated parties and employees) hold a total of 54,413 Shares and 0 Shares respectively.

1.7.2 Legal counsel

The legal advisor to the Company is Thommessen Krefting Greve Lund AS Advokatfirma.

1.7.3 Independent Auditor

Deloitte AS is the Company’s auditor. For more information of the auditor, please refer to Section 8.5 below.

1.8 SUMMARY OF OPERATING AND FINANCIAL INFORMATION

The selected financial information set forth in this Prospectus should be read in conjunction with the financial statements and the notes to those statements set out in Appendix 2, 3, 4 and 5 in addition to Sections 8, 10 and 11 in this Prospectus.

1.8.1 Summary of consolidated income statement

NOK 1,000	**1Q 2008 (unaudited)[2]**	**1Q 2007 (unaudited)**	**2007 (audited)[3]**	**2006 (audited)**	**2005 (audited)**
Gross rental income	472,060	248,639	1,195,686	414,773	-
Total operating cost	(66,448)	(30,118)	(159,367)	(63,062)	-
Operating profit before fair value adj. investment property..	**405,611**	**218,521**	**1,036,319**	**351,711**	**-**
Operating profit..	**313,746**	**445,969**	**2,264,738**	**744,955**	**-**
Net financial items	**(480,649)**	**(100,609)**	**(614,143)**	**(205,498)**	**-**
Profit before income tax.....................................	**(166,904)**	**345,360**	**1,650,595**	**539,457**	**-**
Income tax expense...	46,733	(96,701)	(460,736)	(148,565)	-
Profit for the period..	**(120,170)**	**248,659**	**1,189,859**	**390,892**	**-**
Minority interests..	(43,259)	(776)	(4,829)	(1,256)	-
Profit after minority interests............................	**(163,429)**	**247,883**	**1,185,030**	**389,636**	**-**
Basic and diluted earnings per share for profit attributable to shareholders (NOK)	1.14	2.52	11.42	5.14	-

[2] Includes Oslo Properties/Norgani Hotels.
[3] Includes Oslo Properties/Norgani Hotels from 24 September 2007.

1.8.2 Summary of consolidated balance sheet

NOK 1,000	1Q 2008 (unaudited) [4]	1Q 2007 (unaudited)	2007 (audited) [5]	2006 (audited)	2005 (audited)
ASSETS					
Total non-current assets	32,174,715	17,720,751	32,194,589	15,184,916	-
Total current assets	1,495,220	1,835,498	1,687,498	1,703,015	104
TOTAL ASSETS	**33,669,935**	**19,556,249**	**33,882,087**	**16,887,931**	**104**
EQUITY AND LIABILITIES					
Total equity	**6,731,546**	**6,115,182**	**6,830,903**	**5,373,227**	**104**
Non-current liabilities	23,143,299	12,822,295	23,255,713	10,996,397	-
Total current liabilities	3,795,090	618,772	3,795,470	518,307	-
Total liabilities	**26,938,389**	**13,441,067**	**27,051,183**	**11,514,704**	**-**
TOTAL EQUITY AND LIABILITIES	**33,669,935**	**19,556,249**	**33,882,087**	**16,887,931**	**104**

1.8.3 Summary of consolidated cash flow

NOK 1,000	1Q 2008 (unaudited) [6]	1Q 2007 (unaudited)	2007 (audited) [7]	2006 (audited)	2005 (audited)
Net cash flow from operating activities	302,437	273,344	1,066,873	576,311	-
Net cash flow from investment activities	27,938	(2,275,985)	(8,363,412)	(14,823,896)	-
Net cash flow from financing activities	(453,645)	1,615,245	6,675,980	15,499,947	
Net change in cash and cash equivalents	**(123,271)**	**(387,396)**	**(620,559)**	**1,252,362**	**104**
Opening balance of cash and cash equivalents	**635,476**	**1,252,462**	**1,252,462**	**100**	**0**
Exchange rates	271	-	3,573	-	-
Cash and cash equivalents end of period	**512,476**	**865,066**	**635,476**	**1,252,462**	**104**

1.8.4 Summary of capitalisation and indebteness

For further information, please refer to Section 11.4 below.

Amounts in thousand NOK	**31.03.2008 Unaudited**
Shareholders equity (A)	6,731.5
Total current debt	3,795.1
Total non-current debt	23,143.3
Total indebtedness (B)	26,938.4
Total capitalisation (A + B) (excluding minorities)	33,669.9
Liquidity (C)	512.5
Current financial receivable (D)	497.5
Current financial debt (E)	3,130.6
Non-current financial debt (F)	21,662.3
Net financial indebtedness (C+D-E-F)	**23,782.9**

[4] Includes Oslo Properties/Norgani Hotels.
[5] Includes Oslo Properties/Norgani Hotels.
[6] Includes Oslo Properties/Norgani Hotels.
[7] Includes Oslo Properties/Norgani Hotels from 24 September 2007.

1.8.5 Significant changes to the Company's financial or trading position since 31 March 2008

Except for the agreements on sale of properties totaling approximately NOK 475 million entered into in April, May and June 2008 as described in Section 6.2 below, there have been no significant changes in the financial and trading position of Norwegian Property subsequent to 31 March 2008.

1.9 PRO FORMA FINANCIAL INFORMATION

This Section present the pro forma profit and loss statement for Norwegian Property and Norgani Hotels combined for the year 2007. Reported financial statements of Norwegian Property for the period ended 31 March 2008 includes Norgani Hotels for the full quarter, and pro forma income statements for the period ended 31 March 2008 and balance sheets as of 31 March 2008 are consequently not required.

The pro forma financial information does not necessarily reflect what the actual results would have been if transactions had occurred earlier and are not indicative of future results of operation or financial position. It must also be pointed out that the pro forma financial information is prepared for illustrative purposes only and that there is higher uncertainty in pro forma financial information than in historical actual financial information.

The proforma financial information is set out in Section 9 in this Prospectus.

1.9.1 Unaudited condensed pro forma income statement for the period ended 31 December 2007

	Full year 2007			
Figures in NOK 1.000	**Actual NPRO (audited) 01.01 - 31.12**	**Pro forma adjustment 1 01.01 - 31.12**	**Pro forma adjustment 2 01.01 - 31.12**	**Pro forma Total 01.01 - 31.12**
Gross rental income	**1 195 686**	**513 829**	**-**	**1 709 515**
Maintenance and property related costs	(81 424)	(44 980)		(126 403)
Other operating expenses	(77 943)	(80 597)		(158 540)
Total operating cost	**(159 367)**	**(125 576)**	**-**	**(284 943)**
Operating profit before fair value adj. of investment property	**1 036 319**	**388 253**	**-**	**1 424 572**
Gain from fair value adjustment of investment property	1 219 138	131 391		1 350 529
Gain from sales of investment property	9 281	6 265		15 546
Operating profit	**2 264 738**	**525 909**	**-**	**2 790 647**
Financial income	67 972	6 162	(14 180)	59 954
Financial costs	(958 863)	(234 328)	(118 238)	(1 311 430)
Change in market value of financial derivative instruments	276 749	147 631		424 380
Net financial items	**(614 143)**	**(80 535)**	**(132 418)**	**(827 095)**
Profit before income tax	**1 650 595**	**445 374**	**(132 418)**	**1 963 552**
Income tax expense	(460 736)	(124 705)	37 077	(548 364)
Profit for the period	**1 189 859**	**320 669**	**(95 341)**	**1 415 188**
Minority interests	(4 829)	(264 552)	39 426	(229 955)
Profit after minority interest	**1 185 030**	**56 117**	**(55 915)**	**1 185 233**

The notes to the pro forma financial information are set out in Section 9.3 in this Prospectus.

1.10 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1.10.1 Major shareholders

As of 25 June 2008, the Company had in total 970 shareholders, of which 783 were Norwegian and 187 were non-Norwegian. The five largest shareholders are shown in the table below:

	Name of shareholder	**Number of shares**	**Percentage (%)**
1	Credit Suisse Securities (Europe) Ltd.	13,223,572	12.54
2	A. Wilhelmsen Capital AS	12,165,000	11.53
3	State Street Bank A/C Client Omnibus	6,990,400	6.63
4	Deutsche Bank AG London	4,117,073	3.90
4	Fram Realinvest AS[8]	4,000,000	3.79

[8] Owned by Torstein Tvenge, board member of Norwegian Property.

1.10.2 Related party transactions

Property transactions

No property transactions with related parties were carried out during 2007 and no Shares have been issued as consideration to any sellers. The property transactions carried out in 2006 and 2008 are set out in Section 16.3.2 below.

Facility management agreements (property management agreements)

For the majority of the properties, the Company has entered into management agreements with professional managers who previously carried out the same services on behalf of the former property owners. An overview of these agreements is set out in Section 16.3 below.

Norwegian Property entered into a 6 years agreement with NEAS ASA regarding management and operation of its Norwegian office portfolio. Under the agreement, NEAS ASA will assume responsibility for management and the day to day operations of Norwegian Property's properties during 2008 and 2009.

A special commercial and facility management arrangement for Aker Brygge, with four-year duration, has been entered into with Linstow Eiendom AS in 2006. Linstow Eiendom AS is also managing the Company's properties Middelthunsgate 17, Ibsenkvartalet and Stortingsgaten 6.

Rental agreements

Linstow Eiendom AS (A.W. Group) is a tenant at Aker Brygge, and also a shareholder in Norwegian Property. The annual rent amounts to NOK 4.3 million.

Interest charges to subsidiaries

All controlled subsidiaries to Norwegian Property are charged for interest in relation to the subsidiaries share of the total group financial costs in addition to their share of administration expenses.

1.11 ADDITIONAL INFORMATION

1.11.1 Share capital and shareholder matters

The Company is incorporated as a Norwegian public limited liability company in accordance with the Norwegian Public Limited Liability Companies Act, with the organisation number 988 622 036.

The Company's current registered share capital is NOK 2,637,039,250, divided into 105,481,570 Shares with a nominal value of NOK 25 per Share, all of which are fully paid.

All issued Shares in the Company are issued in accordance with Norwegian law, and vested with equal shareholder rights in all respects. There is only one class of shares. The Company's Articles of Association do not contain any provisions imposing any limitations on the ownership or the tradability of the Shares.

The Shareholders' beneficial interest in the Shares are registered with VPS under the International Securities Identification Number (ISIN) NO 001 0317811. The registrar for the Shares is Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, 0107 Oslo, Norway.

See Section 13 "Share Capital and Shareholder Matters" for a further description of the Company's share capital.

1.11.2 Dilution

The dilutive effect in connection with the Rights Offering will be 47.7%.

	Prior to Rights Offering	**Subsequent to Rights Offering**
Existing Shares, each with a nominal value of NOK 25.............	105,481,570	201,635,416
% dilution relative to the Rights Offering	100.00%	52.31%

1.11.3 Articles of Association

The Company's Articles of Association are included as Appendix 1 to this Prospectus.

The Company's objectives are set out in Section 3 of the Company's Articles of Association and are described in Section 13.6.1 in this Prospectus.

1.11.4 Documents on display

For the life of this Prospectus, the following documents as indicated in the list below, may be inspected at the Company's offices at Stranden 3A, P.O.Box 1657 Vika, 0120 Oslo, Norway or requested by telephone +47 22 83 40 20 or fax: +47 22 83 40 21 or downloaded from the Company's web-page: www.npro.no:

- The incorporation documents of the Company.
- The Articles of Association (may also be inspected in Appendix 1 to this Prospectus).
- The Company's first quarter report for 2008 (may also be inspected in Appendix 2 to this Prospectus).
- The Company's historical financial information for the twelve months ended 31 December 2007 and auditors report (may also be inspected in Appendix 3 to this Prospectus).
- The Company's historical financial information for the twelve months ended 31 December 2006 and auditors report (may also be inspected in Appendix 4 to this Prospectus.
- The Company's historical financial information for the year 31 December 2005 and auditors report (may also be inspected in Appendix 5 to this Prospectus).
- Valuation reports on the Companys office and hotel properties dated 31 March 2008 (may also be inspected in Appendix 8 to this Prospectus).
- Norgani Hotels historical financial information for the twelve months ended 31 December 2005, 2006 and 2007 (may also be inspected in Appendix 6 to this Prospectus)
- Oslo Properties historical financial information for the twelve months ended 31 December 2007.

In addition, the Company has approximately 250 subsidiaries which reports to the Group (see Section 6.3 and 6.4 above). These annual reports may be inspected at the Company's offices (see contact details above).

1.11.5 Third party statements

Information contained in this Prospectus which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

2. RISK FACTORS

2.1 GENERAL

Investing in the Shares in Norwegian Property involves inherent risks. Prospective investors should consider, among other things, the risk factors set out herein before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Shares. If any of the following risks actually occur, Norwegian Property's business, financial position and operating results could be materially and adversely affected.

A prospective investor should carefully consider the factors set forth below, and elsewhere in the Prospectus, and should consult his or her own expert advisors as to the suitability of an investment in the Shares.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Such information is presented as of the date hereof and is subject to change, completion or amendment without notice.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Forward-looking statements will, however, be updated if required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, and the actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described below and elsewhere in this Prospectus.

2.2 MARKET RISK

2.2.1 Macro economic fluctuations

Norwegian Property is exposed to the economic cycle and macro economical fluctuations, since changes in the general economic situation could affect rent levels and the value of the Company's assets. There is risk associated with the general development of lease levels of commercial property for various segments and the locations where the Company owns properties. It is especially important what the market conditions are when lease contracts expire on the Company's properties.

2.2.2 Inflation risk

The Norwegian Central Bank's objective is to maintain annual long-term inflation level at a level of 2.5%. A lower rate of inflation may have a negative impact on the Company's revenues and liquidity. The majority of rental contracts in the Company's commercial property portfolio have a 100% CPI adjustment clause allowing the Company to adjust rental rates with the CPI development. On the majority of rental contracts in the Company's hotel portfolio the minimum rents have a CPI adjustment clause. The Company seeks to secure such regulation clauses in all new contracts.

2.2.3 Regulation risk

Changes in, or completion, of existing planning regulations by relevant authorities may significantly affect the operations of the Company's properties, including the interest of potential tenants in future rental of premises or interest of future purchasers of the properties. Furthermore, existing planning regulations may limit the possibility to further develop the properties.

2.2.4 Demand for office space and accommodation

The demand for office/retail space and accommodation is influenced by several factors, on both a micro and macro level. Negative changes in the general economic situation, including business and private spending, may adversely affect the demand for office space and accommodation.

Regarding accommodation on a micro level, the relative attractiveness of regions and cities, both with regards to business and leisure, will affect business and leisure travel to the respective regions and cities, and hence the demand for accommodation. There are no guarantees that the regions that are attractive today remain to be attractive.

2.2.5 Supply of office and hotel space

The supply of office and hotel space is influenced mainly by construction and refurbishment activity. Historically, periods with good market conditions in the office property market and/or hotel market have been followed by increased construction of office and/or hotel properties. This may lead to oversupply and increased vacancies. The long lead time of construction may further increase this effect, as construction that has been started in general will be finalized regardless of any market slowdown.

2.3 OPERATIONAL RISK

2.3.1 Tenant risk

The financial status and strength of the Company's tenants, and thus their ability to service the rent etc. will always be a decisive factor when evaluating the risk of property projects. Termination of leases with subsequent vacancy of the premises, possible adjustment cost in relation to new tenants or lower rent levels, will influence the rental income negatively.

Tenants of Norgani Hotels' properties situated in Sweden have by law, an indirect right to extension on fair market conditions upon expiration of the lease term. The tenant might be entitled to compensation if the landlord refuses extension or if the conditions offered for extension are deemed to be unfair.

2.3.2 Revenue based leases

Norgani Hotels' leases are mainly operator revenue based which means that factors affecting the revenue of the tenants (such as quality of the tenants' operations and general market conditions) will affect the rental income of Norgani Hotels.

2.3.3 Risk related to Aker Hus – the headquarter of Aker Solutions ASA

The construction of Aker Hus – Aker Solutions ASA's new headquarter at Fornebu - was completed in November 2007. Pursuant to the sale and purchase agreement entered into in 2005, Aker ASA is as a main rule obligated to cover costs and losses arising from delayed completion and construction costs exceeding the initial budget. Aker ASA's liability applies to costs/claims forwarded to Aker ASA by November 2010. Costs/claims related to the property which arise after this cut-off date shall be born by the owner of the property (which is a subsidiary of the Company). Furthermore, it cannot be ruled out that i.a. the development of local infrastructure at Fornebu may lead to costs for and claims against the property owners at Fornebu and that such costs/claims may arise later than November 2010. In particular, there are uncertainties as to whether the development of a new railway solution at Fornebu (*Fornebu-banen*) may lead to claims against the owner of the property and other property owners at Fornebu.

2.3.4 Lease contract Middelthunsgate 17

The lease contract between a subsidiary of Norwegian Property and Nordea Bank Norge ASA regarding Nordea Bank Norge ASA's rent of the property Middelthunsgate 17 in Oslo, lays down certain restrictions on the following companies', direct or indirect, ownership of the property (where indirect ownership also may be interpreted to include ownership in Norwegian Property): DNB NOR ASA, Sparebank 1, Danske Bank or any group or associated company of any of these companies. If any of these companies, without prior written consent of Nordea Bank Norge ASA, separately or jointly acquire a controlling interest in the Company, the tenant may claim a 30% reduction of rent as long as the violation of the restrictions persists. Further, the said premises shall not be used by competing companies as long as the lease contract with Nordea Bank Norge ASA is in force.

2.3.5 Legal claims/legal matters/ pre-emption rights

Norwegian Property and Norgani Hotels are, and may in the future be, subject to legal claims from tenants, authorities, including tax authorities and other third parties. No assurance can be given to the outcome of any such claims.

There are contractual and statutory pre-emption rights (*Nw: forkjøpsrett*) applicable upon sale of some of the office and hotel properties (or companies holding the properties). Even if such rights have been waived, not used or were not applicable in Norgani Hotels' or the Company's acquisitions, such rights may be exercised in subsequent transactions, and the existence of such pre-emption rights may imply a reduced value on the properties.

2.3.6 Relationship with Property Managers

If the property managers do not fulfil their obligations under the property management agreements this may negatively impact the Company's value.

2.3.7 Maintenance/Technical condition/Operating risk

Maintenance of the properties is mainly regulated so that the landlord is responsible for external maintenance and that the tenant covers other operating costs (e.g. internal maintenance) in the premises leased. In addition, the landlord is in several of the leases obliged to cover the costs of replacement of technical installations. There is a general risk that costs for maintenance and replacements, upgrading, etc., for which the Company is responsible may be greater than assumed. The scope of the landlord's potential obligation will depend on the technical state and condition of the lease object. In particular, the Company will incur costs in relation to adaptation to new tenants.

2.3.8 Hidden defects and emissions - pollution

In respect of some of the Company's properties, and the ground on which some of the properties are placed, pollution/use of toxic material is known to the Company. Further, some of the properties acquired are situated in areas where it is not unlikely that the ground is polluted, based on the history of the site/area. The risks relating to pollution in the ground and in the properties and associated buildings largely rest on the Company. Such pollution may render further development of the properties/ground, and excavation, more expensive (due to required soil surveys or otherwise) and subject to approval from the authorities.

2.3.9 Preservation areas

Some of the buildings on Aker Brygge, parts of Middelthunsgate 17 and Skippergata 3 are regulated for conservations purposes. For Aker Brygge this includes the original buildings from the shipyard period. These are regulated as "special area preservation (business, office, food and drink, cinema, museum)". The buildings are not permitted to be demolished and there are restrictions on the altering of the exteriors of the buildings.

In a report prepared in 2006 by ICOMOS Norway (International Council of Monuments and Sites) with support from the Directorate of Cultural Heritage, Aker Brygge is listed as one of several buildings/cultural heritage environments from the 20th century which are recommended to be preserved under the statutes of cultural heritage. According to the report, the preservation value is attached to the general town planning works and the authentic 1980s features in the architectural look/facade. The interiors are considered less suitable for preservation, not least due to the requirements for changes to offices and retail areas.

Parts of Middelthunsgate 17 are regulated as "special area preservation (offices)" in the zoning plan approved on 24 July 1985. This entails a general ban on demolishing and restrictions concerning reconstruction, extension etc. Similar restrictions apply on Skippergata 3.

2.3.10 Risk from use of title companies

In order to achieve full title and legal protection for the acquisition of a property, a requirement pursuant to the Land Registration Act is that the acquisition shall be duly registered in the land register. In this context legal protection means that the buyer of the property is protected from the seller's or former owner's creditors seizing the property and further against subsequent competing legal rights over the property. If an acquisition is not registered on the property's home page in the land register, and the seller, or a former owner goes bankrupt or the seller's creditors seize the property etc, the buyer's ownership rights to the property may be challenged.

However, registering the acquisition and thus obtaining legal title is subject to stamp duty of 2.5% of the property's market value. In major property transactions, it is normal practice that the buyer does not register his acquisition. As an alternative, the buyer may often (in addition to purchasing the property) acquire the shares or parts in a company which holds the title to the property. This structure is to a large extent used in the Company's property portfolio. However, from a legal point of view there may be uncertainties connected to such structure. E.g. it has not been decided or clarified under Norwegian law whether the seller's or former owner's creditors can seize the property in situations where title companies are sold. However, the Company is free to carry out the registration with the land register which, however, would trigger stamp duty of 2.5% of market value. The Norwegian Supreme Court has recently passed a decision, which confirms this risk.

2.3.11 Vendor rental guarantees/Credit risks on sellers

Norgani Hotels has received rental guarantees from sellers of properties for a limited period of time guaranteeing a certain rent level. Only limited security is established for these guarantees. Consequently, Norgani Hotels takes to a large extent the credit risk on the sellers. Furthermore, the risks related to the level of Norgani Hotels' income increase when the guarantees expire given the large extent of revenue based leases.

2.3.12 Agreement with Fearnley syndicate

There are risks related to the share purchase agreement entered into between Norgani Hotels and a Fearnley syndicate regarding sale of hotels (see Section 6.8.4 for an outline of this agreement), as Norgani Hotels has guaranted a certain rent and cost level and as Norgani Hotels has undertaken to repurchase the hotels on certain conditions.

2.4 FINANCIAL RISK

2.4.1 Fulfilment of loan obligations

The loan facilities of the Company contain certain requirements as regards the financial condition of the Company (financial covenants) relating to i.a. interest coverage ratio, debt service coverage ratio, loan-to-value covenants, change of control etc. and other obligations of financial nature, see further Section 11.5 for a description of the borrowings of the Company.

No assurance can be given that the Company will be able to satisfy all these terms and conditions at all times, or that its lenders will waive or change the terms to avoid an actual or expected default of the above mentioned conditions. This could mean that repayment of the loans is accelerated by the lenders, including acceleration based on the provisions regarding cross-default, which could itself oblige the Company to seek to refinance its loans and the Company may be forced to divest properties. There can be no assurance that the Company will, if required, be able to enter into new loan facilities on satisfactory terms, and to the extent necessary to maintain its existing and future business.

2.4.2 Fair value adjustments

The Company's properties and certain financial derivatives are included at fair value in the Company's consolidated financial statements. The fair value of the properties is impacted by a number of external factors (see Section 7 below for market information and Section 7.1.3 specifically on the property transaction market), including interest rates, rental market for the properties, credit margins, the financial institutions lending conditions (including covenants, requirements for equity in transactions and availability of fund) and conditions in the investor market (including investors required return on capital and balance in the transaction market for properties). Changes in fair value are recorded quarterly in the income statement and, with respect to the properties, are among other input also based on third party valuations. Consequently, adjustment based on changes in fair value may negatively affect the Company's income and equity on group level. This may in turn, among other things, have an impact on the Company's ability to satisfy its obligations (financial covenants) under its loan agreements.

2.4.3 Interest rate fluctuations

Norwegian Property is to a large extent financed by debt and will be exposed to interest rate fluctuations. Any period of unexpected or rapid increase in interest rates may hence negatively affect the Company's cash flows, profitability and valuation of the underlying assets. Norwegian Property seeks to limit its interest rate risk through entering into fixed interest rate contracts/swaps for a major part of its outstanding loans. The interest rate level over time will also be an important factor in the development of the value of the properties and the return which investors can obtain. Indirectly the interest rate level could also affect rent levels by having a negative impact on the revenue of the tenants, but rent level is also relevant when re-negotiating/renewing or entering into new leases.

2.4.4 Tax risk

Changes in laws and rules regarding tax and duties may involve new and changed parameters for investors and the Company. This may involve a reduction in the profitability of investing in property and the profit after tax for the Company. Tax implications of transactions and dispositions of the Company are to some extent based on judgment of applicable tax law and regulations. Even if the Company is of the opinion that it has assessed tax law in good faith, it could not be ruled out that the tax authorities and courts may conclude differently.

The Company has no assurance that the tax losses carried forward related to Norgani Hotels are usable, either within the country they appeared or across the Nordic region. Furthermore, Norgani Hotels do not have any assurance for when and how these losses may be utilized against profits. See also Section 16.1.

2.4.5 Exchange rate risk

A substantial part of Norgani Hotels' revenues and expenditures are paid in foreign currency (SEK, DKK and EUR). As a result, Norgani Hotels is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency as compared to NOK could result in an adverse effect on Norgani Hotels' cash flow and revenues.

Interest bearing debt is as far as possible raised in the same currency, and currency derivatives are used to tune the interest rate position. Still, certain equity exposure remains in such currencies, and a material change of any such currency as compared to NOK could result in an adverse effect on Norgani Hotels' equity.

2.4.6 Settlement to co-owners of Oslo Properties

Delays in settlement under the Rights Offering may result in the Company being unable to fulfill its obligations under the agreements with the co-owners of Oslo Properties (see Section 6.5 for an outline of these agreements).

2.5 RISK FACTORS RELATING TO THE SHARES AND THE RIGHTS OFFERING

2.5.1 Price volatility of publicly traded securities

The trading price of the Shares could fluctuate significantly in response to, amongst other factors, quarterly variations in operating results, adverse business developments, interest rate, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors, or changes to the regulatory environment in which the Company operates.

The market price of the Shares could decline due to sales of a large number of the Shares in the market or the perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that is deemed appropriate.

2.5.2 Subscription Rights

Persons interested in trading in Subscription Rights should be aware that the exercise of Subscription Rights by holders who are located in countries outside of Norway may be restricted or prohibited by applicable securities laws.

Eligible shareholders who are legally prevented from subscribing the New Shares and who will not receive this Prospectus or the subscription material, will as a general rule not be credited Subscription Rights. Norwegian Property has authorised the Managers to sell the Subscription Rights on these shareholders' behalf during the Subscription Period, provided that the Subscription Rights has an economic value which is expected to exceed the estimated sales costs.

If any holder of Subscription Rights does not exercise, or is restricted as a matter of law from exercising its Subscription Rights by the end of the Subscription Period, its Subscription Rights will have no value and will lapse without compensation to the holder.

An active trading market in the Subscription Rights may not develop on Oslo Børs during the Subscription Period. In addition, because the trading price of the Subscription Rights depends on the trading price of the Shares, the price of the Subscription Rights may be volatile and subject to the same risks as described in the above risk factor. The existing volatility of the Shares may also magnify the volatility of the Subscription Rights.

2.6 OTHER RISKS

2.6.1 Enforceability of civil liabilities

The Company is a public limited liability company organised under the laws of Norway. The directors of the Company and executives and certain of the experts named herein, reside in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, to enforce against such persons or the Company judgements obtained in non-Norwegian courts, or to enforce judgements on such persons or the Company in other jurisdictions.

2.6.2 Foreign shareholders may be diluted if they are unable to participate in future offerings

Because non-Norwegian investors may be unable to participate in future offerings, their percentage shareholding, if they have been allotted Shares in the offering, may be diluted. Unless otherwise resolved by the general meeting, shareholders in Norwegian limited liability companies such as the Company have pre-emptive rights proportionate to the aggregate amount of the Shares they hold with respect to new Shares issued by the Company. For reasons relating to foreign securities laws or other factors, foreign investors may not be able to participate in a new issuance of Shares or other securities and may face dilution as a result.

2.6.3 Norwegian law may limit the shareholders' ability to bring an action against the Company

The Company is a public limited company incorporated under the laws of Norway. The rights of holders of Shares are governed by Norwegian law and by the Articles of Association. These rights differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. Under Norwegian law, any action brought by a company in respect of wrongful acts committed against the company takes priority over actions brought by shareholders in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.6.4 Changes in the Board composition

An extraordinary general meeting in the Company will be held on or before 17 July 2008 at the request of certain shareholders, to resolve upon composition of the Board of Directors and the nomimation committee of the Company. The success of the Company is amongst other things dependent upon the competence and experience of the Board members and also their knowledge about the Company's business. Significant changes to the compostion of the board of directors may inter alia imply lack of continuity in the board when it comes to such knowledge.

3. RESPONSIBILITY FOR THE PROSPECTUS

3.1 The Board of Directors of Norwegian Property

This Prospectus has been prepared in connection with the Rights Offering described herein. The Board of Directors of Norwegian Property accepts responsibility for the information contained in this Prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Oslo, 25 June 2008

The Board of Directors of Norwegian Property ASA

Widar Salbuvik
(Chairman)

Torstein Ingvald Tvenge	Jostein Devold	Anne Birgitte Fossum
Hege Bømark		Thorhild Widvey

4. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking” statements, including, without limitation, projections and expectations regarding the Company’s future financial position, business strategy, plans and objectives. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “seek to” and similar expressions, as they relate to the Company, its subsidiaries or its management, are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company and its subsidiaries will operate. Factors that could cause the Company’s actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to:

- the competitive nature of the markets in which the Company and its subsidiaries operates,
- global and regional economic conditions,
- government regulations,
- changes in political events, and
- force majeure events.

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in the Section entitled “Risk Factors” (Section 2) in this Prospectus.

Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.

5. THE RIGHTS OFFERING

This Section gives a detailed overview of the Rights Offering and the issuance of the Subscription Rights.

5.1 BACKGROUND FOR THE RIGHTS OFFERING AND USE OF PROCEEDS

On 17 September 2007, Norwegian Property entered into investment agreements (as later amended) regarding Oslo Properties with Scanprop AS (a company owned by EQT), Scandic, A. Wilhelmsen Capital AS, Annual Classic AS and certain financial investors with the intention of Oslo Properties submitting an offer on Norgani Hotels. These agreements are further outlined in Section 6.3 below.

On 17 September 2007, Oslo Properties launched a voluntary offer for all the shares in Norgani Hotels for a purchase price of NOK 91 per share. The voluntary offer was i.a. conditioned upon Oslo Properties receiving acceptance from 80%.

On 21 September 2007, Oslo Properties increased the offer price under the voluntary offer to NOK 94 per share. Furthermore, the acceptance level was decreased to 67%. The voluntary offer was completed on 3 October 2007. On 8 October 2007, Oslo Properties launched a mandatory offer for the shares in Norgani Hotels not already owned by Oslo Properties for a purchase price of NOK 94 per share. At the same time as launching the mandatory offer, Oslo Properties gave notice of a compulsory acquisition of all shares in Norgani Hotels not already owned by it. The compulsory acquisition became effective on 8 October 2007. Thus, as of 8 October 2007, Oslo Properties was the owner of 100% of the shares of Norgani Hotels.

In an extraordinary general meeting of Norgani Hotels held on 25 October 2007, it was resolved to apply for delisting of the Norgani Hotels shares from Oslo Børs.

On 2 May 2008, Norwegian Property/Oslo Properties announced to have entered into a letter of intent with a group of buyers who were granted exclusivity to medio May 2008 to acquire the shares in Norgani Hotels. The offer represented an enterprise value of NOK 11.1 billion in addition to a compensation for Norgani Hotels' net cash generation in the 1st half of 2008 estimated to approximately NOK 0.1 billion. A completed transaction would settle all the Company`s obligations to all its partners in Oslo Properties (including EQT).

On 21 May 2008, Norwegian Property announced to have experienced some delays caused by more detailed due diligence work than expected in phase one and buyers' formal financing. As a consequence, the exclusivity period granted in favour of the potential group of buyers had expired.

On 2 June 2008, Norwegian Property announced that the negotiations with the potential buyers of Norgani Hotels had ceased. Norwegian Property has plans to maintain the ownership of Norgani Hotels, but has been contacted by several attractive potential partners and/or buyers and will continue to investigate these opportunities in order to create shareholder values.

On 17 June 2008, the extraordinary general meeting resolved a share capital increase raising gross proceeds of approximately NOK 2,500 million in order to, inter alia, finance the full take out of all external shareholders in Oslo Properties (estimated to approximately NOK 1,805 million) and to strengthen the Company's balance sheet to capitalize on the strong development in the underlying office markets in Norway and hotel markets in the Nordic region.

Approximately 2/3 of the share issue will be used to finance the settlement of the EQT/Scandic obligation and take out of other financial investors in Oslo Properties, while the remainder will be used to strengthen the balance sheet. After the share issue and following settlement of EQT/Scandic and other financial investors, the Company anticipates to have an LTV of approximately 70% (on a proforma basis per 31 March 2008 as compared to a LTV at the end of first quarter of just below 80% including the obligation to take out other shareholders in Oslo Properties).

On 17 June 2008, the extraordinary general meeting of the Company resolved to issue 96,153,846 New Shares at an issue price of NOK 26 per New Share and with pre-emptive right to be allocated to holders of the Company's shares as of 18 June 2008.

5.2 THE SHARES AND SHARE CAPITAL

5.2.1 The Shares and Share capital

The Company's current registered share capital is NOK 2,637,039,250, divided into 105,481,570 Shares with a nominal value of NOK 25 per Share, all of which are fully paid.

The Rights Offering will increase the Company's share capital with NOK 2,403,846,150 to NOK 5,040,885,400 divided into 201,635,416 Shares each with a nominal value of NOK 25 per Share.

All issued Shares in the Company are vested with equal shareholder rights in all respects and no Shares have different voting rights. There is only one class of shares and all Shares are freely transferable. The Company's Articles of Association do not contain any provisions imposing any limitations on the ownership or the tradability of the Shares.

All Shares are registered with VPS under the International Securities Identification Number (ISIN) NO 001 0317811.

The Subscription Rights will be registered with the VPS with International Securities Identification Number (ISIN) NO 001 0441843.

The registrar for the Shares is Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, 0107 Oslo, Norway.

5.2.2 Rights attached to the New Shares

All of the New Shares carry the right to any dividend, declared with a record date on or after the date of the registration of the share capital increase in the Norwegian Register for Business Enterprises and otherwise rank pari passu with the other outstanding Shares from the date of issuance of the New Shares in the Company's register of shareholders.

Please refer to the description of legal matters and rights attached to the Shares set out in Section 13.6 of the Prospectus.

5.2.3 Withholding tax on dividends paid

Reference is made to Section 14 "Taxation in Norway".

5.3 RESOLUTION FROM THE EXTRAORDINARY GENERAL MEETING

5.3.1 Resolution regarding the Rights Offering

On 17 June 2008, the extraordinary general meeting passed the following resolution:

1. *The share capital is increased with NOK 2,403,846,150, from NOK 2,637,039,250 to NOK 5,040,885,400 by issue of 96,153,846 new shares, each with a nominal value of NOK 25.*

2. *The Company's shareholders as on 18 June 2008 shall have preferential rights to subscribe for the shares. Tradable subscription rights will be issued. Oversubscription and subscription without subscription rights are permitted.*

3. *The following allotment criteria are proposed:*

   3.1 *The Shares will be allotted pursuant to the allotted and acquired subscription rights which the subscriber makes use of during the subscription period.*

   3.2 *If the subscription rights are not fully used, those who have used their subscription rights and who have oversubscribed, have the right to take over the remaining shares which have not been subscribed for, on a pro rata basis. As far as possible, a pro rata allotment will be carried out pursuant to the number of subscription rights that each person has used. If the pro rata allotment cannot be completed, allotment will be carried out by a routine of drawing lots.*

3.3 *Persons who do not hold subscription rights in the Company may subscribe for shares in the rights issue. If, subsequent to the allotment pursuant to section 3.1 and 3.2 above, there still remain shares which are not allotted, the remaining number of shares shall be distributed among the other subscribers pursuant to the subscription amount. In the event of oversubscription, allotment on a pro rata basis pursuant to the subscription amount shall be carried out.*

3.4 *If there still remain shares which have not been allotted, the remaining shares shall be allotted to the participants in the underwriter consortium pursuant to the guarantee agreements entered into. Among the guarantors, the allotment under the guarantee commitment will take place pro rata based on the guarantor's pro rata part of the underwriter consortium. The shares which are allotted to the guarantors in connection with subscription in the rights issue will be deducted.*

4. *The subscription price is NOK 26 per share. The subscription price is proposed by the Board of Directors after having consulted with the Company's managers, Pareto Securities AS and SEB Enskilda AS, and is based on the general market conditions and the share price for the Norwegian Property share on 29 May 2008, with a discount of around 26%. The shares are offered against a contribution in cash.*

5. *The subscription period is from 26 June 2008 to 10 July 2008, with the following reservation: The subscription period starts to run from the 1 trading day subsequent to the Approval Date (as defined below). If the Approval Date is a date later than 25 June 2008, the subscription period is postponed with an equivalent number of days. The subscription period is two weeks.*

   The "Approval Date" means the day the Company files a stock exchange notification stating that Oslo Børs has approved the prospectus in connection with the rights issue. It is expected that the prospectus will be approved around 25 June 2008, however Oslo Børs' approval process may take longer.

6. *An underwriter consortium has been established which guarantees to subscribe for shares worth a total of NOK 2.5 billion equal to the gross issue proceeds. Shares which are not subscribed for within the subscription period will be allotted to this underwriter consortium, which has undertaken to subscribe for shares not subscribed or allotted to other subscribers, within a limit of NOK 2.5 billion. The guarantors' obligation to subscribe is pro rata, and for each guarantor limited to the maximum amount that the guarantor is obliged to pay. A guarantor's obligation will be reduced by shares subscribed for and allotted to the guarantor in the rights issue.*

7. *Time limit for payment is the 7 trading days after the subscription period expires. When subscribing, subscribers domiciled in Norway must grant Pareto Securities AS or SEB Enskilda AS a specific power of attorney to debit a stated bank account for an amount equal to the allotted number of shares. Upon allotment, the manager will debit the subscriber's account by the allotted amount. The debit will take place the 7 trading days after the subscription period expires. Payment for the remaining subscribers shall take place to a separate bank account.*

8. *The new shares will give shareholder rights, including right to dividend as from the date of registration of the share capital increase in the Norwegian Register for Business Enterprises.*

9. *Section 4 of the Articles of Association is amended to reflect the share capital, the number of shares, and the nominal value following the share capital increase.*

10. *An amount equal to 2% of the guaranteed amount will be paid to the guarantors in consideration for the underwriting agreement described in section 6 above.*

5.4 DETAILS OF THE RIGHTS OFFERING

5.4.1 Timetable

The timetable below provides certain indicative key dates for the Rights Offering, subject to timely payment of the entire proceeds for the New Shares to the Company:

Last day of trading in the Shares including Subscription Rights	18 June 2008
Ex. rights trading in the Shares commenced on Oslo Børs	19 June 2008
Subscription Period commences	26 June 2008
Trading in Subscription Rights commences on Oslo Børs	26 June 2008
Trading in Subscription Rights ends	16:30 hours, on 10 July 2008
Subscription Period ends	16:30 hours, on 10 July 2008
Allotment of the New Shares	Expected on or about 16 July 2008
Distribution of allocation letters	Expected on or about 17 July 2008
Payment date	21 July 2008
Delivery date for the New Shares	Expected on or about 29 July 2008
Listing and commencement of trading in the New Shares on Oslo Børs	Expected on or about 29 July 2008

The Rights Offering may not be revoked or suspended.

5.4.2 Dilution

The dilutive effect in connection with the Rights Offering will be 47.7%.

	Prior to Rights Offering	Subsequent to Rights Offering
Existing Shares, each with a nominal value of NOK 25	105,481,570	201,635,416
% dilution relative to the Rights Offering	100.00%	52.31%

5.4.3 Pre-emptive rights/Subscription Rights

Existing Shareholders have a pre-emptive right to subscribe the New Shares in the same ratio as their existing holdings as of the Record Date. The Company will issue 1 Subscription Right per 1.097 Shares owned as of 18 June 2008. Fractions of Subscription Rights will not be issued and the number of Subscription Rights allocated to each shareholder will be rounded down to the nearest whole Subscription Right.

Transactions in Shares made on or before the Record Date, but which have not settled or failed to be registered in the VPS within three trading days after the Record Date (i.e. appear in the VPS on the morning of 24 June 2008) will not be allocated Subscription Rights. 1 Subscription Right will give the right to subscribe for 1 New Share.

The Subscription Rights are fully transferable and will be listed on Oslo Børs in the Subscription Period with ticker code NPRO T and registered in the VPS with the international securities code: ISIN NO 001 0441843. The Subscription Rights are distributed free of charge, and the recipient of Subscription Rights will not be debited any cost.

The Subscription Rights was registered on each Existing Shareholders' VPS account on 23 June 2008.

The Subscription Rights may only be used by the person with the Subscription Rights registered on his/hers account. After the expiry of the Subscription period, the Subscription Rights will be of no value. Acquired Subscription Rights give the same right to subscription as allocated Subscription Rights.

Trading in the Subscription Rights on Oslo Børs will commence on 26 June 2008 and expire at 16:30 hours (CET) on 10 July 2008.

Persons interested in trading in Subscription Rights should be aware that the exercise of Subscription Rights by holders who are located in countries outside of Norway may be restricted or prohibited by applicable securities laws.

Eligible Shareholders who are legally prevented from subscribing the New Shares and who will not receive this Prospectus or the subscription material, will be credited Subscription Rights in their VPS accounts. Norwegian Property has authorised the Managers to sell the Subscription Rights on these shareholders' behalf during the Subscription Period, provided that the Subscription Rights has an economic value which is expected to exceed the estimated sales costs. Any proceeds from the sale of these Subscription Rights will be paid out to these relevant shareholders. The Company will not sell any Subscription Rights which is not used by a shareholder during the Subscription Period, except for the reasons stated above.

5.4.4 Subscription Period

The Subscription Period for the Rights Offering will commence on 26 June 2008 and expire at 16:30 hours (CET) on 10 July 2008. The Subscription Period may not be extended.

5.4.5 The Subscription Price

The subscription price in the Rights Offering is NOK 26 per New Share. The discount in relation to the closing price on 29 May 2008 (the last trading day prior to the announcement of the proposed Rights Offering) is approximately 26%. The Subscribers will not incur any costs related to the subscription for, or allotment of, the New Shares.

5.4.6 Subscription Procedures/Subscription Offices

Subscriptions for New Shares must be made on a Subscription Form in the form attached as Appendix 9 hereto. Shareholders as of 18 June 2008 will receive Subscription Forms which include information on their shareholdings, the number of received Subscription Rights and certain other matters relating to the relevant shareholders.

Accurately completed Subscription Forms must be received by the Managers by 16:30 hours CET on 10 July 2008. Subscription Forms sent by regular mail on 10 July 2008 are likely to arrive after the deadline. Neither the Company nor the Managers may be held responsible for delays in the mail system, busy facsimile lines or for non-receipt of Subscription Forms forwarded by facsimile to the Managers.

Properly completed and signed Subscription Forms may be faxed, mailed or delivered to the Managers at the addresses set out below:

Pareto Securities AS	**SEB Enskilda AS**
Dronning Mauds gate 5	Filipstad Brygge 1
PO Box 1411 Vika	P.O. Box 1363 Vika
0115 Oslo	0113 Oslo
Norway	Norway
Telefax: +47 22 83 43 09	Telefax: +47 21 00 89 62
Telephone: +47 22 87 87 00	Telephone: +47 21 00 85 00
www.pareto.no	www.sebenskilda.no

The Board of Directors and the Managers may at their sole discretion refuse any improperly completed, delivered or executed Subscription Form or any subscription which may be unlawful. A subscription is irrevocable and may not be withdrawn, cancelled or modified once it has been received by the Managers.

Multiple subscriptions are not allowed. In the event shareholder submits one or more identical Subscription Forms (the same VPS account, same number of Subscription Rights and same subscription amount), only the first Subscription Form will be registered. The other Subscription Forms will be rejected without further notice.

5.4.7 Allotment

Allotment of the New Shares is expected to take place on or about 16 July 2008. The Board reserves the right to round off, cancel or reduce any subscription which is not covered by Subscription Rights. Over-subscription is allowed.

The allocation of New Shares will be made in accordance with the following criteria:

1. Allocation will be made to holders in accordance with held and acquired Subscription Rights used in the Subscription Period. 1 Subscription Right will give the right to subscribe for and be allocated 1 New Share.
2. In the event the Subscription Rights is not fully used, those who have used its Subscription Rights and have over-subscribed, will have the right to be allocated remaining New Shares not subscribed for on a pro rata basis. In the event a pro rata allocation is not applicable due to few New Shares, the Company will determine the allocation by drawing lots or applying similar mechanisms through the automated procedure applicable through VPS.
3. Subscriptions from non-holders of Subscription Rights are allowed. In the event, after applying criteria 1. and 2. above, there still remain New Shares which are not allocated, the remaining number of New Shares shall be allocated to these subscribers in accordance with the subscribed amount. In the event of over-subscription from this group, allocation will be made on a pro rata basis using the subscribed amount.
4. In the event there still remain New Shares which have not been allocated, the participants in the guarantee consortium shall have a right and obligation to be allocated the New Shares in accordance with the guarantee agreements. The guarantors will be allocated on a pro rata basis of the guarantors pro rata share of the guarantee consortium. Allocation to guarantors based on subscriptions will be deducted from each guarantor's share of the guarantee consortium.

5.4.8 Payment

Each Subscriber must provide a one-time authorization to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the New Shares allotted to such Subscriber by signing the Subscription Form when subscribing for New Shares. The amount will be debited on 21 July 2008. Subscribers not having a Norwegian bank account must ensure that payment for their New Shares with cleared funds is made on or before 12:00 (CET) on 18 July 2008 and should contact the Managers in this respect.

If there are insufficient funds on a Subscriber's bank account or it is impossible to debit a bank account for the amount the Subscriber is obligated to pay, or payment is not received by the Managers' according to other instructions, the allotted New Shares will be withheld. Interest will in such event accrue at the applicable rate according to the Norwegian Act on Interest on Overdue Payments 1976, currently 12.25% per annum.

The Managers reserves the right to make up to three debits in the period up to 29 July 2008 if there are insufficient funds on the account on the debiting date. If payment for the allotted New Shares is not received when due (i.e. on 21 July 2008), the New Shares will not be delivered to the Subscriber, and the Board reserves the right, at the risk and cost of the Subscriber, to allow a third party pay the subscription amount for the New Shares, to cancel or reduce the subscription in total or in part in respect of the New Shares for which payment has not been made, or to sell or otherwise dispose of the New Shares in accordance with Section 10-12, cf. Section 2-13 of the Norwegian Public Limited Liability Companies Act, and hold the Subscriber liable for any loss, cost or expense suffered or incurred in connection therewith. The original Subscriber remains liable for payment of the entire amount due, including interest, costs, charges and expenses accrued, and the Managers' may enforce payment of any such amount outstanding. However, if payment has not been received within three days after the due date for payment, the Company reserves the right without prior notice to either (i) let a third party assume ownership of such unpaid New Shares, or (ii) sell such unpaid New Shares for the relevant subscriber's account and risk.

5.4.9 Delivery of the New Shares

All subscribers subscribing for New Shares must have a valid VPS account (established or maintained by an investment bank or Norwegian bank that is entitled to operate VPS accounts) to receive New Shares. Assuming that payment from all Subscribers are made when due, delivery of the New Shares is expected to take place on or about 29 July 2008. It is expected that the share capital increase will be registered in the Norwegian Register of Business Enterprises on the same date, i.e. 29 July 2008.

5.4.10 Publication of information relating to the Rights Offering

General information on the outcome of the Rights Offering is expected to be published on or about 11 July 2008 in the form of a stock exchange release through the Oslo Børs information system. All Subscribers being allotted New Shares will receive a letter from VPS confirming the number of New Shares allotted to the Subscriber and the corresponding amount to be paid. This letter is expected to be mailed on or about 17 July 2008.

General publication of the Rights Offering, will be published on the Oslo Børs information system, and will also be available on the Company's web-site www.npro.no.

5.4.11 Listing of the New Shares

All of the New Shares will be listed on Oslo Børs. Assuming timely payment by all Subscribers, the Company expects that the New Shares will be listed on Oslo Børs on or about 29 July 2008. The Shares of the Company are not listed (and no application has been filed for listing) on any other stock exchange or regulated market than Oslo Børs.

5.4.12 Transferability of the New Shares

A Subscriber will not under any circumstances be entitled to sell or transfer its New Shares until these shares have been paid in full by such Subscriber and been registered in the Norwegian Register of Business Enterprises (see also Section 5.4.13 below).

Furthermore, any Subscriber (having paid for its shares) that sells or transfers its New Shares before registration of the share capital increase in the Norwegian Register of Business Enterprises and delivery of the New Shares on said Subscriber's VPS account, runs the risk that full payment by all Subscribers does not take place in accordance with the procedures set out in Section 5.4.8 above. In such case, the completion of the Rights Offering and thereby the delivery of the New Shares to the Subscriber may be delayed (see also Section 5.4.8 above). The Subscriber will then run the risk that the Subscriber is unable to settle the sale or transfer its New Shares in time.

5.4.13 Shareholders' rights relating to the New Shares

The Subscribers being allotted and who have paid for the New Shares in the Rights Offering will have full shareholders' rights in respect of their New Shares once the share capital increase is registered in the Norwegian Register of Business Enterprises, expected on or about 29 July 2008. The New Shares will be issued electronically in accordance with the regulations set forth in the Norwegian Public Limited Liability Companies Act and will rank pari passu in all respects with the Company's other outstanding Shares, including the right to dividends with a record date after New Shares are issued, see also Section 13.6.9 regarding the dividend rights. See also Section 13 ("Share Capital and Shareholder Matters") for a further description of the rights and tradability of the Shares.

5.4.14 Timeliness, Validity, Form and Eligibility of Subscriptions

All questions concerning the timeliness, validity, form and eligibility of any subscription for New Shares will be determined by the Board, whose determination will be final and binding. The Board, or the Managers upon being authorized by the Board, may in its or their sole discretion waive any defect or irregularity in the Subscription Forms, permit such defect or irregularity to be corrected within such time as the Board or the Managers may determine, or reject the purported subscription of any New Shares. It cannot be expected that Subscription Forms will be deemed to have been received or accepted until all irregularities have been cured or waived within such time as the Board or the Managers shall determine. Neither the Board, the Company nor the Managers will be under any duty to give notification of any defect or irregularity in connection with the submission of a Subscription Form or assume any liability for failure to give such notification. Further, neither the Board, the Company nor the Managers are liable for any action or failure to act by a financial intermediary through whom any eligible Shareholder holds his Shares or by the Managers in connection with any subscriptions or purported subscriptions.

5.5 THE GUARANTEE CONSORTIUM

The Rights Offering is fully underwritten by a guarantee consortium established by Norwegian Property on 30 May 2008. The guarantors will receive a guarantee fee of 2% of the guaranteed amount. The table below shows the list of the guarantors:

Name	Guaranteed amount (NOK)	No. of Shares
Anders Wilhelmsen	342,608,396	13,177,246
Brevan Howard	267,748,000	10,298,000
Canica	209,996,800	8,076,800
QVT	169,036,400	6,501,400
Tvenge, Torstein	169,036,400	6,501,400
Vital/DnB	79,996,800	3,076,800
First NY Sec's	76,497,200	2,942,200
Skagen vekst	69,997,200	2,692,200
Boreas Capital	69,997,200	2,692,200
Borea AS	69,997,200	2,692,200
AG invest AS	52,499,200	2,019,200
Wenaasgruppen	42,255,200	1,625,200
MP Pensjon	42,255,200	1,625,200
Range Capital	34,996,000	1,346,000
Opplysningsvesenets fond	33,805,200	1,300,200
Alto Invest	29,998,800	1,153,800
Nerland Investment	29,998,800	1,153,800
Ennismore	27,648,400	1,063,400
Norsk Hydro Pensjonskasse	25,355,200	975,200
Atlantis	23,998,000	923,000
Sabaro	23,998,000	923,000
OBOS	21,975,200	845,200
Skips AS Tudor	20,997,600	807,600
Wakco	17,997,200	692,200
CDC invest	17,997,200	692,200
Central Klavenes	17,997,200	692,200
Delphi Norge	17,498,000	673,000
Forum Partners	17,498,000	673,000
WarrenWicklund Kapitalforvaltning	17,498,000	673,000
Solon	17,498,000	673,000
Sundt As	17,498,000	673,000
Libra Advisors	16,900,000	650,000
Seb Absolute	14,996,800	576,800
Storm Nordic	14,996,800	576,800
Satelite	13,998,400	538,400
BSN	11,996,400	461,400
OM Holding	11,996,400	461,400
Orion Aktiv	11,996,400	461,400
PIR AS	11,996,400	461,400
Øystilaseter AS	11,996,400	461,400
Rams	11,996,400	461,400
AS Kalfaret	8,996,000	346,000
Kolberg Motors	8,996,000	346,000
Ventotene	8,996,000	346,000
Kensington Investment Group	8,450,000	325,000
Julius Bear	8,450,000	325,000
Skagen Vekst 3	6,999,200	269,200
Mathias Holding	6,240,000	240,000
Atlas Capital	5,995,600	230,600
Caiano	5,995,600	230,600
Cap Neus AS	5,995,600	230,600

Name	Guaranteed amount (NOK)	No. of Shares
Cleopatra	5,995,600	230,600
Dahlgren Invest AS	5,995,600	230,600
Dyfam AS	5,995,600	230,600
Eric Rahmqvist	5,995,600	230,600
Erik Vik	5,995,600	230,600
Eystein Koppang	5,995,600	230,600
FLU AS	5,995,600	230,600
Foton	5,995,600	230,600
Habi Invest As	5,995,600	230,600
Havfonn/snefonn	5,995,600	230,600
Havila AS	5,995,600	230,600
Jakobsen og Sønner as	5,995,600	230,600
Kjelka eiendom & invest	5,995,600	230,600
Lande Investering AS	5,995,600	230,600
Letron	5,995,600	230,600
Magnus Tvenge	5,995,600	230,600
Nortura Pensjonskasse	5,995,600	230,600
Payco As	5,995,600	230,600
Pikhaugen as/Nistuå as	5,995,600	230,600
Portiv AS	5,995,600	230,600
Ramhylla Invest As	5,995,600	230,600
Sam Juul	5,995,600	230,600
Sjøinvest AS	5,995,600	230,600
Staur Invest As	5,995,600	230,600
Tiedemann	5,995,600	230,600
Tinbuen As	5,995,600	230,600
Widar Salbuvik AS[9]	5,995,600	230,600
ALSCISIS Eiendom	5,995,600	230,600
Geir Wicklund	5,995,600	230,600
Kikut	5,995,600	230,600
Silvercoin	5,995,600	230,600
Skeie Real Estate AS	5,995,600	230,600
Skippervik Invest AS	5,995,600	230,600
Tigerstaden	5,995,600	230,600
Uneco	5,995,600	230,600
Leif Hübert	5,995,600	230,600
Total	**2,499,999,996**	**96,153,846**

The guarantee agreement entered into between the Company and the guarantors, provides that the New Shares which are not validly subscribed for in the Rights Offering shall be allocated to the members of the guarantee consortium, as far as possible pro rata to the amount and number of New Shares each member has guaranteed to subscribe for, however so that if any guarantor has subscribed for and been allotted shares in the Rights Offering, its obligation to subscribe for shares under the guarantee agreement shall be reduced accordingly.

The Company's business address serves as c/o address in relation to the above mentioned guarantors.

5.6 MANDATORY ANTI-MONEY LAUNDERING PROCEDURES

The Rights Offering is subject to the Norwegian Money Laundering Act No. 41 of 20 June 2003 and the Norwegian Money Laundering Regulations No. 1487 of 10 December 2003 (collectively the "Anti-Money Laundering Legislation").

All Subscribers who are not registered as existing customers with the Managers must verify their identity to the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an

[9] Company owned and controlled by Widar Salbuvik, Chairman of Norwegian Property.

exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS-account on the Subscription Form are exempted, provided the aggregate price is less than NOK 100,000, unless verification of identity is requested by the Managers. The verification of identification must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identification will not be allocated New Shares.

Further, participation in the Rights Offering is conditional upon the Subscriber holding a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

5.7 MARKET MAKING

The Company has not entered into any market making agreements.

5.8 EXPENSES

Costs attributable to the Rights Offering will be borne by the Company. The total costs are expected to amount to approximately NOK 155 million, whereof the guarantee provision to the underwriters amounts to approximately NOK 50 million. The net proceeds to the Company will be approximately NOK 2,345 million.

5.9 MANAGERS

The Managers for the Rights Offering are Pareto Securities AS, Dronning Maudsgate 3, P.O. Box 1411 Vika, 0105 Oslo, Norway and SEB Enskilda AS, Filipstad Brygge 1, P.O Box 1363 Vika, 0113 Oslo, Norway.

5.10 JURISDICTION AND CHOICE OF LAW

This Prospectus is subject to Norwegian law, unless otherwise indicated herein. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

5.11 FINANCIAL INTERMEDIARIES

All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure; or as it otherwise notifies each Shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Existing Shareholders hold their Shares.

5.11.1 Subscription Rights

If an Existing Shareholder holds the Shares through a financial intermediary on the Record Date, the financial intermediary will customarily give each Existing Shareholder details of the aggregate number of Subscription Rights to which each Existing Shareholder will be entitled. The relevant financial intermediary will customarily supply each Existing Shareholder with this information in accordance with its usual customer relations procedures. Existing Shareholders should contact their financial intermediary if they have received no information with respect to the Rights Offering. Only holders of the Shares as of the Record Date will be entitled to receive Subscription Rights. If any such Existing Shareholders have acquired Subscription Rights which are held through a financial intermediary, contact should be made to the relevant financial intermediary for instructions on how to make the subscription.

5.11.2 Subscription Period

The time until which notification of exercise instructions may be validly given may be earlier if Shares are held through a financial intermediary. This depends on the financial intermediary.

5.11.3 Subscription

If Existing Shareholders hold their Subscription Rights through a financial intermediary and wish to exercise their Subscription Rights, they should instruct their financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Existing Shareholders and for informing the Managers of their exercise instructions.

5.11.4 Method of payment

Existing Shareholders holding their Subscription Rights through a financial intermediary should pay the Subscription Price for the New Shares that they subscribe for in accordance with the instructions received from that financial intermediary. The financial intermediary must pay the Subscription Price to the Managers, who will in turn pay it to the Company. Payment for the New Shares must be made to the Managers no later than the payment date. Accordingly, financial intermediaries may require payment to be provided to them prior to the payment date.

5.11.5 Trading in the Subscription Rights

Subject to applicable securities laws, Existing Shareholders holding their Shares through a financial intermediary may customarily instruct their financial intermediary to sell some or all of their Subscription Rights, or to purchase additional Subscription Rights, on behalf of such Existing Shareholders.

6. PRESENTATION OF THE COMPANY

6.1 THE COMPANY

Norwegian Property ASA is a Norwegian public limited liability company incorporated under the laws of Norway with the organisation number 988 622 036. The Company was incorporated on 20 July 2005 as a shelf company and was converted to a public limited liability company (ASA) on 22 May 2006.

The Company's principal place of business is in Oslo. Its office address is Stranden 3 A, P.O.Box 1657 Vika, 0120 Oslo, Norway, telephone: +47 22 83 40 20, telefax: +47 22 83 40 21, web address: www.npro.no.

6.2 HISTORY AND DEVELOPMENT OF THE COM PANY

Some of the key events in the history of Norwegian Property are:

Year	Significant events
July 2005	• Incorporation (name: Tekågel Invest 83 AS), but no business operations in 2005.
April/May 2006	• Name change into Norwegian Property AS and then Norwegian Property ASA.
May 2006..............................	• Norwegian Property completed its first private placement of NOK 1.75 billion, at a price of NOK 50 per share.
June 2006..............................	• Norwegian Property settled the acquisition of its first 28 properties with a total value of approximately NOK 8.4 billion. The sellers contributed with a total of NOK 1.35 billion in new equity, subscribed at a price of NOK 50 per share. • The Company secured the long term interest rate for NOK 7.6 billion financing facility, at 5.2% p.a. (incl. margin) with an average duration of 6.3 years. • Norwegian Property was listed on the Norwegian OTC-list. • The Company settled the acquisitions of the properties Finnestadveien 44 in Stavanger and Lysaker Torg 35 (the "If-building") located at Lysaker. Total contract value was about NOK 1 billion.
July 2006	• Norwegian Property settled the acquisition of the property C. J. Hambros plass 2 (the "Ibsen-block"), for a price of about NOK 1.2 billion. • Norwegian Property settled the acquisition of the properties Drammensveien 134 (building 2-6) and Drammensveien 149 ("the Esso-building"). The acquisition price was approximately NOK 1 billion. • The Company announced the hiring of Petter Jansen as the new CEO of the Company. • The Company successfully completed a private placement of NOK 300 million.
September 2006.....................	• Norwegian Property settled the acquisition of the property Grev Wedels plass 9 (the "Fearnley-building") at an agreed price of approximately NOK 755 million. • Norwegian Property settled the acquisition of the properties Kokstad Næringseiendom in Bergen and Gardermoen Næringseiendom respectively.
October 2006	• Norwegian Property settled the acquisition of the new headquarter of Aker ASA and companies within the Aker ASA group for approximately NOK 1.5 billion.
November 2006	• Norwegian Property was listed on Oslo Børs. The Company completed an initial public offering raising NOK 1.445 million in total proceeds.
November 2006	• Norwegian Property acquired the property Drammensveien 144 in Oslo for NOK 356 million. This property is fully occupied on a long-term lease.
December 2006......................	• Norwegian Property acquired a portfolio of 11 office properties in Nydalen and two office properties at Økern for NOK 2,199 million from Rasmussengruppen. The property portfolio consists of approximately 116,200 sqm. of mainly office premises.

Year	Significant events
March 2007............................	• Norwegian Property completed a private placement of 6,968,641 million shares at a subscription price of NOK 71.75 per share, raising gross proceeds of approximately NOK 500 million.
July 2007	• Norwegian Property acquired four office and retail properties at Aker Brygge in Oslo, for NOK 1,740 million from DnB NOR Bank ASA.
September 2007.....................	• Norwegian Property acquired 17.5% of the shares in Oslo Properties, and entered into agreements whereby Norwegian Property may become the owner of more than 90% of the shares of Oslo Properties. Oslo Properties launched voluntary and mandatory offer for all the outstanding shares in Norgani Hotels, and became the owner of 100% of the shares in Norgani Hotels.
December 2007......................	• Norwegian Property entered into agreements to sell the properties Mauritz Kartevolds plass 1 for NOK 50.5 million and Kokstadveien 23 in Bergen for a value corresponding to NOK 230.8 million. • Park Inn in downtown Oslo was acquired in December 2007 for NOK 174 million through Norgani Hotels AS which will take over the hotel upon completion, estimated to the summer 2009. • Norwegian Property was included from 24 December in GPR 250, a leading global benchmark index for investors in property shares.
February 2008........................	• Norwegian Property entered into agreements to sell Østre Aker vei 20/22 at Økern for a value corresponding NOK 155 million and Forskningsveien 2 in Oslo for a value corresponding NOK 668 million. • Norwegian Property entered into an agreement with NEAS ASA regarding management and operation of its office portfolio which is expected to reduce ownership costs to a fixed level at 10 to 12% below previous costs levels (though subject to future index adjustment).
April 2008..............................	• Norwegian Property entered into agreements to sell the properties Magnus Poulssonsvei 7 at Lysaker for a value corresponding to NOK 124.85 million and Økernveien 9 at Tøyen for a value corresponding to NOK 215 million. Norwegian Property/Oslo Properties announced to have entered into a letter of intent with a group of buyers, who was granted exclusivity to medio May 2008 to acquire Norgani Hotels.
May 2008...............................	• Norwegian Property entered into an agreement to sell the property Nedre Holmegate 30-34 in Stavanger at a value corresponding to NOK 75 million.
June 2008...............................	• Norwegian Property announced that the current negotiations with the potential buyers of Norgani Hotels had ceased. • Norwegian Property entered into an agreement to sell the property Elvegaten 25 in Sandnes at a value corresponding to NOK 58.9 million. • The Rights Offering was resolved by the extraordinary general meeting of Norwegian Property.

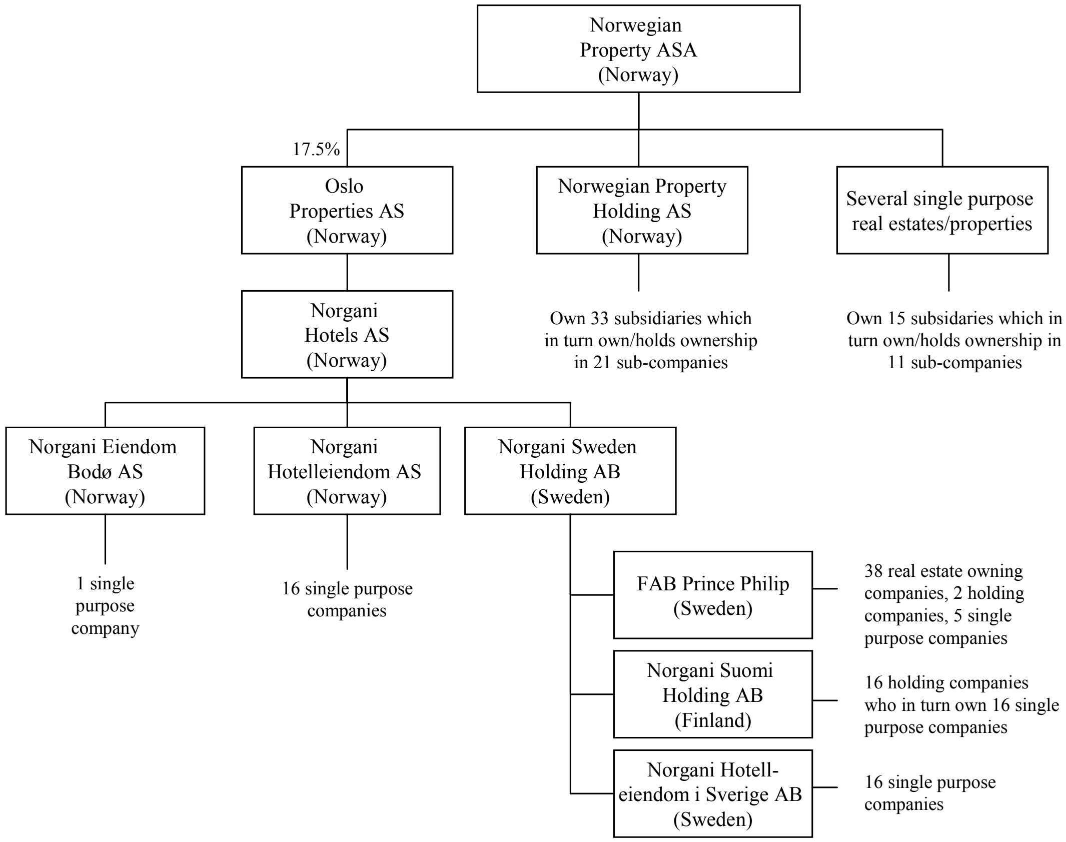
6.3 LEGAL STRUCTURE

Norwegian Property is the parent company in the Group with limited activity other than being the ultimate holding company.

The Company's properties are as a main rule each held by an individual subsidiary in so-called single purpose companies and in some cases the title is held by a separate legal entity. Some of the single purpose companies are limited partnership companies, which require at least two owners according to applicable law, and therefore usually 10% of each partnership company's shares are owned by a general partner which is a separate entity. One of Norwegian Property's subsidiary companies has minority shareholders[10]. The Company has about 250 subsidiaries. Please see below for a discription of the owner situation in Oslo Properties.

[10] Stortingsgaten 6 KS/AS in Oslo.

The chart below shows a simplified overview of the company chart of Norwegian Property:



On 17 September 2007, the Company entered into investment agreements (as later amended) regarding Oslo Properties with Scanprop AS (Scanprop AS' rights and obligations were subsequently transferred to Snowball Holding Guernsey Ltd ("**SHG**"), both companies controlled by EQT), Scandic, A. Wilhelmsen Capital AS, Annual Classic AS and certain financial investors (the latter parties, hereinafter the "**Financial Investors**").

Oslo Properties has a total share capital of NOK 1,002,500,000 divided into 20,050,000 shares each with a nominal value of NOK 50. The Company subscribed for 3,500,000 shares in Oslo Properties, representing approximately 17.5% of the total share capital of Oslo Properties, for a subscription price of NOK 100 per share. According to the investment agreements, the Company has the right to designate 3 of a total of 5 members of the board of Oslo Properties, including the Chairman.

According to the investment agreement entered into with the Financial Investors, the Company has a right, but not an obligation, to acquire the financial investor's shares in Oslo Properties (call option), such shares being in total 4,000,000 shares and representing approximately 20% of the total share capital of Oslo Properties. The call options expire on 1 July 2008. Furthermore, each of the Financial Investors has the right, but not an obligation, to sell its shares in Oslo Properties to the Company (put option). The financial investors may only exercise the put options for settlement on 1 July 2008. The strike price (purchase price) to be paid upon exercise of the put and call options is NOK 112 per share for settlement in cash. The options have been exercised for settlement with the Financial Investors on 1 July 2008.

According to the investment agreement entered into with SHG, Scandic, A. Wilhelmsen Captial AS and Annual Classic AS, the Company has a right, but not an obligation, to acquire the shares in Oslo Properties held by SHG and Scandic (call option), such shares representing approximately 55.9% of the total share capital of Oslo Properties. The call options are not time limited. Furthermore, each of SHG and Scandic has the right, but not an obligation, to sell its shares in Oslo Properties to Norwegian Property (put option). The put options may be exercised at any time following 1 July 2008. The strike price (purchase price) to be paid upon exercise of the put and call options are acquisition cost of NOK 100 per share plus a fixed interest rate (in average approximately 8.8% p.a.). Upon exercise of the put and call options regarding SHG and Scandic, Norwegian Property may elect to settle the strike price either in cash or in shares in Norwegian Property against a minor discount.

In connection with the Rights Offering, the Company has entered into an amendment agreement of the investment agreement with SHG and Scandic, whereby the parties have agreed that SHG and Scandic will sell their shares in Oslo Properties to the Company at a price of NOK 1,120 million (excluding interests) payable in cash immediately following completion of the Rights Offering, expected on or about 30 July 2008. During the term of this amendment agreement, the parties have undertaken to suspend their respective put/call option rights. The amendment agreement will terminate if the Subscription Period of the Rights Offering ends later than 21 July 2008 or the Rights Offering has not been completed (registered in the Norwegian Register for Business Enterprises) by 31 July 2008.

Thus, the Company may through agreements, call options and put options become the owner of more than 90% of the shares of Oslo Properties.

Oslo Properties conducts no business and has no activities apart from owning shares in Norgani Hotels (see below).

6.4 DESCRIPTION OF THE MAIN COMPANIES IN THE CURRENT GROUP

Below is a description of the main companies in the Group. The Company does not have any ownership interests or investments in any undertakings, other than these companies, that are likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profits and losses.

6.4.1 Norwegian Property ASA

Norwegian Property is the parent company in the Group. The Company has limited activity other than being a holding company. The Company was incorporated on 20 July 2005, is located in Oslo, Norway and has a total of 15 employees.The Company has a total of around 250 subsidiaries.

6.4.2 Norwegian Property Holding AS

Norwegian Property Holding AS is a Norwegian limited liability company organised under Norwegian laws. The company was incorporated on 13 September 2006 with organisation number 990 298 211. The company has limited activity other than being a holding company and has no employees. The company is located in Oslo, Norway.

6.4.3 Oslo Properties AS (17.5%)

Oslo Properties is a Norwegian limited liability company incorporated on 2 January 2007 with organisation number 990 727 716 and located in Oslo, Norway. Oslo Properties is the sole owner of Norgani Hotels as described in more detail in Section 6.8 below. The company has limited other activity than being a holding company and has a no employees.

6.5 THE COMPANY'S VISION AND BUSINESS STRATEGY

6.5.1 Vision

The overall long-term object is to be the largest and the preferred investment option and premier value-developer in Norway, and to serve as a door-opener to the Nordic property market.

6.5.2 Strategy

The principal strategy is to invest in attractive and centrally located properties with a value of more than NOK 200 million each and an attractive entry yield. Between 70% to 75% of the properties will be in prime offices in Oslo, Stavanger, Bergen and Trondheim, while 25% to 30% of the properties may be in other property segments with consumer related rents, such as hotel and retail.

The emphasis is on securing long-term leases, adjusted in accordance with the consumer price index ("CPI"). Tenants will normally be large listed companies and public bodies, in order to reduce risk associated with leases.

The Company's earnings, cash flow and required return from operations are anticipated to be fairly predictable. The objective is a return of 13% to 15% on paid-in equity and an annual dividend of 4 to 6% of paid-in equity. The Company will seek to be financed on competitive terms. More than 70% of long-term debt will be hedged at fixed interest rates.

Open communication combined with clear goals and strategies will help to ensure confidence in the investor market. A broad shareholder base comprising Norwegian and international investors will contribute to a high level of liquidity for the share.

6.6 OVERVIEW OF THE BUSINESS

The Group's primary reporting format are the business segments commercial properties (Norwegian Property) and hotel (Oslo Properties/Norgani Hotels). The business segment division is in conformity with the Group's legal organisation and the internal management reporting.

The combined portfolio of Norwegian Property and Norgani Hotels as of the date of this Prospectus consist of 125 properties with a total of 1,347,017 m^2 of prime office (including Elvegaten 25, but excluding other properties sold during 2007 and 2008), retail and hotel properties across the Nordic Region.

6.7 COMMERCIAL PROPERTIES

6.7.1 Overview

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Over time, the ambition is for attractively-located office and commercial properties in Norway to account for more than 70% of the value of the Group's property portfolio.

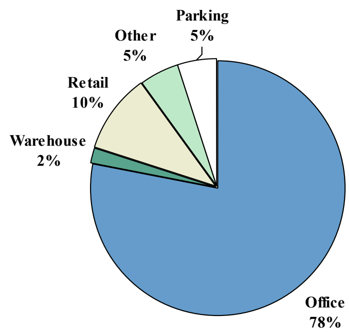
Below is an overview of the key figures for the commercial property portfolio as of 31 March 2008 and 31 December 2007 and 2006:

	31.03.2008	**31.12.2007**	**31.12.2006**
Number of commercial properties	52	57	55
Total area, square metres	681,300	736,391	722,542
Avg. size of properties, square metres	13,102	12,919	13,137
Avg. value per square metre (NOK)	28,498	28,151	24,990
Market value (NOK million)	19,416	20,730	18,056
Gross rental income, NOK million	1,072.2	1,149	1,064
Est. annual property costs, NOK million	64	76	61
Net rental income, NOK million	1,007.9	1,073	1,003
Gross yield (%)..	5.5	5.5	5.9
Net yield (%)	5.2	5.2	5.7
Avg. remaining lease term (years)	6.1	6.5	7.3
Avg. consumer price index adj. (%)	95	95.0	96.0
Vacancy (% of gross rental income)	0.3	0.7	0.8

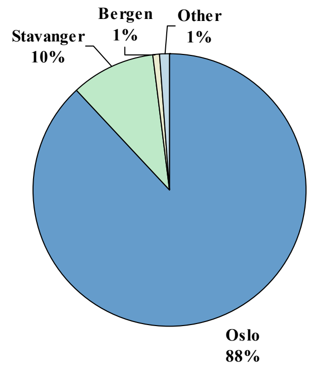
6.7.2 The property portfolio

As of 31 March 2008, Norwegian Property owned 52 properties (when adjusting for properties sold or agreed sold), mainly located in Oslo and Stavanger. Norwegian Property's properties mainly comprise office areas, warehouses, shopping areas and parking in connection with the office areas. On Aker Brygge Norwegian Property also owns a shopping centre with outlets and restaurants.

Portfolio mix (by gross rental income)



Geographic location



The table below lists the main facts of the property portfolio as of 31 March 2008:

Property	PROPERTY FACTS Space split (sqm)						RENT FACTS			
	Offices	Retail/ rest- aurant	Ware- house	Indoor parking	Other	Total Sqm.	Vacancy (%)	CPI (%)	Dur. 31.03.08	Runrate 31.03.08
OSLO/AKERSHUS										
CBD										
Aker Brygge - total	29 158	21 547	4 676	2 061	491	57 933	0.8	95		190.1
Aker Brygge (Kaibygning I)	23 015	3 810	4 591	0	0	31 416	0.0	100		83.9
Drammensveien 60	8 593	797	1 483	0	0	10 873	0.0	100		19.9
Grev Wedels plass 9	17 909	0	852	5 363	4 128	28 252	0.0	100		44.0
Ibsenkvartalet	31 780	1 287	3 970	0	554	37 591	1.4	100		64.3
Stortingsgaten 6	4 709	726	244	560	0	6 239	0.0	100		20.5
Total CBD	**116 184**	**28 187**	**16 818**	**7 884**	**6 178**	**172 804**	**0.6**	**98**	**4.7**	**382.7**
Skøyen										
Drammensveien 134 – build. 2-5	21 982	0	915	5 432	163	28 492	0.0	75		40.4
Drammensveien 134 – build. 1 and 6	15 301	640	1 779	4 009	0	21 729	0.0	100		40.7
Drammensveien 144	9 150	0	148	1 450	107	10 855	0.0	100		18.3
Drammensveien 149	10 561	0	1 916	4 006	0	16 483	0.0	100		24.1
Hovfaret 11	4 377	0	569	0	696	5 642	0.0	100		11.0
Nedre Skøyen vei 24	3 630	0	1 215	0	0	4 845	0.0	100		11.8
Nedre Skøyen vei 26 A-E	11 444	0	696	398	5 084	17 622	0.0	100		34.0
Nedre Skøyen vei 26 F	8 767	0	0	4 235	497	13 499	0.0	100		22.4
Total Skøyen	**85 212**	**640**	**7 238**	**19 530**	**6 546**	**119 166**	**0.0**	**95**	**8.2**	**202.8**
Oslo West/Lysaker/Fornebu										
Aker Hus	40 254	0	0	18 089	0	58 343	0.0	100		80.1
Lysaker Torg 35	14 422	0	412	7 100	0	21 934	0.0	100		38.6
Middelthunsgate 17	26 847	0	3 472	3 000	0	33 319	0.0	100		43.7
Oksenøyveien 3	10 200	0	0	2 700	0	12 900	0.0	100		16.8
Total Oslo West/Lysaker/Fornebu	**91 723**	**0**	**3 884**	**36 889**	**0**	**126 496**	**0.0**	**100**	**7.7**	**179.3**
Nydalen										
Gjerdrums vei 8	8 158	0	109	2 389	0	10 656	0.0	96		13.1
Gjerdrums vei 10 D	2 052	0	0	0	0	2 052	0.0	97		3.1
Gjerdrums vei 14	634	0	812	0	0	1 446	0.0	100		1.4
Gjerdrums vei 16	4 224	0	757	3 169	0	8 150	0.0	97		7.0
Gjerdrums vei 17	803	0	0	0	0	803	0.0	100		1.3
Gullhaug Torg 3	7 868	0	0	0	0	7 868	0.0	40		9.5
Gullhaugveien 9-13	23 015	0	7 714	12 628	0	43 357	2.8	100		44.6
Maridalsveien 323	11 646	0	2 600	5 573	1 096	20 915	5.3	100		26.6
Nydalsveien 15	3 001	750	85	0	0	3 836	0.0	100		6.0
Nydalsveien 17	0	1 560	0	0	0	1 560	0.0	100		3.5
Sandakerveien 130	6 520	0	0	3 560	0	10 080	0.0	100		14.9
Total Nydalen	**67 821**	**2 310**	**12 077**	**27 319**	**1 096**	**110 725**	**0.9**	**95**	**4.4**	**130.9**
Oslo North/East										
Kolstadgaten 1	5 479	0	0	0	0	5 479	0.0	75		8.7
Oslo Airport Gardermoen	0	0	0	0	20 976	20 976	0.0	100		24.3
Total Oslo North / East	**5 479**	**0**	**0**	**0**	**20 976**	**26 455**	**0.0**	**93**	**9.3**	**33.0**
TOTAL OSLO / AKERSHUS	**365 499**	**31 117**	**39 015**	**85 722**	**33 791**	**555 144**	**0.4**	**97**	**6.2**	**928.7**

Property	PROPERTY FACTS Space split (sqm)						RENT FACTS			
	Offices	Retail/ rest- aurant	Ware- house	Indoor parking	Other	Total Sqm.	Vacancy (%)	CPI (%)	Dur. 31.03.08	Gross rent 2007
STAVANGER										
CBD										
Badehusgaten 33-39	12 973	0	2 540	2 315	3 700	21 528	0.0	70		23.0
Nedre Holmegate 30-34[11]	2 856	1 023	85	1 173	220	5 357	0.0	100		4.6
Forus/Airport										
Forusbeen 35	17 674	0	0	3 750	0	21 424	0.0	100		25.8
Grenseveien 19	5 390	0	0	0	0	5 390	0.0	100		7.8
Grenseveien 21	27 721	0	0	0	0	27 721	0.0	50		29.6
Maskinveien 32	4 561	0	0	525	0	5 086	0.0	100		5.1
Strandsvingen 10	2 059	0	0	0	0	2 059	0.0	80		2.9
Svanholmen 2	2 883	6 580	0	0	0	9 463	0.0	100		8.8
Sandnes										
Elvegaten 25[12]	6 096	0	0	0	0	6 096	0.0	100		6.3
Stavanger - other										
Finnestadveien 44	22 032	0	0	0	0	22 032	0.0	100		29.7
Total Stavanger	**104 245**	**7 603**	**2 625**	**7 763**	**3 920**	**126 156**	**0.0**	**85**	**5.8**	**143.5**
GROSS TOTAL	**469 744**	**38 720**	**41 640**	**93 485**	**37 711**	**681 300**	**0.3**	**95**	**6.1**	**1 072.2**

Sale of non-core properties

Norwegian Property has sold eight non-core assets during 2008, which amounted to a total of NOK 1,347 million. The properties sold included Mauritz Kartevoldsplass 1 (Sandnes), Østre Akervei 20 and 22 (Oslo), Forskningsveien 2 (Oslo), Magnus Paulssons vei 7 (Oslo), Økernveien 9 (Oslo), Nedre Holmegate 30-34 (Stavanger) and Elvegaten 25 (Sandnes – expected completion of transaction in June 2008). The gross profit from these sales amounted to approximately NOK 15 million.

6.7.3 Tenants and lease contracts

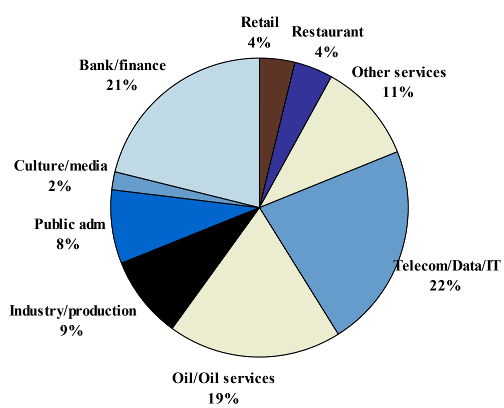
Norwegian Property has a tenant portfolio of attractive and solid organizations and companies. The tenants consist of companies within several different lines of service, with Oil/Oil Service, Telecom/Data/IT and Financial services representing 62%. The figure to the left below illustrates distribution of the lines of service in the tenant base. The weighted average duration of lease contracts as of 31 March 2008 is approximately 6.1 years. The figure to the right below illustrates the property portfolio duration profile.

25 largest tenants

	Tenant	Contract rent Run rate *)		Duration years
1	Aker ASA/Aker Kværner ASA	80.1	7.5 %	
2	EDB Business Partner ASA	79.3	7.4 %	
3	DnB Nor Bank ASA	67.9	6.3 %	
4	Nordea	43.7	4.1 %	
5	Statoil Hydro	42.3	3.9 %	
6	SAS Consortium	41.1	3.8 %	
7	If Skadeforsikring	38.5	3.6 %	
8	Total E&P	29.7	2.8 %	
9	Get AS (UPC)	26.6	2.5 %	
10	Leif Högh & Co AS	26.5	2.5 %	
11	Telenor Eiendom Holding AS	25.9	2.4 %	
12	Netcom AS (Tele 2)	23.3	2.2 %	
13	Aker Kværner Offshore Partner	23.0	2.1 %	
14	Skanska Norge AS	21.5	2.0 %	
15	Fokus Bank	20.0	1.9 %	
16	Hafslund ASA	18.4	1.7 %	
17	Ementor Norge AS	17.7	1.7 %	
18	Astrup Fearnley AS	15.7	1.5 %	
19	TDC Norge AS	15.6	1.5 %	
20	Arbeidsdirektoratet	17.7	1.7 %	
	TOTAL 20 LARGEST TENANTS	**674.5**	**60.9 %**	**7.0**
	Other tenants	397.7	37.1 %	4.6
	TOTAL ALL TENANTS	**1 072.2**	**100.0 %**	**6.1**

*) Run rate at 31 March 2008

Tenants by line of business



[11] Nedre Holmegate 30-34 is sold (see Section 6.2 above).

[12] Elvegaten 25 (Sandnes) is sold (see Section 6.2 above).

Approximately 61% of the rental income is derived from the 20 largest tenants. Average contract duration for these tenants is 7 years as of 31 March 2008.

On 28 February 2008, Norwegian Property entered into a 6 years agreement with NEAS ASA regarding management and operation of its Norwegian office portfolio. Under the agreement, NEAS ASA will assume responsibility for management and the day-to-day operations of Norwegian Property's properties during 2008 and 2009.

The agreement involves that future ownership cost during the agreement period which is expected to be secured at a level of 10% to 12% below current levels, without a corresponding reduction in magnitude or quality of work (though subject to index adjustments going forward). In addition, the agreement is anticipated to ensure more and better services for Norwegian Property's tenants.

6.7.4 Key financial figures

NOK million	2007	2006	2005[13]
Rental income	1,011	415	n.a.
Operating profit	891	352	n.a.
Net gain on sales	9	0	n.a.
Net change in value, property	1,219	393	n.a.
Net change in value, financial derivatives	293	77	n.a.
Pre-tax profit	1,680	539	n.a.

6.8 HOTEL PROPERTIES (NORGANI HOTELS)

6.8.1 Overview

The hotel properties are organised in Norgani Hotels, which had a portfolio of 73 hotel properties in addition to one conference centre as of 31 March 2008. The properties have an estimated rental income for 2008 of NOK 819 million, corresponding to a proforma growth of 7% when taking into account the effect of guarantee rents. The estimated rental income is based on the reported RevPAR-expectations from the operators of about 5%, with the addition of an additional assumed uplift of mnok 11 and a reduction in guarantee rents of about NOK 14 million from 2007. Revenue development is based on budgeted exchange rates from November 2007. These currency rates are marginally different from exchange rates as of 31 March 2008.

[13] Norwegian Property's business was established in May 2006.

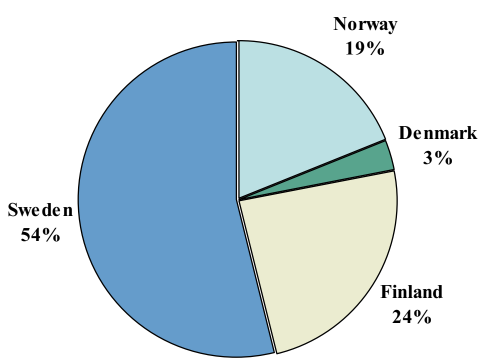
Below is an overview of the key figures for the hotel property portfolio as of 31 March 2008, 31 December 2007 and 31 December 2006:

	31.03.2008	31.12.2007	31.12.2006
Number of hotel properties	74	74	73
Total area, square metres	671,080	671,080	658,417
Total rooms	12,804	12,804	12,493
Avg. size per property, square metres	9,069	9,069	9,019
Avg. value per hotel room (NOK 1,000)	851	836	757
Market value (NOK million)	10,900	10,700	9,452
Gross rental income, NOK million[14]	819	819	662
Est. annual property costs, NOK million	82	82	62
Net rental income, NOK million	737	737	600
Gross yield (%)[15]	7.5	7.7	7.0
Net yield (%)[16]	6.8	6.9	6.3
Avg. remaining lease term (years)	10.7	11.0	7.7
Min. rent and seller guarantees (NOK million)	596	596	-
Min. rent (inflation adj) (NOK million)	519	519	-

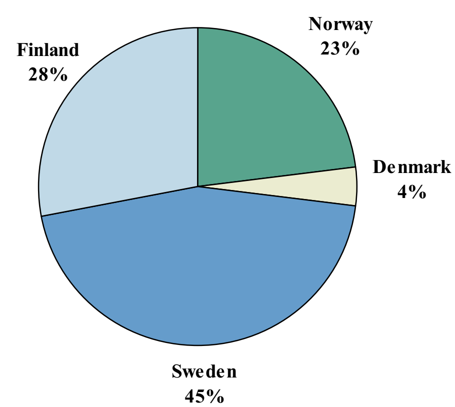
6.8.2 The hotel property portfolio

As of 31 March 2008, Norgani Hotels owns a total of 73 hotels and one conference centre. It has also reached agreement on acquiring a further hotel in Oslo upon completion in 2009. Altogether, the 74 properties have 12,804 rooms and an area of 671,080 square metres. Virtually all the space is leased for hotel operation, but some hotels also have small areas leased for other types of activity. A more detailed presentation of all the properties as per the date of this Prospectus is provided in the table below.

Geographical location (rooms)



Geographical location (revenues)



[14] Per 31.03.2008 and 31.12.2007 the estimated run rate for gross rental income is based on the reported RevPAR- growth expectations from the operators of about 5%, with the addition of an additional assumed uplift of NOK 11 million and a reduction in guarantee rents of about NOK 14 million from 2007 (based on exchange rates as of end March 2008).

[15] Based onrun rate gross rental income.

[16] Based on run rate gross rental income.

Norway

Norgani Hotels has a total of 14 hotels in Norway, with a total of 140,320 sqm., 2,403 rooms and a remaining lease term of 8.6 years.

Hotel	Operator	Location	Rooms	Sq.m
Quality Hotel & Resort Kristiansand	Choice	Kristiansand	210	9,940
Quality Hotel & Resort Hafjell	Choice	Øyer	210	9,540
Comfort Hotel Børsparken	Choice	Oslo	198	7,900
Comfort Hotel Alexandra	Choice	MOlde	163	17,033
Comfort Hotel Holberg	Choice	Bergen	140	5,720
Quality Hotel & Resort Fagernes	Choice	Fagernes	139	10,310
Clarion Collection Hotel Bastionen	Choice	Oslo	99	4,688
Quality Hotel Articus	Choice Franchise	Harstad	75	3,540
Radisson SAS Lillehammer Hotel	Franchise	Lillehammer	303	18,000
Radisson SAS Hotel Bodø	Radisson/SAS	Bodø	191	15,546
Scandic Bergen Airport	Scandic	Bergen	197	9,654
Scandic KNA	Scandic	Oslo	189	11,218
Rica Hotel Hamar	Rica	Ringsaker	176	9,250
Rica Hotel Bodø	Rica	Bodø	113	7,981
Total Norway			**2,403**	**140,320**

Sweden

Norgani Hotels has a total of 41 hotels in Sweden, with a total of 321,763 sqm., 6,889 rooms and a remaining lease term of 11.7 years.

Hotel	Operator	Location	Rooms	Sq.m
Scandic Alvik	Scandic	Stockholm	325	12,075
Scandic Malmen Stockholm	Scandic	Stockholm	327	15,130
Scandic Star Sollentuna	Scandic	Stockholm	269	18,573
Scandic Kundens Kurva	Scandic	Stockholm	257	11,581
Scandic Helsingborg Nord	Scandic	Helsingborg	237	9,399
Scandic Backadal	Scandic	Gothenburg	232	9,397
Scandic Elmia	Scandic	Jønkøping	220	9,576
Scandic Örebro Väst	Scandic	Ørebro	204	7,621
Scandic Gävle Väst	Scandic	Gävle	201	7,382
Scandic Uppsala Nord	Scandic	Uppsala	184	7,518
Scandic Västerås	Scandic	Västerås	174	7,285
Scandic Ferrum	Scandic	Kiruna	170	11,100
Scandic Umeå Syd	Scandic	Umeå	162	5,955
Scandic Segevång	Scandic	Malmø	161	6,284
Scandic Luleå	Scandic	Luleå	159	5,565
Scandic Sundsvall Nord	Scandic	Sundsvall	159	4,948
Scandic Lindköping Nord	Scandic	Linkøping	150	6,105
Scandic Norrkõping Nord	Scandic	Norrkøping	150	6,768
Scandic Kalmar Väst	Scandic	Kalmar	148	5,485
Scandic Bromma	Scandic	Stockholm	144	6,800
Scandic Klarälven	Scandic	Karlstad	143	5,694
Scandic Uplandia	Scandic	Uppsala	133	5,402
Scandic Sødertälje	Scandic	Sødertälje	131	5,630
Scandic Østersund	Scandic	Østersund	129	4,019
Scandic Växjø	Scandic	Växjø	123	3,982
Scandic Hasselbacken	Scandic	Stockholm	112	10,025
Scandic Bollnäs	Scandic	Bollnäs	111	5,150
Quality Hotel Luleå	Choice	Luleå	209	12,166
Quality Hotel Prince Philip	Choice	Stockholm	201	7,400
Quality Hotel Ekoxen	Choice	Linkøping	190	14,671
Quality Hotel Grand Kristianstad	Choice	Kristianstad	149	7,524
Quality Hotel Winn, Gothenburg	Choice	Gothenburg	121	5,800
Quality Hotel Prisma	Choice	Skøvde	107	3,687

Hotel	Operator	Location	Rooms	Sq.m
First Hotel Linköping	First/Tribe	Linkøping	133	6,540
First Hotel Mårtenson	First/Tribe	Halmstad	103	6,657
First Hotel Royal Star	First/Cadhotels	Stockholm	103	4,900
Best Western Royal Corner	BW/Revhaken Hotels	Växjø	158	7,112
Best Western Mora Hotell & Spa	Best Western	Mora	135	9,161
Ibis Stockholm Syd	Accor Hotels	Stockholm	190	8,339
Radisson SAS Hotell, Linköping	Radisson/SAS	Linkøping	91	6,354
Stadshotellet Princess Sandviken	Stadshotellet i Sandviken AB	Sandviken	84	7,003
Total Sweden			**6,889**	**321,763**

Denmark

Norgani Hotels has a total of 3 hotels in Denmark, all located in Copenhagen, with a total of 15,405 sqm., 434 rooms and a remaining lease term of 8 years.

Hotel	Operator	Location	Rooms	Sq.m
Comfort Hotel Europa	Choice	Copenhagen	230	8,000
Clarion Collection Hotel Myfair	Choice	Copenhagen	105	3,805
Comfort Hotel Excelsion	Choice	Copenhagen	99	3,600
Total Denmark			**434**	**15,405**

Finland

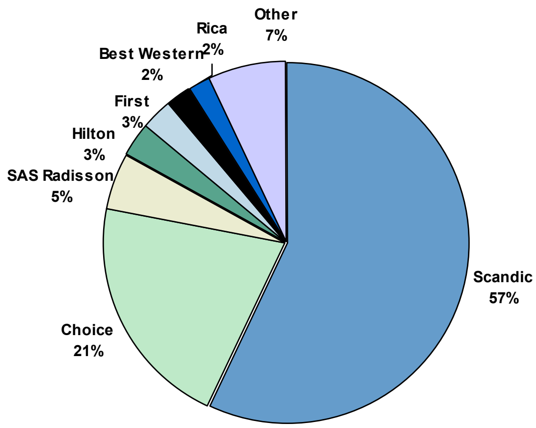
Norgani Hotels has a total of 15 hotels in Finland in addition to a congress centre, , with a total of 193,592 sqm., 3,078 rooms and a remaining lease term of 10.5 years.

Hotel	Operator	Location	Rooms	Sq.m
Scandic Continental	Scandic	Helsinki	512	30,000
Scandic Grand Marina	Scandic	Helsinki	462	23,660
Scandic Tampere City	Scandic	Tampere	263	14,457
Scandic Kajunus	Scandic	Kajaani	191	10,468
Scandic Rosendahl	Scandic	Tampere	213	14,662
Scandic Jyväskylä	Scandic	Jyväskylä	150	7,360
Scandic Kuopio	Scandic	Kuopio	137	7,113
Scandic Espoo	Scandic	Espoo	96	5,245
Scandic Luosto	Scandic	Luosto	59	4,230
Scandic Marina Congress Center	Scandic	Helsinki		11,500
Hilton Helsinki Kalastajatorpaa	Hilton	Helsinki	238	23,291
Hilton Helsinki Strand	Hilton	Helsinki	192	10,250
Airport Bonus Inn	Citymac Travels	Vantaa	211	8,414
Serena Korpilampi	Savonlinnan	Espoo	150	9,777
Comfort Hotel Pilotti	Bonfinn	Vantaa	112	3,068
Imatran Valtionhotelli	Rantasipi	Imatra	92	10,097
Total Finland			**3,078**	**193,592**

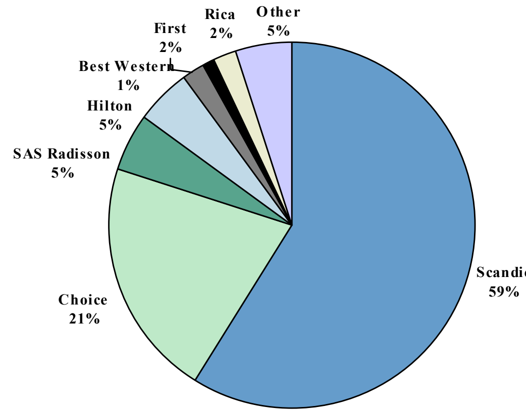
6.8.3 Lease agreements

By the end of the first quarter 2008, all Norgani Hotels' hotels were operated under performing contracts with only immaterial vacancies. Except for one hotel, the contracts are turnover-based leases, mostly with differentiated rates between lodging and food/beverages, which is the most common contract type in the Nordic region. Most contracts have defined customer price index (CPI) adjusted minimum leases. Minimum rents are approximately 64% of run rate 2008 (NOK 819 million), which based on current payable interest expenses more than cover debt servicing of current interest bearing debt in Norgani Hotels. One lease agreement is charged at a fixed rate with yearly CPI (100%) adjustment. The fixed rental contract accounts for less than 1% of total revenue per Q1 2008. Norgani Hotels has vendor rental guarantees for some of its hotels, which means that the original seller of the property to Norgani Hotels has agreed to compensate Norgani Hotels for the difference between guaranteed level and the actual turnover based rent. The average lease duration for the total portfolio as of 31 March 2008 is 10.7 years, including the renegotiated Scandic agreement.

Operators' share of rooms



Operators' share of revenues



6.8.4 Share purchase agreement with Fearnley syndicate

On 19 December 2006, Norgani Hotels entered into a share purchase agreement with three single purpose companies ("Purchaser") established by Fearnley Finans Eiendom ASA, regarding sale of Clarion Hotel Copenhagen (the "Clarion Hotel"), Scandic Hotel Hvidovre, Scandic Hotel Kolding and Scandic Hotel Glostrup (the "Scandic Hotels").

Norgani Hotels has guaranteed that the Clarion Hotel will generate a minimum yearly rent of DKK 18,200,000 (2007 figures, to be indexed every year). Norgani Hotels has furthermore guaranteed that the Scandic Hotels will generate a minimum yearly rent of DKK 24,400,000 (2007 figures, to be indexed every year). The guarantee period is six years from 31 December 2006 (the "Guarantee Period").

Norgani Hotels has also guaranteed that during the Guarantee Period there will not be need of any investments in the hotels except for DKK 10,000,000 set off for investments in the Scandic Hotels.

Norgani Hotels has guaranteed that the running expenses for the Clarion Hotel during the Guarantee Period will not exceed 5% of the above-mentioned guaranteed rent for the Clarion Hotel. Norgani Hotels has furthermore guaranteed that the running expenses for the Scandic Hotels during the Guarantee Period will not exceed 18% of the above-mentioned guaranteed rent for the Scandic Hotels.

During the Guarantee Period Norgani Hotels has – through a separate management agreement – undertaken to manage the hotels on behalf of the Purchaser.

If the purchaser chooses to sell the hotels before 31 December 2009, Norgani Hotels has the right to present a purchase offer. If the offer is not accepted by the purchaser, the Purchaser has the right to sell the hotels to a third party on conditions better than Norgani Hotels' offer.

In the period from 1 January 2010 to 31 December 2012 the Purchaser has the right to sell the Clarion Hotel to Norgani Hotels for a price of DKK 299,200,000. In the same period the Purchaser has the right to sell the Scandic Hotels to Norgani Hotels for a price of DKK 272,200,000.

In the period from 1 January 2010 to 31 December 2012 the Purchaser may also choose to sell the hotels at marked value. Under given circumstances Norgani Hotels may in this situation have the right of a part of a possible increase in the value of the hotels.

6.8.5 Key financial figures

The table below shows Norgani Hotels as an independent unit. The table below has been derived from the annual report of Norwegian Property for 2007, page 16 (included in this Prospectus as Appendix 3) which is based on the audited financial figures of Norgani Hotels.

NOK million	2007 (audited)	2006 (audited)	2005 (audited)
Rental income	699	574	136
Operating profit	508	515	120
Net gain on sales	-	66	-
Net change in value, property	820	613	200
Net change in value, financial derivatives	132	59	-
Pre-tax profit	1,139	932	235

6.9 VALUATION REPORT

DTZ Realkapital AS ("DTZ") performed an external and independent valuation as of 31 March 2008 covering the Company's office and hotel properties in Norway, Sweden and Denmark. The Company's hotel properties in Finland were valued by Maakanta OY ("Maakanta"). Further information on both valuators, can be found in Section 17.4 below.

DTZ's valuation model is 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 and upgrading costs and of vacancy at the expiry of existing leases are made on a property-by-property basis. Maakanta bases its valuation on cash flow models.

The Board of Directors and the executive management have carried out independent assessments of the parameters which affect the value of the Group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the Company has concluded that the valuations by DTZ and Maakanta provide a realistic valuation of the properties as of 31 March 2008. These valuations have accordingly been applied in the accounts. The total value of the Company's investment properties as of 31 March 2008 was NOK 31,096 million after adjusting for tax compensation at the date of acquisition.

The valuations covering the Company's office and hotel properties are made on the request of the Company.

The valuation reports are included in this Prospectus as Appendix 8 and both DTZ and Maakanta have approved the publication of the valuation reports for this use.

Below is an overview of the differences between the latest valuation reports and the last year end-book value:

NOK million	
DTZ 31 March 2008 valuation report	28,532
Maakanta 31 March 2008 valuation report	2,947
31 March 2008 tax compensation, guarantee rent etc	(383)
First quarter 2008 fair value adjustments	121
First quarter 2008 changes in exchange rates	(102)
First quarter 2008 Investments	(51)
First quarter 2008 divestments	50
31 December 2007 book value	**31,114**

From the date of the valuation the long term interest rates have increased significantly. At the same time it appears that the Nordic banks have adjusted their credit terms to accommodate increasing funding cost and preceived risk (See Section 7 on the market). In the Company's opinion, no other material changes have occured since the date of the valuations that would materially change the parameters or valuation of the Company's properties substantially. The Company has since the valuation report agreed the sale of additional two properties (Nedre Holmegate 30-34 and Elvegaten 25 (see Section 6.7.2 above)).

6.10 PROPERTY, PLANT AND EQUIPMENT

As of 31 March 2008, Norwegian Property had non-current assets of NOK 32,175 million, of which the value of investment property comprise NOK 31,096 million, development property comprise NOK 0 million and other tangible assets comprise NOK 1,065 million. The properties are pledged as securities in connection with the loans as described in Section 11.5. Generally, the Company carries a risk of hidden defects and pollution at its properties. Such pollution may influence further development of the properties/ground (see also Section 2 “Risk factors” above). To the Company's knowledge, there are no defects or pollution that affects the present use of the properties.

6.11 ENVIRONMENTAL ISSUES

The Group is not aware of any specific environmental issues that are likely to have a negative effect on the utilization of its assets and services.

6.12 DEPENDENCE ON RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

In the opinion of the Group, its business is not materially dependent on any research and development, or on particular patents or licenses.

6.13 TREND INFORMATION

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Group between 31 March 2008 and the date of this Prospectus, other than those described elsewhere in this Prospectus. Please see Section 7 “The Market”, Section 8 “Consolidated Financial information” and Section 13 “Share Capital and Shareholder Matters” for more information about significant recent trends in the Group’s business and relevant markets.

7. THE MARKET

7.1 GENERAL ON THE MARKET

7.1.1 Nordic Macro outlook

The Nordic countries have experienced strong economic growth the last years. Low interest rates and inflation combined with high GDP growth and employment have resulted in a booming property market. Real estate has been an attractive place for investments and the activity has been high. This trend continues into 2008, however with the credit crunch kicking in summer 2007, yields have started to rise and the investment market has cooled somewhat off. Growth has been slowing down overall, but the rental market seems solid. Limited office completion the last years have resulted in historical low vacancy and high office rents. According to Jones Lang Lasalle and their Nordic City Report Spring 2008, the Nordic counties still enjoys promising prospects in the commercial real estate market.

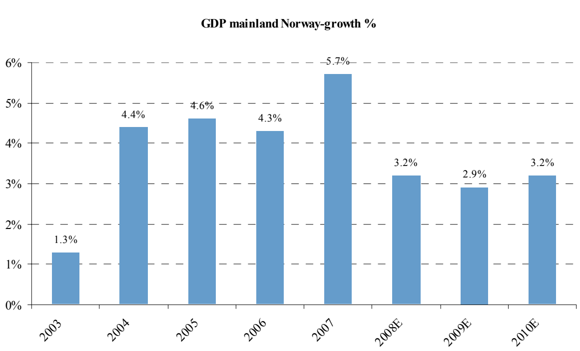
Nordic Macro outlook- growth %

	2000	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Norway											
GDP	3.3	2.0	1.5	1.0	3.9	2.7	2.2	3.3	3.0	2.1	2.1
GDP, Mainland	2.9	2.0	1.4	1.3	4.4	4.6	4.3	5.7	3.2	2.1	2.2
Inflation	3.1	3.0	1.3	2.5	0.4	1.5	2.3	0.7	3.7	2.4	2.5
Sweden											
GDP	4.4	1.2	2.4	2.1	3.5	3.3	4.4	3.0	2.5	2.4	2.1
Inflation	0.9	2.4	2.2	1.9	0.4	0.4	1.4	2.0	2.3	2.1	1.7
Denmark											
GDP	3.3	0.7	0.6	0.4	2.1	3.2	3.3	1.9	1.7	1.4	1.1
Inflation	2.9	2.4	2.4	2.1	1.2	1.8	1.9	1.6	2.0	2.4	1.9
Finland											
GDP	5.3	2.4	1.6	2.0	3.7	3.2	5.0	4.6	3.1	2.8	1.7
Inflation	3.1	2.6	1.6	0.9	0.2	0.6	1.6	2.5	2.4	2.0	2.0

Source: SEB Enskilda research, spring 2008

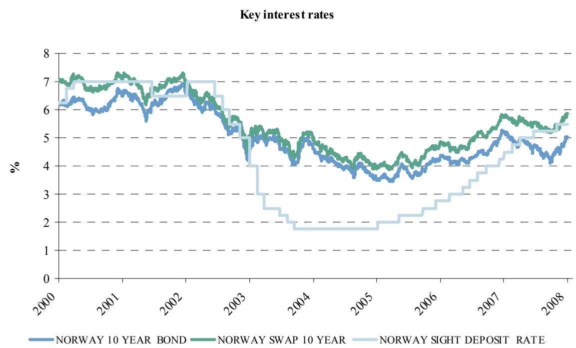
7.1.2 The Norwegian economy

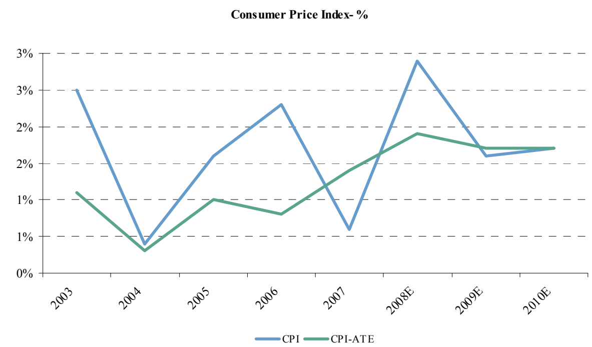
The underlying economy is performing very well in Norway. Mainland GDP growth (excluding items related to petroleum exploitation and ocean shipping) for 2006 and 2007 was 4.3% and 5.7% respectively and the forecasted growth for 2008 is 3.2% (SEB Nordic outlook, May 2008). Subsequently, the unemployment level is record low, with approximately 2.5% of the total workforce being unemployed. This is below the long term equilibrium level of approximately 3.75% (average the last ten years) and the tight labor market is causing the wages to increase. The forecasted unemployment rate for 2008 is 2.3% (Nordea – Økonomisk Oversikt – April 2008).



Source: Norway Central Bank, Statistics Norway

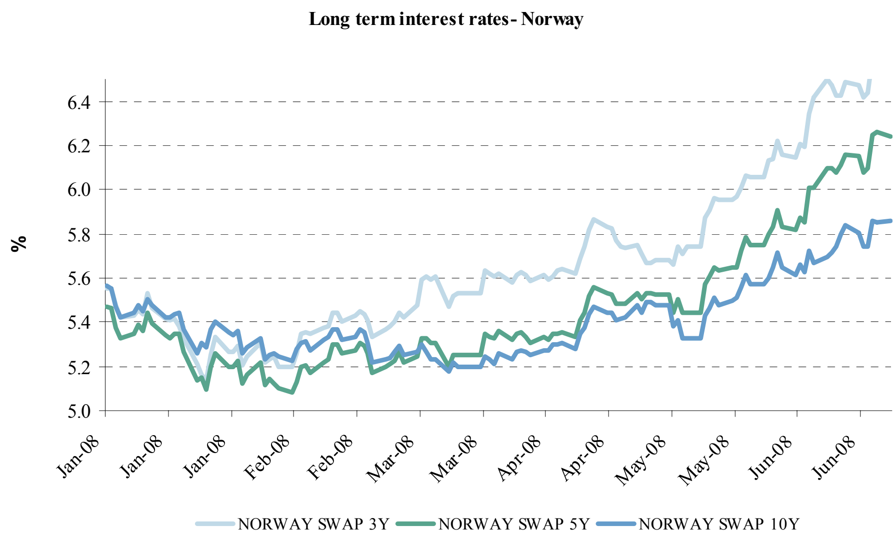
The inflation rate in Norway has remained low the last years and significantly below the Norwegian Central Bank's target level of 2.5%, keeping the interest rates low. During the end of 2007, however, the inflation rate started to accelerate and the interest rates have increased. Today the sight deposit rate is 5.5% (as of 5 June 2008) up from 1.75% in March 2004. Equally, the long term interest rate (10 year swap) is at 5.7% and the 10 year Norwegian treasury bonds are 4.7% (both as of 5 June 2008). The inflation forecast of Statistics Norway for 2008 is 3.3% and based on the strict inflation target of the Norwegian Central Bank, there may be more interest rate hikes to come.





Source:Datastream, Norway Central Bank, SST

From early May the long term interest rates have seen a major uplift as illustrated in the graph below.



Source, Nordea e-Markets

7.1.3 The property transaction market

The Norwegian commercial property transaction market has slowed down during the first half year of 2008. Transaction volumes for commercial properties were NOK 44 billion in 2005, NOK 68 billion in 2006 and NOK 53 billion in 2007. For the period January to May 2008 total transaction volume was estimated to NOK 5.1 billion, which is a significant reduction from the same period last year (DnB NOR Eiendomsmegling).

After a period last year where the Nordic and Norwegian banks appeared to be somewhat less impacted by the international financial turmoil, it now appears that the Nordic banks start to adjust their credit terms to accommodate expected increasing risk and funding cost. During the first half year of 2008 required credit margins on property financing has increased significantly and other terms (like required equity and amortisation structure) has tightened.

The combination of incrasing long term interest rates (see 7.1.2) and tightened financing terms has impacted yield requirements on property transactions. Yields on transactions started to raise on less attractive properties (quality and geography) during the second half of 2007. There is limited transactional evidence in 2008, due to few transactions, but the few transactions that have been completed seem to support a yield expansion also on prime properties.

7.2 THE OFFICE MARKET

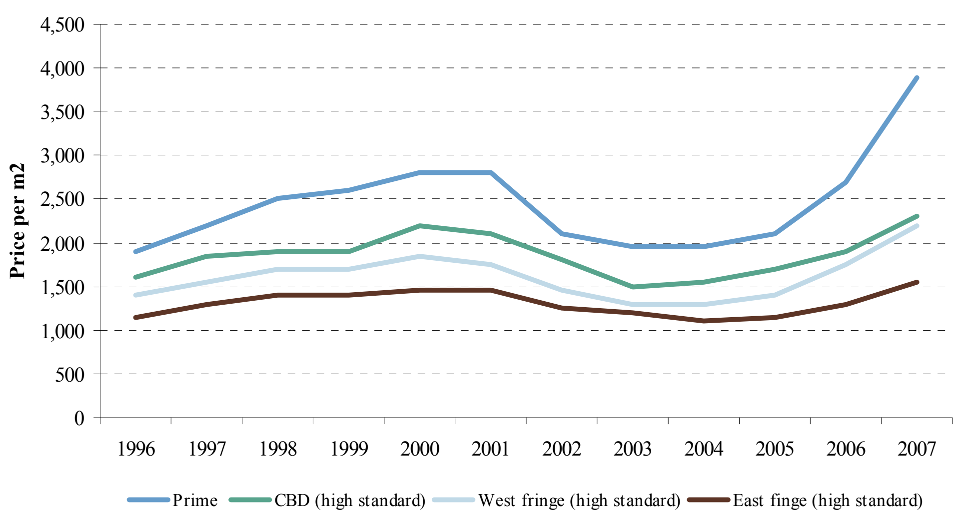
7.2.1 Overview of the Oslo office market

The Oslo office building stock, including Lysaker, consists of approximately 8.7 million sqm. Of this, roughly 3 million sqm is situated within the city centre (from Solli Plass in the west to Bjørvika in the east). The best and highest priced office premises are located in and around the Aker Brygge/Vika area, considered as the Central Business District (CBD) in Oslo. The area around the government offices forms a second popular office area and there is a strong build up of new office buildings in Bjørvika (around the central railway station) which is considered an upcoming central business area. The office zones outside the CBD stretches from the outer circle road (Ring 2) from Lysaker through Nydalen and Helsfyr to Bryn.

7.2.2 Office rents

In Oslo, the rental growth for prime offices was 57% during 2007 (Jones Lang Lasalle, Nordic City Report Spring 2008). Compared to an average prime office growth of 10% in Europe, the high growth in Oslo is mainly explained by a high demand for prime premises and low CBD vacancy. Regarding the future development in Oslo office rents, consensus is expecting a flat development in office rents in 2008 (Jones Lang Lasalle, Newsec, DnB NOR Næringsmegling and Akershus Eiendom). Furthermore, DnB NOR Næringsmegling is expecting a flat or possible negative development in office rents from 2009. (DnB NOR Næringsmegling Market Report 1st half 2008).

Office rent per m2 (Oslo)



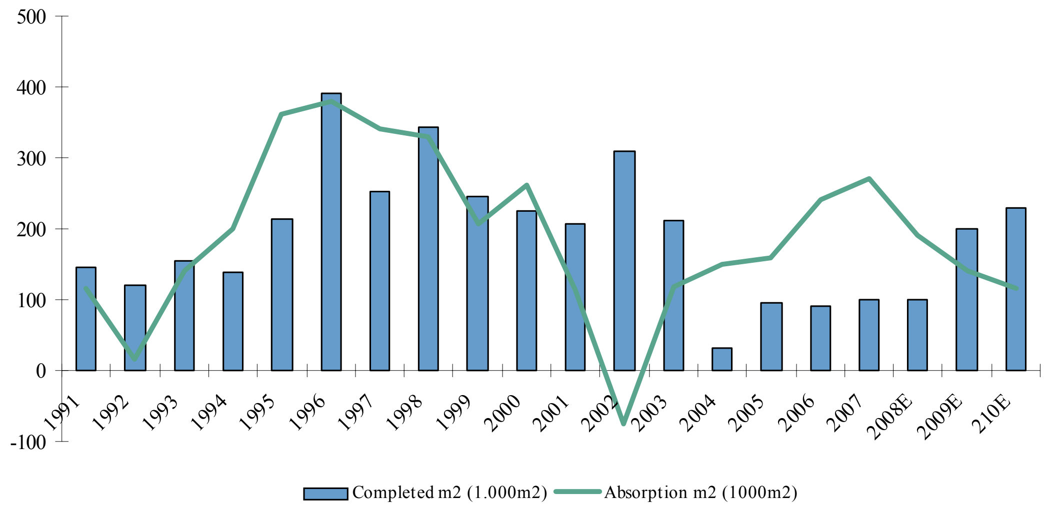
Source: Akershus Eiendom; The Norwegian Commercial Property Market Spring 2008

7.2.3 New projects in Oslo

There has been very low development/new building activity in the Oslo office sector since 2004. Developers have concentrated on the higher margin segments like residential and retail buildings of which the demand has been strong. Today there is more uncertainty in the residential market and the construction has slowed down, thus more resources are available for the commercial sector. However, available land plots for office development are located in areas with lower rent levels and most of the projects due for completion in 2008 and 2010 are located in the centre and westwards to Skøyen, Lysaker and Fornebu (Newsec Nordic Spring Report 2008).

According to Eiendomsspar, around 200,000 sqm. of new office stock has been brought into the Oslo market each year since 1990 and average net absorption has been 199,000 sqm. over the same period. In 2004, an all-time low in new office stock with 32,000 sqm. were noted. This is very low compared to average absorbation, implying that the vacancy will remain low during 2008. Completion is however expected to double in 2009 with approximately 200,000 sqm, being higher than the estimated absorbation of around 150,000 sqm. The same is expected for 2010 with expected completion about 230,000 sqm. and estimated absorbation around 115,000 sqm (DnB NOR Næringsmegling Market Report 1st half 2008).

Oslo Office completion and absorption

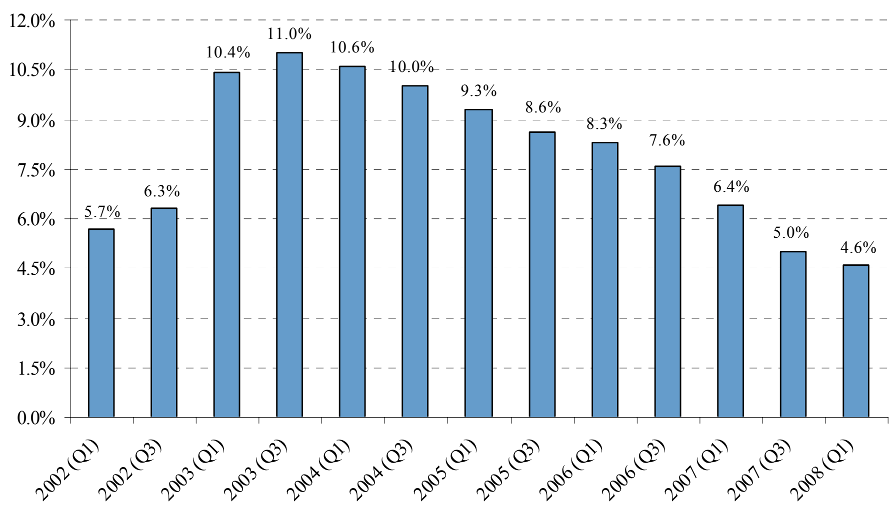


Source: Eiendomsspar, Oslo Studiet 1991-2004, DnB NOR Næringsmegling 2005-2010E

7.2.4 Vacancy

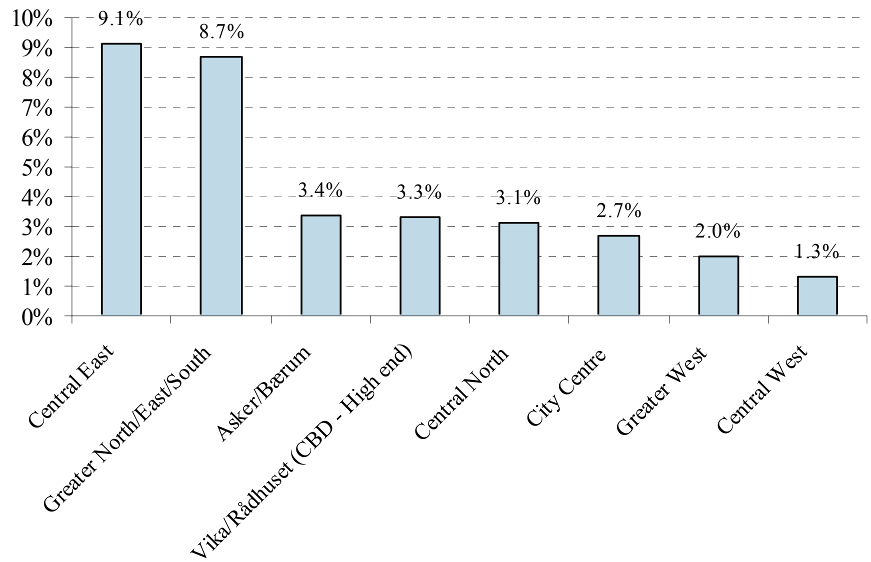
Sparse supply of new development and continuously demand for new office space the last years has caused the vacancy rate in Oslo to decline substantially. According to DnB NOR Næringsmegling, the overall vacancy in Oslo, Asker and Bærum is currently around 4.6%, ranging from 1 to 2% in the CBD to 10 to 12% in some of the eastern office areas. DnB NOR Næringsmegling expects an upward trend in the vacancy level to from 2009 and 2010 due to more new space being brought to the market and less pressure on demand (DnB NOR Næringsmegling Market Report 1st half 2008).

Office Vacancy in Oslo



Source: DnB NOR Næringsmegling Market Report 1st half 2008

Office vacancy in Oslo - % per area



Source: Eiendomsspar, Oslo Studiet 2008

7.2.5 Other cities

The commercial real estate markets in the other large cities in Norway have had a relatively high growth the last years as well. CBD office rents in Stavanger, Bergen and Trondheim have climbed between 10% and 22% during 2007, with Stavanger and Trondheim in the upper rent level range (average around NOK 1,600 per sqm) Simultaneously, the vacancy has been falling in Bergen and Stavanger, but has levelled out in Trondheim during 2007 (Akershus, The Norwegian commercial property market spring 2008).

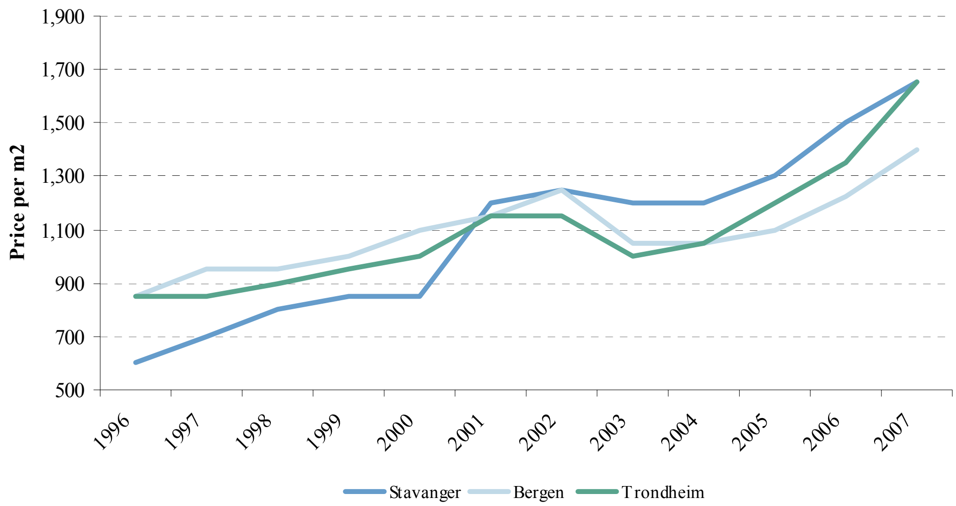
In addition to Oslo, Stavanger, the oil capital of Norway, is one of the most expanding regions of Norway. The last two years about 24,000 new jobs were brought to the Rogaland region and the 2008 predictions count another 11,000 (Akershus, The Norwegian commercial property market spring 2008). The unemployment level in the Stavanger region is currently record low.

Overall, the same positive drivers are present in Trondheim, Bergen and Stavanger:

1. Few new construction projects
2. Vacancies dropping in Bergen and Stavanger
3. Zero vacancy for larger office areas (CBD)
4. Oil-area (Stavanger) - demand for space increasing

The rent levels in Stavanger, Bergen and Trondheim bottomed out in the 2003-2004 period, however since then there has been a positive development. The table below illustrates the development in the nominal rent levels over the last 10 years in Stavanger, Bergen and Trondheim.

Office rent per m2 (Stavanger, Bergen and Trondheim)



Source: Akershus Eiendom; The Norwegian Commercial Property Market Spring 2008

7.3 THE HOTEL MARKET

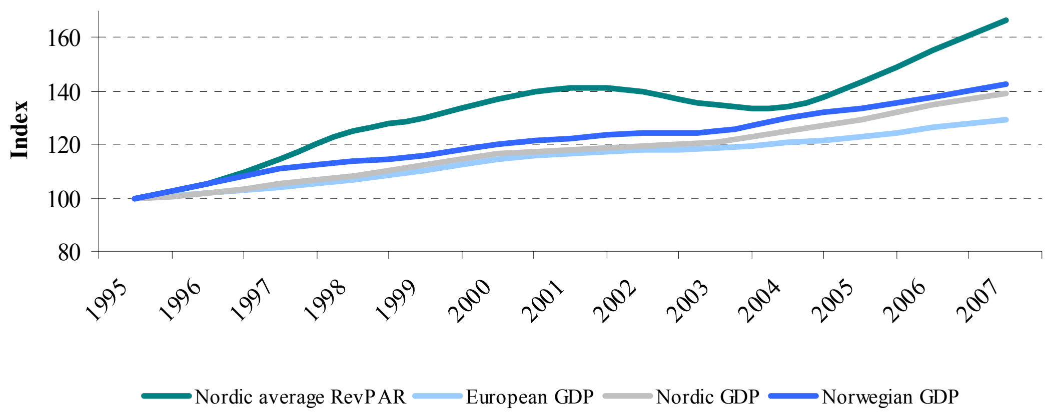
7.3.1 Overview of the Nordic hotel market

In general, the hotel market more or less follows the same trend as the Gross Domestic Product (GDP). Higher economic wealth leads to more spending and more travelling. Especially the business and conference segment has had a rapid increase the last years and the strong economic growth in the Nordic region has led to a substantial upswing in the hotel market.

A hotel's room revenue is measured by revenue per available room (RevPAR), which is determined by multiplying average room rate with occupancy, where occupancy is the proportion of sold rooms in relation to capacity. Generally the hotel room revenues fluctuates a lot over the year- with the second and third quarters normally better than the first and fourth. Due to rising occupancy levels and constantly rising room prices, 2007 was a record year for the hotel industry. RevPAR for 2007 increased by approximately 10% (y-o-y) compared to 2006 and occupancy increased around 3% the same period. The strong development in RevPAR continues into 2008, up 8.0% in Norway, 7.6% in Sweden from January to April (y-o-y) and 8.9% in Finland from January to April (y-o-y). Denmark had an occupancy decrease of 0.8% the same period.

As shown in the figure below, RevPAR has increased steadily the last ten years with a little downturn in 2002 and 2003.

RevPar and GDP development 1995-2007



Source: Statistics Norway (www.ssb.no), Statistics Sweden (www.scb.se), Statistical office of Finland (www.stat.fi) and statistics Denmark (www.statistikbanken .dk)

In 2007, there were about 4,517 hotels with a total of 255,711 rooms in the Nordic region. More than half of the hotel room capacity, 54%, is located in Sweden with 19% and 25% in Norway and Finland respectively. Denmark only represents about 3% of the total room capacity in the Nordic region.

Hotel demand can be categorized as 1) conference/business and 2) holiday/leisure, split by 3) foreign and domestic. In Sweden and to some extent Norway, the majority of guests are conference and business, while in Denmark and Finland it is holiday and leisure. The majority of the guests are domestic residents.

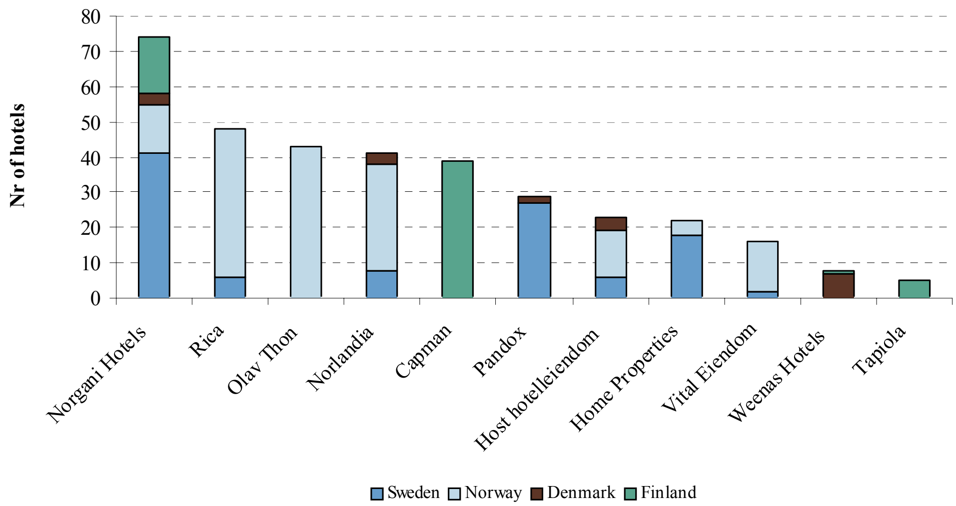
Nordic Guest profile 2007

Guest profile	Business	Leisure	Domestic	International
Sweden	64%	36%	78%	22%
Norway	53%	47%	73%	27%
Denmark	41%	59%	82%	18%
Finland	41%	59%	70%	30%

Source: Statistics Norway (www.ssb.no), Statistics Sweden (www.scb.se), Statistical office of Finland (www.stat.fi) and statistics Denmark (www.statistikbanken .dk)

The hotel market has three main players: the owners, the operators and the distributors. Some cover all these functions while in most cases these roles have different participants. The hotel property owners typically have lease agreements or other types of contracts with the operators who perform the day-to-day operation of the hotels, whereas hotel distributors market the hotels under a brand name and perform the booking for the hotels. In the past, these three roles were usually combined. Increasingly, however, specialists are taking responsibility for their part of the value chain. Norgani Hotels has specialized in the hotel owner role and is currently the largest hotel property owner in the Nordic region with 74 owned hotels. At the end of 2007, Norgani Hotels controlled 5% of available Nordic hotel rooms.

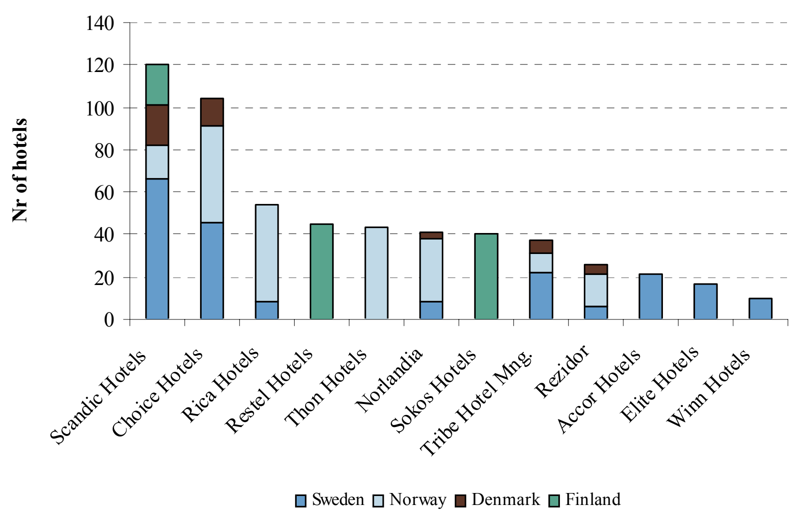
Largest Nordic hotel owners



Source: Companies websites as of Dec 07- Jan 08

There is not an absolute distinction between distributors and operators, both types are organized in chains. The chart below shows the largest Nordic hotel chains measured in number of hotels. Scandic and Choice Hotels Scandinavia are the two largest with respectively 120 and 104 hotels under operation.

Largest Nordic hotel operators



Source: Companies websites as of Dec 07- Jan 08 (Home Properties annual report 2007)

7.3.2 The Norwegian market

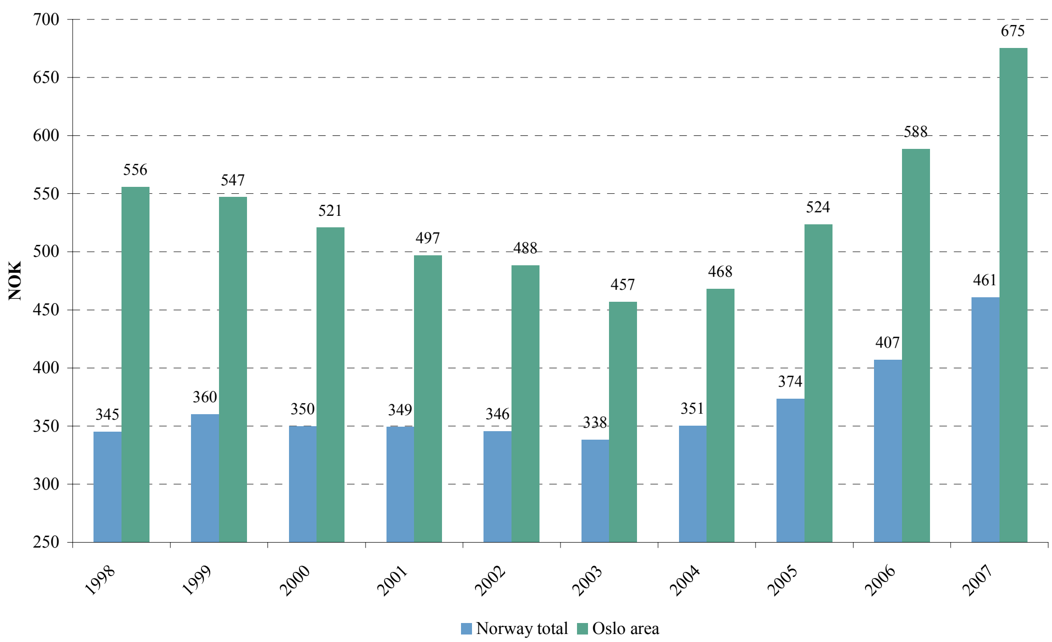
The Norwegian RevPAR increased by approximately 13% in 2007 (y-o-y), from NOK 407 to NOK 461. The growth in RevPAR for Oslo was almost 15%, substantially stronger than the rest of the country. Average room rate (ARR) increased by approximately 9% from NOK 746 to NOK 811 and the occupancy rate was almost 57% up from 55% the same period. The strong development in RevPAR continues into 2008, up 8.3% in Norway and 10.4% in Oslo. Strong underlying economic growth and increased air traffic contributes to increased demand both from the leisure and from the business segment. Especially the business segment has had a rapid increase.

Norway	2007	2006	*Change*
Occupancy rate	56.8%	54.6%	*4.0%*
Average room rate- ARR (NOK)	811	746	*8.7%*
RevPAR (NOK)	461	407	*13.1%*
Business travel, share of occupancy	53%		
Holiday and leisure, share of occupancy	47%		
Foreign share of occupancy	27%		
Domestic share of occupancy	73%		

Source: Statistics Norway (www.ssb.no)

The graph below illustrates the historical development in RevPAR for Norway and Oslo from 1998 to 2007. As we see, there was a negative development in RevPAR from 1999 to 2003 followed by a high growth the last four years. Oslo has significantly higher RevPAR than the average in Norway, but follows the same trend.

Norway RevPAR – 1998 to 2007



Source: Statistics Norway (www.ssb.no)

7.3.3 The Swedish market

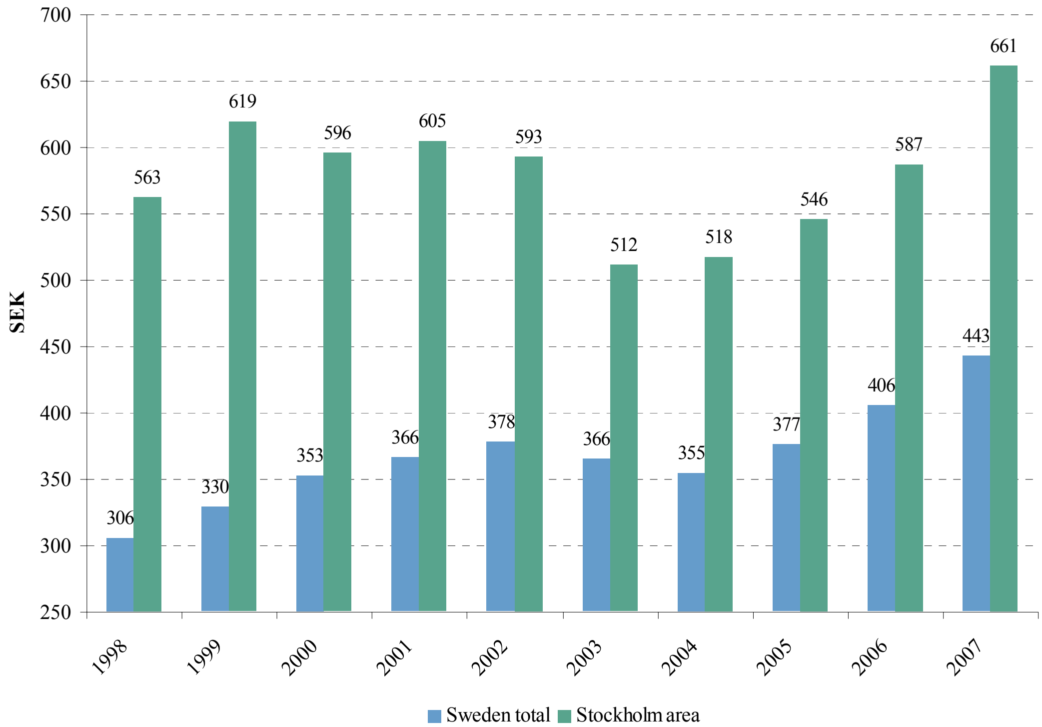
The RevPar for Sweden improved by 9.5% in 2007, from SEK 406 to SEK 443. Subsequently, the average room rate (ARR) rose by 6% from SEK 825 to SEK 875 and the occupancy by 2% from 49% to 51%. From January to April 2008, RevPAR in Sweden was up 6.7% (y-o-y) and Stockholm was up 10.4%. Sweden is Norgani Hotels most important market

Sweden	2007	2006	*Change*
Occupancy rate	50.6%	49.2%	*2.8%*
Average room rate- ARR (SEK)	875	825	*6.1%*
RevPAR (SEK)	443	406	*9.0%*
Business travel, share of occupancy	64%		
Holiday and leisure, share of occupancy	36%		
Foreign share of occupancy	22%		
Domestic share of occupancy	78%		

Source: Statistics Sweden (www.scb.se)

The graph below shows the historical development in RevPAR for Sweden and Stockholm from 1998 to 2007. As we see, the average RevPAR growth in Sweden was increasing from 1998 to 2002 followed by a small downturn in 2003 and 2004 and a steady increase from 2004 to 2007. Like Oslo, Stockholm has significantly higher RevPAR than the average, however with a somewhat more volatile development historically. RevPAR in Stockholm has had a sharp increase the last five years.

Sweden RevPAR – 1998 to 2007



Source: Statistics Sweden (www.scb.se)

7.3.4 The Finnish market

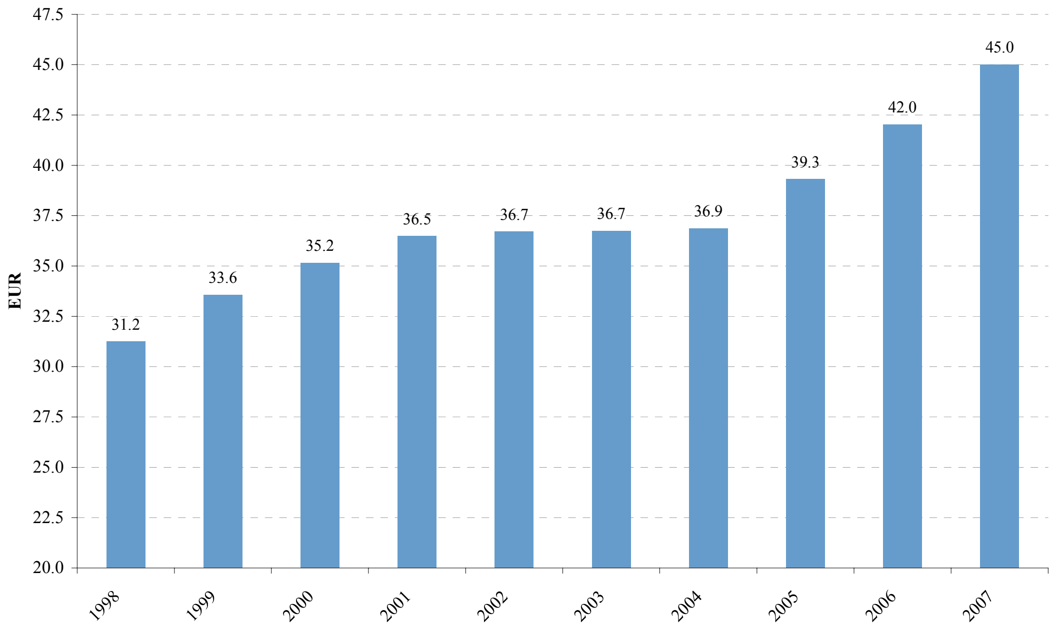
The Finnish market has expanded continuously since 2003, reaching one of its highest levels since 1980 in 2007, where RevPAR increased by 7.3% to EUR 42. Equally, the average room rate (ARR) rose by 3.8% from EUR 76 to EUR 79. Occupancy was 53% in 2007, an increase of 2% from 51% in 2006. The Finnish market had a RevPAR increase of 8.7% from January to April 2008 (y-o-y) and is mainly driven by domestic holiday and leisure travel. Simultaneously, Helsinki had an increase of 6.8% the same period.

Finland	**2007**	**2006**	***Change***
Occupancy rate	53.1%	51.4%	*3.3%*
Average room rate- ARR (EUR)	79	76	*3.8%*
RevPAR (EUR)	45	42	*7.2%*
Business travel, share of occupancy	41%		
Holiday and leisure, share of occupancy	59%		
Foreign share of occupancy	30%		
Domestic share of occupancy	70%		

Source: Statistical office of Finland (www.stat.fi)

The graph below shows the development in RevPAR in Finland from 1998 to 2007. Finland has had a steady increase in RevPAR except from the flat development from 2002 to 2004.

Finland RevPAR – 1998 to 2007



Source: Statistical office of Finland (www.stat.fi)

7.3.5 The Danish market

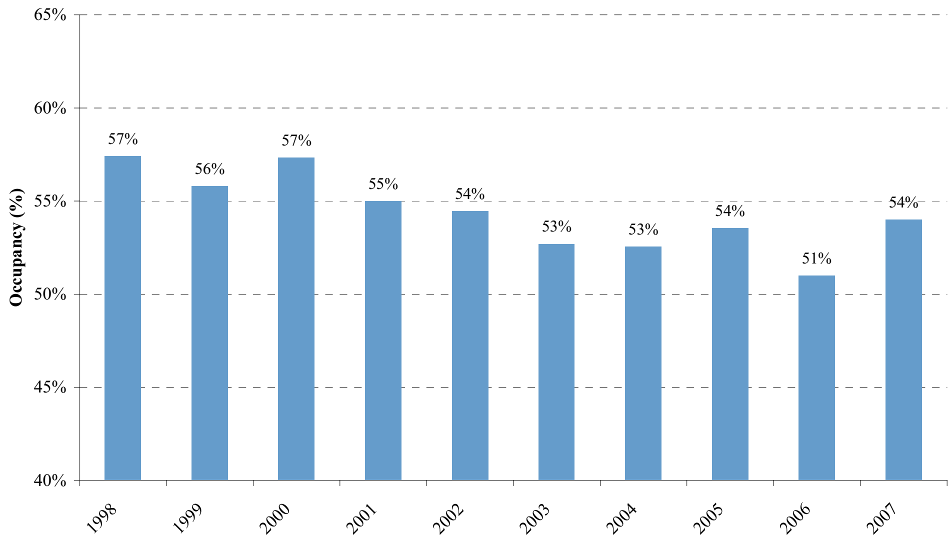
In Denmark, occupancy increased by 2.5% in 2007, from 57.5% to 59%. The figure for January to April 2008 was a slight decrease in occupancy of 0.8%. The market lacks official statistics for average room prices, making it difficult to compute RevPAR.

Denmark	**2007**	**2006**	***Change***
Occupancy rate	54%	51%	*3%*
Average room rate- ARR (DKK)	na	na	*na*
RevPAR (DKK)	na	na	*na*
Business travel, share of occupancy	41%		
Holiday and leisure, share of occupancy	59%		
Foreign share of occupancy	70%		
Domestic share of occupancy	30%		

Source: Statistics Denmark (www.statistikbanken .dk)

The Danish market lacks official statistics for the average room prices (ARR), making it difficult to compare development in RevPAR. The graph below illustrates instead the development in occupancy from 1998 to 2007. As we see, all time high was in 1998 and 2000, followed by a volatile and overall downward development to this date.

Denmark Occupancy – 1998 to 2007



Source: statistics Denmark (www.statistikbanken .dk)

8. CONSOLIDATED FINANCIAL INFORMATION

8.1 BASIS FOR PREPARATION

The consolidated financial statements are presented in NOK and all tabular amounts are rounded to the nearest thousands except when otherwise indicated.

The consolidated financial statements of Norwegian Property have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statement have been prepared under the historical cost convention except that investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) are carried at fair value through the profi t and loss account.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within note 4 in the Company's annual report for 2007, incorporated as Appendix 3 to this Prospectus.

The consolidated financial statements as stated below has been derived from the Company's annual report for 2007 and the 1 quarter report for 2008 which is incorporated as Appendix 3 and 2 respectively to this Prospectus. The 1 quarter financial statements for 2008 with comparable figures for the same period in 2007 are not audited. The annual report for 2007, 2006 and 2005 are audited and incorporated in this Prospectus as Appendix 3, 4 and 5.

The annual financial statements for Norgani Hotels for the year 2005-2007 may be found in Appendix 6 to this Prospectus.

8.2 SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with international financial standards. Please see note 2 to the annual report for 2007 in Appendix 3 for the full summary of the Company's accounting policies.

8.3 CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The business operations of Norwegian Property were established in 2006 and therefore real no compariable figures exist for the year 2005. The first quarter figures for 2008 as presented below, includes Oslo Properties/Norgani Hotels.

Separate financial figures for Norgani Hotels for the first quarter 2008 and for the full year of 2007 can be found in note 1 in the Company's first quarter report for 2008 included as Appendix 2 in this Prospectus. The annual reports for the years 2005-2007 for Norgani Hotels may also be found in Appendix 6 to this Prospectus.

8.3.1 Consolidated income statements

NOK 1,000	1Q 2008 (unaudited)[17]	1Q 2007 (unaudited)	2007 (audited)[18]	2006 (audited)	2005 (audited)
Revenue income from properties	472,060	248,113	1,193,189	410,133	-
Other revenue	-	526	2,497	4,640	-
Gross rental income	**472,060**	**248,639**	**1,195,686**	**414,773**	**-**
Maintenance and property related costs	(37,622)	(14,111)	(81,424)	(20,216)	-
Other operating expenses	(28,827)	(16,007)	(77,943)	(42,846)	-
Total operating cost	**(66,448)**	**(30,118)**	**(159,367)**	**(63,062)**	**-**
Operating profit before fair value adj. investment property	**405,611**	**218,521**	**1,036,319**	**351,711**	**-**
Gain from fair value adjustment of investment property	(121,420)	227,448	1,219,138	393,244	-
Gain from sales of investment property	29,555	-	9,281	-	-
Operating profit	**313,746**	**445,969**	**2,264,738**	**744,955**	**-**
Financial income	6,081	14,631	67,972	13,521	-
Financial cost	(344,260)	(173,226)	(958,863)	(295,762)	-
Change in market value of financial derivative instruments	(142,470)	57,986	276,749	76,743	-
Net financial items	**(480,649)**	**(100,609)**	**(614,143)**	**(205,498)**	**-**
Profit before income tax	**(166,904)**	**345,360**	**1,650,595**	**539,457**	**-**
Income tax expense	46,733	(96,701)	(460,736)	(148,565)	-
Profit for the period	**(120,170)**	**248,659**	**1,189,859**	**390,892**	**-**
Minority interests	(43,259)	(776)	(4,829)	(1,256)	-
Profit after minority interests	**(163,429)**	**247,883**	**1,185,030**	**389,636**	**-**
Basic and diluted earnings per share for profit attributable to shareholders (NOK)	-1.14	2.52	11.42	5.14	-

[17] Includes Oslo Properties/Norgani Hotels.

[18] Includes Oslo Properties/Norgani Hotels from 24 September 2007.

8.3.2 Consolidated balance sheets

NOK 1,000	1Q 2008 (unaudited) [19]	1Q 2007 (unaudited)	2007 (audited) [20]	2006 (audited)	2005 (audited)
ASSETS					
Non-current assets					
Financial derivative instruments	-	114,814	9,550	105,102	-
Goodwill	1,064,987	-	1,064,987	-	-
Investment property	31,095,998	16,359,874	31,113,889	13,919,570	-
Development property	-	1,242,926	-	1,150,801	-
Other tangible assets	2,961	3,137	2,965	9,443	-
Shares and interests	1,637	-	1,623	-	-
Receivables	9,132	-	1,575	-	-
Total non-current assets	**32,174,715**	**17,720,751**	**32,194,589**	**15,184,916**	**-**
Current assets					
Financial derivative instruments	544,330	240,873	678,673	187,233	-
Seller guarantees for future rent	4,852	68,782	6,200	91,370	-
Accounts receivable	284,167	143,246	186,369	78,303	-
Other receivables	149,393	37,531	180,780	93,647	-
Cash and cash equivalents	512,477	865,066	635,476	1,252,462	104
Unpaid subscribed capital, net of issue cost	-	480,000	-	-	-
Total current assets	**1,495,220**	**1,835,498**	**1,687,498**	**1,703,015**	**104**
TOTAL ASSETS	**33,669,935**	**19,556,249**	**33,882,087**	**16,887,931**	**104**
EQUITY AND LIABILITIES					
Equity					
Share capital	2,637,039	2,637,039	2,637,039	2,462,823	100
Share premium	1,212,022	1,212,259	1,211,081	900,171	4
Other paid in equity	1,500,000	1,500,000	1,500,000	1,500,000	-
Retained earnings	1,147,533	637,519	1,310,962	389,636	-
Other reserves	27,689	82,755	7,818	75,763	-
Minority interests	1,732,126	45,610	1,688,867	44,834	-
- liability to acquire shares in subsidiaries	(1,524,863)	-	(1,524,863)	-	-
Total equity	**6,731,546**	**6,115,182**	**6,830,903**	**5,373,227**	**104**
Non-current liabilities					
Deferred tax	1,475,906	212,344	1,521,767	119,610	-
Financial derivative instruments	5,129	-	-	-	-
Interest bearing debt	21,662,264	12,609,951	21,733,946	10,876,787	-
Non-current liabilities	**23,143,299**	**12,822,295**	**23,255,713**	**10,996,397**	**-**
Current liabilities					
Financial derivative instruments	41,701	15,861	26,075	21,518	-
Interest bearing debt	1,509,236	141,476	1,498,193	100,800	-
Interest bearing liability to acquire shares in subsidiaries	1,621,355	-	1,595,837	-	-
Trade payables	16,989	94,365	44,086	115,317	-
Other liabilities	605,809	367,070	631,279	280,672	-
Total current liabilities	**3,795,090**	**618,772**	**3,795,470**	**518,307**	**-**
Total liabilities	**26,938,389**	**13,441,067**	**27,051,183**	**11,514,704**	**-**
TOTAL EQUITY AND LIABILITIES	**33,669,935**	**19,556,249**	**33,882,087**	**16,887,931**	**104**

[19] Includes Oslo Properties/Norgani Hotels.
[20] Includes Oslo Properties/Norgani Hotels.

8.3.3 Consolidated Cash flow statements

NOK 1,000	1Q 2008 (unaudited) [21]	1Q 2007 (unaudited)	2007 (audited) [22]	2006 (audited)	2005 (audited)
Ordinary profit before income tax................................	(166,904)	345,360	1,650,595	539,457	-
Paid in taxes in the period...	-	-	(2,042)	-	-
Depreciation of tangible assets....................................	500	197	766	560	-
Fair value adjustments of investment properties............	121,420	(227,448)	(1,219,138)	(393,244)	-
Gain/loss from sale of investment properties.................	(29,555)	-	(9,281)	-	-
Fair value adjustments of financial derivative instruments	142,471	(57,986)	(276,751)	(76,743)	-
Net financial items excluding fair value adjustments of financial derivative instruments...................................	338,179	158,595	890,892	282,241	-
Change in short-term items...	(103,674)	54,626	31,831	224,040	-
Net cash flow from operating activities.....................	**302,437**	**273,344**	**1,066,873**	**576,311**	**-**
Payments for purchase of fixed assets (investment properties)	-	-	(5,126,458)	(14,703,875)	-
Received for sale of fixed assets (investment properties)	79,304	-	227,393	-	-
Payments for purchase of subsidiaries..........................	(51,366)	(2,275,985)	(3,464,347)	-	-
Payments for purchase of financial derivative instruments (guarantee rent)	-	-	-	(120,021)	-
Net cash flow from investment activities...................	**27,938**	**(2,275,985)**	**(8,363,412)**	**(14,823,896)**	**-**
Net change in long term debt	(115,466)	1,773,840	7,236,878	10,977,587	-
Net financial items excluding fair value adjustments of financial derivative instruments...................................	(338,179)	(158,595)	(890,892)	(282,241)	-
Capital increase..	-	-	479,346	4,804,601	104
Dividend payments...	-	-	(263,704)	-	-
Other financing activities...	-	-	114,352	-	-
Net cash flow from financing activities.....................	**(453,645)**	**1,615,245**	**6,675,980**	**15,499,947**	**104**
Net change in cash and cash equivalents..................	**(123,271)**	**(387,396)**	**(620,559)**	**1,252,362**	**104**
Opening balance of cash and cash equivalents	**635,476**	**1,252,462**	**1,252,462**	**100**	**0**
Exchange rates	271	-	3,573	-	-
Cash and cash equivalents end of period..................	**512,476**	**865,066**	**635,476**	**1,252,462**	**104**

[21] Includes Oslo Properties/Norgani Hotels.

[22] Includes Oslo Properties/Norgani Hotels from 24 September 2007.

8.3.4 Unaudited consolidated statements of changes in equity

The table below shows the equity reconciliation for the Group for the years 2006-2007 in addition to the first quarter of 2008:

NOK 1,000	Equity attributable to shareholders Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Minority interests	Total equity
Total equity 31.12.2006	**2,462,823**	**900,171**	**1,500,000**	**75,763**	**389,636**	**44,834**	**5,373,227**
Share issue March 2007......................	174,216	325,784					500,000
Total cost related to share issues, net of tax..		(13,932)					(13,932)
Dividend payments					(263,704)		(263,704)
Financial derivatives accounted to equity				(68,887)			(68,887)
Profit for the period					1,185,030	4,829	1,187,859
Minority interests						1,639,203	1,639,203
Liability to acquire shares in subsidiaries						(1,524,863)	(1,524,863)
Total equity 31.12.2007	**2,637,039**	**1,212,022**	**1,500,000**	**6,876**	**1,310,962**	**164,003**	**6,830,903**
Financial derivatives accounted to equity				(10,580)			(10,580)
Currency translation differences				31,393			31,393
Profit for the period					(163,429)	43,259	(120,170)
Total equity 31.03.2008	**2,637,039**	**1,212,022**	**1,500,000**	**27,689**	**1,147,533**	**207,262**	**6,731,546**

8.3.5 Significant changes to the Company's financial or trading position since 31 March 2008

Except for the agreements on sale of properties totaling approximately NOK 474 million entered into in April, May and June 2008 as described in Section 6.2 above, there have been no significant changes in the financial and trading position of Norwegian Property subsequent to 31 March 2008.

8.4 SEGMENT INFORMATION

The tables below have been derived from Note 5 to the Company's annual report for 2007 incorporated as Appendix 3 to this Prospectus.

For the year 2006, Norwegian Property's main activity was ownership and rental of prime office buildings in prime locations within Norway's largest cities. There were no material differences in risks and returns in the economic environments in which the company was operating. Consequently, the Company was only present in one business segment and one geographic market in the year 2006.

8.4.1 Business segment

The Group's primary reporting format is the business segments commercial properties (Norwegian Property) and hotel (Oslo Properties/Norgani Hotels). The business segment division is in conformity with the Group's legal organisation and the internal management reporting, thus the distribution of revenue, expenses, assets and liabilities to the business segments follows the group's legal structure. The hotel portfolio was acquired at the end of third quarter 2007. Below is an allocation of the main key figures to the business segments for the year 2007.

NOK 1,000	Commercial properties	Hotel properties[23]	Unalloc./ elimin.	Total
Net rental income	**949,009**	**165,253**	**-**	**1,114,262**
Operating profit	**2,118,960**	**145,778**	**-**	**2,264,738**
Net financial items	(439,019)	(175,123)	-	(614,142)
Ordinary profit before income tax	**1,679,941**	**(29,345)**	**-**	**1,650,596**
Tax	(469,003)	8,267	-	(460,736)
Profit for the period	**1,210,938**	**(21,078)**	**-**	**1,189,860**
Minority interest	(8,667)	3,837	-	(4,830)
Profit after minority interest	**1,202,271**	**(17,241)**	**-**	**1,185,030**
Total equity	**6,721,992**	**484,201**	**(375,290)**	**6,830,903**
Investments	**4,275,323**	**851,135**	**-**	**5,126,458**

8.4.2 Geographical segment

The Group's secondary reporting format is geographical markets. The Group had operations in Norway, Sweden, Denmark and Finland in 2007. The commercial property segment is only located in Norway, while the hotel segment is located in all four countries. Below is an allocation of the main key figures to the different countries for the year 2007.

	Norway	Sweden	Denmark	Finland	Unalloc./ elimin.	Total
Net rental income	**987,959**	**83,783**	**4,849**	**37,671**	**-**	**1,114,262**
Investm.prop/fixtures and equipment	22,883,283	4,678,954	453,727	3,100,890	-	31,116,854
Other assets	2,319,031	63,243	9,540	20,791	352,627	2,765,232
Interest bearing debt	16,513,295	2,762,985	272,714	1,983,144	3,295,839	24,827,977
Other liabilities	-	-	-	-	2,223,206	2,223,206
Total equity	**8,689,019**	**1,979,212**	**190,553**	**1,138,537**	**(5,166,418)**	**6,830,903**
Investments	4,394,255	732,203	-	-	-	5,126,458

8.5 INDEPENDENT AUDITOR

The Company's auditor is Deloitte AS ("Deloitte"), Norway, represented by state authorized public accountants who are members of Norwegian Institute of Public Accountants (DnR). Deloitte's address is Karénslyst Allé 20, P.O.Box 347 Skøyen, 0213 Oslo, Norway and its organisation number is 980 211 282.

Deloitte has been the Company's auditor since 20 April 2006. From incorporation and until this date (when the Company did not perform any business), BDO Noraudit Oslo DA, Munkedamsveien 45, 0250 Oslo, Norway, having the organisation number 875 926 632, was the auditor for the Company. The auditor was changed due to commencement of business activities.

The annual financial statements for the Company included in this Prospectus have been audited by Deloitte. Deloitte has issued an audit report on these financial statements without any qualifications or disclaimers. In Section 9 in this Prospectus, unaudited Pro Forma Financial Information is set out. Deloitte has issued an Independence Assurance Report on this Pro Forma Financial Information. Deloitte has not audited or reviewed or produced any report on other information provided in this Prospectus.

[23] These figures includes Oslo Properties and the liability to acquire shares in Oslo Properties (total acquisition financing).

9. UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

This Section presents, in accordance with the guidance from the Committee of European Securities Regulators (CECR/05-054b), the 2007 full year pro forma profit and loss statement for Norwegian Property and Norgani Hotels combined.

Norwegian Property gained control over Norgani Hotels as of 24 September 2007. Reported financial statements of Norwegian Property for the period ended 31 March 2008 includes Norgani Hotels for the full quarter, and pro forma income statements for the period ended 31 March 2008 and balance sheets as of 31 March 2008 are consequently not required. The pro forma financial statements for the period ended 31 December 2007, are presented as if the acquisitions took place and as if the combined Norwegian Property and Norgani Hotels group had existed in operation from 1 January 2007.

In summary, the pro forma figures for the period ended 31 December 2007 illustrates a total pro forma turnover for the Group of NOK 1,771 million. The estimated EBIT is NOK 2,791 million and net profit is estimated to be NOK 1,185 million.

9.1 GENERAL ASSUMPTIONS

The pro forma financial information does not necessarily reflect what the actual results would have been if transactions had occurred earlier and are not indicative of future results of operation or financial position. The pro forma financial information presented below is prepared for illustrative purposes only and because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The pro forma condensed financial information is prepared in a manner consistent with the accounting policies of the Group as set out in Section 8.2 above. The pro forma condensed financial information for the Group does not include all of the information required for financial statements under IFRS, and should be read in conjunction with the historical financial information of the Group.

Norwegian Property gained control over Norgani Hotels as of 24 September 2007. The pro forma financial statements for the period ended 31 December 2007, are presented as if the acquisitions took place and as if the combined Norwegian Property and Norgani Hotels group had existed in operation from 1 January 2007.

The basis for the pro forma consolidated financial information is the historical consolidated financial statements of Norwegian Property, including Norgani Hotels from 24 September 2007. The income statement figures for Norgani Hotels for the period from 1 January 2007 until 24 September 2007 included in the pro forma figures presented are identical to the actual figures (see adjustment 1 in Section 9.3.1 below). Both Norwegian Property's and Norgani Hotels' financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Pro forma fair value adjustments of investment properties and financial derivative instruments (mainly interest rate swap contracts) are not calculated. Consequently, fair value adjustments included in the pro forma income statement for 2007 are equal to actual reported figures. The purchase consideration is carried out based on fair values as of the acquisition date (24 September 2007). Fair value adjustments of investment properties reported by Norgani Hotels actual first half year 2007 are consequently included in the pro forma income statement for 2007. Additional fair value adjustments in the third quarter are reported as part of the purchase consideration (NOK 654 mill) in both actual and pro forma figures. Fair value adjustments for the full Group after the takeover are included in the actual and pro forma income statements.

Pro forma income taxes for the period ended 31 December 2007 are calculated at 28%.

9.2 UNAUDITED PRO FORMA CONDENSED STATEMENT

9.2.1 Unaudited condensed pro forma income statement for the period ended 31 December 2007

	Full year 2007			
Figures in NOK 1.000	Actual NPRO (audited) 01.01 - 31.12	Pro forma adjustment 1 01.01 - 31.12	Pro forma adjustment 2 01.01 - 31.12	Pro forma Total 01.01 - 31.12
Gross rental income	**1 195 686**	**513 829**	**-**	**1 709 515**
Maintenance and property related costs	(81 424)	(44 980)		(126 403)
Other operating expenses	(77 943)	(80 597)		(158 540)
Total operating cost	**(159 367)**	**(125 576)**	**-**	**(284 943)**
Operating profit before fair value adj. of investment property	**1 036 319**	**388 253**	**-**	**1 424 572**
Gain from fair value adjustment of investment property	1 219 138	131 391		1 350 529
Gain from sales of investment property	9 281	6 265		15 546
Operating profit	**2 264 738**	**525 909**	**-**	**2 790 647**
Financial income	67 972	6 162	(14 180)	59 954
Financial costs	(958 863)	(234 328)	(118 238)	(1 311 430)
Change in market value of financial derivative instruments	276 749	147 631		424 380
Net financial items	**(614 143)**	**(80 535)**	**(132 418)**	**(827 095)**
Profit before income tax	**1 650 595**	**445 374**	**(132 418)**	**1 963 552**
Income tax expense	(460 736)	(124 705)	37 077	(548 364)
Profit for the period	**1 189 859**	**320 669**	**(95 341)**	**1 415 188**
Minority interests	(4 829)	(264 552)	39 426	(229 955)
Profit after minority interest	**1 185 030**	**56 117**	**(55 915)**	**1 185 233**

9.3 ADJUSTMENTS/NOTES TO THE UNAUDITED PRO FORMA CONDENSED STATEMENTS

All of the pro forma adjustments listed below in Section 9.3.1-9.3.2 will also apply for and impact the financial statements going forward.

9.3.1 Pro forma Adjustment 1

The adjustments are related to the full year effect of profit and loss figures in relation to the acquisitions of Norgani Hotels. Norgani Hotels was acquired on 24 September 2007, and full year pro forma adjustments are related to the period 1 January 2007 to 24 September 2007.

Minority interests of 82.5% are calculated on profit for the period. Income taxes of 28% are calculated on profit before tax.

9.3.2 Pro forma Adjustment 2

Adjustments are related to the full year effect of the acquisition financing of Norgani Hotels. The full year adjustment effect of Norwegian Property's NOK 1,525 million nominal liabilities to acquire shares in Oslo Properties is an additional interest cost of NOK 52 million. The corresponding full year adjustment effects of the NOK 1,700 million acquisition borrowing facility in Oslo Properties and the NOK 433 million cash payment made by Norwegian Property are additional interest costs/reduced interest income of NOK 66 million and NOK 14 million respectively.

The adjustment of interest cost is calculated based on actual average interest rates paid for the period in 2007, and the adjustment of interest income is calculated based on average actual interest rates received for the period in 2007.

Minority interests of 82.5% are calculated on the additional interest costs related to the acquisition borrowing facility in Oslo Properties. Income taxes of 28% are calculated on profit before tax.

9.3.3 Independent Report on examination of the unaudited pro forma condensed combined statement of income and balance sheet for the financial year ended 31 December 2007

The Company's auditor Deloitte has issued an independent report on the unaudited pro forma condensed financial information. The report is included in Appendix 7 to this Prospectus.

10. OPERATING AND FINANCIAL REVIEW

You should read the following discussion of the financial condition and results of operations in conjunction with the financial statements included in Section 8 this Prospectus. The following discussion may contain forward-looking statements that are based on current assumptions and estimates by the Company's management regarding future events and circumstances. The Company's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of many factors, including those described in Section 2 "Risk factors".

10.1 COMPARISON FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008 AND 2007

10.1.1 Operating revenue

The gross rental income for the first quarter of 2008 was NOK 283.2 million (NOK 472.1 including Norgani Hotels), compared to NOK 248.6 million for the same period last year. The increase of approximately NOK 35 million was related to the acquisition of the DnB-headquarter at Aker Brygge, completion of the Aker Hus property, annual CPI-adjustments of rents and renegotiation of expiring rental agreements with corresponding rental increases.

10.1.2 Operating expenses

The total operating cost for the first quarter of 2008 was NOK 31.4 million (NOK 66.4 million including Norgani Hotels) compared to NOK 30.1 million for the same period of 2007. The change in operating expences is minimal reflecting effective operation of the properties and maintenance activity in line with the preceeding year.

10.1.3 Operating profit

The operating profit was NOK 55.0 million for the first quarter of 2008 (NOK 313.7 million including Norgani Hotels) compared to NOK 445.9 million for the same period of 2007. Net loss from fair value adjustments on investment properties in the first quarter 2008 was NOK 197.0 million (when excluding the Norgani Hotels) compared to a gain of NOK 227.4 million in the same quarter of 2007.

10.1.4 Net financial items

Net financial items was NOK 261.6 million for the first quarter of 2008 (NOK 480.6 million including Norgani Hotels) compared to NOK 100.6 million for the same period of 2007. Negative change in market value of financial derivatives was NOK 67.3 million in the first quarter 2008 compared to a positive change in the same quarter 2007 of NOK 58 million. The remaining increase in net finanical items is mainly attributable to acquisition of the DnB NOR-headquarter at Aker Brygge, completion of Aker Hus at Fornebu and incrasing short term market interest rates.

10.1.5 Profit before/after tax

Profit before tax for the first quarter of 2008 was NOK -206.6 million (NOK -166.9 million including Norgani Hotels) compared to NOK 345.4 million for the same quarter in 2007. The decrease is mainly due to negative changes in fair value adjustment on investment properties and negative changes in market value of financial derivative instruments.

The income tax expense for the first quarter of 2008 is calculated to NOK 57.8 million (NOK 46.7 million including Norgani Hotels) compared to NOK 96.7 million for the same period in 2007. The profit for the period for 2008 was NOK -148.7 million (NOK -120.2 million including Norgani Hotels) compared to NOK 248.7 million for the same period of 2007.

10.1.6 Cash and cash equivalents

The Group had cash and cash equivalents for the first quarter of 2008 equalling NOK 512.5 million (including Norgani Hotels) compared to NOK 635.5 million (including Norgani Hotels) at year end 2007. The change is related to a net effect of positive operational cash flow and a net negative effect from investment and financing activities.

10.1.7 Liabilities

Total liabilities was NOK 26,938.4 million (including Norgani Hotels) for the first quarter of 2008, compared to NOK 27,051.2 million at year end 2007 (including Norgani Hotels). The slight decrease is mainly due to minor reductions in other liabilities and deferred tax liability.

10.1.8 Total equity

The Group's total equity (including Norgani Hotels and minorities) was NOK 6,731.5 million for the first quarter of 2008 compared to NOK 6,830.9 million at year end 2007. The reduction is mainly related to dividend payments in 2007, minority interests in Oslo Properties, currency translation differences and effects from profit after minorities.

10.1.9 Significant changes in the Company's financial or trading position since 31 March 2008

Except for the agreements on sale of properties totaling approximately NOK 414 million entered into in April and May 2008 as described in Section 6.2 below, there have been no significant changes in the financial and trading position of Norwegian Property subsequent to 31 March 2008.

10.2 COMPARISON FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2007 AND 2006

10.2.1 Operating revenue

The gross rental income for the year 2007 was NOK 1,195.7 million compared to NOK 414.7 million for 2006. 2006 was a start up year for Norwegian Property with only 7 months of operation and a number of properties acquired during the second half of 2006. The increase of approximately NOK 781 million was mainly due to a full year of operation, acquisitions made during 2006 and 2007 and the acquisition of Norgani Hotels (NOK 185.2 million). Positive effects were also seen from positive CPI-adjustments and renegotiation of leases.

10.2.2 Operating expenses

The total operating cost for the year 2007 was NOK 159.4 million compared to NOK 63.1 million for the year 2006. The increase of NOK 96.3 million was attributable to a full year of operation, increased acitivity and the acquisition of Norgani.

10.2.3 Operating profit

The operating profit was NOK 2,264.7 million for the year 2007 compared to NOK 744.9 million for 2006. The increase of NOK 1,519.8 million was attributable to a full year of operation, acquisitions of Norgani Hotels and new properties and a larger effect from fair value adjustments of properties (NOK 835.2 million).

10.2.4 Net financial items

Net financial items was NOK -614.1 million for the year 2007 compared to NOK -205.5 million for 2006. The negative change of NOK 408.6 million was mainly attributable to a full year of operation and the acquisitions of Norgani Hotels and the DnB NOR-headoffice at Aker Brygge. Change in market value of financial derivatives was NOK 200 million more positive in 2007 than in 2006.

10.2.5 Profit before/after tax

Profit before tax for the year 2007 was NOK 1,650.6 million compared to NOK 539.5 million for 2006. The increase is mainly due to a full year of operation, gains from fair value adjustments of properties and positive changes in market value of financial derivatives.

The income tax expense for 2007 was NOK 460.7 million compared to NOK 148.6 million for 2006. The profit for 2007 was NOK 1,189.8 million compared to NOK 390.9 million for 2006.

10.2.6 Cash and cash equivalents

The Group had cash and cash equivalents equalling NOK 635.5 million at the end of 2007 compared to NOK 1,252.5 million at the end of 2006. The increase in 2007 is related to NOK 1,066.9 million in cash flow from operating activities, net investments of NOK 8,363.4 million including the acqusition of Norgani Hotels, net proceeds from equity issue of NOK 479.4 million, dividend payments of NOK 263.7 million and other financing activities of NOK 6,460 million. Changes in exchange rates only had minor effects.

10.2.7 Liabilities

Total liabilities was NOK 27,051.2 million for the year 2007 compared to NOK 11,514.7 million for the year 2006. The increase is mainly due to the acquisition of Norgani Hotels, the acquisition of the DnB NOR-headquarter at Aker Brygge and the completion of the acquisition of the IFN-portfolio in Nydalen.

10.2.8 Total equity

The Group's total equity was NOK 6,830.9 million for 2007 compared to NOK 5,373.2 million for 2006. The increase is related to net income of NOK 1,121.9 million, equity issue with net proceeds of NOK 485.1 million, dividend payment of NOK 263.7 million and net effect related to the Oslo Properties/Norgani Hotels acquisition of NOK 130 million (minorites in Oslo Properties).

11. CAPITAL RESOURCES

The Company has raised approximately NOK 5,348 million through issuing new Shares. These funds have partly financed the Group's commitments and liabilities. In addition, the Group has total interest bearing debt of NOK 23,171 million. In addition, Norwegian Property has a potential liability to acquire shares in Oslo Properties based on put/call options with a discounted value of NOK 1,621 million, see Section 11.5 "Borrowings" below.

As of 31 March 2008, the Company had cash and cash equivalents of NOK 512.5 million.

11.1 CASH FLOWS

The Group's main sources of cash flow are equity issues, borrowings from banks and cash flow from operations.

All comments below regarding historical cash flows are derived from the combined historical information as presented in Section 8.3.3 above. Below is a summary of the Group's cash flow:

NOK 1,000	1Q 2008 (unaudited)[24]	1Q 2007 (unaudited)	2007 (audited)[25]	2006 (audited)
Net cash flow (used in/generated from) operating activities..	302,437	273,344	1,066,873	576,311
Net cash flow (used in) investing activities........	27,938	(2,275,985)	(8,363,412)	(14,823,896)
Net cash flow generated from/(used in) financing activities..	(453,645)	1,615,245	6,675,980	15,499,947

The cash flow from operating activities in 2007 amounted to NOK 1,067 million compared to NOK 576.3 million for the year 2006. The doubling in cash flow from operating activities in 2007 relates to a full year of operation and increased activity resulting from acqusitions of new properties and Norgani Hotels. Net cash flow from operating activities for the first quarter of 2008 was NOK 302.4 million compared to NOK 273.3 million for the same quarter of 2007. As a consequence of shorter roll over periods for the interest payments in the first quarter, a negative periodisation effect of NOK 50 million relating to interest payments was charged in the first quarter. In addition, some negative periodisation effects relating to rental payments have effected the first quarter of 2008.

The cash flow from investing activities in 2007 amounted to NOK 8,363 million compared to NOK 14,824 million for the year 2006. The amount in 2006 relates mainly to fewer acquisitions in 2007 compared to 2006.The net cash flow from investing activities was NOK 27.9 million in 2008 compared to NOK -2,276 million for the same quarter of 2007. The cash flow for the first quarter of 2008 is relating to the net effect of sold assets and ordinary capital expenditures, whereas the investments in 2006 are mainly related to the completion of the acquisition of the IFN-portfolio.

The cash flow from financing activities decreased with NOK 8,824 million in 2007 from NOK 15,500 million in 2006 to NOK 6,675.9 million in 2007. The decrease is related to reduced investment activity and consquently reduced financing needs. Net cash flow from financing activities was NOK -453.6 million compared to NOK 1,615 million for the same period of 2007.

The funding of the Company is described in detail in Sections 11.4 "Capitalization and indebtedness" and 11.5 "Borrowings" below.

For further information regarding the Company's capital expenditures, see Section 11.6 "Investments" below.

[24] Includes Oslo Properties/Norgani Hotels.

[25] Includes Oslo Properties/Norgani Hotels from 24 September 2007.

11.2 WORKING CAPITAL STATEMENT

The Company's working capital is sufficient to cover its present requirements. See also Section 11.3 and 11.4 below.

The Group's primary resource is internally generated cash flow from operations, which is forecasted to meet existing financial obligations.

11.2.1 Key ratios

The table below shows the key ratios for the Group:

	31.03.2008	31.12.2007
Working capital ratio[26]	39.4%	44.5%
Debt to equity ratio[27]	78.6%	78.4%
Solidity[28]	20.0%	20.2%

11.3 FUNDING STRUCTURE AND RESTRICTIONS ON USE OF CAPITAL

Norwegian Property anticipates that by taking into account generally expected market conditions, internally generated cash flow, funds to be raised from the Rights Offering, the funds will be sufficient to fund operations of the Company's activities and to fulfill its commitments.

As of 31 December 2007, the Group was funded by NOK 6,830.9 million in equity and had NOK 24,828.0 million in interest bearing debt (including the potential obligation to take out minorities in Oslo Properties). In addition, the Group held NOK 635.5 million in cash at the end of 2007.

The Company believes that, together with the proceeds from the Rights Offering, funds from operations and funds available under its bank facilities will be sufficient to support the organic part of the Company's growth strategy. The adequacy of available funds will depend on many factors, including the further growth of the business, capital expenditures, market development, competition and potential acquisitions. Accordingly, the Company may require additional funds and seek to raise such funds through issuing new equity and debt.

As long as the bank acquisition facilities in Oslo Properties remain in place, the cash generation in Norgani Hotels in excess of a certain threshold shall be used for downpayment of the acquisition facility.

The Company has term loans, credit and bank facilities in addition to bond loans that include covenants that restrict the use of capital. These facilities and the covenants are further described in Section 11.5 below.

11.4 CAPITALISATION AND INDEBTEDNESS

The Group's equity as of 31 March 2008 totalled NOK 6,731.5 million, representing an equity ratio of approximately 25%. The Board of Directors regards this as satisfactory in the light of current activities relating to the Rights Offering, the sale of certain assets and agreements with certain of the minority shareholders in Oslo Properties which provide the opportunity to convert their shareholdings in Oslo Properties to shares in Norwegian Property. To optimise the long-term return, the board has had a "loan to value" target of borrowing up to 75% of the value of the Company's properties. At times when major purchases are made, this debt ratio could be higher. In light of the recent financial market development, the capital structure will be reviewed and possibly adjusted to secure fullfilment of the Company's goals, strategy and development.

The table below sets forth the Company's unaudited consolidated cash and cash equivalents and capitalisation as of 31 March 2008 on an actual basis. This table should be read together with the consolidated financial statements and the related notes hereto, as well as the information under Section 8 "Financial Information".

[26] Current assets/current liabilities.
[27] Total interest bearing debt/total equity plus total interest bearing debt.
[28] Equity/total capital.

The table below is for illustrative purposes only.

Amounts in thousand NOK	31.03.2008 Unaudited
Current debt	
Guaranteed	0.0
Secured[29]	3,130.6
Unsecured[30]	664.5
Total current debt	**3,795.1**
Non-current debt	
Secured[31]	21,662.3
Unsecured[32]	1,481.0
Total non-current debt	**23,143.3**
Shareholders' equity	
Share capital	2,637.0
Legal reserve	1,211.1
Other reserves	2,883.4
Total	**6,731.5**

Amounts in thousand NOK	31.03.2008 Unaudited
Cash and cash equivalents	512.5
Trading securities	0
Liquidity	**512.5**
Current financial receivable, including net market value financial derivative	**497.5**
Current bank debt	0
Current portion of non-current debt	1,509.2
Other current financial debt[33]	1,621.4
Current financial debt	**3,130.6**
Net current financial indebtedness	**2,120.6**
Non-current bank loans	20,151.3
Bonds issued	1,511.0
Other non-current loans	0
Non-current financial indebtedness	**21,662.3**
Net financial indebtedness	**23,782.9**

[29] Interest bearing debt.
[30] Deferred tax plus financial derivatives.
[31] Interest bearing debt plus commitment regarding Oslo Properties.
[32] Accounts payable and other liabilities.
[33] Obligation to take out minorities in Oslo Properties.

11.5 BORROWINGS

11.5.1 Overview of the total interest bearing debt and hedging

Total interest bearing debt as of 31 March 2008 was NOK 23,171 million. In addition, Norwegian Property has a potential liability to acquire shares in Oslo Properties based on put/call options with a discounted value of NOK 1,621 million. A total of NOK 16,316 million of the interest bearing debt has been hedged, corresponding to a hedge ratio of 70%. The average interest for the interest bearing debt (including the bank acquisition financing in Oslo Properties) was approximately 5.44% and the average loan margins was 77 basis points.

11.5.2 Debt financing of commercial property portfolio

Norwegian Property currently has the following debt facilities in respect of its commercial property portfolio:

Type of debt facility	Lender	Principal debtor	Facility amount (MNOK)	Principal amount 31/03/08 (MNOK)	Final maturity
Term loan and revolving credit facilities	Bank syndicate lead by Nordea and SEB	Norwegian Property Holding AS	11,000	10,787.6 drawn 10,496.6	06/06/2012
Bond issues	Bondholders (Norsk Tillitsmann ASA as loan trustee)	Norwegian Property ASA	386 302 823		22/03/2012 22/03/2010 22/03/2012
Commercial bonds	Nykredit Realkredit A/S and Nykredit Bank A/S	Skøyen Bygg 2 AS Skøyen Bygg 3 AS Skøyen Bygg 4 AS Skøyen Bygg 5 AS Skøyen Bygg ANS	961	957.7	31/12/2013
Bank facility	Storebrand Bank ASA	Drammensveien 134-1 AS	509	505	31/03/2018
Bank facility	DnB NOR Bank ASA	Drammensveien 144 Holding KS Drammensveien 144 KS	EUR 32m	EUR 32m	13/12/2030

Term loan and revolving credit facilities

The NOK 11 billion term and revolving facilities (the "**Bank Facilities**") referred to above (and which were both established in July 2007 and amended in February 2008) comprise the main debt facilities of Norwegian Property, and is split in a NOK 10 billion Term Loan Facility and a NOK 1 billion Revolving Credit Facility. The main terms of the Bank Facilities include:

- *Interest*: NIBOR plus an applicable margin of 60 bp.
- *Interest rate hedging*: Maintain an interest rate hedge of at least 70% of the interest rate exposure.
- *Amortisation*: As of 31 March 2008 amortisation for this facility was 1.00% p.a. based on an LTV below 70% in Norwegian Property Holding AS. Annual amortisation to increase if LTV increases above certain thresholds (maximum 2.50% at LTV above 80%).
- *Financial covenants*: Agreed senior interest cover ("**ICR**"), loan to value ("**LTV**") and debt service coverage ("**DSCR**") ratios as follows: ICR of minimum 1.4 (increasing to 1.5 after 3 years), LTV of maximum 85% and a DSCR of minimum 1.1.
- *Other covenants*: The Bank Facilities contain undertakings which are customary for credit facilities of this nature, including the following general undertakings (applicable to the Norwegian Property Holding AS group if not stated differently):
  - negative pledge in relation to assets;
  - cross default;
  - restrictions on new financial indebtedness without the prior approval of the lending banks (unless financed on a stand-alone/non-recourse basis and provided that the group's financial covenants are complied with);

- mandatory prepayment provisions relating to disposal of properties (save for substitution of properties within 9 months);
- restrictions on granting of loans, credit or guarantees;
- restrictions on mergers, demergers, amalgamations without the lenders' approval; and
- restrictions on payment of dividends or making other distributions to its shareholders if not in compliance with its financial covenants.

- *Change of control:* If Norwegian Property is to be de-listed from Oslo Børs or, alternatively, a person (or persons acting in concert) obtains or controls more than 50% of the share capital or voting rights, the lenders may demand full repayment of the Bank Facilities within 120 days.
- *Repayment*: The Bank Facilities mature in full on 6 June 2012.
- *Security and guarantees*: First priority security interests in assets owned or related to the companies benefiting from the Bank Facilities, comprising real properties, subsidiaries' shares, trade receivables, intercompany loans, insurance proceeds, bank accounts, claims under hedging arrangements and claims against sellers. In addition, Norwegian Property, Norwegian Property Holding AS and the other obligors have (subject to relevant limitations) guaranteed all amounts owed by each obligor under the Bank Facilities and related hedging arrangements.

Bond issues
Norwegian Property has issued the following three series of bond issues in the Norwegian bond market (the "**Bond Issues**"):

- ISIN NO 001 035374.1: 5.50% Norwegian Property ASA Bond Issue 2007/2012 (NOK 386 million);
- ISIN NO 001 035375.8: FRN Norwegian Property ASA Bond Issue 2007/2012 (NOK 823 million); and
- ISIN NO 001 035376.6: FRN Norwegian Property ASA Bond Issue 2007/2010 (NOK 302 million).

The main terms of the Bond Issues include:

- *Coupon in respect of the NOK 823 million bond issue*: NIBOR plus 45 bps.
- *Coupon in respect of the NOK 302 million bond issue*: NIBOR plus 70 bps.
- *Covenants*: The Bond Issues are based on the prevailing market terms for this type of issues in the Norwegian market, including restrictions on the subsidiaries connected to the properties.
- *Security*: First priority security interests in the properties Finnestadveien 44, Maridalsveien 323, Middelthunsgate 17 and Forusbeen 35, the shares of the property owning and title holding subsidiaries, related bank accounts and claims under intercompany loan agreements owed to Norwegian Property.

Separate loan financing
a. Skøyen Bygg
The Skøyen Bygg properties have been separately financed by a NOK 768 million mortgage loan agreement and a NOK 195,750,000 bank loan agreement (together, the "**Skøyen Bygg Loan Agreements**") with Nykredit Realkredit A/S and Nykredit Bank A/S as respective lenders. Norwegian Property has guaranteed the obligations of the borrowers.

The main terms of the Skøyen Bygg Loan Agreements include:

- *Interest*: NIBOR plus an average margin of 55 bp.
- *Financial covenants*: Consolidated ICR for Skøyen Bygg ANS on or before 31 December 2009 to be maintained at 1.4 and thereafter 1.5.
- *Amortisation*: The bank loan amortises in quarterly repayment amounts, whereas the mortgage loan will be repaid in full on the final maturity date.
- *Security*: First priority security interests in the properties.

b. Drammensveien 134
The property Drammensveien 134 has been separately financed by a NOK 522 million loan against a promissory note (the "**DRV 134 Loan Agreement**") with Storebrand Bank ASA.

The main terms of the DRV 134 Loan Agreement include:

- *Interest*: NIBOR plus an interest margin of 65 bps.
- *Financial covenants*: Liquidity reserve of minimum NOK 1 million to be maintained.
- *Amortisation*: The loan will amortise over 25 years (so that the outstanding amount will be NOK 355 million by 2020 and 268.3 million by 2025).
- *Security*: First priority security interests in the property, the interest swap arrangements and the shares in the title holding subsidiaries of Drammensveien 134-1 AS.

c. Drammensveien 144

Drammensveien 144 has been separately financed by a EUR 32,621,861 loan agreement (the "**DRV 144 Loan Agreement**") with DnB NOR Bank ASA as lender. The loan is divided into two tranches: tranche A of EUR 25,466,877 and tranche B of EUR 7,154,984.

The main terms of the DRV 144 Loan Agreement include:

- *Interest*: EURIBOR plus an interest margin of 37.5 bp.
- *Hedging*: The borrowers shall maintain an interest rate hedge of minimum 75% for a minimum average period of 8 years or until final maturity.
- *Financial covenants*: Each of the borrowers to maintain free cash in a total of NOK 1.5 million.
- *Amortisation*: Tranche A is to amortise over 11 years, whereas tranche B will amortise in quarterly instalments in 2018 with the remaining outstanding amount falling due on 2 January 2019.
- *Security*: First priority security interests in the property, the shares of the borrowers and of the other related entities and claims under the lease agreement with the tenant. Drammensveien 144 Holding KS has also provided a EUR 42,400,000 guarantee as security for the obligations of Drammensveien 144 KS.

d. Further undertakings

The loan agreements referred to in a-c above contain further undertakings which are customary for loan arrangements of this size and nature, including:

- cross default provisions;
- restrictions on financial indebtedness;
- restrictions on termination of or negative material changes to the respective lease contracts;
- change of control restrictions; and
- requirements to liquidity and restrictions on dividend payments.

11.5.3 Debt financing related to the acquisition of Norgani Hotels

Through a joint investment in Oslo Properties, Norwegian Property, together with certain other investors, acquired all the shares in Norgani Hotels pursuant to a public offer in the autumn of 2007. The acquisition was partly financed under a NOK 1,700 million multicurrency term loan and guarantee facility agreement (the "**OPAS Facility Agreement**") with Oslo Properties as borrower and a NOK 450 million short term credit facility agreement (the "**Short Term Facility Agreement**") with Norwegian Property as borrower. Both loan facilities have been arranged by Nordea and SEB.

Type of debt facility	Lender	Principal debtor	Principal amount (MNOK)	Final maturity
Multicurrency term loan and guarantee facilities	Bank syndicate lead by Nordea and SEB	Oslo Properties	1,700	02/10/2010
Term loan facility	Nordea and SEB	Norwegian Property	450	03/10/2008

Multicurrency term loan and guarantee facilities

The facilities under the OPAS Facility Agreement have mainly been utilised to finance parts of the acquisition costs and issuing the offer guarantee in relation to the compulsory offer for the shares of Norgani Hotels. Norwegian Property has guaranteed the obligations of Oslo Properties.

The main terms of the OPAS Facility Agreement include:

- *Interest*: NIBOR plus an interest margin of 150 bp until 2 April 2009 and 200 bp thereafter. The said interest margin to be adjusted to 100 bp upon Oslo Properties achieving an LTV on a consolidated basis below 75%.
- *Financial covenants*: A minimum consolidated interest cover ratio of (A) 1.60 on a consolidated basis for the Norgani Hotels group and (B) on a consolidated basis for the Norwegian Property Group (i) 1.40 until 2 April 2009 and (ii) 1.50 thereafter. A maximum LTV of (A) 90% for the OPAS group until 2 April 2009 and 75% thereafter, (B) 85% for the Norgani Hotels group and (C) 85% for the Norwegian Property Group. DSCR to be maintained for the Norwegian Property Group of 1.1.
- *Repayment*: Oslo Properties to repay outstanding loans by an amount equal to the available cash flow of the Norgani Hotels group in each quarter. Remaining outstanding loans to be repaid on the final maturity date.

- *Other* covenants: The OPAS Facilities Agreement contains undertakings which are customary for credit facilities of this nature, including:
    - Restrictions on new financial indebtedness within the Oslo Properties group;
    - Negative pledge applying to the Oslo Properties group;
    - The Norgani Hotels group to maintain hedging arrangements covering 70% of the consolidated outstanding financial indebtedness of that group from time to time;
    - Restrictions on disposal of shares in subsidiaries/properties of the Oslo Properties group, in that sales will (unless proceeds from such sale being reinvested) trigger a mandatory prepayment;
    - No changes to the existing commitments to subscribe for equity in Oslo Properties;
    - Oslo Properties to make no dividend payments, no extraordinary repayment of the intercompany loan arising under the Short Term Facility Agreement, no extraordinary payments in respect of the commitments to subscribe for equity in Oslo Properties and no acquisition of own shares;
    - Restrictions on acquisitions by the Norgani Hotels group with a total asset value in excess of NOK 200 million per calendar year (and then provided that Oslo Properties can demonstrate that such acquisitions will have a positive operational cash flow after ordinary debt service);
    - The Norwegian Property Group not to incur further financial indebtedness if the consolidated financial indebtedness exceeds 85% of the market value of the properties of the Group;
    - Norwegian Property to maintain hedging arrangements of at least 70% of the Group's interest rate exposure with a minimum average period for 5 years, such average period not to fall below two years at any time; and
    - Change of control: the lenders are entitled to terminate the OPAS Facility Agreement and demand prepayment within 120 days if (i) a person (or a group of persons acting in concert) controls more than 50% of the shares/votes in Norwegain Property or Oslo Properties or (ii) the shares of Norwegian Property are de-listed from Oslo Børs. The change of control restrictions do not apply to Norwegian Property or any of its subsidiaries obtaining control of Oslo Properties

Short Term Facility Agreement
Funds drawn under the Short Term Facility Agreement have been onlent by Norwegian Property to Oslo Properties under an intercompany loan. Parts of the proceeds have also been used to redeem the former NOK 250 million bond issue by Norgani Hotels.

The main terms of the Short Term Facility Agreement include:
- *Interest*: NIBOR plus an interest margin of 150 bps. The said interest margin to be adjusted to 100 bp upon Oslo Properties achieving an LTV on a consolidated basis below 75%.
- *Financial covenants*: A minimum consolidated ICR of (A) 1.60 on a consolidated basis for the Norgani Hotels group and (B) 1.40 on a consolidated basis for the Norwegian Property Group. A maximum LTV ratio of (A) 90% for the Oslo Properties group until 2 April 2009 and 75% thereafter, (B) 85% for the Norgani Hotels group and (C) 85% for the Norwegian Property Group. DSCR to be maintained for the Norwegian Property Group of 1.1.
- *Repayment*: Outstanding loans shall be repaid in full on the final maturity date.
- *Other* covenants: The Short Term Facility Agreement contains undertakings which are customary for credit facilities of this nature and mirror those of the OPAS Facilities Agreement.

11.5.4 Debt financing of the hotel property portfolio

The Norgani Hotels group currently has the following debt facilities in respect of its hotel property portfolio:

Type of debt facility	Lender	Principal debtor	Principal amount	Principal amount 31/03/2008	Final maturity
Multicurrency term loan and revolving credit facilities	Bank syndicate lead by SEB	Fastighets AB Prince Philip	EUR 13m DKK 640m NOK 1,435m SEK 1,840m NOK 150m	EUR 47m SEK 1,594m NOK 1,546m	27/04/2013
Bank facility	Handelsbanken	Hotelleiendom i Sverige AB	SEK 1,150m		15/06/2015
Term loan facilities	Bank syndicate lead by SEB and Hypo Real Estate Bank Int. AG	Norgani Suomi Holding AB	EUR 239.5m	EUR 232.8m	31/08/2011
Term loan facility	SEB	Norgani Sweden Holding AB	SEK 565m	SEK 565m	30/09/2008
Note loan FRN	Noteholders (Norsk Tillitsmann ASA as loan trustee)	Norgani Hotels	NOK 500m	NOK 95m	23/07/08
Overdraft credit facilities	SEB	Norgani Hotels	NOK 75m	NOK 0	Annual renewal

Multicurrency term loan and revolving facilities
In April 2006, Norgani Hotels entered into a 7 year facilities agreement (the "**Facilities Agreement**") with a syndicate of banks lead by SEB, pursuant to which the company was granted secured term loan facilities as follows: EUR 13 million, DKK 640 million, NOK 1,435 million and SEK 1,840 million, and a MCCY Revolving Credit Facility of NOK 150 million. As part of a reorganisation of the Norgani Hotels group, the Swedish subsidiary Fastighets AB Prince Philip ("**Prince Philip**") assumed all borrowings under the Facilities Agreement in December 2006. Norgani Hotels is now obligated under the Facilities Agreement as parent company and guarantor. The borrower's obligations are also supported by a guarantee from Norwegian Property.

The proceeds drawn under the above term loan facilities serves as long term financing source of the Norgani Hotels group and may also be utilised to support the financing of any future acquisition of additional hotel properties Norgani Hotels (or its subsidiaries) going forward.

The multicurrency revolving credit facility shall be used for general corporate purposes.

The main terms of the Facilities Agreement include:

- *Interest*: EURIBOR/CIBOR/NIBOR/STIBOR plus an interest margin of 110 bp., said interest margin to be revisited by the parties after five years.
- *Hedging arrangements*: Prince Philip shall maintain an interest rate hedge in the range between 60% to 50% for a minimum average period of 3 years at any time during the term of the Facilities Agreement.
- *Financial covenants*: Both Prince Philip and Norgani Hotels to maintain an ICR of not less than 2.0 and an Equity Ratio of more than 15%.
- *Other* covenants: The Facilities Agreement contains undertakings which are customary for credit facilities of this nature, including:
    - Restrictions on any new financial indebtedness;
    - Negative pledge;
    - Restrictions on disposal of shares in subsidiaries/properties of Norgani Hotels, in that sales will (unless proceeds from such sale being reinvested) trigger a mandatory prepayment;
    - Any dividend payment made during the first 4 years in excess of 10% of the company's paid-in equity will result in an obligation to prepay the term loans with an amount equal to such excess amount paid in dividend; and

- Change of control: Majority lenders (66.67%) are entitled to terminate the Facilities Agreement and demand prepayment within 120 days if (a) a person (or a group of persons acting in concert) controls more than 50% of the shares/votes of of Norwegian Property; or (b) the shares in Norwegian Property are de-listed from Oslo Børs; or (c) Norwegian Property ceases to control more than 50% of the voting rights in Oslo Properties; or (d) Oslo Properties ceases to control more than 90% of the shares/votes of Norgani Hotels.

- *Amortisation*. The term loans granted under the Facilities Agreement will amortise with 1.50% per year (first repayment date being on 30 September 2006), increasing to 2.25% per year from 30 June 2007. Said amortisation profile to be adjusted depending on the ratio of loan to value of the relevant hotel properties financed (LTV), with a minimum of 0.50% and a maximum of 3.00%.

The loans provided to Prince Philip under the Facilities Agreement are secured by way of, i.a., first priority mortgages against each of the relevant hotel properties, pledge of shares and accounts in subsidiaries, as well as upstream guarantees from each of Prince Philip's subsidiaries being financed under the Facilities Agreement.

Stand-alone financing of the Hotelleiendom AS ("HEAS") portfolio

When acquiring the Hotelleiendom AS ("**HEAS**") portfolio in December 2005, it was decided and agreed with the existing lenders to that portfolio of properties that Norgani Hotels would continue the financing arrangements already in place. Hence, the HEAS portfolio, which is now owned by the Norgani Hotels' subsidiary Norgani Hotelleiendom AS and its respective subsidiaries, is financed on a stand-alone basis outside the Facilities Agreement referred to above.

These financing arrangements include certain long term loan facilities with Svenska Handelsbanken AB (together, the "**HEAS Facilities**") as follows:

- a SEK 460 million floating interest term loan facilities, amortising with yearly repayments of SEK 12,1 million; and
- three SEK 230 million (in total SEK 690 million) fixed interest bullet loan facilities (with interest rates of 3.42%, 3.98% and 4.19%respectively).

The HEAS Facilities all mature on 15 June 2015 and are secured with, inter alia, first priority mortgages in the HEAS portfolio of properties.

Stand-alone financing of the Kapiteeli portfolio

For the purpose of the acquisition of the Kapiteeli hotel portfolio, the Swedish subsidiary of Norgani Hotels, Norgani Suomi Holding AB ("**Suomi Holding**"), has entered into a 5 year syndicated facility agreement (the "**Kapiteeli Facilities Agreement**") with SEB as agent, pursuant to which Suomi Holding has been granted a secured term loan facility in the maximum amount of EUR 239,500,000. The purpose of the Kapiteeli Facility Agreement is to provide stand-alone financing of part of the purchase price for the Kapiteeli hotel portfolio.

The main terms of the Kapiteeli Facilities Agreement include:

- *Interest*: EURIBOR plus an interest margin of 90 bps.
- *Hedging arrangements*: Suomi Holding shall maintain an interest rate hedge in the range between 70% to 50% for a minimum average period of 3 years at any time during the term of the Facilities Agreement.
- *Financial Covenants*: The Suomi Holding group to maintain an ICR (expressed as a percentage) of not less than (i) 125% prior to 29 June 2008 and (ii) 135% thereafter and keep a LTV (expressed as a percentage) of maximum 85% for the Kapiteeli hotel portfolio. In addition, an ICR (expressed as a percentage) of not less than 160% and an Equity Ratio (expressed as a percentage) of not less 15% shall be maintained on the Norgani Hotels group level.
- *Other Covenants*: The Kapiteeli Facility Agreement contains undertakings customary for acquisition term loan facilities of this nature, including:
    - Restrictions on new financial indebtedness;
    - Negative pledge;
    - Restrictions on disposal of shares in subsidiaries/properties; and
    - *Change of control*: Majority lenders (66.67%) are entitled to terminate the Kapiteeli Facility Agreement and demand prepayment within 90 days if (a) a person (or a group of persons acting in concert) obtain directly or indirectly control of more than 50% of the shares/votes of Norgani Hotels, (b) any party, whether individually or a group acting in concert, acquires more than 50% of the shares/voting rights in Norwegian Property, (c) Norwegian Property ceases to be listed on Oslo Børs, (d) Norwegian Property ceases to control more than 50% of the voting rights in

respect of Oslo Properties or Oslo Properties ceases to control (directly or indirectly) more than 90% of the share capital/voting rights in Norgani Hotels, (e) Norgani Hotels ceases to have full voting or ownerships rights in respect of Norgani Sweden Holding AB, (f) Norgani Sweden Holding AB ceases to have full voting or ownerships rights in respect of Suomi Holding or (g) any shares in Norgani Sweden Holding AB or in any Suomi Holding group company are listed on a stock exchange.

- *Amortisation*. The term loans granted under the Kapiteeli Facility Agreement amortise with approximately 2.0% per year (when the company has provided the guarantee referred to above one amortisation free year will follow). The amortisation will be adjusted depending on the LTV ratio of the financed hotel properties.

The loan pursuant to the Kapiteeli Facility Agreement is secured by way of, i.a., first priority mortgages against each of the relevant hotel properties of the Kapiteeli hotel portfolio, pledge of shares and accounts in subsidiaries, pledge of intra-group long-term receivables, pledge of proceeds emanating from insurance policies for the acquired hotel properties, floating charge over the business of the subsidiaries, as well as upstream guarantees (to the extent permissible under applicable law) from each of Suomi Holding's subsidiaries being financed by the acquisition debt.

Stand-alone financing of acquired hotels in 2007

During 2007, Norgani Hotels acquired the shares in the companies owning the hotels Scandic Hasselbacken Hotel, Scandic Alvik Hotel, Radisson SAS Linköping Hotel and Clarion Collection Hotel Bastion. The acquisitions were part-financed under a secured SEK 565 million facility agreement (the "**SH Facility Agreement**") with Norgani Sweden Holding AB ("**Sweden Holding**") as borrower, SEB as lender and Norgani Hotels as guarantor. The SH Facility Agreement requires Norgani Hotels separately and on a consolidated level to maintain an equity ratio of more than 15% and an interest coverage ratio of minimum 1.60. The loan will mature in full on 30 September 2008.

Other covenants:

- Change of Business
- Negative Pledge
- Restrictions on new Financial Indebtedness
- Cross-default

Note Loan Agreement FRN (ISIN NO 001 037877.1)

For its general financing Norgani Hotels has issued a series of loan notes (the "**Loan Notes**") on customary terms in the total aggregate amount of NOK 500 million in the Norwegian market with Norsk Tillitsmann ASA as trustee. The Loan Notes require a consolidated equity ratio of at least 20% and a consolidated interest coverage ratio of minimum 1.20. The coupon rate is NIBOR plus 70 bps. The Change of Control clause gives each Note holder a put option in case a shareholder obtains more than 40% of the voting shares.

Overdraft credit facilities

For its working capital purposes, Norgani Hotels has entered into an agreement for overdraft credit facilities (the "**Overdraft Agreement**") on customary terms with SEB in the maximum amount of NOK 75 million. An agreement for new overdraft credit facilities is being negotiated, but the Overdraft Agreement will stay in force until such new arrangement is in place. The Overdraft Agreement requires a consolidated equity ratio of at least 15% and a consolidated interest coverage ratio of minimum 2.0.

11.6 INVESTMENTS

11.6.1 Historical investments

The Company has performed the following investments in subsidiaries (unaudited):

Oslo Properties gained control over Norgani Hotels on 24 September 2007, and owns all shares in the company at year end 2007. For accounting purposes it is assumed that Norwegian Property controls Oslo Properties. Oslo Properties/Norgani Hotels is consolidated as a part of the Norwegian Property Group from 24 September 2007.

Norwegian Property owns 17.5% of the shares and has entered into put/call option agreements to acquire an additional 76% of the shares in Oslo Properties. Management functions in Oslo Properties are appointed by Norwegian Property, and Norwegian Property also has the right to designate 3 out of 5 board members in Oslo Properties (including the chair).

The acquisition of Norgani Hotels is treated as a business combination according to IFRS 3. All previous acquisitions made by the Group in 2006 and 2007 have been purchases of single purpose entities. The purchase consideration of Norgani Hotels is calculated as follows (as of 31 December 2007 – for further details see note 24 in Annual report for 2007, included in Appendix 3 in this Prospectus):

Purchase price for the shares in Norgani Hotels..	**3,718,688**
Interst/discounting effects related to the put/call option agreement	48,157
Cost related to the takeover	94,269
Total purchase price..	**3,861,114**
Fair value of net assets acquired, exlusive goodwill...	2,796,127
Goodwill	1,064,987

The Group has made the following investments in property, plant and equipment for the years 2006-2007:

NOK 1,000	Property under construction[34]	Fixture, fittings and equipment	Total
Acquisition costs			
1 January 2006...	-	-	-
Additions/investments	56,333	2,991	59,324
Additions from the acquisitions of companies..........	1,094,467	7,010	1,101,477
As of 31 December 2006	**1,150,801**	**10,001**	**1,160,801**
Additions/investments	291,516	516	292,032
Reclassification to investment property...................	(1,442,317)	(6,228)	(1,448,545)
As of 31 December 2007	**-**	**4,289**	**4,289**
Accumulated depreciation			
1 January 2006...	-	-	-
Current year's depreciation......................................	-	557	557
As of 31 December 2006	**-**	**557**	**557**
Current year's depreciation......................................	-	766	766
As of 31 December 2007	**-**	**1,323**	**1,323**
Book value as of 31 December 2006	**1,150,801**	**9,443**	**1,160,244**
Book value as of 31 December 2007	**-**	**2,965**	**2,965**

11.6.2 Investments in progress

In the ordinary course of business the Company invests in upgrades of the properties and tenants-specific adjustments to the properties to secure the highest achievable rental income. The largest committed investment is related to the Scandic agreement in relation to the hotels, where Norgani Hotels for 2008 has committed EUR 10.5 million to investments where also the tenant is contributing significantly.

Besides from the final acquisition of Oslo Properties as described in Sections 5.1 and 6.3 above, the Group has no major investments in progress. The final acquisition will be financed through this Rights Offering.

[34] Norwegian Property acquired "Aker Hus" in 2006. This was a property under construction completed in 2007.

12. BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

12.1 BOARD OF DIRECTORS

The Board of Directors is responsible for managing the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner. The Company's business address serves as c/o address in relation to the Directors of the Company.

The composition of the Board of Directors complies with the recommendation in the Norwegian Code of Practice for Corporate Governance dated 4 December 2007.

The table below sets forth the Company's current Board.

Name	Position	Has served since	Term expires	Shares held[35]
Widar Salbuvik	Chairman	May 2008	May 2010	50,000
Jostein Devold	Board member	May 2007	May 2009	0
Torstein I. Tvenge	Board member	May 2007	May 2009	8,500,000
Anne Birgitte Fossum	Board member	May 2007	May 2009	6,500
Hege Bømark	Board member	May 2007	May 2009	0
Thorhild Widvey	Board member	May 2008	May 2010	0

Widar Salbuvik (born 1958), Chairman of the Board. Mr. Salbuvik has a background as general manager of Pareto AS from 1986 to 1997. From 1997 he has been engaged in his own companies as well as being a professional board member of several companies, among others AS J Ludwig Mowinckels Rederi, Trico Supply AS, Argentum Fondsinvesteringer AS and Furuholmen Eiendom AS. In addition, he holds directorships in connection with ownership interests in several companies. Mr. Salbuvik holds a degree from the Norwegian School of Economics and Business Administration (NHH). He is a Norwegian citizen and resides in Moss, Norway.

Jostein Devold (born 1960), Board member. Mr. Devold holds an MSc degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH) and is currently Investment Director in Aweco Invest AS, an investment company affiliated with the A. Wilhelmsen Group. He has previously worked for Rasmussengruppen AS (Investment Director), Saga Securities AS (Partner Corporate Finance) and the Norwegian Ministry of Finance. He is a board member of several listed and unlisted companies in Norway, in addition to being a member of the corporate assembly of Telenor ASA. Mr. Devold is a Norwegian citizen and resides in Kristiansand, Norway.

Torstein I. Tvenge (born 1952), Board member. Mr. Tvenge has a Bachelor degree in Marketing from Norges Markedshøyskole (NMH) in 1976. He is currently CEO of Fram Management AS. He has during the last 30 years developed numerous real estate projects, and is currently among Norway's biggest private real estate owners. In addition, he has experience from the IT, wine import, fish farming and tourism industries. He is a board member of Avishuset Dagbladet, Solera AS and several privately owned and partially owned companies. Mr. Tvenge is a Norwegian citizen and resides in Oslo, Norway.

Anne Birgitte Fossum (born 1960), Board member. Ms. Fossum holds a lic.oec degree from St. Gallen in Switzerland and has international work experience with finance, export and consumer brands. Since 1989, she has held several board positions in the Foinco group. She has experience with business property through board positions in Heidenreich Eiendom AS and Heidenreich Holding AS, which she has held since 1999. In 2000, she became chairperson of the board in the private equity company Foinco AS, which is an investment company in the SMB-industry. Ms. Fossum also holds board positions in companies in the investment, commodity production and technology industries. Ms. Fossum is a Norwegian citizen and resides in Oslo, Norway.

Hege Bømark (born 1963), Board member. Ms. Bømark has a degree from the School of Economics and Business Administration (NHH), Bergen. She has a background as financial analyst at Orkla Finans and Fearnley Finans, with real estate as one of her specialities. She has also been involved in numerous start-ups, IPO's and restructurings of real estate companies. Ms. Bømark has been project manager for AS Eiendomsutvikling, and was involved in syndication of real estate projects and the stock market. She has board positions in BWG Homes ASA, Scandinavian Property Development ASA, Oslo Acqua Park AS and

[35] As of the date of this Prospectus. The number of shares include shares held by employers and related parties.

Norgani Hotels. She was a board member in Norgani Hotels also prior to the Company's acquisition of Norgani Hotels. Ms. Bømark is a Norwegian citizen and resides in Oslo, Norway.

Thorhild Widvey (born 1956), Board member. Ms. Widvey has extensive experience from political tasks and commissions; including Deputy (H) to the Norwegian Parliament in the period 1985-1989, Member of the Norwegian Parliament for the conservative party from Rogaland 1989-1997, Deputy Minister of Fisheries in the period of 2002-2003, Deputy Minister of Foreign Affairs in the period of 2003-2004, Minister of Petroleum and Energy in the period of 2004-2005. She also holds several board positions in both listed and unlisted companies. Ms. Widvey also holds several directorships in private companies. Ms. Widvey is a Norwegian citizen and resides in Oslo, Norway.

The Company has on 18 June 2008 received a demand for an extraordinary general meeting from shareholders representing more than 5% of the share capital in order to address election of the board of directors and the election of nomination committee. The Board of directors will, in accordance with the Norwegian Public Limited Liability Companies Act call for an extraordinary general meeting to be held within 17 July 2008. The Board will announce the call through the Oslo Børs information system under its ticker-code (www.newsweb.no).

12.2 MANAGEMENT

The current Group executive management is responsible for the daily management and the operations of the Company. The Company's business address serves as c/o address in relation to the Management in the Company.

Name	Position in the Company	Shares held[36]
Petter Jansen	Chief Executive Officer	75,000
Svein Hov Skjelle	Chief Financial Officer	5,000
Aili Klami	Chief Operating Officer	0
Dag Fladby	Chief Investment Officer	4,000

Petter Jansen (born 1955), Chief Executive Officer. Mr. Jansen was until June 2006 the president and CEO of SAS Braathens, the Norwegian arm of the SAS airline. He was executive vice president responsible for private customers at Den norske Bank and a vice president of Postbanken in 1996-2004. Before becoming head of Oslo's former Fornebu airport in 1993-96, Mr. Jansen held a number of senior posts in the Norwegian defence forces. A graduate of the Norwegian War College and the Army Staff College, he also studied at the War College in Östersund, Sweden, and at the Östersund Business College in 1986-88. He completed the senior executive programme at the London Business School in 2003. He is a board member of Tromsø 2018 AS, Tamelin AS, Avinor AS and Norgani Hotels. Mr. Jansen is a Norwegian citizen and resides in Åros, Norway.

Svein Hov Skjelle (born 1967), Chief Financial Officer. Mr. Skjelle comes from the post of Managing Director at TeleComputing Norway, which he has held since June 2004. Before that, he was CFO for the TeleComputing group from May 2003, and served as its acting chief executive. Previous appointments including finance manager and later CFO at Merkantildata ASA (now Ementor ASA) from 1998-2003, and six years with Veidekke AS where he was finance manager on his departure in 1997. He received an MSc in business economics in 1990, from the Norwegian School of Economics and Business Administration (NHH) in Bergen and qualified as an authorised financial analyst (AFA) at the same institution in 1998. Mr. Skjelle is a Norwegian citizen and resides in Rasta, Norway.

Aili Klami (born 1956), Chief Operating Officer. Ms. Klami has been vice president sales for Avantor ASA since 2002, and previous appointments over a decade with this property company include marketing manager and head of administration. Earlier, Ms. Klami spent 10 years with Nydalens Compagnie. She is a graduate of the Norwegian School of Management (BI) and has taken a number of courses in property management, management and sales. Ms. Klami is a Finnish citizen and resides in Oslo, Norway.

[36] As of the date of this Prospectus.

Dag Fladby (born 1968), Chief Investment Officer. Mr. Fladby comes from the job of senior vice president for corporate business development at Finland's Altia Corporation Oy. He has served in this post since August 2005, after previously playing a key role in building up Scandinavian Beverage Group AS (SBG) from 1995. Mr Fladby was CEO of that company when it was sold to Altia at the end of 2004 after a period of successful expansion. He has a master's degree in business and marketing at the Norwegian School of Management (BI) in 1993. Mr. Fladby is a Norwegian citizen and resides in Bærum, Norway.

12.3 THE NOMINATION COMMITTEE

The Company's Articles of Association provides that the Company shall have a Nomination Committee, consisting of two or three members elected by the General Meeting for a period of two years at a time. The Nomination Committee shall make a proposal to the General Meeting with regard to the shareholder elected members of the Board of Directors, its Chairman, Deputy Chairman, as well as the remuneration of the members of the Board of Directors. The proposal shall be made to the Chairman of the Board no later than three weeks prior to the General Meeting.

The nomination committee is responsible, inter alia, of:
- making recommendations to the general meeting on all board appointments; and
- making recommendations to the general meeting on remuneration of the board members.

The Nomination Committee currently consists of the following members:
- Mr. Tom Furulund (chairman)
- Ms. Lise Lindback; and
- Mr. Egil K. Sundbye.

The Company has on 18 June 2008 received a demand for an extraordinary general meeting from shareholders representing more than 5% of the share capital in order to address election of the board of directors and the election of nomination committee. Further information is set out in Section 12.1 above.

12.4 CONFLICTS OF INTEREST ETC.

During the last five years preceding the date of this Prospectus, no member of the Board of Directors or the senior management has:
- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidiation in his capacity as a founder, director or senior manager of a company.

Over the five years preceding the date of this Prospectus, the members of the Board and the senior management hold or have held the following directorships (apart from their directorships of the Company and its subsidiaries) and/or partnerships:

Board of Directors		
Name	**Current directorship/partnership**	**Directorship/partnerships previous 5 years**
Widar Salbuvik	Chairman AS J Ludwig Mowinckels Rederi Chairman Trico Supply AS Chairman Argentum Fondsinvesteringer AS Chairman Furuholmen Eiendom AS Board member Springfondet AS Chairman Sabar AS Chairman Wisa Holding AS Chairman Widar Salbuvik AS Chairman Hotell Refsnes Gods AS Chairman Mossemøllene Eiendom AS Chairman Holmestrand Fjordhotell Eiendom AS Chairman Tronviken ANS Board member Accento Finance AS Board member Capus Holding AS Board member Ut-i-jobb AS Board member Søylen Eiendom Moss AS Board member Boliginvest Tyskland I AS Board member SveaReal AS / SveaReal AB Board member Styrelederskolen AS	
Jostein Devold	Investment Director in Aweco Invest AS Board member Expert ASA Board member Leif Huberth Stål AS Board member NOAH AS Member corporate assembly Telenor ASA	Board member Avantor ASA Board member Industrifinans Næringseiendom ASA
Torstein I. Tvenge	CEO and Chairman of Fram Management AS Chairman Investra AS Chairman Fram Realinvest AS Chairman Røysegata 10 AS Board member Avishuset Dagbladet Board member Solera AS Chairman Partridge AS Chairman Fram Saga AS Chairman Norsk Chokolade Import AS Chairman Sjølyst Bygg Daughter AS Chairman Fram Finans AS Chairman Titas Eiendom AS Chairman Fram Reklame-Byrå AS Chairman Drammensveien 126 ANS Chairman Lierporten ANS Chairman KS Databygget Chairman Investpartner AS Chairman Utereklame ANS Chairman Flisleverandøren Eiendom ANS Chairman Tvenge Holding AS Chairman TVECO AS Chairman Sjølyst Atrium AS Chairman Tvenge Eiendom AS Chairman Sørkedalsveien 9 AS Chairman SE TO AS Chairman Skøyen Bygg ANS Chairman Ekornet AS Chairman Smalvollveien 34 ANS Chairman Fram Media AS Chairman Fram Eiendomsdrift AS Chairman Cag Lan International AS Chairman Panda Investment AS Chairman Double T AS Chairman Norsk Colonial Import AS Chairman Powec Eiendom AS Chairman Magnus Eiendom AS Chairman Nannestad Prosjekt I AS Chairman Fram Properties AS Chairman Skøyen Bygg To AS	

	Chairman Fram Investments AS Chairman Partner Investments AS Chairman Norske Byggeklosser AS Chairman Termos Eiendom AS Chairman Sam-Bo Invest AS Chairman Stenberg & Blom Eiendom AS Chairman Artist Brokers AS Chairman Frognerstrand Garasjer AS Chairman Skøyen Bygg Fem AS Chairman Fram Holding AS Chairman Økern Prosjekt AS Chairman Lysaker Bygg AS Chairman Skøyen Bygg Fire AS Chairman Skøyen Bygg Tre AS Chairman Vinpart AS Chairman Mediabygg Holding AS Chairman Ravalsjøskogene ANS Chairman Malmøgaten 7 ANS Chairman Skøyen Bygg AS Chairman Brisen AS Chairman Skøyen Næringsbygg AS Chairman Fram Eiendom AS Chairman Fram Bygg AS Chairman Fram Næringsbygg AS Chairman T Capital AS Chairman Fram Capital AS Chairman Reka AS Board member Haugerud Utvikling KS Board member Haugerud Utvikling AS Board member Norwegian Property ASA Board member Holmen Industri Invest I AS Board member Holmen Industri AS Board member Condora Board member Sponsor Arena AS Board member Four Seasons Venture III AS Board member Golfbygg AS Board member Øverland AS Board member Maximus AS Board member Vinpartner AS Deputy board member Skrim AS	
Anne Birgitte Fossum	Chair Foinco AS Board member Heidenreich Holding Board member Heidenreich Eiendom AS Board member Bluewater Insurance ASA Chair Altaria AS Chair Altaria SMB I AS Board member Urdia AS Board member Abisco AS Board member Mittas AS Board member Hermus AS Board member One of Five AS Board member Cabi Holding AS Board member Hector Invest AS Board member Hector I AS Chair Norsk Investorforum Board member Unikum AS Board member Verdane Capital IV AS Board member Verdane Capital IV Twin AS Board member Verdane Private Equity AS Deputy member corporate assembly Orkla ASA Member Supervisory board SEB Privatbanken Chair Fora AS Board member Helene Eiendom AS Board member Julius Eiendom AS Board member Norsk Leiegårdskompani AS	Wonderland AS Foinco Invest AS Northzone III AS

Hege Bømark	Board member BWG Homes ASA Board member Oslo Acqua Park Board member Norgani Hotels[37] Board member Scandinavian Property Development ASA	Board member Oslo Areal AS Board member Block Watne AS
Thorhild Widvey	Deputy Board member of Tromsø 2018 AS Board member Bjørge ASA Board member Deep Ocean ASA Board member RXT ASA Board member Akva Group ASA Board member Hitec Private Equity AS Board member Sysco AS Chair Pharmaq AS Board member Eni Norge AS Board member Cambi AS	

Senior Management		
Name	**Current directorship/partnership**	**Directorship/partnerships/positions previous 5 years**
Petter Jansen	Chair of Board of Directors of Tromsø 2018 AS Board member Avinor AS Chair of Board of Directors of Norgani Hotels AS	President and CEO of SAS Braathens
Svein Hov Skjelle	Subsidiaries of Norwegian Property ASA	Managing Director TeleComputing Norway AS CFO TeleComputing ASA
Aili Klami	Subsidiaries of Norwegian Property ASA	Vice president sales Avantor ASA
Dag Fladby	Subsidiaries of Norwegian Property ASA	CEO Scandinavian Beverage Group AS Senior Vice President for corporate business development at Finland's Altia Corporation Oy

The Company is not aware of any potential conflicts of interest between any duties to the Company, of the persons included in the Company's Board and executive management referred to above and their private interest or other duties except for the related party relations described in Section 16.3 below.

12.5 REMUNERATION AND BENEFITS

12.5.1 Remuneration of the Board

The Board of Directors received the following remuneration for the full year 2007; the Chairman NOK 400,000, and board members a remuneration ranging from NOK 67,000 to NOK 200,000. The remuneration for 2008 will be decided by the annual general meeting due to be held in May 2009.

The table below shows the total remuneration to the members of the Board for the year 2007:

Name	Position	NOK
Knut Brundtland	Chairman (resigned in May 2008)	400,000
Jostein Devold	Board member	200,000
Torstein I. Tvenge	Board member	200,000
Hege Bømark	Board member	200,000
Anne Birgitte Fossum	Board member from May 2007	133,000
Egil Sundbye	Board member until May 2007	67,000
Karen Helene Ulltveit-Moe	Board member until May 2007	67,000

12.5.2 Remuneration of the executive management

The Group's senior corporate management consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and the Chief Investment Officer. No member of the corporate management has any debt to the Group.

[37] Ms. Bømark was also the board member of Norgani Hotels prior to the Company's acquisition of Norgani Hotels.

The table below shows the total remuneration to the members of the executive management for the year 2007:

Name	Position	Base salary	Bonus earned	Other benefit	Total taxable income	Pension benefit earned
Petter Jansen	CEO	2,846	2,000	138	4,984	2,094
Svein Hov Skjelle	CFO	1,341	345	70	1,756	46
Aili Klami	COO	1,214	236	78	1,528	46
Dag Fladby	CIO	1,859	516	207	2,582	46

The CEO is further entitled to receive a bonus of up to 50% of annual base salary. The rest of Group management are entitled to receive a bonus of up to 30% of annual base salary. Petter Jansen will be entitled to a pension from age 62 to 67, under the assumption that full pension rights are earned, of NOK 2 million per year. The Company is also obliged to enter into a pension arrangement after which Mr. Jansen reaches age 67, which together with accumulated paid up pension rights will constitute 66% of annual salary.

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in achieving key targets either for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets, including the Company's share price performance and shall be measurable wherever possible.

Targets in relation to the CEO's own performance shall be established by the Board, whilst the CEO shall establish targets for other key management personnel.

12.5.3 Benefits upon termination of employment

As at year end, two key management employees have agreements in place with the Company for payment of salary after termination of contract. Resignation notice periods are six months. It is a Company policy that agreement for payment of salary after termination of contract shall only be entered into in special instances. Approval from the Chairman of the Board shall be required for the granting of payment of salary after termination of contract to any employees where this right is not already included in their employment contract.

12.5.4 Pension obligations

All employees of Norwegian Property have a defined contribution plan. The CEO has in addition a defined benefit pension plan. Conditions of the pension plan may vary from employee to employee.

The pension liability recorded in the consolidated accounts of the Group as at the end of 2007 is NOK 5,470 million.

12.6 EMPLOYEES

As of the date of this Prospectus, the Company has approximately 15 employees (excluding Norgani Hotels). Including Norgani Hotels, the number of employees is 30.

Year end (excluding Norgani Hotels)	2007	2006
No of employees.................................	15	7

The Company has made no special arrangements for the participation of the employees in this Rights Offering.

13. SHARE CAPITAL AND SHAREHOLDER MATTERS

The following description includes certain information concerning the Company's share capital, a brief description of certain provisions contained in the Company's Articles of Association as they are in effect at the date of this Prospectus. Any change in the Articles of Association is subject to approval by a general meeting of shareholders.

13.1 SHARE CAPITAL AND SHARES

13.1.1 Share capital

The Company's current registered share capital is NOK 2,637,039,250, divided into 105,481,570 Shares with a nominal value of NOK 25 per Share, all of which are fully paid. Norwegian Property owns no own Shares.

The Rights Offering will increase the Company's share capital with NOK 2,403,846,150 to NOK 5,040,885,400 divided into 201,635,416 Shares each with a nominal value of NOK 25 per Share.

13.1.2 Shares

All issued Shares in the Company are vested with equal shareholder rights in all respects and no Shares have different voting rights. There is only one class of shares and all Shares are freely transferable. The Company's Articles of Association do not contain any provisions imposing any limitations on the ownership or the tradability of the Shares.

The shares have been created under the Norwegian Public Limited Liability Companies Act and registered in the book-entry form in the VPS under the international securities identification number ISIN NO 001 0317811. The registrar for the Shares is Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, 0107 Oslo, Norway.

13.1.3 Transferability and foreign ownership

There are no restrictions on trading in the Company's shares and no restrictions on foreign ownership of the Company's shares.

13.1.4 Legislation and rights attached to the shares

Reference is made to the review of legislation and rights attached to the shares in Section 13.6 of this Prospectus.

13.1.5 Mandatory offers

Section 13.6.12 of the Prospectus described the legislation on mandatory offers applicable to Norwegian companies listed on Oslo Børs. The Company or its shareholders have not received any public take-over bids the last 12 months.

13.2 OUTSTANDING AUTHORISATIONS

13.2.1 Authorisation to issue Shares

On 20 May 2008, the annual general meeting of the Company resolved to grant the Board of Directors with two separate authorizations to increase the share capital of the Company with a total amount of NOK 520,000,000 (each authorization with an amount of up to NOK 260,000,000). Both authorizations are valid until 30 June 2009. Pursuant to the resolutions, the Board is authorized to deviate from the shareholders' preferential rights. One of the authorisations, authorises the Board to issue shares in connection with (i) a potential merger situation and (ii) a contribution in kind.

Authorizations to the Board of Directors to issue shares are included in the table below:

Date of authorization	Date of registration	Date of expiration	Amount in share capital
20.05.2008 (annual general meeting)	04.06.2008	30.06.2009	NOK 520,000,000

Total (registered authorizations):	NOK 520,000,000
Amount issued:	NOK 0
Amount remaining:	NOK 520,000,000

13.2.2 Authorisation to purchase own Shares

On 20 May 2008, the annual general meeting of the Company resolved to grant the Board of Directors with an authorization to purchase own shares in the Company for a nominal amount of up to NOK 260,000,000, which was just below 10% of the share capital at the time of the authorization. The price per Share shall be between NOK 10 and 400. The authorization was registered in the Norwegian Registry of Business Enterprises on 10 June 2008 and is valid until the earlier of 30 June 2009 or it is rescinded by a resolution of a General Meeting.

13.3 RIGHTS TO ACQUIRE SHARES

The Company has not issued any convertible securities, exchangeable securities or securities with warrants giving anyone the right to acquire Shares through utilisation of such rights other than described in this Prospectus.

13.4 HISTORICAL DEVELOPMENT IN SHARE CAPITAL AND NUMBER OF SHARES

Below is a table showing the development in the number of Shares and the share capital of the Company since its incorporation in 2006 until the date of the Prospectus.

Date resolved	Type of change	Change in share capital NOK	Share capital after change (NOK)	No. of shares after change	Par value (NOK)	Price per share (NOK)
July 2005	Incorporation		100,000	1,000	100	100
April 2006	Share split		100,000	400	25	n.a.
May 2006	Private placement	875,000,000	875,100,000	35,000,400	25	50
May 2006	Write down	100,000	875,000,000	35,000,000		n.a.
May 2006	Private placement	162,500,000	1,037,500,000	41,5000,000	25	50
May 2006/ June 2006	Consideration issue	508,853,050	1,546,353,050	61,854,122	25	50
June 2006	Consideration issue	46,100,000	1,592,453,050	63,698,122	25	50
July 2006	Consideration issue	370,175	1,592,823,225	63,712,929	25	50
July 2006	Private placement	150,000,000	1,742,823,225	69,712,929	25	50
August 2006	Consideration issue	20,000,000	1,762,823,225	70,512,929	25	50
August 2006	Consideration issue	25,000,000	1,787,823,225	71,512,929	25	50
October 2006	Consideration issue	50,000,000	1,837,823,225	73,512,929	25	50
November 2006	IPO placing	563,636,375	2,401,459,600	96,058,384	25	53,50
December 2006	Green shoe exercise	61,363,625	2,462,823,225	98,512,929	25	53,50
March 2007	Private placement	174,216,025	2,637,039,250	105,481,570	25	71.75

As of 31 December 2007 and 1 January 2008, the Company had an issued share capital of NOK 2,637,039,250, comprised by 105,481,570 Shares with a par value of NOK 25 each, all of which were fully paid.

13.5 OWNERSHIP STRUCTURE

13.5.1 Major Shareholders

As of 25 June 2008, the Company had in total 970 shareholders, of which 783 were Norwegian and 187 were non-Norwegian.

The table below shows the 20 largest shareholders in Norwegian Property as of 25 June 2008:

	Name of shareholder	Number of shares	Percentage (%)
1	Credit Suisse Securities (Europe) Ltd.	13,223,572	12.5
2	A. Wilhelmsen Capital AS	12,165,000	11.5
3	State Street Bank A/C Client omnibus	6,990,400	6.6
4	Deutsche Bank AG London	4,117,073	3.9
5	Fram Realinvest AS[38]	4,000,000	3.8
6	Fram Holding AS[39]	4,000,000	3.8
7	Bank of New York, BR S/A Alpine Intl.	3,627,295	3.4
8	Vital Forsikring ASA	3,578,700	3.4
9	Aweco Invest AS..	2,870,282	2.7
10	Trondheim Kommunale Pensjonskasse..	2,628,400	2.5
11	Mellon Bank AS Agent Mellon Bank NA	2,202,253	2.1
12	Bank of New York, BR S/A Alpine Global	2,126,600	2.0
13	Spencer Trading Inc.	2,000,000	1.9
14	UBS AG, London Branch	1,782,000	1.7
15	Opplysningsvesentets fond...	1,662,731	1.6
16	Mellon Bank AS Agent Mellon Bank NA	1,550,704	1.5
17	Goldman Sachs Int.	1,235,495	1.2
18	Miami AS	1,062,718	1.0
19	Obos Forretningsbygg	1,000,000	0.9
20	Bank of New York, BR BNY GCM Client account.....................	990,400	0.9
	Total 20 largest shareholders	**72,813,623**	**69.1**
	Others	32,667,947	30.9
	Total	**105,481,570**	**100.0**

There are no differences in voting rights between the shareholders. The major shareholders of the Company is defined as holding more than 10% of the share capital. The major shareholders are Credit Suisse Securities (Europe) Ltd., A. Wilhelmsen Capital AS and Fram Realinvest AS/Fra, Holding AS. The Company is not aware of any other shareholders or consolidated groups of shareholders owning more than 10% of the Shares. The Company is not aware of any other arrangements that may result in, prevent, or restrict a change in control of the Company.

In accordance with the disclosure obligations regulated by Norwegian law, shareholders owning or controlling more than 5% of the share capital of a company listed on Oslo Børs must notify the stock exchange immediately. The table above shows the percentage held by such notifiable shareholders. See also Section 15.6 below for a detailed description of the disclosure obligations regulated by Norwegian law.

13.6 THE ARTICLES OF ASSOCIATION AND SHAREHOLDER MATTERS IN GENERAL

13.6.1 The Company's objectives and purpose

The Articles of Association (last amended 29 March 2007) of the Company are included as Appendix 1 to this Prospectus. According to Section 3 of the Articles of Association, the objectives of the Company are to operate, purchase, sell and develop commercial properties hereunder participation in other companies including business operations and activities related thereto.

13.6.2 The Shares

The Articles of Association provides for one class of shares only, in which all shares enjoy equal rights.

[38] Controlled by Torstein Tvenge, board member of Norwegian Property.

[39] Controlled by Torstein Tvenge, board member of Norwegian Property.

13.6.3 The general meeting of shareholders

The general meeting of shareholders is the highest authority of a Norwegian Public Limited Liability Company. The Company must arrange for the annual general meeting to be held within six months of the end of each financial year. The annual general meeting shall amongst others approve the annual accounts and any dividends payable. An extraordinary general meeting shall be called if the Board resolves to do so or the auditor or shareholders representing 5% of the Shares and votes requires it.

Pursuant to the Norwegian Public Limited Liability Companies Act, a written notice shall be sent to all shareholders with known address at the latest two weeks prior to a general meeting. According to Section 8 of the Articles of Association, the shareholders in Norwegian Property must give notice to the Company if they will attend the general meeting by returning the notice of attendance within the date stated in the notice, in no event later than five days prior to the general meeting. The shareholders may participate in person or by proxy.

13.6.4 The Board of Directors

The management of the Company pertains to the Board, which shall oversee the proper organization of the business. The Board shall supervise the administration of the Company, hereunder supervise the Chief Executive Officer.

Pursuant to the Articles of Association, the Board of Directors of the Company shall consist of three to nine members as decided by the General Meeting.

The members of the Board are elected by the general meeting by majority vote. The general meeting also resolves the annual remuneration of the Board members upon the proposal of the Nomination Committee, see Section 12.3 above and Section 7 of the Articles of Association.

13.6.5 The management of the Company

The Board employs the CEO of the Company and resolves his/her remuneration. The CEO conducts the day-to-day business in accordance with the guidelines and instructions of the Board. The CEO has in general the right and duty to participate at Board meetings.

The CEO employs the other members of the executive management and decides their remuneration.

Under Norwegian law the members of the executive management do not become members of the Board, unless the general meeting elects them. The CEO cannot be elected as Chairman of the Board of the Company. Please also refer to Section 13.6.4 above.

13.6.6 Voting rights

Each share in the Company carries one vote at the general meeting.

As a general rule, resolutions that shareholders are entitled to make pursuant to Norwegian law or the Company's Articles of Association, requires approval by a simple majority of the votes cast. In the case of election of directors to the Board, the person who obtains the most votes is elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive pre-emptive rights in connection with any issue of shares, convertible bonds, warrants etc., to approve a merger or de-merger, to amend the Company's Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants or to authorize the Board to purchase the Company's own Shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Further, Norwegian law requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval of all the holders of such shares or class of shares as well as the majority required for amendments of the Company's Articles of Association. Decisions that (i) would reduce any existing shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association.

In general, in order to be entitled to vote, a shareholder must be registered as the beneficial owner of Shares in the share register kept by the VPS. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such Shares as nominees.

Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares. For example, Oslo Børs has in a statement on 21 November 2003 held that in its opinion "nominee-shareholders" may vote in general meetings if they prove their actual shareholding prior to the general meeting.

13.6.7 Ownership of the Shares

Neither the Company's Articles of Association nor the Norwegian Public Limited Liability Companies Act restricts ownership of the Shares. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote for the Shares.

13.6.8 Additional issuances and preferential rights

All issuances of shares by the Company, including bonus issues, require an amendment to the Articles of Association of the Company, which requires support by at least two-thirds of the votes cast and share capital represented. Furthermore, under the Norwegian Public Limited Liability Companies Act, the Company's shareholders have a pre-emptive right to subscribe for new shares issued. The pre-emptive rights may be waived by a resolution in a general meeting by two-thirds of the votes cast. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares, irrespective of class.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from the Company's free equity or from its share premium reserve. Such bonus issues may be effectuated either by issuing shares or by increasing the par value of the shares outstanding.

To issue shares to holders who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under United States securities laws. If the Company decides not to file a registration statement, such holders may not be able to exercise their preferential rights and in such event would be required to sell such rights to eligible Norwegian persons or other eligible non-U.S. holders to realize the value of such rights.

13.6.9 Dividends

Under Norwegian law, no interim dividends may be paid in respect of a financial period as to which audited financial statements have not been approved by the annual general meeting of shareholders. Any proposal to pay a dividend must be recommended or accepted by the Board and approved by the shareholders at a general meeting. The shareholders may vote to reduce (but not to increase) the dividends proposed by the Board.

Dividends in cash or in kind are payable only out of (i) the annual profit according to the adopted income statement for the last financial year, (ii) retained profit from previous years, and (iii) distributable reserves, after deduction of (a) any uncovered losses, (b) the book value of research and development, (c) goodwill, (d) net deferred tax assets recorded in the balance sheet for the last financial year, (e) the aggregate value of any treasury shares that the Company has purchased or been granted security over during the preceding financial years, (f) any credit or security given pursuant to Sections 8-7 to 8-9 of the Norwegian Public Limited Liability Companies Act and provided always that such distribution is compatible with good and prudent business practice with due regard to any losses which may have occurred after the last balance sheet date or which may be expected to occur. The Company cannot distribute any dividends if the equity, according to the balance sheet, amounts to less than 10% of the total balance sheet without following the procedure for capital decrease with two months' creditor notice period.

The Board will consider the amount of dividend (if any) to recommend for approval by the Company's shareholders, on an annual basis, based upon the earnings of the Company for the years just ended and the financial situation of the Company at the relevant point in time. Hence, the shareholders do not have an absolute entitlement to share in the Company's profits.

All shareholders that are shareholders at the time of the general meeting making its resolution are entitled to dividend. There is no time limit under which the individual shareholders entitlement to a declared dividend lapses.

13.6.10 Rights of redemption and repurchase of shares

The Company has not issued redeemable shares (i.e., shares redeemable without the shareholder's consent). The Company's share capital may be reduced by reducing the par value of the shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual shares requires the consent of the holders of the shares to be redeemed.

A Norwegian company may purchase its own shares if an authorization for the board of directors of the company to do so has been given by the shareholders at a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the company is not permitted to exceed 10% of the company's share capital, and treasury shares may only be acquired if the company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation cannot be given for a period exceeding 18 months.

13.6.11 Mandatory offer requirement

New mandatory offer regulation in compliance with EU's Take-Over-Directive (Directive 2004/25/EF) has been adopted by the Norwegian legislators in the New Securities Trading Act (Act of 29 June 2007 No 75) Chapter 6. The regulation included in Chapter 6 came into force on 1 January 2008.

Norwegian law requires any person, entity or group acting in concert that acquires more than 1/3 of the voting rights of a company primary listed on Oslo Børs to make an unconditional general offer for the purchase of the remaining shares in the company. The offer is subject to approval by Oslo Børs before submission of the offer to the shareholders. The Offer Price per share must be at least as high as the highest price paid or agreed by the offeror in the six-month period prior to the date the 1/3 threshold was exceeded, but equal to the market price if the market price was higher when the 1/3 threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (i.e. reduce the ownership to a level below 1/3). Otherwise, Oslo Børs may cause the shares exceeding the 1/3 limit to be sold by public auction. Until the mandatory bid is given or the shares exceeding the 1/3 threshold are sold, the shareholder may not vote for shares exceeding the 1/3 threshold, unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and pre-emption rights in the event of a share capital increase. Oslo Børs may impose a daily fine upon a shareholder who fails to make the required offer or sell down below 1/3.

A shareholder or consolidated group that owns shares representing more than 1/3 of the votes in a listed company, and that has not made an offer for the purchase of the remaining shares in the company in accordance with the provisions concerning mandatory offers (e.g., due to available exemptions), is obliged, in general, to make a mandatory offer in the case of each subsequent acquisition. However, there are exceptions to this rule, including for a shareholder or a consolidated group that, upon admission of the company to listing on a stock exchange, owns more than 40% of the shares in the company.

There will be a repeated obligation when passing 40% and 50%. Shareholders holding shares above the mentioned thresholds at the time of implementation of the new rules will be required to give a mandatory offer for all issued Shares if acquiring additional shares after the effectuation of the new rule.

The Company has not received any takeover bids or bids to acquire controlling interest during the last 12 months.

13.6.12 Compulsory Acquisition

In accordance with Section 4-25 of the Norwegian Public Limited Liability Companies Act, a shareholder, directly or via subsidiaries, who acquires shares representing more than 90% of the total number of issued shares in a Norwegian company as well as more than 90% of the total voting rights attached to such shares, such majority shareholder has a right (and each remaining minority shareholder of the Company have a right to require such majority shareholder) to effect compulsory acquisition for cash of the shares not already owned by such majority shareholder. Such compulsory acquisition would imply that the majority shareholder has become the owner of the thus acquired shares with immediate effect. If the majority shareholder has not completed a mandatory offer he will have to do so simultaneously with the compulsory acquisition under the current legislation. Upon effecting the compulsory acquisition the majority shareholder would have to offer the minority shareholders a specific price per share, the determination of which price would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months' duration, request that the price be set by the Norwegian courts. Absent such request or other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the two months deadline. The cost of such court procedure would, as a general rule, be for the account of the majority shareholder, and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

13.6.13 Insolvency/Liquidation

According to the Norwegian Public Limited Liability Companies Act, the Company may be liquidated by a resolution in a general meeting of the Company passed by a two-thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. The Shares rank pari passu in the event of a return on capital by the Company upon a liquidation or otherwise.

In the event a resolution to liquidate the Company has been made, the Company's assets shall be transformed to cash in order to cover the Company's contractual obligations and for distribution to the shareholders as long as the shareholders have not accepted to receive the dividends in kind.

13.7 SHAREHOLDER AND DIVIDEND POLICY

13.7.1 Shareholder policy

Norwegian Property will inform it's shareholders and the market in general on an ongoing basis of the Company's development, activities and special events, ensuring that as far as possible the pricing of the Company's Shares reflects the underlying values and expectations on future profits. Such information will, among other things, take the form of annual reports, quarterly reports, bulletins, press releases and investor presentations when appropriate.

13.7.2 Dividend policy

Norwegian Property's goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector, through a combination of rising value and dividend.

The Company aims for its annual dividend to be competitive, predictable and higher than average for the property sector. The goal is that dividend will represent 4 to 6% of paid-in equity and at least 50% of the annual net profit (when account has been taken of income statement items without cash flow effect). For both 2006 and 2007, the general meeting resolved to pay a dividend of NOK 2.50 per share.

13.8 SHAREHOLDER AGREEMENTS

The Company is not aware of any shareholder agreements among its investors.

13.9 CORPORATE GOVERNANCE

The Company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 4 December 2007 by the Norwegian Corporate Governance Board. As per this date, the Company is in full compliance with the Norwegian Code of Practice for Corporate Governance, except for the matter discussed below.

The Company has not been subject to any known public take over attempts, and there has not been established any guiding principles.

14. TAXATION IN NORWAY

The statements herein regarding taxation are unless otherwise stated based on the laws in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date, changes which, in respect of Norwegian taxes, could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the New Shares. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (personal shareholders and limited liability companies). Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming New Shares under the laws of their countries of citizenship, residence, ordinary residence or domicile.

Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

14.1 NORWEGIAN SHAREHOLDERS

14.1.1 Taxation of dividends

Norwegian personal shareholders

Dividends received by shareholders who are individuals resident in Norway for tax purposes ("Norwegian personal shareholders") are taxable as ordinary income for such shareholders at a flat rate of 28%.

Norwegian personal shareholders are however entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate. The allowance is calculated for each calendar year, and is allocated solely to Norwegian personal shareholders holding shares at the expiration of the relevant calendar year. Norwegian personal shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share can be forwarded and deducted when calculating taxable dividend income or taxable capital gains (see below) a later year. The unused allowance is also included in the basis for calculating the allowance the following years.

Norwegian corporate shareholders

Dividends distributed to shareholders who are limited liability companies resident in Norway for tax purposes ("Norwegian corporate shareholders") are not taxable.

14.1.2 Capital gains tax

Norwegian personal shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a realization of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. The ordinary income is taxable at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/loss deductible is equal to the sales price less the Norwegian personal shareholder's cost price of the shares, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian personal shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used to reduce taxable dividend income. See Section 14.1.1 above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and may not be deducted in order to increase or produce a deductible loss.

If the Norwegian personal shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian personal shareholders who move abroad and cease to be tax resident in Norway as a result of this, are deemed taxable in Norway for any potential gain related to the shares held at the time the shareholders ceased to be resident in Norway for tax purposes, or is regarded as tax resident in another jurisdiction according to an applicable tax treaty, as if the shares were realized at this time. Gains of NOK 500,000 or less are not taxable. Potential losses are as a main rule not deductible. However, if the person moves to a jurisdiction within the European Economic Area ("EEA"), potential losses related to shares held at the time tax residency ceases will be tax deductible when exceeding the NOK 500,000 threshold. The actual taxation (loss deduction) will occur at the time the shares are actually realized for tax purposes. However, if the personal shareholder moves to a jurisdiction outside the EEA, or to a jurisdiction within the EEA where Norwegian tax authorities are not in a position to collect information and obtain assistance with respect to the collection of taxes, the taxation will only be postponed if the personal shareholder provides sufficient guarantee for the fulfilment of the potential tax obligations. If the shares are not realized for tax purposes within five years after the shareholder ceased to be resident in Norway for tax purposes, or was regarded as tax resident in another jurisdiction according to an applicable tax treaty, the tax liability calculated under these provisions will not apply.

Norwegian corporate shareholders

Norwegian corporate shareholders are exempt from tax on capital gains upon the realization of shares, and losses related to such realization are not tax deductible.

14.1.3 Net Wealth Tax

Norwegian personal shareholders

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian personal shareholders. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for shares listed on Oslo Børs is the listed value as of January 1 in the year of assessment.

Norwegian corporate shareholders

Norwegian corporate shareholders are not subject to wealth tax.

14.1.4 Taxation related to subscription rights

Norwegian personal shareholders

A Norwegian personal shareholders' subscription of shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription of shares will be added to the cost price of the shares.

Sales and other transfer of subscription rights is considered a realization for Norwegian tax purposes. For Norwegian personal shareholders, a capital gain or loss generated by a realization of subscription rights to shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. The ordinary income is taxable at a rate of 28%

Norwegian corporate shareholders

A Norwegian corporate shareholders' subscription of shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription of shares will be added to the cost price of the shares.

Norwegian corporate shareholders are exempt from tax on capital gains upon the realization of subscription rights, and losses are not tax deductible.

14.2 FOREIGN SHAREHOLDERS

14.2.1 Taxation of dividends

Foreign personal shareholders

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes ("Foreign personal shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends, and Norwegian Property assumes this obligation.

Foreign personal shareholders resident within the EEA are subject to withholding tax, ref above, but may be entitled to a partial refund of the withholding tax. The refund may be granted on the basis of an application from the Foreign personal shareholder, and will, if granted, equal (in full or partially) the calculated allowance granted to Norwegian personal shareholders, see "Taxation of dividends – Norwegian personal shareholders" above.

If a Foreign personal shareholder is carrying on business activities in Norway and the relevant shares are effectively connected with such activities, the shareholder will be subject to the same taxation as a Norwegian shareholder, as described above.

Foreign corporate shareholders

Dividends distributed to shareholders who are limited liability companies not resident in Norway for tax purposes ("Foreign corporate shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Foreign corporate shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax, provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and involved in real economic activities in the relevant EEA jurisdiction.

Foreign shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

If a Foreign corporate shareholder is carrying on business activities in Norway and the relevant shares are effectively connected with such activities, the shareholder will be subject to the same taxation as a Norwegian corporate shareholder, as described above.

14.2.2 Capital gains tax

Foreign personal shareholders

Gains from the sale or other disposal of shares by a Foreign personal shareholder will not be subject to taxation in Norway unless the Foreign personal shareholder (i) holds the shares in connection with the conduct of a trade or business in Norway or (ii) has been a tax resident of Norway within the five calendar years preceding the year of the sale or disposition (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

Foreign corporate shareholders

Capital gains derived by the sale or other realization of shares by Foreign corporate shareholders are not subject to taxation in Norway.

14.2.3 Net wealth tax

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Foreign personal shareholders can however be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

14.2.4 Taxation related to subscription rights

Foreign personal shareholders

A Foreign personal shareholders' subscription of shares pursuant to a subscription right is not subject to taxation in Norway.

Gains from the sale or other disposal of subscription rights derived by a Foreign personal shareholder will not be subject to taxation in Norway unless the Foreign shareholder (i) holds the subscription rights in connection with the conduct of a trade or business in Norway or (ii) has been a tax resident of Norway within the five calendar years preceding the year of the sale or disposition (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

Foreign corporate shareholders

A Foreign corporate shareholders' subscription of shares pursuant to a subscription right is not subject to taxation in Norway.

Capital gains derived by the sale or other realization of subscription rights to shares derived by foreign corporate shareholders are not subject to taxation in Norway.

14.3 INHERITANCE TAX

Upon transfer of shares by way of inheritance or gift, the transfer may be subject to Norwegian inheritance or gift tax. However, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident in Norway for tax purposes.

The basis for the computation of inheritance tax is the marked value at the time the transfer takes place. The rate is progressive from 0-30%. For inheritance and gifts from parents to children, the maximum rate is 20%.

14.4 DUTIES ON TRANSFER OF SHARES

No stamp or similar duties are currently imposed in Norway on transfers of the New Shares.

15. SECURITIES TRADING IN NORWAY

As a company listed on Oslo Børs, the Company is subject to certain duties to inform the market under the Stock Exchange Regulations, and the insider trading regulation of Chapter 3 of the Securities Trading Act. Furthermore, the Company is subject to Norwegian securities regulations and supervision by the relevant Norwegian authorities.

15.1 INTRODUCTION

Oslo Børs was established in 1819 and is the principal market in which shares, bonds and other financial instruments traded in Norway. In 2000, Oslo Børs was transformed to a public limited liability company. As of 31 December 2007, the total capitalization of companies listed on Oslo Børs amounted to approximately NOK 2,156 billion.

Oslo Børs is a part of the NOREX Alliance, whose other members are Stockholmsbörsen (thereunder Københavns Fondsbørs, Helsinki Stock Exchange, and various exchanges in the Baltic countries) and the Iceland Stock Exchange.

On 2 May 2007, Oslo Børs established the Oslo Axess, which is a new authorised marketplace for shares. The distinction between the two markets primarily consists of the less stringent listing requirements that apply to Oslo Axess, largely requirements relating to a company's operating history and the number of shareholders.

Companies on Oslo Axess will have access to the same infrastructure and stock exchange expertise, and the investor base will be virtually the same. A company listed on Oslo Axess will be subject to the same continual obligations vis-à-vis the marketplace and investors as companies listed on Oslo Børs.

Per this date, Oslo Axess had a total of 31 companies listed. The following Sections will describe the procedures and processes for shares trading on Oslo Børs, however the Sections are also applicable for the Oslo Axess regulated market. More information on Oslo Axess can be found at the web-page: www.osloaxess.no.

15.2 TRADING AND SETTLEMENT

Trading on the NOREX exchanges is carried out in the electronic trading system SAXESS. This trading system is in use by all members of the NOREX Alliance, and allows brokers to operate on all such exchanges of which they are members through a single trading system. For the time being, clearing of all trades, however, takes place through different systems for trades affected on the different exchanges.

Official trading on Oslo Børs takes place between 9:00 (CET) and 16:30 (CET) each trading day. Orders may be placed in the system from 8:15 (CET). From and including 1 September 2008, the Oslo Børs will close at 17:30 (CET).

The settlement period for trading on Oslo Børs is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either investment services or general capital management. Trading by individual employees is also restricted.

Investment services in Norway may only be provided by Norwegian brokerage houses holding a license under the Securities Trading Act, branches of brokerage houses from an EEA-state or brokerage houses from outside the EEA that have been licensed to operate in Norway. EEA state brokerage houses may also conduct cross-border investment services in Norway.

It is possible for brokerage houses to undertake market-making activities in shares listed in Norway if they have a license to do so under the Securities Trading Act, or in the case of EEA state brokerage houses, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Securities Trading Act covering brokers' trading for own account. Such market-making activity, however, does not as such require notification to the Financial Supervisory Authority of Norway or Oslo Børs except for the general obligation on brokerage houses that are members of Oslo Børs to report all trades in the listed securities.

15.3 INFORMATION, CONTROL AND SURVEILLANCE

Oslo Børs controls the issuance of securities in both the equity and bond markets in Norwayand devotes substantial resources to overseeing activities in the market. Supervision of the activities in the market that determine the price of listed securities represents one of the major quality control mechanisms for Oslo Børs, and plays an essential role in maintaining a liquid market. The market surveillance department strives to protect both investors and the integrity of the market as a whole from attempts by individual players to benefit from information that is not generally known to the market or to trade in any other way at an incorrect price. The department also monitors the reporting rules and other regulations that are important for market transparency. The department is regulated with a provision in Section 5-11 of the Stock Exchange Act and an own regulation founded on the above mentioned law: Regulation on Market Surveillance. This has been done to secure the integrity and independence of the department from the businesslike side of Oslo Børs.

Oslo Børs and Kredittilsynet (the Banking, Insurance and Securities Commission) have established formal guidelines for collaboration. Whenever the market surveillance department at Oslo Børs identifies possible breaches of the rules for price quotation it immediately initiates a more detailed investigation. The results of these investigations may be that Oslo Børs will sanction against its members or listed companies, or the cases will be deferred to the competent authority. Cases where there is a suspicion of breaches to relevant regulations and where such preliminary investigations do not exclude the suspicion the matter is reported to Kredittilsynet at a low threshold.

Each listed company with its home state in Norway must publish copies of all reports and communications sent to its shareholders. Each company must also promptly, unless there are valid reasons for postponement (in accordance with the Norwegian Securities Trading Act section 5-3), release to Oslo Børs any other precise information about the financial instruments, the company or other matters which are suited to influence the price of the financial instruments or related financial instruments noticeably, and which are not publicly available or commonly known in the market.

Companies with their primary listing on Oslo Børs are obligated to release its annual financial reports within four months of the end of the year. In addition, companies must publish its half-year reports within two months of the end of of the quarter.

15.4 THE VPS AND TRANSFER OF SHARES

To enable the Shares to be traded on Oslo Børs, the Shares must be registered in the VPS, which is Norway's paperless centralized securities registry.

In the VPS, shares are registered in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration. However, shares may be registered in the VPS by a fund manager (bank or other nominee) approved by the Norwegian Ministry of Finance, as the nominee of foreign shareholders. An approved and registered nominee under Norwegian law has a duty to provide information on demand about beneficial shareholders to the issuer and to the Norwegian authorities. In the case of registration by nominees, registration with the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote at general meetings on behalf of the beneficial owners. Beneficial owners must register with the VPS or provide other sufficient proof of their ownership to the shares in order to vote at general meetings.

All transactions relating to securities registered with the VPS are made through computerised book entries. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To effect such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the Bank of Norway, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the given security.

The VPS is strictly liable for any loss resulting from an error in connection with registering, altering or cancelling a right, except in the event of contributory negligence, in which event compensation owed by the VPS may be reduced or eliminated.

A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition of shares is not prevented by law, the Articles of Association or otherwise.

15.5 FOREIGN INVESTMENT IN SHARES LISTED ON OSLO BØRS

Foreign investors may trade shares listed on Oslo Børs through any broker that is a member of Oslo Børs, whether Norwegian or foreign.

15.6 DISCLOSURE OBLIGATIONS

A person, entity or group acting in concert that acquires shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66% or 90% of the share capital or the voting rights in the Company has an obligation under Norwegian law to notify Oslo Børs immediately. The same applies to disposal of shares, option for shares etc., resulting in a beneficial ownership, directly or indirectly, in the aggregate meeting or falling below said thresholds.

15.7 INSIDER TRADING

According to Norwegian law subscription for, purchase, sale or exchange of shares which are quoted, or incitement to such dispositions, must not be undertaken by anyone who has precise information about the financial instruments, the company or other matters which are suited to influence the price of the financial instruments or related financial instruments noticeably, and which are not publicly available or commonly known in the market. The same applies to entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights connected with such shares or incitement to such disposition.

16. LEGAL MATTERS

16.1 DISPUTES

There are substantial losses carried forward in certain Swedish group companies of the Company (belonging to Norgani Hotels) incurred as a result of liquidation of partnerships following acquisition of the partnerships in 2005. The losses carried forward have been recorded with SEK 593 million in the accounts of Norgani Hotels, corresponding to 28% of the losses incurred in 2005. However, pursuant to a reassessment by the Swedish Tax Agency, the Tax Agency has denied some of the Swedish Group companies the deduction for losses in connection with the liquidation of partnerships. The total amount of denied deductions is approximately SEK 1,645 million, representing approximately SEK 460 million of the above SEK 593 million.

The Tax Agency has not challenged the deductibility of the losses as such, but have denied deduction in 2005 on basis that the loss could not be finally determined as the shareinterest sale and purchase agreements contained provisions which might result in payment by the seller to the relevant Group company which in turn may reduce the purchase price and hence the tax loss. The Company has appealed the decision of the Swedish Tax Agency. Furthermore, the Company has filed warranty claims against the sellers of the above referred partnerships on the basis of warranties regarding the tax losses provided by the sellers in the sale and purchase agreements. The claim amounts to approximately SEK 130 million.

Certain Finnish group companies have requested a dispensation regarding ownership change in 2006. A dispensation would allow tax losses for certain fiscal years prior to 2006 to be carried forward. Dispensations were not granted and the Finnish group companies have appealed the decision to the Finnish Supreme Administrative Court where a decision is still pending.

The Company has discoved certain construction errors in the fire separators in one of its hotels in Sweden. The costs of remedy are currently estimated to be around SEK 15 million. The Company has filed a warranty claim against the party who sold the hotel to Norgani Hotels.

Except for the matters described above, the Company is not involved in any governmental, legal or arbitration proceedings, which may have, or have had in the recent past significant effects on the Company and/or the Company's financial position or profitability. The Company is further not aware of any such proceedings that are pending or threatened, nor has the Company been involved in any such proceedings during the last 12 months.

16.2 MATERIAL CONTRACTS

As to material contracts, and other than in respect of contracts entered into in the ordinary course of business (such as rental agreements, rental guarantee agreements, property sale/purchase agreements, management agreements (cf. Section 16.3.3 and loan agreements (cf. Section 11.5 above), reference is made to Section 6.3 – The agreements regarding Oslo Properties, Section 6.8.4 – Sale of Danish hotels to syndicate established by Fearnley Finans Eiendom ASA, Section 5.1 – Letter of intent regarding the possible sale of Norgani Hotels and Section 16.3.3 – The agreement with NEAS ASA.

16.3 RELATED PARTIES/MANAGEMENT AGREEMENTS

16.3.1 Overview

This related-party disclosure has been stated in accordance with the IAS 24 standard. The objective of this Standard (IAS 24) is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Norwegian Property Group is not directly controlled and dominated by any significant shareholders. However, the A. Wilhelmsen Group controlled a total of 15.3% of the shares through Anders Wilhelmsen Capital AS (11.5%), AWECO Invest AS (2.7%) and Miami AS (1%) and Torstein Tvenge and his family controls 7.6%.

There are four main categories of transactional relationships with "related parties" to Norwegian Property:

- Property transactions with share considerations to sellers;
- Facility management agreements;
- Rental agreements with shareholders; and
- Interest charges from parent to subsidiaries.

All these transactions are believed to be on market terms.

16.3.2 Property transactions

Companies that have sold properties to Norwegian Property and accepted to be paid in part by issuing new shares in the Company as consideration to the seller are considered related party in this connection.

No property transactions with related parties were carried out in 2007 and no Shares have been issued as consideration to any sellers.

In 2006, Norwegian Property acquired Skøyen Bygg AS (including its property portfolio) from Fram Holding AS, which is controlled by close associates of Board Member Torstein Tvenge. The agreement was signed on 12 May 2006 and completed 9 June 2006. The purchase price was partially paid by issuing new shares in the Company as consideration to the seller.

The Company acquired the property Middelthunsgate 17 (M17) and the Aker Brygge-properties from companies controlled by the Anders Wilhelmsen group. The purchase price was partly paid by issuing new shares in the Company as consideration to the sellers. The A. Wilhelmsen group is represented on the Board of the Company by Mr. Jostein Devold.

Related party	Property	Total transaction (NOK m)	Shares[40]	Share price (NOK)	% stake
A. Wilhelmsen Capital AS/Aweco Invest AS	Aker Brygge / M17	2,984	14,955,967	50	20.9%
Torstein Tvenge and family through controlled companies	Skøyen Bygg	1,295	8,000,000	50	11.2%

In addition to the table above, the following companies are considered to be related-parties of the Company, after receiving ownership in the Norwegian Property Group as a part of the settlement of the transaction of the respective properties. As part of the agreements, an amount of the purchase price was paid by issuing new shares in the Company as consideration to the seller:

Related party	Property	Total transaction (NOK m)	Shares[41]	Share price (NOK)	% stake
Oslo Næringseiendom 1 AS	Økernveien 9	257	600,000	50	0.8%
Pareto PE AS – Syndicate	Finnestadveien 44	451	1,844,000	50	2.6%
Pareto PE AS – Syndicate	Drammensveien 134 KS	670	14,807	50	0.0%
Pareto PE AS – Syndicate	Kokstadveien 23	221	800,000	50	1.1%
Pareto PE AS – Syndicate	Gardermoen NE	345	1,000,000	50	1.4%

* Pareto PE AS: Pareto Private Equity AS

The Pareto group through Pareto Eiendom AS, is performing rental brokerage services for Norwegian Property and earned fees totaling NOK 0.3 million during 2006. Pareto Securities was also providing securities brokerage services to Norwegian Property. During 2006, they earned NOK 63.1 million in such fees.

[40] Ownership at the time of the transaction, not including purchases or sales after the transaction.
[41] Ownership at the time of the transaction, not including purchases or sales after the transaction.

During 2008, Pareto PE AS (Syndicate) has acquired Magnus Poulssonsvei, Forskningsveien and Østre Akervei 20 and 22 for a total acquisition price of NOK 948 million.

16.3.3 Facility management agreements (property management agreements)

For the majority of the properties, the Company has entered into management agreements with professional managers who previously carried out the same services on behalf of the former property owners.

Linstow Eiendom AS

A special commercial and facility management arrangement for Aker Brygge, with four year duration, has been entered into with Linstow Eiendom AS in 2006, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow Eiendom AS is also managing the property Middelthunsgate 17, Ibsenkvartalet and Stortingsgaten 6. Linstow Eiendom AS is receiving an annual compensation for the services rendered of NOK 5.3 million.

Pareto Investor Service AS
Pareto Investor Service AS, being a part of the Pareto group is providing commercial administration services to the Company for an annual fee of NOK 3.6 million.

NEAS ASA

On 28 February 2008, Norwegian Property entered into a 6 years agreement with NEAS ASA regarding management and operation of its Norwegian office portfolio. Under the agreement, NEAS ASA will assume responsibility for management and the day to day operations of Norwegian Property's properties during 2008 and 2009.

The agreement involves that future ownership cost during the agreement period is expected secured at a level of 10 to 12% below current levels (inflation adjusted going forward), without a corresponding reduction in magnitude or quality of work. In addition, the agreement is anticipated to ensure more and better services for Norwegian Property's tenants.

16.3.4 Rental agreements

Linstow Eiendom AS (A.W. Group) is a tenant at Aker Brygge, and also a shareholder in Norwegian Property. The annual rent amounts to NOK 4.3 million.

16.3.5 Interest charges to subsidiaries

All controlled subsidiaries of Norwegian Property are charged for interest in relation to the subsidiaries share of the total Group financial costs. In addition, the subsidiaries are charged for a share of administration expenses related to Group companies' ownership cost.

17. ADDITIONAL INFORMATION

17.1 DOCUMENTS ON DISPLAY

For the life of this Prospectus, the following documents as indicated in the list below, may be inspected at the Company's offices at Stranden 3A, P.O.Box 1657 Vika, 0120 Oslo, Norway or requested by telephone +47 22 83 40 20 or fax: +47 22 83 40 21 or downloaded from the Company's web-page: www.npro.no:

- The incorporation documents of the Company.
- The Articles of Association (may also be inspected in Appendix 1 to this Prospectus).
- The Company's first quarter report for 2008 (may also be inspected in Appendix 2 to this Prospectus).
- The Company's historical financial information for the twelve months ended 31 December 2007 and auditors report (may also be inspected in Appendix 3 to this Prospectus).
- The Company's historical financial information for the twelve months ended 31 December 2006 and auditors report (may also be inspected in Appendix 4 to this Prospectus).
- Valuation reports on the Companys office and hotel properties dated 31 March 2008 (may also be inspected in Appendix 8 to this Prospectus).
- The Company's historical financial information for the year ended 31 December 2005 and auditors report.
- Norgani Hotels historical financial information for the twelve months ended 31 December 2005, 2006 and 2007 (may also be inspected in Appendix 6 to this Prospectus).
- Oslo Properties historical financial information for the twelve months ended 31 December 2007.

In addition, the Company has approximately 250 subsidiaries which reports to the Group (see Section 6.3 and 6.4 above). These annual reports may be inspected at the Company's offices (see contact details above).

17.2 STATEMENT REGARDING SOURCES

The Company confirms that when information in this Prospectus has been sourced from a third party it has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17.3 STATEMENT REGARDING EXPERT OPINIONS

The valuations as described in Section 6.9 above covering the Company's office and hotel properties are made on the request of the Company.

Mr. Jørn Høistad of DTZ Realkapital AS ("DTZ"), Stranden 1, P.O.Box 1921 Vika, 0125 Oslo, Norway, tel: +47 23 11 68 68, fax: + 47 23 11 68 69 has performed an external and independent valuation as of 31 March 2008 covering the Company's office and hotel properties in Norway, Sweden and Denmark. DTZ is one of the world's leading real estate advisers, providing innovative real estate and business solutions. DTZ is a leading name in all the world's major business centres, with 9,000 people operating from 192 offices in 40 countries. In Europe, DTZ has one of the strongest market presences of any real estate adviser. Within Asia Pacific, DTZ is a leader in all the main markets of Australia, New Zealand, China, Hong Kong, Taiwan, India, Japan, Singapore, and South East Asia. DTZ has been voted best real estate valuer in the Nordic region by Euromoney for three consecutive years. More information on DTZ can be found on the company's web-address: www.dtz.com. Mr. Jørn Høistad is a managing director of DTZ Realkapital Verdivurdering AS.

The Company's hotel properties in Finland were valued by Mr. Hanny Ridell at Maakanta OY ("Maakanta"), Unikkotie 13, 01300 Vantaa, Finland, tel: +358 9 838 6150, fax: +358 9 838 61555. Maakanta is an independent real estate valuation and consulting company, which operates all over Finland. The company has over 20 years experience in real estate appraisals and consists of five valuation surveyors of which M.Sc Hanny Ridell is an authorized real estate appraiser.

Both valuation reports are included in Appendix 8 to this Prospectus and both DTZ and Maakanta have approved that the valuations are referred to and included in this Prospectus.

18. DEFINITIONS AND GLOSSARY OF TERMS

Board of Directors or Board:	The Board of Directors of Norwegian Property.
Company:	Norwegian Property ASA, or when the context so requires, including its subsidiaries.
Deloitte:	Deloitte AS.
EQT:	EQT Partners.
Existing Shareholders	Existing holders of the Company's shares as of 18 June 2008, who are being granted Subscription Rights.
ICR:	Interest Cover Ratio; measure of a company's ability to honor its debt payments. It is calculated as EBIT divided by the total interest payable.
IFRS:	International Financing Reporting Standards, issued by the International Financial Reporting Interpretations Committee (IFRIC) (formerly, the "Standing Interpretations Committee" (SIC)).
ISIN:	International Securities Identification Number.
LTV:	Loan To Value; a ratio of the outstanding debt on a property to the market value of that property.
Managers:	Pareto Securities and SEB Enskilda.
New Shares:	96,153,846 New Shares to be offered in the Rights Offering.
Norgani Hotels:	Norgani Hotels AS.
Norwegian Property:..................	Norwegian Property ASA, or when the context so requires, including its subsidiaries.
Norwegian Property Group or the Group:	Norwegian Property and its subsidiaries.
Norwegian Public Limited Liability Companies Act:...........	The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 ("Allmennaksjeloven").
Norwegian Securities Trading Act:	The Securities Trading Act of 29 June 2007 no. 75 ("Verdipapirhandelloven").
Oslo Børs:..................................	Oslo Børs ASA (translated "the Oslo Stock Exchange").
Oslo Properties:	Oslo Properties AS.
Pareto Securities:	Pareto Securities AS.
Prospectus:.................................	This Prospectus dated 25 June 2008.
Record Date:	18 June 2008, the date for determining the list of the Existing Shareholders.
RevPAR:	Revenue Per Available Room.
Rights Offering:	The offering of 96,153,846 New Shares to Eligible Shareholders in the Company, as further described in Section 5 in this Prospectus.
Scandic:	Scandic Hotels AB.
SEB Enskilda:	SEB Enskilda AS.
Share(s):.....................................	"Shares" means the common shares in the capital of Norwegian Property each having a par value of NOK 25 and "Share" means any one of them.
Sqm:	Square meters.
Subscription Form	Form for the subscription for New Shares, attached as Appendix 9 to this Prospectus
Subscription Period.....................	The period during which the New Shares can be subscribed for, commencing on 26 June 2008 and expire at 16:30 hours (CET) on 10 July 2008.
Subscription Price........................	NOK 26 per share, price for each of the New Shares to be issued by Norwegian Property ASA in the Rights Offering.
Subscription Rights.....................	Subscribtion rights granted to the Existing Shareholders providing preferential rights to be allocated to the New Shares at the Subscription Price.
VPS account:	An account with VPS for the registration of holdings of securities.
VPS:..	Verdipapirsentralen (Norwegian Central Securities Depository), which organizes a paperless securities registration system.

Appendix 1: Articles of Association

Office translation from Norwegian

(last amended 29 March 2007)

Section 1 – Company name

The Company's name is Norwegian Property ASA. The Company is a public limited liability company.

Section 2 – Registered office

The Company's registered office is located in the municipality of Oslo.

Section 3 - Company's business

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.

Section 4 – Share capital

The share capital is NOK 2,637,039,250 divided on 105,481,570 shares, each with a nominal value of NOK 25.

Section 5 – Board of Directors

The Company's Board of Directors shall consist of 3 to 9 members, as decided upon by the General Meeting.

Section 6 - Signature

The Chairman of the Board alone or two Board Directors jointly may sign for and on behalf of the Company.

Section 7 – Nomination Committee

The company shall have a Nomination Committee consisting of 2 to 3 members, as decided upon by the General Meeting. The members shall be elected for a period of two years. The Nomination Committee elects its own chairman.

The Nomination Committee shall submit recommendation to the General Meeting regarding election of the Directors of the Board. The Nomination Committee shall also propose the remuneration to the Directors of the Board.

Section 8 – General Meeting

In the annual General Meeting, the following issues shall be discussed and resolved:

- Approval of the Annual Accounts and the Annual Report, including distribution of dividend.
- Other issues which according to law or the Articles of Association falls under the responsibility of the General Meeting.

Shareholders wishing to attend the General Meeting must give notice to the company within a time limit stated in the Notice of General Meeting, which can not expire earlier than five days before the General Meeting. The shareholders, who do not comply with the above-mentioned time limit, may be refused to attend the General Meeting.

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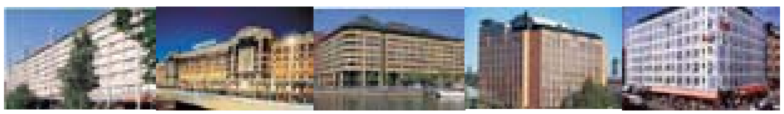
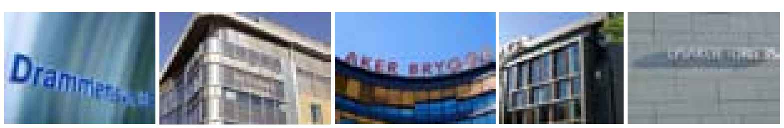
Appendix 2: Unaudited 1 Quarter report for 2008

NORWEGIAN PROPERTY



REPORT FOR THE
FIRST QUARTER - 2008



NORWEGIAN PROPERTY ASA – REPORT FOR THE FIRST QUARTER 2008

HIGHLIGHTS FOR THE QUARTER

- Rental income was NOK 472.1 million in the first quarter of 2008 (NOK 248.6 million in the same quarter in 2007).
- Profit before tax, value changes and interests on acquisition financing was NOK 125.1 million.
- After value adjustments derivatives, fair value adjustment properties and interest expenses acquisition financing, loss before tax was NOK 166.9 million (profit of NOK 345.4 million in the first quarter 2007).
- Net asset value per share (EPRA) was NOK 70.15 (NOK 60.26).
- The hotel markets in the Nordic region are strong with RevPAR (Revenue Per Available Room) growth between 6% and 12% so far in 2008 (per February). RevPAR growth for Norgani hotels was significantly higher (+9.6 % to 17.9%). Rental growth in Norgani in the first quarter 2008 was up 20.6 % compared to 2007.
- Overall office vacancy in Oslo is now below 4%. Rents are still increasing but at lower pace than earlier. Yields are trending upwards on less attractive properties.
- Agreement was signed with NEAS for facility management of the office portfolio. The agreement will secure stable and low property expenses going forward.
- Divestment process of non-core assets is proceeding according to plan. Agreements are entered regarding sale of non-core office properties with a property value of NOK 1.4 bn. Processes are ongoing regarding sale of hotel portfolio.

NORWEGIAN OFFICES - MARKET

The international financial and macroeconomic turmoil has so far had limited direct impact on the Norwegian economy. Unemployement remains very low, and demand for labor is still strong. Only a limited amount of new office space will be available in the market over the next few years. In central areas (CBD) vacancy does virtually not exist. Rents thus are expected to increase over the next year. Due to slow down in the residental market and the strong rental growth in the office market, start up of new office projects is increasing, though from very low levels.

The market for property transactions has slowed down as a consequence of the increase in long term interest rates and the credit turmoil, however to a lesser extent than in other countries. Less attractive properties and properties with long term leases have seen a certain increase in yield requirements. Also more centrally located areas have started to see some yield expansion. Increasing rents are to some extent neutralising the effects on the property values.

ACCOUNTING PRINCIPLES AND CONSOLIDATED ENTITIES

The first quarter report has been prepared in accordance with IAS 34 – Interim Financial Reporting. The quarterly result has been prepared in accordance with the current IFRS-standards and interpretations. The accounting policies applied in the preparation of the quarterly result are consistent with the principles applied in the financial statements for 2007.

In the consolidated group accounts Oslo Properties and Norgani Hotels have been included for the full quarter.

Mauritz Kartevolds plass 1, which was agreed sold in December 2007, was included up to February 1, when the sale was completed. The sale of Kokstadveien 23 was completed in the fourth quarter, and the property has not been included in the numbers in the first quarter. Other properties agreed sold, are included for the full quarter as closing of the transactions are not completed.

2

KEY NUMBERS

			1st Quarter 01.01 - 31.03		Last year 01.01 - 31.12
			2008	2007	2007
Profit and loss					
Gross rent		NOK million	472.1	248.6	1,195.7
Operating profit		NOK million	313.7	446.0	2,264.7
Operat. prof. ex. fair value adj.		NOK million	405.6	218.5	1,036.3
Profit before tax		NOK million	(166.9)	345.4	1,650.6
Net profit		NOK million	(120.2)	248.7	1,189.9
Balance sheet					
Market value of investment portfolio		NOK million	31,096.0	16,359.9	31,113.9
Market value of total prop. portfolio			31,096.0	17,602.8	31,113.9
Equity		NOK million	6,731.5	6,115.2	6,830.9
Interest bearing debt		NOK million	23,171.5	12,751.4	23,267.5
- of which hedged		NOK million	16,316.0	10,189.0	16,040.2
Interest bearing debt, incl. liability to acquire shares in Oslo Properties AS	1)	NOK million	24,792.9	12,751.4	24,863.3
Equity %		%	20.0 %	31.3 %	20.1 %
Pre tax return on equity (annualised)		%	-9.8 %	24.0 %	27.0 %
Cash flow					
Operational cash flow		NOK million	302.4	273.3	1,005.3
Cash position		NOK million	512.5	865.1	635.5
Key numbers, shares					
No. of shares issued		Million	105.5	105.5	105.5
Average number of shares in period		Million	105.5	98.7	103.8
Pre tax profit per share		NOK	(1.58)	3.50	15.90
Basic earnings per share (EPS)	2)	NOK	(1.14)	2.52	11.46
Operating cash flow per share		NOK	2.87	2.77	9.68
Interest bearing debt per share		NOK	219.67	120.89	220.58
Book value per share		NOK	61.85	57.54	63.20
Deferred property tax per share		NOK	21.86	5.03	22.18
Goodwill per share		NOK	(10.10)	-	(10.10)
Financial derivative instr. per share		NOK	(3.47)	(2.32)	(4.45)
Net asset value per share (EPRA)	3)	NOK	70.15	60.26	70.84

1) Norwegian Property ASAs interest bearing liability (put/call option agreement) to acquire shares in Oslo Properties AS.
NOK 1 120 million plus accrued interest may be settled with shares in Norwegian Property ASA at the discretion of Norwegian Property.
2) Diluted earnings per share are the same as the basic earnings per share.
3) Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, goodwill- and financial derivative instr. per share.
Deferred property tax per share include both ordinary deferred tax related to properties and tax compensation at purchase (accounted for as a reduction of investment properties). Goodwill per share is calculated from the single item in the balance sheet, while financial derivative instr. per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.

RESULT

The report for the first quarter 2008 includes the operation of 57 commercial properties (investment properties), 73 hotels and one conference center in Norgani Hotels for the full quarter. Gross rental income for the first quarter was NOK 472.1 million (NOK 248.6 million in the same period in 2007). In addition Norwegian Property has received payments under rental guarantees (NOK 1.5 million) in the first quarter, which are not included in the P&L.

Maintenance and property related expenses for the quarter were NOK 37.6 million (NOK 14.1 million) corresponding to 8.0 % of gross rental income. The increase reflects the acquisition of Norgani Hotels. Group and administrative expenses were NOK 28.8 million (NOK 16.0 million). Operating profit before value adjustment was NOK 405.6 million (NOK 218.5 million).

DTZ Realkapital has for the office portfolio, based on the same methods and principles as in the previous quarters, performed an external and independent valuation of properties. Increased inflation expectations has had a positive impact on valuations. DTZ has observed cotinued pressure on rents in central Oslo, but indications that market rents is reaching a peak. Widening of risk premiums (bank margins) and general yield expansion (especially on less attractive properties) have had a negative effect on valuations. The company has carried out independent assessments of the parameters which affect the value of the group’s properties, including development in interest rates, market rents, occupancy and yield requirements on similar transactions. Based on these considerations the Company has applied DTZ’s valuation. Total value of the Group’s portfolio of investment properties (offices) after adjustment for deferred tax was thus NOK 20,196 million as of 31 March 2008. NOK -197.0 million (NOK 227.4 million) in loss (gain) from fair value adjustment of investment properties has been realised in the first quarter.

The hotel portfolio has been externally valued by DTZ Realkapital and Maakanta (see separate description of this revaluation). Gain from fair value adjustment on the hotel portfolio was NOK 75.6 million.

Net financial items were NOK -480.6 million (NOK -100.6 million) in the first quarter. Net financial items include NOK -142.5 million (NOK 58.0 million) relating to negative changes in market value of financial derivatives. Interest expenses relating to the acquisition financing of Norgani Hotels / Oslo Properties was NOK 57.7 million. Financial expenses also include a loss of NOK 2.9 million related to changes in exchange rates.

Loss (profit) before tax for the first quarter was NOK -166.9 million (NOK 345,4 million). Calucated tax was NOK -46.7 million (NOK 96.7 million), primarily relating to deferred tax, which does not have any cash flow impact. Ordinary loss (profit) for the period was thus NOK -120.2 million (NOK 248.7 million).

CASH FLOW

Net cash from operating activities was NOK 302.4 million (NOK 273.3 million) in the first quarter. As a consquence of shorter roll over periods for the interest payments in the first quarter, a negative periodisation effect of NOK 50 million relating to interest payments was charged in the first quarter. This effect will be reversed in the second quarter. There are also some negative periodisation effects relating to rental payments having effect in the first quarter. Net cash flow from investing activities was NOK 27.9 million relating to the net effect of sold assets and ordinary capital expenditures. Ordinary capital expenditures relating to the group’s investment properties (offices) were NOK 29 million and to the hotel portfolio NOK 22 million in the first quarter. Net cash flow from financing activites was NOK -453.6 million. Net change in cash and cash equivalents in the first quarter was NOK -123.3.

BALANCE SHEET

Cash and cash equivalents as of 31 March 2008 were NOK 512.5. In addition the group had NOK 365 million in unused committed credit facilities. Total equity was NOK 6,732 million (NOK 6,115 million), corresponding to an equity ratio of 20.0 % (31.3 %). After deduction of minority interests the Net Asset Value per share was NOK 61.85 (NOK 57.54). Net Asset Value based on EPRA’s standard was NOK 70.15 (NOK 60.26).

The decomposition of deferred tax liability is described in the table below:

Deferred tax liability on properties (on fair value adjustments)	1 941
- Deferred tax asset from carry forward losses	(465)
Deferred tax liability	**1 476**
Deferred tax liability (booked as reduction on investment property)	**364**

FINANCING

Total consolidated interest bearing debt as of 31 March 2008 was NOK 23,171 million (NOK 12,751 million). In addition Norwegian Property had a potential liability to acquire shares in Oslo Properties AS (OPAS) based on put / call options. The discounted value of this obligation was NOK 1,621 million. NOK 16,316 million (NOK 10 189 million) of the interest bearing debt has been hedged, corresponding to a hedging ratio of 70%. Average interest for the interest bearing debt (including the bank acquisition financing in Oslo Properties) was 5.44% and average loan margins on the same debt is 76 basis points.

Interest bearing debt and hedging, 31 March 2008	Norwegian Property	Norgani	Property financing	OPAS – acquisition financing	Incl. bank acquisition financing
Total interest bearing debt (NOK million)	14 369	6 937	21 306	1 900	23 206
- Of which hedged (NOK million)	11 617	4 699	16 316	0	16 316
Hedging ratio (%)	81 %	68 %	75 %	0 %	70 %
Cash and cash equivalents	451	47	498	14	512
Effective hedging ratio including cash (%)	84 %	68 %	79%	1 %	73 %
Comited, unutilised credit lines (short and long term)	290	75	365		365
Average interest, interest bearing debt	5.32%	5.13%	5.27%	7.38%	5.44%
Average margin, interest bearing debt	0.56%	0.99%	0.70%	1.50%	0.77%
Average duration, hedging contracts (years)	5.1	5.9	5.0	-	5.0
Average duration, borrowing	5.0	4.2	4.7	2.8	4.4

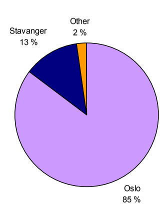
In addition Norwegian Property ASA has a potential liability to acquire shares in Oslo Properties based on put / call options with a discounted value of NOK 1,621 million.

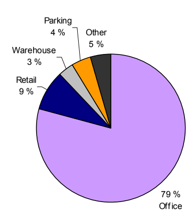
OSLO PROPERTIES AS

Oslo Properties AS is financed through equity commitments of NOK 2,005 million, of which Norwegian Property has subscribed for NOK 350 million. There has been no change in ownership in Oslo Properties AS during the first quarter. At the end of the first quarter interest bearing debt in Oslo Properties AS was NOK 1,846 million.

PROPERTIES – OFFICE PORTFOLIO

As of 31 March 2008 Norwegian Property owned 57 office and retail properties. Norwegian Property has entered an agreement to sell Østre Aker vei 20 and 22, Magnus Poulssonsvei 7, Forskningsveien 2 and Økerneveien 9. The transactions will be completed in the second quarter of 2008. Detailed information on each property is continually updated on the company's web page, www.norwegianproperty.no. Norwegian Property's properties are mainly located in central parts of Oslo and Stavanger. The company's properties mainly comprise office areas, warehouses, shopping areas and parking in connection with the office areas. On Aker Brygge the group also owns a shopping centre with outlets and restaurants.





Figures: Geographical location and portfolio mix (by gross rental income)

THE RENTAL SITUATION – OFFICE PORTFOLIO

When adjusting for properties sold or agreed to be sold, as of 31 March 2008 the total annual contracted gross rental income for the office portfolio was NOK 1 072.2 million compared to NOK 923 million at the end of 2006 and NOK 1 071 million at the end of the fourth quarter (adjusted for sold properties). Average ratio for CPI-adjustment for the portfolio is 95%. The average vacancy in the portfolio was 0.3%. Average remaining duration of the rental contracts was 6.1 years (6.5 years at the end of last year). Over the next four years an estimated contract volume of NOK 337 million is up for renewal.

SHAREHOLDERS

Total number of shares as of 31 March 2008 were 105 481 570. At the end of March 2008 foreign shareholders controlled 59.9% (60.1% at the end of last year). The company had a total of 902 registered shareholders at the end of March. The largest shareholders as of 16 April 2008 were:

Largest shareholders	Country	Shares	Stake
A. Wilhelmsen Capital AS	NOR	12 165 000	11.53 %
State Street Bank and Trust Co. (nom)	USA	8 737 256	8.28 %
JPMorgan Chase Bank (nom)	GBR	7 308 635	6.93 %
Fram Holding AS	NOR	4 000 000	3.79 %
Bank of New York, Brussels Branch, Alpine Int.	BLE	3 627 295	3.47 %
Vital Forsikring ASA	NOR	3 578 700	3.39 %
Bank of New York, BR BNY GCM	GBR	3 324 600	3.15 %
Fram Realinvest AS	NOR	3 000 000	2.84 %
Aweco Invest AS	NOR	2 870 282	2,72 %
Mellon Bank AS Agent	USA	2 319 173	2,20 %
Bank of New York, Brussels Branch, Alpine Int.	BLE	2 126 600	2.02 %
Pohjola Bank	AUT	2 000 000	1.90 %
Spencer Trading Inc.	NOR	2 000 000	1,90 %
Deutsche Bank AS	GBR	1 904 612	1.81 %
Mellon Bank as agent for clients (nom)	USA	1 901 886	1.80 %
Opplysningsvesenets fond	NOR	1 662 731	1,58 %
Fortis Global Custody Services (nom)	NEL	1 518 540	1.44 %
Lani Development AS	NOR	1 497 900	1,42 %
Morgan Stalney & Co (nom)	GBR	1 338 691	1,32 %
JPMorgan Chase Bank (nom)	GBR	1 153 960	1.09 %
Other shareholders		37 395 279	34,45 %
Total number of shares as of 16 April 2008		**105 481 570**	**100,00 %**

The share price at the end of the first quarter was NOK 44.00 versus NOK 66.50 at the end of last year. Generally property shares around the world has had a more stable performance so far this year compared to last year. FTSE EPRA NAREIT's Global Real Estate Index Europe was down 1.8% in the the first quarter., whereas GPR 250 Europe was up 0.3%.

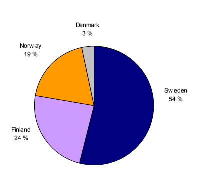
NORGANI – THE HOTEL MARKET

Based on the most recent market information on the Nordic hotel market (February 2008), the strong trend continues. RevPAR (Revenue Per Available Room) increased between 6.4 % and 11.8% in the countries recording this figure. Norgani's hotels had an even stronger RevPAR development ranging from 9.6% to 14.3% in the same countries. In Denmark, where market RevPAR is not recorded, occupancy continue go grow. Norgani only has three hotels in Denmark, and a limited exposure, but saw a negative RevPAR development in the first quarter. A refurbishment project on one of the properties is one reason for the drop, but Norgani is adressing the issue to improve the situation.

	RevPAR February	RevPAR Norgani (February)	Share of Norgani revenue
Norway	11.8 %	14.3 %	23 %
Sweden	6.4 %	9.6 %	45 %
Finland	9.7 %	17.9 %	28 %
Denmark	Occupancy 2.4 %	-23.3 %	4 %

NORGANI – THE HOTEL PORTFOLIO

At the end of March 2008, Norgani's portfolio comprised 73 hotels and one congress centre with a total of 12,804 rooms and 671,080 sqm.



Figures: Geographical location (rooms)

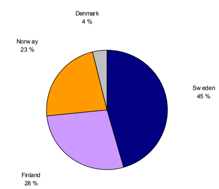


Figure: Geographical location (revenues)

NORGANI – THE HOTEL LEASE CONTRACTS

By the end of the first quarter, all Norgani's hotels were operating under performing contracts with only immaterial vacancies. Except for one hotel the contracts are turnover based leases, mostly with differentiated rates between lodging and food/beverages. Most contracts have minimum leases, on average at around 64% of current gross rent (CPI adjusted minimum leases). For some of the hotels there are vendor rental guarantees, which means that the seller has agreed to compensate Norgani for any shortfall between the guaranteed level and actual turnover based rent. The average duration of the lease agreements was 10.7 years, including the renegotiated Scandic agreement.

Operators	% Rooms	% Revenue *)
Scandic	57%	59%
Choice	21%	21%
Rezidor	5%	5%
Hilton	3%	5%
First	3%	2%
Best Western	2%	1%
Rica	2%	2%
Others	7%	5%

*) After renegotiation of Scandic

NORGANI – VALUATION OF HOTEL PORTFOLIO

As of 31 March 2008 the hotel portfolio was valued by DTZ Realkapital (Sweden, Denmark and Norway) and Maakanta (Finland). Total valuation in the external valuation was NOK 10.901 million, which is an increase of NOK 200 million from the end of last year. The valuation is based on the discounted cash flow method. In parallel Norgani has carried out internal valuations based on the principles previously applied by Norgani Hotels. The internal valuations concluded with a slightly higher value of NOK 10 914 million. The internal valuations are based on a net present value calculation of the property's future operating net serving the foundation for calculating property values. This means in principle that a property is valued by discounting expected revenues, and expenditures with a discount rate. The cash flow period is 10 years. As for Norwegian Property the external valuation has been applied

for the valuation in the group accounts.

NORGANI - RESULT

Revenues in the first quarter were NOK 188.9 million compared to NOK 156.6 in the same period last year. Growth in RevPAR and renegotiated lease agreements, mainly related to the Scandic hotels, are the main drivers behind the increase..

Operating expenses and administrative expenses were NOK 20.2 million and NOK 14.8 million respectively. Maintenance efforts were high in the first quarter and will be reduced going forward.

Net financial items were NOK -86.1 million, excluding interests on group internal debt of NOK 7.1 million. Fair value adjustments on properties were NOK 75.6 million, whereas fair value adjustments on financial instruments were NOK -75.2 million mainly due to a reduction in the long term interest rates and changes in currencies. In Sweden Norgani has sold a company holding no properties with a gain of NOK 29.3 million.

Profit before tax was consequently NOK 97.5 million or NOK 90.4 million if adjusting for group internal finance expenses..

NORGANI – FINANCING STRUCTURE

Gross interest bearing debt as of 31 March 2008 in Norgani was NOK 7,122 million (NOK 6,246.9 million at the end of the first quarter last year). Gross value of financial derivatives (interest swaps and currency hedging) was NOK 115 million. Further details on the financing is described under the group financing structure.

OUTLOOK

Norwegian Property's current portfolio of 57 high quality office properties in Oslo and Stavanger and 74 hotel properties in the Nordic region is well positioned to benefit from the strong economic growth in the region. Norwegian Property will continue the strong operational focus on tenant management and rental improvement, cost reductions and asset management. Major focus going forward is directed towards consolidation and integration of Norgani including focus on the financing structure. Sale of non-core assets is ongoing.

Norwegian Property has a long term strategic ambition of being a consolidator of the property business and of growing the business through accretive acquisitions. The main focus is still on the prime office markets in the larger Norwegian cities. But through the investment in Oslo Properties (and Norgani), Norwegian Property has entered the Nordic hotel market. The high degree of revenue based contracts implies a faster leverage on the strong economic growth in the region. In the short to medium term Norwegian Property's main focus will be on consolidation of the combined company, including integration of the organisations, take out of synergies, refinancing of Norgani and divestment of non-core assets. However Norwegian Property will also continue the work of evaluating accretive acquisitions, mainly in the form of structural transactions.

Norwegian Property ASA
The board of directors, 25 April 2008

FINANCIAL CALENDAR
2nd Quarter 2008: 8th August 2008
For additional information on Norwegian Property, see www.npro.no

CONSOLIDATED INCOME STATEMENT

Figures in NOK 1.000	1st Quarter 01.01 - 31.03 Norwegian Property 2008	Oslo Properties/ Norgani 1) 2008	Norwegian Property, incl. Osl. Pr./Norgani 2008	Norwegian Property 2007	Last year 01.01 - 31.12 Norwegian Property, incl. Osl. Pr./Norgani 2007
Rental income from properties	283,211	188,849	472,060	248,113	1,193,189
Other revenue	-	-	-	526	2,497
Gross rental income	**283,211**	**188,849**	**472,060**	**248,639**	**1,195,686**
Maintenance and property related costs	(17,404)	(20,217)	(37,622)	(14,111)	(81,424)
Other operating expenses	(14,013)	(14,814)	(28,827)	(16,007)	(77,943)
Total operating cost	**(31,418)**	**(35,031)**	**(66,448)**	**(30,118)**	**(159,367)**
Operating profit before fair value adj. of investment property	**251,793**	**153,818**	**405,611**	**218,521**	**1,036,319**
Gain from fair value adjustment of investment property	(197,018)	75,598	(121,420)	227,448	1,219,138
Gain from sales of investment property	206	29,349	29,555	-	9,281
Operating profit	**54,980**	**258,766**	**313,746**	**445,969**	**2,264,738**
Financial income	5,664	417	6,081	14,631	67,972
Financial costs	(199,957)	(144,303)	(344,260)	(173,226)	(958,863)
Change in market value of financial derivative instruments	(67,288)	(75,183)	(142,470)	57,986	276,749
Net financial items	**(261,581)**	**(219,069)**	**(480,649)**	**(100,609)**	**(614,143)**
Profit before income tax	**(206,600)**	**39,697**	**(166,904)**	**345,360**	**1,650,595**
Income tax expense	57,849	(11,115)	46,733	(96,701)	(460,736)
Profit for the period	**(148,752)**	**28,582**	**(120,170)**	**248,659**	**1,189,859**
Minority interests	1,373	(44,632)	(43,259)	(776)	(4,829)
Profit after minority interest	**(147,378)**	**(16,051)**	**(163,429)**	**247,883**	**1,185,030**

1) Oslo Properties AS/Norgani Hotels AS is consolidated as a part of the Norwegian Property ASA Group from 24.09.2007. The figures also include the liability to acquire shares in Oslo Properties (total acquisition financing).

CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000		Norwegian Property, incl. Osl. Pr./Norgani 3/31/2008	Norwegian Property 3/31/2007	Norwegian Property, incl. Osl. Pr./Norgani 12/31/2007
ASSETS				
Non-current assets				
Financial derivative instruments		-	114,814	9,550
Goodwill		1,064,987	-	1,064,987
Investment property		31,095,998	16,359,874	31,113,889
Development property		-	1,242,926	-
Fixtures and equipment		2,961	3,137	2,965
Shares and interests		1,637	-	1,623
Receivables		9,132	-	1,575
Total non-current assets		**32,174,715**	**17,720,751**	**32,194,589**
Current assets				
Financial derivative instruments		544,330	240,873	678,673
Seller guarantee for future rent		4,852	68,782	6,200
Accounts receivable		284,167	143,246	186,369
Other receivables		149,393	37,531	180,780
Unpaid subscribed capital, net of issue cost		-	480,000	-
Cash and cash equivalents		512,477	865,066	635,476
Total current assets		**1,495,220**	**1,835,498**	**1,687,498**
Total assets		**33,669,935**	**19,556,249**	**33,882,087**
EQUITY				
Paid in equity		5,349,061	5,349,298	5,348,120
Other reserves		27,689	82,755	7,818
Retained earnings		1,147,533	637,519	1,310,962
Minority interests		1,732,126	45,610	1,688,867
- Liability to acquire shares in subsidiaries	1)	(1,524,863)	-	(1,524,863)
Total equity		**6,731,546**	**6,115,182**	**6,830,903**
LIABILITIES				
Non-current liabilities				
Deferred tax liability		1,475,906	212,344	1,521,767
Financial derivative instruments		5,129	-	-
Interest bearing liabilities		21,662,264	12,609,951	21,733,946
Total non-current liabilities		**23,143,299**	**12,822,295**	**23,255,713**
Current liabilities				
Financial derivative instruments		41,701	15,861	26,075
Interest bearing liabilities		1,509,236	141,476	1,498,193
Liability to acquire shares in subsidiaries	1)	1,621,355	-	1,595,837
Accounts payable		16,989	94,365	44,086
Other liabilities		605,809	367,070	631,279
Total current liabilities		**3,795,090**	**618,772**	**3,795,470**
Total liabilities		**26,938,389**	**13,441,067**	**27,051,184**
Total equity and liabilities		**33,669,935**	**19,556,249**	**33,882,087**

1) Norwegian Property ASAs interest bearing liability (put/call option agreement) to acquire shares in Oslo Properties AS.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK 1.000	Equity attributable to shareholders of the company Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Minority interests	Total Equity
Total equity 31.12.2006	**2,462,823**	**900,171**	**1,500,000**	**75,763**	**389,636**	**44,834**	**5,373,227**
Share issue, March 2007	174,216	325,784					500,000
Total cost related to share issues, net of tax		(13,932)					(13,932)
Dividend payments					(263,704)		(263,704)
Financial derivatives accounted to equity				(68,887)			(68,887)
Profit for the period					1,185,030	4,829	1,189,859
Minority interests						1,639,203	1,639,203
Liability to acquire shares in subsidiaries						(1,524,863)	(1,524,863)
Total equity 31.12.2007	**2,637,039**	**1,212,022**	**1,500,000**	**6,876**	**1,310,962**	**164,003**	**6,830,903**
Financial derivatives accounted to equity				(10,580)			(10,580)
Currency translation differences				31,393			31,393
Profit for the period					(163,429)	43,259	(120,170)
Total equity 31.03.2008	**2,637,039**	**1,212,022**	**1,500,000**	**27,689**	**1,147,533**	**207,262**	**6,731,546**

CONSOLIDATED CASH FLOW STATEMENT

	Figures in NOK 1.000	1st Quarter 01.01 - 31.03 Norwegian Property, incl. Osl. Pr./Norgani 2008	Norwegian Property, incl. Osl. Pr./Norgani 2007	Last year 01.01 - 31.12 Norwegian Property, incl. Osl. Pr./Norgani 2007
	Profit before income tax	(166,904)	345,360	1,650,595
-	Paid taxes in the period	-	-	(2,042)
+	Depreciation of tangible assets	500	197	766
+/-	Gain from sale of investment property	(29,555)	-	(9,281)
-/+	Gain from fair value adjustment of investment property	121,420	(227,448)	(1,219,138)
-/+	Gain from fair value adjustment of financial derivative instruments	142,471	(57,986)	(276,749)
+/-	Net financial items ex. market value adj. of financial derivative instruments	338,179	158,595	890,892
+/-	Change in short-term items	(103,674)	54,626	(29,768)
=	**Net cash flow from operating activities**	**302,437**	**273,344**	**1,005,277**
+	Received cash from sale of tangible fixed assets and single purpose entities	79,304	-	227,393
-	Payments for purchase of tangible fixed assets and single purpose entities	(51,366)	(2,275,985)	(5,126,458)
-	Payments for purchase of subsidiaries in a business combination	-	-	(3,439,025)
=	**Net cash flow from investing activities**	**27,938**	**(2,275,985)**	**(8,338,090)**
+	Net change in interest bearing debt	(115,466)	1,773,840	7,272,211
-	Net financial items ex. market value adj. of financial derivative instruments	(338,179)	(158,595)	(890,892)
+	Capital increase	-	-	480,287
-	Dividend payments	-	-	(263,704)
+/-	Payments related to other financing activities	-	-	114,352
=	**Net cash flow from financial activities**	**(453,645)**	**1,615,245**	**6,712,253**
=	**Net change in cash and cash equivalents**	**(123,271)**	**(387,396)**	**(620,560)**
+	Cash and cash equivalents at the beginning of the period	635,476	1,252,462	1,252,462
+/-	Exchange rates	271	-	3,573
	Cash and cash equivalents at the end of the period	**512,476**	**865,066**	**635,476**

NOTE 1
– NORGANI HOTELS ASA CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT NOK million	Q1 2008	Q1 2007	24.9 - 31.12 2007	1.1 - 31.12 2007
Property management				
Rental revenue	183.1	150.8	178.0	644.8
Rental guarantees	5.8	5.8	7.1	54.3
Operating expenses	(20.2)	(13.6)	(19.9)	(65.0)
Operating net	**168.7**	**143.0**	**165.2**	**634.1**
Property disposal				
Sales proceeds, net	29.3	112.9	-	148.1
Acquisition value	-	(102.4)	-	(139.3)
Realised fair value adjustment	-	(9.5)	-	(9.1)
Net gain on disposals	**29.3**	**1.0**	**-**	**(0.3)**
Administrative expenses	**(14.8)**	**(20.5)**	**(19.4)**	**(126.3)**
Financial net				
Financial income	0.3	2.7	7.9	14.1
Financial expenses	(86.4)	(86.8)	(101.4)	(334.4)
Net financial items	**(86.1)**	**(84.1)**	**(93.5)**	**(320.3)**
Fair value adjustments				
Properties	75.6	1.5	-	819.7
Financial instruments	(75.2)	95.1	(15.8)	131.8
Total fair value adjustments	**0.4**	**96.6**	**(15.8)**	**951.5**
Profit before tax	**97.5**	**136.0**	**36.6**	**1,138.7**

CONSOLIDATED BALANCE SHEET NOK million	3/31/2008	3/31/2007	12/31/2007
Assets			
Properties	10,900.5	9,124.3	10,731.5
Receivables	314.4	175.7	342.7
Liquid assets	46.9	153.0	6.2
Total assets	**11,261.8**	**9,453.0**	**11,080.4**
Liabilities and shareholder's equity			
Shareholder's equity	3,932.3	3,020.8	3,810.8
Interest bearing liabilities	7,122.0	6,264.9	7,105.3
Other liabilities	207.5	167.3	164.3
Total tangible assets	**11,261.8**	**9,453.0**	**11,080.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY NOK million	1.1 - 31.03 2008	1.1 - 31.03 2007	1.1 - 31.12 2007
Equity at start of period	**3,810.8**	**3,016.4**	**3,016.4**
New equity issues	-	7.5	-
Net profit for the period	114.5	108.5	1,105.6
Dividend			(158.3)
Cash flow hedges		-	37.7
Other changes, incl. currency transl. diff.	7.0	(111.6)	(190.6)
Equity at end of period	**3,932.3**	**3,020.8**	**3,810.8**

CASH FLOW STATEMENTS

NOK million	1.1 - 31.03 2008	1.1 - 31.03 2007	1.1 - 31.12 2007
Cash flow from operations	60.6	48.8	195.6
Cash flow from changes in working capital	8.4	613.5	590.6
Cash flow from investment activity	7.5	95.6	(836.2)
Cash flow from financing activity	(36.1)	(701.0)	(45.8)
Cash flow for the period	**40.4**	**56.9**	**(95.8)**
Liquid assets, opening balance	6.2	105.1	105.1
Exhcange rate	0.3	(9.0)	(3.1)
Liquid assets, closing balance	**46.9**	**153.0**	**6.2**

SEGMENT INFORMATION

1.1 - 31.03.2008

NOK million	Sweden	Finland	Norway	Denmark	Unallocated	Norgani
Revenues	85.9	55.0	40.4	7.6		188.9
Operating expenses	(10.9)	(6.3)	(1.9)	(1.1)		(20.2)
Operating net	75.0	48.7	38.5	6.5		168.7
Net disposals					29.3	29.3
Fair value adjustments of properties					75.6	75.6
Administrative expenses					(14.8)	(14.8)
Financial net					(86.1)	(86.1)
Fair value adjustments of financial instruments					(75.2)	(75.2)
Profit before tax						**97.5**

Appendix 3: Annual report for 2007 with auditors statement

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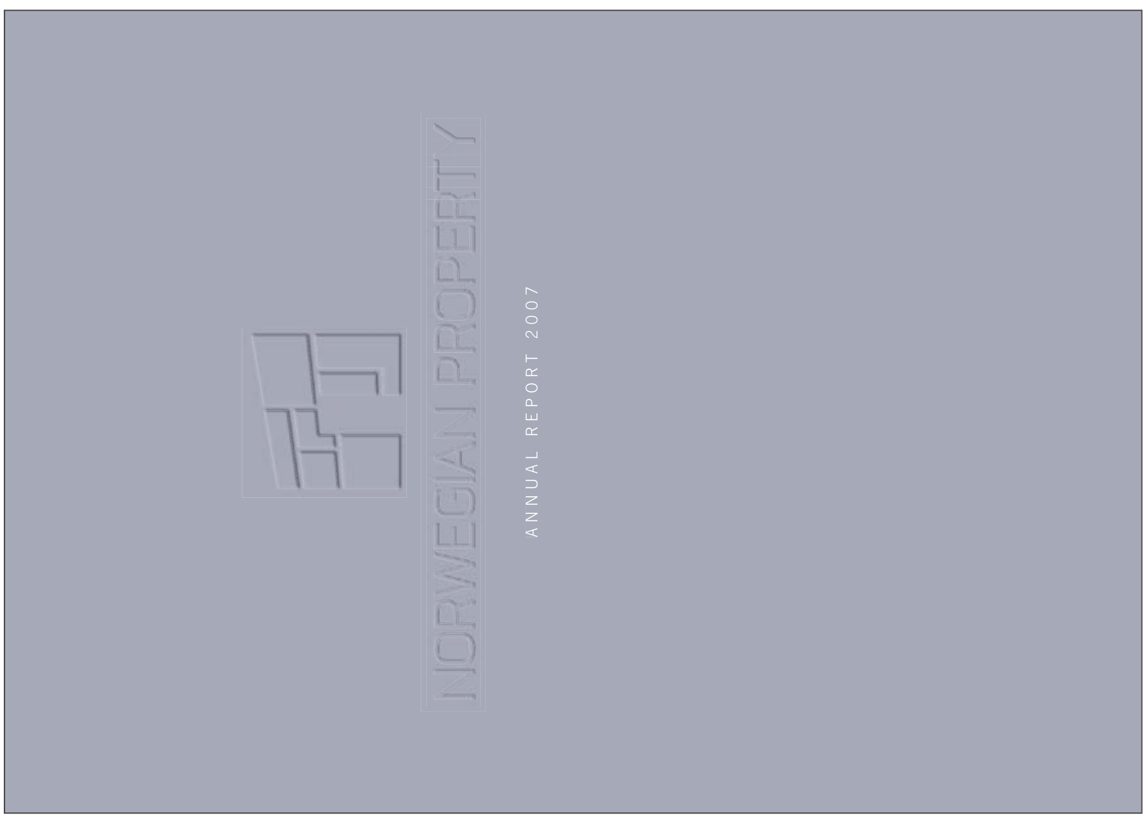
Contents

Financial calendar 2008

28 April	Interim report, Q1
20 May	Annual general meeting
10 June	Dividend payment
8 August	Interim report, Q2
24 October	Interim report, Q3



Highlights 2007

Share issues and refinancing

- A fully-subscribed private placement of NOK 500 million was implemented on 29 March at a subscription price of NOK 71.75.
- Agreements for loans and mandates related to financing with an overall volume of up to NOK 21 billion were concluded in July. After this refinancing, the average margin on Norwegian Property's borrowing was reduced to 56 basis points.

Biggest Nordic hotel property company acquired

- All the shares in Norgani Hotels ASA were acquired in the fourth quarter through the Oslo Properties investment company owned 17.5 per cent by Norwegian Property. Through agreements, Norwegian Property has secured the right to acquire more than 90 per cent of Oslo Properties.

Strengthening property portfolio in Norway

- The acquisition of four office and retail properties during July for NOK 1.7 billion made Norwegian Property the largest landlord at Aker Brygge in Oslo.
- Park Inn in downtown Oslo was acquired in December for NOK 174 million through Norgani Hotels AS.

Disposal of non-strategic properties

- Agreement was reached in December on the sale of the Mauritz Kartevoldsplass 1 property for NOK 50.5 million and of the Kokstadveien 23 property in Bergen for a value corresponding to NOK 230.8 million.

Included in international benchmarking index

- Norwegian Property was included from 24 December in GPR 250, a leading global benchmark index for investors in property shares.

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Key figures

		2007	2006
Profit and loss[1]			
Gross rental income	*NOK million*	**1 195.7**	414.8
Operating profit	*NOK million*	**2 264.7**	745.0
- of which value change investment properties	*NOK million*	**1 219.1**	393.2
Operating margin	*Per cent*	**189.4**	179.6
Profit before tax	*NOK million*	**1 650.6**	539.5
Annualised return on equity (before tax)	*Per cent*	**27.0**	25.2
Dividend (proposed 2007/paid 2006)	*NOK per share*	**2.50**	2.50
Balance sheet[1]			
Property portfolio, book value	*NOK million*	**31 114**	13 920
Total assets	*NOK million*	**33 882**	16 888
Interest-bearing debt	*NOK million*	**23 232**	10 978
Equity	*NOK million*	**6 831**	5 373
Equity ratio	*Per cent*	**20.2**	31.8
Book equity per share	*NOK per share*	**63.20**	54.09
EPRA, value per share[3]	*NOK per share*	**70.84**	56.53
Portfolio[2]			
Number of properties		**131**	55
Total area	*Sq.m*	**1 407 471**	722 542
Average remaining lease term	*Years*	**8.4**	7.3
Vacant, office portfolio	*Per cent*	**0.7**	0.8
Average net yield	*Per cent*	**5.8**	5.6
Average net yield, market value	*Per cent*	**6.3**	-
Property portfolio, market value	*NOK million*	**31 430**	18 056
Property portfolio, market value	*NOK per sq.m*	**22 331**	24 991

1 Reported figures where the properties are included from their date of acquisition. Norgani Hotels included from 24 September 2007.
2 Rental income: based for commercial properties on the on-going level of rents at 1 January 2008, and for Norgani Hotels on the level of rents for 2007 with a five per cent adjustment for expected RevPAR growth in 2008. (RevPAR=Revenue Per Available Room).
3 EPRA (70.84) = carried amount of equity (63.20) + deferred tax, property (22.18) - goodwill (10.10) - financial derivatives (4.45). (EPRA= European Public Real Estate Association).

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Norwegian Property in brief

Norwegian Property buys, develops and owns high-quality commercial properties with attractive locations. The portfolio was expanded in 2007 with additional commercial properties in Oslo. Acquiring Norgani Hotels also contributed with a substantial number of hotel properties in the Nordic region.

Established in May 2006, Norwegian Property ASA has made its mark from the start as a substantial and dynamic player in the Norwegian property market. Its portfolio at 31 December 2007 totalled 58 commercial and 74 hotel properties with a combined market value of NOK 31.4 billion. This makes Norwegian Property the largest listed Nordic property company.

These properties represent a total area of roughly 1 400 000 square metres, with an annual rental income of just under NOK 2 billion. Vacancy for the overall portfolio of commercial and hotel properties is less than one per cent, and leases have an average remaining term of 8.4 years.

Norwegian Property is located in Oslo. It had 33 employees at the end of 2007 and a total rental income for 2007 of NOK 1 195.7 million. The company is listed on the Oslo Stock Exchange with ticker code NPRO.

Through the Oslo Properties investment company, Norwegian Property also controls Norgani Hotels. The latter has its head office in Oslo and 19 employees, with a total rental income of NOK 699.1 million in 2007. Norgani Hotels was delisted from the Oslo Stock Exchange on 12 November following its acquisition by Oslo Properties.

The business

The company has two business areas: commercial property and hotel property.

Commercial property – Norwegian Property ASA

Activities related to commercial property are organised in Norwegian Property ASA.

At 31 December, the portfolio comprised 58 attractive commercial properties in Oslo and Stavanger with a market value of NOK 20.7 billion. These represented an annual gross rental income of roughly NOK 1 149 million. The properties are managed by external partners.

Hotel property – Norgani Hotels AS

The hotel properties are organised in Norgani Hotels AS, which had a portfolio at 31 December comprising 74 hotel properties with a rental income for 2008 of NOK 819 million based on development expectations from the hotel operators.

Norgani Hotels was acquired in 2007 by the Oslo Properties investment company. At 31 December, the latter controlled all the shares in Norgani. Norwegian Property owns 17.5 per cent of the shares in Oslo Properties, and has secured the right to secure 90 per cent. Norwegian Property regards the investment in Norgani Hotels as both long-term and strategically important, and has accordingly opted to present the hotel properties as part of its business.

Well-diversified portfolio

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Over time, the ambition is for attractively-located office and commercial properties in Norway to account for more than 70 per cent of the value of the group's property portfolio. Demand from the rental market for this type of property is high, while the supply of vacant premises and new buildings is restricted. Rents are accordingly expected to continue rising over the next few years. Norwegian Property is well positioned to benefit from a future positive trend in the property market, and has ambitions for continued growth.

Meeting the demand for a liquid, listed investment option in the commercial property sector, the company aims to give its shareholders an attractive return. A well-diversified quality portfolio of large commercial properties, combined with an attractive and predictable relationship between risk and return, will contribute to value creation. Norwegian Property aims to take a leading role in the restructuring and industrialisation of the market.

Object and strategies

The overall long-term object for Norwegian Property is to be the preferred investment option and premier value-developer in Norway, and to serve as a door-opener to the Nordic property market.

Norwegian Property's ambition is to achieve predictable progress in revenues and cash flow, with a long-term return on equity of at least 13-15 per cent before tax, while also paying a competitive dividend.

Investment strategy

The investment strategy is to continue actively developing and managing the portfolio in the chosen priority areas. At the same time, the group will contribute to a restructuring and professionalisation of the sector.

"The investment in Norgani Hotels is both long-term and strategically important."

- In the long term, attractively located office properties in Norway will form 70 per cent of the portfolio by value. Hotel and retail could form up to 30 per cent of the portfolio by value in the long term.
- The main focus for the office portfolio will be:
  – locations in attractive areas of Oslo and Stavanger, with Bergen and Trondheim considered if large portfolios become available
  – fully developed properties with a value of more than NOK 200 million and a high expected return
  – the emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases in order to secure the potential in today's strong market
  – tenants will normally be large listed companies and public bodies, in order to reduce risk associated with leases.
- The main focus for the hotel portfolio is on properties subject to less volatility than the general hotel market:
  – a well-diversified portfolio of three- and four-star hotels (mid- and up-market) units, primarily located in Nordic towns with more than 50 000 inhabitants
  – mainly fully developed properties, with a minimum of 150 rooms and attractive locations
  – collaboration with the largest and most professional hotel operators in the Nordic region.

Financing and investment strategy

The company's earnings, cash flow and required return will be highly predictable.

- The objective is a return of 13-15 per cent on paid-in equity and an annual dividend of four-six per cent of paid-in equity.
- The company's target equity ratio will be about 25 per cent.
- The company will be financed on competitive terms.
- A high proportion of long-term debt will be hedged at fixed interest rates. This applies to at least 70 per cent of the office portfolio and at least 50 per cent of the hotel portfolio.

Shareholder strategy

- Open communication combined with clear goals and strategies will help to ensure confidence in the investor market.
- A broad shareholder base comprising Norwegian and international investors will contribute to a high level of liquidity for the share.

Market

The Norwegian market for commercial property reflects the strength of the national economy. Demand for quality properties in central locations is high. At the same time, the supply of vacant premises and new building is limited. Vacant space fell during 2007 from six to four per cent, and is expected to contract even further in 2008. This has raised the level of rents, and a further increase is expected over the next few years.

The Nordic hotel market is experiencing a growth phase, which is expected to continue over the next few years. Revenue per available room (RevPAR) rose in the Nordic market by 7.1-13.0 per cent during 2007. This growth reflects increased travel by both tourists and business people. The availability of new hotel capacity has been limited, and both occupancy rates and average room prices have made good progress.

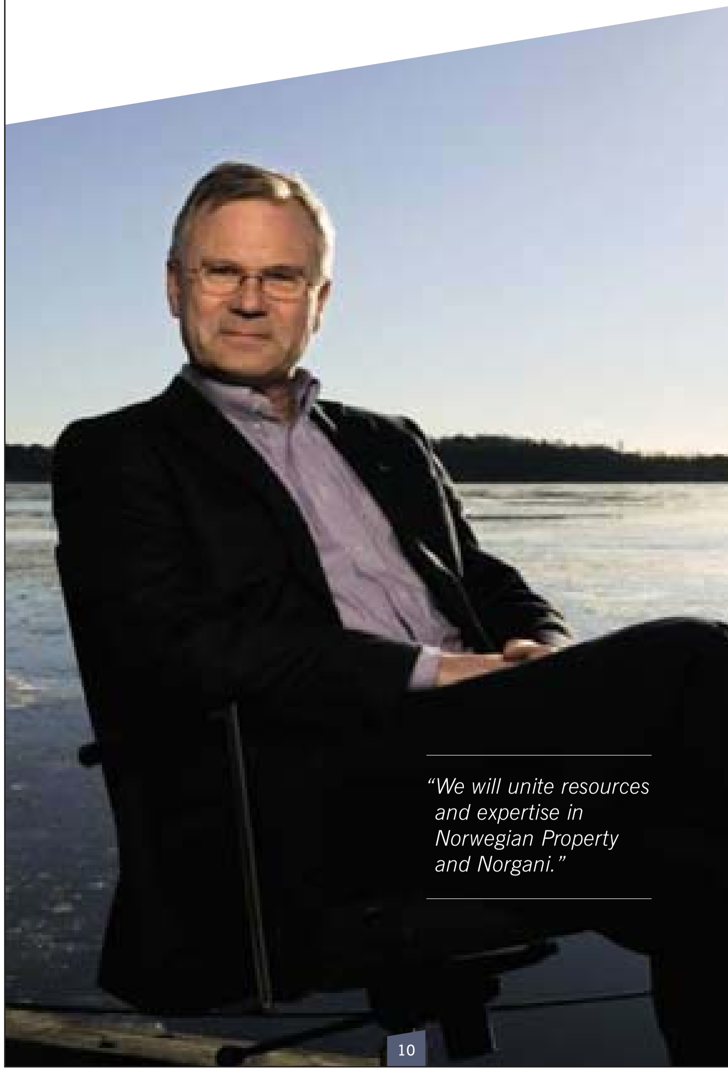
More information about each property can be found in a separate section of this annual report, and on the company's websites at www.npro.no and www.norgani.no.

Tenants

Norwegian Property has a number of large and financially sound tenants in both private and public sectors. The 25 largest office tenants account for about 66 per cent of the rental income. The office portfolio had a total of 400 tenants at 31 December 2007.

Tenants of Norgani Hotels include leading international and regional chains such as Scandic Hotels (including Hilton), Choice Hotels Scandinavia and Rezidor. These account for about 90 per cent of the rental income. Scandic Hotels is the largest tenant, accounting for about 64 per cent.

"The company's earnings, cash flow and required return will be highly predictable."



Letter from the CEO:

Focus on increased value creation

Norwegian Property is growing. We became the Nordic region's largest listed property company in 2007, and have established a strong portfolio of hotel and commercial properties.

High-quality office properties in attractive locations represent the bulk of our portfolio. In order to become even more strongly placed, however, we also positioned ourselves during 2007 in the market for hotel properties. This will make us less vulnerable to economic fluctuations and help to enhance value creation.

The Norwegian property market was again characterised by a high level of activity in 2007, and plenty of holdings were for sale. However, we in Norwegian Property are very selective about which buildings and portfolios we consider. Maintaining our absolute requirement for a return of 13-15 per cent on equity is crucial for us. It is also important for the properties to be attractive in terms of quality and location. That will help us to maintain our position as the landlord for large and reputable tenants, and will ensure a level of rents which creates value for our owners.

We were built on a portfolio of office properties. At an early stage, we expressed an ambition to develop our company into a Nordic leader. To fulfil our growth strategy, we wanted more legs to stand on. Market trends indicated that a commitment to hotel properties would be favourable, and we accordingly made an offer in August 2007 for Norgani Hotels. Other players also regarded Norgani's portfolio of 74 Nordic hotel properties as attractive, and a bidding war ensued. I am pleased that we emerged victorious from this struggle through an alliance forged by Oslo Properties. The agreement means that we have secured the right to more than 90 per cent of the Oslo Properties shares in the longer term, and the acquisition of Norgani was accomplished at a price which satisfies our required return.

Acquiring Norgani has given us a more diversified portfolio, making us more robust in relation to economic fluctuations. Backed by assessments from independent analysts, we believe that hotel properties will now experience something like the same growth seen for the development of office property values. Occupancy rates in Nordic hotels are rising, and this trend is expected to persist. Norgani's portfolio consists primarily of three- and four-star hotels, and this is the segment with the highest growth and most stable progress. Renegotiations with Scandic Hotels have resulted in higher rents with effect from 1 January 2008. During the boom we are experiencing in the hotel market, we will also secure a positive effect for our cash flow from the fact that all but one of the hotels have turnover-based leases. In addition come minimum-rent guarantees from operators for an average period of 11 years to come.

Another milestone for us in 2007 was the acquisition of the DnB Nor head office at Aker Brygge in July. We now own a substantial proportion of all the commercial premises in this part of Oslo – Norway's most attractive property market. Demand for premises in this area is high, and rents have risen by more than 100 per cent over the past two years.

While our main focus remains on Norwegian office properties, we will be able to have about 30 per cent of our investments in other segments with growth opportunities. Through our strong portfolio of attractive Norwegian office and Nordic hotel properties, we are well positioned in two segments with good prospects for continued growth. Demand remains strong, rents are expected to go on increasing, and the supply of new properties is limited. Combined with high employment and continued growth in Norway's gross domestic product, this will allow us to enhance our value creation even further. By integrating the Norwegian Property and Norgani organisations, we can unify resources and expertise in a way which strengthens us even further while also laying the basis for taking out substantial synergies and economies of scale.

The unrest in the financial market and the strong decline we have seen in stock markets, particularly in early 2008, have not affected our operations. The quality of our tenants is still very good, demand for premises remains high and rents are continuing to rise. Nor has our financing been affected by the turbulence in the market. Almost 80 per cent of our debt is covered by fixed-interest contracts on terms below the market rate, and we are comfortable with our ability to maintain our target of a return of 13-15 per cent on equity.

We will continue our efforts to trim and optimise our portfolios in both office and hotel segments, and our attention is focused more on structural opportunities than on individual purchases. We believe that our combination of first-class office properties and properties with consumer-oriented activities will be a successful formula for enhanced value creation.

Petter Jansen
President and CEO

Hotel properties:

Biggest Nordic hotel owner

Through its investment in Norgani Hotels, Norwegian Property established hotel properties as a new business area in 2007. This commitment is long-term and regarded as strategically important.

Highlights of 2007

- Norgani Hotels strengthened its position as the largest Nordic hotel owner, and concluded agreements on the acquisition of five hotels and a development project with a total of 859 new rooms.
- Work continued on refining the portfolio, and three non-strategic properties with a total of 231 rooms were sold.
- An overall agreement on renegotiating all leases for the 42 hotels in the Scandic chain was concluded with effect from 1 January 2008. Rents were raised to the current market level, representing an annual increase of EUR 10.5 million. At the same time, the term of the leases was extended from six to 13 years and minimum rents were introduced for all the hotels. Leases for each hotel were completed during February 2008.
- Turnover made strong progress in all the company's markets during 2007. Rising tourist traffic and good times in the business sector have boosted demand for hotel rooms. Only limited new capacity has come onto the hotel market, and both occupancy and room prices developed positively in 2007. RevPAR increased by eight to 13.1 per cent in all the Nordic markets. Since Norgani Hotels' leases are largely turnover-based, the company therefore experienced very good progress for rental income.

Norgani Hotels is a focused company with core expertise in owning and developing hotel properties. It cooperates closely with both operators and distributors.

Strong market positions in growth markets

As the biggest owner of Nordic hotel properties, Norgani Hotels embraces about five per cent of all available rooms in the region. Turnover in the hotel sector is expanding rapidly as a result of both increased tourism and greater business travel. The travel trade is now one of the world's biggest industries, and one of those with the fastest growth. In line with international trends, developments in the Nordic region are also very positive.

Norgani Hotels is active in the travel trade as a hotel owner and as a creator of value through investment in as well as management and development of hotel properties in close cooperation with their operators. The company's main focus is on hotels with less volatility than the hotel market in general:

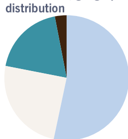
- The goal is to have a well-diversified portfolio of three- and four-star (mid- and up-market segments) hotels, located primarily in Nordic towns with more than 50 000 inhabitants.
- These properties will be mainly fully developed, in attractive locations and with at least 150 rooms.
- Hotel management is handled by professional players. Cultivating and further extending collaboration with the largest and most professional hotel operators in the Nordic region has a high priority.

Key figures, hotel property portfolio

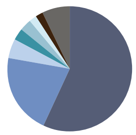
	2007[2]	2006[1]
Number of hotel properties	**74**	73
Total area, square metres	**671 080**	658 417
Total rooms	**12 804**	12 493
Average size per property, square metres	**9 069**	9 019
Average value per hotel room, NOK 1 000	**836**	757
Market value, NOK million	**10 700**	9 452
Gross rental income, NOK million	**819**	662
Estimated annual property costs, NOK million	**82**	62
Net rental income, NOK million	**737**	600
Gross yield, per cent	**7.7%**	7.0%
Net yield, per cent	**6.9%**	6.3%
Average remaining lease term, years	**11.0**	7.7
Minimum rent and seller guarantees, NOK million	**596**	-
Minimum rent (inflation-adjusted), NOK million	**519**	-

[1] Actual rent achieved for 2006, adjusted for hotels bought and sold. Estimated property cost of 10 per cent.
[2] Rental income based on hotel operator budgets for 2008, which implies a RevPAR growth of just over five per cent from 2007.

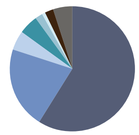
Hotel rooms, geographical distribution



Operators' share of rooms



Operators' share of turnover



Hotel property portfolio

Norgani Hotels owns a total of 73 hotels and one conference centre. It has also reached agreement on acquiring a further hotel in Oslo upon completion in 2009. Altogether, the 74 properties have 12 804 rooms and an area of 671 080 square metres. Virtually all the space is leased for hotel operation, but some hotels also have small areas leased for other types of activity. The most important key figures for the property portfolio are shown in the table on page 13. A more detailed presentation of all the properties is provided in a separate table.

Rental income and geography

More than half the hotel room capacity – 54 per cent – is located in Sweden, with 19 and 25 per cent in Norway and Finland respectively. Norgani Hotels only has three hotels in Denmark, and their share of capacity also totals about three per cent. Sweden's share of turnover is relatively low, at 45 per cent, while Norway, Denmark and Finland represent relatively higher proportions. This reflects both the location and segment of the hotels, but also differences in market rates for hotel rooms.

Turnover-based leases

Following the renegotiation of lettings for the Scandic hotels, all but one of the leases are turnover-based. The hotel owner's share of occupancy turnover (room price) normally amounts to 25-40 per cent, and the share of other revenue (food and beverages) lies between seven and 12 per cent. With the exception of three hotels, the leases also contain provisions on minimum rents which are inflation-adjusted annually and independent of hotel turnover. At 31 December 2007, minimum rents accounted for about 64 per cent of expected turnover in 2008.

With turnover-based leases, the hotel owner is normally responsible for external maintenance while the operator meets on-going operating costs. As a general rule, the hotel owner is responsible for replacing technical installations while the operator handles on-going maintenance. The usual practice for other investment in the property is to agree a split between owner and operator.

Following the renegotiation of the Scandic agreement, the average remaining term of the leases is 11 years.

Other leases

Norgani has leased some minor areas to lessees other than the hotels, such as restaurants, shops or bars.

Seller guarantee

For most of the hotels acquired by Norgani, the seller agreed at the time of acquisition to guarantee a certain minimum rental income. Given the strong growth in turnover, this seller guarantee is expected to apply to only four hotels during 2008.

Operators

Norgani gives weight to having relationships with the most important Nordic players. These often have greater market penetration through coordination of marketing and loyalty programmes. They also have professional operations organisations and a strong focus on positioning, operational tools and product development.

Scandic Hotels (including Hilton) and Choice, which are the two largest Nordic chains, account between them for 81 per cent of the hotel rooms and 85 per cent rental income.

Market

The travel trade is one of the world's largest industries, and estimated by the World Travel and Tourism Council (WTTC) to account for more than 10 per cent of global GDP. Employing more than 200 million people, the industry is forecast by the WTTC to grow by an annual average of 4.3 per cent over the next decade. Demand for hotel rooms is expanding in pace with the general growth in travel.

Hotel owners

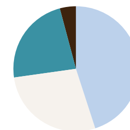
The hotel market has three main players – the owners, the operators and the distributors. In the past, these three roles were usually combined. Increasingly, however, specialists are taking responsibility for their part of the value chain. Norgani has specialised in the hotel owner role. At 31 December 2007, it controlled five per cent of available Nordic hotel rooms. The company's market share is largest in Sweden, at 6.6 per cent.

Norgani's biggest competitors on the ownership side are operators who also own the hotels (the Olav Thon group and Nordlandia). The biggest specialised hotel-owning companies are Northern European Properties, with 39 hotels (mainly in Finland), Pandox with 29 hotels in Sweden and Denmark, and Home Properties with 23 hotels in Sweden and Norway. Northern European Properties sold its hotels to a fund controlled by private equity company Capman in the first quarter of 2008.

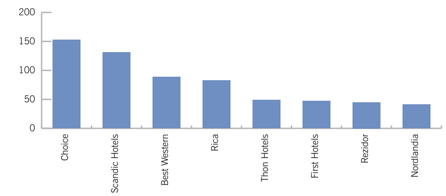
Operators

Hotels are increasingly being marketed through chains. Although hotels outside such chains are still in the majority in the Nordic area, most of the large operators in this region have growth ambitions. Common branding gives travellers confidence in the quality of the hotels, while loyalty programmes encourage further purchases. Affiliation also provides economies of scale for the hotels in a number of areas. The main Nordic players are shown in the table above.

Turnover by country



The largest Nordic operators by number of hotels in the region



Growing capacity utilisation and big rise in RevPAR

The Nordic hotel market had a very good year in 2007, with strong economic growth and expanding business travel as contributory factors. At the same time, increased prosperity has boosted holiday and leisure travel.

Norway

RevPAR in Norway made progress for the fourth year in a row, with RevPAR growth rising from 8.8 per cent in 2006 to a record 13.1 per cent. Business travel and the domestic share of occupancy showed particular growth.

Sweden

This country, which is Norgani's most important market, also witnessed growth in RevPAR growth rate from 6.7 to nine per cent. Average RevPAR rose from SEK 406 in 2006 to SEK 443.

Finland

The Finnish market has expanded continuously since 2003, and reached its highest level since 1980 in 2007. RevPAR increased by 7.1 per cent to EUR 42. This market is driven particularly by domestic holiday and leisure travel.

Denmark

Norgani only has three hotels in Denmark, where the market lacks official statistics for average room prices. However, the occupancy rate has risen by 2.5 per cent, from 57.5 to 58.9 per cent.

Risk

The group's most important market risks relate to a reduction in rental income.

Key figures for the hotel portfolio

At 31 Dec 07	Norgani No of rooms	Market No of rooms	Market share
Norway	2 403	61 496	3.9%
Sweden	6 889	103 901	6.6%
Finland	3 078	48 000	6.4%
Denmark	434	42 314	1.0%
Total	12 804	255 711	5.0%
Norway – under development	119		
Total	**12 923**		

Sources for market data: Statistics Norway (www.ssb.no – December 2007), Statistics Sweden (www.scb.se – December 2007), Statistical Office of Finland (www.stat.fi – November 2007), Statistics Denmark (www.statistikbanken.dk – November 2007)

Norway	2007	2006	Change
Occupancy rate	**56.8%**	54.6%	4.0%
Average room rate (ARR) – *NOK*	**811**	746	8.7%
RevPAR – *NOK*	**461**	407	13.1%
Business travel, share of occupancy	**53%**		
Holiday and leisure, share of occupancy	**47%**		
Foreign share of occupancy	**27%**		
Domestic, share of occupancy	**73%**		

Source: Statistics Norway

Sweden	2007	2006	Change
Occupancy rate	**50.6%**	49.2%	2.8%
Average room rate (ARR) – *SEK*	**875**	825	6.1%
RevPAR – *SEK*	**443**	406	9.0%
Business travel, share of occupancy	**64%**		
Holiday and leisure, share of occupancy	**36%**		
Foreign share of occupancy	**22%**		
Domestic, share of occupancy	**78%**		

Source: Statistics Sweden

Finland	2007	2006	Change
Occupancy rate	**53.1%**	51.4%	3.3%
Average room rate (ARR) – *Euro*	**79**	76	3.8%
RevPAR – *Euro*	**42**	39	7.2%
Business travel, share of occupancy	**41%**		
Holiday and leisure, share of occupancy	**59%**		
Foreign share of occupancy	**30%**		
Domestic, share of occupancy	**70%**		

Source: Statistics Finland – December 2007 figures

With turnover-based leases, the business is vulnerable to some extent to reductions in economic growth and travel activity. The bulk of the leases have been awarded to the largest operators in the Nordic market. At the same time, Norgani focuses on three- and four-star hotels, which have historically experienced the lowest turnover volatility. To reduce risk, agreements have been concluded with virtually all the hotels on minimum rents which are inflation adjusted on annual basis.

A risk of lost rental income exists in the event of significant damage to the hotels through fire, for instance. This risk is reduced through suitable insurance policies from leading players in the underwriting market.

Key financial figures

(All amounts in NOK million)	**2007**[1]	2006	2005
Rental income	**699**	574	136
Operating profit	**508**	515	120
Net gain on sales	**-**	66	-
Net change in value, property	**820**	613	200
Net change in value, financial derivatives	**132**	59	-
Pre-tax profit	**1 139**	932	235

[1] The table shows Norgani Hotels as an independent unit for the whole of 2007. Norgani became part of Norwegian Propertys consolidated accounts with effect from 24 September 2007.

The year 2007

The level of activity was high in Norgani during 2007. The market made strong progress, and many attractive transaction opportunities were continuously assessed.

- A number of leases were renegotiated with tenants and improved. The most important renegotiation related to the 42 Scandic hotels, and the principal elements were a substantial increase in the level of rents, the introduction of a minimum rent for those hotels which lacked one, and an extension of the lease term. In addition, the leases incorporate an understanding in principle on how future investment is to be handled.
- Many potential property acquisitions were assessed. Of these, agreement was reached on the purchase of five hotels with a total of 859 rooms.
- The portfolio was continuously improved, with the disposal of three hotels regarded as non-strategic.
- During the second half, Oslo Properties AS – which is controlled by Norwegian Property ASA – acquired all the shares in Norgani Hotels AS. The latter was delisted from the Oslo Stock Exchange in November.

Norgani's turnover rose by 21.7 per cent in 2007, partly because of an increase in the number of hotel rooms but to a great extent as a result of improved turnover for the hotels. Expenses were negatively affected by one-off costs related to the change of ownership in Norgani Hotels during the third quarter. Ordinary operating profit before fair value adjustments accordingly declined from 2006. The strong rental market and a reduction in the required return for investors in the first half of 2007 meant a positive change of NOK 820 million in the value of the hotel portfolio for 2007. Pre-tax profit accordingly rose from NOK 710 million to NOK 1 139 million.

Organisation

In connection with the acquisition of Norgani Hotels by Oslo Properties, Eva Eriksson opted to resign as president. She will be succeeded by Rune Ingdal from April 2008. Norgani Hotels has the ambition of being a leading expertise centre for the development and administration of hotel properties.

Outlook and goals for 2008

Norgani expects 2008 to be a good year for hotel owners, even though this market could also be affected to some extent by the international financial unrest. New building activity is on the increase, but the balance between supply and demand in the hotel market is still affected by shortage of capacity – particularly in the biggest cities. Norgani's attention in 2008 will be focused on the following issues:

- Continue to develop collaboration with the most important operators in the Nordic hotel market to ensure continued strong progress for Norgani's hotels. In cooperation with the operators, develop the existing hotel portfolio while continuously assessing interesting new collaboration projects.
- Build further on Norgani's competent organisation to ensure that it continues to develop as the leading expertise centre for purchase and sale, development and administration of hotel properties.
- Complete the sales processes currently in progress for 20 non-strategic hotel properties. These will have an expected gross rental income of roughly NOK 140 million in 2008, and the sales process is expected to be completed during the first half.
- Based on experience gained by Norwegian Property in outsourcing property management, Norgani's ambition is to reduce property costs. This work will be given priority in 2008.

The hotel portfolio

Hotel	Operator	Location	Rooms	Square metres	Remaining lease term
Sweden					
Scandic Alvik	Scandic	Stockholm	325	12 075	
Scandic Malmen Stockholm	Scandic	Stockholm	327	15 130	
Scandic Star Sollentuna	Scandic	Stockholm	269	18 573	
Scandic Kungens Kurva	Scandic	Stockholm	257	11 581	
Scandic Helsingborg Nord	Scandic	Helsingborg	237	9 399	
Scandic Backadal	Scandic	Gothenburg	232	9 397	
Scandic Elmia	Scandic	Jønkøping	220	9 576	
Scandic Örebro Väst	Scandic	Ørebro	204	7 621	
Scandic Gävle Väst	Scandic	Gävle	201	7 382	
Scandic Uppsala Nord	Scandic	Uppsala	184	7 518	
Scandic Västerås	Scandic	Västerås	174	7 285	
Scandic Ferrum	Scandic	Kiruna	170	11 100	
Scandic Umeå Syd	Scandic	Umeå	162	5 955	
Scandic Segevång	Scandic	Malmø	161	6 284	
Scandic Luleå	Scandic	Luleå	159	5 565	
Scandic Sundsvall Nord	Scandic	Sundsvall	159	4 948	
Scandic Linköping Väst	Scandic	Linkøping	150	6 105	
Scandic Norrköping Nord	Scandic	Norrkøping	150	6 768	
Scandic Kalmar Väst	Scandic	Kalmar	148	5 485	
Scandic Bromma	Scandic	Stockholm	144	6 800	
Scandic Klarälven	Scandic	Karlstad	143	5 694	
Scandia Uplandia	Scandic	Uppsala	133	5 402	
Scandic Södertälje	Scandic	Sødertälje	131	5 630	
Scandic Östersund	Scandic	Østersund	129	4 019	
Scandic Växjö	Scandic	Växjø	123	3 982	
Scandic Hasselbacken	Scandic	Stockholm	112	10 025	
Scandic Bollnäs	Scandic	Bollnäs	111	5 150	
Quality Hotel Luleå	Choice	Luleå	209	12 166	
Quality Hotel Prince Philip	Choice	Stockholm	201	7 400	
Quality Hotel Ekoxen	Choice	Linkøping	190	14 671	
Quality Hotel Grand Kristianstad	Choice	Kristianstad	149	7 524	
Quality Hotel Winn, Gothenburg	Choice	Gothenburg	121	5 800	
Quality Hotel Prisma	Choice	Skøvde	107	3 687	
First Hotel Linköping	First/Tribe	Linkøping	133	6 540	
First Hotel Mårtenson	First/Tribe	Halmstad	103	6 657	
First Hotel Royal Star	First/Cadhotels	Stockholm	103	4 900	
Best Western Royal Corner	BW/Revhaken Hotels	Växjø	158	7 112	
Best Western Mora Hotell & Spa	Best Western	Mora	135	9 161	
Ibis Stockholm Syd	Accor Hotels	Stockholm	190	8 339	
Radisson SAS Hotell, Linköping	Radisson/SAS	Linkøping	91	6 354	
Stadshotellet Princess Sandviken	Stadshotellet i Sandviken AB	Sandviken	84	7 003	
Total Sweden (41 hotels)			**6 889**	**321 763**	**11.9**

The hotel portfolio *(cont)*

Hotel	Operator	Location	Rooms	Square metres	Remaining lease term
Finland					
Scandic Continental	Scandic	Helsinki	512	30 000	
Scandic Grand Marina	Scandic	Helsinki	462	23 660	
Scandic Tampere City	Scandic	Tampere	263	14 457	
Scandic Kajunus	Scandic	Kajaani	191	10 468	
Scandic Rosendahl	Scandic	Tampere	213	14 662	
Scandic Jyväskylä	Scandic	Jyväskylä	150	7 360	
Scandic Kuopio	Scandic	Kuopio	137	7 113	
Scandic Espoo	Scandic	Espoo	96	5 245	
Scandic Luosto	Scandic	Luosto	59	4 230	
Scandic Marina Congress Center	Scandic	Helsinki		11 500	
Hilton Helsinki Kalastajatorpaa	Hilton	Helsinki	238	23 291	
Hilton Helsinki Strand	Hilton	Helsinki	192	10 250	
Airport Bonus Inn	Citymac Travels	Vantaa	211	8 414	
Serena Korpilampi	Savonlinnan	Espoo	150	9 777	
Comfort Hotel Pilotti	Bonfinn	Vantaa	112	3 068	
Imatran Valtionhotelli	Rantasipi	Imatra	92	10 097	
Total Finland (15 hotels and a conference centre)			**3 078**	**193 592**	**10.8**
Norway					
Quality Hotel & Resort Kristiansand	Choice	Kristiansand	210	9 940	
Quality Hotel & Resort Hafjell	Choice	Øyer	210	9 540	
Comfort Hotel Børsparken	Choice	Oslo	198	7 900	
Quality Hotel Alexandra	Choice	Molde	163	17 033	
Comfort Hotel Holberg	Choice	Bergen	140	5 720	
Quality Hotel & Resort Fagernes	Choice	Fagernes	139	10 310	
Clarion Collection Hotel Bastionen	Choice	Oslo	99	4 688	
Quality Hotel Articus	Choice Franchise	Harstad	75	3 540	
Radisson SAS Lillehammer Hotel	Franchise	Lillehammer	303	18 000	
Radisson SAS Hotel Bodø	Radisson/SAS	Bodø	191	15546	
Scandic Bergen Airport	Scandic	Bergen	197	9 654	
Scandic KNA	Scandic	Oslo	189	11 218	
Rica Hotel Hamar	Rica	Ringsaker	176	9 250	
Rica Hotel Bodö	Rica	Bodø	113	7 981	
Total Norway (14 hotels)			**2 403**	**140 320**	**8.9**
Denmark					
Comfort Hotel Europa	Choice	Copenhagen	230	8 000	
Clarion Collecion Hotel Myfair	Choice	Copenhagen	105	3 805	
Comfort Hotel Excelsior	Choice	Copenhagen	99	3 600	
Total Denmark (3 hotels)			**434**	**15 405**	**8.2**
Total Norgani Hotel group (73 hotels and a conference centre)			**12 804**	**671 080**	**11.0**

Commercial property:

Largest in attractive office properties

Norwegian Property has established Norway's largest portfolio of attractive commercial properties. This business area comprises 57 properties with a market value of almost NOK 21 billion.

Highlights of 2007

- Norwegian Property acquired the IFN portfolio in January, covering 13 properties with a total area of 123 000 square metres in the Nydalen and Økern districts of Oslo, for a purchase price of NOK 2 199 million.
- Agreement was reached in July on the acquisition of DnB Nor's head office at Aker Brygge, comprising four properties with a combined area of roughly 32 000 square metres. The purchase price was NOK 1 740 million.
- The new Aker Kvaerner head office at Fornebu outside Oslo was completed in November. This structure ranks as one of Norway's most modern office buildings, and is the largest single building in the Norwegian Property portfolio. Covering 58 500 square metres, its market value is about 1.5 billion.
- Agreement was reached in December on the disposal of the Mauritz Kartevoldsplass 1 and Kokstadveien 23 properties in Sandnes and Bergen respectively for a combined price of roughly NOK 280 million.

Norwegian Property's principal strategy is the acquisition, development and ownership of high-quality commercial properties with good locations. Its ambition is to achieve the greatest possible value creation through efficient operation of the properties and by exploiting the development potential of the portfolio.

Focus on quality and attractive properties

Purchase and sale of properties form a natural part of the company's efforts to create the greatest possible value.

- The properties will be positioned in attractive areas of Oslo and Stavanger. Bergen and Trondheim will be considered if large portfolios are available.
- The properties will primarily be fully developed, with a value of more than NOK 200 million each, and have an attractive expected return.
- The emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases in order to secure the potential in today's strong market.
- Tenants will primarily be large listed companies and public bodies, in order to reduce lease-related risk.

Portfolio of commercial properties

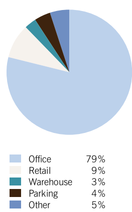
Norwegian Property owned 58 properties at 31 December, including one (Mauritz Kartevoldsplass 1 in Sandnes) covered by a sales agreement. The total area of the remaining 57 properties was 736 391 square metres. The most important key figures for the property portfolio are presented in the table on page 21, which also shows the most important changes compared with the end of 2006. A more

Key figures, commercial property portfolio

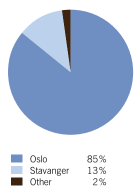
	2007[2]	2006[1]
Number of commercial properties	**57**	55
Total area, square metres	**736 391**	722 542
Average size of properties, square metres	**12 919**	13 137
Average value per square metre, NOK	**28 151**	24 990
Market value, NOK million	**20 730**	18 056
Gross rental income, NOK million[3]	**1 149**	1 064
Estimated annual property costs, NOK	**76**	61
Net rental income, NOK million[3]	**1 073**	1 003
Gross yield, per cent	**5.5%**	5.9%
Net yield, per cent	**5.2%**	5.7%
Average remaining lease term, years	**6.5**	7.3
Average consumer price index adjustment, per cent	**95%**	96%
Vacancy, in per cent of gross rental income	**0.7%**	0.8%

1 Including the IFN portfolio acquired in 2006 but taken over in 2007.
2 Excluding Mauritz Kartevoldsplass 1, sold in 2007 but relinquished in 2008.
3 Level at 31 December after inflation adjustments.

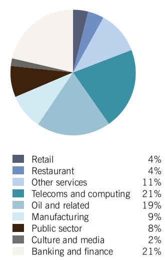
Gross rental income by category



Gross rental income by location



Gross rental income by sector



detailed overview for each property is shown in a separate table.

Rental income

Gross rental income following the sale of Mauritz Kartevoldsplass 1 came to NOK 1 149 million at 31 December, compared with NOK 1 064 million a year earlier. Norwegian Property's portfolio largely includes office properties with associated warehousing and parking facilities. Some buildings include retail premises as well, and the company also owns the shopping centre and most of the restaurants at Aker Brygge. Offices account for 79 per cent of the gross rental income, up from 78 per cent in 2006. Following the sale of Kokstadveien in Bergen, Norwegian Property's holdings are concentrated in Oslo (including one property at Gardermoen airport) and Stavanger.

Norwegian Property wants a balanced range of maturities for its leases. While long contracts provide a secure long-term cash flow, short leases provide opportunities for responding more quickly to the present rise in market rents. The average remaining term for the company's leases is 6.5 years, down from 7.3 years at 31 December 2006. The accumulated maturity profile for the Norwegian Property portfolio is illustrated in the table on page 23. Given the sharp growth in the rental market, DTZ Realkapital has estimated when making its property valuations that rents based on existing leases are roughly 16 per cent lower than they would have been if all the space were leased at today's market rates.

The largest tenants

	Tenant	Annual rent		Remaining term, years
1	Aker ASA/Aker Kværner ASA	80.1	7.0%	
2	EDB Business Partner ASA	79.3	6.9%	
3	DnB Nor Bank ASA	67.3	5.9%	
4	Nordea	43.8	3.8%	
5	SAS	41.1	3.6%	
6	If Skadeforsikring	38.5	3.4%	
7	Statoil Hydro	36.9	3.2%	
8	Total E&P	29.7	2.6%	
9	Get AS (UPC)	26.6	2.3%	
10	Telenor Eiendom Holding AS	26.0	2.3%	
11	Leif Höegh & Co AS	25.3	2.2%	
12	Netcom AS (Tele 2)	23.0	2.0%	
13	Aker Kværner Offshore Partner	22.7	2.0%	
14	Astrup Fearnley	22.4	1.9%	
15	Skanska Norge AS	21.4	1.9%	
16	Rikshospitalet	20.3	1.8%	
17	Fokus Bank	19.8	1.7%	
18	Hafslund ASA	18.1	1.6%	
19	GlaxoSmithKlein	17.8	1.5%	
20	Ementor Norge AS	17.7	1.5%	
21	Oslo Sporveier	17.0	1.5%	
22	Arbeidsdirektoratet	15.4	1.3%	
23	TDC Norge AS	15.3	1.3%	
24	Simonsen Arkitektfirma DA	14.5	1.3%	
25	TietoEnator	12.5	1.1%	
	Total 25 largest tenants	**752.7**	**65.5%**	**7.6**
	Share of all tenants	396.4	34.5%	4.5
	Total all tenants	**1 149.1**	**100.0%**	**6.5**

[1] *Level of rents at 31 December 2007 after inflation adjustment.*

Diversified tenant structure

Norwegian Property's ambition is to have a diversified structure of high-quality tenants in order to minimise the risk of bad debts and loss of rents. Exposure to various sectors is well diversified, and is shown in the table to the left.

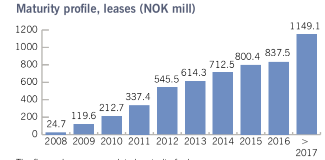
The largest tenants account for 65.5 per cent gross rental income, compared with 64.2 per cent in 2006, and mainly comprise companies with good credit records or public institutions.

Market

Oslo

Oslo's market for rented office property had another record year. Employment rose by 13 000 in 2007, representing a growth of about four per cent. Although the international economy showed signs of slowing down, Norwegian economic and employment growth is expected to continue. Commercial space in Oslo totals just under nine million square metres. After a number of years with very little new building, activity in this sector was somewhat higher in 2007. But vacant space declined overall from 6.5 per cent at 1 January to four per cent at 31 December. As a result, rents

Maturity profile, leases (NOK mill)



The figure shows accumulated maturity for leases.

rose substantially throughout Oslo – with the biggest growth in the most attractive areas. In certain districts and for the most attractive properties, rents increased by up to 50 per cent during 2007.

Estimates by independent analysts indicate that vacancy will decline or remain stable in 2008 and 2009. Based on these projections, rents are expected to continue rising in both 2008 and 2009.

Vacancy has been and is expected to remain lowest in the most central office districts, the central urban core, the inner city and the Skøyen district. In line with a growing shortage of space in these parts of Oslo, vacancy is now also declining substantially in Lysaker and Nydalen. The chapter on analytic information provides some additional details about Oslo's various sub-markets.

Stavanger

Vacancy is also very low in Stavanger – which includes the Forus district – and on a par with central areas of Oslo. Heavy pressure is also causing rents to rise, but a number of potential new building projects mean that the upside is rather more limited than in Oslo. However, rents are expected to continue making strong progress in Stavanger during 2008.

Competitors

The property market remains fragmented. The largest property owners in Oslo and Stavanger are the life insurance companies, specialised property companies such as Olav Thon, Eiendomspar and Entra, and various fund structures (property funds and syndicates). Foreign investors have made limited direct investments in the Norwegian market, even though they participated to a greater extent in 2007 as bidders in various property transactions – often without securing final acceptance.

Risk

The group's most important market risks relate to reductions in rental income as a result of declining rents or increased vacancy in the property portfolio. Efforts are made to minimise this risk by investing in high-quality properties in attractive locations.

The risk of lost rental income relates to possible fire or other damage to the buildings. This risk is reduced by appropriate insurance policies from leading players in the underwriting market. Special cover has been secured for damage resulting from possible terrorist action.

The year 2007

Norwegian Property had its first full operating year in 2007. Its organisation was further strengthened during the year. External consultants were used to some extent for certain functions at the beginning of 2007, but all strategic functions were being carried out by full-time in-house personnel resources at 31 December.

Activity was high in most parts of the business.

- Where tenancies were concerned, vacancy was low and the number of leases due for renewal relatively small.

A top rate of NOK 4 300 per square metre was achieved in June for a lease at Aker Brygge in Oslo. With the level of rents for attractive premises continuing to rise, this record was later overturned by competitors.

- Many potential property acquisitions were considered. Only DNB Nor's head office at Aker Brygge satisfied Norwegian Property's requirements for new investments. Sales processes for non-strategic properties are under way. Two sales contracts were concluded in 2007, three in 2008.
- Work on the financing structure has had high priority. Substantial improvements in terms were achieved in the form of both reduced margins and improved repayment structures.
- Substantial work was devoted to professionalising procurement and structuring future property management.

The growth in turnover primarily reflects the fact that 2006 was a start-up year, that the number of properties increased and that the level of rents rose. Costs remain below the industry average, and reflect efficient administration with strategic jobs discharged by the company and other functions – such as property management and maintenance – outsourced. A reduction in required return during early 2006 and a substantial increase in market rents have resulted in

Key financial figures

(Amounts in NOK million)	**2007**	2006[1]
Rental income	**1 011**	415
Operating profit	**891**	352
Net gain on sales	**9**	0
Net change in value, property	**1 219**	393
Net change in value, financial derivatives	**293**	77
Pre-tax profit	**1 680**	539

[1] *Norwegian Property was established in May 2006.*

very positive progress for the value of the property portfolio. Pre-tax profit improved overall from NOK 539 million in 2006 to NOK 1 680 million.

Outlook and goals for 2008

Norwegian Property expects 2008 to be another good year for commercial property, even though uncertainty about expected economic growth is somewhat greater than before. Financial unrest internationally could also affect market trends. However, a fundamental consideration is that the balance between supply and demand remains positive for property owners with attractive vacant premises. The most important tasks for 2008 are outlined below.

- Efforts will be made to ensure that market rents are achieved for space where the leases fall due in the next few years. Consideration will be given to renegotiating leases where possible to secure a positive development in revenue and cash flow
- Norwegian Property has made a strategic choice to outsource its property management and maintenance work. It had eight different managers at 31 December, primarily those responsible before the properties were acquired. The company reached agreement in 2008 on concentrating all management with NEAS. This integration will yield cost savings as well as low and predictable property expenses in the future.
- Work is under way on the sale of certain properties located outside Norwegian Property's core areas in Oslo and Stavanger. Part of a natural management of the company's portfolio, these disposals will also liberate capital to strengthen the balance sheet and to fund possible new transactions.
- Norwegian Property has ambitions to be a consolidator in the property sector. New transactions are constantly being assessed, even though it proved difficult during 2007 to find individual deals which satisfied the combination of quality and return required by the company. Possible transactions, including ones of a more structural character, are constantly being pursued. But possible deals must satisfy the company's requirements.

Commercial property portfolio

Property	Office	Retail/ restaurant	Ware-house	Indoor parking	Other	Total	Vacancy	CPI adjustment	Duration at 31.12.07	Gross rents
	Properties Area breakdown, sq.m						Rents			
Oslo/Akershus										
Central business district (CBD)										
Aker Brygge - total	29 132	21 585	4 664	2 061	491	57 933	0.2%	95%		149.4
Aker Brygge (Kaibygning I)	23 015	3 810	4 670	-	-	31 495	0.0%	100%		82.5
Drammensveien 60	8 593	797	1 483	-	-	10 873	0.0%	100%		19.9
Grev Wedels plass 9	17 909	-	852	5 363	4 128	28 252	0.0%	100%		44.0
Ibsenkvartalet	31 780	1 533	3 421	-	857	37 591	1.4%	100%		65.3
Stortingsgaten 6	4 709	726	244	560	-	6 239	0.0%	100%		20.5
Total CBD	**115 138**	**28 451**	**15 334**	**7 984**	**5 476**	**172 383**	**0.4%**	**98%**	**4.8**	**381.5**
Skøyen										
Drammensveien 134 – building 2-5	20 318	-	915	5 354	163	26 750	0.0%	74%		39.9
Drammensveien 134 – building 1 and 6	15 301	640	1 779	4 009	-	21 729	0.0%	100%		40.7
Drammensveien 144	9 150	-	148	1 450	107	10 855	0.0%	100%		18.3
Drammensveien 149	10 552	-	1 925	4 006	-	16 483	5.0%	92%		24.5
Hovfaret 11	4 377	-	569	-	696	5 642	0.0%	100%		11.0
Nedre Skøyen vei 24	3 630	-	1 215	-	-	4 845	0.0%	100%		11.8
Nedre Skøyen vei 26 A-E	11 444	-	696	398	5 084	17 622	0.0%	100%		34.0
Nedre Skøyen vei 26 F	8 767	-	-	4 235	497	13 499	0.0%	100%		22.4
Total Skøyen	**83 539**	**640**	**7 247**	**19 452**	**6 546**	**117 424**	**0.7%**	**94%**	**8.4**	**202.7**
Oslo West/Lysaker/Fornebu										
Aker Hus	40 254	-	-	18 089	-	58 343	0.0%	100%		80.1
Forskningsveien 2	19 902	-	-	4 058	543	24 503	0.0%	100%		38.7
Lysaker Torg 35	14 422	-	412	7 100	-	21 934	0.0%	100%		38.5
Magnus Paulssons vei 7	5 357	-	-	1 861	-	7 218	0.0%	100%		9.8
Middelthunsgate 17	26 847	-	3 473	3 000	-	33 320	0.0%	100%		43.7
Oksenøyveien 3	10 200	-	-	2 700	-	12 900	0.0%	100%		16.8
Total Oslo West/Lysaker/Fornebu	**116 982**	**-**	**3 885**	**36 808**	**543**	**158 218**	**0.0%**	**100%**	**8.5**	**227.6**
Nydalen										
Gjerdrums vei 8	8 267	-	109	2 389	-	10 765	0.0%	96%		13.0
Gjerdrums vei 10 D	2 052	-	-	-	-	2 052	0.0%	97%		3.1
Gjerdrums vei 14	634	-	812	-	-	1 446	0.0%	100%		1.4
Gjerdrums vei 16	4 224	-	757	3 169	-	8 150	0.0%	97%		7.0
Gjerdrums vei 17	803	-	-	-	-	803	0.0%	100%		1.3
Gullhaug Torg 3	7 868	-	-	-	-	7 868	0.0%	40%		9.5
Gullhaugveien 9-13	23 015	-	7 714	12 628	-	43 357	4.8%	100%		44.6
Maridalsveien 323	11 646	-	2 600	5 573	1 096	20 915	5.3%	100%		26.6
Nydalsveien 15	3 001	750	85	-	-	3 836	0.0%	100%		6.0
Nydalsveien 17	-	1 560	-	-	-	1 560	0.0%	100%		3.4
Sandakerveien 130	6 520	-	-	3 560	-	10 080	0.0%	100%		14.9
Total Nydalen	**68 030**	**2 310**	**12 077**	**27 319**	**1 096**	**110 832**	**2.9%**	**95%**	**4.7**	**130.9**
Oslo North/East										
Kolstadgaten 1	5 479	-	-	-	-	5 479	0.0%	75%		8.7
Oslo Airport Gardermoen	-	-	-	-	20 976	20 976	0.0%	100%		24.3
Økernveien 9	8 816	1 700	-	2 245	-	12 761	0.0%	100%		17.0
Østre Aker vei 20	6 163	-	820	1 203	-	8 186	0.0%	75%		8.0
Østre Aker vei 22	2 339	-	1 637	-	-	3 976	0.0%	92%		4.2
Total Oslo North/East	**22 797**	**1 700**	**2 457**	**3 448**	**20 976**	**51 378**	**0.0%**	**93%**	**8.2**	**62.3**
Total Oslo/Akershus	**406 486**	**33 101**	**41 000**	**95 011**	**34 637**	**610 235**	**0.9%**	**97%**	**6.6**	**1 005.0**
Stavanger										
CBD										
Badehusgaten 33-39	12 973	-	2 540	2 315	3 700	21 528	0.0%	70%		23.0
Nedre Holmegate 30-34	2 856	1 023	85	1 173	220	5 357	0.0%	100%		4.6
Forus / flyplass										
Forusbeen 35	17 674	-	-	3 750	-	21 424	0.0%	100%		25.8
Grenseveien 19	5 390	-	-	-	-	5 390	0.0%	98%		8.5
Grenseveien 21	27 721	-	-	-	-	27 721	0.0%	50%		29.6
Maskinveien 32	4 561	-	-	525	-	5 086	0.0%	100%		5.1
Strandsvingen 10	2 059	-	-	-	-	2 059	0.0%	80%		2.9
Svanholmen 2	2 883	6 580	-	-	-	9 463	0.0%	100%		8.8
Sandnes	-	-	-	-	-	-				
Elvegaten 25	6 096	-	-	-	-	6 096	0.0%	100%		6.3
Stavanger – annet										
Finnestadveien 44	22 032	-	-	-	-	22 032	0.0%	100%		29.7
Total Stavanger	**104 245**	**7 603**	**2 625**	**7 763**	**3 920**	**126 156**	**0.0%**	**84%**	**6.1**	**144.2**
Total	**510 731**	**40 704**	**43 625**	**102 774**	**38 557**	**736 391**	**0.7%**	**95%**	**6.5**	**1 149.1**

[1] *Does not include Mauritz Kartevoldsplass 1, which was owned at 31 December 2007 but covered by a sales contract. The transaction was closed in February 2008.*

Growth and continued refinement

Norwegian Property ranked at 31 December 2007 as the largest listed property company in the Nordic region, holding properties with a market value of NOK 31.1 billion. Pre-tax return on equity was 27 per cent. The company's long-term goal for the pre-tax return on paid-in equity is a minimum of 13-15 per cent.

Norwegian Property had its first full operating year in 2007. The company was established in May 2006 with the object of providing private and institutional investors with access to a large, liquid and well-diversified investment alternative with good exposure to the market for centrally-located commercial properties. The business focused during 2007 on further refinement of the company's expertise and position, and on value-creating growth to benefit from the strength of the Nordic economies.

Attention in Norwegian Property focuses primarily on attractive office and commercial properties in Norway. Over time, the goal is that such holdings will account for more than 70 per cent of the value of the group's property portfolio.

The group embraces two business areas: office and commercial property and hotel property. Norwegian Property's head office is in Oslo.

Commercial properties

At 31 December, Norwegian Property was the leading manager of office properties in Norway, owning 58 attractive office and commercial properties in Oslo and Stavanger with a combined market value of NOK 20.4 billion.

The company continued its systematic efforts during 2007 to become the leading owner and administrator of the best office properties in Norway.

- Its organisation was strengthened by recruiting key resources in all parts of the business.
- The portfolio was further improved through the acquisition of four properties (DnB Nor's head office) at Aker Brygge in Oslo from DnB Nor in July and through the sale of two small properties.
- Efforts to establish a competent leasing and management organisation in order to optimise rental income and ensure customer satisfaction had a high priority.
- Costs were reduced through improvements to the company's financing structure and work on industrialising property management and procurement.

Hotel properties

Norwegian Property secured control in September over the largest Nordic hotel property company, Norgani Hotels, through ownership and shareholder agreements. At 31 December, Norgani owned 73 hotel properties and a conference centre in Norway, Sweden, Finland and Denmark with a combined market value of NOK 10.7 billion.

The Nordic hotel sector is viewed by Norwegian Property as an interesting growth market. Turnover-based leases held by Norgani Hotels provide an immediate return from the strong growth, while risk is reduced because all but one of the leases contain clauses on a minimum rent. In connection with the acquisition, Norwegian Property also identified a potential for value development through various measures. These include the renegotiation with Scandic Hotels, the biggest tenant of Norgani Hotels, which secured a substantial increase in the level of rents and an extension to leases.

Attractive investment

Since its creation, Norwegian Property has worked actively towards Norwegian and international investor communities to ensure interest in its share. Meetings have been held with more than 200 investors, mainly abroad, and nine stockbrokers have either established or are in the processing of establishing analysis cover. Foreign ownership increased from 56.1 per cent to 61.1 per cent over the year. When borrowing secured on the properties is taken in account, Norwegian Property has contributed to a foreign investment of roughly NOK 14 billion in Norwegian property. This was significantly higher than direct foreign purchases of properties in Norway during 2007.

Group accounts

The group accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Since the company was founded in May 2006, no comparative figures are available for 2005.

Income statement

The consolidated income statement for 2007 embraces Norgani Hotels ASA, with 74 properties, from its acquisition on 24 September, the original portfolio of 58 office and commercial properties, and the Aker House development completed in November 2007. Gross rental income totalled NOK 1 195.7 million (2006: NOK 414.8 million). Common costs charged on to tenants are recognised net.

Maintenance and property-related costs totalled NOK 81.4 million (2006: NOK 20.2 million). The share of costs is somewhat higher for the hotel portfolio than for the office portfolio. This is the main reason why property-related costs rose from 4.9 per cent of gross rental income in 2006 to 6.8 per cent. Other operating costs totalled NOK 77.9 million (2006: NOK 42.8 million). Operating profit before fair value adjustments was thereby NOK 1 036.3 million (2006: NOK 351.7 million).

The positive change in the valuation of the company's property portfolio totalled NOK 1 219.1 million (NOK 393.2 million). This rise primarily reflects an increased level of rents and higher market rents. See the section below on the property portfolio. Kokstadveien 23 in Bergen was sold during December, yielding a book gain of NOK 9.3 million. Group operating profit came to NOK 2 264.7 million (2006: NOK 745 million).

Financial income, which consists largely of interest income, totalled NOK 68 million (2006: NOK 13.5 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 958.9 million (2006: NOK 295.8 million). The company has secured financial instruments to manage interest rate and foreign exchange risk. Following the restructuring of the company's borrowing, most of these instruments no longer qualify for hedge accounting under IAS 39. The change in market value for these instruments had a positive effect of NOK 276.7 million (2006: NOK 76.7 million) on profits. Profit before tax and minority interests was thereby NOK 1 650.6 million (2006: NOK 539.5 million).

NOK 460.7 million (2006: NOK 148.6 million) is recognised in the accounts for tax expense, which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of profit is NOK 4.8 million (2006: NOK 1.3 million). As a result, net profit after tax and minorities is NOK 1 185 million (2006: NOK 389.6 million). That represents earnings per share of NOK 11.42 (2006: NOK 5.14).

Balance sheet, financial position and capital structure

Cash in hand at 31 December amounted to NOK 635 million (2006: NOK 1 253 million). In addition, the group had NOK 290 million in unused drawing rights. Total equity was NOK 6 831 million (2006: NOK 5 373 million), representing an equity ratio of 20.2 per cent (2006: 31.8 per cent). After deduction of minority interests, book equity per share came to NOK 63.20 (2006: NOK 54.09).

Interest-bearing debt at 31 December was NOK 23 232 million (2006: NOK 10 978 million), excluding the obligation to acquire shares in Oslo Properties AS. At 31 December, the average interest rate on the company's loans was 5.41 per cent (2006: 5.16 per cent). This increase reflected higher short-term market interest rates and the effect of acquisition financing for Norgani Hotels AS. The average loan margin was unchanged from 2006 at 0.76 per cent. The average remaining term to maturity for the loans was 4.6 years (2006: seven years).

Through put and call option agreements, Norwegian Property can become the owner of a further 76 per cent of the shares in Oslo Properties AS. This company is the sole owner of Norgani Hotels AS. The potential obligation totals NOK 1 525 million plus an interest compensation up to a possible takeover. At 31 December, a liability of NOK 1 595.8 million related to this obligation was recognised in the balance sheet. Norwegian Property can opt to undertake a full or partial settlement for NOK 1 120 million (plus interest) of this liability through the issue of shares in Norwegian Property ASA.

At 31 December, the company had concluded net interest rate hedging contracts totalling NOK 16 343 million (2006: NOK 9 936 million). This represented a hedging ratio of 70 per cent (2006: 91 per cent), excluding the potential obligation to acquire shares in Oslo Properties AS. The average remaining term of the interest rate hedges was 5.1 years (2006: 6.2 years). The bulk of the hedging does not qualify for hedge accounting under IAS 39.

Cash flow

Cash flow from operations totalled NOK 1 066.9 million (2006: NOK 576.3 million). A total of NOK 8 363.4 million was applied to investment, primarily the acquisition of additional properties and the takeover of Norgani Hotels. Net cash flow from financing activities was NOK 6 676 million (2006: NOK 15 500 million), primarily from the take-up of loans for property acquisitions and the share issue carried out in March. The net negative change in liquidity was NOK 620.6 million (2006: NOK 1 252.4 million).

Going concern assumption

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2007 have been prepared on that basis.

Coverage of net loss in the parent company

The parent company, Norwegian Property ASA, showed a net loss of NOK 121.3 million in 2007 (2006: NOK 86.3 million). The board proposes that this be covered by a transfer from other equity. At the annual general meeting in May, the board will propose a dividend of NOK 2.50 per share, corresponding to a total payout of NOK 263.7 million. It is proposed to transfer this amount from other equity. The proposed dividend is at the upper end of the previously communicated goal for dividend to comprise 50-100 per cent of the net annual result (after account is taken of income statement items which do not affect cash flow). Unrestricted equity at 31 December was NOK 765 million after the proposed dividend is taken into account.

Properties

Norwegian Property owned 58 office and retail properties in Norway and 74 hotel properties in the Nordic region at 31 December. Sales contracts had been concluded for one office property at that date, and agreements to sell a further three office properties were reached after 1 January.

Office and commercial properties

In the office sector, Norwegian Property focuses on properties located in central areas of Oslo (87 per cent of the properties by value) and Stavanger (13 per cent). The properties largely comprise office premises (79 per cent of gross rental income) as well as warehouses, retail premises and parking space in association with the offices. At Aker Brygge, the company owns the shopping centre with retail premises and restaurants.

Annual gross rental income from the office premises totalled NOK 1 149 million at 31 December 2007 when account is taken of the property where the sale contract was concluded before 31 December. The average remaining term of the portfolio's leases was 6.5 years, and rents are adjusted annually by an average of 95 per cent of the consumer price index.

Norwegian Property has a portfolio of tenants who comprises solid and attractive organisations and companies. The 25 largest office tenants accounted for 66 per cent of annual rental income at 31 December 2007.

Hotel properties

In the hotel sector, Norgani Hotels focuses primarily on three- and four-star hotels located in Nordic towns with more than 50 000 inhabitants. Historically, these hotels have experienced less volatility in turnover than others.

All but one of the hotels have leases with turnover-based rents. Given their budgeted turnover for 2008, gross rental income for that year will total NOK 819 million. The average term for the leases is 11 years, and most specify minimum rents which are inflation-adjusted annually. The minimum guaranteed rental income for 2008 is NOK 519 million.

Tenants largely comprise the biggest hotel chains operating in the Nordic region. Scandic/Hilton accounts for about 64 per cent of turnover, Choice Hotels for roughly 21 per cent and SAS Radisson for around five per cent.

Valuation of the properties

DTZ Realkapital performed an external and independent valuation at 31 December 2007 covering the company's office and hotel properties in Norway, Sweden and Denmark. The company's hotel properties in Finland were valued by Maakanta. DTZ Realkapital's valuation model is 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 and upgrading costs and of vacancy at the expiry of existing leases are made on a property-by-property basis. Maakanta bases its valuation on cash flow models.

The board and executive management have carried out independent assessments of the parameters which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has concluded that the valuations by DTZ Realkapital and Maakanta provide a cautious but realistic valuation of the properties. These valuations have accordingly been applied in the accounts. The total value of the company's investment properties at 31 December was thereby NOK 31 113 million after adjusting for tax compensation at the date of acquisition.

Risks and risk management

Risk management is intended to ensure that risks of significance for Norwegian Property's goals are clarified, analysed and handled as efficiently as possible in a systematic and cost-effective way. Risk cannot be eliminated, but risk management is necessary to ensure value creation for shareholders, employees and society. Growth opportunities are continuously assessed in relation to the associated risk picture.

Financial risks

The company's financial risks relate primarily to changes in equity as a result of amendments to the value of the property portfolio and exchange rate changes, the effect of interest rate changes on profits and liquidity, the liquidity risk when refinancing the company's debt, and the effect on profits of turnover-based rents for the group's hotels.

Norwegian Property's portfolio of office properties has a high level of quality and good locations, financially sound tenants and an average remaining lease term of 6.5 years. The hotel portfolio consists primarily of good three- and four-star hotels rented on long-term turnover-based leases to the largest Nordic hotel operators. The average remaining term for these leases is 11 years, and the leases for 71 of the hotels contain clauses on minimum rents tied to the consumer price index.

Interest rate hedging is utilised to dampen the effects of interest rate changes on profits and liquidity. At 31 December, 70 per cent of the group's interest-bearing debt (excluding latent liability to buy out minority shareholders in Oslo Properties AS) was covered by interest rate hedges with an average term of 5.1 years. The effect of possible changes in short-term term market interest rates will accordingly be limited.

Through Norgani Hotels, Norwegian Property has a net equity exposure in foreign currencies related to foreign subsidiaries. The overall guideline is that 70 per cent of this exposure will be hedged at any given time through loans in the relevant currencies or derivatives. The hedging ratio must not deviate at any time by more than 20 per cent from this basis. At 31 December, just under 70 per cent of the exposure was hedged.

The average remaining term of the company's debt is 4.8 years (excluding purchase finance and the Oslo Properties obligation). Repayments over the next 12 months amount to NOK 1 507 million (excluding the Oslo Properties obligation), and relate largely to regular repayments and financing connected with the acquisition of Norgani Hotels ASA. At 31 December, the group had a total liquidity of NOK 926 million. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt, continuous short-term fluctuations in working capital requirements and planned property acquisitions.

Norwegian Property ASA has concluded put/call option agreements to acquire a further 76 per cent of the shares in Oslo Properties. This liability totals NOK 1 525 million excluding interest charged until the settlement. Norwegian Property ASA can opt for a partial settlement through the issue of NOK 1 120 million in shares with a supplement for accrued interest. The discounted value of the put/call obligations (including interest) was NOK 1 573 million at the date of the acquisition and NOK 1 595.8 million at 31 December.

Since 1 January, Norwegian Property has disposed of four office properties which will liberate some NOK 177 million in liquidity. The total compensation accords with valuations at 31 December 2007. Norgani Hotels is in the process of selling 20 hotel properties, expected to liberate in the order of NOK 400-500 million in liquidity which will be applied to repaying acquisition-related debt.

Norwegian Property's tenants in the office properties normally pay rent quarterly in advance. In addition, most leases require security for rent payments in the form of a deposit account or bank guarantee. The risk of direct losses from defaults or payment problems is accordingly limited, and relates primarily to the risk of re-letting premises.

Market conditions

After a number of years of strong growth, the second half of 2007 was affected by international financial unrest and uncertainty. The impact of these conditions on the Norwegian and Nordic economies has been limited.

Employment is continuing to rise in Norway, with office premises in great demand. New building remains at low levels, and office vacancy in Oslo at 31 December was around four per cent – down from six per cent at 1 January. Rents increased in the whole of Oslo during 2007, and by more than 50 per cent for some properties. Vacant space is expected to contract further in 2009 before expanding again. Rents are thereby also expected to make strong progress in 2008 and 2009. The same trend is expected in Stavanger, where vacant space stands at roughly two per cent. However, somewhat greater new building activity means that the potential for rental growth is lower in this city.

Over time, growth in the hotel market largely correlates with the development of the gross domestic product. Limited new hotel capacity was added to the market in 2007. At the same time, demand was high and the hotels accordingly performed considerably more strongly than the economy as a whole. Revenue per available room (RevPAR) increased by 7.1-13 per cent in the Nordic countries during 2007. Both occupancy rates and room prices made strong progress. New capacity entering the market remains limited, while a certain degree of economic growth is expected to continue. As a result, RevPAR is likely to show further progress.

Employees and organisation

Personnel

The group had 33 employees at 31 December (2006: seven), including 19 in the hotel business. Fourteen people are now employed in the office property business, and the contract personnel hired in the start-up phase have largely been phased out and replaced by full-time employees. External consultants are now used primarily for major projects or assignments. A contract was awarded to NEAS in February 2008 which means that the latter will take over management responsibility for all the office properties. This agreement is part of an industrialisation of the business, and will ensure predictable property expenses at a lower level than before.

Equal opportunities

The corporate management team comprises four people, including one women. 13 of the company's 33 employees are women. The board comprises two female and three male directors.

It is the board's ambition that future appointments will help to maintain a continued balance between the genders. Weight has been given when recruiting management and key personnel to a combination of professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation. The board's ambition is that Norwegian Property will be Norway's leading centre of expertise for buying, selling and managing commercial property.

Board and management

Egil K Sundbye and Karen Helene Ulltveit-Moe stepped down from the board at their own request at the annual general meeting in 2007. Anne Birgitte Fossum was elected by the AGM.

No changes occurred in the corporate management team during 2007.

Details of remuneration for directors, the chief executive, the corporate management team and the auditor are provided in note 17 to the accounts for the group and note 8 to the accounts for Norwegian Property ASA.

Health, safety and the working environment

No injuries were recorded in Norwegian Property's business during 2007. Overall sickness absence in Norwegian Property ASA was 0.7 per cent in 2007 (2006: zero). The board gives weight to ensuring a good working environment in Norwegian Property through appropriate premises, dynamic working conditions and challenging jobs.

Natural environment

The board takes the view that the group's business, in the form of management and leasing of commercial property, causes little pollution of the natural environment. As far as possible, efforts are made to use environment-friendly materials in development and rehabilitation projects and to facilitate the use of environment-friendly waste management.

Norwegian Property manages a substantial amount of property, and accordingly has an impact on the local environment around its holdings. The company's ambition is to contribute to the development of the exterior environment through rehabilitation, maintenance and possible new building.

The group has initiated analyses to identify activities which can help to reduce energy consumption in the group's buildings.

Corporate governance

Norwegian Property's corporate governance principles build almost entirely on the Norwegian code of practice of 4 December 2007, which largely harmonises with international recommendations. A more comprehensive presentation of the company's corporate governance is provided on pages 73-76 of this annual report.

Shareholders and stock market

Issued shares at 31 December totalled 105 481 570. The closing price at 31 December was NOK 66.50, which represents an increase of 6.4 per cent from 1 January when NOK 2.50 in dividend paid is taken into account. The share price developed rather more weakly than the Norwegian stock market in general, but significantly better than the share index for listed European property companies.

A total of 44 329 transactions were conducted with the Norwegian Property share on the Oslo Stock Exchange in 2007 (2006: 3 288), with 122.9 million shares traded (2006: 34.8 million). The highest and lowest prices for the share in 2007 were NOK 91 (2006: NOK 66) and NOK 66.25 (2006: NOK 55.50) respectively.

Norwegian Property had a total of 925 registered shareholders at 31 December (2006: 913). Foreigners owned 61.1 per cent of the issued shares at that date (2006: 56.1 per cent).

Outlook

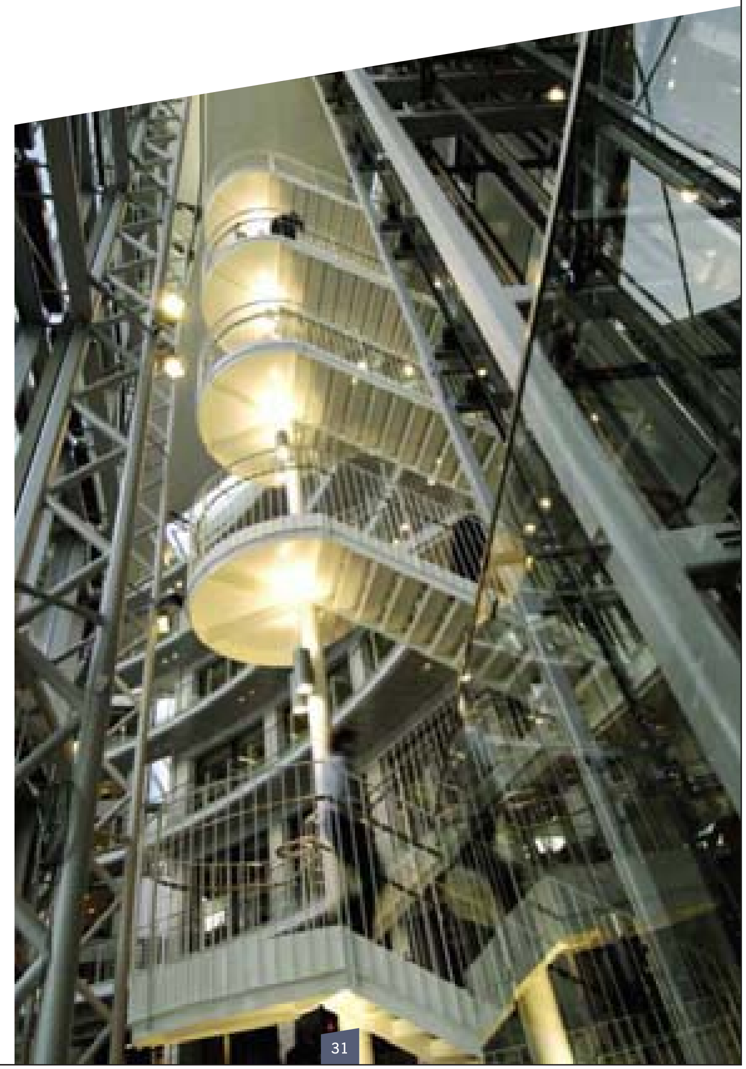
Norwegian Property has a strategic ambition of contributing to the consolidation of the Nordic property market and growth through accretive transactions. The principal focus remains on attractive office districts in the largest Norwegian cities. Through the investment in Oslo Properties (and Norgani Hotels), however, Norwegian Property has now also entered the Nordic market for hotel property. The high proportion of turnover-based leases in the hotel business ensures that economic growth in the region has a faster effect on profits. For the immediate future and in the medium term, Norwegian Property's principal focus is directed at consolidating the company. That includes integrating organisations, taking out synergies, refinancing Norgani and disposing of non-strategic assets.

Norwegian Property's portfolio of 54 high-quality office properties in Oslo and Stavanger and 74 Nordic hotel properties is well positioned to do well from the strong economic growth in the region. Norwegian Property will continue to maintain a strong operational focus on tenant management and lease improvements, cost reductions and management of the company's assets. At the same time, the company will continuously assess accretive transactions, primarily in the form of structural transactions.

Oslo, 31 March 2008

The board of directors of Norwegian Property ASA

Knut Brundtland Chair	Jostein Devold Deputy Chair	Torstein Tvenge Director
Hege Bømark Director	Anne Birgitte Fossum Director	Petter Jansen President and CEO



Income statement 1.1 – 31.12

Consolidated

(Amounts in NOK 1 000)	*Note*	**2007**	2006
Rental income from properties		**1 193 189**	410 133
Other revenue		**2 497**	4 640
Gross rental income		**1 195 686**	414 773
Maintenance and property related costs		**(81 424)**	(20 216)
Other operating expenses	*17, 18*	**(77 943)**	(42 846)
Total operating cost		**(159 367)**	(63 062)
Operating profit before fair value adjustment investment property		**1 036 319**	351 711
Gain from fair value adjustment of investment property	*6*	**1 219 138**	393 244
Gain from sales of investment property	*6*	**9 281**	-
Operating profit		**2 264 738**	744 955
Financial income	*19*	**67 972**	13 521
Financial costs	*19*	**(958 863)**	(295 762)
Change in market value of financial derivative instruments	*10, 19*	**276 749**	76 743
Net financial items		**(614 143)**	(205 498)
Profit before income tax		**1 650 595**	539 457
Income tax expense	*16, 20*	**(460 736)**	(148 565)
Profit for the period		**1 189 859**	390 892
Minority interests		**(4 829)**	(1 256)
Profit after minority interests		**1 185 030**	389 636
Basic and diluted earnings per share for profit attributable to shareholders *(figures in NOK)*		**11.42**	5.14

Balance sheet as at 31 December

Consolidated

(Amounts in NOK 1 000)	Note	2007	2006
ASSETS			
Non-current assets			
Financial derivative instruments	10	**9 550**	105 102
Goodwill	8	**1 064 987**	-
Investment property	6	**31 113 889**	13 919 570
Development property	7	**-**	1 150 801
Other tangible assets	7	**2 965**	9 443
Shares and interests		**1 623**	-
Receivables		**1 575**	-
Total non-current assets		**32 194 589**	15 184 916
Current assets			
Financial derivative instruments	10	**678 673**	187 233
Seller guarantees for future rent		**6 200**	91 370
Accounts receivable	11	**186 369**	78 303
Other receivables	11	**180 780**	93 647
Cash and cash equivalents	12	**635 476**	1 252 462
Total current assets		**1 687 498**	1 703 015
TOTAL ASSETS		**33 882 087**	16 887 931

Balance sheet as at 31 December

Consolidated

(Amounts in NOK 1 000)	Note	2007	2006
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**2 637 039**	2 462 823
Share premium		**1 211 081**	900 171
Other paid in equity		**1 500 000**	1 500 000
Retained earnings		**1 310 962**	389 636
Other reserves		**7 818**	75 763
Minority interests		**1 688 867**	44 834
- Liability to acquire shares in subsidiaries	24	**(1 524 863)**	-
Total equity		**6 830 903**	5 373 227
Non-current liabilities			
Deferred tax	16, 20	**1 521 767**	119 610
Interest bearing debt	15	**21 733 946**	10 876 787
Non-current liabilities		**23 255 713**	10 996 397
Current liabilities			
Financial derivative instruments	10	**26 075**	21 518
Interest bearing debt	15	**1 498 193**	100 800
Interest bearing liability to acquire shares in subsidiaries	15, 24	**1 595 837**	-
Trade payables		**44 086**	115 317
Other liabilities	14	**631 279**	280 672
Total current liabilities		**3 795 470**	518 307
Total liabilities		**27 051 183**	11 514 704
TOTAL EQUITY AND LIABILITIES		**33 882 087**	16 887 931

Oslo, 31 March 2008
The board of directors of Norwegian Property ASA

Knut Brundtland
Chair

Jostein Devold
Deputy Chair

Torstein Tvenge
Director

Hege Bømark
Director

Anne Birgitte Fossum
Director

Petter Jansen
President and CEO

Statement of changes in equity

Consolidated

	Equity attributable to shareholders of the company						
(Amounts in NOK 1 000)	Share Capital	Share premium	Other paid in equity	Retained earnings	Other reserves	Minority interests	Total equity
Opening balance equity	100	-	-	-	-	-	100
Financial derivatives, net of tax	-	-	-	-	75 763	-	75 763
Profit for the period	-	-	-	389 636	-	1 256	390 892
Total net income for 2006	-	-	-	389 636	75 763	1 256	466 655
Write-down	(100)	-	-	-	-	-	(100)
New equity - May 2006	875 000	875 000	-	-	-	-	1 750 000
New equity - June 2006	717 453	717 453	-	-	-	-	1 434 906
New equity - July 2006	150 370	150 370	-	-	-	-	300 740
New equity - September 2006	45 000	45 000	-	-	-	-	90 000
New equity - October 2006	50 000	50 000	-	-	-	-	100 000
New equity - November 2006	625 000	712 500	-	-	-	-	1 337 500
Equity issues cost, net of tax	-	(150 152)	-	-	-	-	(150 152)
Capital reallocation	-	(1 500 000)	1 500 000	-	-	-	-
Minority interests from purchase	-	-	-	-	-	43 578	43 578
Transactions with shareholders	2 462 723	900 171	1 500 000	-	-	43 578	4 906 472
Total equity 31 December 2006	**2 462 823**	**900 171**	**1 500 000**	**389 636**	**75 763**	**44 834**	**5 373 227**
Financial derivatives, net of tax	-	-	-	-	(67 945)	-	(67 945)
Profit for the period	-	-	-	1 185 030	-	4 829	1 189 859
Total net income for 2007	-	-	-	1 185 030	(67 945)	4 829	1 121 914
New equity - March 2007	174 216	325 784	-	-	-	-	500 000
Equity issues cost, net of tax	-	(14 874)	-	-	-	-	(14 874)
Dividend paid	-	-	-	(263 704)	-	-	(263 704)
Capital reduction / payment to minorities	-	-	-	-	-	(15 648)	(15 648)
Minority interests from purchase	-	-	-	-	-	1 654 851	1 654 851
Liability to acquire shares in subsidiaries	-	-	-	-	-	(1 524 863)	(1 524 863)
Transactions with shareholders	174 216	310 910	-	(263 704)	-	114 340	335 762
Total equity 31 December 2007	**2 637 039**	**1 211 081**	**1 500 000**	**1 310 962**	**7 818**	**164 003**	**6 830 903**

Cash flow statement 1.1 – 31.12

Consolidated

	(Amounts in NOK 1 000)	2007	2006
	Ordinary profit before income tax	**1 650 595**	539 457
–	Paid taxes in the period	**(2 042)**	-
+	Depreciation of tangible assets	**766**	560
+/–	Fair value adjustments of investment properties	**(1 219 138)**	(393 244)
–/+	Gain/loss from sale of investment properties	**(9 281)**	-
+/–	Fair value adjustments of financial derivative instruments	**(276 751)**	(76 743)
+/–	Net financial items excluding fair value adjustments of financial derivative instruments	**890 892**	282 241
+/–	Change in short-term items	**31 831**	224 040
=	**Net cash flow from operating activities**	**1 066 873**	576 311
–	Payments for purchase of fixed assets (investment properties)	**(5 126 458)**	(14 703 875)
+	Received for sale of fixed assets (investment properties)	**227 393**	-
–	Payments for purchase of subsidiaries	**(3 464 347)**	-
–	Payments for purchase of financial derivative instruments (guarantee rent)	**-**	(120 021)
=	**Net cash flow from investment activities**	**(8 363 412)**	(14 823 896)
+/–	Net change of long term debt	**7 236 878**	10 977 587
+/–	Net financial items excluding fair value adjustments of financial derivative instruments	**(890 892)**	(282 241)
+	Capital increase	**479 346**	4 804 601
–	Dividend payments	**(263 704)**	-
+/–	Other financing activities	**114 352**	-
=	**Net cash flow from financing activities**	**6 675 980**	15 499 947
=	**Net change in cash and cash equivalents**	**(620 559)**	1 252 362
+	Opening balance of cash and cash equivalents	**1 252 462**	100
+/–	Exchange rates	**3 573**	-
	Cash and cash equivalents 31 December	**635 476**	1 252 462

Notes to the accounts

Consolidated

NOTE 1 General information

The Norwegian Property group is a real estate investment company established in 2006 which invests in large, centrally-located commercial properties in Norway's biggest cities. At the end of 2007, the company owns 58 properties in Oslo and Stavanger. All properties are acquired after 9 June 2006. The purpose of the company is to provide private and institutional investors with access to a large, liquid and diversified investment alternative with exposure to centrally located high quality commercial properties.

In 2007 Norwegian Property gained control over the listed Norgani Hotels AS group by acquiring 17,5 per cent of the shares and entering into put/call option agreements to acquire additional 76 per cent of the shares. The Norgani Hotels group owns 73 hotel properties and 1 congress centre in Sweden, Norway, Finland and Denmark.

Norwegian Property was incorporated as a limited company on 20 July 2005 (under the name Tekågel Invest 83 AS, renamed Norwegian Property AS on 29 April 2006). The company conducted no operations in 2005. On 22 May 2006 the company was converted to a public limited company (Norwegian Property ASA) and the shares were registered in VPS (Norway's central securities register). Norwegian Property was listed on the Oslo Stock Exchange on 15 November 2006.

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. The consolidated financial statement have been prepared under the historical cost convention except that investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying The group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 4.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the group's operations:

- IFRS 4, Insurance contracts;
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies; and
- IFRIC 9, Re-assessment of embedded derivatives.

Interpretations to existing standards that are not yet effective and have not been early adopted by the group:

- IAS 23 (Amendment), Borrowing costs (effective as of 1 January 2009).
- IFRS 8, Operating segments (effective as of 1 January 2009).
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective as of 1 January 2008).

Interpretations to existing standards, which are not yet effective and assumed not to be relevant for the group:

- IFRIC 12, Service concession arrangements (effective as of 1 January 2008).
- IFRIC 13, Customer loyalty programmes (effective as of 1 January 2008).

2.2 Consolidation

(a) Subsidiaries

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

In 2005 Norwegian Property did not have any operations. The current business operations commenced in April 2006. Consequently, there are no comparable figures for the fiscal year 2005.

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business, and the bringing together of those entities in not a business combination (IFRS 3 Business Combinations therefore is not applicable). Norwegian Property allocates the cost of such purchases between the individual identifiable assets and liabilities acquired, based on their relative 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 cost of an acquisition is measured as being the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction demonstrates 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 balance sheet.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment, which is subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
(ii) Income and expenses for each income statement are translated at average exchange rates
(iii) All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. 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 within '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. Tenants accommodation i.e. replacement of walls, is charged to the asset's carrying amount while the remaining carrying amount of the replaced components is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment unless the internal use is insignificant, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Assets under construction are classified as property, plant and equipment measured at cost until completion when the asset is transferred to investment property.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gain/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest levels for which there are separately identifiable cash flows. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 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 for 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 costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is classified within this category if acquired principally for the purpose of selling in the short term due to favourable short term market movements. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 2.11).

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on 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 if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months or as a current asset or liability when the remaining maturity is less than 12 months.

(a) Derivatives that do not qualify for hedge accounting

The majority of the group's interest rate- and currency swaps are assumed not to qualify for hedge accounting at the end of 2007. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within 'changes in market value of financial derivatives'.

(b) Cash flow hedge

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

Amounts accumulated within equity are recognised within the income statement in the period within which the hedged item affects profit or loss (for example, when the hedged forecast sale is hedged takes place). The gain or loss relating from the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised within the income statement within other financial income (costs).

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

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'change in market value of financial derivative instruments'. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement within other operating expenses.

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Trade payables

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

2.15 Borrowings

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

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.

2.16 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 by 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 on 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 difference will not reverse in the foreseeable future.

2.17 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue comprises the fair value of the consideration received for the services in the ordinary course of the group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the group.

(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.

2.18 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.

2.19 Interest expense

Interest expenses for borrowings are recognised within 'financial costs' within the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, The group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.20 Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. The CEO of Norwegian Property has in addition a defined benefit pension plan. Norgani Hotels AS including subsidiaries operates defined contribution plans for all employees except in Norway. 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 due to employees relating to rights earned in the current or previous periods. Contributions are recognised as employee benefits expense when they fall due. Prepaid contributions are recognised as an asset to the extent that the cash refunds or reductions in future payments are available.

Norgani Hotels AS operates a defined benefit plan for all employees in Norway. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, in excess of the greatest of 10 percent of the value of plan assets or 10 percent of the defined benefit obligation, are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

NOTE 3 Risk management objectives and policies

The group's activities expose it to a variety of financial risks. The operational risks include exposure related to the quality of building construction, the erection of buildings and extensions, operations of the buildings as well as the operations of access roads and outdoor facilities on the company's premises. Financial risks include exposures related to the cost of financing, stability and predictability of rental income and the company's liquidity and financial flexibility. Fraud risks include risks related to the intentional misconduct and/or misappropriation of the company's assets or interests.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance by entering into hedging instruments designed to mitigate interest rate and currency risk.

Risk management for the group is managed by a central finance team in accordance with guidelines approved by the Board. The management team identifies and evaluates operational and financial risks in close co operation with the company's operational units and facilities managers. The Board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk. Fraud risks are countered by setting ethical standards and code of conduct guidelines.

3.1 Operational risks

All group properties are operated by professional facility management operators with clear contractual obligations to employ or engage the required certified competence and resources to meet regulatory standards.

The group has a group wide insurance policy that will provide indemnity for unforeseen physical damage to, or loss of, insured property that occurs as a result of stated perils such as fire, water damage, storm etc. as well as liability insurance. The insured value of buildings is the replacement value of the property. The insurance terms also give coverage when rentals have been interrupted or rental value has been impaired by the occurrence of any of the insured perils. The insurance policies are entered into with reputable insurance companies.

3.2 Financial risks

Financial risks include exposures related to the cost of financing, stability and predictability of rental income and the company's liquidity and financial flexibility.

Norwegian Property (commercial properties) and Norgani Hotels (hotel portfolio) are financed separately. Separate Finance policies are established, which outlines instructions and guidelines for the management of the company's financial risks.

Cost of financing - interest rate risks
The group is subject to market risk relating to changes in interest rates, given that it has significant floating rate borrowings. At the end of 2007 the average credit margin on floating rate borrowings was 76 basis points.

In order to mitigate interest risk, the group has acquired from sellers and entered into new interest rate swap agreements totalling NOK 16.3 billion at the end of the year. The average basis rate of the swaps portfolio is 4.40 per cent and has an average remaining maturity of 4.6 years.

Norwegian Property has a policy to hedge a minimum of 70 per cent of floating rate loans outstanding. As at year end, 84 per cent of such loans were hedged (including cash). The loan to value ratio is lower for Norgani Hotels compared to Norwegian Property, and the corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of floating rate loans outstanding. As at year end, 67 per cent of such loans were hedged (including cash). Simultaneously, Norgani Hotels experience fluctuations in its revenue based rental income.

Changes of interest rate expectations in the market influence the group's cash flow, results and equity. For example, if the average interest rate at the end of 2007 is changed by 10 basis points this will change the group's annual interest cost by approximately NOK 25 million when hedging instruments is not taken into account. The sensitivity of interest payments (cash flow and results/equity) related to changes of market interest rates are substantially reduced by the group's hedging strategy. Changes in market rates also affect the fair value of interest swaps and investment properties (see Note 4). Increased/reduced market rates will increase/reduce the book value of interest swaps in the balance sheet. These changes in the fair value of interest swaps are generally compensated by an opposite development in the fair value of investment properties.

Stability and predictability of rental income
Rental income is exposed to the market rental levels, credit risk and currency risk.

(i) The market
The group focuses on long term lease contracts. Tenants shall in the main consist of larger, well established companies and public sector organisations in order to reduce counterparty credit risk. The current average duration of rental contracts are 8.4 years.

(ii) Inflation
The majority of Norwegian Property's rental contracts have a 100 per cent CPI adjustment clause allowing the company to adjust rental rates with the CPI development. The company seeks to secure such regulation clauses in all new contracts.

(iii) Foreign exchange risk
A substantial part of Norgani Hotels' rental income and operating cots are in foreign currency (SEK, EUR and DKK). These cash flows are not subject to currency hedging. In 2007, 76 per cent of Norgani Hotels' revenue was related to Sweden, Finland and Denmark.

The group's properties are generally organised as single purpose entities and Norgani Hotels are exposed to net asset risks related to subsidiaries that have a functional currency different from the presentation currency. For example, if the value of NOK is changed by 5 per cent at the end of 2007 the group's equity is changed by approximately NOK 60 million. The general policy for Norgani Hotels is at any time to hedge 70 per cent of the net exposure, and the hedging ratio shall never deviate with more than 20 per cent points from this baseline. As at year end, close to 70 per cent of the net exposure were hedged. Hedging is generally achieved by borrowings in the different currencies. The group has entered into hedging agreements to reduce the net asset exposure in foreign currencies to a smaller extent. Gain and loss from such hedging instruments are taken to shareholders' equity.

Less than 5 per cent (NOK 47 million annually) of Norwegian Property's (office portfolio) rental income is in foreign currency (EUR) and practically all operational expenses are denominated in NOK. This exposes the segment to limited foreign exchange risk. At the end of the financial period, Norwegian Property had in place currency swap agreements with a total nominal value of NOK 296 million. Gains and losses on the group's forward exchange contracts are classified as 'changes in market value of financial derivatives' in the income statement.

(iv) Credit risk
The majority of the group's rental revenues come form solid tenants. New tenants are checked against credit rating agencies for acceptable credit history. Most tenants have provided bank guarantees or made deposits with amounts equivalent to 3 months rent.

Credit loss during 2007 and 2006 has been negligible.

Liquidity risk and financial flexibility
The group aims to ensure liquidity is sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility to seize market opportunities and withstand fluctuations in rental incomes.

As of year end the group had a satisfactory liquidity reserve and funding flexibility.

3.3 Fraud risks

Overall guidelines as to ethical standards for leadership and business conduct in the company are set out in "Instructions to the Board" and "Instructions to the CEO". Overall guidelines are communicated to set the ethical standard for the leadership and business conduct in the company.

The group has identified no incidents of fraud.

NOTE 4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management is required to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Estimate of fair value of investment properties
Investment property is valued at its fair value based on a quarterly valuation update.

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc) and adjusted for significant changes in tenant portfolio. In addition, all properties are periodically subject to technical reviews. The commercial properties are in line with this valued quarterly by external experts since the start-up in 2006. The hotel portfolio (Norgani Hotels) was acquired at the end of third quarter 2007, and externally valued for the first time at year end 2007.

Based on external valuations and supplementary internal analysis of the market for the rental portfolio, management make an overall fair value assessment to conclude as to whether a fair value adjustment is to be recommended.

The company uses different approaches in order to review external property valuations. The approaches are (i) the net asset value (NAV), (ii) cash flow analysis and (iii) multiple analyses.

(i) NAV of a property company can be calculated by adjusting the company's balance sheet values to the estimated market values of the properties. A common valuation approach is to discount the property net rental income by a given required rate of return.

(ii) A valuation of a property company can be made by using the discounted cash flow method (DFC). This approach has its foundation in the 'present value' rule, where the value of any asset is the present value of expected future cash flows arising from it and assuming a certain discount rate (a calculation of today's value of a future cash flow).

(iii) Valuation multiples are methods that are commonly used to value property companies. The final determination of which particular pricing multiple(s) to use must be based on an understanding of how the subject compares to the benchmark companies in term of important factors such as growth, size, longevity, profitability etc.

Fair value of derivatives and other financial instruments
The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions that are mainly based upon market conditions existing at each balance sheet date. The group uses discounted cash flow analysis for various 'available for sale financial assets' that were not traded in active markets.

NOTE 5 Segment information

(Amounts in NOK 1 000)

Business segments

The Group's primary reporting format are the business segments commercial properties (Norwegian Property) and hotel (Oslo Properties/Norgani Hotels). The business segment division is in conformity with the group's legal organisation and the internal management reporting. Thus the distribution of revenue, expenses, assets and liabilities to the business segments follows the group's legal structure. The hotel portfolio was acquried at the end of third quarter 2007. Below is an allocation of key figures to the business segments.

	Commercial properties		Hotel properties[1]		Unallocated/ elim.		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Gross rental income	**1 010 507**	414 773	**185 179**	-	-	-	**1 195 686**	414 773
Property related costs	**(61 498)**	(20 216)	**(19 926)**	-	-	-	**(81 424)**	(20 216)
Net rental income	**949 009**	394 557	**165 253**	-	-	-	**1 114 262**	394 557
Owner related costs	**(58 468)**	(42 846)	**(19 475)**	-	-	-	**(77 943)**	(42 846)
Gain from fair value adjustment of investment properties	**1 219 138**	393 244	**-**	-	-	-	**1 219 138**	393 244
Gain from sales of investment properties	**9 281**	-	**-**	-	-	-	**9 281**	-
Operating profit	**2 118 960**	744 956	**145 778**	-	-	-	**2 264 738**	744 956
Net financial items	**(439 019)**	(205 498)	**(175 123)**	-	-	-	**(614 142)**	(205 498)
Ordinary profit before income tax	**1 679 941**	539 457	**(29 345)**	-	-	-	**1 650 596**	539 457
Income tax expense	**(469 003)**	(148 565)	**8 267**	-	-	-	**(460 736)**	(148 565)
Profit for the period	**1 210 938**	390 892	**(21 078)**	-	-	-	**1 189 860**	390 892
Minority interests	**(8 667)**	(1 256)	**3 837**	-	-	-	**(4 830)**	(1 256)
Profit after minority interests	**1 202 271**	389 636	**(17 241)**	-	-	-	**1 185 030**	389 636

	31.12.07	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06	**31.12.07**	31.12.06
Investment property/fixtures and equipment	**20 416 452**	13 919 570	**10 700 402**	-	**-**	-	**31 116 854**	13 919 570
Other assets	**2 255 788**	2 968 361	**1 481 289**	-	**(971 845)**	-	**2 765 232**	2 968 361
Interest bearing debt	**14 861 865**	10 977 587	**10 561 112**	-	**(595 000)**	-	**24 827 977**	10 977 587
Other liabilities	**1 088 383**	537 117	**1 136 378**	-	**(1 555)**	-	**2 223 206**	537 117
Total equity	**6 721 992**	5 373 227	**484 201**	-	**(375 290)**	-	**6 830 903**	5 373 227
Investments	**4 275 323**	14 703 875	**851 135**	-	-	-	**5 126 458**	14 703 875

[1] The figures for the hotel segment includes Oslo Properties and the liability to acquire shares in Oslo Properties (total acquisition financing).

Geographical markets

The group's secondary reporting format is geographical markets. The group had operations in Norway, Sweden, Denmark and Finland in 2007 (only Norway in 2006). The commercial property segment is only located in Norway, while the hotel segment is located in all four countries. Below is an allocation of key figures to the different countries.

	Norway		Sweden		Denmark		Finland		Unallocated/elim.		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Gross rental income	**1 055 470**	414 773	**88 776**	-	**6 967**	-	**44 473**	-	**-**	-	**1 195 686**	414 773
Property related costs	**(67 511)**	(20 216)	**(4 993)**	-	**(2 118)**	-	**(6 802)**	-	**-**	-	**(81 424)**	(20 216)
Net rental income	**987 959**	394 557	**83 783**	-	**4 849**	-	**37 671**	-	**-**	-	**1 114 262**	394 557

	31.12.07	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**	**31.12.07**	**31.12.06**
Investm. property/fixtures and equip..	**22 883 283**	13 919 570	**4 678 954**	-	**453 727**	-	**3 100 890**	-	**-**	-	**31 116 854**	13 919 570
Other assets	**2 319 031**	2 968 361	**63 243**	-	**9 540**	-	**20 791**	-	**352 627**	-	**2 765 232**	2 968 361
Interest bearing debt	**16 513 295**	10 977 587	**2 762 985**	-	**272 714**	-	**1 983 144**	-	**3 295 839**	-	**24 827 977**	10 977 587
Other liabilities (unallocated)	**-**	-	**-**	-	**-**	-	**-**	-	**2 223 206**	537 117	**2 223 206**	537 117
Total equity	**8 689 019**	5 910 344	**1 979 212**	-	**190 553**	-	**1 138 537**	-	**(5 166 418)**	(537 117)	**6 830 903**	5 373 227
Investments	**4 394 255**	14 703 875	**732 203**	-	**-**	-	**-**	-	**-**	-	**5 126 458**	14 703 875

NOTE 6 Investment property

(Amounts in NOK 1 000)	**2007**	2006
Opening balance 1 January	**13 919 571**	-
Disposal of properties[1]	**(209 532)**	-
Additions from business combinations (see Note 24)	**9 850 053**	-
Additions from acquisition of properties and ordinary investments	**4 886 115**	13 526 327
Reclassification from property under construction etc (see Note 7)	**1 448 545**	-
Fair value adjustment of investment property	**1 219 138**	393 244
Book value as of 31 December[2]	**31 113 889**	13 919 571
Rental income	**1 195 686**	414 773
Property related costs	**(81 424)**	(20 216)
Net rental income	**1 114 262**	394 557

[1] Related to the sale of Kokstadveien 23 in Bergen at year end 2007. Gain from the sale was NOK 9.3 million.
[2] Book value at year end 2007 includes a reduction related to tax compensation received when acquiring investment properties (single purpose entities) of NOK 364.5 million. The corresponding reduction at year end 2006 was NOK 250.8 million.

General principles

Investment property was valued at its fair value as of 31 December 2007 based on valuations carried out by independent experts (DTZ Realkapital in Norway, Sweden and Denmark and Maakanta in Finland). Investment property is not subject to depreciation.

Valuations are carried out using updated macro assumptions (interest rate level, inflation expectations, economic growth etc.) and adjusted for significant changes within the tenant portfolio. In addition, all properties are subject to technical reviews on a regular basis.

Based on external valuations and supplementary internal analysis of the market and rental portfolio, management make an overall fair value assessment to conclude as to whether they presents a fair picture of the market value of the property portfolio.

Restrictions related to investment properties

Apart from covenants in loan agreements, there are no restrictions on when the investment properties can be realised, or how the revenue and cash flow on any sale can be used.

Obligation to acquire investment properties

Norgani Hotels entered into an agreement at year end 2007 to acquire the property Park Inn, Oslo, in Norway for NOK 174 million. Norgani Hotels will acquire the property at the time of completion, estimated during the summer of 2009. Rezidor Hotel Group has entered into a 20 years revenue based rental agreement for the hotel. The property/obligation will be accounted for on a net basis as a derivative financial instrument until completion. At the contract date/year end 2007 the value of the derivative is assumed to be zero.

NOTE 7 Property, plant and equipment

(Amounts in NOK 1 000)	**Property under construction[1]**	**Fixture, fittings and equipment**	**Total**
Acquisition costs			
1 January 2006	-	-	-
Additions/investments	56 333	2 991	59 324
Additions from the acquisition of companies	1 094 467	7 010	1 101 477
As of 31 December 2006	**1 150 801**	**10 001**	**1 160 801**
Additions/investments	291 516	516	292 032
Reclassification to investment property (see Note 6)	(1 442 317)	(6 228)	(1 448 545)
As of 31 December 2007	**-**	**4 289**	**4 289**
Accumulated depreciation			
1 January 2006	-	-	-
Current year's depreciation	-	557	557
As of 31 December 2006	-	**557**	**557**
Current year's depreciation	-	766	766
As of 31 December 2007	-	**1 323**	**1 323**
Book value as of 31 December 2006	**1 150 801**	**9 443**	**1 160 244**
Book value as of 31 December 2007	-	**2 965**	**2 965**

[1] Norwegian Property acquired 'Aker Hus' in 2006. This is a property under construction completed in 2007. Until completion, property under construction is accounted for at cost. At completion, accumulated cost is reclassified to investment property.

NOTE 8 Goodwill

(Amounts in NOK 1 000)	2007	2006
Opening balance 1 January	-	-
Additions from business combinations (see Note 24)	1 064 987	-
Book value as of 31 December	**1 064 987**	-

Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction of a single purpose entity, and that at the time of the transaction affects neither accounting nor taxable profit or loss. In a business combination deferred income tax must be accounted for related to all temporary differences between the book value and the tax basis of assets and liabilities. Investment properties are normally divested as shares or interests in a company without the calculation of payable tax. Goodwill calculated in the purchase consideration for 2007 is mainly related to the fact that deferred income tax must be accounted for as described in a business combination.
The carrying amount of goodwill is assumed to exceed its recoverable amount at year end 2007.

NOTE 9 Operating leases

The group is lessor for investment properties. The future minimum annual lease payments receivable under non-cancellable operating leases are as follows:

(Amounts in NOK 1 000)	2007	2006
Within 1 year	1 689 173	917 955
Later than 1 year and no lather than 5 years	5 913 511	3 214 640
Later than 5 years	6 300 014	3 098 379
Sum	**13 902 698**	7 230 974

The figures presented above relate to contract values for the following year (not index adjusted) for contracts entered into as at 31 December.

NOTE 10 Financial derivative instruments

(All amounts in NOK 1 000 or EUR, SEK or DKK 1 000 where specified)

The group has fixed the majority of its floating rate borrowing exposure through interest rate swaps (see Note 3). Despite its current hedging position, the company's financial positions and cash flows remain exposed to the effects of fluctuations in prevailing market interest rates. Interest costs may therefore increase or decrease as a result of such fluctuations.

Interest rate derivatives
Details of the group's interest rate derivatives as of 31 December:

	Currency	31.12.2007 Notional principal amount	31.12.2006 Notional principal amount
Commercial properties, interest rate swaps	NOK	(386 000)	5 750 000
Total - contracts qualifying for hedge accounting	NOK	(386 000)	5 750 000
Commercial properties, interest rate swaps	NOK	11 475 000	3 977 000
Commercial properties, interest rate swaps	EUR	25 467	25 467
Hotel, interest rate swaps	NOK	1 450 000	-
Hotel, interest rate swaps	EUR	212 500	-
Hotel, interest rate swaps	SEK	1 800 000	-
Total - other contracts	NOK	16 342 819	4 185 950
Total interest rate hedging - NOK equivalent	NOK	15 956 819	9 935 950
Commercial properties, options	NOK	400 000	-

Floating rates are 3 month NIBOR with the exception of the EUR and SEK swaps, where the floating rate is 3 month EURIBOR/STIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting are realised within the profit and loss account. Gains and losses relating to contracts qualifying for hedge accounting are accounted for within the hedging reserve within equity until such time as the underlying hedged loans is fully repaid.

Foreign exchange derivatives
Details of foreign exchange derivative financial instrument contracts as of 31 December:

Currency swaps	Currency	31.12.2007 Notional principal amount	31.12.2006 Notional principal amount
Commercial properties	NOK	295 583	317 937
Commercial properties	EUR	(37 510)	(40 347)
Total currency swaps	NOK	295 583	317 937
Total currency swaps	EUR	(37 510)	(40 347)

Currency forward contracts	Currency	Amount	Amount
Commercial properties	NOK	(75 948)	(115 907)
Commercial properties	EUR	8 659	13 385
Hotel	NOK	432 129	-
Hotel	SEK	(390 660)	-
Hotel	EUR	(12 434)	-
Total currency forward contracts	NOK	356 181	(115 907)
Total currency forward contracts	SEK	(390 660)	-
Total currency forward contracts	EUR	(3 775)	13 385
Total foreign exchange derivatives	NOK	651 764	202 030
Total foreign exchange derivatives	SEK	(390 660)	-
Total foreign exchange derivatives	EUR	(41 285)	(26 962)

Specification of financial derivative instruments in the balance sheet as of 31 December

	2007 Assets	2007 Liabilities	2006 Assets	2006 Liabilities
Interest rate derivatives - qualifying for hedge accounting	9 550	-	105 102	-
Interest rate derivatives - not qualifying for hedge accounting	664 663	11 541	161 762	-
Currency forward contracts	14 009	14 533	25 471	21 418
Total - financial derivative instruments in the balance sheet	**688 222**	**26 074**	292 335	21 418
Financial derivative instruments, non-current assets:				
Interest rate contracts - cash flow hedge	9 550	-	105 102	-
Financial derivative instruments, current assets	**678 672**	**26 074**	187 233	21 418
Net fin. derivative instr. in the balance sheet (net asset)	**662 148**		270 917	

Current years change of net financial derivative instruments in the balance sheet

	2007	2006
Net book value of financial derivative instruments, 1 January	270 917	-
Addition, contracts qualifying for hedge accounting	9 550	105 102
Contracts no longer qualifying for hedge accounting (see below)	(105 102)	-
Addition, contracts not qualifying for hedge accounting from acquisitions of properties	-	89 072
Addition, contracts not qualifying for hedge accounting from business combinations	210 034	-
Net additions of financial derivatives during the year	114 482	194 174
Net fair value adjustments of contracts during the year	171 647	76 743
Contracts no longer qualifying for hedge accounting to profit and loss during the year	105 102	-
Net fair value adjustments of financial derivative instruments during the year	276 749	76 743
Net book value of financial derivative instruments, 31 December	662 148	270 917

Financial derivative contracts that do not qualify fir hedge accounting classified as a current asset or liability. The full fair value of a derivative contract qualifying for hedge accounting is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

NOTE 11 Current receivables

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Account receivables	186 369	79 517
Less: provision for impairment of receivables	-	(1 214)
Account receivables - net	**186 369**	78 303
Other receivables	180 780	93 647
Total receivables	**367 149**	171 950

There are no material legal claims or disputes over services and/or maintenance charges brought against the group as at the date of the this report.

NOTE 12 Cash and cash equivalents

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Cash at bank and in hand	631 314	1 251 951
Withholding tax account (tied up deposits)	4 162	511
Total cash and cash equivalents	**635 476**	1 252 462

Total un-drawn borrowing facilities amounts to NOK 290 million at year end 2007, and NOK 1 900.5 million at year end 2006 (see Note 15).

NOTE 13 Share capital

Specification of changes in the share capital:

Date	Type of change	Changes in share capital	Share capital after change	No of shares after change	Par value *NOK*	Price per share *NOK*
20.07.05	Incorporation	-	100 000	1 000	100.00	100.00
26.04.06	Share split	-	100 000	4 000	25.00	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25.00	50.00
22.05.06	Write down	100 000	875 000 000	35 000 000	25.00	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25.00	50.00
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25.00	50.00
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25.00	50.00
30.06.06			**1 592 453 050**	**63 698 122**	**25.00**	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25.00	50.00
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25.00	50.00
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25.00	50.00
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25.00	50.00
30.09.06			**1 787 823 225**	**71 512 929**	**25.00**	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25.00	50.00
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25.00	53.50
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25.00	50.00
31.12.06			**2 462 823 225**	**98 512 929**	**25.00**	
29.03.07	Private placement	174 216 025	2 637 039 250	105 481 570	25.00	71.75
31.12.07			**2 637 039 250**	**105 481 570**	**25.00**	

	2007	2006
Average number of shares *(1 000 shares)*	**103 798**	75 774
Number of shares issued as of 31 December *(1 000 shares)*	**105 482**	98 513

List of 20 largest shareholders as of 31 December 2007:

Shareholder	Country	Number of shares	Per cent share
A. Wilhelmsen Capital AS	NOR	12 165 000	11.53
JP Morgan Chase Bank (nom)	GBR	10 300 884	9.77
State Street Bank and Trust Co. (nom)	USA	8 368 729	7.93
Fram Holding AS	NOR	4 000 000	3.79
Fram Realinvest AS	NOR	4 000 000	3.79
Bank of New York, Brussels Branch, Alpine Int.	BLE	3 660 295	3.47
Vital Forsikring ASA	NOR	3 578 700	3.39
Aweco Invest AS	NOR	2 870 282	2.72
Mellon Bank as agent for ABN Amro (nom)	USA	2 154 305	2.04
Bank of New York, Brussels Branch, Alpine Int.	BLE	2 126 600	2.02
Forties Global Custody Services (nom)	NL	2 055 739	1.95
Spencer Trading Inc.	NOR	2 000 000	1.90
Mellom Bank as agent for clients (nom)	USA	1 772 141	1.68
Opplysningsvesenets Fond	NOR	1 662 731	1.58
BNP Paribas Securities Services (nom)	FRA	1 601 000	1.52
JP Morgan Chase Bank (nom)	GBR	1 590 131	1.51
Lani Development AS	NOR	1 497 900	1.42
Morgan Stanley & Co (nom)	GBR	1 450 448	1.38
Credit Suisse Securities	GBR	1 383 415	1.31
Bank of New York, Brussels Branch, clients account	BLE	1 325 403	1.26
Other shareholders		35 917 867	34.05
Total number of shares as of 31 December 2007		**105 481 570**	**100.00**

Shares held by the board of directors and senior executive officers as of 31 December 2007:

Shareholder	Number of shares
Board of directors	
Knut Brundtland (Chair)	200 000
Jostein Devold	-
Torstein I. Tvenge	8 000 000
Anne Birgitte Fossum	6 500
Hege Bømark	-
Senior executives	
Petter Jansen, President and Chief executive officer (CEO)	75 000
Dag Fladby, Vice president and Chief investment officer (CIO)	4 000
Svein Hov Skjelle, Vice president and Chief financial officer (CFO)	5 000
Aili Klami, Vice president and Chief operating officer (COO)	-
Total no. of shares held by the board of directors and senior executive officers as of 31 December 2007	**8 290 500**

NOTE 14 Other short term liabilities

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Public dues	**43 224**	21 117
Accrued salaries	**10 667**	208
Accrued interest	**184 725**	113 439
Deferred income	**179 648**	102 402
Other payables	**213 015**	43 506
Total other short term liabilities	**631 279**	280 672

NOTE 15 Borrowings

(All amounts in NOK 1 000 or EUR, SEK or DKK 1 000 where specified)

Details of interest bearing debt per business segment and currency

	Currency	31.12.2007	31.12.2006
Commercial properties			
Total bank borrowings	NOK	**11 792 619**	9 846 451
Total bank borrowings	EUR	**32 258**	32 622
Total bonds	NOK	**2 682 350**	768 000
Total other borrowings	NOK	**165 861**	165 861
Total borrowings	NOK	**14 640 830**	10 780 312
Total borrowings	EUR	**32 258**	32 622
Total borrowings - NOK equivalent	NOK	**14 898 409**	11 049 051
Total un-drawn borrowing facilities	NOK	**215 000**	1 900 549
Hotel			
Total bank borrowings	NOK	**1 551 430**	-
Total certificate borrowings	NOK	**100 000**	-
Total bank borrowings	SEK	**3 267 263**	-
Total bank borrowings	EUR	**248 954**	-
Total bank borrowings	DKK	**255 303**	-
Total borrowings - NOK equivalent	NOK	**6 670 273**	-
Total un-drawn borrowing facilities	NOK	**75 000**	-

Details of long term- and short term interest bearing debt

	Currency	31.12.2007	31.12.2006
Commercial properties			
Long term debt	NOK	**13 843 587**	10 682 509
Long term debt	EUR	**31 894**	32 258
Total long term debt for commercial properties - NOK equivalent	NOK	**14 101 563**	10 948 251
Hotel			
Long term debt	NOK	**1 411 450**	-
Long term debt	SEK	**2 711 828**	-
Long term debt	EUR	**248 954**	-
Long term debt	DKK	**255 303**	-
Total long term debt for hotel - NOK equivalent	NOK	**5 960 597**	-
Oslo Properties			
Long term debt, acqusition financing	NOK	**1 700 000**	-
Total Group long term debt - NOK equivalent	NOK	**21 762 160**	10 948 251
Commercial properties			
Short term debt	NOK	**796 032**	97 803
Short term debt	EUR	**364**	364
Total short term debt for commercial properties - NOK equivalent	NOK	**796 846**	100 801
Hotel			
Short term debt	NOK	**239 967**	-
Short term debt	SEK	**555 435**	-
Total short term debt for hotel - NOK equivalent	NOK	**709 676**	-
Total Group short term debt - NOK equivalent	NOK	**1 506 522**	100 801
Total borrowings at nominal value[1]	NOK	**23 268 682**	11 049 051
Capitalised borrowing costs	NOK	**36 542**	71 466
Total borrowings at amortized value	NOK	**23 232 140**	10 977 587
Classified as short term (first year's repayments - book value in the balance sheet)	NOK	**1 498 193**	100 800
Long term borrowings (book value in the balance sheet)	NOK	**21 733 947**	10 876 787

[1] *Exclusive Norwegian Property ASA's liability related to a put/call option agreement to acquire shares in Oslo properties AS (see Note 24). The liability amounts to NOK 1 525 million exclusive interests, which will be accrued until settlement. The discounted value of the put/call liability (including interests) was NOK 1 595.8 million at year end 2007. The liability is accounted for under short term liabilities in the group's balance sheet.*

The maturity of non-current borrowings for commercial properties

	31.12.2007	31.12.2006
Between 1-2 years (2009 and 2010)	**678 780**	181 985
Between 2-5 years (2011, 2012 and 2013)	**11 393 305**	1 300 501
Over 5 years	**2 029 478**	9 465 765
Total	**14 101 563**	10 948 251

The maturing of non-current borrowings for hotel

	31.12.2007	31.12.2006
Between 1-2 years (2009 and 2010)	**-**	-
Between 2-5 years (2011, 2012 and 2013)	**5 029 022**	-
Over 5 years	**931 575**	-
Total	**5 960 597**	-

The non-current acquisition financing in Oslo Properties of NOK 1 700 million falls due in 2010.

Norwegian Property ASA issued three trenches of bonds in the Norwegian capital markets in March 2007, totalling NOK 1 511 million. One of the trenches has a tenor of 5 years and the other two trenches have a tenor of 3 years. Four properties are pledged as first priority security for these borrowings.

In connection with the acquisition of Norgani Hotels AS the group refinanced existing borrowing facilities of NOK 8 720 million with a NOK 9.6 billion 5 year term loan facility on 5 July 2007, with Norwegian Property Holding AS as the borrower. NOK 115 million of the facility was un-drawn at year end. Simultaneously, Oslo Properties AS entered into a 3 year term loan facility of NOK 1.7 billion, and Norwegian Property Holding AS established a 1 year term loan facility of NOK 450 million. Both facilities were fully drawn as of 31.12.2007. A revolving credit facility of NOK 1.4 billion has been established to finance the acquisition of properties, and utilised in relation with the acquisition of DnB NOR's premises at Aker Brygge in Oslo. NOK 100 million of this facility was un-drawn at year end.

Group subsidiaries have additional borrowings of NOK 1 963.4 million as of 31.12.2007.

The main terms of the commercial properties portfolio based upon the prevailing loan agreements as at 31.12.2007 are:

- Interest: NIBOR + margin
- Interest rate hedging: Minimum 70 per cent for the commercial portfolio.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value thresholds (LTV). Senior interest cover of at least 1.4 and a LTV ratio of 85 per cent are agreed as of 31.12.2007.
- Other covenants: Negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Security: The facility is secured by way of, inter alia, first priority mortgages/pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the Company's bank accounts. Subsidiaries are guarantees for the facilities. No bank guaranties of significant size have been issued on the parent company's behalf.

The financing of Norgani Hotels was continued in connection with the takeover. As of 31.12.2007 two syndicated borrowing facilities were in place, an EUR 239 million facility and a multiple currency credit facility of originally EUR 13 million, DKK 677 million, NOK 1 435 million and SEK 1 840 million. In addition, the Company has entered into a financing agreement with Handelsbanken AB of SEK 1 150 million.

The main terms of the hotel portfolio based upon the prevailing loan agreements as at 31.12.2007 are:

- Interest: NIBOR/EURIBOR/CIBOR/STIBOR + margin.
- Interest rate hedging: Different minimum levels of interest rate hedging ratios in relation to the different borrowing agreements.
- Financial covenants: Senior interest cover of at least 1.25 (1.35 after 29 June 2008 and 2.0 in relation to a different agreement), LTV ratio of 85 per cent and equity ratio of 15 per cent are agreed as of 31.12.2007.
- Other covenants: Negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Security: The facility is secured by way of, inter alia, first priority mortgages/pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the Company's bank accounts. Subsidiaries are guarantees for the facilities. No bank guaranties of significant size have been issued on the parent company's behalf.

The terms of the NOK 1 700 million acquisition financing are as follows:

- Interest: NIBOR + margin
- Interest rate hedging: Minimum 70 per cent (excluding the acquisition financing).
- Financial covenants: LTV below 90 per cent for the Oslo Properties Group for the two first years, thereafter 75 per cent. The Norgani Group must have a LTV below 85 per cent and a senior interest cover ratio of minimum 1.6.
- Other covenants: Negative pledge, pari passu, restrictions on granting of loans, restrictions related to mergers/demergers and a change of control clause.
- Restrictions related to payments of dividends from Oslo Properties, cash flow generated from sale of properties and other cash flow generated by Norgani exceeding certain levels shall be used for the purpose of repayment of borrowings.
- Security: First priority mortgages/pledges over all Oslo Properties assets, including the shares in Norgani Hotels and bank accounts, mortgages/pledges over Norwegian Property ASA's shares in Oslo Properties and a guarantee issued by Norwegian Property ASA.

Book value of group assets pledged as security

	31.12.2007	31.12.2006
Investment property	**31 113 889**	13 919 570
Property under construction	**-**	1 150 801
Receivables	**373 349**	263 320
Cash and cash equivalents	**635 476**	1 252 462
Total	**16 586 163**	16 586 163
Liabilities secured	**23 102 821**	10 883 190

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

Details of hedging ratio, average interest and remaining duration

	Norwegian Property	Norgani Hotels	Total	Oslo Properties (OP)	Total	Liability to acquire shares in OP	Total	Total
	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.06
Total interest bearing debt at face value (NOK million) [1]	14 449	6 920	21 369	1 900	23 269	1 596	**24 865**	11 049
- Of which hedged (NOK million)	11 678	4 665	16 343		16 343		**16 343**	9 936
Hedging ratio, exclusive cash and cash equivalents	81%	67%	76%		70%		**66%**	90%
Cash and cash equivalents (NOK million)	584	6	590	45	635		**635**	1 252
Effective hedging ratio, including cash	84%	67%	79%		72%		**67%**	101%
Average interest (including margin)	5.33%	5.11%	5.26%	7.09%	5.41%	10.75%	**5.76%**	5.16%
Average basis interest of hedging contracts	4.53%	4.12%	4.40%		4.40%		**4.40%**	4.39%
Average margin	0.56%	0.99%	0.70%	1.50%	0.76%		**0.76%**	0.76%
Average remaining duration, borrowings (years)	4.9	4.5	4.8	2.9	4.6		**4.6**	7.0
Average remaining duration, hedging contracts (years)	5.1	5.1	5.1		5.1		**5.1**	6.2
Property value (NOK million)	20 414	10 700	31 114		31 114		**31 114**	15 070
LTV	70.8%	64.7%	68.7%		74.8%		**79.9%**	73.3%

[1] *In the table, NOK 450 million of Norwegian Property ASA's interest bearing liabilities are allocated as intercompany loans to Norgani Hotels (NOK 250 million) and Oslo Properties (NOK 200 million).*

Events post 31 December 2007

On 7 February 2008, the Norwegian Property Holding AS NOK 9.6 billion facility and the Norwegian Property ASA NOK 1.3 billion revolving credit facility were refinanced with a Norwegian Property Holding AS NOK 11.0 billion credit facility, including a NOK 1.0 billion revolving credit facility. Annual repayments are reduced by calculating the repayments on the basis of LTV levels, and the flexibility of the revolving facility is improved. Other terms of the borrowings are unchanged.

NOTE 16 Deferred income tax

Deferred income tax assets and liabilities are offset where the group has a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**634 214**	58 384
Deferred tax assets to be recovered within 12 months	**-**	-
	634 214	58 384
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**2 155 981**	177 994
Deferred tax liabilities to be recovered within 12 months	**-**	-
	2 155 981	177 994
Net deferred tax liabilities	**1 521 767**	119 610
The movement on the deferred income tax account		
Opening balance	**119 610**	-
Additions from business combinations	**977 195**	-
Income statement change (see Note 20)	**457 498**	148 565
Tax on interest rate hedges charged to equity	**(26 755)**	29 429
Tax on issue expense charged to equity	**(5 781)**	(58 384)
As of 31 December	**1 521 767**	119 610
Deferred tax charged to equity		
Tax on equity issue expense	**(64 165)**	(58 384)
Tax on financial derivative instruments charged to equity	**2 674**	29 429
Total deferred tax charged to equity	**(61 491)**	(28 955)

The movement of deferred tax assets and deferred tax liabilities

(Amounts in NOK 1 000)	Deficit carried forward	Buildings	Fair value gain	Total
At 1 January 2006	-	-	-	**-**
Deferred tax assets from purchase of companies	(12 550)	-	-	**(12 550)**
Deferred tax liability from purchase of companies	-	1 428 941	-	**1 428 941**
Deferred tax assets from business combinations	-	-	-	**-**
Deferred tax liability from business combinations	-	-	-	**-**
Tax charged to income statement	16 969	110 108	21 488	**148 565**
Tax charged to equity	(58 384)	-	29 429	**(28 955)**
Total as of 31 December 2006	**(53 965)**	**1 539 049**	**50 917**	**1 536 001**
Deferred tax assets from purchase of companies	-	-	-	**-**
Deferred tax liability from purchase of companies	-	41 160	-	**41 160**
Deferred tax assets from business combinations	(567 985)	-	-	**(567 985)**
Deferred tax liability from business combinations	20 910	1 524 270	-	**1 545 180**
Tax charged to income statement	38 650	341 359	77 490	**457 498**
Tax charged to equity	(5 781)	-	(26 755)	**(32 536)**
Total as of 31 December 2007	**(568 171)**	**3 445 838**	**101 651**	**2 979 318**
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3)[1]	(12 550)	1 428 941	-	**1 416 391**
As of 31 December 2006	**(41 415)**	**110 108**	**50 917**	**119 610**
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3)[1]	(12 550)	1 470 101	-	**1 457 551**
As of 31 December 2006	**(555 621)**	**1 975 737**	**101 651**	**1 521 767**

[1] *Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business, and the bringing together of those entities is not a business combination (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for as 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 nor loss.*

NOTE 17 Employee benefit expenses

(Amounts in NOK 1 000)

Total employee benefit expenses

	2007	2006
Salaries and remuneration	**24 122**	3 500
Social security costs	**4 036**	506
Pension costs	**5 389**	300
Other employee expenses	**460**	21
Total employee benefit expenses	**34 008**	4 327
Number of employees at 31 December	**33**	7
Number of full time equivalent positions at 31 December	**33**	7
Average number of employees	**16**	2

Total pension costs

Norwegian Property ASA operates a defined contribution plan for all employees. The CEO of Norwegian Property ASA has in addition a defined benefit pension plan. Norgani Hotels AS including subsidiaries operates defined contribution plans for all employees except in Norway, where a defined benefit plan is operated (7 employees).

	2007	2006
The period's pension earnings (service cost)	**4 875**	-
Interest cost of pension obligation	**121**	-
Return on plan assets	**(8)**	-
Administration costs	**10**	-
Pension cost, benefit plans	**4 999**	-
Pension cost, contribution plans	**391**	300
Pension cost for the year	**5 389**	300

Pension obligations for benefit plans

	2007	2006
Present value of pension obligations	**6 458**	-
Pension assets at market value	**(776)**	-
Net pension obligation	**5 681**	-
Deferred effect of actuarial and financial gains and losses	**(297)**	-
Employers' national insurance contributions	**85**	-
Pension obligation recorded in the balance sheet	**5 470**	-

The movement of pension obligations for benefit plans

	2007	2006
At 1 January	**-**	-
Changes from business combinations	**624**	-
Total pension cost, see above	**4 999**	-
Premium paid	**(153)**	-
As of 31 December	**5 470**	-

Financial assumptions for benefit plans

	2007	2006
Discount rate (per cent)	**4.70**	-
Expected return on plan assets (per cent)	**5.75**	-
Annual wage increases (per cent)	**4.50**	-
Adjustments of statutory base amount (per cent)	**4.50**	-
Pension increases (per cent)	**2.00**	-

Remuneration of executive officers for 2007

Group Management

Name	Title	Base salary	Bonus earned	Other benefit	Total taxable income	Pension benefit earned
Petter Jansen[1]	President and CEO	2 846	2000	138	4 984	2 094
Svein Hov Skjelle	Vice president and CFO	1 341	345	70	1 756	46
Dag Fladby[1]	Vice president and CIO	1 859	516	207	2 582	46
Aili Klami	Vice president and COO	1 214	236	78	1 528	46
Total		**7 260**	**3 097**	**493**	**10 850**	**2 232**

[1] *In case of termination of employments in Norwegian Property ASA, these employees are entitled to severance pay of 6 months salary.*

The president and CEO is further entitled to receive a bonus up to 50 per cent of annual base salary. The rest of group management are entitled to receive a bonus of up to 30 per cent of annual base salary. Petter Jansen will be entitled to a pension from age 62 – 67, under the assumption that full pension rights are earned, of NOK 2 million per year. The company is also obliged to enter into a pension arrangement after which Mr Jansen reaches age 67, which together with accumulated paid up pension rights will constitute 66 per cent of annual salary.

Board of directors

Name	Board compensation
Knut Brundtland (Chair)	300
Jostein Devold	200
Torstein I. Tvenge	200
Hege Bømark	200
Anne Birgitte Fossum (Director from May 2007)	133
Egil Sundbye (Director until May 2007)	67
Karen Helene Ulltveit-Moe (Director until May 2007)	67
Total	**1 167**

The board compensation specified above is related to the year 2007, and payments will be made in 2008. The compensation is calculated according to decisions made in the shareholders extraordinary general meeting of 4 October 2006, related to principles for remunerations of the Board of directors.

Declaration of management benefits

This declaration relates to benefits received by key management personnel for work performed in connection with their employment within the group. The group shall at all times ensure that it has a professional leadership team in place so as to ensure that shareholder interests are safeguarded to best effect. In order to achieve this, the company is required to offer competitive remuneration terms, as part of a total compensation package.

1. Principles for base salary
Key management employees shall receive a competitive base annual salary, the amount of which will be determined by 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 achieving key targets either for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets, including the company's share price performance and shall be measurable wherever possible. Targets in relation to the Chief Executive Officer's own performance shall be established by the Board, whilst the Chief Executive Officer shall establish targets for other key management personnel. Bonus payment shall not exceed 50 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 shall be offered certain non-cash related compensation benefits, such as access to company car, insurance and pension scheme arrangements. The company shall also provide these employees with home and mobile telephones, in addition to covering the cost of newspaper subscriptions such that employees are contactable for business purposes. Key management employees shall be granted the right to membership of the company's defined contribution pension scheme. Conditions of the pension scheme can verify from employee to employee. The Chief Executive Officer has an individual pension scheme arrangement under which he has the right to retire from age 62 and to receive an annual sum of NOK 2 million until he reaches age 67. Upon reaching age 67, the Chief Executive Office shall receive annually the sum of 66 per cent of base salary, taking into account accumulated paid up policies ('fripoliser'). The group has currently not issued any employee option programmes.

4. Payment after termination of contract
As at year end, two key management employees have agreements in place with the company for payment of salary after termination of contract. Resignation notice periods are six months. Payment of salary after termination of contract shall only occur in special instances. Approval from the Chairman of the Board shall be required for the granting of payment of salary after termination of contract for any employees where this right is not already documented within their employment contract.

5. Remuneration decision making process
The Board determines the Chief Executive Officer's annual salary in unison.
The Board prepares annual guidelines to support its recommendation which is presented to shareholders at the annual general meeting for ratification in accordance with limited liabilities companies act section 5-6.

The guidelines related to management benefits were carried out as described above last year. The board of directors has granted the president and CEO a NOK 500 000 bonus related to extraordinary efforts in connection with several large projects, including the acquisition of Norgani Hotels. The remuneration of executive officers is charged as an expense, and has no other consequences for the shareholders of the company.

Auditor's fee

Deloitte is at year end 2007 the auditor for all Norwegian Property group companies, Oslo Properties AS/Norgani Hotels AS and directly owned Norwegian subsidiaries. PricewaterhouseCoopers (PwC) is the auditor for other Norgani Hotels group companies.

Fee	Deloitte	PwC[1]
Statutory audit	1 649	2 604
Other certification services	260	97
TAX/VAT Advisory fee	262	539
Other services than audit	106	659
Total	**2 277**	**3 899**

[1] *In addition to fees invoiced to Norgani Hotels, PwC has also invoiced Norwegian Property ASA NOK 7.9 million in 2007 related to other services than audit and TAX/VAT advisory fee.*

The auditor's fee is net of VAT.

NOTE 18 Non-recurring costs

The company charged the income statement for 2006 with non-recurring costs of approximately NOK 21 million, in connection with start-up and stock-exchange introduction of the company. In 2007, no material costs of such kind are charged.

NOTE 19 Net financial expenses

(Amounts in NOK 1 000)	**2007**	2006
Interest income	**58 669**	13 231
Foreign currency gains	**9 111**	484
Other financial income	**191**	(193)
Total financial income	**67 972**	13 521
Interest costs	**(803 593)**	(274 549)
Foreign currency loss	**(131)**	(221)
Other financial expenses[1]	**(155 140)**	(20 992)
Total financial expenses	**(958 864)**	(295 762)
Change in market value of financial derivative instruments	**276 749**	76 743
Net financial expenses	**(614 143)**	(205 498)

[1] Other financial expenses for 2007 include costs in connection with refinancing of borrowing facilities with approximately NOK 114 million.

NOTE 20 Income tax expense

(Amounts in NOK 1 000)	**2007**	2006
Current tax	**3 238**	-
Deferred tax (see Note 16)	**457 498**	148 565
Income tax expense	**460 736**	148 565
Profit before tax:	**1 650 595**	539 458
Tax calculated at a tax rate of 28 per cent	**462 167**	151 048
Income not subject for tax purposes, expenses not deductible for tax purposes, etc	**(2 784)**	(2 483)
Corrections related to previous years current tax	**1 353**	-
Income tax expense	**460 736**	148 565

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.

	2007	2006
Net profit attributable to shareholders (NOK 1000)	**1 185 030**	389 636
Weighted average number of ordinary shares in issue (1 000)	**103 798**	75 744
Basic earnings per share (NOK per share)	**11.42**	5.14

Norwegian Property has not issued options or other financial instruments that have dilutive effect on shares issued. The company has not bought back shares. Diluted earnings per share is therefore the same as the basic earnings per share.

NOTE 22 Dividend per share and dividend policy

Norwegian Property aims to distribute an annual dividend which is competitive, predictable and higher than the sector average. The company's goal is to distribute 4-6 per cent of paid in equity capital and 50 per cent or more of annual net profits (taken into account not cash generating profit and loss items).

For 2007, the board has recommended a dividend of NOK 2.50 which will be tabled for resolution within the company's annual general meeting on 20 May 2008. Dividend payments will be made to shareholders on 10 June 2008 in accordance with the share register as at 20 May 2008.

NOTE 23 Related-party disclosures

The objective of the information about related parties is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Norwegian Property ASA group is not directly controlled or dominated by any significant shareholders. However, the Anders Wilhelmsen Group controlled a total of 15.2 per cent of the shares as of 31 December 2007 through Anders Wilhelmsen Capital AS (11.5 per cent) and AWECO invest AS (2.7 per cent) and Miami AS (1.0 per cent). Torstein Tvenge and his family controlled a total of 7.6 per cent as of 31 December 2007 trough Fram Holding AS (3.6 per cent) and Fram Realinvest AS (3.6 per cent).

After Norwegian Property was established in 2006, there are four main categories of transactional relationships with 'related parties' to Norwegian Property ASA:

- Property transactions with Norwegian Property ASA share considerations to sellers
- Facility management agreements
- Rental agreements with shareholders
- Interest and management fee charges from parent to subsidiaries

Property transactions

Companies that have sold properties to Norwegian Property and accepted to be paid in part by issuing new shares in Norwegian Property as consideration to the seller are considered as related parties.

2007

No property transactions with related parties are carried out in 2007, and new shares in Norwegian Property are not issued as consideration to any seller.

In connection with the takeover of Oslo Properties/Norgani Hotels in 2007 (see Note 24), the Anders Wilhelmsen Group is one of the shareholders of Oslo Properties AS (shareholding of 6.5 per cent). No put/call option agreement is related to this shareholding.

2006

Norwegian Property ASA acquired Skøyen Bygg AS (including its property portfolio) from Fram Holding AS, which is controlled by close associates of Board Member Torstein Tvenge. The agreement was signed on 12 May and completed 9 June 2006. The purchase price was partially paid by issuing new shares in Norwegian Property ASA as consideration to the seller.

Norwegian Property ASA acquired the property Middelthunsgate 17 (M17) and the Aker Brygge-properties from companies controlled by the Anders Wilhelmsen Group. The purchase price was partly paid by issuing new shares in Norwegian Property ASA as consideration to the sellers. The Anders Wilhelmsen Group is represented on the Board of Norwegian Property by Board Member Jostein Devold.

Related party	Property	Total transaction *(NOK million)*	Shares	Share price *(NOK)*	Stake[1]
A. Wilhelmsen Capital AS/Aweco Invest AS	Aker Brygge / M17	2 984	14 955 967	50	20.9%
Torstein Tvenge w/family through controlled companies	Skøyen Bygg	1 295	8 000 000	50	11.2%

[1] Ownership at the time of transaction, not including purchases and sales after the transaction.

In addition to the table above, the following companies are considered to be related-parties of Norwegian Property, after receiving ownership in the Norwegian Property ASA as a part of the settlement of the transaction of the respective properties. As part of the agreement an amount of the purchase price was paid by issuing new shares in Norwegian Property ASA as consideration to the seller:

Related party	Property	Total transaction *(NOK million)*	Shares	Share price *(NOK)*	Stake[1]
Oslo Næringseiendom 1 AS	Økernveien 9	257	600 000	50	0.8%
Pareto Private Equity ASA – Syndicate	Finnestadveien 44	451	1 844 000	50	2.6%
Pareto Private Equity ASA – Syndicate	Drammensveien 134 KS	670	14 807	50	0.0%
Pareto Private Equity ASA – Syndicate	Kokstadveien 23	221	800 000	50	1.1%
Pareto Private Equity ASA – Syndicate	Gardermoen NE	345	1 000 000	50	1.4%
Näringsfastigheter i Sverige II Rød AB	Aker Hus	1 502	2 000 000	50	2.7%

[1] Ownership at the time of transaction, and do not include purchases and sales after the transaction.

The Pareto Group through Pareto Eiendom AS, perform rental brokerage services for Norwegian Property and earned fees totalling NOK 0.3 million during 2006. Pareto Securities provides securities brokerage services to Norwegian Property. During 2006 they earned NOK 63.1 million in such fees.

Facility management agreements (property management agreements)

For the majority of the properties Norwegian Property has entered into management agreements with professional managers who previously carried out the same services on behalf of the former property owners.

A special commercial and facility management arrangement for Aker Brygge, with four years duration, has been entered into with Linstow Eiendom AS in 2006, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow is also managing the property Middelthunsgate 17, Ibsenkvartalet and Stortingsgaten 6. Linstow receives an annual compensation for the services rendered of NOK 5.3 million.

Pareto Investor Service AS, part of the Pareto Group is providing commercial administration services for a total annual fee of NOK 3.6 million.

Rental agreements

Linstow Eiendom AS (A. W. Group) is a tenant at Aker Brygge, and as described above also a shareholder of Norwegian Property ASA. Annual rent amounts to NOK 4.3 million.

Charges of interest and management fee to subsidiaries

Group subsidiaries are charged for interest in relation to the subsidiaries share of total group financial costs. In addition, group subsidiaries are charged for a share of administration expenses related to holding/group companies ownership costs.

NOTE 24 Business combinations

(Amounts in NOK 1 000)

Oslo Properties AS gained control over Norgani Hotels AS on 24 September 2007, and owns all shares in the company at year end 2007. The Norgani Hotels Group owns 73 hotel properties and 1 congress centre in Sweden, Norway, Finland and Denmark. For accounting purposes it is assumed that Norwegian Property ASA controls Oslo Properties AS. Oslo Properties/Norgani Hotels is consolidated as a part of the Norwegian Property Group from 24 September 2007.

Norwegian Property owns 17.5 per cent of the shares and has entered into put/call option agreements to acquire an additional 76 per cent of the shares in Oslo Properties. Management functions in Oslo Properties are appointed by Norwegian Property, and Norwegian Property also has the right to designate 3 out of 5 board members in Oslo Properties (including the chair).

Income statement items related to Oslo Properties AS and Norgani Hotels AS, included in the consolidated statements for 2007, are described in Note 5.

The acquisition of Norgani Hotels AS is treated as a business combination according to IFRS 3. All previous acquisitions made by the group in 2006 and 2007 have been purchases of single purpose entities. The purchase consideration of Norgani Hotels AS is calculated as follows:

Purchase consideration

Purchase price for the shares in Norgani Hotels	3 718 688
Interest/discounting effects related to the put/call option agreement	48 157
Costs related to the takeover	94 269
Total purchase price	3 861 114
Fair value of net assets acquired, exclusive goodwill (see below)	2 796 127
Goodwill	**1 064 987**

Norwegian Property ASA has entered into put/call option agreements to acquire an additional 76 per cent of the shares in Oslo Properties AS by 1 July 2008. The liability amounts to NOK 1 525 million exclusive interests, which will be accrued until settlement. NOK 1 120 million plus accrued interest may be settled with shares in Norwegian Property ASA at the discretion of Norwegian Property. The discounted value of the put/call liability (including interests) was NOK 1 573.0 at the acquisition date and NOK 1 595.8 million at year end 2007. The change in the liability of NOK 22.8 million from the acquisition date and until year end is charged as an expense under other financial expenses in 2007.

Assets (exclusive goodwill) and liabilities related to the acquisition	
Investment property	9 850 053
Cash and cash equivalents	348 610
Net working capital/other items	81 919
Interest bearing debt	(6 507 260)
Deferred tax liability	(977 195)
Net assets acquired	**2 796 127**

Net cash flow related to the acquisition	
Acquisition price and costs in cash and cash equivalents	3 812 957
Cash and cash equivalents in acquired entities	(348 610)
Net cash flow	**3 464 347**

Pro forma result for 2007

If the acquisitions of Oslo Properties/Norgani Hotels had been carried out 1 January 2007, calculated pro forma group gross operating revenues and profit after minorities for 2007 would have been NOK 1 709.6 million and NOK 1 280.5 million respectively. The pro forma figures are calculated on the basis of actual full year figures for Norwegian Property and Norgani Hotels. Actual figures are adjusted for full year interest costs related to the acquisition financing, 82.5 per cent minority interests in Oslo Properties/Norgani Hotels, non-recurring costs related to the acquisition and the difference between internal and external fair value adjustments of investment properties in Norgani Hotels. Income tax is calculated based on 28 per cent.

Pro forma figures are meant to provide a basis for comparison based on the group's composition after the takeover of Oslo Properties/Norgani Hotels. Pro forma figures are encumbered with greater uncertainty than are the actual historical figures, and will not necessarily reflect the results that would have been realised if the takeover had actually been made at an earlier date.

NOTE 25 Contingencies

The group has no contingent liabilities in respect of guarantees or other matters arising in the ordinary course of business.

NOTE 26 Events after the balance sheet date

In February 2008, Norwegian Property ASA has entered into an agreement with Norsk Eiendom ASA (Neas) regarding management and operation of its Norwegian office portfolio. Under the agreement, Neas will assume responsibility for management and the day to day operations of the office properties from 1 April 2008. The agreement involves future ownership cost during the agreement period will be secured at a level of 10-12 per cent below the level at the time of the agreement, without a corresponding reduction in magnitude or quality of work. In addition the agreement allows for Neas to offer more and better services for the tenants. The purpose of the agreement for Norwegian Property is to industrialize the facilities management, by achieving economies of scale throughout the management chain and by enhancing the quality of the rental product. The agreement with Neas has duration of 6 years, with possibilities of further extensions.

Acquisitions and divestments of properties are in line with the group's strategy to actively develop the property portfolio. After the balance sheet date on 31 December 2007, Norwegian Property has entered into agreements to dispose of the following non-core properties:

- Østre Aker vei 20 and 22 at Økern in Oslo are divested for a total of NOK 155 million. The buyer is a consortium lead by Pareto Private Equity (considered to be a related party in Note 23). The sales price is above the property value as per 31 December 2007, and about NOK 30 million in positive cash flow will be released. The transaction will be completed on 1 April 2008.
- The 80 per cent share in Forskningsveien 2, Oslo is divested for a property value corresponding to NOK 668 million (100 per cent). The buyer is a consortium lead by Pareto Private Equity (considered to be a related party in Note 23). The property value, which is the basis for the sales price, is in line with the valuation as of 31 December 2007. The transaction will release above NOK 140 million in positive cash flow. In connection with the divestment, it is agreed that the existing external financing (borrowings/interests) related to the property will be transferred to the buyer. The transaction will be completed in April 2008.

See Note 15 for refinancing activities carried out after the balance sheet date.

Auditor's report


Deloitte.

Corporate governance

Good corporate governance is intended to contribute to strengthening external confidence in Norwegian Property, and to the largest possible value creation over time. The company's corporate governance principles are intended to ensure an appropriate division of roles between shareholders, the board of directors and the chief executive.

The board of Norwegian Property has drawn up the presentation of corporate governance in the company, which is based on the Norwegian code of practice for corporate governance dated 4 December 2007. The presentation relates to each section of the code.

1. Values base and ethical guidelines
The company's core values are value creation, expertise, innovation and integrity. Its ethical guidelines and other policy documents have been formulated in accordance with the values base.
Compliance with section 1 of the code: full.

2. Business
The company's business is the management, acquisition, sale and development of commercial property, including participation in other companies as well as businesses which are related to such.

The company's full articles of association are available in updated form on its website at www.norwegianproperty.no. Within the framework of its articles, the company has established clear goals and strategies for its business. These are presented on pages 7-9 in this annual report and on the company's website.
Compliance with section 2 of the code: full.

3. Equity and dividends
Group equity at 31 December 2007 totalled NOK 6 831 million, representing an equity ratio of 20.2 per cent. The board regards this as satisfactory in the light of current activities relating to the sale of certain assets and agreements with certain of the minority shareholders in Oslo Properties AS which provide the opportunity to convert their shareholdings in Oslo Properties to shares in Norwegian Property ASA. To optimise the long-term return, the board has a "loan to value" target of borrowing up to 75 per cent of the value of the company's properties. At times when major purchases are made, this debt ratio could be higher. The capital structure is kept under continuous review in light of the market development and the company's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector. The dividend policy is described in more detail in the chapter on shareholder information on page 78 of this annual report.

At 31 December 2007, the board held two mandates to increase the share capital through private placements, either as settlement for property acquisitions. The number of shares remaining under these mandates was 22 651 280. The mandates remain valid until 30 June 2008 or, for 9 851 280 shares, until the annual general meeting if this is held before 30 June 2008.

The board is also mandated to buy 9 851 280 of the company's own (treasury) shares at a price between NOK 10 and NOK 400. These mandates have not been utilised so far.
Compliance with section 3 of the code: full.

4. Equal treatment of shareholders and transactions with close associates
Norwegian Property has one share class with equal rights, and its articles contain no voting restrictions.

The board and the executive management are concerned to ensure equal treatment of all shareholders and that transactions with close associates take place on an arm's-length basis.

The general meeting has mandated the board to increase the share capital. Pursuant to these mandates, the board can resolve to waive the pre-emptive right of shareholders to subscribe to new shares. This is because the mandates are intended to be used for such purposes as the issue of shares as settlement for property transactions.

Note 23 to the group accounts details transactions with close associates, including management agreements with companies controlled by shareholders in Norwegian Property and agreements on leasing premises to companies controlled by shareholders in Norwegian Property.

A Wilhelmsen Capital AS (a company controlled by the Anders Wilhelmsen group) owns 6.5 per cent of the shares in Oslo Properties AS, which in turn owns all the shares in Norgani Hotels AS. Norwegian Property ASA owns or can acquire through put/call agreements the remaining 93.5 per cent of the shares in Oslo Properties. The Anders Wilhelmsen group is a shareholder in Norwegian Property, and represented on the boards of both Norwegian Property ASA and Oslo Properties AS.

The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest. The directors have also undertaken to ensure that they or their close associates do not involve themselves in projects relating to the purchase or sale of real property which could compete or come into conflict with the company's business without the approval of the board given at a board meeting.
Compliance with section 4 of the code: full.

5. Free negotiability

The articles of association impose no restrictions on the negotiability of Norwegian Property's shares, and the share is freely negotiable on the Oslo Stock Exchange.

Compliance with section 5 of the code: full.

6. General meeting

The company encourages its shareholders to attend the general meeting. Its goal is that notice of the general meeting, with background documentation including the recommendations with justifications from the nomination committee, will be made available to shareholders on the company's website no later than 21 days before the general meeting, and that corresponding documentation will be sent to shareholders with known addresses at least two weeks before the meeting is due to take place.

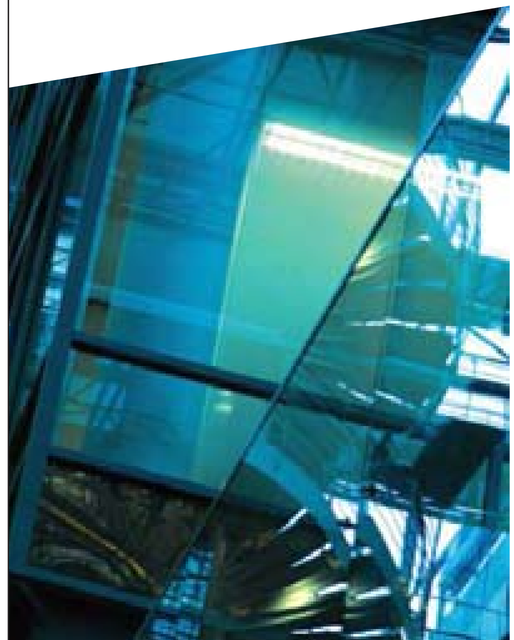
Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline, which will not expire earlier than five days before the meeting. Shareholders who cannot attend in person are encourage to appoint a proxy. Instructing how the proxy should vote on each item on the agenda will be facilitated. The board sets the agenda for the general meeting. Directors, members of the nomination committee and the auditor will attend the annual general meeting. The chief executive and chief financial officer will also be in attendance.

The minutes of the general meeting will be published as soon as possible via the stock exchange's reporting system (www.news-web.no, ticker code: NPRO) and on the company's website at www.npro.no under the investor relations tab.

7. Nomination committee

Pursuant to the company's articles of association, Norwegian Property has a nomination committee comprising two or three members. The latter are selected to take account of the interests of the shareholders in general as well as their independence of the board and the executive management. Members of the nomination committee and its chair are elected by the general meeting for two-year terms. Their remuneration is also determined by the general meeting.

The nomination committee will nominate directors and recommend their remuneration. Its recommendations with justifications will be made available via the company's website before the election. Members of the committee will attend the general meeting to present and justify their recommendations and answer questions.



Elected most recently by the annual general meeting in 2007, the nomination committee comprises:

- Tor Bergstrøm, deputy chief executive, Anders Wilhelmsen & Co AS
- Egil K Sundbye, managing director, Norwegian State Church Endowment Fund.

Relevant deadlines for submitting nominations to the committee are shown on the company's website.

Compliance with section 7 of the code: full.

8. Board of directors, composition and independence

Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has five shareholder-elected directors, of whom two are women.

Directors and the chair of the board are elected by the general meeting for two-year terms. The company does not have a corporate assembly.

The board's composition is intended to ensure a broad business and management background, while its members collectively have an in-depth understanding of the property market, merger and acquisition activities, financing and capital markets. The background and experience of directors is presented in a separate section of this annual report and on the company's website.

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. More than half the directors are independent of the company's executive management or significant commercial partners. Three of the five directors are considered to be independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares). The independent directors are Knut Brundtland, Hege Bømark and Anne Birgitte Fossum.

Director Jostein Devold represents shareholders controlling 15.3 per cent of the company's shares, while director Torstein Tvenge controls 7.6 per cent of the company's shares through family-owned companies (at 31 December 2007).

As mentioned above, directors who are shareholders or represent major shareholders are duty-bound to refrain from engaging in activities which could conflict with the company's interests.

Note 13 to the annual accounts reports on shares owned by directors at 31 December 2007. This information is also updated continuously on the company's website.

Compliance with section 8 of the code: full.

9. Work of the board

The board has overall responsibility for managing the group and for supervising the executive management 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 has been adopted by the board. The board has drawn up instructions for the chief executive. A clear division of labour has been established between the board and the executive management. 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 has not so far considered it desirable or necessary to appoint sub-committees for dealing with individual matters. The board has established an annual plan for its meetings, and evaluates its work and expertise once a year. The result of the evaluation is reported to the nomination committee.

Compliance with section 9 of the code: full.

10. Risk management and internal control

Overall goals and strategies are established and further developed through a continuous updating of Norwegian Property's strategy. On the basis of this strategy, the values base and the ethical guidelines, instructions have been established for the board as well as policies for the important areas. A matrix has also been prepared for delegation of responsibility to defined roles in the organisation.

Norwegian Property has established a set of internal procedures and systems to ensure unified and reliable financial reporting. The various departments/units in the organisation are required to evaluate their internal control systems in relation to financial reporting on an annual basis. In addition, regular audits are carried out on the way the company's systems and procedures are followed up. The board receives a monthly report on the company's financial results as well as a description of the status for its most important projects. Governing processes have been established in important areas on the basis of the overall policies. The board will annually review the company's most important risk areas and its internal control.

Compliance with section 10 of the code: full.

11. Remuneration of the board

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These recommendations are prepared in accordance with approved principles for remunerating the directors. These principles reflect the responsibility, expertise and time devoted to the business by the directors, as well as the complexity of the business. Directors' fees are not related to results. No options have been awarded to directors. No directors have undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments unless this has been resolved by the board and approved by the general meeting in each case.

Further details on the remuneration paid to individual directors are provided in note 17 to the annual accounts.

Compliance with section 11 of the code: full.

12. Remuneration of senior executives

The group's guidelines for the remuneration of senior executives are reported in note 17 to the group annual accounts. Note 17 also provides further details about remuneration in 2007 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

Compliance with section 12 of the code: full.

13. Information and communication

All reporting of financial and other information will be timely and accurate, and simultaneously 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 market announcements and investor presentations. All information of significance for valuing the company will be distributed via Hugin and the Oslo Stock Exchange's reporting system. Immediately after publication via the stock exchange, the information will also be made available on the company's website – where it is also possible to subscribe to announcements. The main purpose of such information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors. Norwegian Property's ambition is to have an open and proactive investor relations policy.

Important dates for the AGM, interim reports and the right to dividend are published on the company's website and in this annual report.

The instructions for the company's board provide more detailed guidelines on information and communication, including guidance on ensuring a good dialogue with shareholders between general meetings.

Compliance with section 13 of the code: full.

14. Takeovers

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 special weight to ensuring that the shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares. Without special reasons, the board will not seek to prevent or create difficulties for anyone making an offer for the company's business or shares.

During a takeover process, the behaviour of the board and the executive management could be significant for the extent to which the value of the business is reflected in a possible bid. In order to preserve its freedom of action to safeguard shareholder interests in such circumstances, the board does not wish to communicate the main principles for the company's response to a possible takeover bid, other than to specify that all legal requirements will be met.

Non-compliance with section 14 of the code: the board gives weight to safeguarding the interests of the shareholders in a takeover process, and will therefore not communicate its main principles for responding to a possible takeover process other than to specify that legal requirements will be met.

15. Auditor

The ambition of the board of Norwegian Property is that the auditor

- will present the main features of the audit work once a year
- attends board meetings considering the annual report when significant changes in accounting principles, assessment of significant accounting estimates and possible disagreements between auditor and executive management arise
- will conduct an annual review together with the board of the company's internal control systems
- holds an annual meeting with the board without the presence of the executive management
- confirms once a year in writing that the requirements for the auditor's independence are fulfilled, and provides an overview of services other than auditing which have been rendered to the company.

The use of the auditor for assignments other than ordinary auditing services must be considered and approved by the board.

Compliance with section 15 of the code: full.

Share and shareholder information

Norwegian Property's goal is to secure a competitive return for its shareholders, based on a sound financial position and good management of its assets. The company gives weight to an open information policy and an active dialogue with the investor market to ensure a broad shareholder base and a high level of liquidity for the share.

Share price development

The share price at 31 December 2007 was NOK 66.50, compared with NOK 65.00 a year earlier. Corrected for the dividend of NOK 2.50 per share paid in May 2007, this represents a return of just over six per cent. The Oslo Stock Exchange's benchmark index (OSEBX) rose by a little more than 11 per cent over the same period, after a very volatile performance during 2007.

The share attained its highest price at the beginning of June at NOK 91.00, while the lowest price was NOK 60.25 in November. A background of financial unrest and fears of weaker international growth made 2007 a challenging year for property shares both in Norway and internationally. Developments for the leading international property indices are shown in the table below. Norwegian Property's share price performed significantly better progress than comparable industry indices.

Dividend policy

Norwegian Property's ambition is to give its shareholders a high and stable return on their investment in the company through a combination of rising value and dividend.

The company wants its annual dividend to be competitive, predictable and higher than average for the property sector. The goal is that dividend will represent four-six per cent of paid-in equity and at least 50 per cent of the annual net profit (when account has been taken of income statement items without cash flow effect). For 2007, the board will propose to the company's AGM that a dividend of NOK 2.50 per share be paid. The AGM will take place on 20 May 2008, and dividend will be paid on 10 June to shareholders included in the share registry at 20 May.

Capital changes in 2007

The number of shares at 1 January 2007 was 105 481 570. A private placement of 6 968 641 shares was made in March 2007 with professional Norwegian and international investors at a price of NOK 71.75 (the shares were entitled to full dividend for 2006).

Shareholder structure

Norwegian Property had 925 registered shareholders at 31 December, up from 913 a year earlier. Of these, 195 were foreign citizens – an increase from 151 in 2006. The company's largest shareholders at 31 December are presented in a separate overview.

Investor relations

Norwegian Property has a goal of ensuring a broad shareholder base and high liquidity for the share. The company accordingly places great emphasis on making all price-relevant information available to the market at the right time, and the management works consciously to ensure an open and active dialogue with investors and other parts of the financial market. Important activities include:

- Publication of annual and quarterly results at public presentations, which are also broadcast in real time via webcasts with simultaneous translation to English.
- Investor meetings are staged in Norway and internationally in connection with the presentation of results and on the occasion of major transactions. Norwegian Property also participates in international property seminars. More that 200 investor meetings were held in 2007.
- Six stockbrokers had established analytical coverage of Norwegian Property at 31 December, with a further three in the process of establishing such cover. The executive management works systematically to secure increased analytical coverage.
- www.norwegianproperty.no is updated continuously with information relevant to investors.

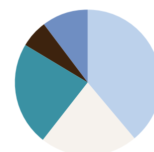
Share price developments

Index	Change in 2007
Norwegian Property (incl dividend)	+ 6.2%
Global Property Research 250, European Index	- 30.1%
Global Property Research 250, Global Index	- 12.4%
FTSE EPRA/NAREIT, Global Real Estate	- 16.1%
FTSE EPRA/NARETI, Europe Real Estate	-31.9%

Financial calendar 2008

Interim report, Q1	28 April 2008
AGM 2008	20 May 2008
Dividend payment	10 June 2008
Interim report, Q2	8 August 2008
Interim report, Q3	24 October 2008

Shareholders at 31 December 2007 by geographic distribution



Norway	39.9%	(43.9)%
UK	21.9%	(21.7)%
USA	22.9%	(17.5)%
Benelux	6.1%	(6.2)%
Other countries	10.2%	(10.7)%

20 largest shareholders at 31 Dec 2007

Largest shareholders	Country	No of shares	Percentage
A. Wilhelmsen Capital AS	NO	12 165 000	11.53%
JPMorgan Chase Bank (nom)	GB	10 300 884	9.77%
State Street Bank and Trust Co. (nom)	USA	8 368 729	7.93%
Fram Holding AS	NO	4 000 000	3.79%
Fram Realinvest AS	NO	4 000 000	3.79%
Bank of New York, Brussels Branch, Alpine Int.	BE	3 660 295	3.47%
Vital Forsikring ASA	NO	3 578 700	3.39%
Aweco Invest AS	NO	2 870 282	2.72%
Mellon Bank AS Agent for ABN Amro (nom)	USA	2 154 305	2.04%
Bank of New York, Brussels Branch, Alpine Int.	BE	2 126 600	2.02%
Fortis Global Custody Services (nom)	NL	2 055 739	1.95%
Spencer Trading Inc.	NO	2 000 000	1.90%
Mellon Bank as agent for clients (nom)	USA	1 772 141	1.68%
Opplysningsvesenets fond	NO	1 662 731	1.58%
BNP Paribas Securities Services (nom)	FR	1 601 000	1.52%
JPMorgan Chase Bank (nom)	GB	1 590 131	1.51%
Lani Development AS	NO	1 497 900	1.42%
Morgan Stanley & Co (nom)	GB	1 450 448	1.38%
Credit Suisse Securities	GB	1 383 415	1.31%
Bank of New York, Brussels Branch, clients account	BE	1 325 403	1.26%
Other shareholders		35 917 866	34.05%
Total number of shares at 31 Dec 07		**105 481 570**	**100.00%**

Key figures

Share	2007	2006[1]
Share price 31 Dec (closing)	**66.50**	65.00
Highest price, Oslo Stock Exchange	**91.00**	66.00
Lowest price, Oslo Stock Exchange	**60.25**	55.50
Earnings per share, NOK	**11.42**	5.16
Book equity per share	**63.20**	54.09
+ Deferred tax property value per share	**22.19**	3.65
- Goodwill per share	**(10.10)**	-
- Financial derivatives per share	**(4.45)**	(1.21)
Net value per share (EPRA standard)	**70.84**	56.53
Proposed dividend per share	**2.50**	2.50
Outstanding shares, average, 1 000	**103 798**	78 263
Outstanding shares at 31 Dec, 1 000	**105 481**	98 513
Stock market value at 31 Dec, NOK mill	**7 015**	6 403
Total transactions, Oslo Stock Exchange	**44 329**	3 288
Shares traded, Oslo Stock Exchange (1 000)	**122 939**	34 811
Value of shares traded, Oslo Stock Exchange (NOK mill)	**8 701.1**	2 034.2
No of registered shareholders at 31 Dec	**925**	913
- of whom foreign citizens	**195**	151

[1] *From 15 November to 31 December 2006.*

Investor contact

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Analytical information

Properties – key figures for the portfolio

Norwegian Property owned 58 properties, including one covered by a sales agreement, 73 hotels and one conference centre at 31 December. The table on the facing page presents the principal figures for the portfolio. Details of each portfolio are provided in the section on the relevant business area.

Properties – valuation

The company's properties are valued continuously at fair value as investment properties. At 31 December, all the properties had been valued by external valuers.

DTZ Realkapital has valued the company's properties (both hotels and commercial buildings) in Norway, Sweden and Denmark. The fair value of the investment properties is determined by discounting cash flows related to existing leases and expectations for market rents after the expiry of the leases. The risk-adjusted required return is used as the discount factor. The value of the properties is adjusted for expected on-going costs, maintenance requirements and upgrading required on the expiry of the leases. Assessments are also made about the length of the vacant period at the expiry of the lease.

Maakanta has valued the group's Finnish portfolio of hotel properties. These valuations are based on discounting of cash flows for the holdings.

Commercial properties – valuation

The total value of the commercial property portfolio was NOK 20 730 million at 31 December. The portfolio is broken down by geographical area in the table below.

DTZ Realkapital has simulated how changes in various factors would affect the valuation of the commercial properties. Values are most sensitive to changes in market rents and the discount rate, primarily because of the long leases.

Hotel properties – valuation

The valuation of the company's hotel properties broken down by country is presented in the bottom table on the facing page.

Financial strategy

Norwegian Property operates in a capital-intensive sector, where the choice of financial strategy is very important. A key element in the group's financial strategy is to maximise the long-term return on equity. At the same time, it is important for the group to have a capital adequacy which provides the basis for long-term stability and a financial foundation for operational freedom of action in the purchase and sale of properties.

Financial risk

Norwegian Property's financial risks relate primarily to changes in equity caused by alterations in the value of the property portfolio, the effect of interest rate changes on profits, and the liquidity risk associated with refinancing the company's debt.

Interest rate risk

The group's interest rate regulation profile is tailored continuously through the use of financial derivatives to prevailing interest rate expectations and the company's fixed interest rates. Group policy is to hedge at least 70 per cent of its interest rate exposure in the commercial property portfolio. The requirement for the hotel portfolio (Norgani Hotels) is that at least 50 per cent of the company's interest rate exposure will be hedged.

A summary of the company's interest rate hedging profile is provided in the table on the facing page.

Norwegian Property also has a possible and likely obligation to buy out minority shareholders in Oslo Properties. The discounted value of this liability was NOK 1 596 million at 31 December.

The high hedging ratio means that the group's financial expenses are only affected to a limited extent by changes in short-term money market interest rates. A rise of one per cent in the three-month Nibor would boost financial expenses by NOK 69 million, corresponding to an 0.3 percentage point increase in the group's average interest rate to 5.7 per cent.

Group debt with short-term fixed interest rates normally has a fixed interest period of three months, so that interest rate changes would not have immediate effect.

Commercial properties – valuations

Commercial properties	No of sq.m	Valuation NOK mill	Valuation per sq.m	Gross rents NOK mill	Gross rents per sq.m	Akershus eiendom Market rent per sq.m[1]
Oslo – CBD	172 383	7 662	44 448	381.5	2 213	2 300 – 4 500
Oslo – Skøyen	117 424	3 689	31 416	202.7	1 726	2 300 – 3 100
Oslo – West / Lysaker / Fornebu	158 218	4 065	25 692	227.6	1 439	1 700 – 2 500
Oslo – Nydalen	110 832	2 215	19 985	130.9	1 181	1 700 – 2 200
Oslo – North/East	51 378	752	14 637	62.3	1 212	1 200 – 1 800
Stavanger[2]	126 156	2 347	18 604	144.2	1 143	1 200 – 2 200
Total value[3]	**736 391**	**20 730**	**28 151**	**1 149.1**	**1 560**	

[1] Akershus Eiendom, estimated market rent, office normal and high standard.
[2] Vågen Eiendom, based on market report of November 2007.
[3] Without Mauritz Kartevoldsplass 1. Transaction closed in February 2008.

Currency risk

Through Norgani Hotels, Norwegian Property has a net equity exposure in foreign currencies related to foreign subsidiaries. The overall guideline is that 70 per cent of this exposure will be hedged at any given time through loans in the relevant currencies or derivatives. The hedging ratio must not deviate at any time by more than 20 per cent from this basis. At 31 December, just under 70 per cent of the exposure was hedged. A one per cent change in exchange rates against the Norwegian krone would alter the group's equity by about NOK 24 million.

Financing sources

Norwegian Property worked on its financing structure during 2007. Its financing was initially based on a syndicated credit facility provided by the company's four principal banks. One syndicated facility on the office side and two on the hotel side still represent a large proportion of the company's total borrowing. To ensure competitive terms and optimum loan financing, the company implemented several financial restructurings during 2007. These include using the Norwegian bond market for a portfolio of four properties. In addition, the company has refinanced individual properties or small portfolios in other financial institutions. This work is being pursued continuously in order to achieve constant improvements and optimisations in the company's financing structure.

Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. It has initially set a debt ratio of 75 per cent of the fair value of the properties, but this proportion is continuously reviewed in the light of market developments, portfolio development and level of interest rates. The debt ratio (interest-bearing debt in relation to company assets) was 74.8 per cent at 31 December. If the group's potential obligation to buy out minorities in Oslo Properties is included, the ratio was 79.9 per cent. The group is pursuing various activities to reduce the debt ratio to the long-term target, including the sale of certain assets.

Group liquidity totalled NOK 636 million at 31 December. In addition came NOK 290 million in available credits. The company's available liquidity should be sufficient to cover on-going operational requirements, but securing a liquidity position which provides the financial freedom of action to exploit interesting investment opportunities is also a company ambition.

Properties – key figures for the portfolio

	Hotel properties	Commercial properties	Total
No of properties	**74**	**57**	**131**
Market value in NOK mill	**10 700**	**20 730**	**31 430**
Gross rents 2008[1] in NOK mill	**819**	**1 149**	**1 968**
Net rents 2008[2] in NOK mill	**737**	**1 073**	**1 810**
Rental income by country			
Norway	23%	100%	68%
Sweden	45%		19%
Denmark	4%		2%
Finland	28%		12%
Key figures			
Total area in square metres	671 080	736 391	1 407 471
Market value per square metre, NOK	15 944	28 151	22 331
Average duration, leases, years	11.0	6.5	8.4
Gross yield, 2008, e	7.7%	5.5%	6.3%
Net yield, 2008, e	6.9%	5.2%	5.8%
Net yield, 2008, e, based on market rents	6.9%	6.0%	6.3%

[1] Estimated 2008 gross rent based for commercial properties on the run rate at 1 January, for the hotel portfolio on 2007 adjusted for five per cent RevPAR growth.
[2] Net rents = estimated 2008 gross rents adjusted for property costs (6.6 per cent for commercial properties and 10 per cent for hotels)
[3] DTZ has estimated that the market rent for commercial properties is 16.2 per cent higher than today's level of rents.

Sensitivity analysis for the commercial property portfolio

Commercial property sensitivities		Value change NOK mill	Value change%
Inflation 2008	+1 %-point to 3.7%	152	0.7%
Market rent	5%	830	4.0%
Market yield	+ 0.25 %-point	(443)	(2.1%)
Discount rate	+ 0.25 %-point	(883)	(4.2%)

Hotel properties – valuations

	No of properties	Rooms	Sq.m	Value NOK mill Total	Value NOK mill Per room	Net yield[1]
Norway	14	2 403	140 320	2 660	1 107	6.5
Sweden	41	6 889	321 763	4 678	679	7.2
Denmark	3	434	15 405	454	1 047	6.4
Finland	16	3 078	193 592	2 908	945	6.9
Total	**74**	**12 804**	**671 080**	**10 700**	**836**	**6.9**

[1] Based on 2008 estimates for rental income with 10 per cent property costs.

Equity exposure – currency – Norgani Hotels

	SEK	EUR	DKK
Net exposure, local currency in millions	1 711	101	170
Hedging ratio, per cent	67%		60%
Exchange rate	0.8457	7.97	1.0682
Change in equity with 1% change in exchange rate, NOK mill	14	8	2

Interest-rate risk

(Amounts in NOK mill)	31.12.2007
Total interest-bearing debt	23 267
- of which hedged	16 340
Hedging ratio	70%
Average term, interest hedges	5.1
Average term, loans	4.6
Average interest rate	5.40%
Average loan margin	0.76%

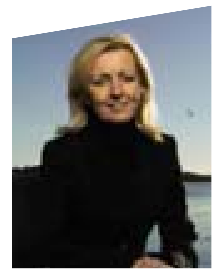
Presentation of the board

Knut Brundtland
Chair

Brundtland (born 1961) has a law degree and was previously a partner with the BAHR law firm, with corporate finance as his speciality. He has worked as a professional company director since January 2005, and became chair of the Norwegian Property board in April 2006. He is chair of Bluewater Insurance ASA, A-Pressen AS, Contopronto AS, Youngstorvet Eiendom AS, Creditsafe Business Information, Contexvision AB, VANN ASA, VOSS of Norway AS, Try AS and Futuris Asset Management AB, and a director of Bergesen World Wide Gas ASA, Revus ASA, LeasePlan Norway AS, Astrup Fearnley Museum of Modern Art and the Office for Contemporary Art Norway (OCA). In addition, he chairs the investment committee in the Norwegian Labour Party
Shares in NPRO: 200 000.

Jostein Devold
Deputy Chair

Devold (born 1960) is vice president investment at Aweco Invest AS, an investment company affiliated with the Anders Wilhelmsen group. He was previously investment vice president for Rasmussengruppen AS, with corporate finance at Saga Securities AS and with the Ministry of Finance. With an MSc in business economics from the Norwegian School of Economics and Business Administration, Devold has been a director of Norwegian Property since April 2006. He is a director of Expert ASA, Leif Hübert Stål AS and NOAH AS, and a member of the corporate assembly of Telenor ASA. Devold was previously a director of the Avantor ASA and Industrifinans Næringseiendom ASA property companies.
Shares in NPRO: 0



Torstein I Tvenge
Director

Tvenge (born 1952) is president of Fram Management. He has developed a large number of property projects over the past 30 years, and ranks today as one of Norway's largest property investors. He has more than 30 years of experience from the advertising and media sector, as well additional experience from IT, wine importing, fish farming and tourism. He holds a degree in marketing from the Norwegian School of Management. Tvenge has been a director of Norwegian Property since April 2006. He is also a director of Avishuset Dagbladet, Solera AS and a number of privately-owned companies.
Shares in NPRO: 8 000 000 (family-controlled companies).

Hege Bømark
Director

Bømark (born 1963) has been a financial analyst at Orkla Finans (Fondsmegling) AS and Fearnley Finans (Fondsmegling) AS, with property as one of her specialities. She has also been involved in a number of company creations, listings and restructurings in the property sector. As a project manager at AS Eiendomsutvikling, Bømark was involved in the syndication of property projects and organising the market for share trading. She has an MSc in business economics from the Norwegian School of Economics and Business Administration. Bømark has been a director of Norwegian Property since November 2006. She is deputy chair of Block Watne Gruppen and a director of Norgani Hotels AS and Oslo Aquapark AS. Shares in NPRO: 0.

Anne Birgitte Fossum
Director

Fossum (born 1960) has an MSc in business economics from St Gallen in Switzerland and international experience in finance, exports and consumer goods. Since 1994, she has held various directorships in the Foinco group. Fossum has experience with commercial property through directorships in Heidenreich Eiendom AS and Heidenreich Holding since 1999. She has been chair since 2000 of the Foinco AS private equity company, which pursues investment in the small and medium-sized enterprise (SME) sector. Fossum is a director of Bluewater Insurance ASA, and also has directorships in other investment, commodity manufacturing and technology companies.
Shares in NPRO: 6 500.

Presentation of the management

Petter Jansen
President and CEO

Jansen was president of SAS Braathens until June 2006, and previously executive vice president for personal customers at DnB and a vice president at Postbanken from 1996 to 2004. He was also head of Oslo's former Fornebu airport in 1993-96, and has held a number of leading position in the Norwegian defence forces. Jansen's education includes the War College and the Army Staff College. He studied at the Defence College in Sweden, in parallel with studies at Östersund School of Economics in 1986-88. He also took the senior executive programme at the London Business School in 2003.
Shares owned in NPRO:
75 000 (including close associates and forwards).

Svein Hov Skjelle
Vice president and chief financial officer

Skjelle was managing director of TeleComputing Norge in 2004-06, and served as CFO of the TeleComputing group for just over two years from May 2003. He was acting chief executive for a period. In 1998-2003, Skjelle was financial manager and later vice president finance in Merkantildata (now Ementor). His professional experience also includes six years in Veidekke to 1997, ending as finance manager. He took an MSc in business economics at the Norwegian School of Economics and Business Administration in 1990. In 1998, he qualified as an authorised financial analyst (AFA) from the same school.
Shares owned in NPRO:
5 000.

Aili Klami
Vice president sales and marketing

Klami was vice president sales for the Avantor property company from 2002-06, and has substantial experience from the property sector. Earlier posts with the same company included marketing manager and head of the administration department. She was at Avantor for 10 years, and before that with former property company Nydalens Compagnie. In addition to her extensive experience of the property business, Klami studied at the Norwegian School of Management and has taken a number of courses on property administration, management and sales.
Shares owned in NPRO: 0.

Dag Fladby
Vice president and chief investment officer

Fladby was previously senior vice president at Altia Corporation Oy, where he was responsible from August 2005 for the group's business development. Before that, he was one of the key people involved in building up Scandinavian Beverage Group (SBG). Fladby joined the company in 1995 and was its chief executive when it was sold to Altia Corporation at the end of 2004 after a successful period of growth. He received an MSc in business and marketing from the Norwegian School of Management in Oslo in 1993.
Shares owned in NPRO:
4 000.

NORWEGIAN PROPERTY

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Appendix 4: Annual report for 2006 with auditors statement

Norwegian Property ASA is a new company which invests in large, centrally-located commercial properties in Norway's biggest cities.
The company has invested NOK 17.2 billion in 55 properties in Oslo, Stavanger and Bergen. These high-quality holdings occupy very attractive locations, and their tenants include a number of the country's most reputable and financially-sound enterprises.

Contents

Highlights of 2006

Creation and share issues

- Norwegian Property was founded in May with the long-term ambition of becoming the largest and most liquid investment option for commercial property in Norway.
- NOK 1.75 billion in equity was raised on 12 May through a share issue at a price of NOK 50 per share. The issue was oversubscribed 5.3 times.
- A further NOK 300 million was raised in July at an issue price of NOK 50 per share. Private placements have also been implemented in connection with the acquisition of properties.

Build-up of the property portfolio

- A total of NOK 17.2 billion was invested in a total of 55 properties between May 2006 and January 2007.
- The total area is about 723 000 square metres, with an annual rental income of roughly NOK 1.1 billion.
- Virtually the entire portfolio is covered by leases, with an average remaining term of about 7.3 years.

Build-up of the organisation

- Petter Jansen joined the company as president and CEO on 28 August 2006.
- The remainder of the management team was recruited and joined during the autumn.
- A number of appointments were made during 2006, and the organisation is expected to reach its planned size during the first half of 2007.

Share issue and stock market listing

- Plans for an initial public offering and an application for a stock market listing were announced on 27 October.
- Totalling NOK 1.2 billion, the IPO was implemented at a price of NOK 53.50 per share and oversubscribed six times.
- The share was listed on the Oslo Stock Exchange on 15 November with the ticker code NPRO. Trading in the share has been good, and the price has developed positively since the listing.
- Soon after the listing, Norwegian Property was also included in the international property indices from FTSE EPRA/NAREIT Global Real Estate Index Series.

Refinancing and reduced interest margin

- Agreement was reached in December on a seven-year credit facility of NOK 964 million for refinancing four properties in Oslo. The interest margin on the loan was reduced from 80 to 40 basis points.
- Amendments to the company's syndicated loan agreement were also negotiated in early 2007, and the loan commitment was increased by NOK 5 billion. The average margin on the group's total borrowings is expected to be reduced in March from the 80 basis points in November 2006 to 60 basis points.

Key figures 2006

(9 June-31 December)

		2006
Profit and loss*		
Gross rental income	NOK million	414.8
Operating profit	NOK million	745.0
Operating margin	Per cent	179.6
Profit before tax	NOK million	539.5
Annualised return on paid-in capital	Per cent	25.2
Dividend (NOK per share) proposed to AGM in May	NOK per share	2.50
Balance sheet*		
Property portfolio, book value	NOK million	13 920
Total assets	NOK million	16 888
Interest-bearing debt	NOK million	10 978
Equity	NOK million	5 373
Equity ratio	Per cent	31.8
Book equity per share	NOK per share	54.09
Portfolio**		
Number of properties		55
Total area	Sq.m	722 542
Average remaining lease term	Years	7.3
Vacant	Per cent	0.8
Average net yield	Per cent	5.6
Property portfolio, market value	NOK million	18 056
Property portfolio, market value	NOK per sq.m	24 991
Property portfolio, cost price	NOK per sq.m	23 800

** Reported figures where the properties are included from their date of acquisition. Aker Hus is recognised as a development property.*
*** Includes 13 properties in Nydalen and at Økern (the IFN portfolio) taken over 1 January 2007.*

Financial calendar 2007

4 May	Annual general meeting 2006
4 May	Interim report for first quarter of 2007
31 May	Dividend paid
10 August	Interim report for second quarter of 2007
26 October	Interim report for third quarter of 2007

Established in May 2006, Norwegian Property has quickly built itself up into a leading player in Norway's property market. It secured a listing on the Oslo Stock Exchange in November.

Norwegian Property in brief

Norwegian Property ranked at the beginning of 2007 as a solid and expansive company with a portfolio totalling 55 attractive commercial properties with a market value of NOK 18.1 billion. On a full-year basis, this portfolio will yield a gross rental income of roughly NOK 1 064 million. During 2006, when the company was in a start-up phase, rental income totalled NOK 415 million.

The organisation is in the process of being established, and the company had seven employees at 31 December. When fully staffed, Norwegian Property is expected to have 15-20 employees. The company is located in Oslo.

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Demand from the rental market for this type of property is high, while the supply of vacant premises and new buildings is restricted. Rents are accordingly expected to continue rising over the next few years. Norwegian Property is well positioned to benefit from a future positive trend in the property market, and has ambitions for future growth.

Meeting the demand for a liquid, listed investment option in the commercial property sector, the company aims to give its shareholders an attractive return. A well-diversified quality portfolio of large commercial properties, combined with an attractive and predictable relationship between risk and return, will contribute to value creation. Norwegian Property aims to take a leading role in the restructuring and consolidation of the market.

The 55 properties in today's portfolio represent a total area of 723 000 square metres. Virtually the entire portfolio is leased, with an average remaining term of roughly 7.3 years.

Object and strategies

The overall long-term object is to be the largest and most liquid investment option for Norwegian commercial property.

Investment strategy

- The principal strategy is to invest in attractive and centrally located properties with a value of more than NOK 200 million each and an attractive entry yield.
- Between 85 and 90 per cent of the properties will lie in Oslo, Stavanger, Bergen or Trondheim.
- The emphasis is on securing long-term leases, adjusted in accordance with the consumer price index.
- Tenants will normally be large listed companies and public bodies, in order to reduce risk associated with leases.

“ Aims to take a leading role in the restructuring and consolidation of the market ”

“ A solid and expansive company ”

Strategy for financing and return

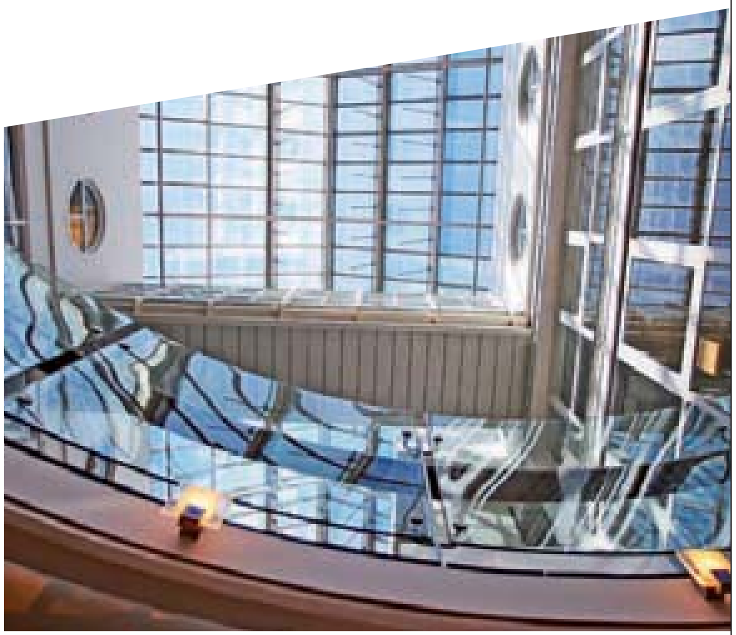
- The company's earnings, cash flow and required return will be highly predictable.
- The objective is a return of 13-15 per cent on paid-in equity and an annual dividend of four-six per cent of paid-in equity.
- The company's target equity ratio will be about 25 per cent.
- The company will be financed on competitive terms.
- More than 70 per cent of long-term debt will be hedged at fixed interest rates.

Shareholder strategy

- Open communication combined with clear goals and strategies will help to ensure confidence in the investor market.
- A broad shareholder base comprising Norwegian and international investors will contribute to a high level of liquidity for the share.

Market

The Norwegian market for commercial property reflects the strength of the national economy. Demand for quality properties in central locations is high.



At the same time, the supply of vacant premises and new building is limited. This has raised the level of rents, and a further increase is expected in the next few years.

Property portfolio

Norwegian Property has chosen to focus on commercial properties in the office and retail sectors, with central locations in the largest cities. At 31 December, the portfolio comprised 43 properties in Oslo, 11 in Stavanger and one in Bergen. All were acquired in 2006. The company's ambition is to continue growing, and new investments will be constantly assessed.

More information about each property can be found in a separate section in this annual report, and on the company's website at www.npro.no.

Tenants

Norwegian Property has a number of large and financially sound tenants engaged in both private and public activities. The 25 largest tenants account for about 65 per cent of the rental income. The company had a total of 400 tenants at 31 December 2006.

The creation of Norwegian Property was backed by circles with substantial experience from commercial property and finance. They challenged and inspired each other in a process which sought to think along new and different lines. That led them to a strategy encompassing both size and quality as well as a conscious attitude to the required rate of return. This process and this strategy formed the basis for our creation in May 2006. We were listed on the Oslo Stock Exchange before the end of the year, and rank now as a financially sound and expansive property company.

A solid platform

for healthy long-term value creation

A number of major projects and many important decisions characterised 2006. In addition to getting started and acquiring properties, we worked on our financing. A series of share issues were implemented, some of them substantially over-subscribed, and we have come a long way in the job of refinancing our debt on more favourable terms. The stock market listing was an extremely important project, and we are gratified by the good reception our company has received – not least from reputable international investor circles.

Naturally, building up our own organisation has also been a priority. Most key positions have now been filled. We have given great emphasis to developing a broadly-based team in terms of experience and expertise. By drawing on well-regarded property companies as well as trendsetting players from other sectors, we want to develop an organisation which can help establish a new standard for the property sector. Our recruitment has given weight to such considerations as the ability to create value, to execute and to think innovatively, as well as an understanding of the market.

“We have got off to a good start, and possess a solid platform for healthy long-term development”

At 1 January 2007, we possessed a total of 55 commercial properties acquired for NOK 17.2 billion. This means that we have become one of Norway's largest property companies. Our portfolio comprises quality properties with attractive locations in large Norwegian cities.

We have got off to a good start, and possess a solid platform for healthy long-term development. Having exploited an opportunity offered by the market, we are clear about what we will offer investors who want a position in commercial property. We give them access to a first-class portfolio in a company offering a liquid property share, which opens opportunities for more investors to put money into property.

Investors know what they get with Norwegian Property. We have a focused strategy, as documented by the types of properties we have become involved with. We offer a major player with optimum capitalisation, as shown by a debt ratio of about 75 per cent. More than 80 per cent of our loans are covered by interest rate hedges with average maturities of more than five years. That contributes to predictability and reduces risk in relation to the interest rate increases which often follow in the wake of boom times. We have financially sound tenants and an average remaining term of about seven years on our leases. All this helps us to be precise about our required rate of return, and thereby about what we can offer investors.

Attractive properties often have tenants who set stringent standards for quality, efficiency and flexibility. Thanks to our size, and through our partners, we in Norwegian Property will be able to offer a competent management organisation with a high level of service. We will secure a position which means we attract able people, and we will have sufficient weight in our portfolio to be attractive to competent sub-contractors. This contributes to our ability to deliver quality to our tenants.

A large portfolio spread over several big cities also enhances our flexibility by allowing us to offer solutions adapted to the changing requirements of our tenants.

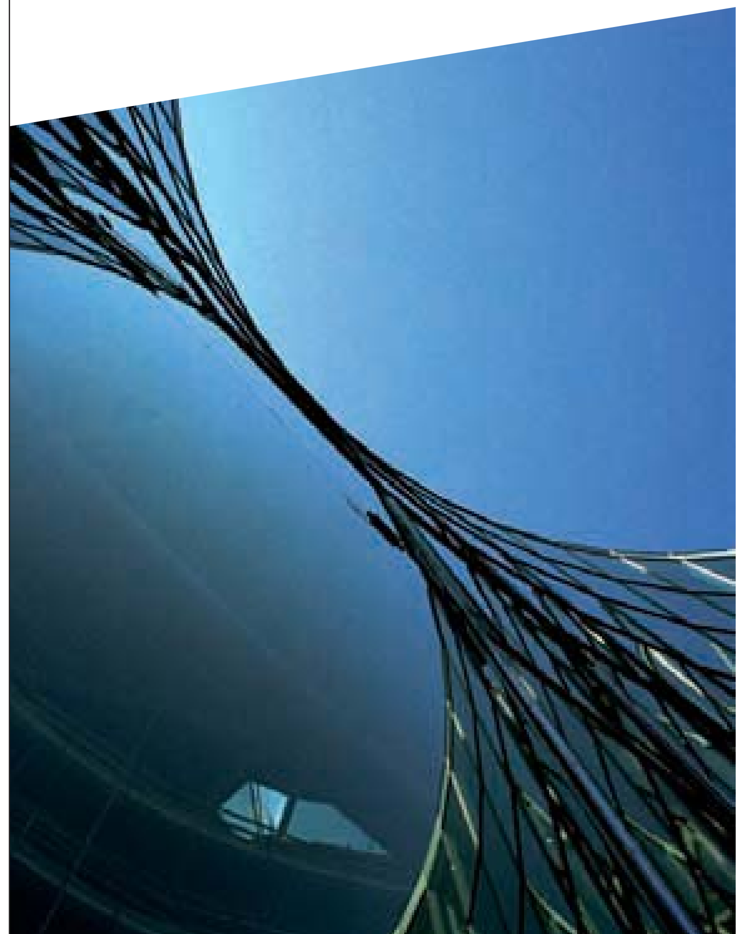
We are also concerned to ensure that, as a large owner of commercial property, we can exploit synergies and economies of scale. This will cut our own costs to the benefit of our owners. Tenants will also benefit from our efficient operation, and we will assess various measures here which can strengthen relations and competitiveness.

The development of the Norwegian property market reflects trends in the national economy. We are experiencing a period of growth and good prospects. Demand for commercial property has been growing, and this trend is expected to continue. Attractive premises centrally located in the big cities are in particular demand, and this segment is our priority. Rents rose here by 15 per cent in the second half of 2006, and a further 25 per cent increase is expected over the next two years. We will benefit substantially from this in terms both of future earnings and of the development in the value of our properties.

We have quickly established a solid platform for further growth, and have ambitions to develop our company into the largest and most reputable player in Norwegian commercial property.

Petter Jansen
President and CEO

“We have ambitions to develop our company into the largest and most reputable player in Norwegian commercial property”



Norwegian Property was founded in May 2006 in order to give private and institutional investors access to a large, liquid, profitable and well-diversified investment option with a good exposure to the market for centrally located commercial property. Our long-term goal is to become the largest and most liquid investment option in Norway's commercial property sector.

Directors' report 2006

2006 – a start-up year

Norwegian Property took over its first properties in June 2006. Up to December, it acquired or signed purchase contracts for 55 attractive properties in Oslo, Stavanger and Bergen with a total area of 723 000 square metres and a total acquisition cost of NOK 17.2 billion. These purchases have made Norwegian Property one of Norway's largest owners of commercial property.

During the same period, the company built up its organisation and was operational by 31 December with a full-time administration supported by certain key resources employed on a contract basis.

The company has worked actively since its creation to cultivate Norwegian and international investor circles to secure interest in its share. A series of share issues have been implemented, several of them substantially over-subscribed. Since the stock market listing in November, the liquidity of the company's share has been good.

Group accounts

The group accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Since the company was founded in May 2006, no comparative figures are available for 2005.

Profit and loss account 2006

The group profit and loss account for 2006 embraces the management of 41 properties from their respective acquisition dates, as well as the Aker Hus development property. Gross rental income from the company's creation totalled NOK 414.8 million. Common costs which have been charged on to tenants are recognised net.

Maintenance and property-related costs totalled NOK 20.2 million. This reflects the fact that tenants in many of the group's buildings cover the bulk of property-related costs under barehouse contracts, and that the portfolio includes a large proportion of single-user buildings. Other operating costs totalled NOK 42.8 million and includes substantial spending related to the establishment of the company and its stock market listing. Operating profit before fair value adjustments was thereby NOK 351.7 million.

The positive change in the valuation of the company's property portfolio totalled NOK 393.2 million. This increase reflects a rise in higher market rents, but was negatively affected by rising interest rates and consequent changes in the discount rate. See the section below on the property portfolio. Group operating profit came to NOK 745 million.

Financial income, which consists largely of interest income, totalled NOK 13.5 million. Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 295.8 million. The company has secured financial instruments to manage interest rate and foreign exchange risk. Some of these instruments do not qualify for hedge accounting under IAS 39. The change in market value for these instruments had a positive effect of NOK 76.7 million on profits. Profit before tax and minority interests was thereby NOK 539.5 million.

NOK 148.6 million is recognised in the accounts for tax expense, which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of profit is NOK 1.3 million. As a result, profit after tax and minorities is NOK 389.6 million. That corresponds to earnings per share of NOK 5.14.

Financial position and capital structure

Cash in hand at 31 December amounted to NOK 1 252 million. Total equity was NOK 5 373 million, corresponding to an equity ratio of 31.8 per cent. After deduction of minority interests, book equity per share came to NOK 54.09.

Interest-bearing debt at 31 December totalled NOK 10 978 million, of which NOK 9 136 million was drawn under credit facilities provided by a syndicate of the company's four main banks. The remaining debt related to individual properties or restricted property portfolios. At 31 December, the average interest rate on the company's loans was 5.16 per cent and the average loan margin was 0.76 per cent. The average remaining term to maturity for the loans was seven years.

Norwegian Property's policy is to hedge a minimum of 70 per cent of its loans. At 31 December, the company had concluded interest rate hedging contracts totalling NOK 9 936 million. This corresponded to a hedging ratio of 91 per cent. The average remaining term of the interest rate hedges was 6.2 years. NOK 5 750 million of the hedging qualifies for hedge accounting under IAS 39.

A refinancing of the group's loans is under way at Norwegian Property in order to secure more competitive borrowing terms. The first phase of this refinancing was implemented during December with a loan of NOK 964 million from Nykredit. In January, the group's credit facility with its main banks was renegotiated and the interest margin reduced. The parties were simultaneously pursuing a joint process to raise a bond loan in March 2007 and securitise parts of the company's debt during the first half of 2007. A NOK 4.7 billion increase in borrowing limits will be available for further acquisitions up to 30 June 2007. Norwegian Property's ambition is to have overall financing costs which are competitive in the market and average margins which are significantly lower than at 31 December 2006. Another ambition is to reduce the annual repayments from today's 1.7 per cent of the loan principal per annum.

Going concern assumption

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2006 have been prepared on that basis.

Coverage of net loss in the parent company

The parent company, Norwegian Property ASA, showed a net loss of NOK 86.3 million for 2006. The board proposes that this be covered by a transfer from other equity. At the annual general meeting in May, the board will propose a dividend of NOK 2.50 per share, corresponding to a total payout of NOK 246.3 million. It is proposed to transfer this amount from other equity. Unrestricted equity at 31 December was NOK 1 082.2 million after the proposed dividend is taken into account.

Properties

Norwegian Property owned 42 properties at 31 December. During January 2007, the company completed the acquisition of a further 11 properties in Nydalen and two at Økern (the IFN portfolio). The combined purchase price for these 13 properties was NOK 2 189 million, which was financed by drawing down NOK 1 650 million in loans and by available liquid assets.

The company's properties are located in central districts of Oslo (87 per cent of the portfolio's value) and Stavanger (11 per cent), plus one in Bergen. They consist primarily of office buildings (78 per cent of gross rental income), as well as warehousing, retail premises and car parking associated with the offices. The company owns a shopping centre at Aker Brygge with retail outlets and restaurants.

Annual gross rental income for the company's properties totalled NOK 923 million at 31 December. Acquiring the IFN portfolio has raised this figure to NOK 1 064 million. The average remaining term of leases in the portfolio is 7.3 years.

Norwegian Property has a portfolio of tenants which comprises financially sound and attractive organisations and companies. The 25 largest tenants accounted for 64 per cent of rental income at 31 December 2006.

Valuation of properties

DTZ Realkapital performed an external and independent valuation of the company's properties at 1 January 2007. Its valuation model is 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 and upgrading costs and of vacancy at the expiry of existing leases are made on a property-by-property basis. DTZ Realkapital concluded that a substantial upgrading of the portfolio's overall value was required at 1 January 2007 compared with its total acquisition cost.

The board and executive management have carried out independent assessments of the parameters which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has applied DTZ Realkapital's valuation in the annual accounts. These valuations have accordingly been applied in the accounts, yielding an upward adjustment of NOK 393.2 million in the value of the company's investment properties at 31 December 2006. The total value of the company's investment properties at that date was thereby NOK 13 920 million. In accordance with IAS 36, the carrying amount related to the Aker Hus development property has also been tested. The conclusion is that the carrying amount of this property remains unchanged at NOK 1 151 million.

Risk management in Norwegian Property

Risk management is intended to ensure that risks of significance for Norwegian Property's goals are clarified, analysed and handled as efficiently as possible in a systematic and cost-effective way. Risk cannot be eliminated, but risk management is necessary to ensure value creation for shareholders, employees and society. Growth opportunities are continuously assessed in relation to the associated risk picture.

Financial risks

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

Norwegian Property has invested in high-quality properties with good locations, financially sound tenants and an average remaining lease term of 7.3 years.

Interest rate hedging is utilised to dampen the effects of interest rate changes on profits and liquidity. At 31 December, 91 per cent of the group's interest-bearing debt was covered by interest rate hedges with an average term of 6.2 years. The effect of possible changes in short-term term market interest rates will accordingly be limited.

The average remaining term of the company's debt is seven years. Repayments over the next 12 months amount to NOK 100.8 million. At 31 December, the group had a total liquidity of NOK 1 252 million. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt over the coming 12 months, continuous short-term fluctuations in working capital requirements and planned property acquisitions.

Norwegian Property's tenants normally pay rent quarterly in advance. In addition, most leases require security for rent payments in the form of a deposit account or bank guarantee. The risk of direct losses from defaults or payment problems is accordingly limited, and relates primarily to the risk of re-letting premises.

Market conditions

The Norwegian economy is enjoying boom conditions. Oil prices are high, and unemployment low and falling. Companies and organisations take a positive view of the future and are positioning themselves for further growth. Demand for office space in Oslo in 2006 was about 300 000 square metres, which is substantially higher than the long-term "normal" level.

Adjusted for obsolete commercial property converted to housing or taken out of the market, the overall supply of space was about 100 000 square metres.

Vacant property in Oslo accordingly fell from around eight per cent in 2005 to just over six per cent. In parts of the city, such as Vika and Aker Brygge (central business district – CBD), no vacant property is in practice available (less than 2.5 per cent).

The consequence of declining availability is a rising level of rents. Tenants still differentiate in terms of standard and location. The top rent paid for high quality in the CBD has risen from NOK 2 350 per square metre at 1 January 2006, via NOK 2 700 in September, to NOK 3 500 in January 2007. Based on estimates by various players, the level of rents in central districts rose by about 20-25 per cent for the year as a whole. The growth in the second half was 15 per cent.

An imbalance between supply and demand is expected to persist for a couple of years to come, and will thereby help to maintain rents at an increased level.

Vacant property is in very short supply in Stavanger, and on a par with the CBD in Oslo. As a result, the level of rents is experiencing strong upward pressure.

Employees and organisation

The company had seven employees at 31 December, who had all been recruited during the second half of 2006. Recruitment of additional key personnel is under way and the group will have 15-20 personnel when fully staffed. During the start-up phase, the company utilised administrative resources from PricewaterhouseCoopers and technical support from Opak. In most cases, daily operational management of a property has remained with the managers who were responsible for it before the property was acquired by Norwegian Property. A tendering process will be implemented in 2007 to ensure that outsourced management is being pursued in an optimum manner. The expectation is that the number of managers will be reduced, and that the group will be able to secure quality improvements and cost savings from such integration.

The corporate management team comprises five people, who were all in full activity at 31 December. Two of the five are women. Three of the company's seven employees are women, and the board's ambition is that future appointments will help to maintain a continued balance between the genders. Weight has been given when recruiting management and key personnel to a combination of professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation. The board's ambition is that Norwegian Property will be Norway's leading centre of expertise for buying, selling and managing commercial property.

Details of remuneration for directors, the chief executive, the corporate management team and the auditor are provided in note 17 to the accounts for the group and note 10 to the accounts for Norwegian Property ASA.

Health, safety and the working environment

No injuries or sickness absence were recorded in Norwegian Property's business during 2006.

Natural environment

The group's business, in the form of management and leasing of commercial property, causes little pollution of the natural environment. As far as possible, efforts are made to use environment-friendly materials in development and rehabilitation projects and to facilitate the use of environment-friendly waste management.

Norwegian Property manages a substantial amount of property, and accordingly has an impact on the local environment around its holdings. The company's ambition is to contribute to the development of the exterior environment through rehabilitation, maintenance and possible new building.

Corporate governance

Norwegian Property's corporate governance principles build almost entirely on the Norwegian code of practice of 28 November 2006, which largely harmonises with international recommendations. A more comprehensive presentation of the company's corporate governance is provided on pages 42-45 in this annual report.

Shareholders and the stock market

The Norwegian Property share received a listing on the Oslo Stock Exchange with effect from 15 November. Issued shares at 31 December totalled 98 512 929. The closing price at 31 December was NOK 65, which represents an increase of 12.6 per cent from the closing price of NOK 57.75 on the first day of trading. Before it received a listing on the Oslo Stock Exchange, the share was traded on the Norwegian over-the-counter market.

A total of 3 288 transactions were conducted with the Norwegian Property share on the Oslo Stock Exchange in 2006, with 34.8 million shares traded. The highest and lowest prices for the share in 2006 were NOK 66 and NOK 55.50 respectively.

Norwegian Property had a total of 913 registered shareholders at 31 December 2006. Foreigners owned 56.1 per cent of the issued shares at that date.

Outlook

Prospects for the Norwegian economy remain good, and will exert a positive influence on the market for commercial property in the time to come. Demand for commercial premises is high. Substantial price increases are being registered in the construction market. Much of the capacity at the construction companies is tied up in housebuilding. The supply of new premises in central districts during the present year will be limited by the capacity and prices of construction companies, the availability of sites, the process of securing local authority consent and development time for new projects. All in all, therefore, the decline in vacant properties and a rapid rise in rents are expected to continue. Rents in central and attractive areas where vacant premises are already in short supply should show a particular increase. Independent analyses estimate a further rise of 15-30 per cent from today's rent level over the next two years. With high-quality properties in good locations, Norwegian Property is well placed to take advantage of this development both through an increase in the value of its properties and through improvements to operating profit when renewing leases as they expire.

Oslo, 21 March 2007
The board of directors of Norwegian Property ASA

Knut Brundtland Chair	Jostein Devold Director	Torstein Tvenge Director	Egil K Sundbye Director
Hege Bømark Director	Karen Helene Ulltveit-Moe Director	Petter Jansen President and CEO	

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Consolidated income statement

All amounts in NOK 1 000	Note	2006
Rental income from properties		410 133
Other revenue		4 640
Gross rental income		414 773
Maintenance and property related costs		(20 216)
Other operating expenses	17,18	(42 846)
Total operating cost		(63 062)
Operating profit before fair value adjustment investment property		351 711
Gain from fair value adjustment of investment property		393 244
Gain from sales of investment property		-
Operating profit		744 955
Financial income	19	13 521
Financial costs	19	(295 762)
Change in market value of financial derivative instruments	9,19	76 743
Net financial items		(205 498)
Profit before income tax		539 457
Income tax expense	15,20	(148 565)
Profit for the period		390 892
Minority interests		(1 256)
Profit after minority interests		389 636
Basic and diluted earnings per share for profit attributable to shareholders		5.14

Consolidated balance sheet

Assets

All amounts in NOK 1 000	Note	31.12.06
Financial assets		
Financial derivative instruments	9	105 102
Total financial assets		105 102
Tangible assets		
Investment property	6	13 919 570
Development property	7	1 150 801
Other tangible assets	7	9 443
Total tangible assets		15 079 814
Totale non-current assets		15 184 916
Current assets		
Financial derivatives	9	187 233
Seller guarantees for future rent		91 370
Accounts receivable	10	78 303
Current receivables	10	93 647
Cash and cash equivalents	11	1 252 462
Total current assets		1 703 015
TOTAL ASSETS		16 887 931

Consolidated balance sheet

Equity and liabilities

All amounts in NOK 1 000	*Note*	31.12.06
Equity		
Share capital	*12*	**2 462 823**
Share premium		**900 171**
Other paid in equity		**1 500 000**
Retained earnings		**389 636**
Other reserves		**75 763**
Minority interests		**44 834**
Total equity		5 373 227
Non-current liabilities		
Deferred tax	*15,20*	**119 610**
Financial derivative instruments	*9*	-
Interest bearing long term liabilities	*14*	**10 876 787**
Non-current liabilities		10 996 397
Current liabilities		
Financial derivative instruments	*9*	**21 518**
Short-term interest bearing debt	*14*	**100 800**
Trade and other payables	*13*	**254 537**
Deferred income and other accruals	*16*	**141 452**
Total current liabilities		518 307
Total liabilities		11 514 704
TOTAL EQUITY AND LIABILITIES		16 887 931

Oslo, 21 March 2007
The board of directors of Norwegian Property ASA

Knut Brundtland
Chair

Jostein Devold
Director

Torstein Tvenge
Director

Egil K Sundbye
Director

Hege Bømark
Director

Karen Helene Ulltveit-Moe
Director

Petter Jansen
President and CEO

Consolidated statement of changes in equity

	Equity attributable to shareholders of the company						
All amounts in NOK 1 000	**Share Capital**	**Share premium**	**Other paid in equity**	**Retained earnings**	**Other reserves**	**Minority interests**	**Total equity**
Opening balance equity	100	-	-	-	-	-	100
Financial derivatives, net of tax	-	-	-	-	75 763	-	75 763
Profit for the period	-	-	-	389 636	-	1 256	390 892
Total net income for 2006	-	-	-	389 636	75 763	1 256	466 655
Writedown	(100)	-	-	-	-	-	(100)
New equity - May 2006	875 000	875 000	-	-	-	-	1 750 000
New equity - June 2006	717 453	717 453	-	-	-	-	1 434 906
New equity - July 2006	150 370	150 370	-	-	-	-	300 740
New equity - September 2006	45 000	45 000	-	-	-	-	90 000
New equity - October 2006	50 000	50 000	-	-	-	-	100 000
New equity - November 2006	625 000	712 500	-	-	-	-	1 337 500
Equity issues cost, net of tax	-	(150 152)	-	-	-	-	(150 152)
Capital reallocation	-	(1 500 000)	1 500 000	-	-	-	-
Minority interests from purchase	-	-	-	-	-	43 578	43 578
Transactions with shareholders	2 462 723	900 171	1 500 000	-	-	43 578	4 906 472
Total equity 31.12.2006	**2 462 823**	**900 171**	**1 500 000**	**389 636**	**75 763**	**44 834**	**5 373 227**

Consolidated cash flow statement

All amounts in NOK 1 000	2006
Profit before income tax	539 457
– Paid taxes in the period	-
+ Depreciation of tangible assets	560
–/+ (Gain) from fair value adjustments	(393 244)
–/+ (Gain) from market value adjustment of financial derivative instruments	(76 743)
+/– Net financial items excluding market value adjustments of financial derivative instruments	282 241
+/– Change in short-term items	224 040
= Net cash flow from operating activities	**576 311**
– Payments for purchase of tangible fixed assets	(14 703 875)
– Payments for purchase of financial and derivative instruments	(120 021)
= Net cash flow from investment activities	**(14 823 896)**
+ Net change in long term debt	10 977 587
– Net financial items excluding market value adjustments of financial derivative instruments	(282 241)
+ Capital increase	4 804 601
-/+ Dividend payments	-
= Net cash flow from financing activities	**15 499 947**
= Net change in cash / cash equivalents	**1 252 362**
+ Opening balance of cash and cash equivalents	100
Cash and cash equivalents 31.12.2006	**1 252 462**

Notes to the accounts

NOTE 1 General information

Norwegian Property ASA is a newly established real estate investment company which invests in large, centrally-located commercial properties in Norway's biggest cities. The purpose of the company is to provide access to a listed and liquid property company share with exposure to centrally-located high quality commercial properties.

Norwegian Property was incorporated as a limited company on 20 July 2005 (under the name Tekågel Invest 83 AS, renamed Norwegian Property AS on 29 April 2006). The company conducted no operations in 2005. On 22 May 2006 the company was converted into a public limited company (Norwegian Property ASA) and the shares were registered in VPS (Norway's central securities register). The company has acquired all owned properties from and including 9 June 2006.

On 9 June 2006 Norwegian Property acquired 28 commercial properties in Oslo and Stavanger, with a total approximate value of NOK 8.7 billion. In the period from 9 June to year end, Norwegian Property acquired an additional 14 attractive commercial properties with a total approximate value of NOK 6.3 billion. In total, the company has completed 14 different property transactions involving a total of 42 properties, with a total approximate value of NOK 15.0 billion.

In the period from its inception to year end, the company has undertaken several equity issues and contributions in kind, for a total of NOK 4.9 billion and has drawn up a total of NOK 10.9 billion in senior debt. Norwegian Property was listed on the Oslo Stock Exchange on 15 November 2006. The equity issue in connection with the listing was six times oversubscribed, with strong participation from international investors.

NOTE 2 Summary of significant accounting policies

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

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. The consolidated financial statement have been prepared under the historical cost convention except that investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within Note 4.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the group's operations:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), the Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6 Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment

Interpretations to existing standards that are not yet effective and have not been early adopted by the group:

- IFRIC 10, Interim Financial Reporting and Impairment
- IFRIC 2, Scope of IFRS 2

2.2 Consolidation

Subsidiaries

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

As of 31 December 2006 the company had 91 subsidiaries. In 2005 the company did not have any operations. The current business operations commenced in April 2006. Consequently, there are no comparable figures for the fiscal year 2005.

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business, and the bringing together of those entities is not a business combination (IFRS 3 therefore is not applicable). Norwegian Property allocates the cost of such purchases between the individual identifiable assets and liabilities acquired, based on their relative 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 cost of an acquisition is measured as being the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction demonstrates 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.

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 Norwegian Property's shareholders' equity and is specified in the balance sheet.

2.3 Foreign currency translation
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'). All entities of the group have NOK as their functional currency for 2006. The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency.

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.

2.4 Investment property
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. 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 within '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. Tenants accommodation i.e. replacement of walls, is charged to the asset's carrying amount while the remaining carrying amount of the replaced components is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment unless the internal use is insignificant, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete. Upon completion, it is reclassified and subsequently accounted for as investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised within the income statement.

Assets under construction are classified as property, plant and equipment measured at cost until completion when the asset is transferred to investment property.

2.5 Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gain/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is classified within this category if acquired principally for the purpose of selling in the short term due to favourable short term market movements. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 2.8.

2.7 Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on 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 if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for

Notes to the accounts

undertaking the hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 9. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months or as a current asset or liability when the remaining maturity is less than 12 months.

(a) Cash flow hedge
The effective portion of changes in fair value derivatives that are designated and qualify as cash flow hedges are recognised within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other financial income/(costs) – net.

Amounts accumulated within equity are recognised within the income statement in the period within which the hedged item affects profit or loss (for example, when the hedged forecast sale is hedged takes place). The gain or loss relating from the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised within the income statement within other financial income/(costs) – net.

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

(b) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "changes in market value of financial derivatives" – net.

2.8 Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement within other operating expenses.

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

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

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

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

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.

2.13 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by 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 on 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 difference will not reverse in the foreseeable future.

2.14 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue comprises the fair value of the consideration received for the services in the ordinary course of the group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the group.

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

Other income
Other income is recognised as it is earned.

2.15 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.

2.16 Interest expense

Interest expenses for borrowings are recognised within 'financial costs' within the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.17 Pensions

The group 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 due to employees relating to rights earned in the current or previous periods. Contributions are recognised as employee benefits expense when they fall due. Prepaid contributions are recognised as an asset to the extent that the cash refunds or reductions in future payments are available. The CEO has in addition a defined benefit pension plan, for specification see Note 17.

NOTE 3 Risk Management Objectives and Policies

The company's activities expose it to a variety of financial risks. The operational risks include exposure related to the quality of building construction, the erection of buildings and extensions, operations of the buildings as well as the operations of access roads and outdoor facilities on the company's premises. Financial risks include exposures related to the cost of financing, stability and predictability of rental income and the company's liquidity and financial flexibility. Fraud risks include risks related to the intentional misconduct and/or misappropriation of the company's assets or interests.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance by entering into hedging instruments designed to mitigate interest rate and currency risk.

Risk management for the group is managed by a central finance team in accordance with guidelines approved by the Board. The management team identifies and evaluates operational and financial risks in close co operation with the company's operational units and facilities managers. The Board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk. Fraud risks are countered by setting ethical standards and code of conduct guidelines.

3.1 Operational risks

All the company's properties are operated by professional facility management operators with clear contractual obligations to employ or engage the required certified competence and resources to meet regulatory standards.

The company has a group wide insurance policy that will provide indemnity for unforeseen physical damage to, or loss of, insured property that occurs as a result of stated perils such as fire, water damage, storm etc. as well as liability insurance. The insured value of buildings is the replacement value of the property. The insurance terms also give coverage when rentals have been interrupted or rental value has been impaired by the occurrence of any of the insured perils. The insurance policy is entered into with a reputable insurance company.

3.2 Financial Risks

Financial risks include exposures related to the cost of financing, stability and predictability of rental income and the company's liquidity and financial flexibility.

The board established a Finance policy in June 2006 which outlines instructions and guidelines for the management of the company's financial risks.

Cost of financing - interest rate risks
The group is subject to market risk relating to changes in interest rates, given that it has significant floating rate borrowings. At the end of December the average credit margin on floating rate borrowings was 76 basis points.

In order to mitigate interest risk, the group has acquired from sellers and entered into new interest rate swap agreements totalling NOK 9.9 billion as at 31.12. The average fixed rate of the swaps portfolio is 5.24 per cent (including margin) and has an average remaining maturity of 6.2 years.

The company has a policy to hedge a minimum of 70 per

Notes to the accounts

cent of floating rate loans outstanding. As at year end, 91 per cent of such loans were hedged.

The fair value of the properties will vary based on, amongst several other factors, the long term interest rate expectations in the market. Such fair value fluctuations will be accounted for and reported in accordance with IFRS (See note 4).

Stability and predictability of rental income
Rental income is exposed to the market rental levels, credit risk and currency risk.

(i) The market
The company focuses on blue chip tenants and long term contracts. Tenants shall in the main consist of larger, well established companies and public sector organisations in order to reduce counterparty credit risk. The current average duration of rental contracts are 7.3 years.

(ii) Inflation
The majority of rental contracts in the portfolio have a 100 per cent CPI adjustment clause allowing the company to adjust rental rates with the CPI development. The company seeks to secure such regulation clauses in all new contracts.

(iii) Foreign exchange risk
Currently, less than 5 per cent (NOK 47 million/pa) of the group's rental income is in foreign currency (EUR) and practically all operational expenses are denominated in NOK. This exposes the group to limited foreign exchange risk.

At the end of the financial period, the group had in place currency swap agreements with a total nominal value of NOK 318 mill. Gains and losses on the group's forward exchange contracts are classified as other operating gains/losses in the income statement.

(iv) Credit risk
The majority of the company's rental revenues come form solid tenants. New tenants are checked against credit rating agencies for acceptable credit history. All tenants have provided bank guarantees or made deposits in secure "depository accounts" with amounts equivalent to a minimum of 3 months rent.

Credit loss during 2006 has been negligible.

Liquidity risk and financial flexibility
The company aims to ensure liquidity is sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility to seize market opportunities and withstand fluctuations in rental incomes.

As of year end the company had a satisfactory liquidity reserve and funding flexibility.

3.3 Fraud Risks

Overall guidelines as to ethical standards for leadership and business conduct in the company are set out in "Instructions to the Board" and "Instructions to the CEO" overall guidelines are communicated to set the ethical standard for the leadership and business conduct in the company.

Norwegian Property has experienced no incidents of identified fraud of fraudulent behaviour during the period.

NOTE 4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

Management is required to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimate of fair value of investment properties
Investment property is valued at its fair value based on a quarterly valuation update.

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc) and adjusted for significant changes in tenant portfolio. In addition, all properties are periodically subject to technical reviews.

Based on external valuations and supplementary internal analysis of the market for the rental portfolio, management make an overall fair value assessment to conclude as to whether a fair value adjustment is to be recommended.

The company uses different approaches in order to obtain satisfactory and appropriate property valuations. The approaches are (i) the net asset value (NAV), (ii) cash flow analysis and (iii) multiple analyses.

(i) NAV of a property company can be calculated by adjusting the company's balance sheet values to the estimated market values of the properties. A common valuation approach is to discount the property net rental income by a given required rate of return.
(ii) A valuation of a property company can be made by using the discounted cash flow method (DFC). This approach has its foundation in the "present value" rule, where the value of any is the present value of expected future cash flows arising from it.

(iii) Valuation multiples are methods that are commonly used to value property companies. The final determination of which particular pricing multiple(s) to use must be based on an understanding of how the subject compares to the benchmark companies in term of important factors such as growth, size, longevity, profitability etc.

Fair value of derivatives and other financial instruments
The fair values of financial instruments, which are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques. The group uses its judgement to select a variety of methods and makes assumptions that are mainly based upon market conditions existing at each balance sheet date. The group uses discounted cash flow analysis for various 'available for sale financial assets' that were not traded in active markets.

NOTE 5 Segment information

Norwegian Property's main activity is ownership and rental of prime office buildings in prime locations within Norway's largest cities. There are no material differences in risks and returns in the economic environments in which the company is operating. Consequently, the company is only present in one business segment and one geographic market.

NOTE 6 Investment property

(All amounts in NOK 1 000)

Opening balance 1 january 2006	-
Additions in period	13 526 327
Net gain/loss on changes in fair value	393 244
Value as at 31 December 2006	**13 919 571**

Rental income	410 133
Direct operating expenses arising from investment properties that generate rental income	20 216
Net rental income	**389 916**

General principles
Investment property is valued at its fair value based on a quarterly valuation carried out by independent experts. The group's investment properties were valued as at 31 December 2006 by DTZ Realkapital, an independent professional service firm. Investment property is not subject to depreciation.

Apart from covenants in loan agreements, there are no restrictions on when the investment properties can be realised, or how the revenue and cash flow on any sale can be used.

There are no significant contractual obligations to buy, build or develop investment properties (however see note 7 for assets under construction). Investment property is valued at its fair value based on a quarterly valuation assessments (ref also note 4).

A separate valuation is carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc.) and adjusted for significant changes within the tenant portfolio. In addition, all properties are subject to technical reviews on a regular basis.

Based on external valuations and supplementary internal analysis of the market and rental portfolio, management make an overall fair value assessment to conclude as to whether they present a fair picture of the market value of the property portfolio.

The company uses different approaches to get a satisfactory valuation of the properties. These approaches are (i) the net asset value (NAV), (ii) cash flow analyses and (iii) multiple analyses.

Notes to the accounts

NOTE 7 Property, plant and equipment

(All amounts in NOK 1 000)

Property, plant and equipment

	Property under construction	Fixture, fittings and equipment	Total
1 January 2006	-	-	-
Additions	56 333	2 991	59 324
Disposals	-	-	-
Additions from the acquisition of companies	1 094 467	7 010	1 101 477
	1 150 801	**10 001**	**1 160 802**

Accumulated depreciation and impairment losses

	Property under construction	Fixture, fittings and equipment	Total
Opening balance 1 January 2006	-	-	-
Current year's depreciation	-	557	557
Current year's impairment losses	-	-	-
Disposals	-	-	-
As at 31 December 2006	**-**	**557**	**557**
Carrying amount	**1 150 801**	**9 443**	**1 160 244**

Norwegian Property acquired "Aker Hus" on 25 October 2006. This is a property under construction to be completed within 2007. Until completion, property under construction is accounted for at cost in accordance with IAS 16.

NOTE 8 Operating leases

(All amounts in NOK 1 000)

The group is lessor for investment properties. The future minimum annual lease payments receivable under non-cancellable operating leases are as follows:

Within 1 year	917 955
Later than 1 year and no later than 5 years	3 214 640
Later than 5 years	3 098 379
Total	**7 230 974**

The figures presented above relate to contract values as at 2007 (not index adjusted) for contracts entered into as at 31 December 2006.

NOTE 9 Financial derivative instruments

(All amounts in NOK 1 000 or EUR 1 000 where specified)

Norwegian Property has fixed the majority of its floating rate borrowing exposure through interest rate swaps, as described within the tables below. The company's policy regarding interest rate exposure is to ensure that a minimum of 70 per cent of its floating rate interest exposure is fixed at any time.

Despite its current hedging position, the company's financial positions and cash flows remain exposed to the effects of fluctuations in prevailing market interest rates. Interest costs may therefore increase or decrease as a result of such fluctuations.

Book value of hedged items

	Assets	Liability
Book value of hedged items	-	5 750 000
Total	**-**	**5 750 000**

Details of interest rate derivatives

The notional principal amounts, fixed rates and duration of interest rate financial derivative instrument contracts as at 31 December 2006 are outlined below (Norwegian Property pays fixed rates and receives floating rates):

Counterparty	Currency	Notional principal amount	Fixed rate	End date
Nordea	NOK	500 000	4.35500%	05.07.12
Danske (Fokus) Bank	NOK	1 000 000	4.34500%	05.07.12
Danske (Fokus) Bank	NOK	500 000	4.35500%	05.07.12
DnB NOR	NOK	1 000 000	4.34500%	05.07.12
DnB NOR	NOK	500 000	4.35500%	05.07.12
SEB	NOK	1 000 000	4.34500%	05.07.12
SEB	NOK	500 000	4.35500%	05.07.12
SEB	NOK	750 000	4.83500%	05.07.12
Total - Contracts qualifying for hedge accounting	**NOK**	**5 750 000**		
Nordea	NOK	1 225 000	4.17850%	03.05.11
Nordea	NOK	400 000	4.17850%	18.05.11
Nordea	NOK	975 000	4.11000%	30.06.16
Storebrand Bank	NOK	278 500	4.28000%	15.07.25
Storebrand Bank	NOK	148 500	3.92000%	15.07.15
SEB	NOK	950 000	3.83500%	05.07.12
Total - other contracts	**NOK**	**3 977 000**		
DnB NOR	EUR	25 467	3.87500%	31.12.14
Total - other contracts	**EUR**	**25 467**		
Total interest rate hedging	**NOK**	**9 727 000**		
Total interest rate hedging	**EUR**	**25 467**		
Total interest rate hedging - NOK equivalent	**NOK**	**9 935 950**		

Floating rates are 3 month NIBOR with the exception of the EUR swap, where the floating rate is 3 month EURIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting as at 31 December 2006 are realised within the profit and loss account until such time as the underlying hedged loan is fully repaid. Gains and losses relating to contracts qualifying for hedge accounting are accounted for within the hedging reserve within equity until such time as the underlying hedged loans is fully repaid.

Notes to the accounts

Details of Foreign Exchange derivatives

Details of FX derivative financial instrument contracts in place as at 31 December 2006 are shown below:

	Currency	Notional amount	Fixed rate	End date	
Currency swaps					
Nordea	NOK	37 353	3.97000%	10.10.12	
Nordea	EUR	(4 740)	3.70000%	10.10.12	
Nordea	NOK	280 584	4.19000%	10.10.17	
Nordea	EUR	(35 607)	3.90000%	10.10.17	
Total currency swaps	**NOK**	**317 937**			
Total currency swaps	**EUR**	**(40 347)**			
	Currency	**Amount**	**Exchange rate**	**End date**	
Forward contracts					
DnB NOR	NOK	693	8.45500	15.10.18	(Quarterly exchanges at fixed exchange rate)
DnB NOR	EUR	(82)	8.45500	15.10.18	(Quarterly exchanges at fixed exchange rate)
Hafslund ASA	NOK	(116 600)	8.65810	02.01.19	
Hafslund ASA	EUR	13 467	8.65810	02.01.19	
Total forward contracts	**NOK**	**(115 907)**			
Total forward contracts	**EUR**	**13 385**			
Total - FX derivatives	**NOK**	**202 030**			
Total - FX derivatives	**EUR**	**(26 962)**			

Details of on balance sheet derivatives

	Assets	Liabilities
Interests rate swaps - qualifying for hedge accounting	105 102	-
Interests rate swaps - not qualifying for hedge accounting	161 762	-
Foreign exchange contracts	25 471	21 518
Total financial derivative contracts	**292 336**	**21 518**
Non-current portion:		
Interest rate swaps - cash flow hedges	105 102	-
Financial derivative contracts current portion	**187 233**	**21 518**

Financial derivative contracts that do not qualify for hedge accounting is classified as a current asset or liability. The full fair value of a derivative contract qualifying for hedge accounting is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The ineffective portion recognised within the profit or loss that arises from cash flow hedges amounts to a loss of NOK 660 thousand.

The company has rental contracts where the rent is fixed in foreign exchange. As long as FX hedging contracts are not closely connected to the rental contracts, the derivatives themselves are separated and treated separately. The real value of such derivatives was NOK 25.5 million as at 31 December 2006.

NOTE 10 Current receivables

(All amounts in NOK 1 000)

Account receivables	79 517
Less: provision for impairment of receivables	(1 214)
Account receivables - net	78 303
Other receivables	93 647
Total receivables	**171 950**

NOTE 11 Cash and cash equivalents

(All amounts in NOK 1 000)

Cash at bank and in hand	1 251 951
Witholding tax account (tied up deposits)	511
Short-term bank deposits	-
Total cash and cash equivalents	**1 252 462**

The effective interest rate is 3.6 per cent

NOTE 12 Share capital

Date	Type of change	Change in share capital (NOK)	Share capital after change (NOK)	No of shares after change	Par value (NOK)	Price per share (NOK)
20.07.05	Incorporation	-	100 000	1 000	100	100.0
26.04.06	Share split	-	100 000	4 000	25	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25	50.0
22.05.06	Write down	100 000	875 000 000	35 000 000	25	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25	50.0
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25	50.0
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25	50.0
30.06.06	**Closing**	-	**1 592 453 050**	**63 698 122**	**25**	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25	50.0
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25	50.0
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25	50.0
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25	50.0
30.09.06	**Closing**	-	**1 787 823 225**	**71 512 929**	**25**	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25	50.0
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25	53.5
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25	50.0
31.12.06	**Closing**	-	**2 462 823 225**	**98 512 929**	**25**	

(All figures in 1 000)

Average number of shares from 9 June until yearend	75 774
Number of shares issued	98 513

Notes to the accounts

List of main shareholders

Largest shareholders	Country	Number of shares	% of total shares issued
A. Wilhelmsen Capital AS	NO	12 087 000	12.27%
State Street Bank and Trust Co. (nom)	USA	4 726 472	4.80%
Fram Holding AS	NO	4 000 000	4.06%
Fram Realinvest AS	NO	4 000 000	4.06%
Credit Suisse Securities	GB	3 568 202	3.62%
Morgan Stanley & Co. Inc. (nom)	GB	3 302 227	3.35%
Vital Forsikring ASA	NO	3 228 700	3.28%
Bank of New York, Brussels Branch	BE	3 223 695	3.27%
Aweco Invest AS	NO	2 870 282	2.91%
Mellon Bank AS, Agent for ABN Amro (nom)	USA	2 767 058	2.81%
Morgan Stanley & Co. Inc.	GB	2 594 864	2.63%
Orkla ASA	NO	1 887 400	1.92%
Lani Development AS	NO	1 800 000	1.83%
BNP Paribas Sec. Services London (nom)	FR	1 750 000	1.78%
Fortis Bank Lucembourg S.A.	LUX	1 705 268	1.73%
Goldman Sachs International (nom)	GB	1 665 338	1.69%
Opplysningsvesenets Fond	NO	1 654 931	1.68%
Deutsche Bank AG London (nom)	GB	1 620 866	1.65%
Investors Bank & Trust Company (nom)	USA	1 389 434	1.41%
Mellon Bank AS Agent for clients (nom)	USA	1 239 244	1.26%
Other shareholders		37 431 948	38.00%
Total number of shares as of 31 December 2006		**98 512 929**	**100.00%**

Shares held by the board of directors and senior executive officers

Shareholder	Number of shares
Board of directors	
Knut Brundtland (Chair)	200 000
Jostein Devold	-
Egil K. Sundbye	1 000
Torstein I. Tvenge	8 000 000
Karen Helene Ulltveit-Moe	-
Hege Bømark	-
Senior executives	
Petter Jansen President and Chief executive officer (CEO)	40 000
Dag Fladby Vice president and Chief investment officer (CIO)	4 000
Svein Hov Skjelle Vice president and Chief financial officer (CFO)	5 000
Aili Klami Vice president sales and marketing	-
Mona Ingebrigtsen Vice president and Chief operating officer (COO)	-
Total	**8 250 000**

NOTE 13 Trade and other payables

(All amounts in NOK 1 000)

Trade payables	115 317
Accrued interest	113 439
Salaries	208
Public dues	21 117
Other payables	4 456
Total trade and other payables	**254 537**

NOTE 14 Borrowings

(All amounts in NOK 1 000 or EUR 1 000 where specified)

	Currency	Amount
Total bank borrowings	NOK	9 846 451
Total bank borrowings	EUR	32 622
Total bond loans	NOK	768 000
Total other borrowings	NOK	165 861
Total borrowings	**NOK**	**10 780 312**
Total borrowings	**EUR**	**32 622**
Total borrowings - NOK equivalent	**NOK**	**11 049 051**
Total un-drawn borrowing facilities	**NOK**	**1 900 549**

Specification of borrowings	Currency	Amount	Amount with fixed interest rate	Interest rate
Non-current				
Long term loan facility with the MLA banks	NOK	9 094 590	-	NIBOR + 0.80% (0.90% Aker Hus)
Storebrand Bank ASA	NOK	507 000	-	NIBOR + 0.65%
Nykredit Bank A/S	NOK	190 418	-	NIBOR + 0.80%
DnB NOR ASA	EUR	32 258	-	EURIBOR + 0.375%
Nykredit Realkredit A/S - bond loan	NOK	768 000	-	NIBOR + 0.30%
Hafslund ASA - Seller credit	NOK	7 500	7 500	5.00%
*Aker ASA	NOK	115 000	-	At present 0.00%
Total non-current borrowings	**NOK**	**10 682 509**	**-**	
Total non-current borrowings	**EUR**	**32 258**		
Total non-current borrowings - NOK equivalent	**NOK**	**10 948 251**		
Current				
First years repayments with the MLA banks	NOK	41 111	-	NIBOR + 0.80% (0.90% Aker Hus)
Storebrand Bank ASA	NOK	8 000	-	NIBOR + 0.65%
Nykredit Bank A/S	NOK	5 332	-	NIBOR + 0.80%
DnB NOR	EUR	364	-	EURIBOR + 0.375%
Nykredit Realkredit A/S - bond loan	NOK	-	-	NIBOR + 0.30%
Hafslund ASA - Seller credit	NOK	-	7 500	5.00%
*Aker ASA	NOK	43 361	-	At present 0.00%
Total current borrowings	**NOK**	**97 803**		
Total current borrowings	**EUR**	**364**		
Total current borrowings - NOK equivalent	**NOK**	**100 801**		
Total borrowings at nominal value	**NOK**	**11 049 051**		
Capitalized transaction costs	NOK	71 466		
Total borrowings at amortized value	**NOK**	**10 977 587**		
Classified as short term (first year's repayments)	NOK	100 800		
Long term borrowings	**NOK**	**10 876 787**		

Notes to the accounts

The maturity of non-current borrowings is as follows as at 31 December 2006:

1-2 years	181 985
2-5 years	1 300 501
Over 5 years	9 465 765
Total	**10 948 251**

** This borrowing (in total NOK 158.4 million) relates to an outstanding loan to the seller of the Aker Hus property. The amount is expected to be repaid in full during Q4 2007 and will be financed by a drawing of NOK 115.0 million under the Aker Hus facility (see below), with the balance of NOK 43.4 million financed from cash reserves.*

The company entered into a NOK 12 billion 6 year term loan facility on 6 June 2006 (subsequently amended on 23 October 2006 to include a separate sub-facility of NOK 1.1 billion relating to the Aker Hus property acquisition and development) with a syndicate of banks including DnB NOR ASA, Nordea Bank Norge ASA, Skandinaviska Enskilda Banken AS and Danske Bank AS ("MLA Banks").

NOK 963.8 million of the facility was refinanced on 22 December 2006 through the issuance of a NOK 768.0 million 5 year bond loan arranged and issued through Nykredit Realkredit A/S, together with a NOK 195.8 million 7 year bank loan with Nykredit Bank A/S. The term loan facility was accordingly reduced by the amount of the refinancing to NOK 11.0 billion. As at 31 December 2006, NOK 9.1 billion had been drawn under the total facility with undrawn amounts totalling NOK 1.9 billion including NOK 0.5 billion in relation to the Aker Hus facility.

The main terms of the facility, based upon the prevailing loan agreements as at 31 December 2006 are:

- Interest: NIBOR + an interest margin of 80 bp (90bp for borrowings under the Aker Hus facility). The interest margin being subject to further increases in the event that pledged security falls below agreed thresholds.
- Interest rate hedging: The company shall operate an appropriate interest rate hedging policy and shall ensure that hedging arrangements are in place with respect to a minimum of 70 per cent of the company's interest rate exposure under the facility.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value thresholds. Agreed senior interest cover of at least 1.4 and loan-to-value (LTV) ratio of 85 per cent.
- Other covenants: The facility contains undertakings which are customary for a credit facility of this nature, including negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Amortisation/Repayment: The facility shall be repaid by quarterly instalments of 0.45 per cent (1.8 per cent per annum) commencing 5 October 2007. No part of the facility which is repaid may be re-borrowed. The repayment rate is subject to increase in the event that LTV financial covenants are breached.
- Final maturity: The facility matures on 6 June 2012.

In line with what is customary for a facility of this nature, the facility is secured by way of, inter alia, first priority mortgages/ pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the company's bank accounts. Subsidiaries are guarantees for the facility. No bank guaranties of significant size have been issued on the company's behalf.

In addition to the above mentioned facility and the Nykredit refinancing, as at 31 December 2006 the company had additional long term debt of NOK 895.2 million. Of this, NOK 772.7 million related to bank borrowings taken on under property acquisitions, with the remaining NOK 122 million representing outstanding loans and sellers credits in relation to the acquisition of Aker Hus and Drammensveien 144 properties.

Book value of group assets pledged as security:

Investment property	13 919 570
Property under construction	1 150 801
Accounts receivable	263 320
Cash and cash equivalents	1 252 462
Total	16 586 163
Liabilities secured	10 883 190

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

Events post 31.12.2006:

In connection with the acquisition of the Nydalen properties, the company subsequently entered into an amended facility agreement with the same syndicate of banks on 23 January 2007, which included an increase in the total facility amount to NOK 16 billion. The main terms of the amended facility remained substantially unchanged, except for a reduction in interest margins to 65bp (75bp on the Aker Hus facility). Following the acquisition of the Nydalen properties on 25 January 2007, NOK 10.8 billion had been drawn under the total facility (un-drawn amounts being NOK 5.2 billion including NOK 0.4 billion in relation to the Aker Hus facility).

The company intends to refinance a significant portion of the NOK 16 billion term facility within 2007. In this regard, the company shall issue a further bond loan of approximately NOK 1.5 billion in March 2007 and has entered into a mandate agreement with the same bank syndicate in connection with a potential securisation issue planned for mid-2007. The term facility will be reduced by amounts equal to any refinancing achieved.

NOTE 15 Deferred income tax

(All amounts in NOK 1 000)

Deferred income tax assets and liabilities are offset where is the company has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.
The offset amounts are as follows:

	31.12.06
Deferred tax assets	
- deferred tax assets to be recovered after more than 12 months	58 384
- deferred tax assets to be recovered within 12 months	-
	58 384

Deferred tax liabilities	
- deferred tax liabilities to be recovered after more than 12 months	177 994
- deferred tax liabilities to be recovered within 12 months	-
	177 994
Net deferred tax liabilities	**119 610**

The gross movement on the deferred income tax account at end of period	
Opening balance	-
Income statement change (Note 20)	148 565
Tax on interest rate hedges charged to equity	29 429
Tax on issue expense charged to equity	(58 384)
As at 31 December 2006	**119 610**

The movement in deferred tax assets and tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deficit carried forward	Buildings	Fair value gain	Total
Deferred tax assets				
At 1 January 2006	-	-	-	-
Deferred tax assets in purchase	(12 550)	-	-	(12 550)
Deferred tax liability in purchase	-	1 428 941		1 428 941
Tax charged to income statement	16 969	110 108	21 488	148 565
Tax charged to equity	(58 384)	-	29 429	(28 955)
Total	**(53 965)**	**1 539 049**	**50 917**	**1 536 001**
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3)	(12 550)	1 428 941	-	1 416 391
As at 31 December 2006	**(41 415)**	**110 108**	**50 917**	**119 610**

Deferred tax charged to equity	
Tax on equity issue expense	(58 384)
Tax on derivative financial instruments	29 429
As at 31 December 2006	**(28 955)**

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business, and the bringing together of those entities is not a business combination (IFRS3 is not applicable). Hence, the deferred income tax is not accounted for as 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 nor loss.

NOTE 16 Deferred income and other accruals

(All amounts in NOK 1 000)

Deferred income	102 402
Prepayment guaranteed rent - Aker Hus	19 089
Other accruals	19 962
Total deferred income and other accruals	**141 453**

There are no material legal claims or disputes over services and/or maintenance charges brought against Norwegian Property ASA as at the date of the this report.

NOTE 17 Employee Benefit Expenses

(All amounts in NOK 1 000)

Overall total expense

Salaries and remuneration	3 500
Social security costs	506
Pension costs	300
Other employee expenses	21
Total employee benefit expenses	**4 327**

Total number of employees/full time equivalent positions:

Number of employees at 31December 2006	7
Number of full time equivalent positions at 31December 2006	7
Average number of employees	2

Remuneration of executive officers of the company:

Group Management

Name/title	Base salary	Bonus earned	Other benefit	Total taxable income	Pension benefit earned
Petter Jansen* President and Chief executive officer (CEO)	1 053	500	12	1 565	262
Dag Fladby Vice president and Chief investment officer (CIO)	273	-	14	287	10
Svein Hov Skjelle* Vice president and Chief financial officer (CFO)	267	-	44	311	8
Aili Klami Vice president sales and marketing	83	-	1	84	4
Mona Ingebrigtsen* Vice president and Chief operating officer (COO)	58	-	-	58	2
Total	**1 733**	**500**	**70**	**2 304**	**285**

**In case of termination of employments in Norwegian Property ASA, these employees are entitled to severance pay of 6 months salary.*

The CEO is further entitled to receive a bonus up to 50 per cent of annual base salary. Remaining members of the group management are entitled to receive a bonus of up to 30 per cent of annual base salary. Petter Jansen will be entitled to a pension from age 62 – 67, under the assumption that full pension rights are earned, of NOK 2 million per year. The company is also obliged to enter into a pension arrangement after which Mr Jansen reaches age 67, which together with accumulated paid up pension rights will constitute 66 per cent of annual salary.

Board of directors

Name	Board compensation
Knut Brundtland, Chairman of the Board	550
Jostein Devold	317
Egil Sundbye	317
Torstein Tvenge	317
Hege Bømark	25
Karen Helene Ulltveit-Moe	25
Total	**1 551**

Pensions

Norwegian Property has a defined contribution plan which meets the requirements according to Norwegian law (Lov om tjenestepensjon).

Declaration of management benefits in Norwegian Property ASA

This declaration relates to benefits received by key management personnel for work performed in connection with their employment within Norwegian Property ASA.

Norwegian Property shall at all times ensure that the company has a professional leadership team in place so as to ensure that shareholder interests are safeguarded to best effect. In order to attract and retain appropriate employees within such leadership roles, the company is required to offer competitive remuneration terms, as part of a total compensation package.

1. Principles for base salary
Key management employees shall receive a competitive base annual salary, the amount of which will be determined by 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 achieving key targets either for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets, including the company's share price performance and shall be measurable wherever possible. Targets in relation to the Chief Executive Officer's own performance shall be established by the Board, whilst the Chief Executive Officer shall establish targets for other key management personnel.

Bonus payment shall not exceed 50 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 shall be offered certain non-cash related compensation benefits, such as access to company car, insurance and pension scheme arrangements. The company shall also provide these employees with home and mobile telephones, in addition to covering the cost of newspaper subscriptions such that employees are contactable for business purposes and well informed of current events.

Key management employees shall be granted the right to membership of the company's defined contribution pension scheme. Conditions of the pension scheme can verify from employee to employee. The Chief Executive Officer has an individual pension scheme arrangement under which he has the right to retire from age 62 and to receive an annual sum of NOK 2 million until he reaches age 67. Upon reaching age 67, the Chief Executive Office shall receive annually the sum of 66 per cent of base salary (taking into account accumulated paid up policies "fripoliser")

4. Payment after termination of contract
As at year end, three key management employees have agreements in place with the company for payment of salary after termination of contract. Resignation notice periods are six months.

Payment of salary after termination of contract shall only occur in special instances. Board approval shall be required for the granting of payment of salary after termination of contract for any employees where this right is not already documented within their employment contract,.

5. Remuneration decision making process
The Board determines the Chief Executive Officer's annual salary in unison.

The Board prepares annual guidelines to support its recommendation which is presented to shareholders at the annual general meeting for ratification in accordance with limited liabilities companies act section 5-6.

Auditor's fee

(All amounts in NOK 1 000)	Fee
Statutory audit	1 220
Other certification services	237
TAX/VAT Advisory fee	-
Other services than audit	217
Total	**1 674**

The auditor's fee is net of VAT.

NOTE 18 Non-recurring costs

The company has charged the income statement with non-recurring costs of approximately NOK 21 million, in connection with start-up and stock-exchange introduction of the company.

Notes to the accounts

NOTE 19 Net financial expenses

(All amounts in NOK 1 000)

Interest income	13 231
FX gains	484
Fair value adjustment for loans hedged by interest rate swap	-
Other financial income	(193)
Total financial income	**13 521**
Interest rate swaps – cash flow hedging, transferred from equity	-
Interest costs on loans	(274 549)
FX losses	(221)
Other financial expenses	(20 992)
Total financial expenses	**(295 762)**
Gains from changes in market value on derivatives	76 743
Net financial expenses	**(205 498)**

NOTE 20 Income tax expense

(All amounts in NOK 1 000)

The income tax rates are calculated at domestic rates applicable to profits, the rate is 28 per cent in Norway.

	2006
Current tax	-
Deferred tax (Note 15)	148 565
Income tax expense at period end	**148 565**
Profit before tax	539 458
Tax calculated at domestic rates applicable to profits in Norway	151 048
Income not subject for tax purposes	(2 483)
Expenses not deductible for tax purposes	-
Utilization of earlier years non-recorded deferred tax	-
Tax charged	**148 565**

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.

	2006
Net profit attributable to shareholders *(NOK 1000)*	389 636
Weighted average number of ordinary shares in issue *(1 000)*	75 744
Basic earnings per share *(NOK per share)*	5.14

Norwegian Property has not issued options or other financial instruments that have dilutive effect on shares issued. The company has not bought back shares. Diluted earnings per share are therefore the same as the basic earnings per share.

NOTE 22 Dividends per share / Dividend Policy

Norwegian Property aims to distribute an annual dividend which is competitive, predictable and higher than the sector average. The company's goal is to distribute 4-6 per cent of paid in equity capital and 50 per cent or more of annual net profits (taken into account not cash generating profit and loss items).

The Board has recommended a dividend of NOK 2.50 which will be tabled for resolution within the company's annual general meeting on 4 May 2007. Dividend payments will be made to shareholders on 31 May 2007 in accordance with the share register as at 4 May 2007.

NOTE 23 Related-party disclosures

The objective of IAS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Norwegian Property group is not directly controlled and dominated by any significant shareholders. However, the Anders Wilhelmsen group controlled a total of 16.3 per cent of the shares through Anders Wilhelmsen Capital AS (12.3 per cent) and AWECO invest AS (2.9 per cent) and Miami AS (1.1 per cent). Torstein Tvenge and his family controlled a total of 8.1 per cent per 31 December 2006 trough Fram Holding AS and Fram Realinvest AS.

There are four main categories of transactional relationships with "related parties" to Norwegian Property ASA:

- Property transactions with share considerations to sellers
- Facility management agreements
- Rental agreements with shareholders
- Interest charges from parent to subsidiaries

Property transactions

Companies that have sold properties to Norwegian Property and accepted to be paid in part by issuing new shares in the company as consideration to the seller are considered as related parties in this note.

Norwegian Property ASA acquired Skøyen Bygg AS (including its property portfolio) from Fram Holding AS, which is controlled by close associates of Board Member Torstein Tvenge. The agreement was signed on 12 May and completed 9 June 2006. The purchase price was partially paid by issuing new shares in the company as consideration to the seller.

The company acquired the property Middelthunsgate 17 (M17) and the Aker Brygge-properties from companies controlled by the Anders Wilhelmsen Group. The purchase price was partly paid by issuing new shares in the company as consideration to the sellers. The Anders Wilhelmsen Group is represented on the Board of the company by Board Member Jostein Devold.

Related party	Property	Total transaction (NOK million)	Aksjer	Aksjekurs (NOK)	%-andel *
A. Wilhelmsen Capital AS/Aweco Invest AS	Aker Brygge / M17	2 984	14 955 967	50	20.9%
Torstein Tvenge w/Family through controlled companies	Skøyen Bygg	1 295	8 000 000	50	11.2%

** Ownership at the time of transaction and do not include purchases and sales after the transaction.*

In addition to the table above, the following companies are considered to be related-parties of the company, after receiving ownership in the Norwegian Property group as a part of the settlement of the transaction of the respective properties. As part of the agreement an amount of the purchase price was paid by issuing new shares in the company as consideration to the seller:

Related party	Property	Total transaction (NOK million)	Shares	Share price (NOK)	% stake *
Oslo Næringseiendom 1 AS	Økernveien 9	257	600 000	50	0.8%
Pareto Private Equity ASA – Syndicate	Finnestadveien 44	451	1 844 000	50	2.6%
Pareto Private Equity ASA – Syndicate	Drammensveien 134 KS	670	14 807	50	0.0%
Pareto Private Equity ASA – Syndicate	Kokstadveien 23	221	800 000	50	1.1%
Pareto Private Equity ASA – Syndicate	Gardermoen NE	345	1 000 000	50	1.4%
Näringsfastigheter i Sverige II Rød AB	Aker Hus	1 502	2 000 000	50	2.7%

** Ownership at the time of transaction and do not include purchases and sales after the transaction.*

The Pareto Group, through Pareto Eiendom AS, performs rental brokerage services for Norwegian Property and earned fees totalling NOK 0.3 million during 2006. Pareto Securities provides securities brokerage services to Norwegian Property. During 2006 they earned NOK 63.1 million in such fees.

Facility management agreements (property management agreements)

For the majority of the properties Norwegian Property has entered into management agreements with professional managers who previously carried out the same services on behalf of the former property owners.

A special commercial and facility management arrangement for Aker Brygge, with four years duration, has been entered into with Linstow Eiendom AS, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow is also managing the property Middelthunsgate 17, Ibsenkvartalet and Stortingsgaten 6. Linstow receives an annual compensation for the services rendered of NOK 4.8 million.

Pareto Investor Service AS, part of the Pareto Group is providing commercial administration services for a total annual fee of NOK 2.8 million.

Notes to the accounts

Rental agreements

The tenant listed below is a shareholder in the company:

Related party	Tenant in	Annual rent (NOKM)	Shares	Share price (NOK)	% stake *
A. W. Group-Linstow Eiendom AS	Aker Brygge	4.1	12 085 685	50	16.9%

** Ownership at the time of transaction and do not include purchases and sales after the transaction.*

Interest charges to subsidiaries

All subsidiaries of Norwegian Property ASA are charged interest in relation the subsidiaries share of group financial costs including hedging costs. The Limited liability partner ship subsidiaries in the group have direct borrowings with the same banks and pay the same interest as the group as a whole.

NOTE 24 Obligations to buy

Norwegian Property ASA entered into an agreement on 20 December 2006 to acquire 11 office properties in Nydalen and 2 office properties in Økern from the Rasmussen Group. A total acquisition price after adjustment for tax of NOK 2.2 billion was agreed and the transaction was completed on 25 January 2007 (with effect from 1 January 2007). The acquired property portfolio consisted of 116 200 square meters of principally office space with an estimated gross annual rental income for 2007 of NOK 135.2 million. The acquisition was financed by a drawing of NOK 1.65 billion under the company's loan facilities with the balance funded from cash reserves.

NOTE 25 Contingencies

Norwegian Property has no contingent liabilities in respect of guarantees or other matters arising in the ordinary course of business.

NOTE 26 Events after the balance sheet date

Norwegian Property ASA acquired 13 properties in Nydalen and Økern (referred to as the "IFN portfolio") on 25 January 2007 from the Rasmussen Group (described in more detail within Note 24). After completion of the IFN portfolio transaction, the group's property portfolio consisted of 55 properties totalling 723 000 square meters. Gross annual rental income for 2007 is estimated to be NOK 1.06 billion. Unoccupied space is equivalent to approximately 0.7 per cent of gross annual rental income. Average remaining duration of rental contracts is 7.3 years and rental tenants consist principally of larger, well established companies and public sector organisations. The largest 25 properties currently account for 64.2 per cent of total gross annual rental income.

In connection with the acquisition of the IFN portfolio, the company entered into an amended facility agreement on 23 January 2007 ("Amendment Letter 2") with the MLA bank syndicate, which increased the total facility amount to NOK 16 billion. The terms of the amended agreement remain substantially unchanged, other than the lending margin which was reduced to 65 basis points (75 basis points for the Aker Hus facility). Following the acquisition of the IFN portfolio, a total of NOK 10.8 billion had been drawn under the long term syndicate bank loan facility. Undrawn amounts currently total NOK 5.2 billion of which NOK 4.8 billion is available to fund future property acquisitions up to 30 June 2007, on the assumption that the bank syndicate approves the issue of the bond loan described below.

The company, together with the MLA bank syndicate, plans to refinance a significant portion of the syndicated loan facility in the course of 2007. As an element of this refinancing, the company plans to issue a domestic bond loan in the Norwegian bond market for approximately NOK 1.5 billion. The company entered into a mandate agreement with the syndicate banks on 23 January 2007 in this regard. Norwegian Property ASA also entered into a mandate agreement with the same bank syndicate on 15 February 2007, in relation to the planning process for a significant further refinancing of the syndicated loan facility through a securitisation of many of the company's owned properties. The syndicated loan facility shall be reduced by like amounts of refinancing achieved under the planned bond loan and securitisation transactions.

Auditor's report

Clear principles for corporate governance will contribute to strengthening external confidence in Norwegian Property, and to the largest possible value creation over time. Their purpose is to supplement legal requirements in clarifying the division of roles between shareholders, the board of directors and the chief executive.

Corporate governance

Companies listed on the Oslo Stock Exchange are required to provide an annual statement of their principles for corporate governance. Norwegian Property was listed on 15 November 2006 and aims to comply almost entirely with the Norwegian code of practice for corporate governance of 28 November 2006. A presentation of the way the company has organised or plans to organise itself in accordance with this code is provided below.

Norwegian Property launched its business in the second quarter of 2006. During the start-up phase, PricewaterhouseCoopers (PwC) has been hired under contract as the interim administration. Under the terms of the agreement, PwC has been responsible for carrying out administrative tasks and for establishing systems and routines for reporting, accounting and information technology. The company's executive management was recruited during the second half, and this team was in full operation together with certain key administrative roles at 1 January 2007. During the first half of 2007, the company's administration will be fully staffed with 15-20 people.

Values base and ethical guidelines

A common values base is under development and will be entrenched in the organisation. As part of this work, ethical guidelines will also be established for the business. The work is due to be completed during the first quarter of 2007.

Object

The company's object is the management, acquisition, sale and development of commercial property, including participation in other companies as well as businesses which are related to such. The company's full articles of association are available in updated form on its website at www.norwegianproperty.no. Within the framework of its articles, the company has established clear goals and strategies for its business. These are presented in this annual report and on the company's website.

Equity and dividend

Group equity at 31 December 2006 totalled NOK 5 373 million, corresponding to an equity ratio of 31.8 per cent. The board regards this as satisfactory. To optimise the long-term return, the board has a "loan to value" target of borrowing up to 75 per cent of the value of the company's properties. At times when major purchases are made, this debt ratio could be higher. The capital structure is kept under continuous review in light of the company's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector. The dividend policy is described in more detail in the chapter on shareholder information on page 46 in this annual report.

At 31 December 2006, the board was mandated to increase the share capital through private placements, as settlement for property acquisitions or in connection with mergers. The number of shares remaining under this mandate was 8 602 434. The board has undertaken to consult shareholders if shares are to be issued for an overall compensation which exceeds NOK 500 million. This mandate is valid until 30 June 2007. The board is also mandated to buy 3 500 000 of the company's own shares at a price between NOK 10 and NOK 400. This mandate has not been utilised so far, and expires on 30 June 2007.

Equal treatment of shareholders and transactions with close associates

Norwegian Property has one share class with equal rights, and its articles contain no voting restrictions.

The board and the executive management are concerned to ensure equal treatment of all shareholders and that transactions with close associates take place on an arm's-length basis. In connection with the creation of Norwegian Property, the company acquired properties with a total value of NOK 2 984 million from the Anders Wilhelmsen group. It also acquired properties with a total value of NOK 1 295 from companies controlled by Torstein Tvenge and his family. Through these transactions, the Anders Wilhelmsen group and companies controlled by Tvenge became shareholders in the company. The Anders Wilhelmsen group and Tvenge are now represented on the board of Norwegian Property. These properties were valued by independent assessors and the transactions/share issue approved by the general meeting of Norwegian Property,

Note 23 to the group accounts details transactions with close associates, including property transactions in which shares have been used for partial settlement, management agreements with companies controlled by shareholders in Norwegian Property, and agreements on leasing premises to companies controlled by shareholders in Norwegian Property.

The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest. The directors have also undertaken to ensure that they or their close associates do not involve themselves in projects relating to the purchase or sale of real property which could compete or come into conflict with the company's business without the approval of the board given at a board meeting.

Free negotiability

The articles of association impose no restrictions on the negotiability of Norwegian Property's shares, and the share is freely negotiable on the Oslo Stock Exchange.

General meeting

The company has not held a general meeting since it secured a stock market listing.

The general meeting is the company's ultimate authority. The board will see to it that general meeting becomes an effective forum for the company's shareholders.

Notice of the general meeting will be issued at least two weeks before it is due to be held. The notice will be accompanied by documentation which provides the shareholders with the necessary background information concerning the items on the agenda. Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline, which will not expire earlier than five days before the meeting. Shareholders who cannot attend in person are encourage to appoint a proxy. Instructing how the proxy should vote on each item on the agenda will be facilitated.

The board sets the agenda for the general meeting. Directors, members of the nomination committee and the auditor will attend the annual general meeting. The chief executive and chief financial officer will also be in attendance.

Nomination committee

Pursuant to the company's articles of association as adopted at the extraordinary general meeting of 4 October 2006, Norwegian Property will have a nomination comprising two or three members. The first election to the nomination committee will take place at the AGM in May 2007. Members of the nomination committee are elected for two-year terms. The nomination committee will nominate directors and recommend their remuneration. Recommendations by the nomination committee will reflect the desire to take account of the interests of the shareholders in general.

Board of directors, composition and independence

Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has six shareholder-elected directors, of whom two are women.

Directors and the chair of the board are elected by the general meeting for two-year terms.

The board's composition is intended to ensure a broad business and management background, while its members collectively have an in-depth understanding of the property market, merger and acquisition activities, financing and capital markets. The background and experience of directors is presented in a separate section of this annual report and on the company's website.

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. More than half the directors are independent of the company's executive management or significant commercial partners. Four of the six directors are independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares).

Director Jostein Devold represents shareholders controlling 16.3 per cent of the company's shares, while director Tvenge controls 8.12 per cent of the company's shares through family-owned companies (at 31 December 2006).

Director Hege Bomark is married to Mads H Syversen, country manager at SEB Norway and president of SEB Enskilda. SEB Norway participates in Norwegian Property's syndicated credit facility and has provided the company with substantial loans. SEB Enskilda was the global coordinator for Norwegian Property's stock market listing, and functions in other contexts as a financial adviser to the company.

As mentioned above, directors who are shareholders or represent major shareholders are duty-bound to refrain from engaging in activities which could conflict with the company's interests.

Note 12 to the group accounts reports on shares owned by directors at 31 December 2006. This information is updated continuously on the company's website.

Work of the board

The board has overall responsibility for managing the group and for supervising the executive management 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 has been adopted by the board.

The board has drawn up instructions for the chief executive. A clear division of labour has been established between the board and the executive management. 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 has not given any consideration so far to the desirability or necessity of appointing sub-committees to deal with individual matters.

The board has established an annual plan for its meetings, and evaluates its work and expertise once a year.

Risk management and internal control

Overall goals and strategies are established and further developed through a continuous updating of Norwegian Property's strategy. The executive management and the board are currently pursuing a process to establish a values base and ethical guidelines.

On the basis of this strategy, and of the work on the values base and ethical guidelines, instructions have been established for the board as well as policies in important areas such as finance and accounting. Policies for other important areas are under preparation. A matrix has also been prepared for delegation of responsibility to defined roles in the organisation.

Governing processes have been established on the basis of these policies in important areas.

The board will annually review the company's most important risk areas and its internal control.

Remuneration of the board

Directors' fees are determined by the general meeting. At an extraordinary general meeting on 4 October 2006, principles were adopted for remuneration of directors. Ordinary remuneration is determined pro rata in accordance with the period of service, based on annual fees of NOK 300 000 for the chair and NOK 200 000 for other directors. As compensation for a heavy workload in connection with the start-up and listing of the company, the same general meeting resolved that the chair should receive an additional fee of NOK 300 000 and each of the ordinary directors an additional fee of NOK 150 000. No options have been awarded to directors. No directors have undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments unless this has been resolved by the board and approved by the general meeting in each case.

Remuneration of senior executives

Remuneration of the company's senior executives comprises ordinary salary and fringe benefits such as car provision, pension and insurance. The pay and other remuneration of senior executives in 2006 are reported in note 17 to the group annual accounts. Pay and other remuneration of the chief executive are determined by the board.

All senior executives have individual bonus schemes related to value drivers which influence the company's value development, and which are thereby expected to yield progress for the company's share. The bonus scheme has a maximum ceiling set individually for each senior executive, and pays 30-50 per cent of ordinary salary. The company's senior executives are not covered by option programmes. Guidelines on remuneration of senior executives will be presented to the general meeting.

Information and communication

All reporting of financial and other information will be timely and accurate, and simultaneously based on openness and equal treatment of players in the securities market. Information will take the form of annual and interim reports, press releases, stock market announcements and investor presentations. All information of significance for valuing the company will be distributed via the Oslo Stock Exchange's reporting system. Immediately after publication in this way, the information will also be made available on the company's website – where it is also possible to subscribe to announcements. The main purpose of information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors. Norwegian Property's ambition is to have an open and proactive investor relations policy.

Important dates for the AGM, interim reports and the right to dividend are published on the company's website.

The instructions for the company's board provide more detailed guidelines on information and communication.

Takeovers

The company's articles of association place no restrictions on buying shares in the company. The company is in the process of establishing principles for the way it intends to respond to possible takeover bids.

Auditor

The ambition of the board of Norwegian Property is that the auditor

- will present the main features of the audit work once a year
- attends board meetings considering the annual report when significant changes in accounting principles, assessment of significant accounting estimates and possible disagreements between auditor and executive management arise.
- will conduct an annual review together with the board of the company's internal control systems
- holds an annual meeting with the board without the presence of the executive management
- confirms once a year in writing that the requirements for the auditor's independence are fulfilled, and provides an overview of services other than auditing which have been rendered to the company.

The use of the auditor for assignments other than ordinary auditing services must be considered and approved by the board.

Norwegian Property was created in 2006, and its share was traded from the summer of that year on Norway's OTC market. The company received a listing on the Oslo Stock Exchange, with the share traded for the first time on 15 November 2006. Norwegian Property carried out several share issues at a price of NOK 50.00 from May to October 2006 in connection with property purchases and an expansion in the company's equity. In connection with the listing, an initial public offering of 25 million shares was made at a price of NOK 53.50. The closing price on the first day of trading on 15 November was NOK 57.75, while the closing price on the Oslo Stock Exchange on 31 December was NOK 65.00.

Share and shareholders

Dividend policy

Norwegian Property's ambition is to give its shareholders a high and stable return on their investment in the company through a combination of rising value and dividend.

The company wants its annual dividend to be competitive, predictable and higher than average for the property sector. The goal is that dividend will represent four-six per cent of paid-in equity and at least 50 per cent of the annual net profit (when account has been taken of profit and loss items without cash flow effect). For 2006, the board will propose to the company's AGM that a dividend of NOK 2.50 per share be paid. The AGM will take place on 4 May 2007, and dividend will be paid to shareholders included in the share registry at that date.

Shareholder structure

Norwegian Property had 913 registered shareholders at 31 December, of whom 151 were foreign citizens. The company's largest shareholder at 31 December is presented in a separate overview.

Investor relations

Norwegian Property has a goal of ensuring a broad shareholder base and high liquidity for the share. The company accordingly places great emphasis on making all price-relevant information available to the market at the right time, and the management works consciously to ensure an open and active dialogue with investors and other parts of the financial market. Results are reported quarterly and in accordance with the company's financial calendar. In connection with the publication od its annual and interim reports, Norwegian Property normally holds presentations for shareholders, brokers, analysts and the press. The company also maintains a continuous dialogue with investors and analysts. Its website provides an overview of analysts who monitor the company's shares.

Capital expansions in 2006

Date	Form of issue	Issue price (NOK)	No of new shares	No of shares after expansion
22.05.06	Private cash placement	50.00	35 000 000	35 000 000
22.05.06	Private placement	50.00	6 500 000	41 500 000
22.05.06	Settlement property purchase	50.00	20 354 122	61 854 122
21.06.06	Settlement property purchase	50.00	1 844 000	63 698 122
04.07.06	Settlement property purchase	50.00	14 807	63 712 929
18.07.06	Private cash placement	50.00	6 000 000	69 712 929
28.08.06	Settlement property purchase	50.00	800 000	70 512 929
28.08.06	Settlement property purchase	50.00	1 000 000	71 512 929
16.10.06	Settlement property purchase	50.00	2 000 000	73 512 929
14.11.06	Private cash placement	53.50	22 545 455	96 058 384
05.12.06	Green shoe issue	53.50	2 454 545	98 512 929

20 largest shareholders at 31 December 2006

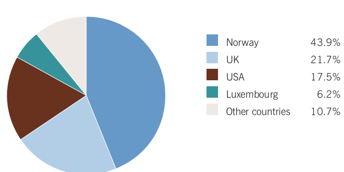
Largest shareholders	Country	No of shares	Ownership
A. Wilhelmsen Capital AS	NO	12 087 000	12.27%
State Street Bank and Trust Co. (nom)	USA	4 726 472	4.80%
Fram Holding AS	NO	4 000 000	4.06%
Fram Realinvest AS	NO	4 000 000	4.06%
Credit Suisse Securities	GB	3 568 202	3.62%
Morgan Stanley & Co. Inc. (nom)	GB	3 302 227	3.35%
Vital Forsikring ASA	NO	3 228 700	3.28%
Bank of New York, Brussels Branch	BE	3 223 695	3.27%
Aweco Invest AS	NO	2 870 282	2.91%
Mellon Bank AS, Agent for ABN Amro (nom)	USA	2 767 058	2.81%
Morgan Stanley & Co. Inc.	GB	2 594 864	2.63%
Orkla ASA	NO	1 887 400	1.92%
Lani Development AS	NO	1 800 000	1.83%
BNP Paribas Sec. Services London (nom)	FR	1 750 000	1.78%
Fortis Bank Lucembourg S.A.	LUX	1 705 268	1.73%
Goldman Sachs International (nom)	GB	1 665 338	1.69%
Opplysningsvesenets Fond	NO	1 654 931	1.68%
Deutsche Bank AG London (nom)	GB	1 620 866	1.65%
Investors Bank & Trust Company (nom)	USA	1 389 434	1.41%
Mellon Bank AS Agent for clients (nom)	USA	1 239 244	1.26%
Other shareholders		37 431 948	38.00%
Total number of shares at 31 Dec 06		98 512 929	100.00%

Key figures

Key figures share	
Closing price 31 Dec 06	65.00
Highest price, Oslo Stock Exchange	66.00
Lowest price, Oslo Stock Exchange	55.50
Earnings per share (NOK)	5.14
Book equity per share	54.09
Proposed dividend per share	2.50
Issued shares, average, 1 000	75 744
Issued shares at 31 Dec 06, 1 000	98 513
Stock market value at 31 Dec 06, NOK mill	6 403
Registered shareholders at 31 Dec 06	913

The financial calendar can be found on page 5 of this annual report

Shareholders at 31 December 2006 – by country



Norwegian Property's principal strategy is to buy, develop and own high-quality commercial properties in good locations. The company's ambition is to achieve the highest possible value creation through efficient management of its properties and by exploiting the development potential offered by the portfolio. Purchase and sale of properties will be a natural part of the company's work in creating the highest possible value.

Analytical information

The properties

The group owned 55 properties with a combined area of 723 000 sq.m at 31 December 2006. This figure includes 11 properties in Nydalen and two at Økern where the purchase contract was concluded before 31 December but formal transfer occurred in January 2007. Other key figures for the portfolio are presented in the table below.

Key figures, property portfolio (incl INF portfolio)

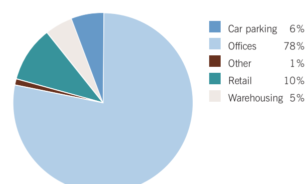
Number of properties	55
Total area, sq.m	722 542
Average size of properties, sq.m	13 137
Market value, NOK mill	18 056
Gross rental income, NOK mill	1 064
Estimated yearly property costs, NOK mill	61
Net rental income, NOK mill	1 003
Gross yield, %	5.9%
Net yield, %	5.6%
Average lease term, years	7.3
Average consumer price index adjustment, %	96%
Vacancy (% of gross rental income)	0.8%

Rental income

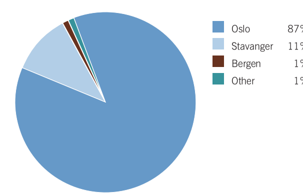
Following the acquisition of the IFN portfolio, gross annual rental income totals NOK 1 064 million. Norwegian Property concentrates primarily on office properties, and office space accounts for 78 per cent of gross rental income. Geographically, the focus is on Oslo and Stavanger. Properties in these two cities account for 98% of the portfolio's market value.

Norwegian Property seeks a balanced expiry profile for its leases. Long leases provide secure long-term cash flow, while shorter contracts offer opportunities for faster adjustment to the present rise in market rents. The average remaining term of the company's leases is 7.3 years, and the accumulated expiry profile for the portfolio is illustrated in the table.

Gross rental income by category



Property location by market value



Tenants

Norwegian Property's ambition is to have a diversified structure of high-quality tenants to minimise the risk of defaults and cancellation of leases. The 25 largest tenants account for 64.2 per cent of gross rental income, and largely embrace highly creditworthy companies or public institutions. Exposure to different sectors is well diversified and is shown by the figure below.

Market risk

The group's biggest market risk is a decline in rental income as a result of reduced rents or increased vacancy in the property portfolio. It seeks to reduce this risk by investing in high-quality properties in attractive locations.

Market

Oslo

The market for commercial property in Oslo is good. Employment increased by 22 000 people in 2006, and generally good times indicate that demand for space will be high over the next few years. The current level of demand reflects increased employment and the desire to secure room for expansion.

New space was in short supply last year. Based on construction starts, probable projects and estimates of possible projects, the supply of new space will remain limited in 2007 and 2008.

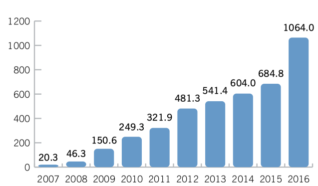
Total vacancies in Oslo declined during 2006 from seven-eight per cent to just over six per cent. The proportion of vacant properties in central districts – Vika, inner zone west and Skøyen – is considerably lower.

Eiendomsspar conducts an annual analysis (Oslo Study 2007) of the market for office buildings in Oslo, Asker and Bærum. This assessment indicates that vacancies will continue to decline in 2007 and could first start to grow again in 2009. That provides the basis for a continued rise in rents.

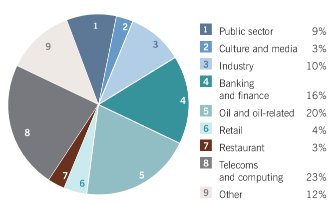
Stavanger

Vacant property is also very low in Stavanger, including the Forus area, and on a par with central districts in Oslo. Pressure on rising rents is also strong in Stavanger.

Accumulated expiry of leases based on gross rental income



Gross rental income by sector



Property overview

Property	Office	Retail/ restau- rant	Ware- house	Indoor car park	Other	Total	Vacancy	KPI adjust- ment	Duration	Gross rents
	Properties – Area breakdown, sq.m						Rents			
OSLO/AKERSHUS										
CBD/Skøyen										
Aker Brygge - total	30 012	23 289	1 789	1 302	1 103	57 495	0.0%	100%	3.5	149.4
Drammensveien 134 – building 2-5 *	21 846	0	1 214	4 625	0	27 685	0.0%	100%	3.4	39.3
Drammensveien 134 – building 1og 6	14 643	1 207	1 616	3 195	0	20 661	0.0%	100%	10.6	40.4
Drammensveien 144	9 150	0	148	1 450	107	10 855	0.0%	100%	11.9	18.0
Drammensveien 149	10 433	0	2 044	3 980	0	16 457	10.9%	100%	4.6	22.7
Drammensveien 60	8 593	797	1 483	0	0	10 873	0.0%	100%	8.6	19.5
Grev Wedels plass 9	16 405	2 601	83	5 589	3 621	28 299	0.0%	100%	6.4	44.0
Ibsenkvartalet (C.J. Hambros plass 2)	31 872	1 713	2 938	0	1 624	38 147	0.0%	100%	7.7	64.1
Hovfaret 11	4 377	0	569	0	694	5 640	0.0%	100%	12.1	10.6
Nedre Skøyen vei 24	3 630	0	696	0	520	4 846	0.0%	100%	12.1	8.6
Nedre Skøyen vei 26 a-e	11 444	0	1 093	1 234	3 850	17 621	0.0%	100%	12.1	34.0
Nedre Skøyen vei 26 f	8 767	0	0	4 235	497	13 499	0.0%	100%	12.1	22.4
Stortingsgaten 6 (99%)	5 084	851	242	0	0	6 177	0.0%	100%	5.9	20.3
Total CBD/Skøyen	**176 255**	**30 458**	**13 915**	**25 610**	**12 016**	**258 254**	**0.6%**	**100%**	**6.8**	**493.5**

(*) Area includes parking rights in building 6.

Property	Office	Retail/ restau- rant	Ware- house	Indoor car park	Other	Total	Vacancy	KPI adjust- ment	Duration	Gross rents
Oslo West/Lysaker/Fornebu										
Aker Hus (Snarøyveien)	35 556	0	0	18 089	4 698	58 343	0.0%	100%	12.1	77.9
Forskningsveien 2	19 902	0	0	4 106	0	24 008	0.0%	100%	12.5	38.1
Lysaker Torg 35	14 422	0	412	7 100	0	21 934	0.0%	100%	5.7	38.5
Magnus Poulssons vei 7	5 357	0	0	1 861	0	7 218	0.0%	100%	8.4	9.8
Middelthunsgate 17	26 847	0	3 472	3 000	0	33 319	0.0%	100%	7.0	43.8
Oksenøyveien 3	10 200	0	0	2 700	0	12 900	0.0%	100%	5.4	16.5
Total Oslo West/Lysaker/ Fornebu	**112 284**	**0**	**3 884**	**36 856**	**4 698**	**157 722**	**0.0%**	**100%**	**9.4**	**224.6**
Nydalen										
Gjerdrums vei 8	8 158	0	109	2 389	0	10 656	7.1%	96%	5.0	11.5
Gjerdrums vei 10 D	2 052	0	0	0	0	2 052	12.3%	100%	7.9	2.4
Gjerdrums vei 14	634	0	812	0	0	1 446	0.0%	100%	3.0	1.4
Gjerdrums vei 16	4 224	0	757	3 172	0	8 153	0.0%	97%	5.0	7.3
Gjerdrums vei 17	803	0	0	0	0	803	0.0%	100%	6.0	1.3
Gullhaug Torg 3	7 868	0	0	0	0	7 868	0.0%	100%	6.9	9.4
Gullhaugveien 9-13	23 652	0	7 077	6 031	0	36 760	6.9%	100%	4.7	38.2
Maridalsveien 323	11 646	0	2 600	5 573	1 096	20 915	3.2%	100%	14.3	26.2

Property	Office	Retail/ restau- rant	Ware- house	Indoor car park	Other	Total	Vacancy	KPI adjust- ment	Duration	Gross rents
	Properties – Area breakdown, sq.m						Rents			
Nydalsveien 15	3 001	750	85	0	0	3 836	0.0%	100%	10.5	5.9
Nydalsveien 17	0	1 560	0	0	0	1 560	0.0%	100%	18.3	3.4
Sandakerveien 130	6 520	0	0	3 560	0	10 080	0.0%	100%	4.4	14.7
Total Nydalen	**68 558**	**2 310**	**11 440**	**20 725**	**1 096**	**104 129**	**4.1%**	**99%**	**5.5**	**121.5**
Oslo North/East										
Kolstadgaten 1	5 479	0	0	0	0	5 479	0.0%	75%	3.6	8.6
Oslo Airport Gardermoen	0	0	0	0	20 976	20 976	0.0%	100%	12.9	23.8
Økernveien 9	12 761	0	0	0	0	12 761	0.0%	100%	8.4	17.0
Østre Aker vei 20	6 163	0	666	1 203	0	8 032	0.0%	75%	2.1	8.0
Østre Aker vei 22	2 339	0	1 637	0	0	3 976	1.6%	92%	3.0	4.1
Total Oslo North / East	**26 742**	**0**	**2 303**	**1 203**	**20 976**	**51 224**	**0.1%**	**93%**	**8.3**	**61.5**
TOTAL OSLO / AKERSHUS	**383 839**	**32 768**	**31 542**	**84 394**	**38 786**	**571 329**	**0.9%**	**99%**	**7.4**	**901.0**
STAVANGER										
CBD										
Badehusgaten 33-39	12 973	0	2 540	2 315	3 700	21 528	0.0%	70%	2.8	22.7
Nedre Holmegate 30-34	3 054	1 023	0	1 173	0	5 250	0.0%	100%	6.0	4.6
Forus/Airport										
Forusbeen 35	17 674	0	0	3 750	0	21 424	0.0%	100%	8.6	25.9
Grenseveien 19	5 390	0	0	0	1	5 391	0.0%	53%	1.3	6.4
Grenseveien 21	27 721	0	0	0	0	27 721	0.0%	50%	5.3	29.4
Maskinveien 32	5 086	0	0	0	0	5 086	0.0%	100%	6.1	5.0
Strandsvingen 10	2 059	0	0	0	0	2 059	0.0%	80%	7.2	2.9
Svanholmen 2	2 883	6 580	0	0	0	9 463	6.3%	100%	8.7	8.7
Sandnes										
Elvegaten 25	5 583	0	0	0	0	5 583	0.0%	70%	3.9	7.7
Mauritz Kartevolds plass 1	3 610	0	0	0	0	3 610	0.0%	70%	12.9	3.2
Stavanger - other										
Finnestadveien 44	21 832	200	0	0	0	22 032	0.0%	100%	11.0	29.0
Total Stavanger	**107 865**	**7 803**	**2 540**	**7 238**	**3 701**	**129 147**	**0.5%**	**81%**	**6.8**	**145.6**
BERGEN										
Kokstadveien 23	8 600	0	0	0	13 466	22 066	0.0%	50%	4.6	17.3
Total Bergen	**8 600**	**0**	**0**	**0**	**13 466**	**22 066**	**0.0%**	**50%**	**4.6**	**17.3**
TOTAL	**500 304**	**40 571**	**34 082**	**91 632**	**55 953**	**722 542**	**0.8%**	**96%**	**7.3**	**1 064.0**

Financial strategy

Norwegian Property operates in a capital-intensive sector, where the choice of financial strategy is very important. A key element in the group's financial strategy is to maximise the long-term return on equity. At the same time, it is important for the group to have a capital adequacy which provides the basis for long-term stability and a financial foundation for operational freedom of action in the purchase and sale of properties.

Financial risk

Norwegian Property's financial risks relate primarily to changes in equity caused by alterations in the value of the property portfolio, the effect of interest rate changes on profits, and the liquidity risk associated with refinancing the company's debt.

Interest rate risk

The group's interest rate regulation profile is tailored continuously, through the use of financial derivatives, to prevailing interest rate expectations and the company's fixed interest rates. Group policy is to hedge at least 70 per cent of its interest rate exposure.

A summary of the company's interest rate hedging profile is provided in the table below, which also shows the status at 31 January 2007 following the formal takeover of the INF portfolio.

The high hedging ratio means that the group's financial expenses are only affected to a limited extent by changes in the short-term money market interest rates. A rise of one per cent in three-month Nibor would boost financial expenses by NOK 24 million, corresponding to an 0.19 per cent increase in the group's average interest rate to 5.24 per cent.

Group debt with short-term fixed interest rates normally has a fixed interest period of three months, so that interest rate changes would not have immediate effect.

Financing sources

Norwegian Property is a recently-created company. Its financing was initially based on a syndicated credit facility provided by the company's four principal banks – DnB Nor, Nordea, SEB and Danske Bank. This syndi-

Key figures for interest hedging by the group

NOK mill	31 Dec 06	31 Jan 07*
Total interest-bearing debt	10 978	12 626
- of which hedged	9 943	10 191
Hedging ratio	91%	81%
Average term, interest rate hedges	6.2	6.1
Average term, loans	7.0	6.9
Average interest rate	5.16%	5.05%
Average loan margin	0.76%	0.63%

(*) After the acquisition of the IFN portfolio

cated facility still represents a large proportion of the company's total borrowing.

To ensure competitive terms and optimum loan financing, the company has initiated a refinancing process in cooperation with its four main banks. Norwegian Property's plans include using the Norwegian bond market for partial financing of its properties. The company will also initiate a process to finance part of its debt by securitising property portfolios in the European bond market.

Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. It has initially set a debt ratio of 75 per cent of the fair value of the properties, but this proportion is kept under continuous assessment. The equity ratio at 31 December was 31.8 per cent.

Group liquidity totalled NOK 1 252.5 million at 31 December. The company's available liquidity should be sufficient to cover on-going operational requirements, but a liquidity position which provides the financial freedom of action to exploit interesting investment opportunities is also a company ambition.

Value of the property portfolio

The company's properties, with the exception of the Aker House development property, are valued continuously at fair value as investment properties.

Fair value of the investment properties is determined by discounting cash flows related to existing leases and expected market rents at the expiry of these leases. Risk-adjusted required rates of return are used as the discount factor. The value of the properties is adjusted for expected current costs, maintenance requirements and the need to upgrade after the expiry of a lease. Assessments are also made of the expected period of vacancy after the expiry of the lease.

The portfolio (including the IFN portfolio and assuming that Aker House is completed) is valued at NOK 18 056 million in total. This corresponds to a gross yield of 5.9 per cent based on a current gross rental income of NOK 1 064 million. The most important parameter for assessing the value of the properties is existing lease-based rental income, market rents and yield requirements. The yield requirement is influenced in turn by long-term market interest rates and investor requirements for a rate of return over and above market interest rates.

Board of directors

of Norwegian Property ASA

Knut Brundtland

Chair

Brundtland (born 1961) has a law degree and was previously a partner with the BAHR law firm, with corporate finance as his speciality. He has worked as a professional company director since January 2005, and became chair of the Norwegian Property board in April 2006.

He is chair of Bluewater Insurance ASA, Contopronto AS, Youngstorvet Eiendom AS, Creditsafe Business Information, Contexvision AB, VANN ASA, VOSS of Norway AS, Try AS and Futuris Asset Management AB, and a director of Bergesen World Wide Gas ASA, Revus ASA, LeasePlan Norway AS, Astrup Fearnley Museum of Modern Art and the Office for Contemporary Art Norway (OCA). In addition, he chairs the finance committee of the Norwegian Labour Party.

Brundtland owned 200 000 shares and 0 options in Norwegian Property at 31 December 2006.

Jostein Devold

Director

Devold (born 1960) is vice president investment at Aweco Invest AS, an investment company affiliated with Anders Wilhelmsen group. He was previously investment vice president for Rasmussengruppen AS, with corporate finance at Saga Securities AS and with the Ministry of Finance. With an MSc in business economics from the Norwegian School of Economics and Business Administration, Devold has been a director of Norwegian Property since April 2006. He is a director of Expert ASA, Leif Hübert Stål AS and NOAH AS, and a member of the corporate assembly of Telenor ASA. Devold was previously a director of the Avantor ASA and Industrifinans Næringseiendom ASA property companies.

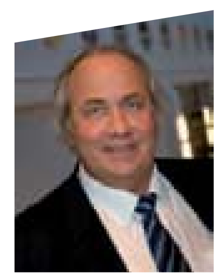
Devold owned 0 shares and 0 options in Norwegian Property at 31 December 2006.

Torstein I Tvenge

Director

Tvenge (born 1952) is president of Fram Management. He has developed a large number of property projects over the past 30 years, and ranks today as one of Norway's largest property investors. With additional experience from IT, wine importing, fish farming and tourism, he holds a degree in marketing from the Norwegian School of Management. Tvenge has been a director of Norwegian Property since April 2006. He is also a director of Avishuset Dagbladet, Solera AS and a number of privately-owned companies.

Tvenge owned 8 000 000 shares (family-controlled companies) and 0 options in Norwegian Property at 31 December 2006.

Egil K Sundbye
Director

Sundbye (born 1945) has 37 years of experience from leading positions in the public and private sectors. He has largely worked with investment in and management of property, and with financial investments. He has been president of the Norwegian State Church Endowment Fund since 2001. Sundbye has a business economics degree from the University of California at Los Angeles (UCLA). He has been a director of Norwegian Property since April 2006.

Sundbye owned 1 000 shares and 0 options in Norwegian Property at 31 December 2006.

Hege Bømark
Director

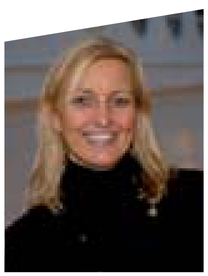
Bømark (born 1963) has been a financial analyst at Orkla Finans (Fondsmegling) AS and Fearnley Finans (Fondsmegling) AS, with property as one of her specialities. She has also been involved in a number of company creations, listings and restructurings in the property sector. As a project manager at AS Eiendomsutvikling, Bømark was involved in the syndication of property projects and organising the market for share trading. She has an MSc in business economics from the Norwegian School of Economics and Business Administration. Bømark has been a director of Norwegian Property since November 2006. She is deputy chair of Block Watne Gruppen and Norgani, and a director of Block Watne AS.

Bømark owned 0 shares and 0 options in Norwegian Property at 31 December 2006.

Karen Helene Ulltveit-Moe
Director

Ulltveit-Moe (born 1967) is professor of international economics in the department of economics at the University of Oslo. She has a BSc in business economics from the University of Mannheim and took a PhD in economics at the Norwegian School of Economics and Business Administration. Ulltveit-Moe has been a member of various official commissions, including the Skaugen commission on taxation. She has been a director of Norwegian Property since November 2006. Ulltveit-Moe is also a director of the listed companies REC, IM Skaugen and Kverneland, a member of the board of representatives of Storebrand, and a member of the corporate assembly of Norsk Hydro.

Ulltveit-Moe owned 0 shares and 0 options in Norwegian Property at 31 December 2006.


Norwegian Property's management team

Petter Jansen
President and CEO

Jansen was president of SAS Braathens until June 2006, and previously executive vice president for personal customers at DnB and a vice president at Postbanken from 1996 to 2004. He was also head of Oslo's former Fornebu airport in 1993-96, and has held a number of leading position in the Norwegian defence forces. Jansen's education includes the War College and the Army Staff College. He studied at the Deference College in Sweden, in parallel with studies at Östersund School of Economics in 1986-88. He also took the senior executive programme at the London Business School in 2003.

Shares owned in NPRO: 40 000

Svein Hov Skjelle
Vice president and Chief financial officer

Skjelle was president of Telecomputing Norge in 2004-06, and served as CFO of the TeleComputing group for just over two years from May 2003. He was acting chief executive for a period. In 1998-2003, Skjelle was financial manager and later vice president finance in Merkantildata (now Ementor). His professional experience also includes six years in Veidekke to 1997, ending as finance manager. He took an MSc in business economics at the Norwegian School of Economics and Business Administration in 1990. In 1998, he qualified as an authorised financial analyst (AFA) from the same school.

Shares owned in NPRO: 5 000

Aili Klami
Vice president sales and marketing

Klami was vice president sales for the Avantor property company from 2002-06, and has substantial experience from the property sector. Earlier posts with the same company included marketing manager and head of the administration department. She was at Avantor for 10 years, and before that with former property company Nydalens Compagnie. Klami studied at the Norwegian School of Management and has taken a number of courses on property administration, management and sales.
Shares owned in NPRO: 0

Dag Fladby
Vice president and Chief investment officer

Fladby was previously senior vice president at Altia Corporation Oy, where he was responsible from August 2005 for the group's business development. Before that, he was one of the key people involved in building up Scandinavian Beverage Group (SBG). Fladby joined the company in 1995 and was its chief executive when it was sold to Altia Corporation at the end of 2004 after a successful period of growth. He has an MSc in business and marketing from the Norwegian School of Management in Oslo in 1993.
Shares owned in NPRO: 4 000

Mona Ingebrigtsen
Vice president and Chief operating officer

Ingebrigtsen was president of NCC Property Development in 2004-06, and its development manager/vice president from 1997-2004. She has almost 20 years of experience in the property sector, including regional manager for the property section at Christiania Bank og Kredittkasse, a property manager at Vital Forsikring AS and Andenæs Eiendom, and a project manager (property development) at Nielsen-Nielsen AS. Ingebrigtsen received an MSc in civil engineering from the Norwegian University of Science and Technology (NTNU) in Trondheim in 1984. She has also studied business economics and took an MSc in strategic management at the Norwegian School of Economics and business administration. Ingebrigtsen is a member of the board of the Norwegian Commercial Property Association and in Scandinavian Property Development ASA.
Shares owned in NPRO: 0

NORWEGIAN PROPERTY

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Appendix 5: Annual report for 2005 with auditors statement

TEKÅGEL INVEST 83 AS

Profit and Loss Account pr 31 December

Operating revenues and operating costs	**Note**	**2005**
Other operating costs		140
Total operating costs		**140**
Operating result		**-140**
Financial income and financial costs		
Other interest income		30
Result of financial items		**30**
Result before tax		-110
Ordinary result		**-110**
Extraordinary income and costs		
Annual profit (annual loss)		**-110**
Transfers		
Transfers to uncovered loss		110
Total transfers		**-110**

TEKÅGEL INVEST 83 AS

Annual report 2005

Nature of business
The company was incorporated 20 July 2005 with the purpose to trade and invest in real estate, securities and other wealth instruments like involvement in other companies. The business office is located in Oslo.

Going concern/position/development
The accounts have been prepared on a going concern basis. The board does not recognise any contra dictionary circumstances to the going concern basis.

There has not been any activity in the company since incorporation. Equity is 100%.

Working environment/ equal opportunities
The company has no employees. The board consists of 1 member, no women.

External environment
The company does not pollute the external environment.

Oslo, 20 April 2006
For the board in Tekågel Invest 83 AS

Sverre Koch
Chairman

TEKÅGEL INVEST 83 AS

Balance Sheet pr 31 December

	Note	2005
ASSETS		
Current assets		
Bank deposits		104 390
Total current assets		**104 390**
TOTAL ASSETS		**104 390**
EQUITY AND LIABILITIES		
Paid-in equity		
Share capital 1 000 at 100	2	100 000
Share premium reserve		4 500
Total paid-in equity		**104 500**
Earned equity		
Uncovered losses		-110
Total earned equity		**-110**
Total equity		**104 390**
TOTAL EQUITY AND DEBT		**104 390**

OSLO, 20 April 2006

Sverre Koch
Chairman

TEKÅGEL INVEST 83 AS

Notes to the accounts for 2006

Note 1- Accounting principles

The annual accounts have been prepared in accordance with the Accounting Act. It has been prepared after Norwegian accounting standards and good accounting practice.

Fixed assets comprise assets intended for long-term ownership and use. Other assets are classified as current assets. Receivables that fall due for payment within one year are classified as current assets. Liabilities that fall due within a year are classified as short term liabilities.

Fixed assets are valued at acquisition cost and written down to actual value in the event of a fall in value that is expected not to be temporary. Current assets are valued at the lower of acquisition cost and estimated actual value.

Customer receivables and other receivables are entered at par value after a deduction for a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the relevant receivables. In addition, an unspecified provision is made to cover the general risk of losses.

Note 2- Equity capital

	Share capital	Share premium reserve	Uncovered losses	TOTAL
Equity at incorporation	100 000	4 000		104 000
Returned establishment expenses		500		500
Year's result			-110	-110
Equity at 31 December 2005	100 000	4 500	-110	104 390

The company was incorporated 20 July 2005

The company's share capital of NOK 100,000 is divided into 1,000 shares at NOK 100 per share. Each and all of the shares per 31.12.2005 are owned by Thommesen Krefting Greve Lund AS

The chairman of the board is a shareholder in Thommesen Krefting Greve Lund AS

Note 3-Taxes

Tax is charges as expense when they accrue, i.e. the tax cost is related to accounting profit before taxes. The tax charge comprises both tax payable for the period (tax on the current year's tax base) and the change in deferred tax. The tax charge is distributed between ordinary and extraordinary result according to the tax base.

	2005
Result before tax	(110)
Permanent differences	(15 500)
Change in temporary differences	0
Taxes payable, 28%	(15 610)
Calculation of delayed taxes	
Temporary differences	
Fixed assets	0
Current assets	0
Accumulated tax deficit	(15 610)
Basis for temporary differences	(15 610)
Delayed taxes	(4 371)

Delayed taxes are not taken into the balance sheet.

Tax payable	
Tax payable on the year's result	0
Change in delayed taxes	0
Taxes payable	0

Note 4- Employees, salary and remuneration

The company had no employees during the accounting year. No salary or other remuneration was paid to the Board. No fee expenses to the auditor have been charged for the year 2005

In connection with the incorporation of the company, assistance from the auditor amounts to NOK 1 600 excl. VAT.

To the Annual Shareholders' Meeting of
TEKÅGEL INVEST 83 AS

AUDITOR'S REPORT FOR 2005

We have audited the annual financial statements of the Tekågel Invest 83 AS as of 31 December 2005, showing a loss of NOK 110 for the company. We also have audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The company's financial statements comprise the balance sheet and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den Norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- The financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2005, and the results of its operations in accordance with good accounting practice in Norway
- The Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- The information in the Board of Directors' report concerning the financial statements, and the going concern assumption are consistent with the financial statements and comply with the law and regulations.

Oslo, 20 April 2006
NORAUDIT DA

Vidar Øyslebø
State Authorized Public Accountant

Appendix 6: Annual reports for 2005-2007 for Norgani Hotels

norgani

ANNUAL REPORT
2005

CONTENTS

2005 – at a glance

HIGHLIGHTS

- Norgani's start-up year successfully completed and Norgani is now positioned as the largest Nordic hotel property company
- A total of 64 hotels, 61 taken over in 2005 and 3 to be taken over in 2006 - 10 515 rooms, 4.3% of all rooms in the Nordic region
- Portfolio average lease contract duration of 9.1 years with sellers minimum rent guarantees for 5.3 years
- Positive market development - RevPAR increased by 6% in the Nordic region in 2005
- Norgani listed at the Oslo Stock Exchange on 16 November 2005 - targets high free float and active Investor Relations
- Gain from value adjustments of the investment property portfolio of NOK 200 million in 2005 - the total market value of the portfolio at year end was NOK 6 523 million
- The Board proposes no dividend for the start-up year 2005 but maintains the target of a 50% payout ratio for the future

KEY FIGURES		2005
Gross rent	NOKM	135.6
- Of which is guarantee rent	%	5.1
Operating profit	NOKM	293.1
Operating profit excl. gain from fair value adjustments	NOKM	93.4
Profit before tax	NOKM	234.9
Net profit	NOKM	225.1
Market value adjusted portfolio	NOKM	6 523
Net interest bearing debt	NOKM	4 732
Equity	NOKM	1 802
Pretax Return on paid in Equity	%	34.7
Equity Ratio	%	26.3
Earnings Per Share	NOK	9.17
Cash Flow Per Share	NOK	1.10

Successful start-up – promising future

Norgani is well positioned in the Nordic property market. With its strong portfolio, a competent management team and financial flexibility Norgani provides its owners with a low risk property investment with a considerable upside potential.

Since the establishment and launch of the company in June, Norgani has become the largest Nordic hotel property company with 64 hotels. A highly competent organisation with long experience within investments, property and hotel operation is also in place.

I am therefore proud to say that Norganis start-up year has been successfully completed.

We believed that the timing of the establishment of Norgani was good. As 2005 has become history we clearly feel that this has proven to be even more favourable than we anticipated. The hotel market bottomed out in 2003/2004 and through 2005 there has been a strong upturn in the market where the major cities show the way with two digit growth numbers. All economic indicators point in the direction of a broader and perhaps even stronger upturn in 2006. As Norgani's income is closely related to turnover in the hotel market this will also directly benefit the company going forward. Therefore the future for Norgani looks promising.

In my opinion, hotel is an underestimated property class as we enter 2006. Compared to the office and retail segment, investments in hotel properties are often considered more risky. This statement might be true, if the investment consists of both property and operational risk, for instance by use of management contracts, or if owner and operator are the same company.

In the Nordic market the role of ownership and operation are more and more clearly separated.

On the one hand most hotels are today operated by international hotel chains like Scandic/ Hilton, Choice and Rezidor SAS. This has turned hotel operation in the Nordic region into an effective service industry characterised by professional marketing and high productivity.

On the other hand you have the property owners like Norgani, with lease contracts with the operators. The lease contracts are often based on turnover rent with a minimum, long duration and well specified cost structure.

Consequently, with little operational risk, long duration, low vacancy risk, well predictable cost and good growth prospects, investing in hotel properties should be regarded as a good alternative to office or retail.

One might argue that rent is directly related to turnover and therefore more volatile than the income from investments in the office segment. This is not necessarily true because one has to take into account the shorter lease duration and higher possibility of vacancy in the office market. In addition turnover volatility varies between hotel market segments. The portfolio strategy of Norgani is to invest in larger 3 and 4 star hotels mainly in cities. These are hotels that historically have been in the lower end of the turnover volatility.

Taking into account that Norgani also has secured a major part of the interest rate it feels fair to say that Norgani is a low risk property investment.

Through 2005 we established a strong foundation for a leading Nordic hotel property company. Entering 2006 Norgani will continue to pursue possibillities to further expand the hotel portfolio. A few hotels in the excisting portfolio may also be sold. We will also focus on property management in order to be an attractive partner for our tenants, the leading hotel operators. Working with the potential within our existing portfolio and active asset management, will enable us to meet our goals and deliver strong returns in favour of our owners.

Kjell Sagstad
CEO

Scandic Bergen Airport – near Bergen and the fjords

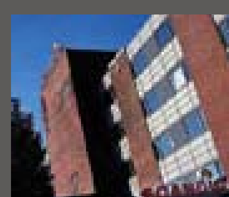
The Scandic Bergen Airport is located approximately 2 km from Bergen Airport and 15 km from downtown Bergen. The hotel was built in 1982, and it is currently being renovated. The hotel offers 197 rooms and conference facilities for 280 persons. Other facilities include swimming pool, and a pleasant restaurant that has recently been redecorated.

The conference facilities also offer so-called "Think Tank". These rooms are constructed to give inspiration, good working environment and more energy, and are designed in cooperation with creative design students at Konstfac.

In case of emergencies in the North Sea or in the Bergen Community, the staff at the Scandic Bergen Airport are classified and trained to do the necessary service. The hotel is operated by Scandic Hotels Norway.

SCANDIC BERGEN AIRPORT
BERGEN/NORWAY

Bergen is Norway´s second largest city situated at the west coast and often referred to as the capital of the fjords. The city is the regional business centre with a high oil and gas activity and has a population of 230 000 inhabitants.



SCANDIC BERGEN AIRPORT
BERGEN/NORWAY

Goals and Strategies

Norgani has defined two overall goals:

- Minimum 15% pre-tax return on paid in equity
- Attractive dividend – 50% of annual net profit excluding non-cash items

Norganis business concept is to offer long-term investments in a liquid company listed on the stock exchange, exclusively focused on investment, management and development of hotel properties. The company shall have resources and competence to initiate and carry through investment, work with operators and properties to secure income, minimize costs and add value.

INVESTMENT STRATEGY

Nordic hotel market focus
The Company will invest in the Nordic region, including Iceland and the Baltic states.

4 and 3 star hotels
The Company is focusing on mid-market hotel properties with a good balance between quality and price.

Average size per hotel exceeding 150 rooms
Larger hotels represent in general the most efficient and profitable part of the hotel-market.

Central location
Minimum 75% of Norgani's rent revenues shall come from hotels located in cities with 50,000 or more inhabitants

Solid tenants
The Company's tenants shall mainly be the leading hotel operators such as Scandic/Hilton, Choice Hotels, Rezidor SAS, Rica Hotels and Accor.

Medium- to long-term average contract duration
The Company's properties shall have a contract structure with an average remaining duration of 5 years or more.

Revenue based lease contracts
The Company's properties shall mainly have revenue based lease contracts where the gross rent is calculated as a percentage of the operators' net revenue and in most cases with a minimum rent.

Limited development project activity
The Company shall only in limited scale be involved in development projects, except those that have limited risk.

Active asset play
The Company shall be active in acquiring and selling properties, and proceeds from sale of properties will be re-invested or paid out as dividends. Properties may be acquired stand-alone, as part of portfolios or through acquisition of companies.

FINANCING STRATEGY

Leverage 75%-80%
The Company has a target leverage of 75%-80% of total assets.

Limited interest rate risk through fixed interest rate loans
The Company's strategy is to have a debt portfolio with a mix of fixed and floating interest rate loans. The average maturity of the interest rate fixing periods will take into account the duration of the rental contract portfolio.

Flexible financing structure
The Board will from time to time seek authorisations to issue new shares and to buy back shares.

OPERATIONAL STRATEGY

Norgani intends to have a small and efficient organisation. During the first year of operations, Norgani is outsourcing its asset- and property management to the group of sellers of the initial property portfolio. The management contracts can be terminated on three months notice from 30. june 2006. Norgani is establishing its own asset- and property management.

Norgani has also outsourced all accounting functions.

OUTLOOK 2006

Norgani is able to forecast its financial development with a high degree of accuracy, because its income is secured through sellers guarantees and the financial cost through fixed interest rates. Risk factors that may alter this are described in Note 3 to the consolidated financial statement.

Under normal economic conditions Norgani should meet its financial target of a pre-tax return on paid in equity of minimum 15% during 2006. The guaranteed annual rent level for all 64 hotels is NOK 510 million for 2006, based on the exchange rate at the beginning of the year. Norgani will continue to pursue possibilities to further expand its property portfolio. A few hotels in the existing portfolio may also be sold.

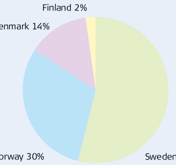
NORGANI PROPERTIES

Hotel	Municipality	Operator	Number of rooms	Sqm	Duration (years) as of 31.12.05	Gross income 2006 (mill. in local currency)
Scandic Hotel Malmen	Stockholm	Scandic/Hilton	327	15 130	7.0	
Scandic Hotel Star Sollentuna	Stockholm	Scandic/Hilton	269	18 573	12.0	
Scandic Hotel Uplandia	Uppsala	Scandic/Hilton	133	5 402	12.0	
Scandic Hotel Bromma	Stockholm	Scandic/Hilton	144	6 800	7.0	
Scandic Hotel Klarälven	Karlstad	Scandic/Hilton	143	5 694	4.0	
Scandic Hotel Ferrum Kiruna	Kiruna	Scandic/Hilton	170	11 100	8.4	
Scandic Hotel Kalmar Väst	Kalmar	Scandic/Hilton	148	5 485	4.0	
Scandic Hotel Växjö	Växjö	Scandic/Hilton	123	3 982	5.0	
Scandic Hotel Bollnäs	Bollnäs	Scandic/Hilton	111	5 150	9.0	
Scandic Hotel Gävle Väst	Gävle	Scandic/Hilton	201	7 382	9.5	
Scandic Hotel Backadal	Göteborg	Scandic/Hilton	232	9 397	9.5	
Scandic Hotel Helsingborg Nord	Helsingborg	Scandic/Hilton	237	9 399	9.5	
Scandic Hotel Kungens Kurva	Stockholm	Scandic/Hilton	257	11 581	9.5	
Scandic Hotel Elmia	Jönköping	Scandic/Hilton	220	9 576	9.5	
Scandic Hotel Linköping Väst	Linköping	Scandic/Hilton	150	6 105	9.5	
Scandic Hotel Luleå	Luleå	Scandic/Hilton	159	5 565	9.5	
Scandic Hotel Segevång	Malmö	Scandic/Hilton	161	6 284	9.5	
Scandic Hotel Norrköping Nord	Norrköping	Scandic/Hilton	150	6 768	9.5	
Scandic Hotel Sundsvall Nord	Sundsvall	Scandic/Hilton	159	4 948	9.5	
Scandic Hotel Södertälje	Södertälje	Scandic/Hilton	131	5 630	9.5	
Scandic Hotel Umeå Syd	Umeå	Scandic/Hilton	162	5 955	9.5	
Scandic Hotel Uppsala Nord	Uppsala	Scandic/Hilton	184	7 518	9.5	
Scandic Hotel Västerås	Västerås	Scandic/Hilton	174	7 285	9.5	
Scandic Hotel Örebro Väst	Örebro	Scandic/Hilton	204	7 621	9.5	
Scandic Hotel Östersund	Östersund	Scandic/Hilton	129	4 019	9.5	
Quality Hotel Luleå	Luleå	Choice Hotels	209	12 166	2.7	
Quality Hotel Prins Phillip	Stockholm	Choice Hotels	201	7 400	10.0	
Quality Hotel Ekoxen	Linköping	Choice Hotels	190	14 671	10.0	
Quality Hotel Grand Kristianstad	Kristianstad	Choice Hotels	149	7 524	10.0	
Quality Hotel Winn, Göteborg	Göteborg	Choice Hotels	121	5 800	15.0	
Quality Hotel Winn, Huskvarna	Jönköping	Choice Hotels	112	7 200	15.0	
Quality Hotel Prisma	Skövde	Choice Hotels	107	3 687	13.0	
First Hotel Mora	Mora	Pandox/First	135	9 161	10.0	
First Hotel Linköping	Linköping	Tribe/First	133	6 540	6.8	
First Hotel Mårtenson	Halmstad	Tribe/First	103	6 657	3.0	
First Hotel Royal Star	Stockholm	Cadhotels/First	103	4 900	5.3	
First Hotel Linné Uppsala	Uppsala	Tribe/First	116	5 831	1.5	
Best Western Jägersro	Malmö	Revhaken Hotels	81	8 764	5.0	
Best Western Royal Corner	Växjö	Revhaken Hotels	158	7 112	3.0	
Best Western Princess Hotel	Norrköping	Portieren Norrköping	119	7 068	2.0	
Ibis Stockholm Syd	Stockholm	Accor Hotels	190	8 339	9.5	
Stadshotellet Princess Sandviken	Sandviken	Stadshotellet i Sandviken AB	84	7 003	8.9	
Total Sweden (42 hotels)			6 789	322 172	8.5	325.5
Radisson SAS Lillehammer Hotel	Lillehammer	Radisson SAS	303	18 000	9.4	
Scandic KNA	Oslo	Scandic/Hilton	189	11 218	5.0	
Comfort Hotel Børsparken	Oslo	Choice Hotels	198	7 900	10.4	
Quality Hotel Alexandra	Molde	Choice Hotels	163	17 033	3.0	
Comfort Hotel Nobel	Molde	Nobel Hotel Mngt.	49	2 442	1.0	
Quality Hotel & Resort Kristiansand	Kristiansand	Choice Hotels	210	9 940	10.4	
Quality Hotel & Resort Hafjell	Øyer	Choice Hotels	210	9 940	10.7	
Scandic Bergen Airport	Bergen	Scandic/Hilton	197	9 654	13.0	
Radisson SAS Hotel Bodø	Bodø	Radisson SAS	191	15 546	20.3	
Rica Olrud Hotel (2006)	Ringsaker	Rica Hotels	176	9 250	7.0	
Comfort Hotel Holberg	Bergen	Choice Hotels	140	5 720	4.3	
Quality Hotel & Resort Fagernes (2006)	Fagernes	Choice Hotels	139	10 310	10.0	
Quality Hotel Arcticus (2006)	Harstad	Choice Hotels	75	3 540	7.0	
Total Norway (13 hotels)			2 240	130 493	9.8	153.6
Comfort Hotel Europa	Copenhagen	Choice Hotels	230	8 000	4.7	
Clarion Hotel Copenhagen	Copenhagen	Choice Hotels	216	9 500	23.0	
Scandic Hotel Hvidovre	Copenhagen	Scandic/Hilton	207	9 005	4.0	
Comfort Hotel Excelsior	Copenhagen	Choice Hotels	99	3 600	13.0	
The Comfort Mayfair Hotel	Copenhagen	Choice Hotels	105	3 805	13.0	
Scandic Hotels Kolding	Kolding	Scandic/Hilton	186	10 472	7.8	
Scandic Hotel Glostrup	Copenhagen	Scandic/Hilton	120	5 767	4.0	
Total Denmark (7 hotels)			1 163	50 149	11.1	64.5
Airport Hotel Bonus Inn	Vantaa	Bonfinn	211	8 414	12.0	
Comfort Hotel Pilotti	Vantaa	Citymac Travels	112	3 068	7.0	
Total Finland (2 hotels)			323	11 482	10.3	1.43
Grand total (64 hotels)			10 515	514 296	9.1	

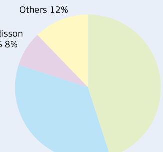
NORGANI FACTS AS OF 31.12.2005

- 64 hotels acquired (61 taken over 31.12.05)
  – Sweden 42, Norway 13, Denmark 7 and Finland 2
- 88% of the hotels located in cities – regional 12%
- Average duration of lease contracts of 9.1 years
  – seller guarantees for 5.3 years
- 97% revenue based lease contracts – currently estimated to be 6% below the guaranteed lease level
- 10 515 rooms – 4.3% of all rooms in the Nordic market
  – average 164 rooms per hotel

GEOGRAPHIC DISTRIBUTION BY REVENUES 2006



HOTEL OPERATOR BY REVENUES 2006



Market Review – Nordic Region

All statistics for the Nordic hotel markets show a positive trend. Norgani believes that these trends will continue and to some extent even strengthen during 2006.

In 2005 the Nordic hotel market had an average capacity of approximately 246 000 rooms divided between 3 920 hotels. Overall capacity increase in the Nordic region was approximately 4.5% in 2005 (y-o-y). Sweden represents 37% of the room capacity, Norway 25% and Finland and Denmark 19% each. The average hotel size in the Nordic region is 63 rooms.

CAPACITY 2005

	# Hotels	Share hotels, %	# Rooms	Share rooms, %	Avg size
Sweden	1 699	43%	91 640	37%	54
Norway	961	24%	61 335	25%	64
Denmark	574	15%	45 691	19%	80
Finland	686	18%	47 039	19%	69
Total	3 920	100%	245 705	100%	63

(source: Statistisk Sentralbyrå (Statistics Norway), Statistiska centralbyrån (Statistics Sweden), Danmarks Statistik (Statistics Denmark) and Tilastokeskus (Statistics Finland))

Total revenues in the Nordic hotel market is estimated at NOK 30 billion, of which Sweden (37%) represents the largest market followed by Norway (28%), Finland (18%) and Denmark (17%).

HOTEL REVENUE 2005

Figures in NOK	Occupancy %	Average room rate	RevPAR	Revenues (MNOK)	Share of total %
Sweden	48%	679	320	10 905	37%
Norway	52%	717	373	8 528	28%
Denmark	54%	670	362	5 163	17%
Finland	49%	638	315	5 404	18%

(source: Statistisk Sentralbyrå (Statistics Norway), Statistiska centralbyrån (Statistics Sweden), Danmarks Statistik (Statistics Denmark) and Tilastokeskus (Statistics Finland))

The occupancy has increased with an average of 4.6 % in the Nordic region in 2005 (y-o-y). The RevPAR (Revenue Per Available Room) has increased by approximately 7% in the region. Each country's capital city has an increase in RevPAR of approximately 10%. Norgani believes in a continued positive development of key figures in all Nordic markets in 2006.

Demand can be categorized as conference/business and holiday/leisure, and foreign and domestic. In Sweden and Norway the majority is conference/business, while in Denmark and Finland the majority is holiday/leisure. When it comes to the distribution between domestic and foreign guests, Denmark has a distinct higher share of foreign guests than the other three countries.

GUEST SEGMENTATION 2005

	Conference/Business	Holiday/Leisure	Domestic	Foreign
Sweden	65%	35%	77%	23%
Norway	52%	48%	72%	28%
Denmark	38%	62%	58%	42%
Finland	39%	61%	72%	28%

(source: Statistisk Sentralbyrå (Statistics Norway), Statistiska centralbyrån (Statistics Sweden), Danmarks Statistik (Statistics Denmark) and Tilastokeskus (Statistics Finland))

PARTICIPANTS AND TRENDS IN THE NORDIC HOTEL MARKET

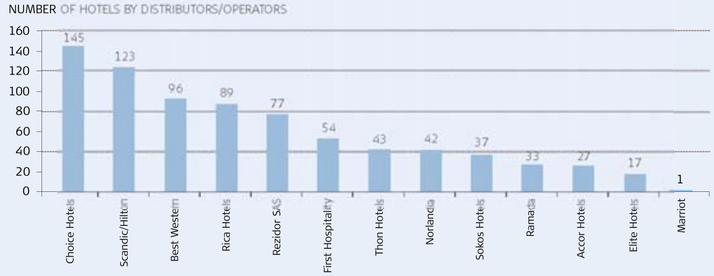
The main participants in all hotel markets are property owners, operators and distributors. Some cover all of these functions, while in most cases these roles have different participants. The hotel property owners have lease agreements with the operators who perform the day to day operation of the hotels, whereas hotel distributors market the hotels under a brand name and perform the bookings for hotels.

LARGEST HOTEL DISTRIBUTORS/OPERATORS

Sweden	Norway	Denmark	Finland
Scandic/Hilton	Rica Hotels	Scandic/Hilton	Restel Hotels
Choice Hotels Scandinavia	Choice Hotels	Choice Hotels	Sokos Hotels
Accor Hotels	Norlandia Hotels & Resorts	Accor Hotels	Scandic/Hilton

As seen from the table, both Scandic/Hilton and Choice Hotels are among the largest distributors/operators in several of the Nordic markets. Other distributors/operators such as Norlandia Hotels & Resorts are among the largest players in only one country.

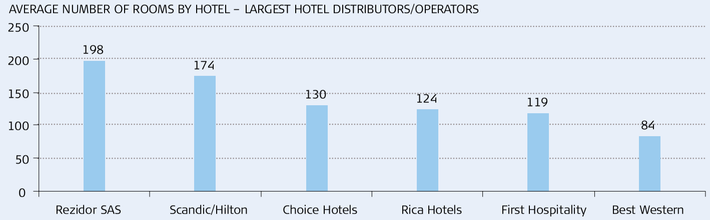
NUMBER OF HOTELS BY DISTRIBUTORS/OPERATORS



(source: Company Reports/web pages)

There is, as mentioned, not an absolute distinction between distributors and operators. Both types are organised in chains. The chart above shows the largest Nordic hotel chains measured in number of hotels. Choice Hotels and Scandic/Hilton are the largest with respectively 145 and 123 hotels under operation.

AVERAGE NUMBER OF ROOMS BY HOTEL – LARGEST HOTEL DISTRIBUTORS/OPERATORS



(source: Company Reports/web pages)

6r hotel distributors/operators the trend has been towards larger entities with a higher number ofhotels,driven by economies ofscale in marketing and distribution.6r the hotel owners this trend has not been so strong.There are still a lot ofowners with only a limited number ofhotels.Norgani is the largest hotel property company in the Nordic region with 64 hotels.

LARGEST HOTEL PROPERTY OWNER COMPANIES

(source: Company Reports/web pages)

Norgani has 43%ofall hotel rooms in the Nordic countries.The highest market share is in Sweden with 74%and the lowest in finland with 07%

NORGANI MARKET SHARE

# rooms	Sweden	Norway	Denmark	Finland	Total
Nordic region	91 640	61 335	45 691	47 039	245 705
Norgani	6 789	2 240	1 163	323	10 515
Market share %	7.4%	3.7%	2.5%	0.7%	4.3%

(source: Statistisk Sentralbyrå (Statistics Norway), Statistiska centralbyrån (Statistics Sweden), Danmarks Statistik (Statistics Denmark) and Tilastokeskus (Statistics Finland))

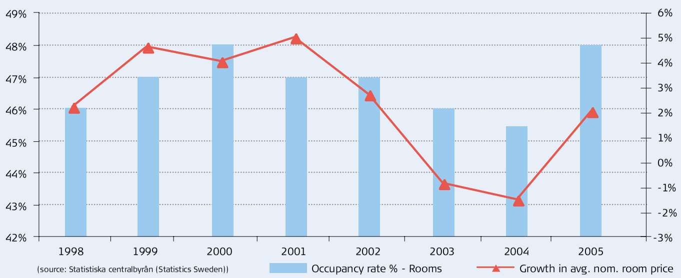
THE SWEDISH MARKET

The RevPAR 6r Sweden improved by 62%n 2005 according to Statistiska centralbyrå (Statistics Sweden).The largest growth in Sweden can be seen in the capital Stockholm with 106%RevPAR increase.The Swedish market is expected to constitute 57%of Norganis total revenues in 2006.

Market characteristics

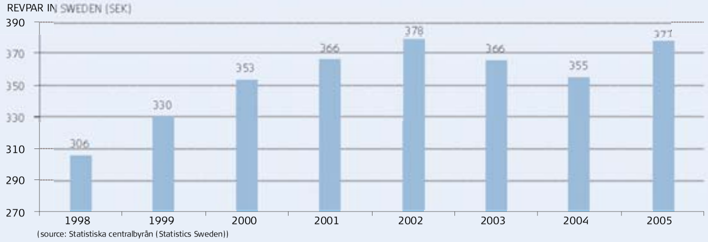
The Swedish hotel market is the largest in the Nordic region and is dominated by the large chains.

OCCUPANCY RATE AND ROOM PRICE GROWTH IN SWEDEN



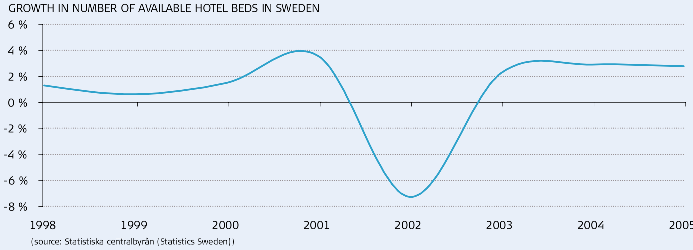
Growth in average nominal room prices peaked in 2001 and occupancy in 2000. The trend has then been negative through 2004. Room prices has gradually improved during 2005 while the occupancy rates have improved substantially.
RevPAR peaked in 2002 at SEK 378, and have since then continuously fallen until 2004 when the bottom was reached. There has been a strong recovery in 2005 (increase of 6.2%) which is expected to continue in 2006.

REVPAR IN SWEDEN (SEK)



The number of beds increased steadily before peaking in 2001. In 2002, the number of hotel beds was reduced approximately 7%. From 2003 to 2005 the growth has been stable at level of 3%.

GROWTH IN NUMBER OF AVAILABLE HOTEL BEDS IN SWEDEN



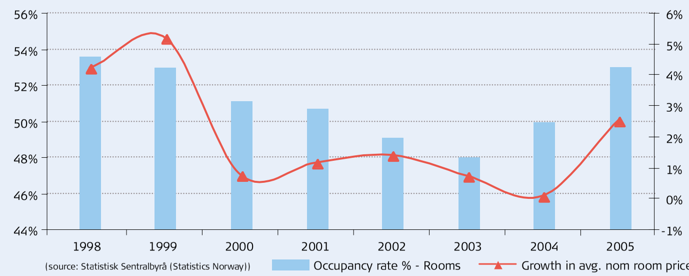
THE NORWEGIAN MARKET

The Norwegian RevPAR increased by 6.3% in 2005. According to Statistisk Sentralbyrå (Statistics Norway), the growth in RevPAR for Oslo was 11.9% – substantially stronger than the rest of the country. The forecast for the Norwegian hotel market is positive. Limited capacity growth in the next few years, stronger underlying economic growth and an increase in air traffic contribute to increased demand both from the business and leisure segments. Norwegian hotels are expected to represent 27% of Norgani's annual revenues in 2006.

Market characteristics

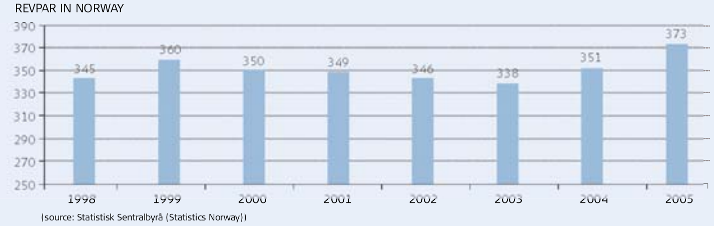
The Norwegian hotel market consists of a large number of distributors/operators. There are several smaller operators running small hotels scattered around Norway. However, the market is dominated by the large hotel chains. The Norwegian market of hotels consisted of close to 127 000 beds in approximately 57 500 rooms. Oslo is the largest sub-market, totalling close to 14% of the rooms in Norway (Statistics Norway).

OCCUPANCY RATE AND ROOM PRICE GROWTH IN NORWAY



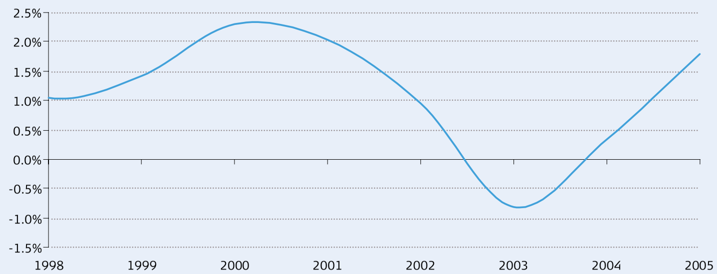
Occupancy rates and growth in average nominal room prices peaked in 1998-1999, and the trend has been negative through 2003 and partly 2004. However, during 2005, both room prices and occupancy rates have increased – a trend that is projected to continue in 2006.

REVPAR IN NORWAY



RevPAR peaked in 2000 at NOK 350, and has then fallen until 2003. In 2004 and 2005 RevPAR has started to increase, and the expectation for 2006 is a continued positive development.

GROWTH IN NUMBER OF AVAILABLE HOTEL BEDS IN NORWAY



(source: Statistisk Sentralbyrå (Statistics Norway))

The period 1998 to 2002 is characterised by growing capacity. After the peak, growth started declining and in 2003 Norway experienced a decline in capacity. The capacity decline bottomed out at the beginning of 2004 and has increased in 2005.

THE DANISH MARKET

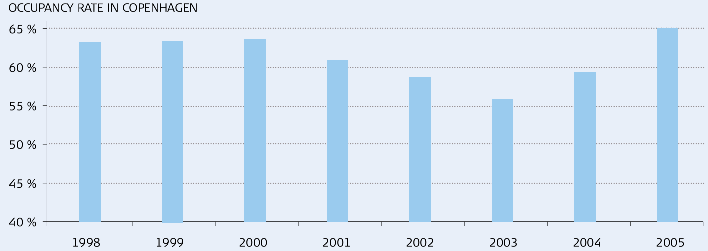
During 2005 the occupancy rate in Danish hotels increased by approximately 1.9% according to Danmarks Statistik (Statistics Denmark). As for the other Scandinavian markets, the capital Copenhagen had the most positive occupancy increase with 9.7%. Six out of seven Norgani hotels in Denmark are situated in and around Copenhagen. Denmark is expected to represent 14% of Norgani's total annual revenues in 2006.

Market characteristics

The Danish hotel market constitutes approximately 574 hotels with a total capacity of more than 45 000 rooms and 105 000 beds. The biggest submarket is Copenhagen and Frederiksberg with approximately 18% of the beds and 24% of the rooms (Statistics Denmark).

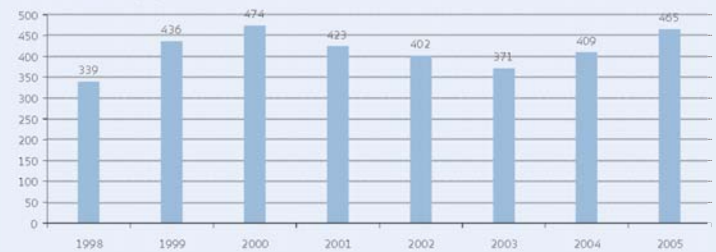
The occupancy rate for Copenhagen was relatively stable between 1998 and 2000. In 2003 the occupancy bottomed out. The rates started to pick up in 2004, a trend that has sustained through 2005.

OCCUPANCY RATE IN COPENHAGEN



(source: Danmarks Statistik (Statistics Denmark))

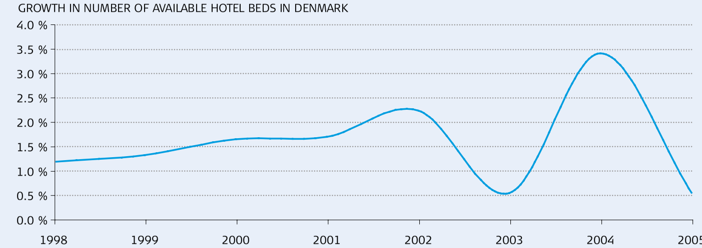
REVPAR COPENHAGEN (DKK)



(source: Danmarks Statistik (Statistics Denmark))

Since the peak in RevPAR in 2000, it fell substantially and reached the bottom in 2003. In 2004 and 2005 RevPAR has increased and a continued positive development is expected for 2006.

GROWTH IN NUMBER OF AVAILABLE HOTEL BEDS IN DENMARK



(source: Danmarks Statistik (Statistics Denmark))

From 1998 to 2002 there has been a steady growth from 1.2% in 1998 to 2.3% in 2002. In 2003 there was a decline in the growth to 0.5% and in 2004 an increase in growth to almost 3.5%. In 2005 the growth again fell to 0.5%.

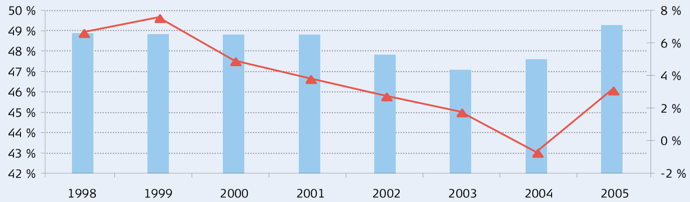
THE FINNISH MARKET

In Finland, the RevPAR increased 5.6% during 2005, with Helsinki and Vantaa, where Norgani's two Finnish hotels are situated, at 7.0% and 6.6% respectively. Finnish hotels are expected to contribute 2% of Norgani's total annual revenues in 2006.

Market characteristics

The Finnish hotel market constitutes approximately 690 hotels, of which approximately 100 are situated in the Helsinki region, corresponding to 15% of the rooms. The Helsinki region includes the municipalities Espoo, Helsinki and Vantaa.

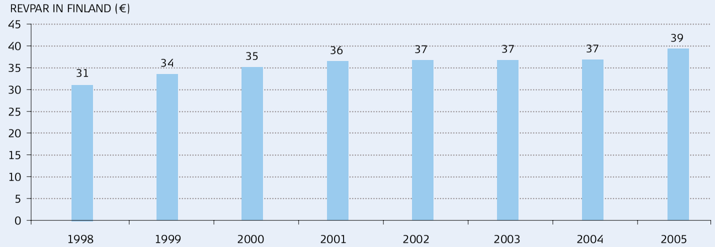
OCCUPANCY RATES AND GROWTH IN ROOM PRICE IN FINLAND



(source: Tilastokeskus (Statistics Finland))

The occupancy rate was approximately 49% in 1998 and stayed at that level through 2001. After this the occupancy rate fell until 2003 when it bottomed out. The occupancy rate increased both in 2004 and 2005. Growth in room prices peaked in 1999 and was at its lowest in 2004. The growth in room price was approximately 3.1% in 2005.

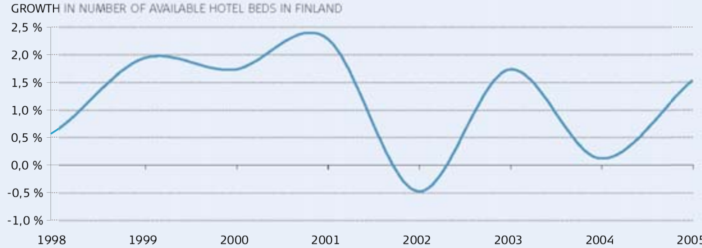
REVPAR IN FINLAND (€)



(source: SHR Finland)

The RevPAR have had a steady growth in Finland. The growth from 2004 to 2005 was 5.6%.

GROWTH IN NUMBER OF AVAILABLE HOTEL BEDS IN FINLAND



(source: Tilastokeskus (Statistics Finland))

The capacity growth was around 2% in the period 1999 to 2001. In 2002 there was a decline in capacity and it has varied between 1.5% and almost zero in the period 2003 to 2005.

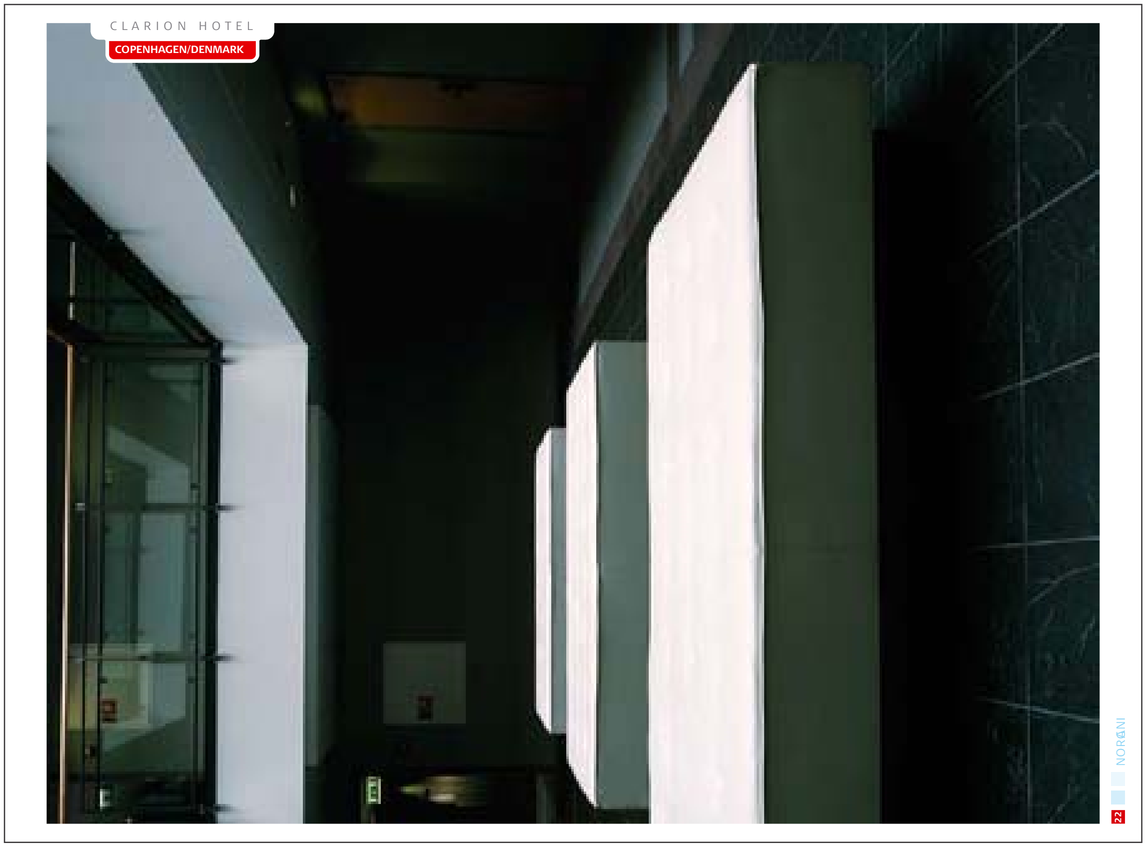
Clarion Hotel Copenhagen – right in the middle of everything

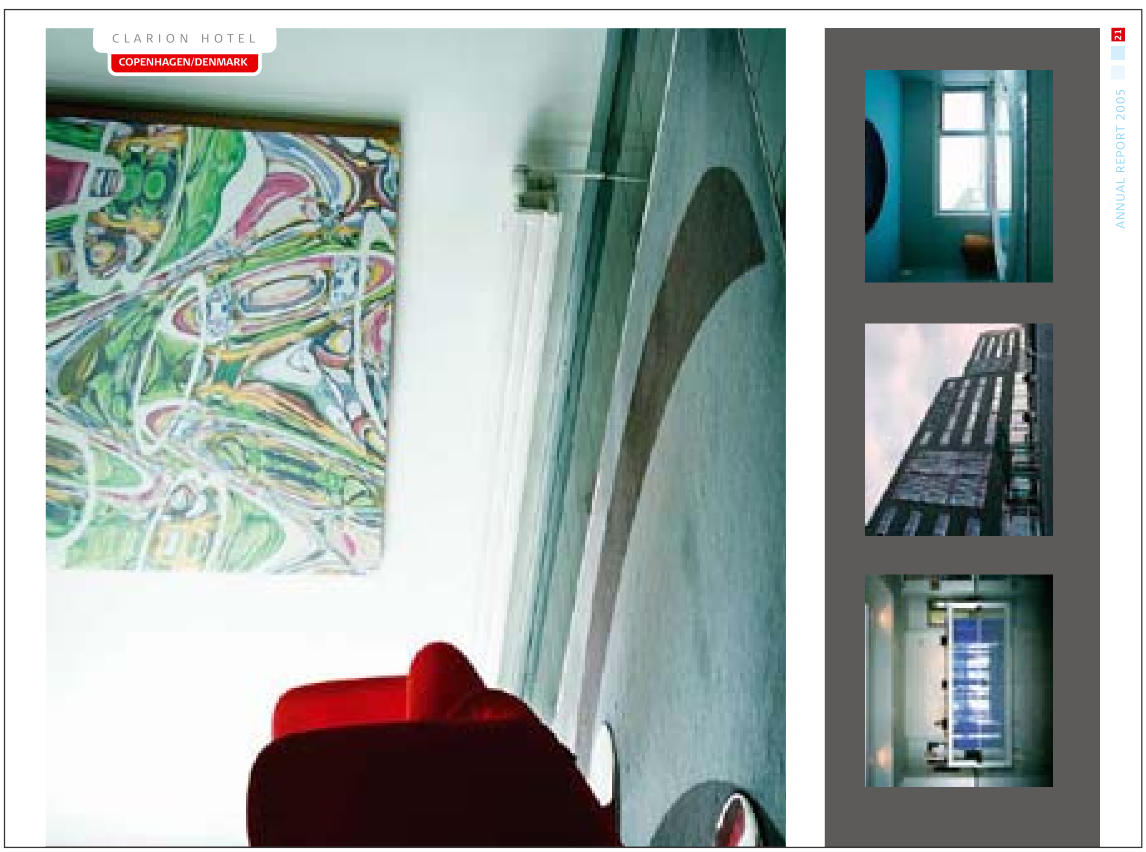
The Clarion Hotel Copenhagen is situated in Sydhavnen, with Scandinavia's largest shopping centre nearby, and only a 10 -15 minutes drive from the airport and Copenhagen downtown, which offers a variety of shops, restaurants and sights to be seen.

The hotel, which is known to be among Copenhagen's most stylish hotels, opened in 2003, and is a 215 room property featuring beautiful contemporary design elements and high levels of comfort. The hotel's restaurant is well known for its relaxing environment and its enthusiastic chef, as well as its daringly designed lobby bar.

The conference centre is well equipped and in the hotel's largest venue, 180 delegates can be seated.

The hotel is operated by Choice and marked under their brand name Clarion.


CLARION HOTEL
COPENHAGEN/DENMARK
22
NORGANI


CLARION HOTEL
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ANNUAL REPORT 2005

Health, Environment and Safety

Norgani Hotels ASA initiated in December 2005 the development of internal routines and policies in order to comply with laws and regulations with respect to upgrades and construction work in the hotel properties. As part of this work, a system for quality assurance, documentation and reporting of Health, Environment and Safety matters will be implemented.

The Nordic hotel business has dealt with environmental matters for a number of years. All the leading hotel operators have developed environmental programs, setting ambitious goals for their environmental engagement and responsibility. As and owner of hotel properties throughout the Nordic region, Norgani Hotels ASA is an active partner and contributes to a continuous improvement of the environment. This is achieved through;

- focusing on operation and maintenance,
- continuous education of technical personnel
- technical solutions that contribute to lower energy usage,
- choosing construction materials with respect to sustainability and possibility for recycling
- removal of materials contributing to greenhouse gas emissions (cooling media R22)
- protection against emission of radon
- removal of materials and equipment containing poisonous material such as asbestos and PCB
- reduction of waste disposal and water usage

The office premises of Norgani Hotels ASA are located in modern buildings with low energy consumption.

The business operation of Norgani Hotels ASA and its subsidiaries does not have any significant negative impact on the environment.

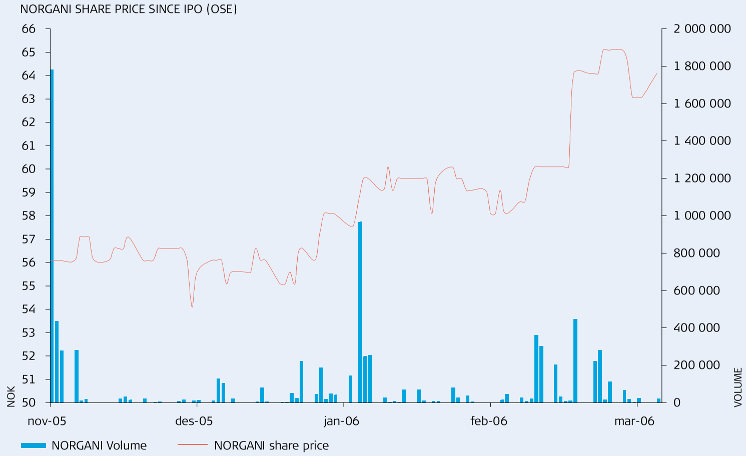
Norgani Management

Norgani's core business is to invest in and manage hotel properties. The company will have a small, highly competent and flexible organisation within investments, property management, finance, accounting and administration.

Further information and personal CVs are available on the company's web site; www.norgani.no

Share information

NORGANI SHARE PRICE SINCE IPO (OSE)



(source: Bloomberg and Datastream)

NORGANIS 20 LARGEST SHAREHOLDERS AT 21 MARCH 2006				
Deutsche Bank Ag London	Nom	GBR	4 386 043	14,4 %
Tvist 5 AS		NOR	3 025 000	9.9 %
Vital Forsikring ASA		NOR	2 953 500	9.7 %
Morgan Stanley & Co. Client Equity Account	Nom	GBR	2 009 083	6.6 %
Capona AB		SWE	1 400 000	4.6 %
Orkla ASA		NOR	1 276 400	4.2 %
The Northwestern Mut Insurance Company		USA	1 176 770	3.9 %
JPmorgan Chase Bank Clients Treaty Account	Nom	GBR	1 093 900	3.6 %
P-invest AS		NOR	1 000 000	3.3 %
Norsk Hydros Pensjon		NOR	960 500	3.1 %
Bank Of New York, Br S/A Alpine Intl Real		USA	840 000	2.8 %
Pandox AB		SWE	742 500	2.4 %
Svenska Handelsbanken	Nom	SWE	690 941	2.3 %
Odin Norden		NOR	653 050	2.1 %
MP Pensjon		NOR	580 000	1.9 %
HSBC Bank Plc S/A Re Gulf		ARE	575 200	1.9 %
Skagen Vekst		NOR	556 900	1.8 %
Wenaasgruppen AS		NOR	375 000	1.2 %
Aweco Invest AS		NOR	346 000	1.1 %
Habra Invest AS		NOR	300 000	1.0 %
Others			5 633 609	18.4 %
Total			**30 574 396**	**100.0 %**

Corporate Governance

Norgani Hotels ASA ("Norgani" or the "Company") is the parent company in the Norgani group which owns hotel properties in Norway, Sweden, Denmark and Finland. Norgani is incorporated and registered in Norway and must therefore comply with applicable Norwegian law. Norgani intends to comply with all relevant laws and regulations, including the Norwegian Guidelines on Corporate Governance of December 2005 (Nw: Norsk anbefaling for eierstyring og selskapsledelse) which hereinafter is referred to as the "Norwegian Guidelines". The Norwegian Guidelines is applicable for companies listed in Norway on a "comply or explain"-basis.

The board of Norgani has had thorough discussions on corporate governance issues in 2005 and resolved in its board meeting on 15 September 2005 a corporate governance policy (the "Company Policy"). The Company Policy includes the measures implemented for the efficient management of and control over Norgani's operations. The objective is to have systems for communication, monitoring and incentives that enhance and maximise corporate profit and shareholders' return through the efficient use of the Company's resources. Improvements in the group's corporate governance are a continuous process and a field that will have increased focus from the board and the management.

Regulations

In addition to the Norwegian Guidelines and the Company Policy Norgani is also subject to the corporate governance requirements set out in the Norwegian Public Companies Act 1997 (the "NCA"), the Norwegian Securities Trading Act (the "STA") and the various Norwegian stock exchange regulations (the "SER").

The discussion below follows the structure and the order of the Norwegian Guidelines.

Management of Norgani

Management and control of Norgani are divided between the shareholders, represented in the general meeting, the board of directors and the chief executive officer ("CEO") in accordance with applicable company law. The Company has an external independent auditor. The Company has entered into management agreements (Nw: forvaltningsavtaler) with three different operators being sellers of property portfolios to Norgani.

The company's business

The Company's business is ownership and management of hotel properties. Hotels may be owned through shareholdings in other companies. The business of Norgani as set out above, is in accordance with Norgani's articles (Nw: vedtekter) section 3 (see page 30).

EQUITY CAPITAL AND DISTRIBUTION

Equity capital

The consolidated equity of the Company with subsidiaries was NOK 1,802 million as per 31 December 2005 which constituted 26.3 % of the consolidated total book assets (equity ratio). This is considered as satisfactory. Pursuant to its IPO Prospectus, the Company has targeted a leverage of 75% - 80% of total assets. The board is continuously evaluating the Company's solidity in light of the Company's risk profile and main strategies.

Distribution policy

Norgani's objective is to yield a competitive return on invested capital to the shareholders through a combination of dividends and share price development. In evaluating the dividend amount, the board emphasises stable development, the Company's dividend capacity, and the requirements for sound equity capital, as well as for adequate financial resources to enable future growth.

Within the scope of the above, Norgani targets to distribute about 50% of annual net profit, excluding non-cash items. The Company was established in 2005 and the board does not propose to pay out dividend for the 2005 financial year. This is in line with statements given in the Company's IPO Prospectus.

AUTHORISATIONS TO THE BOARD

At the 2006 ordinary general meeting, it will be proposed that the board is granted authorisation to issue new shares. It will be proposed that the authorisation is limited in time to the ordinary general meeting in 2007 and that it is limited in scope: The board may only use the authorisation in connection with property acquisition and may not use the authorisation in a way that a shareholder by exercise of the authorisation becomes the owner of more than 10% of the share capital of the Company.

It will also be proposed that the ordinary general meeting resolves to grant the board authorisation to acquire own shares. Also this authorisation is proposed to be time-limited to the next ordinary general meeting.

Both the proposed authorisations will substitute previous authorisations.

EQUAL TREATMENT AND TRANSACTION WITH RELATED PARTIES

Equal treatment

The Company has only one class of shares. Since its IPO, the Company has not made any capital increases or any buy-back of shares.

Transactions with related parties

In December 2005, the Company made a cash tender bid on all the shares of Hotelleiendom AS. One shareholder of Hotelleiendom was Capona AB which also held about 4.6% of the shares in Norgani. Of this reason the transaction was approved by an extraordinary general meeting of Norgani in December 2005. The valuation was accounted for by independent auditors, which account was attached the notice of the general meeting.

Transactions with board members and members of management

In addition to the Company Policy, the Company has adopted instructions to the board members and instructions to the CEO. Pursuant to these internal governing documents, a board member or member of corporate management shall notify the board of interests they may have in transactions or agreements entered into by Norgani.

In order to reduce the risk that the management enters into contracts with companies in which a board member have a material interest, the board has worked out and distributed to the management an overview which sets out roles/positions each board member have in other companies.

VOTING RIGHTS

One element of the Company's shareholder strategy is to work towards liquidity in its shares by having a high free-float and no dominant shareholders. In order to contribute to achieve this, the Company's articles contain a voting restriction whereby a shareholder who has acquired shares representing more than 30% of the votes in the Company, cannot exercise voting rights for such shares exceeding 30% of the votes without first having made an offer to acquire the remaining shares.

Apart from the above, the articles do not contain any limitations with regard to the transferability of the shares. A copy of the articles is included on page 30.

GENERAL MEETINGS

The shareholders exercise the highest authority in Norgani through the general meetings. The board may convene an extraordinary general meeting whenever it deems necessary or when otherwise legally required. Norgani's auditor and any shareholder, or group of shareholders, representing more than 5 % of the share capital, may require that the board convene a general meeting.

The annual general meeting ("AGM") of Norgani will be held each year prior to the end of June. In 2006, the annual general meeting is scheduled to 27 April. The AGM shall approve the annual accounts, including distribution of dividend (if any), and otherwise adopt such resolutions as required under applicable law.

The board will send notices of general meetings no later than two weeks prior to the meeting and will observe that the notice and any supporting material are sufficiently detailed and comprehensive. The shareholders are, in accordance with the Company's articles and in order to practically facilitate the meeting, asked to notify the Company of their attendance three working days prior to the meeting. Shareholders who are unable to attend, may vote by proxy. A notice form and a proxy form will be attached to the notification and proxy is deemed given to the chairman of the board unless any other individual is proposed by the shareholder. Norgani will publish the minutes from general meetings on its web-site as well as keeping them available for inspection in the company's offices.

The board, the Company's auditor and the members of the nomination committee will all be represented at the general meetings. The board has earlier facilitated, and will continue to facilitate, dialogue with the shareholders at the general meetings.

The chairman of the board will open the general meetings and propose that the shareholders vote for a person, other

than a member of the board or the management, to chair the general meeting.

NOMINATION COMMITTEE

Pursuant to its articles, Norgani is to have a nomination committee consisting of two to three members to be elected by the general meeting. The nomination committee elects its own chairman. The members of the committee are elected for periods of two years and a committee of three members was elected in 2005.

The nomination committee will assess need for changes in the board's composition, and shall pursuant to the articles submit its recommendation to the general meeting regarding nomination of the members to the Company's board and propose their remuneration. The nomination committee of Norgani consists of:

- Pål Hvammen, Investment Director, Canica AS
- Knut Lunde, CFO, Ventor AS
- Ervin Auren, partner, lawfirm Thommessen

Information on the composition of the Norgani's nomination committee along with specific time-limits for proposals to the committee will be provided on the Company's website.

BOARD – COMPOSITION AND INDEPENDENCY

Pursuant to Norgani's articles, the board of Norgani shall consist of minimum three and maximum seven board members to be elected by the general meeting following recommendation of the nomination committee. The board members are elected for a period of two years.

The board of Norgani currently consists of five members elected in 2005. Jan Petter Storetvedt is the chairman of the board elected by the general meeting and Hege Bømark is deputy chairman.

The board considers itself as independent of Norgani's management, main shareholders and significant business connections, and as described elsewhere in this corporate governance review, the board emphasises and has taken steps to avoid conflict of interest between shareholders, the board, the management and business relations. No member of the management is also member of the board. The composition of board represents competence with respect to Norgani's business and stock listing, and reflects the Nordic nature of Norgani's business and balanced representation among genders. Information on the individual board members can be found at the company's webpages; www.norgani.no.

Hege Bømark is married to Mads Syversen, CEO of SEB Enskilda who was joint lead manager of the IPO of Norgani and leader of the bank syndicate.

The chairman of the board, Jan Petter Storetvedt, and board member Mats Lönnqvist each holds 10,000 shares in Norgani.

THE BOARD – SCOPE OF WORK

Scope

The board of Norgani has established a plan for 2006 which governs the work of the board, which include items such as market- and portfolio review, strategy, budget, HES, corporate governance, annual internal evaluation of the board's work and composition, in addition to financial reporting. The board evaluated its work and composition in its last board meeting in 2005.

The board has discussed use of board committees. Primarily due to the fact that members of the management do not form part of the board and that the board considers itself independent, the board has not yet established such committees, but it will continue to evaluate whether such committees should be established.

Instructions and internal control

Norgani's board has adopted internal instructions for the board, which addresses the tasks of the board, the responsibility of the chairman of the board, the procedure, legal incompetence, and division of responsibility between the board and the CEO. The board has further resolved instructions to its CEO, which among other things covers division of responsibility towards the board, authorisations and financial and operational reporting. Pursuant to internal instructions, the board shall receive monthly reports on i.a. financial, operational and HES-related matters.

REMUNERATION OF THE BOARD

The general meeting resolves the remuneration of the board. The company was incorporated and the three initial board members were elected in May 2005. During 2005 the Company has acquired 64 hotels, carried out a listing on Oslo Børs and the board has had 22 board meetings. In September 2005, an extraordinary general meeting of Norgani resolved to remunerate the board members with NOK 125,000 (ordinary member) and NOK 175,000 (chairman) which covered work up to the extraordinary meeting. At the ordinary general meeting in April 2006, the general meeting will be invited to resolve remuneration for the period from September 2005 and up to the ordinary general meeting.

In addition the board has proposed that the board members Hege Bømark and Mats Lönnqvist assist the management in working out the annual report of Norgani for the 2005 financial year, given the personal competence of these members. The board further proposes that they are compensated separately for these tasks, which compensation will put forward for approval by the ordinary general meeting in April 2006.

The board members do not take part in options- or other incentive programs of Norgani.

REMUNERATION OF SENIOR MANAGEMENT
As the management of Norgani was employed in 2005, there has been no adjustment of salaries in 2005. The compensation to the senior management is made up of a fixed salary-element and a bonus element. The bonus element is based on the development of Norgani's share price and 50% of the bonus after tax shall be invested in the company shares with a 24 months lock-up period. No employee is entitled to severance pay or extraordinary long notice periods. In order to succeed in employing Sagstad as CEO, Sagstad is entitled to 18 months pay if his employment is terminated by the company (24 months pay if termination is made during the first two years). The board is in the process of reviewing the guidelines for senior management remuneration which will be presented at the ordinary general meeting. Determination of the compansation to the CEO, is resolved by the board in board meetings.

Information on the remuneration to the senior management is set out in note 20 to the consolidated accounts in the annual report. There are no option programs for the employees of Norgani.

DISCLOSURE AND TRANSPARENCY

General
Pursuant to the Company Policy, Norgani shall at all times provide its shareholders, Oslo Børs and the financial markets generally (through Oslo Børs' information system) with timely, accurate and equal information. Such information will take the form of annual reports, quarterly interim reports, press releases, stock exchange notifications and investor presentations, as applicable. It shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors. Furthermore, Norgani shall maintain an open and pro-active investor relations policy, a best-practice website and shall give presentations regularly in connection with annual and interim results.

Norgani has published an annual overview of important dates on its web-site, including but not limited to general meetings, financial reports and presentations.

Communication with Shareholders
Pursuant to the Company Policy and instructions to the board, the CEO and the chairman of the board shall make themselves available for discussions with the major shareholders to develop a balanced understanding of the issues and concerns of such shareholders, however, subject always to the provisions of the NCA, the STA and the SER. The CEO and the chairman shall ensure that the views of the shareholders are communicated to the board as a whole.

Information from the Company to its shareholders shall be disclosed at the Company's website at the same time the information is sent to the shareholders or otherwise communicated to the market.

AUDIT
Under Norwegian law the auditor is elected by the shareholders in a general meeting. The board shall make recommendations to the general meeting on the auditor's appointment, removal and remuneration. The board shall also monitor the auditor's independence and inform the general meeting of any performances by the auditor of non-audit services and payments related thereto.

The board of Norgani will endeavour that the auditor annually (i) presents to the board the framework of the company's audit, (ii) participates in the board meeting which discusses the annual accounts etc., (iii) examine the Company's internal control routines, (iv) holds a meeting with the board without the participation of the management, (v) presents an overview of services provided to the Company besides audit and (vi) in written confirms that the requirements in respect of the auditor's independence are met. In respect of the 2005 financial years, the board has had meetings with the auditor, and to certain extents also received written statements from the auditor, with regard to the annual accounts (both together with and without the management present), internal control routines, scope of services besides audit and his independence. The board will even more closely work with the auditor to plan his audit reviews for the 2006 financial year.

Pursuant to the Company Policy, the management's use of non-audit services from the auditor shall be discussed with the board prior to such engagement.

CHANGE IN CONTROL, TAKEOVERS
Norgani has not established any mechanisms that may hinder a takeover and the articles of the Company do not include provisions which limit the purchase of shares in the Company. Reference is made, however, to the discussion above related to voting restrictions on share capital representing more than 30% of the votes.

Pursuant to the Company Policy, the entering into transactions which in reality will mean transfer of the entire business shall be decided by the general meeting.

Articles of association of Norgani Hotels ASA

(last amended 14 November 2005)

§ 1 – COMPANY NAME
The name of the company is Norgani Hotels ASA. The company is a public limited company.

§ 2 – REGISTERED OFFICE
The registered office of the company is in Oslo.

§ 3 - COMPANY'S BUSINESS
The company's business shall consist of operation and ownership, directly or indirectly, of commercial real estate, including hotels, and activities related thereto.

§ 4 – SHARE CAPITAL
The share capital is NOK 764 359 900,- divided into 30 574 396 shares, each with a nominal value of NOK 25,-.

§ 5 – VOTING RESTRICTION
If someone has acquired shares representing more than 30% of the votes in the company, he cannot exercise voting rights for such shares exceeding 30% of the votes without first having made an offer to acquire the remaining shares in the company. In determining whether the 30% limit has been exceeded, the provisions regarding consolidation of ownership interest and the exceptions from the duty to make a mandatory bid which apply under Norwegian applicable law from time to time regarding mandatory offers for listed Norwegian shares shall apply.

The applicable Norwegian law from time to time regarding mandatory offers for listed shares in Norwegian companies shall, to the extent appropriate, apply to any such offer to acquire the remaining shares in the company.

The board of directors shall determine whether the voting rights restriction applies, including whether an offer made by the shareholder complies with the provisions in the second paragraph above.

This provision does not in any way restrict the obligations under Norwegian law applicable from time to time regarding the duty to make a mandatory offer for listed shares.

§ 6 – BOARD OF DIRECTORS
The board of directors of the company shall consist of at least 3 but no more than 7 directors, according to the decision of the general meeting.

§ 7 – SIGNATURE RIGHTS
The chairman of the company individually or two board members jointly may sign for and on behalf of the company.

§ 8 – GENERAL MEETINGS
The annual general meeting shall deal with and decide upon the following matters:
- Adoption of the annual accounts and the annual report, including distribution of dividend.
- Any other business to be transacted at the general meeting by law or in accordance with the articles of association Shareholders wishing to attend and vote at the general meeting in person or by proxy must notify the company within three working days prior to the date of the general meeting.

§ 9 – NOMINATION COMMITTEE
The company shall have a nomination committee consisting of at least two but no more than three members, according to the decision of the general meeting, elected by the general meeting for periods of two years. The nomination committee itself elects the chairman among its members.

The nomination committee shall submit its recommendation to the general meeting regarding nomination of members to the board of directors of the company. The nomination committee shall also make proposals on the remuneration to the members of the board of directors.

HOTEL MÅRTENSSON
HALMSTAD/SWEDEN

First Hotel Mårtensson, Halmstad

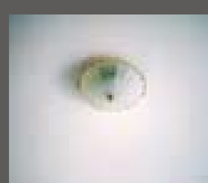
Halmstad is a city with 87 000 inhabitants on the southwest coast of Sweden, between Gothenburg and Malmoe. The city is a popular summer location with a multitude of atractive activities available. Halmstad will host the 2007 Solheim Cup.
The hotel is well located in the very city centre of Halmstad and has 103 rooms, conference facilities, a pub and nightclub.

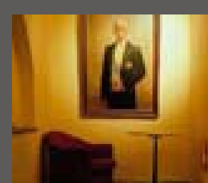
The hotel was founded almost 150 years ago, in 1858, and has since been a meeting spot in Halmstad for lodging and entertainment.
The hotel has been renovated, re-constructed and extended during the years and therefore has a lot of different kind of rooms all equipped to meet the standards of 2006.

First Hotel Mårtensson has good conference facilities with three larger meeting rooms with a capacity of 50 to 150 people and three smaller meeting rooms for approximately 10 persons each.
The "Fox and Ancchor" a restaurant in British pub style, is located in the same building.

The pub offers good food and a broad variety of different beers from around the world.
"The Fox and Anchor" is also famous for its wide selection of malt whiskies.

The hotel is operated by First Hotels.





Directors' Report

Norgani Hotels ASA has got off to a successful start, and completed its first year of operation. Both market developments during 2005 and processes related to the build-up of the company were in line with the expectations when the business was established. Given the company's portfolio of properties and positive trends in the hotel market, we expect continued progress and an attractive return for the owners in 2006.

Norgani Hotels ASA was founded in March 2005 on the initiative of SEB Enskilda and converted to a public limited company in June, when its first investments were made. Norgani acquired 64 hotel properties during 2005, and had taken possession of 61 of these by 31 December. The company has increased its equity through several share issues and had a book equity of NOK 1 802 million at 31 December. It has also established a competent organisation. Norgani Hotels ASA was listed on the stock exchange in November. Today Norgani is the leading hotel property company in the Nordic region, with a solid organisation and balance sheet and the financial ability to continue expanding.

IMPORTANT EVENTS IN 2005

In June 2005 Norgani raised NOK 1.1 billion of new equity in the capital market and secured at the same time external financing of up to NOK 3 billion from Skandinaviska Enskilda Banken AB.

The first property investments were made in June through the acquisition of 37 properties from the Wenaas group, Capona and Pandox/Eiendomsspar respectively for a total of NOK 3.7 billion.

In October, the company reached agreement on acquiring a further three hotels from the Wenaas group as well as two more from Home Invest and Choice Hotels respectively. Six hotels were acquired from Capona in November/December.

Norgani was listed at the Oslo Stock Exchange on 16 November 2005, following an Initial Public Offering that raised additional NOK 440 million of new equity.

Norgani reached agreement in December on acquiring all the shares in Hotelleiendom AS, which owns 16 Swedish hotels operated by Scandic/Hilton.

Altogether, these transactions give Norgani a portfolio of 64 hotels at a combined purchase price of NOK 6.6 billion, of which 61 hotels have been taken over by 31.12.2005.

Attention has also been paid on building up the organisation. The company had a chief executive and chief financial officer in place during August, and the staff has subsequently been expanded by employment of a total of six people. The board is satisfied with the organisation created and the solid results it has already achieved.

THE BUSINESS

Norgani Hotels ASA is a Nordic hotel property company with its head office in Oslo. Norgani's creation and activity is based on the goal of offering investors a long-term investment in a company focused on the market for hotel properties. Norgani is also intended to provide investors with an attractive return by securing and developing a position as the leading Nordic hotel property company. The board firmly believes that the property investments made by Norgani have been based on competitive terms, and that the company established a strong position during 2005 which makes it likely that the specified operational and financial goals will be achieved.

STRATEGY

Investment strategy

The investment strategy is focused on the Nordic region including Iceland and the Baltic states. The criterias for Norgani's hotel investments are larger centrally located 3- and 4-star hotels, operated by leading chains with medium to long term revenue based lease-contracts.The company will be active in acquiring and selling properties but will only in a limited scale be involved in development projects.

Financing strategy

On the basis of a risk assessment of the investment portfolio, the company has a financing strategy with an average debt financing ratio of 75-80 per cent. The financial risk is hedged through a very high level of fixed-interest loans, and emphasis has also been given to flexibility in the financing structure. At 31 December 2005, 91 per cent of the loans were tied for an average of 5.3 years.

MARKET CONDITIONS

The hotel property market developed positively in 2005. This is in line with the expectations which underlay the creation of the company, and the trend looks set to persist into 2006. Market data have shown escalating growth in demand for hotel rooms throughout the year, and prices are rising across the Nordic region.

The 2005 occupancy rates in the Nordic region experienced an overall 3.2 per cent rise to 50.6 per cent, while revenue per available room (RevPAR) increased by 5.6 per cent in Finland (to €39.3) to 6.3 per cent in Norway (to NOK 381) with only small variations between the various countries.

The majority of Norgani's hotels are located in the Oslo, Stockholm and Copenhagen triangle. Market trends for these three capitals have been particularly positive in 2005 and into 2006.

Given the location of Norgani's hotels, this is expected to create the basis for continued progress in 2006.

54 per cent of the company's overall forecast revenue for 2006 is expected to derive from its Swedish hotels, 30 per cent from those in Norway, 14 per cent from Denmark and two per cent from Finland.

The board takes the view that market trends during 2005 confirmed the rationale behind the creation of Norgani in the spring of 2005. Competitive conditions did not change significantly during the year, except for the formation of Norgani.

ACCOUNTS AND CAPITAL

Profit and loss account

Total rental income amounted to NOK 128.7 million in 2005. In addition, the company's profit and loss account benefited from a net gain from fair value adjustments of investment property by NOK 199.7 million during the year. Norgani's investment property portfolio was valued to NOK 6 523 million by year end 2005. The company principles behind this valuation is further explained in note 4.1.1 to the consolidated accounts.

Overall operating and administrative expenses in 2005 were NOK 52.2 million, of which NOK 28,6 million can be attributed to non-recurring start-up costs. The overall operating profit for the year was NOK 293.1 million.

Net financial expenses amounted to NOK 58.2 million, yielding a profit before taxes of NOK 234.9 million and a net profit of NOK 225.1 million.

Balance sheet

Total assets came to NOK 6 839 million at 31 December, while equity at the same date was NOK 1 802 million. After taking account of the company's business and risk profile, the board considers the equity ratio to be satisfactory.

Two share issues were carried out in 2005, collectively raising a paid in equity of NOK 1 576 million. Of the capital increases, NOK 240 million were part settlements of property purchases.

Norgani's net interest-bearing debt totalled NOK 4 732 million at 31 December. This borrowing was partly drawn down within an extended NOK 4 billion loan facility provided by Skandinaviska Enskilda Banken AB in October 2005. A full overview of the interst bearing debt can be found in note 14 to the consolidated accounts.

Cash flow

Net cash flow for Norgani in 2005 was NOK 173.4 million. Cash flow totalled NOK 27 million from operational activities, NOK -4 848 million from investment activities and NOK 4 994 million from financing activities.

Liquidity

Norgani's cash position totalled NOK 175 million at 31 December. The company has unused overdraft facilities of NOK 331 million. The board is comfortable with the liquidity position at the end of 2005.

GOING CONCERN

Pursuant to section 3-3a of the Norwegian Accounting Act, it is confirmed that the going concern assumption is realistic.

ALLOCATION OF NET PROFIT

The profit and loss account for Norgani Hotels ASA in 2005 shows an ordinary net loss of NOK 28 000. The company has no disposable equity which can be used as dividend at 31 December 2005.

The board proposes that no dividend will be paid for 2005. The board is maintaining its goal of paying an annual dividend from 2006 which corresponds to 50 per cent of the company's net profit available for payment as dividend.

Events after the balance sheet date

Norgani took over Quality Hotel & Resort Fagernes from Choice Hotels on 16 January 2006 under an agreement concluded on 14 October 2005. The purchase cost of the hotel was NOK 88.5 million.

ORGANISATION

Health, safety and the environment

Norgani Hotels ASA had five employees at 31 December, of whom 20 per cent were women. The company suffered no injuries or accidents in 2005, and the working environment is regarded as good. No sickness absence has been recorded by the company since its creation.

Activities at Norgani are not considered to pollute the natural environment to any significant extent.

Equal opportunities

Norgani is concerned to treat both genders equally. Twenty per cent of its employees are women, while there is no female representation among the excecutive officers. The company will endeavour to achieve equal representation between the genders.

The company's intention is for women to account for at least 40 per cent of its directors. This goal has been achieved with the present board.

FINANCIAL RISK

Market risk

Norgani is exposed to risk associated with the Nordic property market in general and the market for hotel properties in particular. These markets depend in turn on macroeconomic trends and the level of interest rates in the Nordic countries. Low interest rates and good growth in the Nordic economies found expression in a general improvement in the market during 2005, and the board does not foresee any conditions likely to have a significant impact on this picture during the present year.

Currency risk

The company is exposed to changes in exchange rates. A substantial proportion of its revenues and expenses are in foreign currencies, primarily Swedish kronor, Danish kroner and euros. Significant changes in the pricing of these currencies could have a corresponding effect on the company's earnings and cash flow.

Credit risk

Norgani has had no bad debts, and the risk that counterparties in today's portfolio of contracts are unable to meet their financial obligations is regarded as low.

Liquidity risk

The board regards liquidity in the company as satisfactory, and no measures have been adopted which change the company's liquidity risk.

Financial risks are described in more detail in note 3 to the consolidated group accounts.

SHAREHOLDERS

Guidelines for corporate governance are important for the company's efforts to build trust in the financial market. Norgani also works to secure an appropriate division of roles between the company's supervisory bodies, the board and the management.
These guidelines are described in more detail in the company's report on corporate governance on page 26 in the annual report.

The company has primarily applied the unified Norwegian code of practice on corporate governance for listed companies when drawing up its own principles. The most important exception from this code is the restriction in the company's articles of association which prevents any shareholder from voting for more than 30 per cent of the shares. This provision was adopted to ensure the greatest possible liquidity for the share when the company was listed on the Oslo Stock Exchange.

PROSPECTS

The board of Norgani expects continued progress in the Nordic hotel market, and thereby for the companys turnover-based rents. Norgani's revenues are largely secured by guarantees from the sellers of the properties it has acquired, and its costs are largely covered through the conclusion of fixed interest contracts. Guaranteed revenues for the company's portfolio of 64 hotels total an estimated NOK 510 million for 2006. Taken together, this means that the board expects Norgani to reach its financial targets in 2006. The company will continue to assess opportunities for expanding the portfolio in addition to the possible sale of some hotels.

Given the solid foundation established and the growth expected, the board takes the view that the positive development enjoyed by Norgani since its creation will continue in 2006.

Oslo, 20 March 2006

Jan Petter Storetvedt
Chairman

Hege Bømark   Knut Brundtland   Eva Eriksson   Mats Lönnqvist

Kjell Sagstad
CEO

Board of Directors, from left: Knut Brundland, Hege Bømark, Eva Eriksson, Jan Petter Storetvedt, Mats Lönnqvist.
Further information and personal CVs are available on the company's web site; www.norgani.no

Scandic Hotel Malmen, Stockholm

Scandic Hotel Malmen is a landmark in the Södermalm area and an important part of Stockholm entertainment since 1951. It is now renovated with much of its functionalistic style preserved.

The hotel comprises 327 rooms, all with top modern facilities. Many of the rooms have renovated interiors in Scandinavian style with preserved functionalistic details.

The hotel has an á la carte restaurant with a cosy bar, as well as a coffee house.

When staying at the Malmen you are staying right in the middle of the Södermalm part of town with all its restaurants, cafés, galleries, theatres, shopping and other attractions. Södermalm, with all its young inhabitants, is the most dynamic part of Stockholm. The Old town is within walking distance from the hotel.

The hotel is operated by Scandic Hotels Sweden.


SCANDIC HOTEL MALMEN
STOCKHOLM/SWEDEN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NORGANI GROUP

CONSOLIDATED BALANCE SHEET

Figures in NOK 1 000	Note	31-12-05
Assets		
Non-current assets		
Investment property	6	6 522 961
Seller guarantees for future rent	7	53 400
Property, plant and equipment	8	519
Deferred income tax assets	16	6 723
Derivative financial instruments	15	30 617
Total non-current assets		6 614 220
Current assets		
Trade receivables	9	49 130
Cash and cash equivalents	10	175 164
Total current assets		224 294
Total assets		6 838 514
Equity		
Share capital	11	1 529 512
Other reserves	12	47 097
Retained earnings		225 100
Total equity		1 801 709
Liabilities		
Non-current liabilities		
Borrowings	14	4 889 124
Derivative financial instruments	15	1 448
Deferred income tax	16	0
Other long term liabilities		3 597
Total non-current liabilities		4 894 169
Current liabilities		
Borrowings		18 391
Trade and other payables	13	74 994
Current income tax liabilities		622
Provisions	17	48 628
Total current liabilities		142 635
Total liabilities		5 036 805
Total equity and liabilities		6 838 514

CONSOLIDATED INCOME STATEMENT

Figures in NOK 1 000	Note	2005
Rental income from properties	18	128 747
Guarantee rent from sellers	18	6 865
Financial income	18	9 928
Gross income		145 540
Operating expenses	19	-15 958
Gross operating profit		129 581
Gain from fair value adjustment on investment property		199 731
Administrative expenses	20	-36 195
Operating profit		293 117
Financial costs	21	-58 229
Profit before income tax		234 888
Income tax expense	22	-9 788
Profit for the period		225 100
Attributable to:		
Equity holders of Norgani Hotels ASA		225 100
Basic and diluted earnings per share for profit attributable to the equity holders of the company during the year (NOK)		9.17
Dividends per share		0.00

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK 1 000	Share Capital	Other reserves	Retained Earnings	Total Equity
Balance at 7 March 2005	100			100
New equity - June 2005	1 136 216			1 136 216
New equity - November 2005	439 381			439 381
Cost related to shares issue, net of tax	-46 185			-46 185
Cash flow hedges net of tax		26 497		26 497
Net investment hedge		-41 905		-41 905
Currency translation differences		62 505		62 505
Profit for the year			225 100	225 100
Balance at 31 December 2005	1 529 512	47 097	225 100	1 801 709

Number of shares	30 574 396
All issued shares are fully paid	Par value = NOK 25.00

CONSOLIDATED CASH FLOW STATEMENT

Figures in NOK 1 000	Note	31-12-05
Cash flow from operating activities		
Cash generated from operations	25	54 226
Interest paid		-28 351
Interest received		5 845
Income tax paid		-4 646
Net cash generated from operating activities		27 074
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	25	-4 847 141
Purchase of fixed assets	8	-525
Net cash used in investing activities		-4 847 666
Cash flows from financing activities		
Proceeds from issues of ordinary shares		1 372 860
Proceeds from borrowings		3 621 173
Repayments of borrowings		0
Net cash used in financing activities		4 994 033
Net decrease/increase in cash and bank overdrafts		
Cash and cash equivalents at beginning of the period		0
Exchange losses on cash and cash equivalents		1 723
Cash and cash equivalents at end of the period	10	175 164

Oslo, 20 March 2006

Jan Petter Storetvedt
Chairman

Hege Bømark   Knut Brundtland   Eva Eriksson   Mats Lönnqvist

Kjell Sagstad
CEO

NOTES TO THE CONSOLIDATED STATEMENTS

1. GENERAL INFORMATION

Norgani Hotels ASA and its subsidiaries (together called Norgani) is a hotel investment property group with a major portfolio in the Nordic countries. It is principally involved in leasing out investment property under operating leases and only to a small degree involved in development of investment property. Norgani Hotels ASA was established on 7 March 2005 and acquired its first subsidiaries early July 2005.

Norgani Hotels ASA is a limited liability company incorporated and domiciled in Norway. The address of its registered office is Haakon VII's gt. 5A In Oslo. Norgani Hotels ASA is listed on the Oslo Stock Exchange with the ticker NORGAN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of Norgani have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. For Norgani Hotels ASA there are no differences between IFRS as adopted by EU and IFRS, for the year ended 31 December 2005 . The consolidated financial statements have been prepared under the historical cost convention except that investment property and financial derivative instruments are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in note 4.

Interpretations and amendments to published standards effective in 2005

The following amendments and interpretations to standards are mandatory for the Group's accounting ending 31 December 2005:

- IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments (effective from 1 January 2005);
- SIC 12 (Amendment), Consolidation - Special Purpose Entities (effective from 1 January 2005); and
- IAS 39 (Amendment), Transition and Initial Recognition of Financial Assets and Financial Liabilities (effective from 1 January 2005).

Management assessed the relevance of these amendments and interpretations with respect to Norgani's operations and concluded that they are not relevant to Norgani.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which Norgani has the power to govern the financial and operating policies generally accompanying 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 Norgani controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Norgani. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Norgani. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities / contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of Norgani's share of the 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides 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 Norgani.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Norgani has only one business segment but divide it's business into geographical markets.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approxi-

mation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in Norgani, is classified as investment property.

Investment property comprises freehold land, freehold buildings, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

In subsequent periods investment property is measured at fair value calculated using the yield method (ref. note 4.1). Changes in fair values are recorded in the income statement within 'gain on fair value adjustment 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 Norgani and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Hotel buildings held by Norgani are not owner-occupied. Norgani rents the buildings to third-party hotel operators who run the hotels.

2.6 Leases

(a) In the case a group company is the lessee

i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease

Leases of assets where Norgani has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) In the case a group company is the lessor

i) Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet (Note 6).

ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.7 Property, land and equipment

Equipment is stated at historical cost less depreciaton. Historical cost includes expenditure that is directly attributable to the aquisition. Depreciation on equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives which for equipment is estimated to 10 years.

2.8 Trade receivables

Trade receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that Norgani will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indica tors that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and marketing costs'. Norgani has not recorded any such provisions in 2005.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Borrowings

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

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

2.12 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 by 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 on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by Norgani and it is probable that the temporary difference will not reverse in the foreseeable future.

2.13 Pensions

Norgani plans to establish a contribution plan for its employees during the fourth quarter 2005 with effect from 2006. Norgani willl pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Norgani will have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: Norgani has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recorded for future operating losses.

Where Norgani, as lessee, is contractually required to restore a leased in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Norgani designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge); or hedges of net investments in foreign operations.

Norgani documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Norgani also documents its risk management objective and strategy for undertaking various hedge transactions. Norgani also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 15. Movements on the hedging reserve in shareholders' equity are shown in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(b) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash hedges.

Any gain og loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

2.16 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When Norgani provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered. When Norgani is acting as an agent, the commission rather than gross income is recorded as revenue.

2.17 Dividend distribution

A future dividend distribution to Norgani Hotels ASA's shareholders will be recognised as a liability in Norgani's financial statements in the period in which the dividends are approved.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Norgani's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Risk management is carried out by a central treasury function (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with Norgani's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(3.1.1) Market risk

(3.1.1.1) Foreign exchange risk

Norgani operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swedish and Danish Krone and the Euro. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(3.1.1.2) Price risk

Norgani is exposed to property price and property rentals risk. Norgani has, however, when acquiring hotel properties, received minimum rent guarantees from sellers of the properties with an average remaining duration of 5.3 years.

(3.1.2) Credit risk

Norgani has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Even though the credit concentration may appear significant against certain larger hotel operator chains, this risk is substantially reduced by the way these operators are organized – in several smaller operator companies and separate legal entities. Norgani has policies that limit the amount of credit exposure to any customer or financial institution.

(3.1.3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(3.1.4) Cash flow and fair value interest rate risk

Norgani has no significant interest-bearing assets.

Norgani's interest rate risk arises from long-term borrowings (Note 14). Borrowings issued at variable rates expose Norgani to cash flow interest rate risk.

Norgani takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

Norgani manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

3.2 Fair value estimation

The fair value of financial derivatives are based on quoted market prices at the balance sheet date from external financial institutions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

Norgani makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(4.1.1) Estimate of fair value of investment properties

The valuation of the Norgani investment property portfolio is based on the yield method. Valuation is done on an individual property basis under the following assumptions:

a) The guaranteed rent level is assumed to be equal to the long term market rent – it amounts to NOK 491 million for the entire portfolio of 61 hotels

b) Operating costs are estimated individually – the average cost level is 11%

c) The yield varies from 5.8% to 8.3% depending on expected growth potential, local market conditions, hotel property and the structure of the lease contracts – the average yield for the portfolio is 6.8%

A substantial portion of the property portfolio was acquired during the fourth quarter and the valuation of these properties has been supported by an external agency, DTZ Realkapital. Norgani has in addition used Akershus Eiendom / Jones Lang LaSalle to value six properties in the portfolio.

In addition to the property values, deferred tax assets and deferred tax liabilities directly related to the single purpose property companies have been discounted to net present value (NPV) and added to the property values.

Seller guarantees are calculated as an integral part of the property values, but reported as a separate line item in the balance sheet. Norgani targets to have its investment property portfolio valued externally every second year. All newly acquired investment properties will be valued externally before entered into the accounts. Hence, all investment properties in this financial report have been externally valued during the last 12 months.

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, Norgani determines the amount within a range of reasonable fair value estimates. In making its judgement, Norgani considers information from a variety of sources including:

(4.1.1.1) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences

(4.1.1.2) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices

(4.1.1.3) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition. Norgani has minimum rent guarantees from sellers for 5.3 years in connection to the acquisitions executed in this reporting period.

In addition to the property values, deferred tax assets and deferred tax liabilities directly related to the single purpose property companies have been discounted to net present value (NPV) and added to the property values. The total NPV of the tax effects is separately listed in note 6 Investment property.

5. SEGMENT INFORMATION

Norgani is organized on a Nordic basis into four geographic segments:

2005 *(Figures in NOK 1 000)*	Norway	Sweden	Denmark	Finland	Norgani
Revenue	52 655	59 953	27 381	5 550	145 540
Segment result	49 586	46 774	20 771	4 666	121 797
Unallocated costs net of fair value adjustments					171 320
Operating profit					293 117
Finance costs - net					-58 229
Profit before income tax					234 888
Income tax expense					-9 788
Profit for the period					225 100

31 December 2005	Norway	Sweden	Denmark	Finland	Norgani
Segment assets	1 560 752	4 156 129	911 189	160 581	6 788 652
Unallocated assets					49 862
Total assets					6 838 514
Segment liabilities	1 274 121	2 003 885	525 831	104 223	3 908 061
Unallocated liabilities					1 128 744
Total liabilities					5 036 805
Capital expenditure	1 712 306	3 674 866	793 046	135 918	6 316 136
Unallocated capital expenditure					525
Total capital expenditure					6 316 661

6. INVESTMENT PROPERTY

Period ended *(Figures in NOK 1 000)*	31-12-05
Opening balance	0
Additions	6 316 136
Disposals	0
Net gain from fair value adjustments on investment property	199 731
Net exchange differences	7 094
Closing balance	6 522 961

Direct costs related to the investment are NOK 75.8 million. The category of these costs are due diligence, estate agents fees and arrangement fees.

The final recognition of the acquisitions in December (Note 26) are not yet done due to the short timeframe from the acquisition to the reporting date and that the audited financial statements, which the final settlements will be base on, not are completed.

Norgani's investments properties were revaluated at 31 December 2005 based on the principles described in note 4.
The total net present value of tax effect domiciling in the property has been calculated to NOK 151 million.
Six hotel properties have been valued by independent professionally qualified valuers, Akershus Eiendom AS / Jones Lang LaSalle.
All additions are new acquisition of property.

7. SELLERS RENTAL GUARANTEE

The sellers have provided Norgani rental guarantees for an average period of 5.3 years from 31 December 2005. The guarantees are classified as financial assets at fair value through profit and loss.
Fair value amounts are calculated to NOK 53.4 million by 31 December 2005. The main assumptions in assessing the net present value on the guarantees have been:
- Annual CPI growth of 2%
- Annual growth in variable hotel leases of 5%

8. PROPERTY, PLANT AND EQUIPMENT

At 7 March 2005 *(Figures in NOK 1 000)*	Fixtures & fittings	Total
Cost	0	0
Accumulated depreciation	0	0
Net book amount	0	0
Year ended 31 December 2005		
Opening net book amount	0	0
Exchange differences	0	0
Additions	525	525
Disposal	0	0
Depreciation charge	-6	-6
Closing net book amount	519	519
At 31 December 2005		
Cost	525	525
Accumulated depreciation	-6	-6
Net book amount	519	519

Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. For Fixtures & fittings the useful lives are set to 10 years.

9. CURRENT RECEIVABLES

Period ended *(Figures in NOK 1 000)*	31-12-05
Account receivables	12 815
Less: provision for impairment of receivables	0
Account receivables - net	12 815
Other receivables	36 315
Total receivables	49 130

There is no concentration of credit risk with respect to current receivables, as Norgani has a large number of customers, internationally dispersed.

10. CASH AND CASH EQUIVALENTS

Period ended *(Figures in NOK 1 000)*	31-12-05
Cash at bank and in hand	174 871
Withholding tax account (tied up deposits)	293
Short-term bank deposits	0
	175 164

The effective interest rates in the different currencies are:

NOK	1,73 %
SEK	1,49 %
DKK	1,89 %
EUR	1,84 %

11. SHARE CAPITAL

(Figures in NOK 1 000)

	Number of shares	Ordinary shares	Share premium	Total
At 7 March 2005	4 000	100	0	100
New equity - June 2005	22 724 310	568 108	537 859	1 105 967
New equity - November 2005	7 846 086	196 152	227 293	423 445
At 31 December 2005	30 574 396	764 360	765 152	1 529 512

Average number of shares *)		24 560 292
Number of shares issued		30 574 396
All issued shares are fully paid	Par value=	NOK 25.00

*) Average based on period 1 July - 31 December

List of main shareholders

	Account	Country	Number of shares	%
Deutshe Bank AG London	NOM	GBR	3 802 043	12.4 %
Vital Forsikring ASA	ORD	NOR	2 953 500	9.7 %
Tvist 5	ORD	NOR	2 950 000	9.7 %
Morgan Stanley & Co	NOM	GBR	2 029 720	6.6 %
Capona AB	ORD	SWE	1 400 000	4.6 %
The Northwest Mutual Insurance Comp	ORD	USA	1 176 770	3.9 %
JPMorgan Chase Bank	NOM	GBR	1 020 200	3.3 %
Norsk Hydros Pensjon	ORD	NOR	1 010 500	3.3 %
Orkla ASA	ORD	NOR	1 008 400	3.3 %
P-Invest	ORD	NOR	1 000 000	3.3 %
Enskilda Securities Egenhandelskonto	ORD	NOR	969 393	3.2 %
Odin Norden	ORD	NOR	873 750	2.9 %
Bank Of New York, BR S/A Alpine RE	ORD	USA	840 000	2.8 %
Goldman Sachs & Co	NOM	GBR	825 400	2.7 %
Pandox AB	ORD	SWE	742 500	2.4 %
MP Pensjon	ORD	NOR	580 000	1.9 %
HSBC Bank Plc, S/A Re Gulf	ORD	ARE	575 200	1.9 %
Wenaasgruppen AS	ORD	NOR	568 000	1.9 %
Svenska Handelsbanken	NOM	SWE	556 400	1.8 %
Skagen Vest	ORD	NOR	550 700	1.8 %
Others			5 141 920	16.8 %
Balance at 31 December 2005			30 574 396	100.0 %

Shares held by senior executive officers and non-executive officers

Senior executives	Number of shares
Kjell Sagstad, CEO	7 000
Helge Nerland, CFO	65 000
Magne Ramlo, Technical Director	10 000
Ronny Wilhelmsen, Asset Manager	10 000
Board of Directors	
Jan Petter Storetvedt, Chairman	10 000
Knut Brundtland	0
Hege Bømark	0
Eva Eriksson	0
Mats Lönnqvist	10 000
Non-executive officers - External auditors	
Geir Julsvoll, PricewaterhouseCoopers AS	0
	112 000

12. OTHER RESERVES

(Figures in NOK 1 000)	Fair value	Currency translation reserves	Total
Balance 7 March 2005	0	0	0
Cash flow hedge:			
- Fair value gains in year	27 858	0	27 858
- Tax on fair value gains	-7 800	0	-7 800
- Transfer to net profit	6 439	0	6 439
Net investment hedge		-41 905	-41 905
Currency translation differences:			
- Group	0	62 505	62 505
Balance at 31 December 2005	26 497	20 600	47 097

13. TRADE AND OTHER PAYABLES

Period ended *(Figures in NOK 1 000)*	31-12-05
Trade payables	41 019
Other payables	33 975
Total payables	74 994

Trade payables are interest fee and have settlement dates within one year.

14. BORROWINGS

Period ended *(Figures in NOK million)*	31-12-05
Non-current bank borrowings	4 889
Total undrawn borrowing facility	331
Total borrowing facility	5 220

Specification of borrowings:

Bank/Creditor	Currency	Amount	Amount NOK	Amount with fixed interest rate	Interest rate
Skandinaviska Enskilda Banken	NOK	1 000	1 000	1000	Ref note 15
Skandinaviska Enskilda Banken	SEK	2 205	1 870	1 148	Ref note 15
Skandinaviska Enskilda Banken	DKK	630	674	428	Ref note 15
Skandinaviska Enskilda Banken	EUR	15	120	80	Ref note 15
Svenske Handelsbanken	SEK	460	391	391	Ref note 15
Svenske Handelsbanken	SEK	230	196	196	3.17%
Svenske Handelsbanken	SEK	230	196	196	3.74%
Svenske Handelsbanken	SEK	230	196	196	3.94%
Bonds	SEK	250	207	212	7.37%
Sellers credit	SEK	46	39	39	3.43%
			4 889	3 886	

The maturity of non-current borrowings is as follows:	31-12-05
Between 1 and 2 years	39
Between 2 and 5 years	3 664
Over 5 years	1 186
	4 889

In relation to the acquisition of Hotelleiendom AS late December 2005, Norgani took over three separate loans;

a) Svenske Handelsbanken AS of SEK 1 150 million - a split tranches of SEK 230 million - the first two secured through the FRA market, the three remaining are fixed interest rate tranches
b) a bond noted in the Norwegian market of SEK 250 million
c) a seller credit SEK 46 million

The borrowings are secured on investment property and other assets. The fair value of these floating-rate borrowings approximated their carrying values at the balance sheet date.

The borrowing facility in SEB of NOK 4 billion is planned to be replaced by a syndicated long-term credit facility of the same amount before 30 June 2006. The floating interest rates are NIBOR, STIBOR, CIBOR and EURIBOR and the bank margin is 0.7%. The limit of the borrowing facility has been increased by NOK 1 billion since 30 September 2005.

If syndication is not successful before 30 June 2006, the facility will be subject to a 0.25% increase in annual interest rates and minimum 3% annual amortization - equal for all currencies. The facility has been fully committed until 14 October 2008 on these terms.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Norgani has fixed the majority of its borrowing interest rate exposure through interest rate swaps as described in the below table. Norgani's strategy regarding interest rate exposure is to fix a minimum of 70% of its exposure at any time for a period of minimum three years.

Irrespective a high level of secured rates, Norgani takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

(Figures in NOK 1 000)	Assets	Liabilities
Interest rate swaps - cash flow hedges	29 306	1 448
FRA - cash flow hedges	1 311	0
	30 617	1 448

The notional principal amounts, fixed rates and duration of the derivative financial instruments contracts at 31 December 2005 are:

Financial instrument	Currency	Notional principal amount	Fixed rate	Duration
Interest rate swap	NOK mill	1 000	4.61%	7.3 yrs
Interest rate swap	SEK mill	1 350	3.51%	4.5 yrs
Interest rate swap	DKK mill	400	3.46%	4.5 yrs
Interest rate swap	EUR mill	10	3.53%	4.5 yrs
FRA	SEK mill	460	2.71-3.43%	1.7 yrs

The main floating rates are NIBOR, STIBOR, CIBOR and EURIBOR.

Gains and losses recognised in hedging reserve in equity as of 31 December 2005 will be continuously realised to the income statement until the repayment of the borrowings (note 14).

Hedge of net investment in foreign entity
The Group's SEK-, DKK- and EUR-nominated borrowings are designated as a hedge of the net investment in the Group's subsidiaries in Sweden, Denmark and Finland. The fair value of the borrowing at 31 December 2005 was NOK million 2 669.
The foreign exchange gain of NOK 42 million on translation of the borrowing to NOK at the balance sheet date was recognized in 'other reserves' in shareholders' equity.

16. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Period ended *(Figures in NOK 1 000)*	31-12-05
Deferred tax assets:	
- deferred tax assets to be recovered after more than 12 months	0
- deferred tax assets to be recovered within 12 months	6 723
Total	6 723

The gross movement on the deferred income tax account is as follows:

Period ended	31-12-05
Tax charged to the income statement	9 166
Tax charged to equity	-3 348
Net tax charged to investment property	-12 668
Exchange differences	127
At 31 December 2005	-6 723

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follow:

Deferred tax assets	Deficit carried forward	Derivative financial instruments	Interest bearing loan	Fixtures & Fittings	Total
Tax charged to the income statement	9 130	0	0	36	9 166
Tax charged to equity	-7 478	7 800	-3 670	0	-3 348
Net tax charged to investment property	-12 668	0	0	0	-12 668
Exchange differences	127	0	0	0	127
At 31 December 2005	-10 889	7 800	-3 670	-36	-6 723

Deferred tax charged to equity	31-12-05
Tax on issue expense	-17 999
Tax on derivative financial instruments	7 800
Tax on group contribution	10 521
Tax on exchange differences and interest bearing loan	-3 670
At 31 December 2005	-3 348

There are no significant unrecognized deferred tax assets and liabilities.

17. PROVISIONS

Period ended *(Figures in NOK 1 000)*	31-12-05
Accrued expenses	25 599
Other accruals	23 030
Total provisions	48 628

The amounts shown in Other accruals are mainly of advanced payments of rental income from costumers and will be recorded as income in the first half of 2006. There are none legal claims or disputes over services and/or maintenance charges brought against Norgani as of the date of the issue of this report.

18. REVENUE

(Figures in NOK 1 000)	2005
Rental income from properties	128 747
Guarantee rent from sellers	6 865
Financial income	9 928
	145 540

The period of leases whereby Norgani leases out its investment property under operating leases is average 9.1 years. There are no contingent rents by 31 December 2005.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Figures in NOK million	31-12-05
No later than 1 year	526
Later than 1 year and no later than 5 years	1 898
Later than 5 years and no later than 10 years	1 361
Later than 10 years and no later than 15 years	335
Later than 15 years	195
	4 315

19. EXPENSES BY NATURE

(Figures in NOK 1 000)	2005
Maintenance	5 823
Management real estate	3 026
Real estate tax	4 392
Ground rent	1 258
Other direct real estate operating expenses	1 460
Total	15 958

All these expenses are direct real estate operating expenses and related to properties that are generating income.

20. EMPLOYEE BENEFIT EXPENSES

(Figures in NOK 1 000)	2005
Wages and salaries	3 593
Social security costs	567
Pension costs - defined contributions plans	0
Other employee expenses	730
Total employee benefit expenses	4 890

Remuneration of executive officers of the company, non-executive officers and auditors:	2005
Kjell Sagstad, CEO	
- Ordinary salary	625
- Other taxable benefits	0
- Pension cost	0
Jan Petter Storetvedt, Chairman of the Board	175
Board of Directors	250

In case of termination of Sagstad's employment contract by the Company, Sagstad is entitled to a severance pay of 18 months salary (24 months salary if termination takes place during the first two years of employment) which is reduced accordingly by other income in the post-termination period.

The CEO is entitled to a bonus scheme based on the performance of Norgani's share price. The program releases a bonus amount of NOK 548,000 for 2005 which is to be paid in spring 2006. Further, he will be a member of the Norgani's pension scheme (starting 2006) on normal terms. The retirement pension equivalent to 70% of pensionable salary becomes payable on retirement.

Number of employees/full time equivalent positions:	
No. of employees at 31 December 2005	6
No. of full time equivalent positions at 31 December 2005	6
Average no. of employees	1.9

Auditor's fee:

	2005
Statutory audity	1 511
Other certification services	117
Tax/VAT advisory fee	4 667
Other services than audit	3 487
Total	9 782

The auditor's fees are net of VAT.

21. FINANCE COSTS - NET

(Figures in NOK 1 000)	2005
Interest expense on bank borrowings	52 167
Other financial costs	6 062
Total financial costs	58 229

22. INCOME TAX EXPENSE

The income tax expenses are calculated at domestic rates applicable to profits in the respective countries; 28% in Norway, Sweden and Denmark and 26% in Finland.

(Figures in NOK 1 000)	2005
Current tax	-622
Deferred tax	-9 166
	-9 788

Tax calculated at domestic tax rates applicable to profits in the respective countries	-65 527
Income not subject for tax purposes	55 597
Expenses not deductible for tax purposes	-19
Utilization of earlier years non-recorded deferred tax	161
Tax charged	-9 788

23. EARNINGS PER SHARE

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

	2005
Net profit attributable to shareholders (NOK 1 000)	225 100
Weighted average number of ordinary shares in issue	24 560 292
Basic earnings per share (NOK per share)	9.17

Norgani has no dilutive potential ordinary shares, therefore the diluted earnings per share is the same as the basic earnings per share.

24. DIVIDENDS PER SHARE

Norgani's goal is to provide shareholders with an attractive return on equity. Norgani targets an annual average pre-tax return on the basis of the company's paid-in equity of minimum 15%. The intention is to pay a competitive average annual dividend. The company's target is to distribute approx. 50% of annual net profit, excluding non-cash items. The Board will not propose any dividend to the Annual General Meeting for the start-up year 2005.

25. CASH GENERATED FROM OPERATIONS

Period ended *(Figures in NOK 1 000)*	Note	31-12-05
Profit for the year		225 100
Adjustments for:		
- income tax expense	22	9 789
- depreciation of property, plant and equipment	8	6
- amortization of prepaid operating lease payments		0
- profit on sale of investment property		0
- net gain for fair value adjustment on investment property		-199 731
- interest income		0
- interest expense		49 861
- amortization of unearned finance income		-17 105
- net movements in provisions		-32 024
Change in working capital:		
- trade and other receivables		-15 255
- inventories		0
- payables		33 585
Cash generated from operations		54 226

Investment in subsidiaries

Acquisition cost:	
Payment in cash	4 921 160
Acquisition cost	75 845
Fair value of issued shares	140 000
Total acquisition cost	5 137 005

Asset and liabilities related to the acquisitions:	
Cash and cash equivalents	125 764
Investment property	6 379 911
Receivables	47 027
Interest-bearing liabilities	-1 225 052
Other liabilities	-190 645
Net acquired assets	5 137 005

Net cash payment	
Payment in cash	4 921 160
Acquisition cost paid 2005	51 745
Cash and cash equivalents in acquired subsidiaries	-125 764
Cash payment related to acquisitions	4 847 141

26. LEGAL STRUCTURE

Norgani Hotels ASA's shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Norgani Norge Holding AS	E	22.12.2005	Oslo	100 %	100 %
Norgani Hotelleiendom AS	A	22.12.2005	Oslo	100 %	100 %
Norgani Sweden Holding AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Finland Holding Oy	A	01.07.2005	Helsinki	100 %	100 %
Norgani Hotell Lillehammer AS	A	16.12.2005	Oslo	100 %	100 %
Lillehammer Turisthotell AS	A	16.12.2005	Oslo	100 %	100 %
Norgani Hotell Bodø AS	A	16.12.2005	Oslo	100 %	100 %
Norgani Hotel Cosmopole ApS	A	01.07.2005	Copenhagen	100 %	100 %
KS Norgani Hotel	A	01.07.2005	Copenhagen	100 %	100 %
Kompl.selskabet Norgani Hotel ApS	A	01.07.2005	Copenhagen	100 %	100 %
Norgani Hotel København A/S	A	01.10.2005	Copenhagen	100 %	100 %
Norgani A/S	A	01.07.2005	Copenhagen	100 %	100 %
Norgani Hotell Sydhavnen ApS	A	16.12.2005	Copenhagen	100 %	100 %

Norgani Norge Holdings AS' shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Alexandra Hotell AS	A	01.07.2005	Oslo	100 %	100 %
Norgani Hotel Kristiansand AS	A	01.07.2005	Oslo	100 %	100 %
Norgani Hotell Oslo AS	A	01.07.2005	Oslo	100 %	100 %
Norgani Hotel Bergen AS	A	01.07.2005	Oslo	100 %	100 %
Norgani Hotell Hafjell AS	A	01.07.2005	Oslo	100 %	100 %
Norgani Hotel Bergen Airport AS	A	01.07.2005	Oslo	100 %	100 %

Norgani Hotelleiendom AS' shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Hotelleiendom i Sverige AB	A	22.12.2005	Gothenburg	100 %	100 %

Hotelleiendom i Sverige AB's shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Hotelleiendom i Göteborg AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Helsingborg AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Jönköping AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Luleå AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Malmö AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Sundsvall AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Södertälje AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Umeå AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Uppsala AB	A	16.12.2005	Stockholm	100 %	100 %
Hotelleiendom i Östersund AB	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsbolaget Blyet	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsbolaget Osten	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsbolaget Radien	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsaktiebolaget Sågen	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsaktiebolaget Valbo-Backa	A	16.12.2005	Stockholm	100 %	100 %
Hotellfastighetsaktiebolaget Vindmotorn	A	16.12.2005	Stockholm	100 %	100 %

Norgani Sweden Holding AB's shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Norgani Stockholm Pundet 1 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Kiruna Hovmästaren 1 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Mora Strogen 37:3 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Sollentuna Centrum 12 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Stockholm Herrgården 2 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Luleå Tjädern 19 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Kristianstad Hovrätten 41 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Kalmar Hammaren 4 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Karlstad Sandbäcken 1:3 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Linköping Elden 9-10 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Uppsala Dragarbrunn 4:11 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Sogviken Grillen 8 AB	E	01.07.2005	Stockholm	100 %	100 %
Fastighets AB Prince Philip	E	01.07.2005	Stockholm	100 %	100 %
Norgani Linköping Ekoxen 9 och 11 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Stockholm Fotsacken 1 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Skövde Liljekonvaljen 14 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Halmstad Gillestugan 1 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Norrköping Sprutan 6 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Göteborg Backa 149:1 og 866:397 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Jönköping Hagstensgärdet 1:5 AB	E	01.07.2005	Stockholm	100 %	100 %
Norgani Malmö Gunghästen AB	E	16.12.2005	Stockholm	100 %	100 %
Norgani Stockholm Gråberget 29 AB	E	16.12.2005	Stockholm	100 %	100 %
Norgani Växjö Kocken 3 AB	E	16.12.2005	Stockholm	100 %	100 %
Norgani Bollnäs Sundsbro AB	E	16.12.2005	Stockholm	100 %	100 %
Norgani Växjö Elden Söndra 17 AB	E	16.12.2005	Stockholm	100 %	100 %
Norgani Uppsala Dragarbrunn 16:4 AB	E	16.12.2005	Stockholm	100 %	100 %

Norgani Finland Holding Oy's shares in subsidiaries:

Company		Acquired/ Established*)	Registered Office	Ownership Stakes	Voting Shares
Kiinteeistö OY Hotelli Pilotti	A	01.07.2005	Helsinki	100 %	100 %
Kiinteeistö OY Pakkalan	A	01.07.2005	Helsinki	100 %	100 %
Yrityspuiston Autopaikat Oy	A	01.07.2005	Helsinki	6.7 %	1.6 %

*) A - Acquiring date; E - Establishing date

27. PRO FORMA ACCOUNTS

The companies are acquired in the period from 1 July to 22 December 2005. The exact acquiring date for each company, refer to note 26. The pro forma accounts for the consolidated group income statement as of the financial year of 2005, are estimated to:

		2005
Gross rental income	NOK mill	464
Profit for the period	NOK mill	336

28. CONTINGENCIES

Norgani has no contingent liabilities in respect of guarantees or other matters arising in the ordinary course of business.

29. COMMITMENTS

Operating leases commitments
Norgani leases office premises for administration purposes.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(Figures in NOK 1 000)	2005
No later than 1 year	419
Later than 1 year and no later than 5 years	70
Later than 5 years	0
	489

The lease payment connected to this lease contract for 2005, is NOK 107 000.

Norgani has no other capital commitments contracted for at the balance sheet date.

30. RELATED-PARTY TRANSACTIONS

The Norgani group is 100% controlled by Norgani Hotels ASA (incorporated in Norway).
There are no transactions carried out with related parties other than what is reflected in note 20.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 16 January 2006, Norgani acquired 100 % of the shares in Fagernes Turishotel AS (Quality Hotel Fagernes) from Choice Scandinavia as part of the transaction initiated on 14 October 2005. The cost price of the hotel was NOK 88.5 million.

The accounted value of the companies assets and liabilities are not known due the short timeframe from the acquisition to the reporting date and that the audited financial statements not are completed

NORGANI HOTELS ASA

INCOME STATEMENT 07.03 - 31.12

Figures in NOK 1000	Notes	2005
Revenue		
Other income		4 701
Revenue		4 701
Operating expenses		
Payroll expenses	12	4 890
Depreciation	3	6
Other operating expenses	13	27 693
Total operating expenses		32 589
Profit (loss) from operating activities		-27 887
Financial income and expenses		
Income from investment in subsidiares	8	42 892
Finance income	14	52 440
Finance costs	14	-70 847
Net finance		24 485
Profit before income tax		-3 402
Income tax expense	11	3 374
Net profit (loss)		-28
Information on provisions for:		
Retained earnings		-28
Total disposable		-28

ASSETS 31.12

Figures in NOK 1000	Notes	2005
Non current assets		
Intangible assets		
Deferred income tax asset	11	3 053
Total intangible assets		3 053
Tangible assets		
Equipment	3	519
Total tangible assets		519
Financial assets		
Derivatives	7	29 306
Investments in subsidiaries	4	2 644 057
Loans to group companies	8	2 440 199
Total financial assets		5 113 562
Total non current assets		5 117 133
Current assets		
Trade and other receivables		
Receivables from subsidiaries	8	152 567
Other receivables		13 992
Total receivables		166 559
Total current assets		166 559
Total assets		5 283 692

EQUITY AND LIABILITIES 31.12

Figures in NOK 1 000	Notes	2005
Equity		
Paid in equity		
Share capital	2,10	764 360
Share premium reserve	2	765 152
Paid in equity		1 529 512
Retained earnings		
Revaluation reserves	2	26 497
Other equity	2	-28
Total accumulated profits		26 469
Total equity		1 555 981
Liabilities		
Other non current liabilities		
Derivatives	7	1 448
Liabilities to financial institutions	6	3 622 167
Total other non current liabilities		3 623 615
Current liabilities		
Liabilities to financial institutions	9	54 195
Trade creditors		26 383
Public duties payable		158
Other current liabilities	5	23 361
Total current liabilities		104 096
Total Liabilities		3 727 711
Total equity and liabilities		5 283 692

Oslo, 20 March 2006

Jan Petter Storetvedt
Chairman

Hege Bømark   Knut Brundtland   Eva Eriksson   Mats Lönnqvist

Kjell Sagstad
CEO

CASH FLOW STATEMENT 07.03 - 31.12

Figures in NOK 1 000	2005
Cash flow from operating activities	
Net Profit before income taxes	-3 402
Group contribution/dividends	-42 893
Depreciation	6
Impairment of shares	1 015
Changes in trade creditors	26 383
Changes in other accrued entries	-36 960
Net cash flow from operating activities	-55 852
Cash flow from investing activities	
Investment in subsidiaries	-2 553 171
Loan to subsidiaries	-2 440 199
Net cash flow from investing activities	-4 993 370
Cash flow from financing activities	
New equity	1 372 860
Proceeds from borrowings	3 676 361
Net cash flow from financing activities	5 049 221
Net change in cash and cash equivalents	-
Cash and cash equivalents at 07.03	-
Cash and cash equivalents at 31.12	-

NOTES TO NORGANI HOTELS ASA STATEMENTS

GENERAL INFORMATION

Norgani Hotels ASA is parent company in a hotel investment property group. Norgani Hotels ASA, a Norwegian limited liability company, was established on 7 March 2005. The company acquired its first subsidaries early July 2005.

NOTE 1: ACCOUNTING PRINCIPLES

The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

Subsidiaries and investment in associate

Subsidiaries in associate are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Dividends and other distributions are recognised in the same year as appropriated in the subsidiary accounts. If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the acquisition in the balance sheet.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Current assets are valued at the lower of equisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is carried out based on expected loss.

Foreign currency translation

Monetary items, that are not part of net investment in foreign subsidiaries or are not recognised as hedge account, are translated using the year end exchange retes. Monetary items, that are part of net investment in foreign subisiaries or are recognised as hedge accounting, are translated to the exchange rate at the date of acquistion.

Long term shares are translated to the exchange rate at the date of acquisition.

Fixed assets

Property, plant and equipment is capitalised and depreciated over the estimated useful economic life. If carrying value of a non current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at the fair value. The method of recognising the resulting gain or loss depends on wheter the derivatives is designated as a hedging instrument, and if so, the nature of the itmes being hedged.

Cash flow hedge

The effective portion of changes in the fair value of derivatives thar are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recyled in the income statement in the periods when the hedged items will affect profit or loss. However , when the forecast transacion that is hedged results in the recognition of a non-financial asses (for example inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When at hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gair or loss exisiting in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Income tax

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 28 percent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at the year end. Temporary differences both positive and negative, are balance out within the same period. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

To the extent group contribution not is registered in the profit and loss, the tax effect of group contribution is posted directly against the investment in the balance.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term higly liquid placement with original maturities of three months or less.

NOTE 2: OWNERS EQUITY

Figures in NOK 1 000	Issued capital	Share premium	Revaluation reserves	Other equity	Total
Balance at 7 March 2005	100	-		-	100
New equity - June 2005	568 108	537 859			1 105 967
New equity - November 2005	196 152	227 294			423 446
Cash flow hedge					
fair value gains in year			27 858		27 858
tax on fair values gains			-7 800		-7 800
transfer to net profit			6 439		6 439
Profit for the year				-28	-28
Balance at 31 December 2005	764 360	765 152	26.497	-28	1 555 981

NOTE 3: FIXED ASSETS

Figures in NOK 1 000	Equipment
Acquisition cost at 01.01.05	-
Accumulated depreciation	-
Net carrying amount at 01.01.05	-
Additions	525
Depreciation for the year	-6
Net carrying amount at 31.12.05	519

The useful economic life is estimated to 10 years.

NOTE 4: INVESTMENT IN SUBSIDIARIES

Figures in NOK 1 000	Location	Share ownership/ voitings rights	Net carrying amount at 31.12.05
Norgani Norge Holding AS	Oslo	100 %	235 401
Norgani Hotelleiendom AS	Oslo	100 %	296 457
Norgani Sweden Holding AB	Stockholm	100 %	1 439 127
Norgani Finland Holding Oy	Helsinki	100 %	37 712
Norgani Hotell Lillehammer AS	Oslo	100 %	132 612
Lillehammer Turisthotell AS	Oslo	100 %	1 001
Norgani Hotell Bodø A S	Oslo	100 %	217 192
Norgani Hotel Cosmopole ApS	Copenhagen	100 %	50 358
KS Norgani Hotel	Copenhagen	100 %	26 471
Kompl.selskabet Norgani Hotel ApS	Copenhagen	100 %	0
Norgani Hotel København A/S	Copenhagen	100 %	38 360
Norgani A/S	Copenhagen	100 %	162 271
Norgani Hotell Sydhavnen ApS	Copenhagen	100 %	7 095
Total			2 644 057

Subsidiaries are acquired in 2005 with total acquisition cost of NOK 2.672.126.000

Acquisition cost	2 672 126
Group contribution exceeding the periodic results	27 054
Impairment	1 014
Carried amount	2 644 057

NOTE 5: CURRENT LIABLITY

Figures in NOK 1 000	
Advances employees	291
Due vacation salary	218
Incurred not paid interest	18 391
Allowances	4 461
Total current liability	23 361

NOTE 6: DEBTS

Liabilities to financial institutions
Norgani has a bridge facility agreement up to 4 billion, which is planned to be replaced by a syndicate long term credit facility on the same amount before 30 June 2006. The floating interest are NIBOR, STIBOR, CIBOR og EURIBOR and the bank margin is 0,70%. Norgani have fixed the majority of its borrowings through interest swaps.

Figures in NOK 1 000	Currency	Currency amount	Book value 31.12	Fixed rate 31.12
Skandinaviska Enskilda Banken	NOK	995 031	995 031	NIBOR + 0.70
Skandinaviska Enskilda Banken	SEK	2 204 559	1 840 661	STIBOR + 0.70
Skandinaviska Enskilda Banken	DKK	630 000	668 259	CIBOR + 0.70
Skandinaviska Enskilda Banken	EUR	15 000	118 215	EURIBOR + 0.70
			3 622 167	

The maturity of non-current borrowings is as follows:

	31.12.2005
Between 2 and 5 years	3 622 167

Investment property and other assets are given as security for the borrowings. The fair value of these floating-rate borrowings approximates their carrying values at the balance sheet date. If syndication is not successful before 30 June 2006, the facility will be subject to a 0.25% increase in annual interest rates and minimum 3% annual amortisation - equal for all currencies.

The facility has been fully committed until 14 October 2008 on these terms.

NOTE 7: FINANCIAL MARKET RISK

The company does not use derivative instruments to manage financial market risk.

Norgani's interest rate risk arises from long-term borrowing. Borrowings issued at variable rates expose Norgani to cash flow interest rate risk.

Norgani has fixed the majority of its borrowing interest rate exposure through interest rate swaps as described in the below table. Norgani's strategy regarding interest rate exposure is to fix a minimum of 70% of its exposure at any time for a period of minimum three years.

Irrespective a high level of secured rates, Norgani takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

Interest rate swap agreements

Currency	Notional principal amount	Receive	Pay	Duration
NOK mill	1 000	Floating	Fixed	7.3 years
SEK mill	1 350	Floating	Fixed	4.5 years
DKK mill	400	Floating	Fixed	4.5 years
EUR mill	10	Floating	Fixed	4.5 years

Fair value per 31.12.2005	Assets	Liabilites
Interest rate swaps (NOK 1 000)	29 306	1 448

Norgani ASA has obtained fair value calculations from third party professionals in the finance market.

All interest rate swaps are designed as cash flow hedge and changes in the fair value are recognised in equity. Net interest expenses at the interest rate swap is recognised to income as an adjustment to the variable interest rate at the interestbearing debt.

Norgani operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swedish and Danish Krone and the Euro. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

NOTE 8: INTERCOMPANY BALANCE GROUP COMPANY

Figures in NOK 1 000	2005
Income	
Group contributions from subsidiaries	32 148
Dividends from subsidiaries	9 730
	41 878
Interest income from subsidiaries	44 584
Total income	86 462
Assets and Liabilities	
Debt	2 440 199
Intra group receivables	152 567
Total	2 592 766

The only receivable with matuirty date more than one year are "Loan to the group companies".

NOTE 9: BANKDEPOSIT

Figures in NOK 1 000	2005
Cash amount which is tied up on a seperate account for tax deducted from employees	294

NOTE 10: SHARE CAPITAL AND SHAREHOLDER INFORMATION

Figures in NOK 1 000

Share capital	Number of shares	Face value	Book value
A - Shares	30 574 396	25	764 360

Main shareholders and shares held by senior executives and non executive officers:
See note 11 Share Capital in the consolidated accounts.

NOTE 11: INCOME TAXES

Figures in NOK 1 000

Deferred income tax/Deferred income liabilies	
Temporary differences	
Fixed assets	129
Interest rate swap	27 858
Net temporary differences	27 986
Tax losses carried forward	-38 888
Net temporary differences	-10 902
Deferred tax assets 28%	-3 053
Tax base	
Profit before tax	-3 402
Permanent differences	-72 933
Tax base for the year	-76 335
Temporary differences	-129
Changes in temporary differences and tax losses carried forward	38 888
Received group contribution to equity	37 575
Tax base for calculation of tax payable	0
Reconciliation of tax charge and ordinary profit	
Profit before tax	-3 402
28% of profit before tax	953
Permanent differences (28%)	
received dividends	2 724
impairment of shares	-284
other permanent differences	-19
Income tax expence	**3 374**

NOTE 12: WAGE COSTS, NUMBER OF EMPLOYEES, REMUNERATION AND AUDITOR'S FEE

Figures in NOK 1 000	2005
Wage costs	
Salaries	3 595
Payroll tax	567
Other payments	728
Total wage costs	4 890
No. of employees/Full time equivalent positions	
No. of full time equivalent positions at 31.12	6
No. of employees at 31.12	6
Average number of employees	1.9

Management remuneration	CEO	Board of Directors
Salary	625 000	
Other remuneration		175 000
Other compensation		250 000

In case of termination by the Company of the CEO's employment contract. He is entilited to a severance
pay of 18 month salary (24 months salary if termination takes place during the first two years of employment)
which is reduced accordingly by other income in the post-termination period.

The CEO is entitled to a bonus scheme based on the performance of Norgani's share.
The program releases a bonus amount of NOK 548 000 for 2005 which is to be paid in spring 2006.
Further, he will be a member of the Norgani's pension scheme (starting 2006) on normal terms.
The retirement pension equivalent to 70% of pensionable salary becomes payable on retirement.

Auditors fee *Figures in NOK 1 000*

Statutory audit fee	331
Other attestation services	116
Tax/VAT advisory fee	4 630
Other services than audit	3 220
	8 297

Auditors fees are net of VAT

NOTE 13: OTHER OPERATING EXPENSES

Figures in NOK 1 000	
Expenses offices	141
IT	555
Services	25 289
Offices equipment	154
Travel expences	619
Advertising and entertainment	84
Investor relations expenses	778
Other	73
Total other operating expenses	27 693

Norgani has office leasing expences at NOK 35 817 each month.

NOTE 14: FINANCE

Figures in NOK 1000	2005
Finance Income	
Interest income from companies in the group	44 584
Other interest income	3 112
Other financial income (agio)	4 744
Total finance income	52 440
Finance Costs	
Impairment shares subsidiaries	1 014
Other interest expenses	49 990
Other financial expenses	19 844
Total finance costs	70 847

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

On 16 January 2006, Norgani acquired 100 % of the shares in Fagernes Turisthotel AS (Quality Hotel & Resort Fagernes) from Choice Hotels as part of the transaction initiated on 14 October 2005. The cost price of the hotel was NOK 88.5 million.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS

To the Annual Shareholders' Meeting of Norgani Hotels ASA

Auditor's report for 2005

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DEFINITIONS

ARR	Average Room Rate (Total room revenues devided by total number of rooms sold)
AVAILABLE ROOM	Room capacity in terms of room nights available
CASH FLOW PER SHARE	Net cash generated from operating activities divided by the weighted average number of ordinary shares outstanding during the year
CITY	A city/area with more than 50 000 inhabitants
CONTRACT RENT	Annual gross lease rent level for current rental contracts (excl. vacancy, credit loss and discounts)
CPI	Consumer price index (local)
DISTRIBUTOR	The organisation which under a common brand is responsible for the marketing and booking of hotels
EARNINGS PER SHARE	Net profit attributable to shareholders divided by the weighted average number of ordinary shares outstanding during the year
FREEHOLD	The land area on which the property is situated, is owned by the property owner
F&B	Food & Beverage
GROSS RENT	Gross rent from the hotel properties
LAND	The site where the property is situated
LEASE DURATION	The remaining lease period according to the lease agreement

LEASEHOLD	The land area on which the property is situated, is rented
MINIMUM RENT	The minimum rent the operator/tenant is obligated to pay according to the lease agreement
NET INTEREST BEARING DEBT	Long and short term interest bearing debt deducted by cash and cash equivalents
NET RENT	Gross rent subtracted operating expenses/owner's costs
OCCUPANCY	The number of rooms which is sold during a period of time as a percentage of available rooms
OPERATOR	The company running the day to day business at the hotel
PRE-TAX RETURN ON PAID IN EQUITY	Pre-tax profit divided by paid in capital, i.e.capital that is brought in by investors in return for stock
REGIONAL	A city/area with less than 50 000 inhabitants
RENTAL GUARANTEE	The rent guaranteed for a certain period of time by sellers of properties to the Company
REVPAR	Revenue Per Available Room
SQM	Square metres
YIELD	Net rent as an per centage of market/book value

FINANCIAL CALENDER 2006

Norgani Hotels ASA has decided the following dates for quarterly presentations.

27.04.06	1 Quarter 2006
27.04.06	Ordinary General Meeting
14.07.06	2 Quarter 2006
27.10.06	3 Quarter 2006

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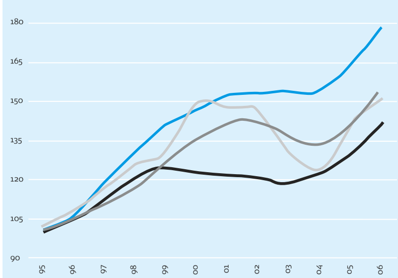
norgani
2006

CONTENTS

With a portfolio of more than 70 hotels in the Nordic region, Norgani Hotels is Europe's fifth largest hotel property investor. Through size, specialisation and knowledge of the property sector and insight in the hotel industry, Norgani has created a unique platform for development of hotel properties and business in cooperation with operators and brands.

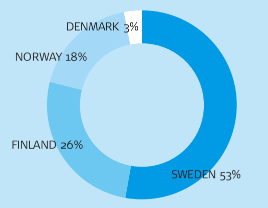
Norgani in brief

REVPAR UP IN ALL NORDIC COUNTRIES



2006	Change in RevPAR,%	Occ,%
Sweden	+6.7	49.7
Norway	+8.8	54.6
Finland	+7.7	51.4
Denmark		58.2

GEOGRAPHIC DISTRIBUTION BY ROOMS



As a specialized hotel property owner, Norgani offers hotel operators several strategic advantages, such as:

- A partner with good knowledge and insight in the hotel industry
- The possibility to cooperate and negotiate on groups of hotels, not just individual properties
- Financial capacity and flexibility

For investors, Norgani is an opportunity to gain exposure in a property segment where fundamentals are strong and industry restructuring add to expected returns

- Strong demand for business and leisure travel
- Hotel operators focus on developing brands, distribution and service thereby creating opportunities for owners to expand
- The segment becomes more attractive due to greater liquidity, increased transparency and new financial solutions

2006 IN NUMBERS
NOK million

	2006	2005
Rental revenue	554	129
Operating net	515	120
Net gain on disposals	66	0
Fair value adjustments	672	190
Net profit	710	225
Properties	9 452	6 418
Shareholders equity	3 016	1 802
Total assets	10 494	6 808
Key figures		
Earnings per share	17.94	7.36
Cash flow from operations per share	6.82	1.13
Dividend per share	4.00	-
Shareholder equity per share	76.22	58.93
Property book value per share	238.84	209.94
Pre tax return on paid in equity, %	50.8	34.7
Return on equity, %	29.5	-
Interest cover, multiple	2.12	1.73
Debt ratio, %	68.9	71.7
Equity ratio, %	28.7	26.5

A word from the CEO

"We will continue to take an active part in a growing hotel market"

With a portfolio of more than 70 hotels in the Nordic region, Norgani has established itself not only as the largest hotel investor in the Nordic area, but also as Europe's fifth largest.

Turnover in the hotel business is rapidly growing boosted by increased travelling correlated to strong economic growth, a population getting older and changes in lifestyle patterns. The travel and tourism industry is now one of the most dominant in the world economy with a high growth estimated to have been between 6 and 13 percent the last years and expected to be around 5 percent for the years to come.

Revenue per available room (RevPAR), calculated as average price of a hotel room (ARR) multiplied by room occupancy, increased rapidly in the Nordic area last year. In Finland and Norway RevPAR increased by around nine percent and in Sweden more than seven percent. Denmark does not publish RevPAR, but the occupancy has risen to almost 60 percent, the highest in the Nordic area. With good prospects for further economic growth and hotel business being part of the travel and tourism industry, the outlook for 2007 is strong.

The volume of hotel property transactions in Europe has been rapidly growing in recent years, logging a rise of around 160 percent from 2003 to 2006. The increase is fuelled by hotel chains financing growth by selling off hotel properties. These structural changes have brought private equity into the hotel business as large property owners. The changes also make the hotel property market more liquid and transparent and thus add to the belief that hotel properties will be a prosperous property class in the years to come.

The largest hotel chain in The Nordic area, Scandic Hotels AB, is in the process of being sold to one of the leading private equity companies in Europe, the Swedish based EQT. Scandic Hotels is Norgani's largest tenant, accounting for about 50 percent of our revenue. We welcome a Nordic based owner with focus on the environment and further growth.

As a specialized hotel property owner, Norgani offers operators several strategic advantages like:

- A partner with good knowledge of and insight in the hotel industry
- The possibility to cooperate on groups of hotels
- Financial capacity and flexibility

Norgani has established an organisation in Norway, Sweden and Finland. Together with our financial capacity, this gives us a platform to further develop our cooperation with the tenants by actively working together to develop the hotels and thereby increasing hotel turnover further.

In 2006 our largest transaction was the purchase of the "Kapiteeli portfolio" in Finland. This acquisition of 15 hotels and one congress center made us the second largest hotel property owner in Finland. In the Helsinki area we have approximately 20 percent of the market. Among the hotels is the famous Kalastajatorppa closely tied to the modern political history of Finland. With the growth we are experiencing and expecting in the Finnish hotel market we are confident that this is an investment benefiting our shareholders.

With a solid organisation in place and a good financial platform, we are well prepared to take advantage of growth opportunities.

Oslo in March,

Eva Eriksson

Business concept, strategy and goals

BUSINESS CONCEPT
Norgani is active in the travel and tourism industry as an owner creating value through investing in, managing and developing hotel properties pursuing successful cooperation with the hotel operators.

FINANCIAL GOALS
- 15 percent return on equity over time.

DIVIDEND POLICY
- Dividend should be 50 percent or more of cash flow from operations.

STRATEGY
- Maintaining a well diversified portfolio
  Norgani aims to work with several operators and their brands, have a good geographic distribution of properties and have a mix of contracts.

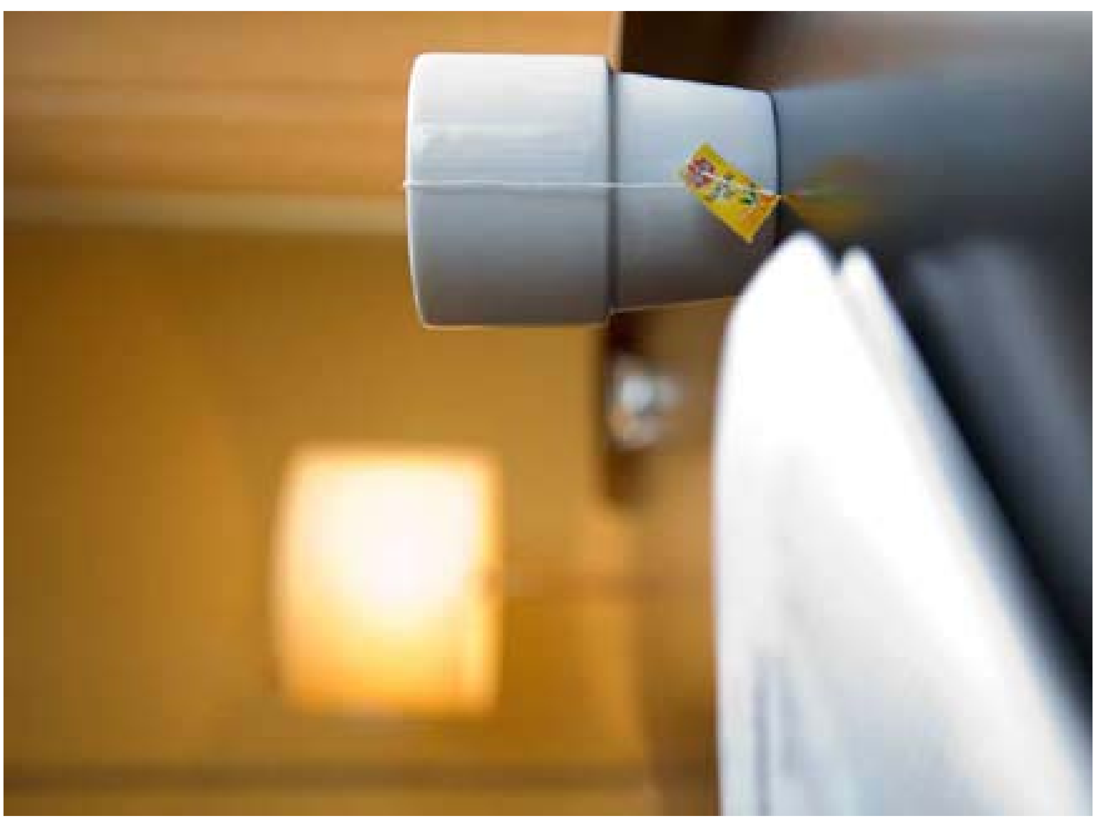
- Hotel properties with manageable risk
  The portfolio's emphasis is on mid- and up scale hotel properties with at least 150 rooms and attractive locations, as these hotels are more effective and have lower volatility. A major part of revenue should come from hotels in cities with more than 50,000 inhabitants.

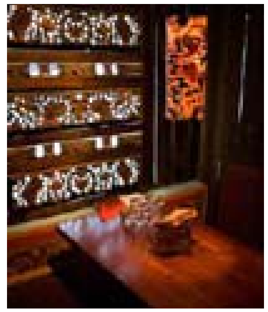
- Limited development project activity
  Only in limited scale should Norgani be involved in development projects, except those that are naturally connected to professional operators or existing properties.

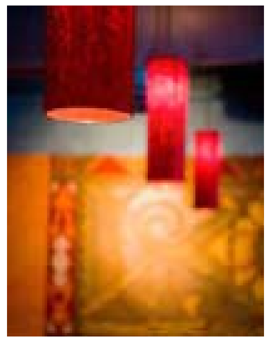
- Growth to achieve economies of scale and to become a more attractive partner for hotel operators
  With a larger portfolio, Norgani becomes an increasingly attractive partner for hotel operators while achieving organizational, financial and diversification benefits.

- Balanced financial risk level
  With manageable property risk due to the above strategies, the target debt ratio is set to 75 to 80 percent of total assets. Interest fixing is set based on current market conditions and the property portfolio profile.

Scandic Espoo, Finland







Scandic Espoo

Scandic Espoo is located in the middle of Finland's fastest growing business area, still only 15 minutes by car from Helsinki city.

The hotel was totally renovated in 2003 and comprises 96 rooms. All the rooms have been decorated in warm colours and made functional to meet the requirements of the business traveller as well as the tourist. The sauna section on the 6th floor has a magnificent view all the way to Helsinki city, while you are in the sauna, dip in the pool or try out the fitness equipment. There are six modern and well-equipped meeting rooms in the hotel for 2-80 people. The restaurant Colonial Bar & Kitchen easily accommodates as well smaller as larger events. One interesting point is that the company H-D Center Oy, which is owned by Sakke Järvenpää the leader of the band Leningrad Cowboys, designed the restaurant concept for Scandic. The hotel is operated by Scandic Hotels.

Market overview

More focus on the hotel property sector

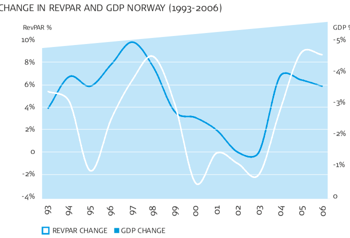
THE TRAVEL AND TOURISM INDUSTRY
The travel and tourism industry is one of the largest industries in the world. The World Travel and Tourism Counsel (WTTC) estimated that it accounted for 10.3 percent of GDP in 2006 and more than 234 million jobs. WTTC expects the industry to continue to grow across the world, averaging around 5 percent per cent annually over the next ten years.

Travel increases with economic activity. A dramatic increase in travel is currently seen in emerging economies such as China and India but it is also rising with the strong business cycle in Europe and the U.S. Business travel is further boosted by an expansion of contacts as regions are knitted closer together such as in the EU. Low cost carriers also add to demand, as does the ageing, but still healthy and active population.

The demand for hotel accommodation fluctuates with the demand for travel. There is underlying growth in the market, since people to a greater extent opt for hotels rather than staying with friends and family.

Europe is the world's largest hotel market with more than 5 million rooms. The European GDP-growth in 2006 was very positive. The Nordic countries have had two years of strong development and Eastern Europe has performed well since 2000. The countries in Western Europe have had a lower growth but improved strongly in 2006. The forecast for GDP growth for 2007 to 2010, is good, with an expected annual increase of 2–3 percent for most of the countries in the Nordic region and Western Europe and around 4 percent for Eastern Europe. Studies show that growth in the hotel industry is closely correlated with GDP-growth, see figure from Norway as an example.

CHANGE IN REVPAR AND GDP NORWAY (1993-2006)



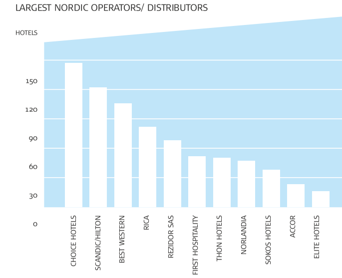
Source: Statistisk Sentralbyra (Statistics Norway)

After a period of recovery from the slump in visitor numbers caused by September 11, the sector now has enjoyed a few years of strong performance. RevPAR in Europe rose in 2006 with 12.1 percent to euro 79.

The hotel industry

The hotel business consists of three main segments: property ownership, hotel operation, and distribution (marketing and booking). Some hotels are owned, operated and distributed by the same entity but it is becoming increasingly common that roles are separated, implicating increased specialisation and transparency.

LARGEST NORDIC OPERATORS/ DISTRIBUTORS



Source: SEB/Enskilda

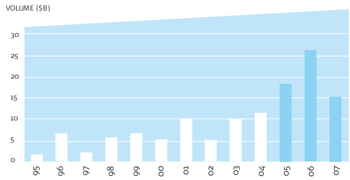
Hotel branding is increasing. When travelling to new destinations, customers take comfort in knowing a brand fuelling the importance of awareness. Loyalty programmes are designed to make customers come back. The penetration of brands is higher in the U.S. than in Europe. In the U.S, around 65 percent of hotel rooms were branded in 2004, while the corresponding figure in Europe was 25 percent. It is estimated that more than 40 percent of hotels in the Nordic region is operated under a brand.

The largest European hotel brands are Best Western and the Accor owned Ibis, Mercure and Novotel. The Nordic region is dominated by Scandic and Choice with Quality, Comfort and Clarion. Several large brands have adopted an "asset light" strategy, shrinking their balance sheets by divesting properties. Some, such as Rezidor, have divested almost all properties, while others maintain ownership of parts of the hotel properties in which they operate.

Hotel property investments

Hotel investments have increased heavily over the last years. In 2006 the volume of European hotel property transactions rose by 31 percent to euro 21 billion with both portfolio transactions and single asset transactions. The restructuring and consolidation in the hotel market are partly financed by assets sales which cover the capital expenditure required to expand hotel brands.

EUROPEAN TRANSACTION VOLUME 1995-2007F

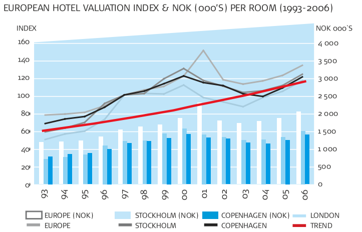


Source: Jones Lang LaSalle Hotels

The French hotel chain Accor was one of the companies entering the restructuring process and selling off its assets. So far Accor has sold 204 hotels for approx. euro 1.5 billion and the group expects to continue its disposal strategy. The freed-up capital is reinvested into economy brands in fast growing markets in Eastern Europe, China and India. Intercontinental is another large chain following the same course. US history shows that hotel property oriented investors can play a major role in restructuring the sector. Global investors are now focusing on Europe. In addition to opportunities arising as the industry transforms, investors are also attracted by the recent integration of the countries in Eastern Europe, that all have strong tourism and business potential. In addition to divestments by hotel operators, there is an increased focus on management contracts.

The difference between office yields and hotels yields has decreased substantially over the last two years. The yield compression is also fuelled by inflow of investor capital. Hotel property remains on the upper part of the yield scale though.

EUROPEAN HOTEL VALUATION INDEX & NOK (000'S) PER ROOM (1993-2006)



Source: HVS International "European Hotel Valuation" ir, SEB/Enskilda

The trends are more or less the same all over Europe, scarcity of products, strong investor focus on the sector and the sector itself restructuring by divesting assets. Larger expansions into the segment have so far been made by private equity investors, REIT's and some specialized investors, among them Norgani Hotels.

RevPAR

A hotel's room revenue is measured by revenue per available room or RevPAR, which is determined by average room rate and occupancy. Occupancy is the proportion of sold rooms in relation to capacity.

Overall, hotel room revenues vary over the year. The traffic and revenue typically tend to be better in the second half of the year compared to the first half. The second and third quarters are normally much better than the first and fourth. Business at resort properties and properties in smaller locations may have more significant seasonal variations than the overall hotel market depending on location. For large clients, contracts are agreed specifying certain capacity at specific rates. Room rates can also vary between days of week and with local factors. The hotel industry is becoming increasingly sophisticated in its efforts to maximize revenue, in the discipline called revenue management.

The Nordic Market

Strong RevPAR development in the Nordic sector

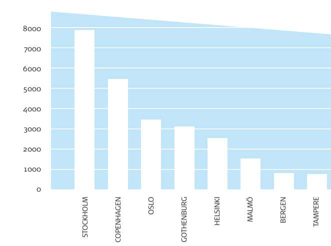
THE NORDIC REGION

In 2006, there were 3,855 hotels in the Nordic region with on average 63 rooms. Sweden represented 38 percent of the room capacity, Norway 25 percent, Denmark 19 percent and Finland 17 percent of room capacity.

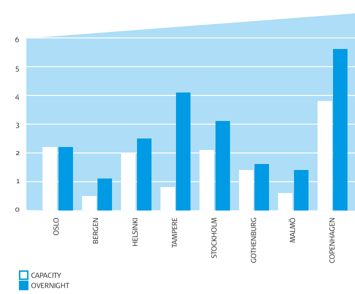
Demand can be categorized as conference/business and holiday/leisure, and foreign and domestic. In Sweden and Norway, the majority is conference/business, while in Finland it is holiday/leisure. When it comes to the distribution between domestic and foreign guests, Denmark has a distinctly higher share of foreign guests than the other three countries.

Domestic demand represents over 70 percent of guest nights in Sweden, Finland and Norway. Another characteristic for the Nordic region is a, in a European comparison, large proportion of hotels operated under brands.

OVERNIGHTS IN SELECTED NORDIC CITIES (000'S)



GROWTH IN CAPACITY AND OVERNIGHT (1998-2006) %



Source: Statistiska centralbyran (Statistics Sweden) www.scb.se, Statistisk Sentralbyra (Statistics Norway) www.ssb.no; Statistikkbanken, Danmarks Statistik (Statistics Denmark) www.statistikbanken.dk; Statistikbanken; Serv(Statistics Finland) www.stat.fi; Tilastot (Statistic); Matkailutilasto (Tourism statistics)

GUEST SEGMENTATION 2006

	Conference/Business	Holiday/Leisure	Domestic	Foreign
Sweden	64%	36%	77%	23%
Norway	51%	49%	72%	28%
Denmark	na	na	59%	41%
Finland	41%	59%	72%	28%

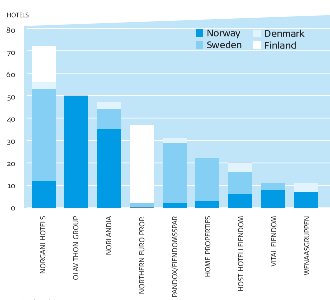
(source: Statistisk Sentralbyra (Statistics Norway), Statistiska centralbyrån (Statistics Sweden), Danmarks Statistik (Statistics Denmark) and Tilastokeskus (Statistics Finland))
Conference/Business

The Nordic Market

Several significant events took place in the Nordic market in 2006. Rezidor listed on the Stockholm Stock Exchange and Hilton announced that Scandic was for sale. In 2007 it was sold to the private equity Company EQT. Scandic accounts for approximately 50 percent of Norgani's rental income and Norgani owns 38 hotel properties that are operated by Scandic.

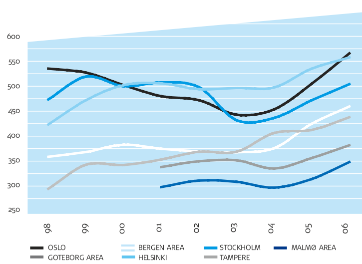
Statistics for the Nordic hotel market show a positive trend. RevPAR increased in all Nordic countries. Norgani owns 5.1 percent of the room capacity in the Nordic countries. The highest market share is in Sweden with 7.2 percent and the lowest in Denmark with 1.0 percent.

LARGEST HOTEL PROPERTY OWNERS IN THE NORDIC COUNTRIES



Source: SEB/Enskilda

REVPAR SELECTED NORDIC CITIES (NOK)



Source: Statistiska centralbyran (Statistics Sweden) www.scb.se, Statistisk Sentralbyra (Statistics Norway) www.ssb.no; Statistikbanken, Danmarks Statistik (Statistics Denmark) www.statistikbanken.dk; Statistikbanken; Serv(Statistics Finland) www.stat.fi; Tilastot (Statistic); Matkailutilasto (Tourism statistics)

NORGANI MARKET SHARE, ROOMS

	Sweden	Norway	Denmark	Finland	Total
Nordic region	93 119	61 811	41 806	47 526	244 261
Norgani	6 673	2 191	434	3 195	12 493
Norgani's market share	7.2%	3.5%	1.0%	6.7%	5.1 %

Source: Statistiska centralbyran (Statistics Sweden) www.scb.se, Statistisk Sentralbyra (Statistics Norway) www.ssb.no; Statistikbanken, Danmarks Statistik (Statistics Denmark) www.statistikbanken.dk; Statistikbanken; Serv(Statistics Finland) www.stat.fi; Tilastot (Statistic); Matkailutilasto (Tourism statistics)

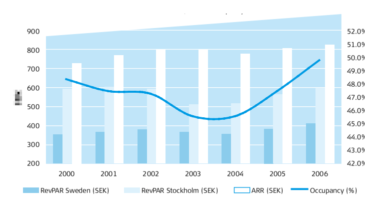
THE SWEDISH MARKET
The Swedish market remained very strong in 2006, with an increase in RevPAR (revenue per available room) of 6.7 percent to SEK 412. The largest growth was in Gothenburg, which hosted the European Athletics Championship and Volvo Ocean Race, and saw a RevPAR increase of 11.4 percent. After an increase of 2.2 percent, nominal room prices reached an all-time-high at SEK 828, surpassing the SEK 804 level reached in 2002. At 49.7 percent, occupancy reached the highest level in a decade. The capacity increased by 1.2 percent.

The Swedish market constituted 48 percent of Norgani's operating net in 2006 and 43 percent of total investment properties at year-end.

THE NORWEGIAN MARKET
The market was even stronger in Norway than in Sweden. Here, RevPAR increased for the third consecutive year, this time with 8.8 percent to NOK 407. The average room price posted an increase of 4.0 percent, reaching NOK 746. Occupancy improved by 2.5 percentage points to 54.6 percent. The capacity increased by 0.8 percent to 61,811 rooms.

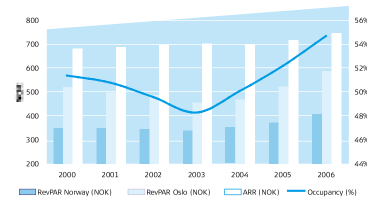
The Norweigan market constituted 28 percent of Norgani's operating net in 2006 and 22 percent of total investment properties at year-end.

SWEDEN REVPAR ARR & OCCUPANCY



Source: Statistiska centralbyran (Statistics Sweden)

NORWAY REVPAR ARR & OCCUPANCY



Source: Statistisk Sentralbyra (Statistics Norway)

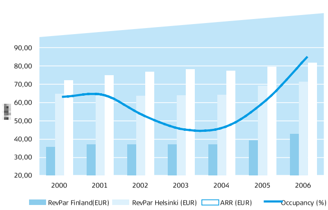
THE FINNISH MARKET
The Finnish market have grown continuously since 2003 and reached its highest level since 1980 in 2006. RevPAR increased 7.7 percent to EUR 42.05 and the average room rate rose 2.8 percent to 81.77. Occupancy was for the first time since 1980 above 50 percent, reaching 51.4 percent. In Helsinki the occupancy rate was 69 percent and in the second largest city Tampere was 67.9 percent. Capacity increased by 1.4 percent to 47,526 rooms.

The Finnish market constituted 11 percent of Norgani's operating net in 2006 and 30 percent of total investment properties at year-end.

THE DANISH MARKET
In Denmark, occupancy increased by 7.7 percentage points to 58.2 percent. The occupancy level in Copehagen reached a historically high level of 68.1 percent. There was no significant change in capacity.

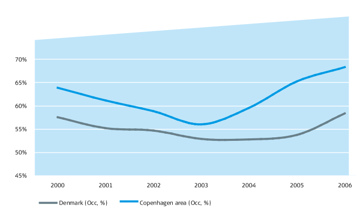
The Danish market constituted 12 percent of Norgani's operating net in 2006 and 5 percent of total investment properties at year-end.

FINLAND REVPAR ARR & OCCUPANCY

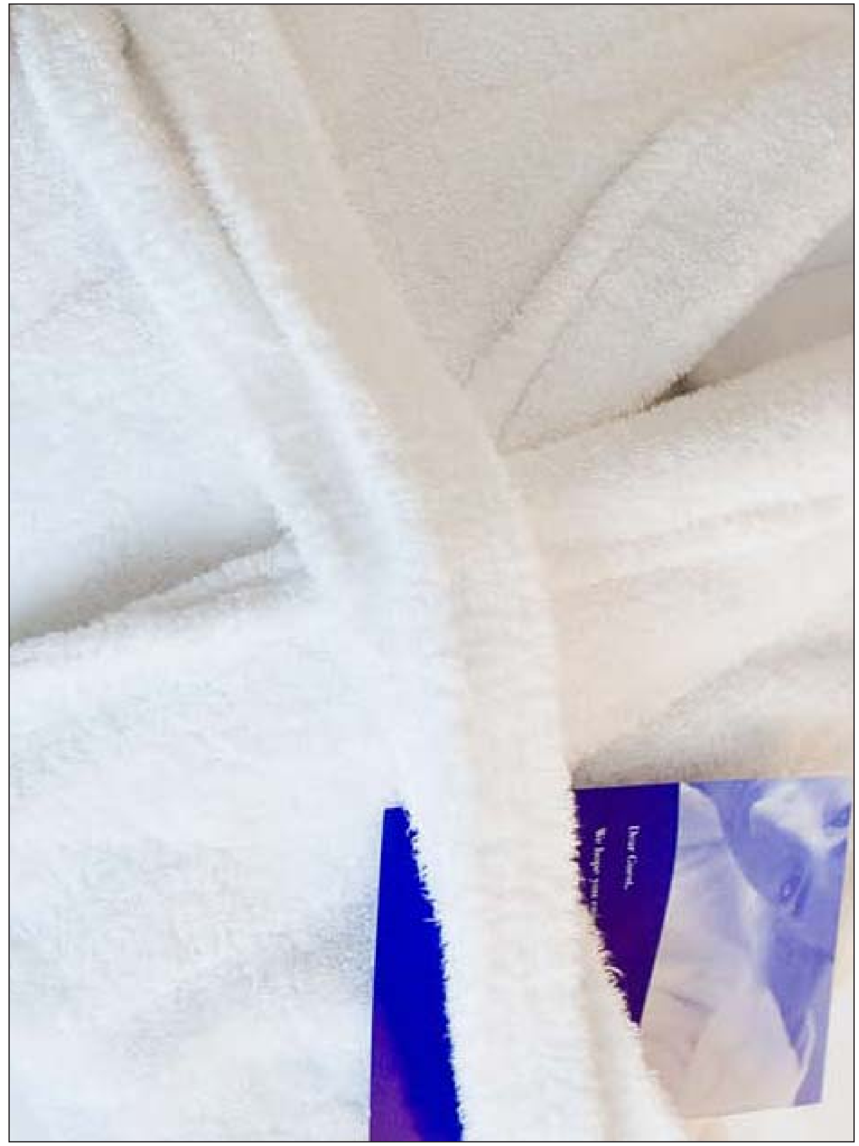


Source: Statistikbanken; Serv(Statistics Finland) www.stat.fi; Tilastot (Statistic); Matkailutilasto (Tourism statistics)

DENMARK OCCUPANCY



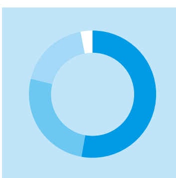
Source: Danmarks Statistik (Statistics Denmark)



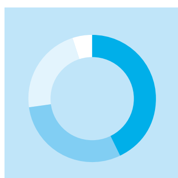
The property portfolio

Norgani's portfolio comprises 72 hotels and 1 congress center with a total of 12,493 rooms and 658,417 sqm representing a market share of 5 percent in the Nordic region.

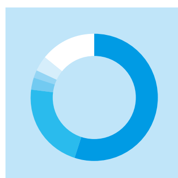
GEOGRAPHIC DISTRIBUTION
BY ROOM



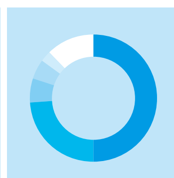
GEOGRAPHIC DISTRIBUTION
BY REVENUE



OPERATORS' SHARE OF PORTFOLIO
BY ROOM



OPERATORS' SHARE OF PORTFOLIO
BY REVENUE



Over half of the room capacity, 53 percent, is located in Sweden and accounts for 43 percent of revenue. Finland and Norway represent 30 and 22 percent of revenue and a bit less in room capacity. In Finland, Norgani's hotels are mainly situated in the Helsinki metropolitan area, along with the larger brands. The Norwegian hotels are located throughout the country. After the sale of four Danish hotels in 2006, only 3 percent of the room capacity is located in Denmark.

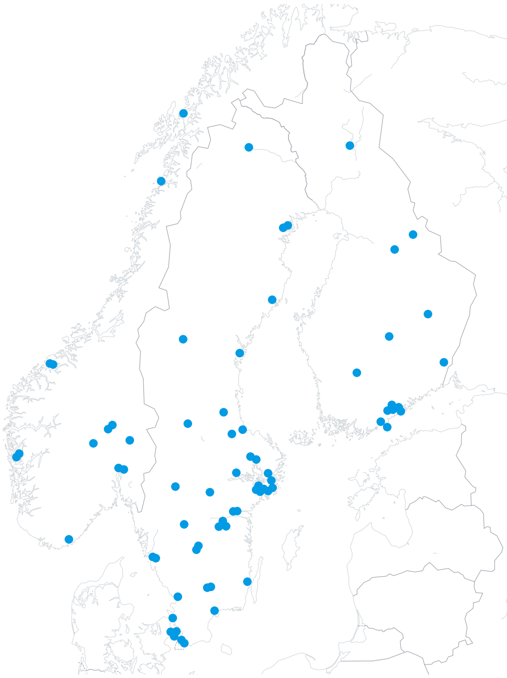
More than 75 percent of revenue comes from hotels located in cities with more than 50,000 inhabitants. Most hotels are mid- and up scale, which have the most stable revenues over time. The average hotel size in the portfolio is 171 rooms, almost three times the average size in the Nordic region of 63 rooms. Norgani aims to maintain an average hotel size exceeding 150 rooms, since larger hotels generally are more profitable.

Tenants are leading international and regional chains such as Scandic Hotels, Choice Hotels Scandinavia and Rezidor. Hotels operated by Scandic Hotels generate 50 percent of Norgani's revenues and represent 55 percent of room capacity. The second largest operator in the portfolio is Choice, which account for 24 percent of revenues and 21 percent of rooms.

At year-end 2006, all hotels were operated under performing contracts with only immaterial vacancies. The majority of contracts were turnover based leases, which is the most common contract type in the Nordic region.

Property portfolio

HOTEL	MUNICIPALITY	NUMBER OF ROOMS	SQM	DURATION (YEARS) AS OF 31.12.06
Scandic Hotel Malmen	Stockholm	327	15 130	
Scandic Hotel Star Sollentuna	Stockholm	269	18 573	
Scandic Hotel Kungens Kurva	Stockholm	257	11 581	
Scandic Hotel Helsingborg Nord	Helsingborg	237	9 399	
Scandic Hotel Backadal	Göteborg	232	9 397	
Scandic Hotel Elmia	Jönköping	220	9 576	
Scandic Hotel Örebro Väst	Örebro	204	7 621	
Scandic Hotel Gävle Väst	Gävle	201	7 382	
Scandic Hotel Uppsala Nord	Uppsala	184	7 518	
Scandic Hotel Västerås	Västerås	174	7 285	
Scandic Hotel Ferrum Kiruna	Kiruna	170	11 100	
Scandic Hotel Umeå Syd	Umeå	162	5 955	
Scandic Hotel Segevång	Malmö	161	6 284	
Scandic Hotel Luleå	Luleå	159	5 565	
Scandic Hotel Sundsvall Nord	Sundsvall	159	4 948	
Scandic Hotel Linköping Väst	Linköping	150	6 105	
Scandic Hotel Norrköping Nord	Norrköping	150	6 768	
Scandic Hotel Kalmar Väst	Kalmar	148	5 485	
Scandic Hotel Bromma	Stockholm	144	6 800	
Scandic Hotel Klarälven	Karlstad	143	5 694	
Scandic Hotel Uplandia	Uppsala	133	5 402	
Scandic Hotel Södertälje	Södertälje	131	5 630	
Scandic Hotel Östersund	Östersund	129	4 019	
Scandic Hotel Växjö	Växjö	123	3 982	
Scandic Hotel Bollnäs	Bollnäs	111	5 150	
Quality Hotel Luleå	Luleå	209	12 166	
Quality Hotel Prins Phillip	Stockholm	201	7 400	
Quality Hotel Ekoxen	Linköping	190	14 671	
Quality Hotel Grand Kristianstad	Kristianstad	149	7 524	
Quality Hotel Winn, Göteborg	Göteborg	121	5 800	
Quality Hotel Winn, Huskvarna	Jönköping	112	7 200	
Quality Hotel Prisma	Skövde	107	3 687	
Best Western Royal Corner	Växjö	158	7 112	
Best Western Mora Hotell & Spa	Mora	135	9 161	
Best Western Princess Hotel	Norrköping	119	7 068	
Best Western Jägersro	Malmö	81	8 764	
First Hotel Linköping	Linköping	133	6 540	
First Hotel Mårtenson	Halmstad	103	6 657	
First Hotel Royal Star	Stockholm	103	4 900	
Ibis Stockholm Syd	Stockholm	190	8 339	
Stadshotellet Princess Sandviken	Sandviken	84	7 003	
Total Sweden (41 hotels)		**6 673**	**316 341**	**8.0**
Scandic Continental	Helsinki	512	30 000	
Scandic Grand Marina	Helsinki	462	23 660	
Scandic Tampere City	Tampere	263	14 457	
Scandic Kajanus	Kajaani	235	10 468	
Scandic Rosendahl	Tampere	213	14 662	
Scandic Jyväskylä	Jyväskylä	150	7 360	
Scandic Kuopio	Kuopio	137	7 113	
Scandic Espoo	Espoo	96	5 245	
Scandic Kiannon Kuohut	Suomussalami	73	5 028	
Scandic Luosto	Luosto	59	4 230	
Scandic Marina Congress Center	Helsinki	n.a.	11 500	
Hilton Helsinki Kalastajatorppa	Helsinki	238	23 291	
Hilton Helsinki Strand	Helsinki	192	10 250	
Airport Hotel Bonus Inn	Vantaa	211	8 414	
Serena Korpilampi	Espoo	150	9 777	



Comfort Hotel Pilotti	Vantaa	112	3 068	
Imatran Valtionhotelli	Imatra	92	10 097	
Total Finland (16 hotels and 1 conference center)		**3 195**	**198 620**	**5.5**
Quality Hotel & Resort Kristiansand	Kristiansand	210	9 940	
Quality Hotel & Resort Hafjell	Øyer	210	9 940	
Comfort Hotel Børsparken	Oslo	198	7 900	
Quality Hotel Alexandra	Molde	163	17 033	
Comfort Hotel Holberg	Bergen	140	5 720	
Quality Hotel & Resort Fagernes	Fargernes	139	10 310	
Quality Hotel Arcticus	Harstad	75	3 540	
Radisson SAS Lillehammer Hotel	Lillehammer	303	18 000	
Radisson SAS Hotel Bodø	Bodø	191	15 546	
Scandic Bergen Airport	Bergen	197	9 654	
Scandic KNA	Oslo	189	11 218	
Rica Hotell Hamar	Ringsaker	176	9 250	
Total Norway (12 hotels)		**2 191**	**128 051**	**9.1**
Comfort Hotel Europa	Copenhagen	230	8 000	
Clarion Collection Hotel Mayfair	Copenhagen	105	3 805	
Comfort Hotel Excelsior	Copenhagen	99	3 600	
Total Denmark (3 hotels)		**434**	**15 405**	**9.5**
Grand total (NOKm)		**12 493**	**658 417**	
Total average per property (NOKm)		171	9 019	7.7

21

Lease agreements and guarantees

Lease agreements with hotel operators are either based on the hotel's turnover or fixed CPI adjusted rents, both for a fixed period of time.

TURNOVER BASED LEASES
A turnover based rent is generally calculated as a percentage of room sales and Food & Beverage (F&B) sales. Normally, this is 25-40 percent of room revenues and 7-12 percent of F&B revenues. Many turnover-based lease agreements also contain a basic minimum rent, which is payable regardless of actual sales and is adjusted annually by changes in the CPI.

In turnover-based leases, the landlord is responsible for external maintenance and the tenant is responsible for operating costs. In several leases, the landlord is also obliged to pay for replacement costs related to technical installations and make certain investments in the premises. Maintenance of technical installations is normally the tenant's responsibility.

Terms for renewal or extensions of leases upon expiry of the fixed-term have been agreed only to a limited extent. However, some lease agreements contain provisions that give the tenant the right to extend the lease on certain defined terms. Tenants of properties in Sweden have, according to Swedish law, an indirect right to lease extension on fair market conditions, upon expiry of the lease term.

FIXED LEASES
For some lease agreements, the rent is charged at a fixed-rate for the lease period, and is 85-100 percent CPI adjusted.

OTHER LEASES
For some properties Norgani have other lease agreements with smaller tenants, for example, restaurants, bar, shops etc. Several of these contracts are not fixed-term and will remain in force until they are terminated by either the tenant or the landlord.

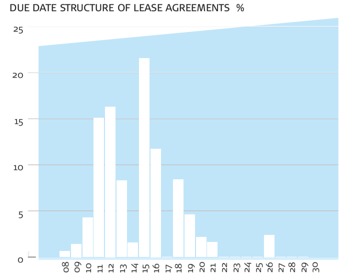
VENDOR RENTAL GUARANTEES
When acquiring its initial three property portfolios, Norgani entered into rental guarantee agreements with each of the sellers. According to these guarantees, each of them guarantee a certain annual gross rent from July 1, 2005 to June 30, 2009 and will reimburse the company for the difference between actual rent and the guaranteed rent. The guaranteed rent is set per property portfolio and is 100 percent CPI adjusted.

Acquisition agreements entered into between October and December 2005 have similar rental guarantees for a period of 4–7 years.

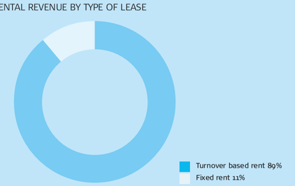
For the fourth quarter 2006, the rental guarantees amounted to NOK 3.1 million, which corresponds to 1.7 percent of the total rental income. Guarantees for 2006 totaled NOK 20.3 million, corresponding to 3.6 percent of total rental income. As per December 31, 2006, the weighted average duration of the vendor rental guarantee was approximately 4.3 years.

HOTELLEIENDOM AS
In December 2005, the company acquired a property portfolio from Home Properties AB comprising 16 hotel properties in Sweden. Home Properties manages the properties and guarantees a minimum net rent subject to 100 percent CPI adjustments until June 2015. Norgani has the option to terminate the agreement, in connection with the lease renewal in December 31, 2008.

DUE DATE STRUCTURE OF LEASE AGREEMENTS %

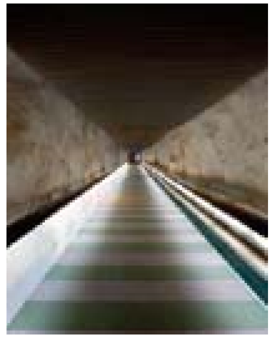


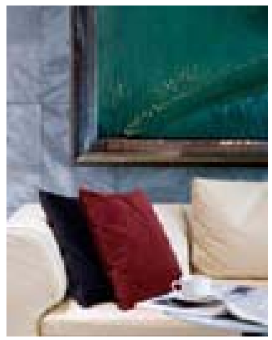
RENTAL REVENUE BY TYPE OF LEASE



Summary
- 73 properties – Sweden 41, Finland 17, Norway 12 and Denmark 3
- A total of 12 493 rooms – 5 percent of all rooms in the Nordic market
- 89 percent turnover based lease contracts
- Average duration of lease contracts 7.7 years

Hilton
Helsinki
Kalastajatorppa,
Finland





Kalastajatorppa is Finnish for fisherman's cottage and from the beginning Hilton Helsinki Kalastajatorppa was a small fisherman's cottage.

It later developed into Finland's most internationally known hotel and its history is today closely intertwined with Finland's political history.

The hotel is located 5 km from Helsinki city centre and 20 km from the international airport. Helsinki City Art Museum is within a fifteen minute walk from the hotel. Kalastajatorppa is currently undergoing the most far-reaching renovation in its history. All the 238 hotel rooms, the restaurants and conference facilities are being renovated to reflect the spirit of the hotel's long history. The hotel has ten conference rooms which can be easily adapted to suit a range of events.

Health, Environment and Safety

Environmental work essential to company value

Operating in a business with environmental impact, all leading hotel operators have developed environmental programs, setting goals for their environmental commitment and responsibility. As an owner of hotel properties, Norgani is an active partner to operators contributing to a continuous improvement in environmental issues.

By acting explicitly and consistently with its environmental issues – within the company as well as in contacts with partners and suppliers – Norgani actively ensures that laws and regulations are followed. Profound knowledge about factors affecting the environment also contributes to property valuations and investment decisions. A structured environmental effort creates value for all of Norgani's stakeholders, including hotel operators and shareholders.

INTERNAL ROUTINES AND POLICIES
In order to comply with laws and regulations, Norgani is implementing internal routines and policies for quality assurance, documentation and reporting of Health, Environment and Safety (HES) matters. In addition to complying with laws and regulations, Norgani actively develops its environmental work in order to contribute to an improved and cleaner environment.

PROPERTIES
Norgani is directly exposed to environmental issues mainly connected to maintenance and renovation of properties. Important factors to consider include use of recyclable materials and measures to reduce electricity, and water consumption. However, Norgani's suppliers, contractors and hotel operators indirectly affect Norgani's overall HES efforts. Therefore, it is essential that Norgani has adequate internal competence and experience within the area.

One person in Norgani's management team has the responsibility to make an inventory of and plan for basic and continued education of the employees. This way, all employees are involved in and contribute to Norgani's short and long term environmental strategy and work.

SUPPLIERS / CONTRACTORS
Norgani has direct environmental impact on maintenance and renovation works to be performed in the properties. When contracting suppliers and engaging contractors, environmental demands are set at least in accordance with Norgani's Ecopolicy. Moreover, extensive research is conducted in order to secure that chosen solutions and materials are durable and recyclable, and that it directly and indirectly contributes to low energy consumption.

HOTEL OPERATORS
All new contracts with hotel operators contain routines and regulations for how to pursue health, environment and safety work, including articles of consumption, waste disposal, laundry as well as recommendations for suppliers and contractors, etc.

These contracts are followed up annually in environmental audits in which both Norgani and the hotel operator participate. The information from the environmental audits is used as means of control, but also for developing environmental programs and for investment decisions to reduce energy consumption, for example.

SUMMARY
Although Norgani, as an owner of hotel properties, has limited direct environmental impact, Norgani recognizes that it is part of a large and growing business that has considerable environmental impact. Through the position as property owner, Norgani thus aims to reduce the negative environmental impact of its business.

Share and owners

In 2006, Norgani's share price rose 34 percent to NOK 73.50. In the same period, the OSEBX and the OSE4040 increased 32 and 37 percent respectively.

MARKET CAPITALISATION AND TURNOVER
Norgani's share has been quoted on the Oslo Stock Exchange since 16 November 2005, when trading closed at NOK 54.90. The closing price on the last day of trading 2006 was NOK 73.50, equivalent to a market capitalization of NOK 2 910 million. A total of 94.3 million shares were turned over in 2006, equal to 2.4 times the total number of shares at year-end. The year low and high were NOK 52.90 and NOK 74.00 respectively.

DIVIDEND POLICY
Norgani's ambition is to distribute as dividend, 50 percent or more of cash flow from operations. All shares rank equally and will be entitled to their share of any dividend that may be declared and paid.

The Board of Directors proposes a dividend of NOK 4.00 per share, amounting to a total of NOK 158 million. The proposed dividend corresponds to 59 percent of cash flow from operations. The basis for dividend, cash flow from operations is found in the cash flow statement.

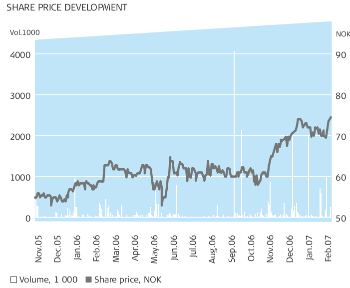
SHARE CAPITAL
After an issue of new shares in July 2006, Norgani had at year-end a share capital of NOK 989.359.900 divided between 39.574.396 shares, each with a nominal amount of NOK 25. Each share has one vote and confers equal rights to participation in Norgani's assets and profits.

Through the rights issue, which was 65 percent oversubscribed, Norgani raised a total of NOK 496 million by issuance of 9 million new shares at NOK 58 per share.

See also note 19 page 57.

SHAREHOLDER AS AT 28.02.07		HOLDING	OWNERSHIP
OBOS FORRETNINGSBYGG AS		4 800 000	12.13%
HBK		3 889 112	9.83%
VITAL FORSIKRING ASA		3 822 903	9.66%
MORGAN STANLEY & CO. INC.	NOM	2 554 734	6.46%
SKAGEN FONDENE		2 195 000	5.55%
JPMORGAN CHASE BANK	NOM	2 106 300	5.32%
BNP PARIBAS SEC. SERVICES LONDON	NOM	1 802 000	4.55%
ODIN FONDENE		1 553 886	3.93%
NORDEA FONDER		1 495 608	3.78%
DEUTSCHE BANK AG LONDON	NOM	1 275 105	3.22%
NORSK HYDROS PENSJONSKASSE		1 241 536	3.14%
ALPINE INTL REAL ESTATE EQ FND		1 094 765	2.77%
LÄNSFÖRSÄKRINGAR FONDER		912 400	2.31%
MP PENSJON		880 000	2.22%
THE NORTHWESTERN MUTUAL LIFE		619 986	1.57%
SVENSKA HANDELSBANKEN FONDER		594 393	1.50%
CALPERS		488 213	1.23%
AWECO INVEST AS		456 000	1.15%
MELLON BANK AS AGENT FOR ABN AMRO	NOM	539 724	1.36%
RREEF GLOBAL PROPERTY		364 000	0.92%
OTHER		6 888 731	17.41%
		39 574 396	100.00%

SHARE PRICE DEVELOPMENT



Director's Report

Norgani closes its first full year of operations as Europe's fifth largest hotel property owner, presenting shareholders with a pre-tax return on paid-in equity of 50 percent. RevPAR increased in the Nordic region as both average room rate and occupancy has grown significantly. Occupancy is now at such levels that it should by itself give room for further room price increases. The strong development in the Nordic and European market is also set to continue. On top of a healthy economy, changing business and life style patterns add to demand. We have thus a very positive view on the expected growth in revenue.

The strong market is speeding up the transformation of the hotel industry. We are currently experiencing a high interest in hotel property as an investment class on par with other property classes. The ongoing restructuring of the hotel industry where operators divest properties offers opportunities.

IMPORTANT EVENTS IN 2006

Acquisitions during 2006 amounted to 18 hotels and 1 congress center. The most important purchase was the Kapiteeli portfolio for EUR 306 million. Through the acquisition, Norgani became the second largest hotel property owner in Finland. The Kapiteeli acquisition was partly funded through a share issue of NOK 500 million.

Seven hotels were sold in 2006, resulting in a cash flow of NOK 103 million. The hotels were sold as a result of a decision to reduce the amount of non-core properties and make the values in the portfolio more visible.

These transactions contributed to an expansion of Norgani's portfolio to 72 hotels and 1 congress center of 12.493 rooms and 658.417 sqm. The portfolios book value was NOK 9 452 million. The expansion has been accompanied by a build up of the organization to handle key administrative and operational functions. Therefore Norgani has employed 14 new staff members of whom Mats Sterner was appointed as CFO and Eva Eriksson as CIO.

A restructuring of the group's legal and financial structure took place in the fourth quarter. The aim of the restructuring was to improve the management of tax and financing. Positive effects of the restructuring include new losses carry forward and the issue of an unsecured certificate program of NOK 250 million.

FINANCIAL DEVELOPMENT

INCOME STATEMENTS NOK million	2006	2005
Property management		
Rental revenue	553.7	128.7
Rental guarantees	20.7	6.9
Property tax	- 16.0	- 4.4
Ground rent	- 8.5	- 1.3
Other operating expenses	- 34.9	- 10.3
Operating net	**514.9**	**119.7**
Property disposals		
Sales proceeds. net	738.7	-
Acquisition value	- 635.6	-
Realised fair value adjustments	- 37.3	-
Net gain on disposals	**65.7**	**-**
Administrative expenses	- 55.4	- 36.2
Financial net	- 264.8	- 48.3
Unrealised fair value adjustments	671.7	199.7
Profit before tax	**932.1**	**234.9**
Tax	- 222.2	- 9.8
Net profit	**709.9**	**225.1**

Rental revenue increased to NOK 574 million (136). Operating net increased to NOK 515 million (120). The increase primarily reflects the growth of Norgani's property portfolio. Fair value adjustments of properties added NOK 613 million (200) to net profit. This is an increase in property value of 7.4 percent, which is mainly due to yield compression. Net profit increased to NOK 710 million (225). Taxes amounted to NOK 222 million.

Tax

Norgani disclosed a tax expense of 24 percent for the year 2006. One reason the expense deviated from the average weighted nominal tax rate in the Nordic countries was because of the new tax loss carry forward of NOK 50 million generated by a restructuring of the group legal structure in December 2006. For more details see note 12 on page 54.

Performance vs. financial goals

Pre tax return on paid in equity for 2006 was 50.8 percent (34.7), significantly above the target of 15 percent.

Investments

The book value of Norgani's properties increased by 47 percent to NOK 9 452 million (6 419). The book value includes unrealised fair value adjustments of NOK 613 million and a positive exchange rate effect from consolidating subsidiaries of NOK 309 million.

Financing

Interest bearing debt at year end was NOK 7 231 million (4 878) and the debt ratio 68.9 percent (71.7). Interest cover was 2.12 (1.73) and average interest rate fixing was 4.2 years (5.3).

Interest rate fixing	Amount NOK million	Share of loans	Average interest rate
2007	1 354.4	18.6%	4.64%
2008	209.6	2.9%	3.17%
2010	1 867.8	25.6%	3.73%
2011	617.8	8.5%	4.96%
2012	2 077.4	28.5%	5.03%
2013	679.6	9.3%	5.05%
2015	482.9	6.6%	4.68%
Grand total	**7 289.7**	**100.0%**	**4.54%**
Fair value adjustments of financial instruments	- 58.7		
Interest bearing liabilities	**7 230.9**		

Loan maturity structure	Amount NOK million	Share of loans
2007	250.0	3.4%
2011	1 968.5	27.0%
2012	4 045.3	55.5%
2015	1 025.8	14.1%
Grand total	**7 289.7**	**100.0%**

Norgani has mainly achieved the desired level of interest rate fixing through the use of interest rate swaps and other derivatives.

Equity

The closing balance of shareholders' equity was NOK 3 016 million (1 802) or NOK 76 (59) per share. The number of shares outstanding was 39 574 396. Since year end 2005, the number of shares has increased by 9 million shares through a rights issue in July 2006, which raised a total of NOK 496 million.

Cash flow

Net cash flow for Norgani in 2006 was NOK -82.6 million. Cash flow totalled NOK 270 million from operating activities, NOK -2 422 million from investing activities and NOK 2 769 million from financing activities.

Liquidity

Norgani's cash position totalled NOK 105 million (175).

KEY FIGURES

	2006	2005
Property related		
Gross margin, %	89.7	88.2
Operating exp/revenue, %	10.3	11.8
Administrative exp/revenue, %	9.7	26.7
Financial		
Return on equity, %	29.5	-
Pre tax return on paid in equity, %	50.8	34.7
Interest cover, multiple	2.12	1.73
Equity ratio, %	28.7	26.5
Gearing, multiple	2.40	2.71
Mortgage ratio, %	73.9	76.0
Debt ratio, %	68.9	71.7
Data per share		
Share price	74.00	56.00
Dividend	4.00	0.00
Operating net	13.01	3.91
Earnings	17.94	7.36
Cash flow from operations	6.82	1.13
Shareholders' equity	76.22	58.93
Property book value	238.84	209.94
Number of shares, at year end	39 574 396	30 574 396
Average number of shares in the year	34 395 082	25 053 796

GOING CONCERN

Pursuant to section 3-3a of the Norwegian Accounting Act, it is confirmed that the going concern assumption is realistic.

ALLOCATION OF NET PROFIT

The profit and loss accounts for Norgani Hotels ASA in 2006 show an ordinary net gain of NOK 1 161 million. The company has disposable equity of NOK 1 861 million which can be used as dividend payment at 31 December 2006. The board proposes a dividend for 2006 of NOK 4.00 (0.00) per share, amounting to a total dividend payment of NOK 158 million (0). The proposed dividend corresponds to 59 percent of cash flow from operations.

ORGANIZATION

Norgani strengthened the organization considerably in 2006 and decreased the external use of both property management and accounting services. At year end, the organization comprised 19 persons (5), of whom 26 percent (20) were women, and is thereby well suited to actively manage and develop an increasing portfolio. Norgani employees suffered no work related injuries or accidents in 2006, and the working environment is regarded as good.

Norgani offers a bonus program related to the development of the share price. The 35 percent increase in the share price in

2006 resulted in a bonus expenditure of NOK 13,5 million, which is reflected in the administrative expenses for 2006. Norgani is an equal opportunity employer. 26 percent of the employees at year end were women, with one woman on the executive management team. The company endeavours to achieve equal representation between the genders and has a good representation of women on both its Board of Directors (40%) and its management team (33%).

FINANCIAL RISK
Norgani is exposed to a variety of financial risks: market risk which includes currency risk and price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Risk management is carried out by a central treasury function under policies approved by the Board. Group treasury identifies and evaluates financial risks in close co-operations with Norgani's operating units.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

Financial risks are described in more detail in note 25 on page 59

SHAREHOLDERS
Guidelines for corporate governance are important for Norgani's effort to build trust in the financial market. Norgani also works to secure an appropriate division of roles between the supervisory bodies, the board and the management. The guidelines are described in more detail in the section corporate governance on pages 36 to 39.

Norgani has primarily applied the unified Norwegian code of practice on corporate governance for listed companies when drawing up its own principles. The most important exception from this code is the restrictions in the articles of associations which prevent any shareholder from voting for more than 30 percent of the shares. This provision was adopted in order to ensure the greatest possible liquidity for the share.

OUTLOOK 2007
The Board believes that the strong growth in the hotel market is set to continue in 2007. Occupancy levels are expected to remain high while average room rate (ARR) may increase. Increase in market supply is not expected to adversely impact the overall market. Norgani will seek to continue to expand, diversify and develop its property portfolio.

SIGNIFICANT EVENTS AFTER YEAR END
On February 17, Norgani entered into an agreement to sell Malmö Gunghästen 1, a Swedish property in Malmö. Gunghästen is a mixed-use property, where the hotel part with 81 rooms accounts for 62 percent of the area. The sales price, SEK 81 million, was in accordance with the book value and cash flow from the sale amounted to SEK 10 million.

Furthermore, on February 27, Norgani sold the mixed-use property Sprutan 6 in Norrköping, Sweden for SEK 46 million. The sale, comprising 119 hotel rooms, was in line with Norgani's strategy to actively develop its portfolio and divest non-core business properties. The sales price was in accordance with book value and the cash flow from the sale amounted to SEK 3 million.

Norgani's former CEO Kjell Sagstad announced his resignation on the 23 March, 2007. Eva Eriksson, formerly CIO has been appointed acting CEO from the 26 March, 2007.

Oslo, 27 Mars 2007

Jan Petter Storetvedt
Chairman of the Board

Hege Bømark

Rebekka Glasser Herlofsen

Mats Lönnqvist

Eva Eriksson
CEO

Board of Directors

Jan Petter Storetvedt

Born 1954, Molde, Norway, Chairman of the Board

Storetvedt is educated from Molde University College (1976). After 15 years in the computer business (mainly sales and marketing), he entered the real estate business in 1992. From January 1992 he has had several positions in both Norwegian and US real estate companies: CEO and chairman of the board in publicly traded Avantor ASA from 1994 until 2002, Chairman of the board of Legend Properties Inc. (Delaware, US) from 1997 until 2004, Executive Vice President (real estate) in Aker RGI AS (today Aker ASA) from 1997 until February 2005. From March of 2005, CEO of Angvik Eiendom AS, a regional real estate company in western Norway. Storetvedt is also member of the board of directors in Eiendomsmegler1 Midt-Norge. He was elected to the board of directors of Norgani in May 2005 and re-elected in September 2005. He is also a member of the board of directors in Scandinavian Property Development ASA and Glitnir Real Estate Fund I.

Holding: 13 000

Hege Bømark

Born 1963, Oslo, Norway, Member of the Board

Bømark holds an MBA degree (Norway: siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). She has worked as a financial analyst in Orkla Finans (Fondsmegling) AS and Fearnley Finans (Fondsmegling) AS, with special attention to the business area of, inter alia, real estate and has participated in a number of foundations, listings and restructuring of companies within this area of business. Mrs Bømark has also worked as a project manager in AS Eiendomsutvikling, through which she was engaged in syndication of real estate projects and facilitating trading markets for the shares. She is currently a board member of Norwegian Property ASA and Block Watne Gruppen ASA and Block Watne AS. She was elected to the board of directors of Norgani in September 2005.

Holding: 0

Rebekka Glasser Herlofsen

Born 1970, Oslo, Norway, Member of the Board

Herlofsen holds an MBA degree (Norway: siviløkonom) from the Norwegian School of Economics and Business Administration (NHH), and is a Certified Financial Analyst. She started her career in the corporate finance department of Enskilda Securities in 1995, including two years in London, before she joined Bergersen in 1999 as a Project Manager, Business Development. She held the position of Assistant Director Corporate Planning from 2004 until she entered her current position as Director of Business Development. She is currently member of the boards of Aker Yards and Marintek. She was elected to the board of directors of Norgani in December 2006.

Holding: 0

Mats Lönnqvist

Born 1954, Trosa, Sweden, Member of the Board

Mats Lönnqvist holds an MSc Econ degree (Norway: siviløkonom) from the Stockholm School of Economics (HHS). During the last 10 years Mr Lönnqvist has held positions as CFO of Swedish listed companies Biacore, Esselte and Eniro and he has also spent four years as Senior Investment Manager with the Swedish listed Private Equity company Ratos. Before that he was the CFO of stately owned Securum 1995-96, a company created to handle assets coming out of the Swedish bank crisis in the early 90's. Mats Lönnqvist is since 2004 focusing on his board assignments in a variety of businesses in Sweden, Norway and Denmark. He currently serves on the board of directors of Intellecta AB, Ledstiernan AB, Spendrups Bryggeri AB, Telge Energi AB, Telge Kraft AB, Polynova Nissen AB, Camfil AB, Bordsjö Skogar AB, Bluegarden ASA and A/S Östasiatiske Kompani. He was elected to the board of directors of Norgani in October 2005.

Holding: 13 234

Management

Eva Eriksson

Born 1959, Stockholm, Sweden, CEO

Eriksson holds an MSc degree in civil engineering from the Royal School of Technology, Stockholm (KTH). She comes from the position as Regional Manager and part of the corporate management of Kungsleden AB's Eastern region, which includes management of about 230 business properties with a book value of approximately SEK 6.2 billion. Kungsleden AB is listed on the Stockholm Stock Exchange. Her previous work experience includes inter alia manager of property developments and transaction in JM AB, manager of property sales in NCC Fastigheter AB, manager of Real Estate Finance in Landesbank Schleswig-Holstein in Stockholm, section leader of property analysis at Föreningsbanken AB, Valuation Board, property manager of Kungsfiskaren Bygg- och Fastighet AB. Mrs Eriksson has also been appointed by the Swedish courts as a property valuation expert. She was elected to the board of directors of Norgani in September 2005, but resigned from this position when she started as the company's CIO.

Holding: 10 000

Mats Sterner

Born 1961, Stockholm, Sweden, CFO

Sterner comes from the position as Group Controller at Kungsleden AB, which is a Swedish property company listed on Stockholm Stock Exchange. Mr. Sterner has more than 10 years experience from Kungsleden where he has been head of external and internal financial reporting and tax planning. He has also been responsible for designing transactions structures and tax solutions in Kungsleden's extensive real estate trading. Mats Sterner has also been involved in Kungsleden's financing activities. He was previously employed at KPMG in Sweden. He studied accounting end economics at Stockholm University and has a degree as Certified European Financial Analyst.

Holding: 10 000

Magne Ramlo

Born 1955, Oslo, Norway, CTO

Ramlo holds a MSc degree in civil engineering from the Norwegian Institute of Technology (NTNU) in Trondheim. He comes from a position as technical director in Vital Eiendom, with responsibility for operations, maintenance and development of a property portfolio worth approximately NOK 20 billion. As technical director he has also been heavily involved in property investments carried out by Vital, including several hotel investments in the Nordic region. Mr. Ramlo has also more than 13 years of experience from the Reinertsen Group, one of Norway's leading engineering and construction companies. In the Reinertsen Group he held various managerial positions, among others as CEO for the Oslo branch office for more than 6 years.

Holding: 13 000

Corporate governance

Norgani Hotels ASA ("Norgani") is the parent company in the Norgani group which owns hotel properties in Sweden, Finland, Norway and Denmark. Norgani is incorporated and registered in Norway and must therefore comply with applicable Norwegian law. Norgani intends to comply with all relevant laws and regulations, including the Norwegian Guidelines on Corporate Governance which hereinafter is referred to as the "Norwegian Guidelines". The Norwegian Guidelines is applicable for companies listed in Norway on a "comply or explain"-basis.

The board of directors ("the board") of Norgani has had thorough discussions on corporate governance issues in 2006 and 2005 and has decided on a corporate governance policy (the "Company Policy"). The Company Policy includes the measures implemented for the efficient management of and control over Norgani's operations. The objective is to have systems for communication, monitoring and incentives that enhance and maximise corporate profit and shareholders' return through the efficient use of resources. Improvements in Norgani's corporate governance are a continuous process and a field that will have increased focus from the board and the management.

REGULATIONS

In addition to the Norwegian Guidelines and the Company Policy Norgani is also subject to the corporate governance requirements set out in the Norwegian Public Companies Act 1997 (the "NCA"), the Norwegian Securities Trading Act (the "STA") and the various Norwegian stock exchange regulations (the "SER"). The discussion below follows the structure and the order of the Norwegian Guidelines.

MANAGEMENT OF NORGANI

Management and control of Norgani are divided between the shareholders, represented in the general meeting, the board and the chief executive officer ("CEO") in accordance with applicable company law. Norgani has an external independent auditor. In relation with the acquisitions of the major part of the property portfolio, Norgani entered into property management agreements with three different operators being sellers of property portfolios to Norgani. Norgani has during 2006 "insourced" most of these services.

NORGANI'S BUSINESS

Norgani's business is ownership and management of hotel properties. Hotels may be owned through shareholdings in other companies. The business of Norgani as set out above, is in accordance with Norgani's articles section 3. Norgani's business concept and strategies are set out on page 16.

EQUITY CAPITAL AND DISTRIBUTION

Equity capital

The consolidated equity was NOK 3,016 million as per 31 December 2006 which constituted 28.7 percent of the consolidated total book assets (equity ratio). The board is continuously evaluating the solidity in light of Norgani's risk profile and main strategies.

Distribution policy

Norgani's objective is to yield a competitive return on equity to the shareholders through a combination of dividends and share price development. In evaluating the dividend amount, the board emphasises stable development, the dividend capacity, and the requirements for sound equity capital, as well as for adequate financial resources to enable future growth. Within the scope of the above, Norgani's ambition is to distribute as dividend, 50 percent or more of cash flow from operations. The Board of Directors proposes a dividend of NOK 4.00 for the 2006 financial year.

Authorisations to the board

At the 2007 annual general meeting (AGM), it will be proposed that the board is granted authorisation to issue new shares. It will be proposed that the authorisation is limited in time to the AGM in 2008. It will also be proposed that the AGM resolves to grant the board authorisation to acquire own shares. Also this authorisation is proposed to be limited in time to the next AGM. Both the proposed authorisations will substitute existing authorisations.

EQUAL TREATMENT AND TRANSACTION WITH RELATED PARTIES

Equal treatment

The Company has only one class of shares. Since its IPO, the Company has not made any capital increases where the shareholders' pre-emption right has been waived nor made any buyback of shares.

Transactions with related parties
Norgani has not made any significant transactions during 2006 with related parties.

Transactions with board members and members of management. In addition to the Company Policy, Norgani has adopted instructions to the board members and instructions to the CEO. Pursuant to these internal governing documents, a board member or member of corporate management shall notify the board of interests they may have in transactions or agreements entered into by Norgani. In order to reduce the risk that the management enters into contracts with companies in which a board member have a material interest, the board regularly distributes to the management an overview which sets out the roles and positions each board member have in other companies.

VOTING RIGHTS
One element of Norgani's strategy is to work towards liquidity in its shares by having a high freefloat. In order to contribute to achieve this, Norgani's articles contain a voting restriction whereby a shareholder who has acquired shares representing more than 30 percent of the votes, cannot exercise voting rights for such shares exceeding 30 percent of the votes without first having made an offer to acquire the remaining shares. Apart from the above, the articles do not contain any limitations with regard to the transferability of the shares.

GENERAL MEETINGS
The shareholders exercise the highest authority in Norgani through the general meetings. The board may convene an extraordinary general meeting whenever it deems necessary or when otherwise legally required. Norgani's auditor and any shareholder, or group of shareholders, representing more than 5 percent of the share capital, may require that the board convene a general meeting. The AGM of Norgani will be held each year prior to the end of June. In 2007, the AGM is scheduled to 27 April. The AGM shall approve the annual accounts, including distribution of dividend, and otherwise adopt such resolutions as required under applicable law.
The board will send notices of general meetings no later than two weeks prior to the meeting and will observe that the notice and any supporting material are sufficiently detailed and comprehensive. The shareholders are, in accordance with the articles and in order to practically facilitate the meeting, asked to notify Norgani of their attendance three working days prior to the meeting. Shareholders who are unable to attend, may vote by proxy. A notice form and a proxy form will be attached to the notification and proxy is deemed given to the chairman of the board unless any other individual is proposed by the shareholder. Norgani will publish the minutes from general meetings on its website as well as keeping them available for inspection in the offices.

The board, the auditor and members of the nomination committee will all be represented at the general meetings. The board has earlier facilitated, and will continue to facilitate, dialogue with the shareholders at the general meetings. The chairman of the board will open the general meetings and propose that the shareholders vote for a person, other than a member of the board or the management, to chair the general meeting.

NOMINATION COMMITTEE
Pursuant to its articles, Norgani is to have a nomination committee consisting of two to three members to be elected by the general meeting. The members of the committee are elected for periods of two years and the following committee of three members was elected in 2005:

- Pål Hvammen, Investment Director, Canica AS
- Knut Lunde, CFO, Ventor AS
- Ervin Auren, partner, lawfirm Thommessen

The nomination committee will assess need for changes in the board's composition, and shall pursuant to the articles submit its recommendation to the general meeting regarding nomination of the members to the board and propose their remuneration. Information on the composition of the Norgani's nomination committee along with specific time-limits for proposals to the committee will be provided on Norgani's website.

Corporate governance

A new nomination committee including its chairman is subject for election at the AGM in 2007.

BOARD – COMPOSITION AND INDEPENDENCY
Pursuant to Norgani's articles, the board shall consist of minimum three and maximum seven members to be elected by the general meeting following recommendation of the nomination committee. The board members are elected for a period of two years. The board of Norgani currently consists of 4 members. Jan Petter Storetvedt is the chairman of the board elected by the general meeting and Hege Bømark is deputy chairman.

The board considers itself as independent of Norgani's management, main shareholders and significant business connections, and as described elsewhere in this corporate governance review, the board emphasises and has taken steps to avoid conflict of interest between shareholders, the board, the management and business relations. No member of the management is also member of the board. The composition of board represents competence with respect to Norgani's business and stock listing, and reflects the Nordic nature of Norgani's business and balanced representation among genders. Information on the individual board members can be found at the company's web site www.norgani.no and on page 34.

Hege Bømark is married to Mads Syversen, CEO of SEB Enskilda. Pursuant to a mandate agreement, SEB Enskilda provides certain corporate services to Norgani. The chairman of the board, Jan Petter Storetvedt, holds 13 000 shares in Norgani and the board member Mats Lönnqvist holds 13 234 shares in Norgani.

THE BOARD – SCOPE OF WORK
Scope
The board of Norgani has established a plan for 2007 that governs the work of the board, which include items such as market- and portfolio review, strategy, budget, HES, corporate governance, annual internal evaluation of the board's work and composition, in addition to financial reporting. The board evaluated its work and composition in a meeting in 2007, and a member of the nomination committee was present during the evaluation. The board has discussed the use of board committees. Primarily due to the fact that members of the management do not form part of the board and that the board considers itself independent, the board has not yet established such committees, but it will continue to evaluate whether such committees should be established.

Instructions and internal control
Norgani's board has adopted internal instructions for the board, which addresses the tasks of the board, the responsibility of the chairman of the board, the procedure, legal incompetence, and division of responsibility between the board and the CEO. The board has further resolved instructions to its CEO, which among other things cover division of responsibility towards the board, authorisations and financial and operational reporting. Pursuant to internal instructions, the board shall receive monthly reports on i.a. financial, operational and HES-related matters.

The board has initiated a process, together with the management and Norgani's external auditor, to review the existing routines for internal control and to consider a more documented basis for the board's assessment of the internal control.

REMUNERATION OF THE BOARD
None of the board members have during 2006 received remuneration other than board remuneration resolved upon at the AGM in 2006. Norgani has not issued options to the board members.

REMUNERATION OF GROUP MANAGEMENT
The existing compensation to the senior management is made up of a fixed salary element and a bonus element. The bonus element is based on the development of Norgani's share price and 50 percent of the bonus after tax shall be invested in the company shares with a 24 months lock-up period. Determination of the compensation to the CEO, is resolved by the board in board meetings. Information on the remuneration to the senior management is set out in note 7 to the consolidated accounts in the annual report.

DISCLOSURE AND TRANSPARENCY

General

Pursuant to the Company Policy, Norgani shall at all times provide its shareholders, Oslo Børs and the financial markets generally (through Oslo Børs' information system) with timely, accurate and equal information. Such information will take the form of annual reports, quarterly interim reports, press releases, stock exchange notifications and investor presentations, as applicable. It shall seek to clarify its long term potential, including its strategy, value drivers and risk factors. Furthermore, Norgani shall maintain an open and pro-active investor relations policy, a best-practice website and shall give presentations regularly in connection with annual and interim results. Norgani has published an annual overview of important dates on its website, including but not limited to general meetings, financial reports and presentations.

Communication with Shareholders

Pursuant to the Company Policy and instructions to the board, the CEO and the chairman of the board shall make themselves available for discussions with the major shareholders to develop a balanced understanding of the issues and concerns of such shareholders, however, subject always to the provisions of the NCA, the STA and the SER. The CEO and the chairman shall ensure that the views of the shareholders are communicated to the board as a whole. Information from Norgani to its shareholders shall be disclosed at the website at the same time the information is sent to the shareholders or otherwise communicated to the market.

AUDIT

Under Norwegian law the auditor is elected by the shareholders in a general meeting. The board shall make recommendations to the general meeting on the auditor's appointment, removal and remuneration. The board shall also monitor the auditor's independence and inform the general meeting of any performances by the auditor of non-audit services and payments related thereto. The board will endeavour that the auditor annually (i) presents to the board the framework of the audit, (ii) participates in the board meeting which discusses the annual accounts etc., (iii) examine the internal control routines, (iv) holds a meeting with the board without the participation of the management, (v) presents an overview of services provided to Norgani besides audit and (vi) in writing confirms that the requirements in respect of the auditor's independence are met.

In respect of the 2006 financial year, the board has had meetings with the auditor, both together with and without the management present, and to certain extent also received written statements from the auditor, with regard to the annual accounts, internal control routines, scope of services besides audit and the auditors independence. The board will continue to work closely with the auditor to plan his audit reviews for the 2007 financial year. Pursuant to the Company Policy, the management's use of non-audit services from the auditor shall be discussed with the board prior to such engagement.

CHANGE IN CONTROL, TAKEOVERS

Norgani has not established any mechanisms that may hinder a takeover and the articles do not include provisions which limit the purchase of shares in Norgani. Reference is made, however, to the discussion above related to voting restrictions on share capital representing more than 30 percent of the votes.

Norgani's CEO, is entitled to a certain severance pay in the case of a change in control situation leading to termination of the position as CEO, unless otherwise is agreed with the board. The compensation is described in note 7 to the consolidated accounts in the annual report.

INCOME STATEMENTS NORGANI GROUP

NOK million	Note	2006	2005
Property management			
Rental revenue		553.7	128.7
Rental guarantees	3	20.7	6.9
Operating expenses	4	-59.4	-16.0
Operating net		**514.9**	**119.6**
Property disposals			
Sales proceeds. net		738.7	-
Acquisition value		-635.6	-
Realised fair value adjustments		-37.2	-
Net gain on disposals		**65.7**	**-**
Administrative expenses	5,6,7,9	**-55.4**	**-36.2**
Financial net			
Financial income	11	21.5	9.9
Financial expenses	11	-286.3	-58.2
		-264.8	**-48.3**
Fair value adjustments			
Properties		613.0	199.7
Financial instruments	20	58.7	-
		671.7	**199.7**
Profit before tax		**932.1**	**234.9**
Tax	12		
Current tax		-27.7	-0.6
Deferred tax		-194.5	-9.2
		-222.2	**-9.8**
Net profit		**709.9**	**225.1**

Attributable to:		
Equity holders of Norgani Hotels ASA	709.9	225.1
Earnings per share	17.9	7.4
Dividends per share	4.00	-
Average number of shares	34.395	25.054
Number of shares at year end	39.574	30.574

BALANCE SHEETS NORGANI GROUP

NOK million	Note	31.12.06	31.12.05
ASSETS			
Properties			
Investment properties	13	9 452.1	6 418.8
		9 452.1	**6 418.8**
Recievables. etc			
Equipment. f & f	14	2 .2	0.5
Deferred tax recoverable		50.2	164.3
Other long term receivables		1.4	-
Accounts recievable		60.7	12.8
Other recievables	17	756.7	24.8
Prepaid expenses and accrued income		66.1	11.5
		937.3	**213.9**
Liquid assets			
Cash and cash equivalents		105.1	175.2
TOTAL ASSETS		**10 494.5**	**6 807.9**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		989.4	764.4
Other reserves		392.1	812.2
Accumulated profit or loss		1 635.0	225.1
		3 016.4	**1 801.7**
Provisions	8	0.3	-
Interest bearing liabilities	20		
Liabilities to credit institutions		6 980.9	4 878.3
Certificates		250.0	-
		7 230.9	**4 878.3**
Operating liabilities			
Accounts payable		35.2	41.0
Current tax liabilities		27.2	0.6
Other liabilities		121.3	59.6
Accrued expenses and deferred income		63.2	26.6
		246.9	**127.8**
TOTAL SHAREHOLDERS EQUITY & LIABILITIES		**10 494.5**	**6 807.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY NORGANI GROUP

NOK million	Share capital	Share premium reserve	Fair value	Pension plan	Currency translation reserve	Accumulated profit or loss	Total
Balance 7 March 2005							
New equity issues	764.4	765.1					1 529.5
Cash flow hedge:							
-fair value gains in the year			27.9				27.9
-tax on fair value gains			-7.8				-7.8
-transfer to net profit			6.4				6.4
Net investment hedge					-41.9		-41.9
Currency translation differences					62.5		62.5
Profit for the year						225.1	225.1
Balance at 31 December 2005	**764.4**	**765.1**	**26.5**		**20.6**	**225.1**	**1 801.7**
New equity issues	225.0	271.0					496,0
Transfer of share premium							
to acc profit/loss		-700.0				700.0	
- adjustment of cash flow hedge			-26.5				-26.5
Currency translation differences					35.5		35.5
Pension provision plan				-0.1			-0.1
Profit for the year						709.9	709.9
Balance at 31 December 2006	**989.4**	**336.1**	**-**	**-0.1**	**56.1**	**1 635.0**	**3 016.4**

CASH FLOW STATEMENTS NORGANI GROUP

NOK million	note 24	2006	2005
Operations			
Profit before *tax*		932.1	234.9
Realised fair value adjustments		37.3	-
Unrealised fair value adjustments		-671.7	-199.7
Tax paid		-27.7	-0.6
Cash flow from operations		**270.0**	**34.5**
Change in working capital			
increase(-)/decrease(+) in oper receivables		-818.6	-49.1
increase(+)/decrease(-) in oper liabilities		119.3	127.8
Cash flow fr oper after change in work cap		**-699.2**	**78.7**
Investment activity			
Acquisition of property		-3 056.0	-6 219.1
Disposals of property (acquisition value)		635.6	-
Investments in machinery/equipment		-1.7	-0.5
Cash flow from investment activity		**-2 422.1**	**-6 219.6**
Financing activity			
Loans drawn down		2 576.7	4 704.9
Loans amortised		-304.0	-
New share issue		496.0	1 574.9
Cash flow from financing activity		**2 768.7**	**6 279.8**
Cash flow for the period		**-82.6**	**173.4**
Liquid assets. opening balance		175.2	-
Exchange rate		12.5	1.7
Liquid assets. Closing balance		**105.1**	**175.2**

INCOME STATEMENTS PARENT COMPANY

NOK million	Note	2006	2005
Revenue			
Other revenue		6.0	4.7
Revenue		**6.0**	**4.7**
Operating expenses			
Payroll expenses	6.7	-16.6	-4.9
Depreciation		-0.1	
Other operating expenses	9	-18.3	-27.7
Total operating expenses	5	**-35.0**	**-32.6**
Profit (loss) from operating activities		**-29.0**	**-27.9**
Financial income and expenses			
Income/expense from investment in subsidiaries	10	1 307.5	42.9
Financial income	11	353.1	52.4
Financial expenses	11	-508.3	-70.8
Net finance		**1 152.3**	**24.5**
Profit before income tax		**1 123.3**	**-3.4**
Tax			
Income tax expense	12	37.8	3.4
Net profit		**1 161.1**	**0.0**

BALANCE SHEETS PARENT COMPANY

NOK million	Note	31.12.06	31.12.05
ASSETS			
Non current assets			
Intangible assets			
Deferred tax recoverable		45.8	3.1
Total intangible assets		**45.8**	**3.1**
Tangible assets			
Equipment. f & f	14	1.2	0.5
Total tangible assets		**1.2**	**0.5**
Financial assets			
Derivatives		140.5	29.3
Investments in subsidiaries	15	2 077.9	2 644.0
Loans to group companies		306.9	2 440.2
Total financial assets		**2 525.3**	**5 113.6**
Total non current assets		**2 572.3**	**5 117.1**
Current assets			
Trade and other receivables			
Receivables from subsidiaries		1 297.7	152.6
Other receivables		1.4	14.0
Total current assets		**1 299.1**	**166.6**
TOTAL ASSETS		**3 871.4**	**5 283.7**
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		989.4	764.4
Share premium reserve		336.1	765.2
Paid in equity		**1 325.5**	**1 529.5**
Revalutation reserves			26.5
Other equity		1 861.1	-
Total accumulated profits		**1 861.1**	**26.5**
Total equity		**3 186.6**	**1 556.0**
Liabilities			
Other non current liabilities			
Pension provisions	8	0.3	-
Derivatives	20	55.2	1.4
Liabilities to credit institutions		-	3 622.2
Certificates	20	250.0	-
	20	**305.5**	**3 623.6**
Current liabilities			
Liabilities to credit institutions		362.1	54.2
Trade creditors		8.8	26.4
Public duties payable		0.9	0.2
Other current liabilities		7.5	23.4
		379.3	**104.1**
Total liabilities		**684.8**	**3 727.7**
TOTAL SHAREHOLDERS EQUITY & LIABILITIES		**3 871.4**	**5 283.7**

STATEMENT OF CHANGES IN EQUITY PARENT COMPANY

NOK million	Share premium reserve	Share premium reserve	Fair value	Pension plan	Accumulated profit or loss	Total
Balance 7 March 2005						
New equity issues	764.4	765.1				1 529.5
Cash flow hedge:						
-fair value gains in the year			27.9			27.9
-tax on fair value gains			-7.8			-7.8
-transfer to net profit			6.4			6.4
Loss for the year					-	-
Balance at 31 December 2005	**764.4**	**765.1**	**26.5**	**-**	**-**	**1 556.0**
New equity issues	225.0	271.0				496.0
Transfer of share premium						-
to acc profit/loss		-700.0			700.0	-
- adjustment of cash flow hedge			-26.5			-26.5
Pension provision plan				-0.1		-0.1
Profit for the year					1 161.1	1 161.1
Balance at 31 December 2006	**989.4**	**336.1**	**-**	**-01**	**1 861.1**	**3 186.6**

CASH FLOW STATEMENTS PARENT COMPANY

NOK million	2006	2005
Operations		
Profit before tax	1 124.7	-
Adj for items not included in cash flow. etc	-1 310.0	-41.9
Tax paid	-	-3.5
Cash flow from operations	**-185.3**	**-41.9**
Change in working capital		
Increase (-)/decrease (+) in oper receivables	-17.6	26.4
Increase (+)/decrease (-) in oper liabilities	198.9	-37.0
Cash flow fr oper after change in work cap	**181.3**	**-10.6**
Investment activity		
Investments in machinery/equipment	-0.8	-
Investments in subisidiaries	-	-2 553.2
Disposals of subsidiaries	459.0	-
Long term loans issued	-	-2 440.2
Repayment of long term loans issued	2 133.3	-
Cash flow from investment activity	**2 591.5**	**-4 993.4**
Financing activity		
Loans drawn down	-	3 676.4
Loans amortised	-3 083.5	0.0
New share issue	496.0	1 372.9
Cash flow from financing activity	**-2 587.5**	**5 049.3**
CASH FLOW FOR THE PERIOD	-	-
Liquid assets. opening balance	-	
Exchange rate	-	-
Liquid assets. closing balance	**0.0**	**0.0**

NOTE 1 ACCOUNTING PRINCIPLES

General accounting principles

The Norgani consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as well as statements from IFRIC (the International Financial Reporting Interpretations Committee) endorsed by the EU Commission for adoption in the EU.
For the parent company, accounting has been prepared pursuant to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

Conditions for Preparing Financial Reports

The parent company's functional currency is the Norwegian krona, which is also the reporting currency for the parent company and the group. Unless otherwise stated, all amounts in the note disclosures are rounded to the nearest thousand Norwegian kronor (NOK 000), and otherwise in NOK million. Assets and liabilities are accounted at historical acquisition values except investment properties and financial instruments, which are valued at fair value. Changes to estimated fair values are processed through the Income Statement.
Preparing financial reports pursuant to IFRS necessitates the corporate management making evaluations, estimates and assumptions that influence the application of accounting principles and the book value of the assets, liabilities, revenues and costs. These estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the prevailing circumstances. The result of these estimates and assumptions are then utilized to evaluate book values of assets and liabilities, that otherwise, are not clearly stated from other sources. Actual figures may vary from these estimates and evaluations.
Norgani revises its estimates and assumptions regularly. Revisions to estimates are stated in the period the amendments are made if such amendment only influences that period, or the period the revision is effected and future periods if the revision affects the current period and future periods. The management's evaluations coincident with the adoption of IFRS that exert a significant influence on financial reports and conducted estimates are reviewed in more detail in note 25 and on page 57.
The accounting principles below for the group have been applied consistently for all periods presented in the consolidated financial statements, unless otherwise stated below. The group's accounting principles have been applied consistently in reporting and consolidating subsidiaries and associated companies. If not stated otherwise below, accounting principles are the same for the parent company as well as for the group. In that case the parent company principles are stated below the principles of the group.
The Annual Report and consolidated financial statement were adopted for publication by the board of Directors on 28 March 2007. The Consolidated Income Statement and Balance Sheet and the parent company Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting on 27 April 2007.

Segments

Norgani applies IAS 14 Segment Reporting. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. Norgani only operates in one business segment, hotel properties, why the only segment presented is the business divided into geographical markets.

Consolidated financial statements

The consolidated financial statements encompass the parent company and subsidiaries within the Norgani group. Subsidiaries are companies over which the parent company has the power to govern the financial and operating policies generally accompanying a share holding of more than 50 percent of the voting right. When assessing whether Norgani controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered.
The consolidated financial statements have been prepared pursuant to acquisition accounting, implying that assets and liabilities are valued at fair value at the time of acquisition, pursuant to the acquisition analysis prepared. Acquired companies' revenues and costs are consolidated from the time of acquisition onwards, implying that the company starts contributing to the consolidated assets after its acquisition. Divested companies' income statements are incorporated until the date when the controlling influence ceases.
Intra group receivables and liabilities, revenues or costs and unrealized profits or losses arising from intra-group transactions are eliminated entirely when the consolidated financial statements are prepared.
Any differences in accounting principles between the Group accounting principles and the local GAAP has been taken into consideration in the consolidation process, where such differences are recalculated to agree with the Group principles. As far as it is possible in the different jurisdictions, the local principles are changed to agree with the Group.

Conversions of foreign operations

The accounts of each of the foreign subsidiaries are prepared in the local currency where the operations are conducted. The consolidated financial statements are presented in Norwegian kronor. The income statements and balance sheets of foreign operations are converted to NOK using the current method, implying that balance sheets are converted at the exchange rate at the balance sheet date, apart from shareholders' equity which is converted at historical exchange rates. Income statements are converted at average exchange rates of the period. The exchange rate differences arising are accounted directly against shareholders' equity as a translation difference.
The following exchange rates have been used in the conversion of the Income Statement and Balance Sheet respectively:

	Income Statement	Balance Sheet
NOK/SEK	0.8698	0.9112
NOK/EUR	8.0463	8.2380
NOK/DKK	1.0787	1.1049

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken onto shareholders' equity. When a foreign subsidiary is sold, such exchange differences are recognized in the Income Statement as part of the gain or loss on sale.

Transactions with related parties

Business terms, and market prices apply when supplying services between group companies. The parent company has invoiced subsidiaries within the group management fees and interest on outstanding loans. Otherwise, no transactions were conducted with board members or senior executives.

Foreign currency transactions

Foreign currency transactions are converted at the exchange rate at the time of the transactions. Foreign currency-denominated monetary assets and liabilities are converted at the exchange rate on the balance sheet date, whereupon exchange rate differences are accounted in the Income Statement. The exchange rate differences on trading receivables and liabilities are accounted in operating profit, while exchange rate differences attributable to financial assets and liabilities are accounted in the net financial position.

Acquisitions and disposals

Acquisitions and disposals are accounted for the day it is considered likely that the essential financial rights and risks associated with the transaction change hands. Receivables and liabilities vis à vis counter parties between the transaction date and settlement date are accounted in gross terms under other receivables and other liabilities respectively.

Acquisitions of assets

In recent years, indirect property transactions using companies incorporating the properties have become more common, unlike previously, when transactions were direct. Asset acquisitions using corporate transactions are accounted as if the relevant property/properties had been acquired directly. This type of acquiring enterprise normally has no employees or organizational resources, or other operations than those directly attributable to the property holding. The acquisition value corresponds to the fair value of assets and potentially related borrowings. Deferred tax is not recognized on potential surplus values attributable to the acquisition. All acquisitions made in 2006 have been treated as asset purchases. Transaction costs from the initial acquisition are included in the acquisition value of the property.

The Income Statement

The Income Statement has been structured with the ambition of providing a representative impression of operations proceeding from the nature of revenues and costs, and thus providing an accurate impression of cash flows from operating activities as possible.
The Income Statement indicates the dimensions of operations, which are clarified through separate accounting of operating net, trading net, administration costs, financial net and unrealised value changes. The internal order is determined by the structure of the operations.
Unrealised value changes comprise value changes on investment properties and financial instruments held by the group during the year. Norgani considers that value changes correlated negatively with, and are primarily explained by, changes in interest rates. Property market pricing is normally dependent on interest rates, and with the selected interest fixing strategy, the market value of interest bearing liabilities. Accounting within the property trading dimension has been designed to illustrate how much of the book value of divested properties has arisen through cash flows, termed acquisition value, and how much has arisen through value changes, termed realized value changes.
Income relating to rental guarantees from sellers is accounted for as a part of the acquisition of the relating subsidiary in the group. In the consolidation process, the part of the acquisition value relating to rental guarantees is eliminated and presented as rental guarantee in the Income Statement. Rental guarantees in the Income Statement includes rental guarantees relating to the current year as well as any terminated guarantees agreed on at year-end. Note that the comparative for 2005 only represents six month of operations.

Revenues

Rental contracts are classified as operational leasing agreements, proceeding from the assumption that the related property remains in Norgani's ownership even if the contract runs for up to 29 years. Rental revenues are divided over time pursuant to the content of contracts, with consequences including rental discounts accounted in the period to which they apply.
For property trading, as for property and corporate divestments, divestments imply the transactions being accounted, and the revenue recognized, when it is likely that the group will receive the related financial benefits.
Rental revenue and rent subsidies are recognized in the period to which it relates.

Net financial position

Interest and other financial expenditure coincident with property construction are capitalized in the construction period; while that associated with extension and conversion is written off on an ongoing basis, because generally, the construction period is shorter. Derivative instruments are utilised to achieve the desired interest fixing. Revenues and costs associated with such instruments are accounted on an ongoing basis, with the revenue and costs for redemption on renegotiating of derivatives, as well as prepayment penalty interest, accounted as they arise. Costs associated with funding facilities are allocated during the terms of the facility and is included in other financial items.

Income tax

The Income Statement accounts current and deferred income tax on all entities in the group apart from when the underlying transaction is accounted directly against shareholders' equity. Group companies are liable for tax pursuant to current legislation in each country. Over the last years, the tax rate in Norway, Sweden and Denmark has been 28 percent, and 26 percent in Finland, calculated on nominal accounted profits plus non-deductible items, and deducting non-taxable revenues. Income tax is accounted pursuant to the balance sheet method, implying that deferred tax is calculated on the temporary differences between taxable and book values of assets and liabilities identified on the balance sheet date. Temporary differences arise in properties, shares in subsidiaries, income tax (loss carry forwards) and interest bearing liabilities. Temporary differences are valued at nominal tax rates, and the changes from the previous year's balance sheet date are accounted as deferred tax in the Income Statement. Deferred tax assets on deductible temporary differences and loss carry forwards are only accounted to the extent that it is highly possible that they will be utilized. The value of deferred tax assets is reduces when it is no longer considered likely that they can be utilized.

Employment benefits

Employee benefits such as salary and social security costs, holiday- and paid sick absence etc. are accounted as staff conduct employment. Norgani has adopted IAS 19 Employee Benefits as well as other disclosures stipulated by the Norwegian Annual Accounts Act. All of the employees in Sweden and Finland are covered by defined contribution pension plan, where contributions are set as a certain percentage of the employee's salary. The pension plan mainly includes old age pension, disability pension and family pension. Employees in Sweden are eligible for retirement benefits under the ITP defined benefit plan. In Finland the employees are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act. In Norway the employees are covered by defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. Actuarial assumptions are determined close to the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions as well as differences between expected and actual return on plan assets are treated as actuarial gains or losses.

Leasing

Norgani is party to a few number of smaller-scale leasing contracts on office machines and company cars. The aggregate total of these contracts is not significant. Proceeding from the financial risk remaining with the lessor; all rental, ground rent and leasing contracts have been accounted as operating lease contracts. Costs are accounted for as they arise. Around 20 of the properties are held under site leasehold rights. For more information on lease contracts, see note 4.

Classification of the balance sheet

Norgani's operations comprise a high number of rental properties, rented to external tenants for varied rental periods, which can run for up to 30 years. Tenant negotiations are conducted before the end of the contract term, proceeding from the rental level and other terms of the contract, unless the contract has been terminated. However as Norgani always have a considerable number of parallel contracts with varying terms, it is difficult to specify the business cycle. It is also difficult to define how long a property is expected to be held. With these considerations, assets and liabilities in the Balance Sheet are presented in declining order of liquidity, because this offers information that is reliable and relevant to operations. In the parent company net current assets comprise creditors due within one year. Other entries are classified as fixed assets and/ or long term creditors. This is not in accordance with the group classification noted above.

Properties

Properties are accounted in subsidiaries at acquisition values, with the capitalization of expenditure effected when the related actions result in future financial benefits. Then, market valuations are affected in the group, pursuant to the methods stated below. Other additional expenses are accounted as a cost in the period in which they arise.

Investment properties

Buildings and land owned with the intention of generating revenues and/or value growth, and that is not occupied by the companies in Norgani are classified as investment properties in the group. IAS 40 is applied, with these holdings valued at fair value. During the year, revaluations are affected coincident with quarterly reports when internal valuations indicate significant value changes. For considerations regarding surplus values etc. on property valuations, please refer to the property valuation heading below and Note 13. Changes in fair values are recorded in the Income Statement within fair value adjustment on properties.

Real estate used in business operations

If an investment property becomes owner occupied, it is reclassified as real estate used in business operations, and its fair value at the date of reclassification becomes its cost for accounting purposes. No properties held by Norgani are owner occupied. Norgani rents all properties to third-party tenants.

Construction in progress

Buildings under construction for future use as investment properties or real estate used in business combinations are accounted at the cost disbursed until the relevant work concludes. IAS 16 is observed until the property is completed, and then transfers to investment property/real estate used in business operations. Norgani has no construction in progress as at year end 2006.

Equipment, fixtures and fittings

Equipment, fixtures and fittings have been accounted at acquisition value less accumulated depreciation according to plan and any potential write downs. IAS 16 is applied. Equipment is depreciated at a straight line method, allocating the cost over the estimated useful lives, which can be up to ten years.

Property valuations

The fair value of investment properties is 100 percent based on internal valuations. Norgani conducts valuations on a quarterly basis. A present value calculation of the property's future operating net serves as the foundation for evaluations of property values. This means in principle that a property is valued by discounting expected revenues and expenditures with a discount rate. The cash-flow period used is 10 years. The method includes estimates of:

- Rents – in turnover leases the rent is computed from agreed percentages of gross turnover in fees and food and beverages (F&B). Estimates of rental income is based on forecast from operators concerning occupancy and average room rate for 2007. The major part of the properties have a minimum lease that become applicable in cases where the turnover based rent does not suffice to reach the minimum. No minimum rent has been used in the valuations. Expected growth of RevPar in the calculation is mainly according to estimated development of CPI 2 percent.
- Market rent levels after contract expiry dates – if the actual market rent level deviates from the market rental level, adjustments have been made, based on experience and portfolio-comparison.
- Lease renewal cost – based on experience of lease renewal of similar properties and findings from the technical due diligence reports.
- Owner's cost, opex – estimates are based on individual assessments of each property and the provisions in the respective lease contract.
- Capital expenditures, capex – for the first year in the calculations, the spending plan 2007 for each property have been taken into account. For the rest of the period a template is used unless there is a lease renewal during the period.
- Discount rate – projected net cash-flow have been discounted at interest rates that represent nominal rates of return on total capital. The discount rate is based on market transactions and judgements based on experience of market expectations on the yield-level for similar properties. In general the yield risk adjustments varies primarily with location but also with tenant credit worthiness, property type and quality. The range in the yield is 5-9 percent. The average yield is 6,1 percent.
- Residual value – the residual value is the market value of the property at the end of the period. The estimated market value is based on the projected cash-flow in the last year of the period and a direct capitalisation with the yield requirement, adjusted to market expectations.

No vendor rental guarantees, except for one property have been taken into account in the calculations. In addition to the internal valuation, all Norgani's properties will be externally valued over a two year period by independent valuers. However, comprehensive external valuations are also conducted on new properties and properties with special considerations. The external valuation is regarded as a quality control of the internal valuations.

Financial instruments

Financial instruments are valued and accounted in the group pursuant to the stipulations of IAS 39, implying that they are initially accounted at acquisition value, corresponding to the fair value of instruments, plus transaction costs for all financial instruments apart from those accounted as fair value in the Income Statement.
The fair value of listed financial assets is offset by the asset's quoted bid price at the balance sheet date. The fair value of unlisted assets is determined by comparisons with similar instruments or discounted cash flows.
Long-term receivables, which exclusively comprise promissory notes, have been valued at accrued acquisition value. Current receivables are accounted at the amount at which they are expected to arise, subsequent to a case-by-case assessment.
Accounts receivables are accounted at the amount expected to arise less doubtful debt, which is evaluated on a case-by-case basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Norgani has not recorded any material provisions in 2006.
Liquid assets encompass cash and immediately accessible postal-giro and bank balances.
Liabilities are initially accounted at fair value less deductions for transactions cost. After the time of acquisition, loans are valued at accrued acquisition value pursuant to the effective interest method. Accounts payable is valued at nominal amount without discounting. The debt portfolio constitutes a considerable portion of the passive side of the balance sheet of the group, and given the selected interest fixing strategy, value changes on interest-bearing liabilities are assumed to correlate with value changes in the property portfolio. No hedge accounting is applied on financial instruments associated to the interest-bearing liabilities, and accordingly, derivatives are valued and accounted at fair value in the Balance Sheet, and unrealised value changes are accounted in the Income Statement.
As the parent company has a different classification of the Balance Sheet – noted below are clarifications on any differences to the group principles; which overrides the terms above regarding any balance sheet items in the parent company only:
Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value. Fixed assets are valued by the cost of acquisition, in case of non incidental reduction in the value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date when a

derivative contract is entered into and is subsequently re measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Norgani documents at the inception of the transaction the relationship between hedging instruments and hedging items, as well as its risk strategy for undertaking various hedge transactions. Norgani also documents its risk management objective and strategy for undertaking various hedge transactions. Norgani documents its assessment, both at hedge inception an on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items.
The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements of the hedging reserve in shareholders' equity are shown on page 42. The full fair value of the derivatives associated with interest bearing debt is classified as interest bearing debt in the Balance Sheet.
The effective portion of hedges of net investments in foreign operations is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is disposed of.

Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Write downs
The book value of the group's and parent company's assets is subjected to impairment tests at each balance sheet date. Exceptions apply to assets for sale, investment properties and deferred tax assets. If an indication of a need for write downs arises, the asset's recoverable value is calculated. Impairment tests are conducted on the aforementioned exceptional assets pursuant to the relevant standards.
Write-downs are only reversed to the extent that asset book values after reversal do not exceed the book value the asset would have had if no write-down had occurred.

Contingent liabilities
A contingent liability is accounted when there is a possible commitment attributable to events that have occurred, and whose occurrence is only corroborated by one or more uncertain future events, or when there is a commitment that is not accounted as a liability or provision because it is not likely that any outflow of resources would be required.

NOTE 2 SEGMENT INFORMATION

Norgani is organized on a Nordic basis into four geographic segments:

SEGMENT INFORMATION

	Sweden	Finland	Norway	Denmark	Norgani
Rental revenue	275.5	70.3	155.1	73.4	574.3
Operating expenses	-30.2	-11.4	-8.7	-9.1	-59.4
Operating net	**245.3**	**59.0**	**146.4**	**64.3**	**514.9**
Net disposals	7.2	1.4	3.6	53.5	65.7
Fair value adjustments					
- properties	181.8	78.1	316.8	36.2	613.0
Administrative expenses					-55.4
Fair value adjustments - financial instruments					58.7
Financial net					-264.8
Profit before tax					**932.1**
Tax					-222.2
Net profit					**709.9**
Investment properties	4 082.1	2 831.4	2 100.0	438.6	9 452.1
Asset allocated to properties	964.3	103.3	264.9	32.9	1 365.4
Unallocated assets					-323.0
Total assets	**5 046.4**	**2 934.7**	**2 364.9**	**471.5**	**10 494.5**
Interest bearing liabilities	**2 782.2**	**2 063.4**	**1 683.7**	**701.6**	**7 230.9**

NOTE 3 GUARANTEE RENT

The sellers have provided Norgani rental guarantees for an average period of 4.3 years from 31 December 2006. The guaranteed 2007 minimum rent level for the Norgani portfolio is approx. NOK 465 million.

NOTE 4 OPERATING LEASING - GROUND RENT

Operating leases	Group 2006
Due for payment within one year	- 16 806
Due for payment in 2-5 years	- 67 224
Due for payment after more than 5 years	-386 020
Total	**-470 050**

Operating leasing when the company is lesee. The average remaining rental term i 23 years. Payments are written off linearly during the leasing term. Norgani is also party in a number of smaller-scale leasing contracts on office machines and company cars, which total amount is insignificant.

NOTE 5 ADMINISTRATION COSTS

	Group		Parent company	
Administration costs	2006	2005	2006	2005
Payroll costs	-29 627	-4 102	-16 578	-4 890
Depreciations	-340	-2	-134	-6
Other costs	-25 468	-32 091	-18 283	-27 693
Total	**-55 435**	**-36 195**	**-34 995**	**-32 589**

Primarly includes cost for the group's management and central functions such as accounting, finance, legal services, research and information technology and costs associated with stock market listing. Also includes property administration such as costs rental billing, rent negotiations, rent demands and statements. Administration costs include depreciation on furniture and fittings.

NOTE 6 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	2006	Proportion women %	2005	Proportion women %
Parent company	8.4	30	1.9	16
Subsidiaries				
Sweden	2.2	33	-	-
Finland	0.7	50	-	-
Group	**11.3**	**38**	**1.9**	**16**

Gender distribution corporate management	2006	Proportion women %	2005	Proportion women %
Parent company and Group				
The Board	4	50	5	40
Other senior executives	4	25	3	100

The Board of directors has four member of which two are women. There are four other senior executives, one of these is a woman.

	2006		2005	
Salary, other remuneration and social security costs	Salary, remuneration	Social security cost	Salary, remuneration	Social security cost
Group				
The Board, Chief Executives	4 488	633	1 598	225
(of which pension costs)		88		
Other employees	15 910	4 910	1 997	342
(of which pension costs)		1 366		
Total	**20 398**	**5 543**	**3 595**	**567**
(of which pension costs)		1 454		
Parent company				
The Board,				
Chief Executives4	488	633	1 598	225
(of which pension costs)		229		-
Other employees7	548	1 645	1 997	342
(of which pension costs)		352		-
Total	**12 036**	**2 278**	**3 595**	**567**
(of which pension costs)		581		

The above Group amounts include salary and social security contributions paid out in the following countries:

	2006 Salary, remuneration	Social security cost
Norway	12 036	2 278
(of which pension costs)		581
Sweden	7 572	3 088
(of which pension costs)		728
Finland	790	177
(of which pension costs)		145
	20 398	**5 543**
		1 454

Sickness absence The average number of employees has been 8 persons in Norway during 2006. In Sweden and Finland, most of the employees were employed in the end of the year. There has been immaterial sickness absence in the group during 2006. In Norway total sickness absence has been 0.73 percent as a percentage of ordinary working hours of approx. 14 300 hours.

NOTE 7 REMUNERATION TO GROUP MANAGEMENT

Principles
Remuneration is payable to the Board, pursuant to AGM decision. No fees are payable to the Board members in subsidiaries that is employed by Norgani. Remuneration to the CEO and other group management comprises basic salary, performance related pay, other benefits and pension. The term "other group management" means the three people that were active in the corporate management in 2006 in addition to the CEO.

Eva Eriksson was a member of the board up to November 2006, when she was employed as a CIO of Norgani. Up to November, Eva Eriksson board remuneration is included in other board members above, while her salary from November and December is included in Other group management.
Other benefits comprise company car and subsistence allowance.

Remuneration and other benefits for 2006

	Basic salary Directors fee	Performance related pay	Other benefits	Pension costs	Total
Jan Petter Storetvedt	190				190
Knut Brundtland	125				125
Hege Bømark	140				140
Mats Lönnqvist	140				140
Eva Eriksson	125				125
Kjell Sagstad	1 768	2 000	3	88	3 859
Mats Sterner	649	1 216	10	104	1 979
Eva Eriksson	275	1 446	3	38	1 762
Magne Ramlo	1 062	1 121		184	2 367
Total	**4 474**	**5 783**	**16**	**414**	**10 687**

Performance-related pay

For the CEO and other group management, the bonus in 2006 reflects the performance of the Norgani share price. The bonus program has a hurdle of 9 percent minimum annual return. Bonus payment to the CEO is subject to a maximum of 12 months' salary. On top of the bonus scheme based on the performance of Norgani's share price, an extra bonus can be paid out to the CEO based on subjective criterions.

Pensions

The pensionable age of the group management in Sweden is 65 and in Norway 67 years. In Sweden all group management have defined contribution pensions schemes, with no commitments for the company apart from the obligation to pay annual premiums. For the group management in Sweden the premiums are 20 percent of pensionable salary. The group management in Norway is part of the Norgani's pension scheme on normal terms. The CEO is a member of the Norgani's pension scheme on normal terms. The retirement pension equivalent to 70 percent of pensionable salary becomes payable on retirement.

Redundancy payments

In case of termination of the CEO's employment contract by Norgani, the CEO is entitled to a severance pay of 18 month salary (24 month salary if termination takes place during the first two years of employment) which is reduced accordingly by other income in the post-termination period.
In the case of "Change of Control" (CoC) - from the point of time a single shareholder or a group of shareholders control more than 50 percent of the shares in Norgani, the company will pay the highest of a) the purchase price the shareholders have paid in the period of six month before shareholders passes 50 percent ownership and b) the price offer according the obliged bid in accordance with Norwegian regulations. The calculation of the CoC amount is done in the same way as the ordinary bonus agreement, except that the demand of 9 percent minimum return and the reinvestment principle will not be taken into consideration. The CoC agreement is replacing the ordinary bonus payment the year the CoC amount is disbursed. Finally, remuneration based on the CoC agreement requires the CEO retirement after the CoC occurred.
For the three other group management, notice periods vary between three and six month, although for termination initiated by the company, three month notice applies for one group management and 12 month notice for the two other group management. No redundancy pay is due up on termination initiated by these senior executives.

Remuneration to the group management

Norgani's policy regarding remuneration to executives is based on the assumption that remunerations should be competitive when salary, bonus, pension and other benefits are put together. What is considered as being competitive is decided relative to the international environment that Norgani is active in.
The policy states that;
- It should be possible to offer executives bonus as a considerable part of the remuneration. The board should decide the terms of Norgani's bonus plan and the CEO bonus.
- It should be possible to offer executives options for the purchase of Norgani shares. It should also be possible to offer executives convertibles or other instruments that is common in incentive programs.
- Executives should as a norm have pension plans that gives them a pension that is related to there salary.
- Executives could have other benefits such as free cars, news papers and free telephones.

NOTE 8 PROVISIONS FOR PENSIONS

Receivables/provisions for pension obligations were recorded in the balance sheet as follows:

Periodic pension cost	2006
Service cost component	- 561 316
interest cost	- 3 810
return on plan assets	9 548
administrational expenses	- 25 171
Net periodic pension cost	**-580 749**

Reconciliation of funded status	06-12-31
Accumulated benefit obligation	370 977
Effects of future wage increases	281 744
Projected benefit obligation	**652 721**
Value of plan assets	-356 737
Net obligation of funds	**295 984**

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans.

Percentages, expected remaining working life	2006
Discount rate	4.35
Expected return on plan assets	5.5
Increase in income base amount	4.5
Basic amount	4.25
Annual adjustments to pensions	1.6
Average expected remaining working years	17.8

NOTE 9 AUDIT FEES AND REMUNERATION

	Group		Parent	
	2006	2005	2006	2005
Statutory audit	-3 531	-1 511	-945	-331
Other services than audit	-1 163	-8 271	-1 032	-7 966
Total	**-4 694**	**-9 782**	**-1 977**	**-8 297**

Auditing assignments means reviewing the Annual Report and accounts, the Board of directors' and Chief Executive's administration, other tasks appropriate to the company's auditors and advisory and other services resulting from observations on such review or conducting under such tasks.

Anything else is classified as other assignments.
The group auditors are Price Waterhouse Coopers

NOTE 10 PROFIT FROM SHARES IN GROUP COMPANIES

	Parent company	
	2006	2005
Dividends	1 065 168	9 730
Group contributions from subsidiaries	76 635	32 148
Profit from divestment of shares	296 552	
Loss from divestment of shares	-23 771	
Write-downs	-107 130	1 014
Total	**1 307 454**	**42 892**

NOTE 11 FINANCIAL NET

	Group		Parent	
Financial income	2006	2005	2006	2005
Interest income				
Group	-	-	142 425	44 584
Others	11 240	5 880	4 367	3 112
Exchange rate profits	-	1 136	-	-
Gain from currency hedge	-	-	12 338	-
Gain from interest swap	-	-	131 120	-
Other financial income	10 299	2 912	62 831	4 744
Total financial income	**21 539**	**9 928**	**353 081**	**52 440**

	Group		Parent	
Financial expenses	2006	2005	2006	2005
Impairment shares subsidiaries	-	-	-	-1 014
Interest expenses				
Group	-	-	-626	-
Others	-283 150	-52 167	-150 836	-49 990
Exchange rate loss	-853	-	-	-
Loss from currency swap	-	-	-55 129	-
Interest swap costs	-	-	-61 077	-
Other financial expenses	-2 342	-6 062	-240 665	-19 843
Total financial expenses	**-286 345**	**-58 229**	**-508 333**	**-70 847**

In the Group, the effective portion of hedges of net investments in foreign operations is recognised in equity. In the Group - all gains and losses from interest swaps have been netted as Interest expenses others in the table above. For more information on derivative financial instruments, see note 20

NOTE 12 TAX

Reconciliation of effective tax	2006	2005
Group		
Profit before tax	932 106	
Tax 28 %	**-260 990**	
Effect of foreign tax rate	-146	
Non tax related revenue and cost net	29 578	
New tax losses carry forward	45 883	
Tax from earlier years	828	
Tax on acquired results	-37 414	
Accounted tax	**-222 261**	
Current tax	-27 748	-622
Deferred tax	-194 513	-9 166
Accounted tax	**-222 261**	**-9 788**

Temporary differences	2006	2005
Group		
Income tax (loss carry forward)	1 323 143	1 159 275
Properties	-1 148 039	-666 211
Sold properties	62 750	121 471
Financial instruments	-58 743	-27 857
	179 111	586 679
28%	**50 151**	**164 270**

Deferred tax charged to equity	2006	2005
Group		
Tax on issue expenses	-7 235	-17 999
Tax on derivative financial instruments	-7 800	7 800
Other	-	6 851
	-15 035	**-3 348**

Non-accounted deferred tax assets	2006
Group	
Income tax (loss carry forward)	1 045 864
28%	**292 842**

Reconsiliation of effective tax	2006	2005
Parent company		
Profit before tax	1 123 268	-3 402
Tax 28 %	**-314 515**	**953**
Received dividend	298 676	2 724
Impairment of shares	-29 996	-284
Sale of shares in subsidiaries	76 379	-
Other permanent differences	7 281	-19
Accounted tax	**37 825**	**3 374**
Current tax		
Deferred tax	37 825	3 374
Accounted tax	**37 825**	**3 374**

Temporary differences	2006	2005
Parent company		
Income tax (loss carry forward)	-248 968	-38 888
Fixed assets	243	129
Pension provisions	-296	-
Financial instruments	85 310	27 858
	-163 711	**-10 901**
28%	**45 839**	**3 053**

Deferred tax charged to equity	2006	2005
Parent company		
Tax on issue expenses	-7 235	-17 999
Tax on derivative financial instruments	-7 800	7 800
Other	-	6 851
	-15 035	**-3 348**

NOTE 13 INVESTMENT PROPERTY

Group	31 Dec.'06	31 Dec.'05
Fair value opening balance	6 418 817	
Acquisitions during the year	2 748 755	6 211 992
Investments in properties	35 360	
Acquisition value, sold properties	-672 969	
Unrealised value changes	612 980	199 731
Exchange rate effects	309 196	7 094
Fair value, closing balance	**9 452 139**	**6 418 817**

All rental revenue and direct costs (operating, maintenance costs, property tax and ground rent) are attributable to the investment properties.

As of 31 December 2006, properties with a book value of NOK 9 452 million (6 419) were pledged as collateral for bank borrowings.

NOTE 14 EQUIPMENT, FIXTURES AND FITTINGS

	Group		Parent company	
	31 Dec.'06	31 Dec.'05	31 Dec.'06	31 Dec.'05
Acc acq values opening balance	525		525	
Acquisision during the year	2 065	525	787	525
Divestments and disposals				
Closing balance	**2 590**	**525**	**1 312**	**525**

	Group		Parent company	
	31 Dec.'06	31 Dec.'05	31 Dec.'06	31 Dec.'05
Acc depreciations opening balance	-6		-6	
Depreciation for the year	-340	-6	-134	-6
Divestment and disposals				
Exchange rate effects	-9			
Closing balance	**-355**	**-6**	**-140**	**-6**
Residual value - closing balance	**2 235**	**519**	**1 172**	**519**

Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. For equipment, fixtures and fittings the useful lives are set to maximum ten years.

NOTE 15 SHARES IN GROUP COMPANIES

	Parent company	
	31 Dec.'06	31 Dec.'05
Acc acq value opening balance	2 644 057	-
Acquisitions	-	2 644 057
Divestments	-907 519	-
Shareholders contributions	448 506	-
Total	**2 185 044**	**2 644 057**
Write downs, opening balance		
Write down/ups for the year	-107 130	-
Total	**-107 130**	**-**
Book value, closing balance	2 077 914	2 644 057

First-tier subsidiary	**Office**	**Country**	**voting rights**	**2006**	**2005**
Norgani Norge Holding AS	Oslo	Norway	100%	-	235 401
Norgani Hotelleiendom AS	Oslo	Norway	100%	190 281	296 457
Norgani Sweden Holding AB	Stockholm	Sweden	100%	1 887 633	1 439 127
Norgani Finland Holding Oy	Helsinki	Finland	100%	-	37 712
Norgani Hotell Lillehammer AS	Oslo	Norway	100%	-	132 612
Lillehammer Turisthotell AS	Oslo	Norway	100%	-	1 001
Norgani Hotell Bodö AS	Oslo	Norway	100%	-	217 192
Norgani Hotel Cosmopole Aps	Copenhagen	Denmark	100%	-	50 358
KS Norgani Hotel	Copenhagen	Denmark	100%	-	26 471
Kompl selskabet Norgani Hotel Aps	Copenhagen	Denmark	100%	-	0
Norgani Hotel København A/S	Copenhagen	Denmark	100%	-	38 360
Norgani A/S, Copenhagen	Copenhagen	Denmark	100%	-	162 271
Norgani Hotell Sydhavnen Aps	Copenhagen	Denmark	100%	-	7 095
Total				**2 077 914**	**2 644 057**

Legal structure - Group	**Office**	**Country**	**Established**	**Stakes**	**Shares**
Norgani Hotels ASA	**Oslo**	**Norway**			
Norgani Hoteleiendom AS	**Oslo**	**Norway**	**A 22.12.2005**	**100%**	**100%**
Norgani Sweden Holding AB	**Stockholm**	**Sweden**	**E 01.07.2005**	**100%**	**100%**
Norgani Sweden Holding AB:s shares in subsidiaries:					
Fastighets AB Prince Philip	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Kiruna Hovmästaren 1 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Mora Stranden 37:3 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Sollentuna Centrum AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Stockholm Herrgården 2 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Luleå Tjädern 19 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Kristianstad Hovrätten 41 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Kalmar Hammaren 4 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Karlstad Sandbäcken 1:3 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Linköping Elden 9-10 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Uppsala Dragarbrunn 4:11 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Sogviken Grillen 8 AB	Stockholm	Sweden	E 01.07.2005	100%	100%

Norgani Linköping Ekoxen 9 o 11 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Stockholm Fotsacken 1 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Skövde Linlekonvaljen 14 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Halmstad Gillestugan 1 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Norrköping Sprutan 6 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Göteborg Backa 149:1 o 866:397 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Jönköping Hagstensgärdet 1:5 AB	Stockholm	Sweden	E 01.07.2005	100%	100%
Norgani Malmö Gunghästen AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Stockholm Gråberget 29 AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Växjö Kocken 3 AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Bollnäs Sundsbro AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Växjö Elden Södra 17 AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Uppsala Dragarbrunn 16:4 AB	Stockholm	Sweden	E 16.12.2005	100%	100%
Norgani Hotel Cosmopole ApS	Copenhagen	Denmark	A 01.07.2005	100%	100%
KS Norgani Hotel	Copenhagen	Denmark	A 01.07.2005	100%	100%
Norgani Hoel ApS	Copenhagen	Denmark	A 01.07.2005	100%	100%
Norgani Hotel Kopenhamn A/S	Copenhagen	Denmark	A 01.07.2005	100%	100%
Norgani A/S	Copenhagen	Denmark	A 01.07.2005	100%	100%
Norgani Hotell Syhaven Aps	Copenhagen	Denmark	A 16.12.2005	100%	100%
Norgani Norge Holding AS	Oslo	Norway	E 22.12.2005	100%	100%
Alexandra Hotell AS	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Hotell Kristiansand AB	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Hotell Oslo AS	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Hotell Bergen AS	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Hotell Hafjell AS	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Hotel Bergen Airport AS	Oslo	Norway	A 01.07.2005	100%	100%
Norgani Fagernäs Turisthotell AS	Oslo	Norway	A 17.01.2006	100%	100%
KS Olrud Hotell	Oslo	Norway	A 26.04.2006	100%	100%
Norgani Olrud Hotell AS	Oslo	Norway	A 26.04.2006	100%	100%
Hamnest Hotell AMS	Oslo	Norway	A 03.05.2006	100%	100%
Norgani Hotell Hamneset AS	Oslo	Norway	A 03.05.2006	100%	100%
Norgani Hotell Lillehammer AS	Oslo	Norway	A 16.12.2005	100%	100%
Lillehammer Turesthotell AS	Oslo	Norway	A 16.12.2005	100%	100%
Norgani Hotell Bodö AS	Oslo	Norway	A 16.12.2005	100%	100%
Norgani Finland Oy	Helsinki	Finland	A 31.08.2006	100%	100%
Kiinteestö Oy Pilotti	Helsinki	Finland	A 31.08.2006	100%	100%
Kiinsteestö Oy Pakkalan	Helsinki	Finland	A 31.08.2006	100%	100%
Yrityspuiston Autopaikat Oy	Helsinki	Finland	A 31.08.2006	6.7%	1.6%
Norgani Suomi Holding AB	**Helsinki**	**Finland**	**A 31.08.2006**	**100%**	**100%**
Norgani Suomi 2 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 1 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 3 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 2 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 4 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 3 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 5 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 4 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 6 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 5 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 7 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 6 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 8 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 7 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Ämmänkievari	Helsinki	Finland	A 31.08.2006	88.7%	88.7%
Norgani Suomi 9 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 8 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Helsinki Continental	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 10 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 9 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Helsinki Strand	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 11AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 10 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Helsinki Kanavakatu 8-22	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 12 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 11 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Marina Congress Center	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 13 AB	Helsinki	Finland	A 31.08.2006	100%	100%

Oy Norgani 12 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Moottorihotelli Tarvonti	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 14 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 13 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Tornilampi	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 15 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 14 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Kajaanin Koskihotelli	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 16 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 15 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Suomi 17 AB	Helsinki	Finland	A 31.08.2006	100%	100%
Oy Norgani 16 Ab	Helsinki	Finland	A 31.08.2006	100%	100%
Koy Tampereen Tikankulma	Helsinki	Finland	A 31.08.2006	100%	100%
Norgani Hotelleiendom i Sverige AB	**Stockholm**	**Sweden**	**A 16.12.2005**	**100%**	**100%**
Norgani Hotelleiendom i Göteborg AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Helsingborg AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Jönköping AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Luleå AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Malmö AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Sundsvall AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Södertälje AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Umeå AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Uppsala AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotelleiendom i Östersund AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Blyet AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Osten AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Radien AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Sågen AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Valbo-Backa AB	Stockholm	Sweden	A 16.12.2005	100%	100%
Norgani Hotellfastighetsbolag Vindmotorn AB	Stockholm	Sweden	A 16.12.2005	100%	100%

NOTE 16 MATURITY STRUCTURE, RECEIVABLES

	Group	
	31 Dec.'06	31 Dec.'05
Maturing within 1 year of the balance sheet date	883 487	49 130
Maturing 2-5 years from the balance sheet date	1 450	-
Maturing more than 5 years from the balance sheet date	-	-
Total receivables	**884 937**	**49 130**

Maturity structure, outstanding receivables excluding tax and liquid assets. There is no concentration of credit risk with respect of current receivables, as Norgani has a large number of customers, internationally dispersed.

NOTE 17 OTHER RECEIVABLES

	Group	
	31 Dec.'06	31 Dec.'05
Receivables, divested properties	742 956	-
Other current receivables	13 715	24 772
Total	**756 671**	**24 772**

NOTE 18 ULTIMATE PARENT IN THE GROUP

The ultimate parent company in the Norgani is Norgani Hotels ASA, 988 016 683, with registered head office in Olso, Norway. The company's business consist of operation and ownership, directly or indirectly, of commercial real estate, including hotels, and activities related thereto. Norgani Hotels ASA is a public limited company, listed on the Oslo Stock Exchange.

NOTE 19 SHAREHOLDERS EQUITY

Date resolved	Type of change	Share Change in no. of shares	Change in share capital (NOK)	Capital after change (NOK)	No. of share after change	Per value (NOK)	Price per share (NOK)
07.03.2005	Incorporation	1 000		100 000	1 000	100	100
25.05.2005	Share split	3 000		100 000	4 000	25	-
08.06.2005	Write down		-100 000	-	-	-	-
08.06.2005	Private placement	16 504 310	412 707 750	412 707 750	16 508 310	25	50
17.06.2005	Private placement	1 420 000	35 500 000	448 207 750	17 928 310	25	50
28.06.2005	Consideration issue	4 800 000	120 000 000	568 207 750	22 728 310	25	50
16.11.2005	Initial Public Offering	7 846 086	196 152 150	764 359 900	30 574 396	25	56
28.07.2006	Share issue	9 000 000	225 000 000	989 359 900	39 574 396	25	58

All new shares are fully paid-in. The resolved number of shares at year-end was 39 574 396. Proposed dividend for shareholders are NOK 4 per share. No dividend was paid out for previous year.
The weighed average number of shares in the year was 34 395 082 (25 053 796). Calculations of the average number of shares considered the bonus issue element of the new issue.

NOTE 20 INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	31 Dec.'06	31 Dec.'05	31 Dec.'06	31 Dec.'05
Maturing within 1 year of the balance sheet date	376 442	39 235	612 053	54 195
Maturing 2-5 years from the balance sheet date	2 358 503	3 664 256	-	3 622 167
Maturing more the 5 years from the balance sheet date	4 554 662	1 204 025	-	-
Total	**7 289 607**	**4 907 516**	**612 053**	**3 676 362**
Fair value adjustments financial instruments	-58 673	-29 169		
Interest bearing liabilities	**7 230 934**	**4 878 347**		

Currency	Amount	31 Dec.'06
SEK	3 116 310	2 839 509
NOK	1 673 810	1 673 810
EUR	251 838	2 074 641
DKK	635 032	701 647
		7 289 607

Norgani has fixed the majority of its borrowing interest rate exposure through interest rate swaps as described in the table below. Norgani's strategy regarding interest rate exposure is to fix a minimum of 70 percent of its exposure at any time for a period of minimum three years. Irrespective a high level of secured rates, Norgani takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

Norgani ASA has obtained fair value calculations from third party professionals in the finance market. For calculating market value, the discounting of future cash flows with zero-coupon yields based on official quoted prices is applied. All values represent a calculated value and will not necessarily be realised.

	Nominal amount	Actual value
Variable-rate loans	6 655 912	6 680 711
Fixed-rate loans	628 042	619 253
Interest swap - receivables	-5 302 491	-5 303 992
Interest swap - liability	5 302 491	5 236 854
Options - caps and floors - receivables	0	-1 892
Total	**7 283 954**	**7 230 934**

In December 2006 Norgani Hotels ASA issued a 12 month certificate of NOK 250 million.
Maximum borrowing limit of the certificate is NOK 500 million. The interest is 3 month Nibor + 1 %.

The nominal principal amounts, fixed rates and duration of the derivative financial instrument contracts at 31 December 2006 are:

* - P= Parent company G= Group If only G is stated - the swap is placed in a subsidiary within the group

Type of instrument	Nominal principal Currency	amount	Receive	Pay	Duration	*
Interest rate swap	NOK mill	1 250	Floating	Fixed	5.6 yrs	P+G
Interest rate swap	SEK mill	1 250	Floating	Fixed	3.6 yrs	P+G
Interest rate swap	SEK mill	300	Floating	Fixed	8.6 yrs	P+G
Interest rate swap	EUR mill	10	Floating	Fixed	3.6 yrs	P+G
Interest rate swap	DKK mill	585	Floating	Fixed	3.6 yrs	P+G
Interest rate swap	EUR mill	75	Floating	Fixed	4.7 yrs	G
Interest rate swap	EUR mill	75	Floating	Fixed	5.7 yrs	G
Interest rate swap	EUR mill	83	Floating	Fixed	6.7 yrs	G

Type of instrument	Currency	Nominal principal amount	Strike	Duration	*
Caps	SEK mill	450	4.5 %	3.6 yrs	P+G

Hedge of net investment in foreign entity

The Group's SEK and EUR-nominated borrowings are designated as a hedge of the net investment in the Group's subsidiaries in Sweden, Denmark and Finland. The fair value of the borrowings at 31 December 2006 was NOK 5,600 million. The foreign exchange loss on translation of the borrowings at the balance sheet date was recognized in "other reserves" in shareholders' equity.

Currency	Volume	Net investment	Net Exposure	Hedge ratio	Market Value	*
SEK	800 000	2 326 944	1 526 944	85.1 %	-45 847	P+G
EUR	1 000	12 052	11 052	85.4 %	244	P+G

NOTE 21 MATURITY STRUCTURE, LIABILITIES

	Group		Parent company	
	31 Dec.'06	31 Dec.'05	31 Dec.'06	31 Dec.'05
Maturing within 1 year of the balance sheet date	596 133	166 454	628 376	103 939
Maturing 2-5 years from the balance sheet date	2 358 503	3 664 256		3 622 167
Maturing more the 5 years from the balance sheet	4 554 662	1 204 025		
Total	**7 509 298**	**5 034 735**	**628 376**	**3 726 106**
Fair value adjustments financial instruments	-58 673	-29 169		
Total	**7 450 625**	**5 005 566**		

Maturity structure of interest-bearing liabilities and trading liabilities excluding tax liabilities.

NOTE 22 ASSETS PLEDGED

	Group	
	31 Dec.'06	31 Dec.'05
Property mortgages	6 542 484	4 489 274

	Parent company	
	31 Dec.'06	31 Dec.'05
Shares in subsidiaries	2 077 914	2 644 057

NOTE 23 CONTINGENT LIABILITIES

	Group		Parent company	
	31 Dec.'06	31 Dec.'05	31 Dec.'06	31 Dec.'05
Sutery in favour of group companies	6 980 934	4 907 516	2 077 914	2644057

NOTE 24 ADDITIONAL INFORMATION CASH FLOW STATEMENT

Approved credit facilities amounted to NOK 7,290 million, divided between secured loans of NOK 7,140 million and a revolving facility of NOK 150 million.

The un-utilised portion of credit facilities amounted to NOK 75 million. Interest paid for the financial year amounted to NOK 283 million (50). Investments in properties amounted to NOK 35 million (0) and acquisitions amounted to NOK 2,749 million (6,212).

At the end of 2006, the Norgani group has an non restricted equity of NOK 1 635 million, which together with a mortgage ratio of 76 percent form a solid ground for further expansion.

NOTE 25 RISKS, POLICIES AND SPECIAL CONSIDERATIONS

Norgani's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. Risk management is carried out by a central treasury function under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operations with Norgani's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivate financial instruments and non-derivative financial instruments and investing excess liquidity.

Market risk

Foreign exchange rate

A substantial part of Norgani's revenues and expenditures are paid in foreign currency (SEK, DKK and EUR). As a result Norgani is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency as compared to NOK could result in a material adverse effect on Norgani's cash flow and revenues. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Price risk

Norgani is exposed to property price and property rental risks. Norgani has, however, when acquiring hotel properties, received minimum rent guarantees from sellers of most of the properties with an average remaining duration of 4,3 years.

Credit risk

Norgani has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Even though the credit concentration may appear significant against certain larger hotel operator chains, this risk is substantially reduced by the way these operators are organized – in several smaller operator companies and separate legal entities. Norgani has policies that limit the amount of credit exposure to any customer or financial institution.

Cash flow and fair value interest rate risk

Norgani is to a large extent financed by debt and will be exposed to interest rate fluctuations. Any period of unexpected or rapid increase in interest rates may hence negatively affect cash flow and profitability. Norgani limit the interest rate risk through entering into fixed interest rate contracts/swaps. This means that Norgani will experience an adverse value effect in the interest rate contracts compared to the debt when interest rates are fluctuating.

Demand/Supply

The demand for accommodation is influenced by several factors, on both a micro and macro level. Negative changes in the general economic situation, including business and private spending, will adversely affect travel and hence the demand for lodging. Historically, positive developments in the hotel markets have been followed by increased construction of hotels. This may lead to oversupply and hence lower revenues for the tenants. In turn this will negatively affect the financial strength of the tenants as well as reduce revenue based components of rents.

To the Annual Shareholders' Meeting of Norgani Hotels ASA

Auditor's report for 2006

We have audited the annual financial statements of Norgani Hotels ASA as of December 31, 2006, showing a profit of NOK 1161 million for the parent company and a profit of NOK 710 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statement of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31,2006 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group as of December 31, 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU (2)
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, April 26, 2007
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

KEY FIGURES

	2006	2005
PROPERTY RELATED		
Gross margin, %	89,7	88,2
Operating exp/revenue, %	10,3	11,8
Administrative exp/revenue, %	9,7	26,7
FINANCIAL		
Return on assets, % (ROA)	6,1	4,9
Return on equity, % (ROE)	29,5	-
Pre tax return on paid in equity	50,8	34,7
Interest cover, multiple	2,12	1,73
Equity ratio, %	28,7	26,5
Gearing, multiple	2,40	2,71
Mortgage ratio, %	73,9	76,0
Debt ratio, %	68,9	71,7
DATA PER SHARE		
Share price	74,00	56,00
Dividend	4,00	0,00
Operating net	13,01	3,91
Earning	17,94	7,36
Cash flow from operations	6,82	1,13
Shareholders' equity	76,22	58,93
Property book value	238,84	209,94
Number of shares, at year end	39 574 396	30 574 396
Average number of shares in the year	34 395 082	25 053 796

DEFINITIONS

PROPERTY RELATED

Gross margin: Operating net in relation to total rental revenues.

Operating exp/revenue: Operating expenses in relation to total rental revenues.

Administrative exp/revenue: Administrative expenses in relation to total rental revenues.

RevPAR: Revenue per available room

Occ: Occupancy. Number of occupied rooms divided by the number of available rooms.

ARR: Average revenue per room.

FINANCIAL

Return on assets (ROA): Profit before tax plus financial expenses in relation to average assets.

Return on equity (ROE): Net profit in relation to average shareholders' equity.

Pre tax return on paid in equity: Profit before tax divided by average paid in equity. Paid in equity is the total amount of equity paid in before deductions for expenses in connection with the share issue.

Interest cover: Profit before tax less unrealized value changes and increased with realized value changes and financial net divided with financial net.

Equity ratio: Shareholders' equity including minority shares in relation to total assets at the periods end.

Gearing: Interest bearing liabilities divided with shareholders' equity at the periods end.

Mortgage ratio: Mortgage loans in relation to property book value at the periods end.

Debt ratio: Interest bearing liabilities in relation to total assets at the periods end.

DATA PER SHARE

Operating net: Operating net in relation to the number of shares at the periods end.

Earnings (EPS): Net profit divided by the number of shares at the periods end.

Cash flow from operations: Cash flow from operations divided by the number of shares at the periods end.

Shareholders' equity: Shareholders' equity in relation to the number of shares at the periods end.

Property book value: Book value of property in relation to the number of shares at the periods end.

FINANCIAL CALENDAR 2007

Norgani Hotels ASA has decided the following reporting dates

Q1	27 April 2007
General annual meeting	27 April 2007
Q2	23 August 2007
Q3	13 November 2007

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Head Office
Cort Adelersgt 16, 4th floor
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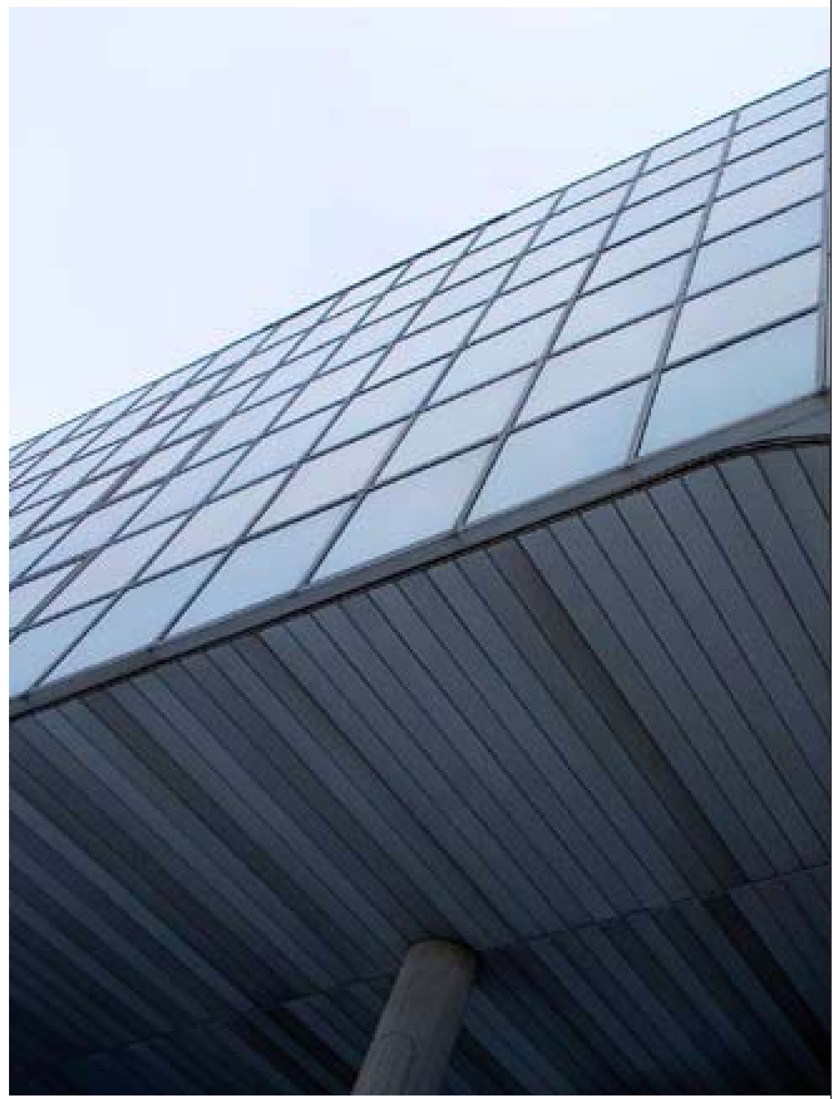
N-0121 OSLO
Norway

Norgani Sweden Holding AB
Sergels Torg 12, 7th floor
SE-111 57 STOCKHOLM
Sweden

Norgani Finland Holding Oy
Eteläesplanadi 22 B, 3rd floor
FI-00130 HELSINKI
Finland

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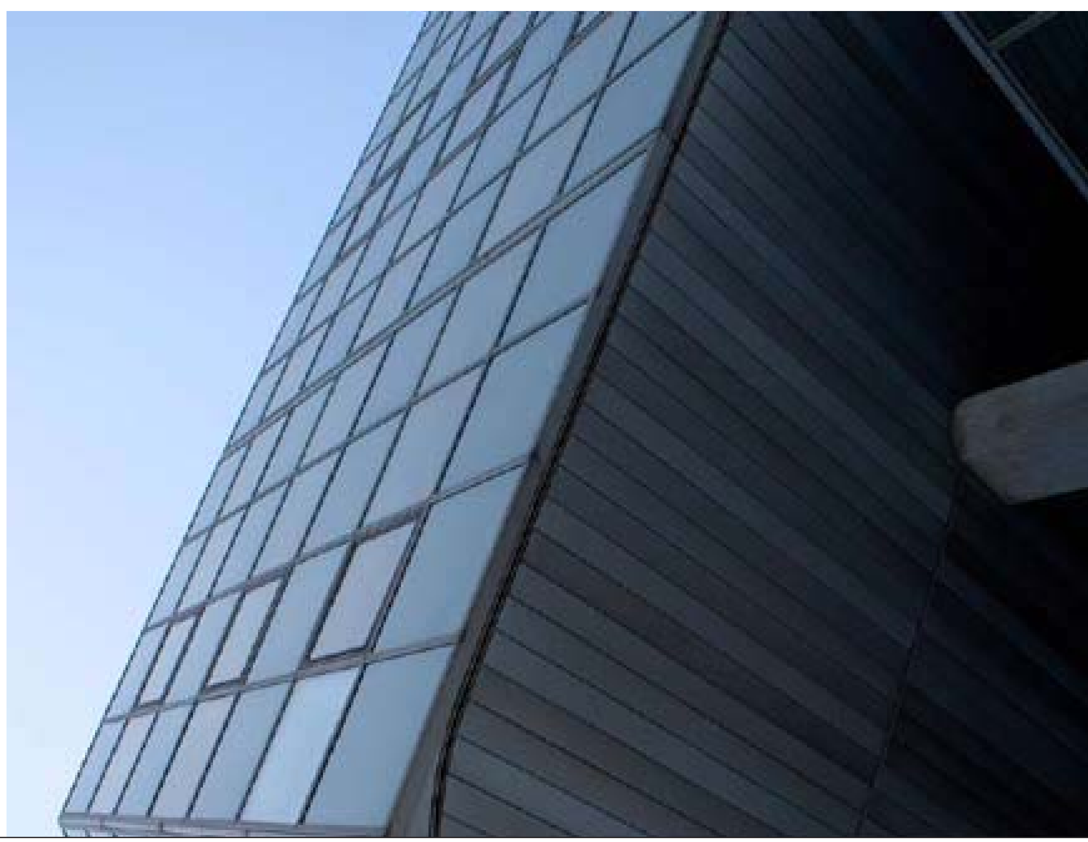

Annual report 2007
Norgani Hotels AS

Unofficial office translation

Directors' report

Norgani Hotels AS is the Nordic region's largest hotel property owner, with hotels in Norway, Sweden, Finland and Denmark. The company's objective is to create value through investing in, developing and managing hotel properties by working actively with hotel operators. Norgani focuses primarily on three and four star hotels in towns and cities with more than 50,000 inhabitants across the Nordic region. The lessees are mainly the major hotel chains that operate in the Nordic region: Scandic/Hilton account for around 63 per cent of turnover, Choice Hotels around 21 per cent and SAS Radisson around 5 per cent.

The company's turnover-based leases have benefited in 2007 from the strong growth in the hotel market, at the same time as the value of the hotel properties has increased as a result of, among other things, a renegotiation of lease contracts with Norgani's largest customer the Scandic chain.

The return on equity after tax was 32.4 per cent.

IMPORTANT EVENTS IN 2007
In September Norgani was acquired by Oslo Properties AS. Norwegian Property ASA, which is the Nordic region's largest listed property company, secured control over the company through ownership and shareholder agreements in Oslo Properties AS.

In September a strategic agreement was signed between Norgani and Scandic Hotels AB with the following main elements:

- The rent level on the portfolio was to be increased by EUR 10.5 million from 1 January 2008
- A new indexed minimum rent level of 70% was set
- The average duration of the leases was increased from 6 to 13 years
- Norgani committed to invest EUR 10.5 million in 2008. Investments in subsequent years are to be agreed separately by reference to agreed budgets.

In 2007 Norgani bought five hotels for a total of NOK 900 million - the biggest purchase was the two Scandic hotels Hasselbakken and Alvik in Stockholm for a total of SEK 727 million. In addition agreement was reached on the purchase of a hotel under construction, Park Inn in Oslo, for completion in 2009. The purchase price of the hotel is NOK 174 million, it will have 118 rooms, plus conference and restaurant facilities, and will be run by the Rezidor Hotel Group.

Four hotels were sold for a total of NOK 148 million in 2007.

Following this Norgani's portfolio consists of 73 hotels and a congress centre, totalling 12 804 rooms and 671 080 m^2. The book value of the portfolio was NOK 10 731 million as at 31 December.

FINANCIAL DEVELOPMENT

INCOME STATEMENTS NOK MILLION	2007	2006
Property management		
Rental revenue	644.8	553.7
Rental guarantees	54.3	20.7
Operating expenses	- 65.0	- 59.4
Net operating income	**634.1**	**514.9**
Property disposals		
Sales proceeds, net	148.1	738.7
Acquisition value	- 139.3	- 635.6
Realised fair value adjustments	- 9.1	- 37.3
Net gain on disposals	**- 0.3**	**65.7**
Administrative expenses	- 126.3	- 55.4
Financial items, net	- 320.3	- 264.8
Unrealised fair value adjustments	951.5	671.7
Profit before tax	**1 138.7**	**932.1**
Tax	- 33.1	- 222.2
Profit after tax	**1 105.6**	**709.9**

Rental revenue increased to NOK 699 million (574). Rental guarantees for 2007 include a payment of NOK 30 million to cancel a "bare-boat" contract. Net operating income increased to NOK 634 million (515). The increase reflects a combination of growth in the portfolio as well as the positive growth in the market. Administrative expenses increased to NOK -126 million (-55), due mainly to extraordinary costs in connection with the bidding process for the company and the change in ownership. The change in the fair value assessment of the properties contributed NOK 820 million (613) to profits. The profit after tax rose to NOK 1 105 million (710). Taxes amounted to NOK 33 million (222).

Tax
See note 12 to the financial statements for details.

Performance against financial goals
The return on equity after tax was 32.4 per cent for 2007 (29.5), significantly above the target of 15 per cent.

Investments
The book value of Norgani's properties increased by 13.5 per cent to NOK 10 371 million (9 452). The book value includes unrealised fair value adjustments of NOK 820 million. Norgani obtained external independent valuations of its hotel properties as at 31 December 2007 (from DTZ Realkapital for Norway, Sweden and Denmark, and from Maakanta for Finland). Both companies base their valuations on cash flow models related to rental income on established contracts and market rentals after the expiry of the contract period, ongoing expenses and future upgrading costs. The result from the external valuations corresponds with the company's own valuations on which the book values are based

Financing
Interest-bearing debt at year end was NOK 6 915 million (7 231) and the debt ratio 63.5 per cent (68.9). Interest cover was 1.60 (2.12) and the average period for which interest was fixed was 3.9 years (4.2 years).

Interest rate fixing year	Amount NOK million	% of loans	Average interest rate
2008	1 616.3	24.2%	5.71%
2009	485.6	7.2%	3.35%
2010	451.7	6.8%	3.54%
2011	525.4	7.9%	4.13%
2012	880.1	13.2%	5.28%
2013	777.9	11.7%	4.90%
2014	546.6	8.2%	5.13%
2015	651.1	9.8%	5.04%
2016	566.5	8.5%	5.30%
2017	169.1	2.5%	6.04%
Total	**6 670.3**	**100.0%**	**4.99%**
Fair value adjustments financial instruments	- 190.6		
Interest-bearing liabilities	**6 479.7**		

In addition the company had short-term debt to Norwegian Property of NOK 435 million.

Loan maturity structure	Amounts NOK million	% of loans
2008	577.8	8.6%
2011	1 882.1	28.2%
2013	3 278.8	49.2%
2015	931.6	14.0%
Sum	**6 670.3**	**100.0%**

Equity
Shareholder's equity at the year end was NOK 3 811 million (3 016).

Cash flow
Norgani's net cash flow was NOK -96 million in 2007. Cash flow from operations was NOK 196 million, while cash flow from investments was NOK -836 million and from financing NOK -46 million.

Liquidity
The company's cash position was NOK 6 million (105).

KEY FIGURES	2007	2006
Property operations		
Gross margin, %	90.7	89.7
Operating expenses/revenue, %	9.3	10.3
Administrative expenses/revenue, %*	18.0	9.7
Financial		
Return on equity	32.4	29.5
Interest cover	1.60	2.12
Equity ratio, %	35.0	28.7
Mortgage ratio %	59.4	73.9
Debt ratio, %	63.5	68.9

* The increase in 2007 is mainly due to extraordinary costs in connection with the change in ownership.

GOING CONCERN
In accordance with the requirements of the Norwegian Accounting Act it is confirmed that the going concern assumption has been met, and that the financial statements for 2007 have been prepared on this basis.

ALLOCATION OF NET PROFIT
The result for the parent company Norgani Hotels AS was a profit of NOK 21.3 million. The company has free equity of NOK 1 685 million (1 815). The Board proposes that the profit is added to retained earnings.

ORGANISATION
At 31 December 2007 Norgani had 19 employees (19), of whom 37 per cent (26) were women. Norgani endeavours to provide equal opportunities for both sexes, and the Board's ambition is that future appointments maintain this balance. 40 per cent of the Board members are women.

No work-related injuries or accidents were recorded involving Norgani's employees in 2007. The Board seeks to maintain a good working environment in the company and to create the conditions, through challenging work, attractive premises and a mix of staff with the right personal qualities, for the development of an efficient and dynamic working environment.

In December the company's Chief Executive Eva Ericsson resigned. Magne Ramlo, the company's Technical Director, was appointed acting Chief Executive from 10 December 2007.

EXTERNAL ENVIRONMENT
Norgani's business – investment in, development and management of hotel properties– pollutes the external environment only to a minor extent. The company's ambition in its development and refurbishment work is to burden the environment as little as possible through, among other things, the use of the most environmentally-friendly materials..

FINANCIAL RISK
Norgani is exposed to different types of financial risk: market risk, which covers currency and price risks, credit risk, liquidity risk and cash flow and interest rate risk. See further the description in note 26.

Risk management is carried out in accordance with guidelines approved by the Board. The Board decides the principles for overall risk management in addition to policies that cover specific areas such as currency risk, interest rate risk, credit risk, the use of financial instruments and the investment of surplus liquidity.

The hotel portfolio consists mainly of good three and four star hotels leased on long-term turnover based contracts, with most contracts having index-based minimum rents. The minimum guaranteed rental revenue for 2008 is NOK 519 million. The average outstanding term of the contracts is 11.0 years.

OUTLOOK FOR 2008
Over time the hotel market grows largely in line with the increase in gross national product. In recent years there has been a high level of demand in the market at the same time as the supply of new hotel capacity to the market has been limited. This has meant that the financial development of hotels, measured as the operators' Revenue Per Available Room (RevPAR), has been considerably stronger in recent years than the rate of economic growth.

So far this year there has been a positive development in the hotel market, even though the turbulent situation in international financial markets has also affected the Nordic region. The Board expects continued growth in the hotel market in 2008. Based on the continuing limited supply of new capacity in the market occupancy levels are expected to remain high, at the same time as a rise in the Average Room Rate (ARR) is still expected.

Norgani's turnover based leases will mean that growth in the hotel market will have an immediate impact on the company's rental income.

IMPORTANT EVENTS SINCE THE YEAR END
In January Roar Ingdal was appointed the new Chief Executive of Norgani Hotels AS. Ingdal took up the post on 15 April.

In January the company offered 20 hotels in Norway, Sweden and Finland for sale. The process is continuing with several interested purchasers, and is expected to be concluded during the second quarter of 2008.

Oslo, 24 April 2008
The Board of Norgani Hotels AS

Petter Jansen Chairman	Anders Lilius	Hege Bømark
Simen Johannessen	Unni Åström	Roar Ingdal Chief Executive

INCOME STATEMENTS NORGANI GROUP

NOK MILLION	NOTE	2007	2006
Property Management			
Rental Revenue		644.8	553.7
Rental guarantees	3	54.3	20.7
Operating expenses	4	-65.0	-59.4
Operating net	**2**	**634.1**	**514.9**
Property disposals			
Sales proceeds.net		148.1	738.7
Acquisition value		-139.3	-635.6
Realised fair value adjustments		-9.1	-37.3
Net gain on disposals		**-0.3**	**65.7**
Administrative expenses	5,6,7,9	**-126.3**	**-55.4**
Financial net			
Financial income	11	40.0	21.5
Financial expenses	11	-360.3	-286.3
		-320.3	**-264.8**
Fair value adjustments			
Properties		819.7	613.0
Financial instruments	20	131.8	58.7
		951.5	**671.7**
Profit before tax		**1 138.7**	**932.1**
Tax	12		
Current tax		-0.7	-27.7
Deferred tax		-32.4	-194.5
		-33.1	**-222.2**
Net profit		**1 105.6**	**709.9**

BALANCE SHEETS NORGANI GROUP

NOK MILLION	NOTE	31.12.07	31.12.06
ASSETS			
Properties			
Investment properties	13,22	10 731.5	9 452.1
		10 731.5	**9 452.1**
Receivables.etc			
Tangible fixed assets	14	2.8	2.2
Deferred tax recoverable	12	-	50.2
Other long term receivables	16	6.8	1.4
Accounts receivable	16	7.4	60.7
Other receivables	16,17	22.7	756.7
Prepaid expenses and accrued interest	16	112.4	66.1
		152.1	**937.3**
Liquid assets			
Cash and cash equivalents		**6.2**	**105.1**
TOTAL ASSETS		**10 889.8**	**10 494.5**
SHAREHOLDERS EQUITY & LIABILITIES			
Shareholders equity			
Share capital	19	989.4	989.4
Other reserves		239.2	392.1
Accumulated profit or loss		2 582.3	1 635.0
		3 810.9	**3 016.4**
Interest bearing liabilities			
Liabilities to credit institutions	13	6 379.7	6 980.9
Liabilities to Group Company NPRO		435.0	-
Certificates		100.0	250.0
	20,21	**6 914.7**	**7 230.9**
Other long term liabilities			
Deferred tax	12	32.7	-
Provisions	8	0.6	0.3
		33.3	**0.3**
Operating liabilities			
Trade creditors	21	27.4	35.2
Current tax liabilities	12	1.5	27.2
Other liabilities	21	53.0	121.3
Accrued expenses and deferred income	21	49.0	63.2
		130.9	**246.9**
TOTAL SHAREHOLDERS EQUITY & LIABILITIES		**10 889.8**	**10 494.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY NORGANI GROUP

NOK MILLION	Share capital	Share premium reserve	Fair value	Pension plan	Currency transl. reserve	Accumulated profit or loss	Total
Balance 31, December 2005	**764.4**	**765.1**	**26.5**		**20.6**	**225.**	**1801.7**
New equity	225.0	271.0					496.0
Transfer of share premium to retained earnings		-692.6			-7.4	700.0	0
Adjustment of cash flow hedge			-26.5				-26.5
Currency translation differences					35.5		35.5
Pension provision plan				-0.1			-0.1
Profit for the year						709.9	709.9
Balance 31, December 2006	**989.4**	**343.5**	**-**	**-0.1**	**48.7**	**1 635.0**	**3 016.4**
Adjustment of cash flow hedge, net after tax			37.7				37.7
Currency translation differences					-190.5		-190.5
Profit for the year						1 105.6	1 105.6
Dividend for 2006						-158.3	-158.3
Balance 31, December 2007	**989.4**	**343.5**	**37.7**	**-0.1**	**-141.9**	**2 582.3**	**3 810.9**

CASH FLOW STATEMENTS NORGANI GROUP

NOK MILLION	NOTE 24	2007	2006
Operations			
Profit before tax		1 138.7	932.1
Realised fair value adjustments		9.1	37.3
Unrealised fair value adjustments		-951.5	-671.7
Tax paid		-0.7	-27.7
Cash flow from operations		**195.6**	**270.0**
Change in working capital			
Increase(-)/decrease(+)in oper. receivables		700.2	-818.6
Increase(+)/decrease(-)in oper. liabilities		-109.6	119.3
Cash flow from operations after change in working capital		**590.6**	**-699.2**
Investment activity			
Acquisition of property		-991.2	-3 056.0
Disposals of property (acquisition value)		156.1	635.6
Investments in machinery/equipment		-1.2	-1.7
Cash flow from investment activity		**-836.2**	**-2 422.1**
Financing activity			
Loans drawn down		889.5	2 576.7
Loans drawn down intra group, from NPRO		435.0	-
Loans amortised		-1 211.9	-304.0
New equity		-	496.0
Dividend		-158.3	-
Cash flow from financing activity		**-45.7**	**2 768.7**
Cash flow for the period		**-95.8**	**-82.6**
Liquid assets. Opening balance		105.1	175.2
Currency translation differences		-3.0	12.5
Liquid assets. Closing balance		**6.2**	**105.1**

INCOME STATEMENTS PARENT COMPANY

NOK MILLION	NOTE	2007	2006
Operating revenue			
Other revenue		23.6	6.0
Operating revenue		**23.6**	**6.0**
Operating expenses			
Payroll expenses	6,7	-21.8	-16.6
Depreciation and write downs		-0.5	-0.1
Other operating expenses	9	-58.5	-18.3
Total operating expenses	5	**-80.8**	**-35.0**
Profit (loss) from operating activities		**-57.2**	**-29.0**
Financial income and expenses			
Income/expense from investment in subsidiaries	10	-	1 307.5
Financial income	11	321.2	353.1
Financial costs	11	-243.7	-508.3
Net finance		**77.5**	**1 152.3**
Profit before income tax		**20.3**	**1 123.3**
Tax			
Tax expenses	12	-1.0	37.8
Net profit		**21.3**	**1 161.1**

BALANCE SHEETS PARENT COMPANY

NOK MILLION	NOTE	31.12.07	31.12.06
ASSETS			
Intangible assets			
Deferred tax recoverable		32.2	45.8
Total intangible assets		**32.2**	**45.8**
Tangible assets			
Tangible fixed asset	14	1.9	1.2
Total tangible assets		**1.9**	**1.2**
Financial assets			
Derivatives		134.0	140.5
Investments in subsidiaries	15,22	2 077.9	2 077.9
Loans to group companies		90.6	306.9
Total financial assets		**2 302.5**	**2 525.3**
Total non-current assets		**2 336.6**	**2 572.3**
Receivables			
Receivables from subsidiaries		102.8	1 297.7
Other receivables		10.9	1.4
Total receivables		**113.7**	**1 299.1**
Liquid assets			
Cash and cash equivalents		**1 315.2**	-
Total current assets		**1 428.9**	**1 299.1**
TOTAL ASSETS		**3 765.5**	**3 871.4**
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity			
Share capital		989.4	989.4
Share premium reserve		343.5	343.5
Total paid in equity		**1 332.9**	**1 332.9**
Revaluation reserves		37.7	-
Other equity		1 717.4	1 853.7
Total accumulated profits		**1 755.1**	**1 853.7**
Total equity		**3 088.0**	**3 186.6**
Liabilities			
Long term liabilities			
Pension provisions	8	0.7	0.3
Derivatives	20	127.8	55.2
Liabilities to credit institutions		-	-
Liabilities to group company, NPRO		435.0	-
Certificates	20	100.0	250.0
Total long term liabilities	20	**663.5**	**305.5**
Current liabilities			
Liabilities to credit institutions		-	362.1
Trade creditors		2.0	8.8
Public duties payable		4.3	0.9
Other current liabilities		7.7	7.5
Total current liabilities		**14.0**	**379.3**
Total liabilities		**677.5**	**684.8**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**3 765.5**	**3 871.4**

STATEMENT OF CHANGES IN EQUITY PARENT COMPANY

NOK MILLION	Share capital	Share premium reserve	Fair value adj.	Pension plan	Retained earnings	Total
Balance 31, December 2005	**764.4**	**765.1**	**26.5**	**-**	**-**	**1 556.0**
New equity	225.0	271.0				496.0
Transfer of share premium						-
to retained earnings		-692.6			692.6	-
Adj. of cash flow hedge			-26.5			-26.5
Pension provision plan				-0.1		-0.1
Profit for the year					1 161.1	1 161.1
Balance 31, December 2006	**989.4**	**343.5**	**-**	**-0.1**	**1 853.7**	**3 186.6**
Adj. of cash flow hedge,						
net after tax			37.7			37.7
Profit for the year					21.3	21.3
Intra-group contribution					0.8	0.8
Dividend for 2006					-158.3	-158.3
Balance 31, December 2007	**989.4**	**343.5**	**37.7**	**-0.1**	**1 717.4**	**3 088.0**

CASH FLOW STATEMENTS PARENT COMPANY

NOK MILLION	2007	2006
Operations		
Profit before tax	20.3	1 123.3
Adj. for items not included in cash flow	90.5	-1 308.6
Tax paid	-	-
Cash flow from operations	**110.8**	**-185.3**
Change in working capital		
Increase(-)/decrease(+) in oper. receivables	1 185.2	-17.6
Increase(+)/decrease(-) in oper. liabilities	-365.3	198.9
Cash flow from operations after change in working capital	**819.9**	**181.3**
Investment activity		
Investments in equipment	-0.7	-0.8
Investments in subsidiaries	-	-
Disposals of subsidiaries	-	459.0
Long term loans issued	223.1	-
Repayment of long term loans issued	-	2 133.3
Cash flow from investment activity	**222.4**	**2 591.5**
Financing activity		
Loans drown down	507.6	-
Down payment of loans	-150.0	-
Dividend payment	-158.3	-
Intra-group contribution	0.8	
Loans amortised	-	-3 083.5
New share issue	-	496.0
Cash flow from investment activity	**200.1**	**-2 587.5**
CASH FLOW FOR THE PERIOD	1 352.9	-
Liquid assets. Opening balance	-	-
Currency translation differences	-37.7	-
Liquid assets. Closing balance	**1 315.2**	**0.0**

NOTE 1 ACCOUNTING PRINCIPLES

General accounting principles
The Norgani consolidated financial statements have been prepared in accordance with the regulations of 21 January 2008 regarding International Financial Reporting Standards (IFRSs) as well as statements from IFRIC (the International Financial Reporting Interpretations Committee) endorsed by the EU Commission for adoption in the EU.

For the parent company, accounting has been prepared pursuant to the Norwegian Accounting Act 1998 and generally accepted accounting principles.

Conditions for Preparing Financial Reports
The parent company's functional currency is the Norwegian "krone", which is also the reporting currency for the parent company and the group. Unless otherwise stated, all amounts in the note disclosures are rounded to the nearest thousand Norwegian kronor (NOK 000), and otherwise in NOK million. Assets and liabilities are accounted at historical acquisition values except investment properties and financial instruments, which are valued at fair value. Changes to estimated fair values are processed through the Income Statement.

Preparing financial reports pursuant to IFRS necessitates the corporate management making evaluations, estimates and assumptions that influence the application of accounting principles and the book value of the assets, liabilities, revenues and costs. These estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the prevailing circumstances. The result of these estimates and assumptions are then utilized to evaluate book values of assets and liabilities, that otherwise, are not clearly stated from other sources. Actual figures may vary from these estimates and evaluations. Norgani revises its estimates and assumptions regularly. Revisions to estimates are stated in the period the amendments are made if such amendment only influences that period, or the period the revision is effected and future periods if the revision affects the current period and future periods. The management's evaluations coincident with the adoption of IFRS that exert a significant influence on financial reports and conducted estimates are reviewed in more detail in note 25. The accounting principles below for the group have been applied consistently for all periods presented in the consolidated financial statements, unless otherwise stated below. The group's accounting principles have been applied consistently in reporting and consolidating subsidiaries and associated companies. If not stated otherwise below, accounting principles are the same for the parent company as well as for the group. In that case the parent company principles are stated below the principles of the group. The Annual Report were adopted by the board of Directors on 24 April 2007.

Segments
Norgani applies IAS 14 Segment Reporting. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. Norgani only operates in one business segment, hotel properties, why the only segment presented is the business divided into geographical markets.

Consolidated financial statements
The consolidated financial statements encompass the parent company and subsidiaries within the Norgani group. Subsidiaries are companies over which the parent company has the power to govern the financial and operating policies generally accompanying a share holding of more than 50 percent of the voting right. When assessing whether Norgani controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered.

The consolidated financial statements have been prepared pursuant to acquisition accounting, implying that assets and liabilities are valued at fair value at the time of acquisition, pursuant to the acquisition analysis prepared. Acquired companies' revenues and costs are consolidated from the time of acquisition onwards, implying that the company starts contributing to the consolidated assets after its acquisition Divested companies' income statements are incorporated until the date when the controlling influence ceases. Intra group receivables and liabilities, revenues or costs and unrealized profits or losses arising from intra-group transactions are eliminated entirely when the consolidated financial statements are prepared.

Any differences in accounting principles between the Group accounting principles and the local GAAP has been taken into consideration in the consolidation process, where such differences are recalculated to agree with the Group principles. As far as it is possible in the different jurisdictions, the local principles are changed to agree with the Group.

Conversions of foreign operations
The accounts of each of the foreign subsidiaries are prepared in the local currency where the operations are conducted. The consolidated financial statements are presented in Norwegian kronor. The income statements and balance sheets of foreign operations are converted to NOK using the current method, implying that balance sheets are converted at the exchange rate at the balance sheet date, apart from shareholders' equity which is converted at historical exchange rates. Income statements are converted at average exchange rates of the period. The

exchange rate differences arising are accounted directly against shareholders' equity as a translation difference. The following exchange rates have been used in the conversion of the Income Statement and Balance Sheet respectively:

	Income statement	Balance sheet
NOK/SEK	0.8663	0.84566
NOK/EUR	8.0139	7.96594
NOK/DKK	1.0756	1.06818

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken onto shareholders' equity. When a foreign subsidiary is sold, such exchange differences are recognized in the Income Statement as part of the gain or loss on sale.

Transactions with related parties
Business terms, and market prices apply when supplying services between group companies. The parent company has invoiced subsidiaries within the group management fees and interest on outstanding loans. Otherwise, no transactions were conducted with board members or senior executives.

Foreign currency transactions
Foreign currency transactions are converted at the exchange rate at the time of the transactions. Foreign currency-denominated monetary assets and liabilities are converted at the exchange rate on the balance sheet date, whereupon exchange rate differences are accounted in the Income Statement. The exchange rate differences on trading receivables and liabilities are accounted in operating profit, while exchange rate differences attributable to financial assets and liabilities are accounted in the net financial position.

Acquisitions and disposals
Acquisitions and disposals are accounted for the day it is considered likely that the essential financial rights and risks associated with the transaction change hands. Receivables and liabilities vis à vis counter parties between the transaction date and settlement date are accounted in gross terms under other receivables and other liabilities respectively.

Acquisitions of assets
In recent years, indirect property transactions using companies incorporating the properties have become more common, unlike previously, when transactions were direct. Asset acquisitions using corporate transactions are accounted as if the relevant property/properties had been acquired directly. This type of acquiring enterprise normally has no employees or organizational resources, or other operations than those directly attributable to the property holding. The acquisition value corresponds to the fair value of assets and potentially related borrowings. Deferred tax is not recognized on potential surplus values attributable to the acquisition. All acquisitions made in 2007 have been treated as asset purchases. Transaction costs from the initial acquisition are included in the acquisition value of the property.

The Income Statement
The Income Statement has been structured with the ambition of providing a representative impression of operations proceeding from the nature of revenues and costs, and thus providing an accurate impression of cash flows from operating activities as possible.

The Income Statement indicates the dimensions of operations, which are clarified through separate accounting of operating net, trading net, administration costs, financial net and unrealised value changes. The internal order is determined by the structure of the operations.

Unrealised value changes comprise value changes on investment properties and financial instruments held by the group during the year. Norgani considers that value changes correlated negatively with, and are primarily explained by, changes in interest rates. Property market pricing is normally dependent on interest rates, and with the selected interest fixing strategy, the market value of interest bearing liabilities. Accounting within the property trading dimension has been designed to illustrate how much of the book value of divested properties has arisen through cash flows, termed acquisition value, and how much has arisen through value changes, termed realized value changes. Income relating to rental guarantees from sellers is accounted for as a part of the acquisition of the relating subsidiary in the group. In the consolidation process, the part of the acquisition value relating to rental guarantees is eliminated and presented as rental guarantee in the Income Statement. Rental guarantees in the Income Statement includes rental guarantees relating to the current year as well as any terminated guarantees agreed on at year-end.

Revenues
Rental contracts are classified as operational leasing agreements, proceeding from the assumption that the related property remains in Norgani's ownership even if the contract runs for up to 29 years. Rental revenues are divided over time pursuant to the content of contracts, with consequences including rental discounts accounted in the period to which they apply. For property trading, as for property and corporate divestments,

divestments imply the transactions being accounted, and the revenue recognized, when it is likely that the group will receive the related financial benefits. Rental revenue and rent subsidies are recognized in the period to which it relates.

Net financial position
Interest and other financial expenditure coincident with property construction are capitalized in the construction period; while that associated with extension and conversion is written off on an ongoing basis, because generally, the construction period is shorter. Derivative instruments are utilised to achieve the desired interest fixing. Revenues and costs associated with such instruments are accounted on an ongoing basis, with the revenue and costs for redemption on renegotiating of derivatives, as well as prepayment penalty interest, accounted as they arise. Costs associated with funding facilities are allocated during the terms of the facility and is included in other financial items.

Income tax
The Income Statement accounts current and deferred income tax on all entities in the group apart from when the underlying transaction is accounted directly against shareholders' equity. Group companies are liable for tax pursuant to current legislation in each country. Over the last years, the tax rate in Norway, Sweden and Denmark has been 28 percent and 26 percent in Finland, calculated on nominal accounted profits plus non-deductible items, and deducting non-taxable revenues. Income tax is accounted pursuant to the balance sheet method, implying that deferred tax is calculated on the temporary differences between taxable and book values of assets and liabilities identified on the balance sheet date. Temporary differences arise in properties, shares in subsidiaries, income tax (loss carry forwards) and interest bearing liabilities. Temporary differences are valued at nominal tax rates, and the changes from the previous year's balance sheet date are accounted as deferred tax in the Income Statement. Deferred tax assets on deductible temporary differences and loss carry forwards are only accounted to the extent that it is highly possible that they will be utilized. The value of deferred tax assets is reduces when it is no longer considered likely that they can be utilized.

Employment benefits
Employee benefits such as salary and social security costs, holiday- and paid sick absence etc. are accounted as staff conduct employment. Norgani has adopted IAS 19 Employee Benefits as well as other disclosures stipulated by the Norwegian Annual Accounts Act. All of the employees in Sweden and Finland are covered by defined contribution pension plan, where contributions are set as a certain percentage of the employee's salary. The pension plan mainly includes old age pension, disability pension and family pension. Employees in Sweden are eligible for retirement benefits under the ITP defined benefit plan. In Finland the employees are entitled to statutory pension benefits pursuant to the Finnish Employees' Pension Act. In Norway the employees are covered by defined benefit pension plans, which mean that the individual is guaranteed a pension equal to a certain percentage of his or her salary. The present value of pension obligations and pension costs are calculated annually, using the projected unit credit method. Actuarial assumptions are determined close to the balance sheet date. Changes in the present value of obligations due to revised actuarial assumptions as well as differences between expected and actual return on plan assets are treated as actuarial gains or losses.

Leasing
Norgani is party to a few number of smaller-scale leasing contracts on office machines and company cars. The aggregate total of these contracts is not significant. Proceeding from the financial risk remaining with the lessor; all rental, ground rent and leasing contracts have been accounted as operating lease contracts. Costs are accounted for as they arise. Around 20 of the properties are held under site leasehold rights. For more information on lease contracts, see note 4.

Classification of the balance sheet
Norgani's operations comprise a high number of rental properties, rented to external tenants for varied rental periods, which can run for up to 30 years. Tenant negotiations are conducted before the end of the contract term, proceeding from the rental level and other terms of the contract, unless the contract has been terminated. However as Norgani always have a considerable number of parallel contracts with varying terms, it is difficult to specify the business cycle. It is also difficult to define how long a property is expected to be held. With these considerations, assets and liabilities in the Balance Sheet are presented in declining order of liquidity, because this offers information that is reliable and relevant to operations. In the parent company net current assets comprise creditors due within one year. Other entries are classified as fixed assets and/or long term creditors. This is not in accordance with the group classification noted above.

Properties
Properties are accounted in subsidiaries at acquisition values, with the capitalization of expenditure effected when the related actions result in future financial benefits. Then, market valuations are affected in the group, pursuant to the methods stated below. Other additional expenses are accounted as a cost in the period in which they arise.

Investment properties
Buildings and land owned with the intention of generating revenues and/or value growth, and that is not occupied by the companies in Norgani are classified as investment properties in the group. IAS 40 is applied, with these holdings valued at fair value. During the year,

revaluations are affected coincident with quarterly reports when internal valuations indicate significant value changes. For considerations regarding surplus values etc. on property valuations, please refer to the property valuation heading below and Note 13. Changes in fair values are recorded in the Income Statement within fair value adjustment on properties.

Real estate used in business operations
If an investment property becomes owner occupied, it is reclassified as real estate used in business operations, and its fair value at the date of reclassification becomes its cost for accounting purposes.
No properties held by Norgani are owner occupied. Norgani rents all properties to third-party tenants.

Construction in progress
Buildings under construction for future use as investment properties or real estate used in business combinations are accounted at the cost disbursed until the relevant work concludes. IAS 16 is observed until the property is completed, and then transfers to investment property/real estate used in business operations. Norgani has no construction in progress as at year end.

Equipment, fixtures and fittings
Equipment, fixtures and fittings have been accounted at acquisition value less accumulated depreciation according to plan and any potential write downs. IAS 16 is applied. Equipment is depreciated at a straight line method, allocating the cost over the estimated useful lives, which can be up to ten years.

Property valuations
The fair value of investment properties is 100 percent based on internal valuations. Norgani conducts valuations on a quarterly basis. A present value calculation of the property's future operating net serves as the foundation for evaluations of property values. This means in principle that a property is valued by discounting expected revenues and expenditures with a discount rate. The cash-flow period used is 10 years. The method includes estimates of:

• Rents – in turnover leases the rent is computed from agreed percentages of gross turnover in fees and food and beverages (F&B). Estimates of rental income is based on forecast from operators concerning occupancy and average room rate for 2008. The major part of the properties have a minimum lease that become applicable in cases where the turnover based rent does not suffice to reach the minimum. No minimum rent has been used in the valuations. Expected growth of RevPar in the calculation is mainly according to estimated development of CPI 2 percent.

• Market rent levels after contract expiry dates – if the actual market rent level deviates from the market rental level, adjustments have been made, based on experience and portfolio-comparison.

• Lease renewal cost – based on experience of lease renewal of similar properties and findings from the technical due diligence reports.

• Owner's cost, opex – estimates are based on individual assessments of each property and the provisions in the respective lease contract.

• Capital expenditures, capex – for the first year in the calculations, the spending plan 2008 for each property have been taken into account. For the rest of the period a template is used unless there is a lease renewal during the period.

• Discount rate – projected net cash-flow have been discounted at interest rates that represent nominal rates of return on total capital. The discount rate is based on market transactions and judgments based on experience of market expectations on the yield-level for similar properties. In general the yield risk
adjustments varies primarily with location but also with tenant credit worthiness, property type and quality. The range in the yield is 5-9 percent. The average yield is 6,1 percent.

• Residual value – the residual value is the market value of the property at the end of the period. The estimated market value is based on the projected cash-flow in the last year of the period and a direct capitalisation with the yield requirement, adjusted to market expectations.

No vendor rental guarantees, except for one property have been taken into account in the calculations. Eternal valuations are conducted on new properties and properties with special considerations. The external valuation is regarded as a quality control of the internal valuations.

Financial instruments
Financial instruments are valued and accounted in the group pursuant to the stipulations of IAS 39, implying that they are initially accounted at acquisition value, corresponding to the fair value of instruments, plus transaction costs for all financial instruments apart from those accounted as fair value in the Income Statement.

The fair value of listed financial assets is offset by the asset's quoted bid price at the balance sheet date. The fair value of unlisted assets is determined by comparisons with similar instruments or discounted cash flows.

Long-term receivables, which exclusively comprise promissory notes, have been valued at accrued acquisition value. Current receivables are accounted at the amount at which they are expected to arise, subsequent to a case-by-case assessment.

Accounts receivables are accounted at the amount expected to arise less doubtful debt, which is evaluated on a case-by-case basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Norgani has not recorded any material provisions in 2007.

Liquid assets encompass cash and immediately accessible postalgiro and bank balances.

Liabilities are initially accounted at fair value less deductions for transactions cost. After the time of acquisition, loans are valued at accrued acquisition value pursuant to the effective interest method. Accounts payable is valued at nominal amount without discounting. The debt portfolio constitutes a considerable portion of the passive side of the balance sheet of the group, and given the selected interest fixing strategy, value changes on interest-bearing liabilities are assumed to correlate with value changes in the property portfolio. No hedge accounting is applied on financial instruments associated to the interest-bearing liabilities, and accordingly, derivatives are valued and accounted at fair value in the Balance Sheet, and unrealised value changes are accounted in the Income Statement.

As the parent company has a different classification of the Balance Sheet – noted below are clarifications on any differences to the group principles; which override the terms above regarding any balance sheet items in the parent company only:

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value. Fixed assets are valued by the cost of acquisition, in case of non incidental reduction in the value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date when a derivative contract is entered into and is subsequently re measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Norgani documents at the inception of the transaction the relationship between hedging instruments and hedging items, as well as its risk strategy for undertaking various hedge transactions. Norgani also documents its risk management objective and strategy for undertaking various hedge transactions. Norgani documents its assessment, both at hedge inception an on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements of the hedging reserve in shareholders' equity are shown on page 42. The full fair value of the derivatives associated with interest bearing debt is classified as interest bearing debt in the Balance Sheet. The effective portion of hedges of net investments in foreign operations is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the Income Statement. Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is disposed of.

Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Write downs
The book value of the group's and parent company's assets is subjected to impairment tests at each balance sheet date. Exceptions apply to assets for sale, investment properties and deferred tax assets. If an indication of a need for write downs arises, the asset's recoverable value is calculated. Impairment tests
are conducted on the aforementioned exceptional assets pursuant to the relevant standards. Write-downs are only reversed to the extent that asset book values after reversal do not exceed the book value the asset would have had if no write-down had occurred.

Contingent liabilities
A contingent liability is accounted when there is a possible commitment attributable to events that have occurred and thereis a probability overweight that the size of the obligation can be estimated with a sufficient level of security.

NOTE 2 SEGMENT INFORMATION

Norgani is organized on a Nordic basis into four geographic segments:

SEGMENT INFORMATION 2007

	Sweden	Finland	Norway	Denmark	Group
Rental revenue	314.4	185.2	170.2	29.3	699.1
Operating expenses	-19.7	-27.9	-11.8	-5.6	-65.0
Operating net	**294.7**	**157.9**	**158.4**	**23.6**	**634.1**
Net disposals	-	-	-	-	-0.3
Fair value adjustments					
- properties	-	-	-	-	819.7
Administrative expenses					-126.3
Fair value adjustments					
- financial instruments					-131.8
Financial net					-320.3
Profit before tax					**1 138.7**
Tax					-33.1
Net profit					**1 105.6**
Investment properties	4 692.6	3 109.9	2 474.0	455.0	10 731.5
Asset allocated to properties	63.2	20.8	173.4	9.5	266.9
Unallocated assets					-108.6
Total assets as of 31.12.2007	**4 755.8**	**3 130.7**	**2 647.4**	**464.6**	**10 889.8**
Interest bearing liabilities	**2 763.0**	**1 983.1**	**1 651.4**	**272.7**	**6 670.3**
Fair value financial instruments	-111.3	-23.0	-56.3		-190.6
Group-internal debt to NPRO			435.0		435.0
Total interest bearing					
debt as of 31.12.2007					**6 914.7**

SEGMENT INFORMATION 2006

	Sweden	Finland	Norway	Denmark	Group
Rental revenue	275.5	70.3	155.1	73.4	574.3
Operating expenses	-30.2	-11.4	-8.7	-9.1	-59.4
Operating net	**245.3**	**59.0**	**146.4**	**64.3**	**514.9**
Net disposals	7.2	1.4	3.6	53.5	65.7
Fair value adjustments					
- properties	181.8	78.1	316.8	36.2	613.0
Administrative expenses					-55.4
Fair value adjustments					
- financial instruments					58.7
Financial net					-264.8
Profit before tax					**932.1**
Tax					-222.2
Net profit					**709.9**
Investment properties	4 082.1	2 831.4	2 100.0	438.6	9 452.1
Asset allocated to properties	964.3	103.3	264.9	32.9	1 365.4
Unallocated assets					-323.0
Total assets as of 31.12.2006	**5 046.4**	**2 934.7**	**2 364.9**	**471.5**	**10 494.5**
Total interest bearing					
debt as of 31.12.2006	**2 782.2**	**2 063.4**	**1 683.7**	**701.6**	**7 230.9**

NOTE 3 GUARANTE RENT

The sellers have provided Norgani rental guarantees for an average period of 3.0 years from 31 December 2007. The guaranteed 2008 minimum rent level for the Norgani portfolio is approx. NOK 340.0 million. Minimum rent, according to the rental contracts, is approx. 519 NOK million for 2008.

NOTE 4 OPERATING LEASING - GROUND RENT

Operating leases	Group 2007
F Due for payment within one year	- 18 805
Due for payment in 2-5 years	- 73 786
Due for payment after more than 5 years	-378 019
Total	**-470 610**

The average remaining rental term is 26 years. Payments are written off linearly during the leasing term. Norgani is also party in a number of smaller-scale leasing contracts on office machines and company cars, which total amount is insignificant.

NOTE 5 ADMINISTRATION COSTS

	Group		Parent company	
Administration costs	2007	2006	2007	2006
Payroll costs	-57 830	-29 627	-21 830	-16 578
Depreciations	-1 051	-340	-491	-134
Other costs	-67 403	-25 468	-58 538	-18 283
Total	**-126 284**	**-55 435**	**-80 859**	**-34 995**

Primarily includes cost for the group's management and central functions such as accounting, finance, legal services, research and information technology and costs associated with stock market listing. Also includes property administration such as costs rental billing, rent negotiations, rent demands and statements. Administration costs include depreciation on furniture and fittings.

NOTE 6 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	2007	Proportion women %	2006	Proportion women %
Parent company	7.0	28	8.4	30
Subsidiaries				
Sweden	9.5	37	2.2	33
Finland	2.0	50	0.7	50
Group	**18.5**	**35**	**11.3**	**38**

The Board of directors has four members of which two are women.

	2007		2006	
Salary, other remuneration and social security costs	Salary, remuneration	Social security cost	Salary, remuneration	Social security cost
Group				
The Board, Chief Executives	13 322	3 491	4 488	633
(Of which pension costs)		412		88
Other employees	29 118	11 899	15 910	4 910
(Of which pension costs)		5 023		1 366
Total	**42 440**	**15 390**	**20 398**	**5 543**
Parent company				
The Board, Chief Executives	5 712	731	4 488	633
(Of which pension costs)		108		229
Other employees	12 486	2 901	7 548	1 645
(Of which pension costs)		697		352
Total	**18 198**	**3 632**	**12 036**	**2 278**

The above Group amounts include salary and social security contributions paid out in the following countries:

	2007 Salary, remuneration	Social security cost
Norway	18 198	3 632
(Of which pension costs)		805
Sweden	22 766	11 452
(Of which pension costs)		4 358
Finland	1 476	306
(Of which pension costs)		271
	42 440	**15 390**

Sickness absence. There has been immaterial sickness absence in the group during 2007.

NOTE 7 REMUNERATION TO GROUP MANAGEMENT

Principles

Remuneration is payable to the Board, pursuant to AGM decision. No fees are payable to the Board members that is employed by Norgani. Remuneration to the CEO and other group management comprises basic salary, performance related pay, other benefits and pension. The term "other group management" means the four people that were active in the corporate management in 2006 in addition to the CEO.

Other benefits comprise company car and subsistence allowance.

Remuneration and other benefits in 2007:

	Basic salary, Directors fee	Performance related pay	Other benefits	Pension costs	Total
Jan Petter Storetvedt	400				400
Hege Bømark	275				275
Mats Lönnqvist	275				275
Rebekka Glaser Herlofsen	14				14
Eva Eriksson (to Nov. 06)	229				229
Kjell Sagstad	2 409	2 000	2	108	4 519
Eva Eriksson (during employm.)	3 879	5 791	71	406	10 147
Mats Sterner	2 119	3 085	54	780	6 038
Magne Ramlo	1 464	2 784	31	107	4 386
Henrik Molin	1 060	1 418	2	520	3 000
Sum	**12 124**	**15 078**	**160**	**1 921**	**29 283**

Performance related pay

For all employees in Norgani the bonus in 2007 reflects the performance of the Norgani share price

Pension

The pensionable age of the group management in Sweden is 65 and in Norway 67 years. In Sweden all group management have defined contribution pensions schemes, with no commitments for the company apart from the obligation to pay annual premiums.

For the group management in Sweden the premiums are 20 percent of pensionable salary. The group management in Norway is part of the Norgani's pension scheme on normal terms. The CEO is a member of the Norgani's pension scheme on normal terms. The retirement pension equivalent to 70 percent of pensionable salary becomes payable on retirement. The company's pension scheme satisfies legislation of public service pensions. Paid in premium to deposit based schemes was NOK 4.629 million.

Redundancy payments

In case of termination of the CEO's employment contract by Norgani, the CEO is entitled to a severance pay of 18 month salary (24 month salary if termination takes place during the first two years of employment) which is reduced accordingly by other income in the post-termination period.

The case of "Change of Control" (CoC) applied in 2007 - from the point of time a single shareholder or a group of shareholders control more than 50 percent of the shares in Norgani, the company will pay the highest of a) the purchase price the shareholders have paid in the period of six month before shareholders passes 50 percent ownership and b) the price offer according the obliged bid in accordance with Norwegian regulations. The calculation of the CoC amount is done in the same way as the ordinary bonus agreement, except that the demand of 9 percent minimum return and the reinvestment principle will not be taken into consideration. The CoC agreement is replacing the ordinary bonus payment the year the CoC amount is disbursed. Finally, remuneration based on the CoC agreement requires the CEO retirement after the CoC occurred.

For the three other group management, notice periods vary between three and six month.

Remuneration to the group management

Norgani's policy regarding remuneration to executives is based on the assumption that remunerations should be competitive when salary, bonus, pension and other benefits are put together. What is considered as being competitive is decided relative to the international environment that Norgani is active in.

The policy states that;
- It should be possible to offer executives bonus as a considerable part of the remuneration. The board should decide the terms of Norgani's bonus plan and the CEO bonus.

- Executives should as a norm have pension plans that gives them a pension that is related to there salary.
- Executives could have other benefits such as free cars, news papers and free telephones.

NOTE 8 PROVISIONS FOR PENSIONS

Receivables/provisions for pension obligations were recorded in the accounts as follows (Figures in NOK):

Periodic pension cost	2007	2006
Pension earnings of the year (service cost)	-770 040	-561 316
Interest on pension obligations	27 515	-3 810
Return on pension	-28 474	9 548
Administration cost	35 928	-25 171
Net periodic pension cost	**805 009**	**-580 749**

Pension obligation	31.12.07	31.12.06
Accumulated benefit obligation	1 414 746	370 977
Effects off future wage increases	-776 260	281 744
Projected benefit obligation		**652 721**
Value of plan assets	-776 260	-356 737
Net obligation of funds	**638 486**	**295 984**
Estimate deviation, not in P&L	-	-35 474
Employers duty	-	85 025
Pension obligations recorded in balance sheet	**688 037**	**295 984**

Actuarial calculation assumptions

The actuarial calculation of pension obligations and pension expenses is based on the following principal assumptions, each presented as a weighted average for the different pension plans.

Assumptions	2007	2006
Discount rate	4.35	4.35
Expected return on plan assets	5.5	5.5
Increase in income base amount	4.5	4.5
Basic amount	4.25	4.25
Annual adjustments to pensions	1.6	1.6
Average expected remaining working years 17,3	17.8	

NOTE 9 AUDIT FEES AND REMUNERATION ER

	Group		Parent	
	2007	2006	2007	2006
Statutory audit	-2 604	-3 531	-680	-945
Other services than audit	-1 361	-1 163	-520	-1 032
Sum	**-3 965**	**-4 694**	**-1 200**	**-1 977**

Auditing assignments means reviewing the Annual Report and accounts, the Board of directors' and Chief Executive's administration. Anything else is classified as other assignments. The amounts are ex VAT.

The group auditors are Price Waterhouse Coopers AS and Deloitte AS. Booked fees in 2007 are to PwC only.

NOTE 10 PROFIT FROM SHARES IN GROUP COMPANIES

	Parent company	
	2007	2006
Dividends	-	-1 533
Group contributions from subsidiaries	-	1 143 336
Profit from divestment of shares	-	296 552
Loss from divestment of shares	-	-23 771
Write-downs	-	-107 130
Total	**-**	**1 307 454**

Contribution from daughter companies has not been lifted up to the groups holding daughters in 2008, this explains the changes from 2006 to 2007.

NOTE 11 FINANCIAL NET

	Group		Parent	
Financial income	2007	2006	2007	2006
Interest income				
Group			93 052	142 425
Others	7 163	11 240	16 806	4 367
Exchange rate profits	6 764	-	-	-
Gain from currency hedge	4 201	-	38 942	12 338
Gain from interest swap	21 887	-	171 357	131 120
Other financial income	-	10 299	1 002	62 831
Total financial income	**40 015**	**21 539**	**321 159**	**353 081**

	Group		Parent	
Financial expenses	2007	2006	2007	2006
Impairment shares subsidiaries	-	-	-	-
Interest expenses				
Group	-1 413	-	-77 094	-626
Others	-344 392	-283 150	-25 013	-150 836
Interest swap costs	-	-853	-	-
Loss from currency swap	-	-	-138 773	-55 129
Interest swap costs	-	-	-	-61 077
Other financial expenses	-14 518	-2 342	-2 796	-240 665
Total financial expenses	**-360 323**	**-286 345**	**-243 676**	**-508 333**

In the Group, the effective portion of hedges of net investments in foreign operations is recognised in equity. In the Group - all gains and losses from interest swaps have been netted as Interest expenses others in the table above. For more information on derivative financial instruments, see note 20

NOTE 12 TAX

Group Reconciliation of effective tax	2007	2006
Profit before tax	1 138 743	932 106
Tax 28 %	**-318 848**	**-260 990**
Effect of foreign tax rate	583	-146
Non tax related revenue and cost net	7 575	29 578
New tax losses carry forward	280 329	45 883
Tax from earlier years	-2 777	828
Tax on acquired results	-	-37 414
Accounted tax	**-33 138**	**-222 261**
Current tax	-658	-27 748
Deferred tax	-32 480	-194 513
Accounted ta	**-33 138**	**-222 261**

Temporary differences	2007	2006
Group		
Income tax (loss carry forward)	2 088 807	1 323 143
Properties	-2 014 940	-1 085 289
Financial instruments	-190 581	-58 743
	-116 714	**179 111**
28 %	**-32 680**	**50 151**

Deferred tax charged to equity	2007	2006
Group		
Tax on issue expenses		-7 235
Tax on derivative financial instrument	14 657	-7 800
Other -	-	
	14 657	**-15 035**

Parent company Reconciliation of effective tax	2007	2006	
Profit before tax	20 254	1 123 268	
Tax 28 %	**-5 671**	**-314 515**	
Received dividend	-	298 676	
Impairment of shares	-	-29 996	
Sale of shares in subsidiaries	-	76 379	
Unrealised gain/loss financial instruments	-452	-	
Realised gain from currency gains		-7 158	-
Changes in cash flow to equity	14 657	-	
Other permanent differences	-367	7 281	
Accounted tax	**-1 009**	**37 825**	
Current tax	-	-	
Deferred tax	-1 009	37 825	
Accounted tax	**-1 009**	**37 825**	

Temporary differences	2007	2006
Parent company		
Income tax (loss carry forward)	-88 087	-248 968
Fixed assets	359	243
Financial instruments	6 172	85 310
Pension provisions	-688	-296
Accrued interest	-2 544	-
Other	-30 191	-
	-114 979	**-163 711**
28%	**32 194**	**45 839**

Deferred tax charged to equity	2007	2006
Parent company		
Tax on issue expenses	-	-7 235
Tax on derivative financial instruments	14 657	-7 800
Other	-	-
	14 657	**-15 035**

NOTE 13 INVESTMENT PROPERTY

Group	31.12.2007	31.12.2006
Fair value opening balance	9 452 139	6 418 817
Acquisitions during the year	892 382	2 748 755
Investments in properties	95 042	35 360
Acquisition value, sold properties	-156 097	
Unrealised value changes	866 129	612 980
Write downs	-46 455	
Exchange rate effects	-371 640	309 196
Fair value, closing balance	**10 731 500**	**9 452 139**

All rental revenue and direct costs (operating, maintenance costs, property tax and ground rent) are attributable to the investment properties.

As of 31 December 2006, properties with a book value of NOK 10 731 millions (NOK 9 452) million (6,419) were pledged as collateral for bank borrowings with balance sheet value of NOK 6 337 millions (6 542).

NOTE 14 EQUIPMENT, FIXTURES AND FITTINGS

	Group		Parent company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Acc acq values opening balance	2 590	525	1 312	525
Acquisition during the year	1 585	2 065	1 058	787
Divestments and disposals				
Closing balance	**4 175**	**2 590**	**2 370**	**1 312**
	Group		Parent company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Acc depreciations opening balance	-355	-6	-140	-6
Depreciation for the year	-1 051	-340	-298	-134
Divestment and disposals				
Exchange rate effects	-	-9		
Residual value - closing balance	**-1 406**	**-355**	**-438**	**-140**
Closing balance	**2 769**	**2 235**	**1 932**	**1 172**

Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. For equipment, fixtures and fittings the useful lives are set to maximum ten years.

NOTE 15 SHARES IN GROUP COMPANIES

	Parent company	
	31.12.2007	31.12.2006
Acc acq value opening balance	2 185 044	2 644 057
Acquisitions	-	-
Divestments	-907 519	
Shareholders contributions		448 506
Sum	**2 185 044**	**2 185 044**
Write downs, opening balance	-107 130	
Write down/ups for the year		-107 130
Sum	**-107 130**	**-107 130**
Book value	**2 077 914**	**2 077 914**

First-tier subsidiary	Office	Country	Voting rights	2007	2006
Norgani Hotelleiendom AS	Oslo	Norway	100 %	190 281	190 281
Norgani Sweden Holding AB	Stockholm	Sweden	100 %	1 887 633	1 887 633
Sum				**2 077 914**	**2 077 914**

Legal structure - Group	Office	Country	Established	Stakes	Shares
Norgani Hotels AS	**Oslo**	**Norway**			
Norgani Hoteleiendom AS	**Oslo**	**Norway**	**A 22.12.2005**	**100 %**	**100 %**
Norgani Hoteleiendom AS stakes in group companies:					
Norgani Eiendom Bodø AS	Oslo	Norway	E 30.6.2007	100 %	100 %
Norgani Hotel Bastionen AS	Oslo	Norway	A 1.10.2007	100 %	100 %
Norgani Sweden Holding AB	**Stockholm**	**Sweden**	**E 1.7.2005**	**100 %**	**100 %**
Norgani Sweden Holding ABs stakes in group companies:					
Norgani Alvik Hasselbacken AB	Stockholm	Sweden	E 1.10.2007	100 %	100 %
Norgani Skat AB	Stockholm	Sweden	E 1.10.2007	100 %	100 %
KB Stoppbollen Alvik	Stockholm	Sweden	A 1.10.2007	100 %	100 %
Fast AB Hazeliusbacken KB	Stockholm	Sweden	A 1.10.2007	100 %	100 %
Linköping Bolaget 1 AB	Stockholm	Sweden	A 1.10.2007	100 %	100
Fastighets AB Prince Philip	**Stockholm**	**Sweden**	**E 1.7.2005**	**100 %**	**100 %**
Fastighets AB Prince Philips stakes in group companies:					
Norgani Stockholm Pundet 1 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Kiruna Hovmästaren 1 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Mora Stranden 37:3 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Sollentuna Centrum AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Stockholm Herrgården 2 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Luleå Tjädern 19 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Kristianstad Hovrätten 41 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Kalmar Hammaren 4 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Karlstad Sandbäcken 1:3 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Linköping Elden 9-10 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Sandviken Grillen 8 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Linköping Ekoxen 9 o 11 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Stockholm Fotsacken 1 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Skövde Liljekonvaljen 14 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Halmstad Gillestugan 1 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Göteb.Back 149:1/866:397 AB	Stockholm	Sweden	E 1.7.2005	100 %	100 %
Norgani Malmö Gunghästen AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Stockholm Gråberget 29 AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Växjö Kocken 3 AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Bollnäs Sundsbro AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Växjö Elden Södra 17 AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Uppsala Dragarbrunn 16:4 AB	Stockholm	Sweden	E 16.12.2005	100 %	100 %
Norgani Hotel Cosmopole ApS	Copenhagen	Denmark	A 1.7.2005	100 %	100 %
KS Norgani Hotel	Copenhagen	Denmark	A 1.7.2005	100 %	100 %
Norgani Hotel ApS	Copenhagen	Denmark	A 1.7.2005	100 %	100 %
Norgani Hotel Kopenhamn A/S	Copenhagen	Denmark	A 1.7.2005	100 %	100 %
Norgani Norge Holding AS	Oslo	Norway	E 22.12.2005	100 %	100 %
Alexandra Hotell AS	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Hotell Kristiansand AB	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Hotell Oslo AS	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Hotell Bergen AS	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Hotell Hafjell AS	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Hotel Bergen Airport AS	Oslo	Norway	A 1.7.2005	100 %	100 %
Norgani Fagernäs Turisthotell AS	Oslo	Norway	A 17.01.2006	100 %	100 %
KS Olrud Hotell	Oslo	Norway	A 26.04.2006	100 %	100 %
Norgani Olrud Hotell AS	Oslo	Norway	A 26.04.2006	100 %	100 %
Quality Hotel Hamneset AS	Oslo	Norway	A 03.05.2006	100 %	100 %
Norgani Hotell Lillehammer AS	Oslo	Norway	A 16.12.2005	100 %	100 %
Lillehammer Turisthotell AS	Oslo	Norway	A 16.12.2005	100 %	100 %
Norgani Hotell Bodö AS	Oslo	Norway	A 16.12.2005	100 %	100 %
Norgani Finland Oy	Helsinki	Finland	A 31.8.2006	100 %	100 %
Kiinteestö Oy Pilotti	Helsinki	Finland	A 31.8.2006	100 %	100 %
Kiinsteestö Oy Pakkalan	Helsinki	Finland	A 31.8.2006	100 %	100 %

Norgani Suomi Holding AB	**Helsinki**	**Finland**	**A 31.8.2006**	**100 %**	**100 %**
Norgani Suomi 2 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 1 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 3 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 2 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 4 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 3 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 5 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 4 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 6 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 5 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 7 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 6 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 8 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 7 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 9 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 8 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 10 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 9 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 11AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 10 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Koy Helsinki Kanavakatu 8-22	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 12 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 11 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Koy Marina Congress Center	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 13 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 12 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 14 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 13 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 15 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 14 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 16 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 15 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Suomi 17 AB	Helsinki	Finland	A 31.8.2006	100 %	100 %
Oy Norgani 16 Ab	Helsinki	Finland	A 31.8.2006	100 %	100 %
Norgani Hotelleiendom i Sverige AB	**Stockholm**	**Sverige**	**A 16.12.2005**	**100 %**	**100 %**
Norgani Hotelleiendom i Göteborg AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hot.eiend. i Helsingborg AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiend. i Jönköping AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiendom i Luleå AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiendom i Malmö AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiend. i Sundsvall AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hot.eiend. i Södertälje AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiendom i Umeå AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiendom i Uppsala AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotelleiend. i Östersund AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellfastighetsb. Blyet AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellfastighetsb. Osten AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellf.h.b. Radien AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellfastighetsb. Sågen AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellf.h.b. Valbo-Backa AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %
Norgani Hotellf.h.b. Vindmotorn AB	Stockholm	Sweden	A 16.12.2005	100 %	100 %

NOTE 16 MATURITY STRUCTURE, RECEIVABLES

	Group 31.12.2007	Group 31.12.2006
Maturing within 1 year of the balance sheet date	142 524	883 487
Maturing 2-5 years from the balance sheet date	6 836	1 450
Maturing more than 5 years from the balance sheet date	-	-
Sum receivables	**149 360**	**884 937**

Maturity structure, outstanding receivables excluding tax and liquid assets. There is no concentration of credit risk with respect of current receivables, as Norgani has a large number of customers, internationally dispersed.

NOTE 17 OTHER RECEIVABLES

	Group 31.12.2007	Group 31.12.2006
Receivables, divested properties	-	742 956
Tax account	5 316	-
Guarantee rent	13 847	-
Other current receivables	3 521	13 715
Sum	**22 684**	**756 671**

NOTE 18 ULTIMATE PARENT IN THE GROUP

The ultimate parent company in the Norgani is Norgani Hotels ASA, 988 016 683, with registered head office in Oslo, Norway. The company's business consists of operation and ownership, directly or indirectly, of commercial real estate, including hotels and activities related thereto.

Transactions between related parties are limited to interest rates and management fee between the companies in the Norgani Group, in addition to loan from Norwegian Property ASA, see note 11 and 20.

NOTE 19 SHAREHOLDERS EQUITY

Date	Type of	Change in number	Change in share	Capital after	Number of shares after	Per valueper	Price resolved
7.3.2005	Incorporation	1 000		100 000	1 000	100	100
25.5.2005	Share split	3 000		100 000	4 000	25	-
8.6.2005	Write down		-100 000	-	-	-	-
8. 6.2005	Private placement	16 504 310	412 707 750	412 207 750	16 508 310	25	50
17.6.2005	Private placement	1 420 000	35 500	448 207 750	17 928 310	25	50
28.6.2005	Consideration issue	4 800 000	120 000 000	568 207 750	22 728 310	25	50
16.11.2006	IPO	7 846 086	196 152 150	764 359 900	30 574 396	25	56
28.7.2006	Share Issue	9 000 000	225 000 000	989 359 900	39 574 396	25	58

All new shares are fully paid-in. The resolved number of shares at year-end was 39 574 396. Proposed dividends for shareholders are NOK 0 per share. Last years dividend pay out was NOK 4 per share. The weighed average number of shares in the year was 39.574.396 (34 395 082). Calculations of the average number of shares considered the bonus issue element of the new issue.

All shares are owned by Oslo Properties AS.

NOTE 20 INTEREST-BEARING LIABILITIES

	Group 31.12.2007	Group 31.12.2006	Parent company 31.12.2007	Parent company 31.12.2006
Maturing within 1 year of the balance sheet date	577 796	376 442	535 000	612 053
Maturing within 1 year of the balance sheet date	1 882 068	2 358 503	-	-
Maturing more the 5 years from the balance sheet date	4 645 412	4 554 662	-	-
Sum	**7 105 276**	**7 289 607**	**535 000**	**612 053**
Fair value adjustments financial instruments	-190 583	-58 673		
Interest bearing liabilities	**6 914 693**	**7 230 934**		

Currency	Currency amount 31.12.07	Currency amount 31.12.2006	NOK 31.12.2007	NOK 31.12.2006
SEK	3 267 264	3 116 310	2 762 986	2 839 509
NOK	2 086 430	1 673 810	2 086 430	1 673 810
EUR	248 953	251 838	1 983 145	2 074 641
DKK	255 307	635 032	272 715	701 647
			7 105 276	**7 289 607**

Norgani has fixed the majority of its borrowing interest rate exposure through interest rate swaps as described in the table below. Norgani's strategy regarding interest rate exposure is to fix a minimum of 70 percent of its exposure at any time for a period of minimum three years. Irrespective a high level of secured rates, Norgani takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

Derivatives are booked with gross value in the parent company accounts while net value is booked against debt in the group.

Norgani ASA has obtained fair value calculations from third party professionals in the finance market. For calculating market value, the discounting of future cash flows with zero-coupon yields based on official quoted prices is applied. All values represent a calculated value and will not necessarily be realised.

The loan agreements contains financial covenants such as interest rate coverage requirements, equity requirements and "loan-to-value" requirements (LTV).

	Nominal cost	Actual value	Unrealised profit/loss group	Unrealised profit/loss parent comp.
Variable-rate loans	6 086 773	6 089 105	2 332	-
Fixed rate loans	583 503	545 754	-37 749	-
Interest swap - receivables	-4 664 945	-4 454 492	210 453	210 453
Interest swap - liability	4 664 945	4 301 864	-363 081	-363 081
Options - caps & floors - receivables	0	-2 538	-2 538	-2 538
Sum	**6 670 276**	**6 479 694**	**-190 582**	**-155 165**
Loan Norwegian Property ASA	435 000	435 000	0	-
Sum	**7 105 276**	**6 914 694**	**-190 582**	
FX Forwards*			-3 635	-3 635
Derivatives (back-to-back) agreements with group companies				152 627
Sum			**-194 217**	**-6 172**

*Value change for FX Forwards for the group are included in "Other long term receivables" in group balance sheet. **The nominal principal amounts, fixed rates and duration of the derivative financial instrument contracts at 31 December 2007 are:**

* - P= Parent company G= Group If only G is stated - the swap is placed in a subsidiary within the group

Type of Instrument	Currency	Amount	Receive	Pay	Duration	*
Interest rate swap	Mill. SEK	130	Floating	Fixed	4,7 yrs	P+G
Interest rate swap	Mill. SEK	130	Floating	Fixed	6,8 yrs	P+G
Interest rate swap	Mill. SEK	250	Floating	Fixed	3,0 yrs	P+G
Interest rate swap	Mill. SEK	130	Floating	Fixed	5,4 yrs	P+G
Interest rate swap	Mill. SEK	250	Floating	Fixed	1,2 yrs	P+G
Interest rate swap	Mill. SEK	210	Floating	Fixed	2,1 yrs	P+G
Interest rate swap	Mill. SEK	200	Floating	Fixed	7,0 yrs	P+G
Interest rate swap	Mill. SEK	250	Floating	Fixed	4,0 yrs	P+G
Interest rate swap	Mill. SEK	250	Floating	Fixed	4,7 yrs	P+G
Interest rate swap	Mill. NOK	237	Floating	Fixed	4,4 yrs	P+G
Interest rate swap	Mill. NOK	75	Floating	Fixed	2,1 yrs	P+G
Interest rate swap	Mill. NOK	75	Floating	Fixed	3,7 yrs	P+G
Interest rate swap	Mill. NOK	75	Floating	Fixed	1,2 yrs	P+G
Interest rate swap	Mill. NOK	237	Floating	Fixed	5,1 yrs	P+G
Interest rate swap	Mill. NOK	237	Floating	Fixed	5,8 yrs	P+G
Interest rate swap	Mill. NOK	237	Floating	Fixed	6,4 yrs	P+G
Interest rate swap	Mill. NOK	200	Floating	Fixed	3,8 yrs	P+G
Interest rate swap	Mill. EUR	10	Floating	Fixed	2,1 yrs	P+G
Interest rate swap	Mill. EUR	25	Floating	Fixed	3,9 yrs	P+G
Interest rate swap	Mill. EUR	25	Floating	Fixed	5,4 yrs	P+G
Interest rate swap	Mill. EUR	30	Floating	Fixed	3,1 yrs	P+G Inte
Interest rate swap	Mill. EUR	25	Floating	Fixed	1,4 yrs	P+G
Interest rate swap	Mill. EUR	15	Floating	Fixed	2,3 yrs	P+G
Interest rate swap	Mill. EUR	27	Floating	Fixed	6,1 yrs	P+G
Interest rate swap	Mill. EUR	27	Floating	Fixed	6,7 yrs	P+G

Type of Instrument	Currency	Amount	Duration	*
FX forwards	Mill. NOK/EUR	100	0,2 yrs	P+G
FX forwards	Mill. NOK/SEK	100	0,2 yrs	P+G
FX forwards	Mill. NOK/SEK	-50	0,3 yrs	P+G
FX forwards	Mill. NOK/SEK	-125	1,0 yrs	P+G
FX forwards	Mill. NOK/SEK	-50	1,3 yrs	P+G
FX forwards	Mill. NOK/SEK	-50	1,3 yrs	P+G

Type of Instrument	Currency	Amount	Strike	Duration	*
Caps	Mill. SEK	450	4.5 %	2,6 yrs	P+G

The parent company has entered into "back-to-back" agreements with other group companies, except two positions amounting to NOK 6 million together. In the parent company "Derivatives - receivables" NOK 134 million (140) and "Derivatives - liabilities" NOK 128 million (55), which gives a net of NOK 6 million (85).

NOTE 21 MATURITY STRUCTURE, LIABILITIES

	Group		Parent company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Maturing within 1 year of the balance sheet date	659 728	596 133	549 000	628 376
Maturing 2-5 years from the balance sheet date	1 882 068	2 358 503		
Maturing more the 5 years from the balance sheet	4 645 412	4 554 662		
Sum	**7 187 208**	**7 509 298**	**549 000**	**628 376**
Fair value adjustments financial instruments	-190 583	-58 673		
Sum	**6 996 625**	**7 450 625**		

Maturity structure of interest-bearing liabilities and trading liabilities excluding tax liabilities.

NOTE 22 ASSETS PLEDGED

	Group	
	31.12.2007	31.12.2006
Property mortgages	6 366 754	6 542 484

	Parent company	
	31.12.2007	31.12.2006
Shares in subsidiaries	2 077 914	2 077 914

NOTE 23 CONTINGENT LIABILITIES

	Group		Parent company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Sutery in favour of group companies	6 336 754	6 542 484	2 077 914	2 077 914

NOTE 24 ADDITIONAL INFORMATION CASHFLOW STATEMENTS

Approved credit facilities amounted to NOK 7,180 million, divided between secured loans of NOK 6,670 million, group loans til Norwegian Property ASA of NOK 435 million and a revolving facility of NOK 150 million.

The un-utilised portion of credit facilities amounted to NOK 75 million. Interest paid for the financial year amounted to NOK 335 million (283). Investments in properties amounted to NOK 95 million (35) and acquisitions amounted to NOK 896 million (2,749). At the end of 2007, the Norgani group has an non restricted equity
of NOK 2,582 million (1,635), which together with a mortgage ratio of 64 percent (76) form a solid ground for further expansion.

NOTE 25 Risks, policies and special considerations

Norgani's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. Risk management is carried out by a central treasury function under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operations with Norgani's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivate financial instruments and non-derivative financial instruments and investing excess liquidity.

Market risk

Foreign exchange rate

A substantial part of Norgani's revenues and expenditures are paid in foreign currency (SEK, DKK and EUR). As a result Norgani is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency as compared to NOK could result in a material adverse effect on Norgani's cash flow and revenues. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Price risk

Norgani is exposed to property price and property rental risks. Norgani has, however, when acquiring hotel properties, received minimum rent guarantees from sellers of most of the properties with an average remaining duration of 3.0 years.

Credit risk

Norgani has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Even though the credit concentration may appear significant against certain larger hotel operator chains, this risk is substantially reduced by the way these operators are organized - in several smaller operator companies and separate legal entities. Norgani has policies that limit the amount of credit exposure to any customer or financial institution.

Cash flow and fair value interest rate risk
Norgani is to a large extent financed by debt and will be exposed to interest rate fluctuations. Any period of unexpected or rapid increase in interest rates may hence negatively affect cash flow and profitability. Norgani limit the interest rate risk through entering into fixed interest rate contracts/swaps. This means that Norgani will experience an adverse value effect in the interest rate contracts compared to the debt when interest rates are fluctuating.

Demand/Supply
The demand for accommodation is influenced by several factors, on both a micro and macro level. Negative changes in the general economic situation, including business and private spending, will adversely affect travel and hence the demand for lodging. Historically, positive developments in the hotel markets have been followed by increased construction of hotels. This may lead to oversupply and hence lower revenues for the tenants. In turn this will negatively affect the financial strength of the tenants as well as reduce revenue based components of rents.

Deloitte.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norgani Hotels AS

AUDITOR'S REPORT FOR 2007

We have audited the annual financial statements of Norgani Hotels AS as of 31 December 2007, showing a profit of MNOK 21,3 for the parent company and a profit of MNOK 1.105,6 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company`s financial statements. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified application in accordance with the Norwegian Accounting Act § 3-9 of International Financial Reporting Standards as adopted by the EU has been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,
- the parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with generally accepted accounting practice in Norway.
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of December 31, 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with simplified application in accordance with the Norwegian Accounting Act § 3-9 of International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report 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 law and regulations.

Oslo, 24 April 2008
Deloitte AS

Bernhard Lyngstad (signed)
State Authorised Public Accountant (Norway)

Audit & Advisory.Tax & Legal.Consulting.Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Org.nr.: 980 211 282

Appendix 7: Independent report on the unaudited condensed pro forma financial information

Deloitte.

Information". We planned and performed our work to obtain reasonable assurance that the pro forma financial information in all material respect has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as presented in section 9 of the Prospectus, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Management of the Company.

Opinion
In our opinion:

a) The pro forma financial information has been properly compiled on the basis stated in section 9 of the Prospectus, and
b) That basis is consistent with the accounting policies of the Company.

This report is issued for the sole purpose of the offering of new shares with pre-emptive rights for existing shareholders in Norway and other regulated markets in the European Union or European Economic Area countries, as set out in prospectus dated 25 June, 2008 approved by Oslo Børs (the Oslo Stock Exchange). This report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the offering of new shares with pre-emptive rights for existing shareholders on Oslo Børs and other regulated markets in the European Union or European Economic Area countries as set out in the prospectus dated 25 June, 2008 approved by Oslo Børs.

Oslo, 25 June, 2008
Deloitte AS

Bernhard Lyngstad
State Authorized Public Accountant (Norway)

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Independent Assurance Report on the Pro Forma Financial Information

To the Board of Directors of Norwegian Property ASA

In accordance with the EU Regulation No 809/2004 as included in the Norwegian Securities Trading Act section 7 – 13, we report on the compilation of the unaudited pro forma financial information of Norwegian Property ASA and subsidiaries ("the Company") consisting of the unaudited profit and loss accounts of the Company for the periods ended 31 December, 2007 and the accompanying notes and descriptions to the unaudited pro forma financial information, which is set out in section 9 of the Company's prospectus dated 25 June, 2007 ("the Prospectus").

The pro forma financial information has been compiled on the basis described in section 9 of the Prospectus, for illustrative purposes only, to provide information about how the acquisition of Norgani Hotels might have affected the unaudited consolidated profit and loss account of the Company for the year ended 31 December, 2007. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

The Board of Directors' responsibility
It is the Board of Directors' responsibility to compile the pro forma financial information in accordance with the requirements of EU Regulation No 809/2004 as included in Norwegian Securities Trading Act.

Reporting responsibility
It is our responsibility to provide the opinion required by Annex II item 7 of EU Regulation No 809/2004 as to the proper compilation of the pro forma financial information. We are not responsible for updating any reports or opinions previously made by us for any events that occurred subsequent to the dates of our reports on the historical financial information used in the compilation of the pro forma financial information, nor does the aforementioned opinion require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of Norgani Hotels to the accounting policies of the Company, or the assumptions summarized in section 9 of the Prospectus. The financial information used in the compilation of the pro forma information is unaudited and/or audited as described in section 9 of the Prospectus. We do not accept any responsibility for financial information which we have not audited.

Work performed
We conducted our work in accordance with Norwegian Standard on Assurance Engagements 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial

Appendix 8: Valuation report on Norwegian Property

DTZ Realkapital

Valuation Report Norwegian Property ASA per 30 March 2008

30 March 2008

Introduction

The Valuer

About DTZ
DTZ is one of the world's leading real estate advisers, providing innovative real estate and business solutions. DTZ is a leading name in all the world's major business centres, with 9,000 people operating from 192 offices in 40 countries. In Europe, DTZ has one of the strongest market presences of any real estate adviser. Within Asia Pacific, DTZ is a leader in all the main markets of Australia, New Zealand, China, Hong Kong, Taiwan, India, Japan, Singapore, and South East Asia.

DTZ also delivers real estate services and solutions to multi-national corporates in North America. DTZ Rockwood offers investor clients a comprehensive capital markets capability, while an alliance with The Staubach Company provides occupier representation services.

Around the world, DTZ professionals advise multi-national companies, major financial institutions, property companies, banks, governments and other public sector organisations.
DTZ's transactional business advises on the purchase, sale, leasing and acquisition of all types of commercial and residential real estate. Professional advisory services include the management of real estate portfolios, building consultancy, and valuation as well as capital advice to maximise the value of real estate as an asset class.

DTZ's research teams track and interpret the market forces and trends that affect our business to provide the best-informed solutions for our clients. This includes strategic forecasting and social, economic, market and business intelligence to public and private sector clients, enabling a full assessment of impact and risk on their operations.

Valuation experience and capacity
DTZ employs around 340 full time valuers in the EMEA region (Europe, Middle East, and Africa). Capacity in Scandinavia includes 12 valuers in Sweden, 3 in Norway, 2 in Denmark, and 1 in Finland. DTZ is the leading independent valuer of commerial property in Sweden, a leading provider of transaction motivated valuation of commercial property in Norway, and the preferred valuer for several of the largest investors in the Danish and Finnish markets.

DTZ was voted best valuation company, Nordic region, by Euromoney in all of their three most recent polls.

Independency
We confirm that neither DTZ nor any of its subsidiaries or affiliates have any vested interest in any of the properties subject to valuation.

Disclaimer

DTZ has valued the properties from a market point of view. We have not undertaken any technical inspection of the properties, but base our assumptions on the information we have received from Norwegian Property ASA. We assume that there is no further information regarding the properties' conditions, possible restrictions, covenants or otherwise that would have had an impact on our assessments and valuations, other that what we have already received.

30 March 2008

Introduction

DTZ has undertaken the assessment based upon material we believe to be reliable in our possession or supplied to us. Whilst every effort has been made to ensure its accuracy and completeness, we cannot offer any warranty that factual errors may not have occurred. DTZ takes no responsibility for any damages or loss suffered by reason of the inaccuracy or incorrectness of our valuation.

We are aware and accept that our valuation may be attached to the Company's reports to Oslo Stock Exchange.

Commision

Client
The Client for our valuation is Norwegian Property ASA.

Objective
The objective was to assess the market value of properties held by the Client as of 30 March 2008. The valuation was carried out during March 2008. Neither market events nor property-specific events after this date have been taken into account in our valuation.

Methodology, definitions and assumptions

General

Scope of work
The basis for valuation is discounted net cash flows from the properties, and discounted residual values at the end of the forecast period

All assessments have been based on DTZ's expertise, which has been supported by market research reports, visits to the properties, macro-economic and general sector information, and other inputs. Whilst every effort has been made to avoid errors, ensure consistency, and apply the most realistic assumptions possible, we cannot assume any liability for opinions formed or desicions made on the basis of this valuation.

Investment market framework
There is now a consensus among most market actors that yields are trending upwards. The first yield increases were seen in secondary properties and in secondary markets. As per March 2008, yields have increased for all property categories.

This trend is not seen only in Norway but in other countries as well. DTZ tracks yield expectations in 44 European markets. The most recent survey indicated that yields will increase within twelve months in 21 of these markets, and remain stable in 20 markets. Yield compression is now expected in only 3 main European markets (Moscow, Istanbul and Turin). London, which often precedes developments in other European markets, has seen yields widen from around 4.25% at the start of 2007 to around 5.00% - 5.25% at the end of the year – a full 75 to 100 basis points during the course of a year.

In Scandinavia, Copenhagen was the first major city to report an increase in prime yields. In Oslo, DTZ estimates that prime yield per March 2008 is around or above 5.5%. This reflects a definitive yield shift since only a quarter or two ago. We expect that yields will continue to widen in most Scandinavian markets.

Because of the recent volatility in the rent market, actual initial yields often differ very much from the normalized "prime yield" level, which assumes that a property is let at or near market terms. This is particularly true in Oslo CBD and inner city, where most properties are under-rented in today's market. Lease duration is therefore crucial for actual initial yield.

Tenancies and Rental Revenue
The office properties derive their income from lease agreements where the agreed rent is adjusted with a defined annual uplift, expressed as a precentage of the Consumer Price Index (CPI). Individual differences in the level of indexation has been taken into account is our cash flow forecast.

Some retail properties and hotel properties have turnover based rent contracts, where rents are computed from agreed percentages of gross turnover. Most of these tenants have agreed to pay minimum rents that are applicable regardless of turnover.

As and when existing tenancy contracts expire, we have made the assumption that the area in question will be re-let on market terms. Depending on the marketability of the individual property, we have included in our cash flow forecast a certain void period and/or re-letting costs such as fittings for the new tenant, letting agent's fees, and loss of recovery of common costs. In general terms, market

Methodology, definitions and assumptions

rent as been defined a per-m2 basis for office space, and on the basis of expected future turnover for hotel and retail space.

Guarantee Rent
In some cases, the Vendor has guaranteed a certain level of rental revenue for certain periods of time. In these cases, we have added the guarantee rent to the regular rent revenue.

Discount rate
Projected net cash flows have been discounted at interest rates that represent nominal rates of return on total capital. The discount rates take into account the cost of risk-free capital, along with risk premiums that have been determined individually based on assessment of each property's risk profile and other factors. Average discount rates applied are;

Office properties	7.82%
Hotel properties, Norway	7.84%
Hotel properties, Denmark	7.90%
Hotel properties, Sweden	8.23%
Weighted average	**7.90%**

Inspections
The properties were inspected by by DTZ in 2005, 2006, 2007 and 2008.

Operational expenses (OPEX)
For the purpose of this report, the term "Operational expenses" (OPEX) refers only to costs which are the responsibility of the property owner.

OPEX has been calculated initially from benchmarks of cost per m2 and other factors. From the base year, OPEX has been adjusted with inflation.

OPEX levels have been defined individually, based on review of the lease contract terms and other relevant data. Average OPEX levels, expressed as a percentage of gross rent, are;

Office properties	5.6%
Hotel properties, Norway	8.2%
Hotel properties, Denmark	16.2%
Hotel properties, Sweden	18.7%
Total	**9.0%**

Technical condition
We have not carried out any technical assessment of the properties. Estimates of required investments in upgrades and rehabilitation have been obtained from the Client and from independent reports as and when available.

Documentation
The following documentation has been available for valuation purposes;

- Copy of lease agreements with annual rent exceeding NOK 4 million;
- Findings from site visits and other reviews from the technical due diligence processes, where applicable;
- Fact sheets provided by the Client;

Methodology, definitions and assumptions

- Market information from various sources;
- Macro-economic information from various sources;
- Technical Due Diligence reports for some of the properties.

Development Values
Properties that have a potential for further development have been valued individually, taking into account factors such as development cost, lettability, and the plausibility of implementation.

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Valuation

Office and retail properties, Norway (mNOK)

Property		Location	Gross rent	Valuation	Tenure
Administrasjonsbygget - Office		Oslo CBD	5,0	104,9	Freehold
Kaibygg I - Office		Oslo CBD	64,7	1399,3	Freehold
Kaibygg I - Retail		Oslo CBD	19,2	342,4	Freehold
Kaibygg II		Oslo CBD	10,7	190,3	Freehold
Snekkeriet		Oslo CBD	9,6	184,2	Freehold
Terminalbygget - Office		Oslo CBD	29,2	717,5	Freehold
Terminalbygget - Retail		Oslo CBD	16,2	293,9	Freehold
Verkstedhallene - Office		Oslo CBD	25,4	614,3	Freehold
Verkstedhallene - Retail		Oslo CBD	33,8	681,9	Freehold
Aker Hus		Oslo Lysaker / Fornebu	80,1	1522,2	Freehold
Gjerdrums vei 16		Oslo Nydalen	7,0	106,2	Freehold
Gjerdrums vei 8		Oslo Nydalen	13,0	223,5	Freehold
Gullhaug Torg 3		Oslo Nydalen	9,5	151,3	Freehold
Gullhaugveien 9-13		Oslo Nydalen	44,6	876,8	Freehold
Maridalsveien 323		Oslo Nydalen	26,6	407,7	Freehold
Sandakerveien 130		Oslo Nydalen	14,9	217,0	Freehold
Badehusgt 33-39		Stavanger CBD	23,0	428,9	Freehold
Drammensveien 134 - 2		Oslo Skøyen	5,5	114,9	Freehold
Drammensveien 134 - 3		Oslo Skøyen	9,6	184,4	Freehold
Drammensveien 134 - 4		Oslo Skøyen	5,1	122,8	Freehold
Drammensveien 134 - 5		Oslo Skøyen	17,3	296,5	Freehold
Drammensveien 134 - 1		Oslo Skøyen	11,7	202,7	Freehold
Drammensveien 134 - 6		Oslo Skøyen	29,1	527,0	Freehold
Drammensveien 144		Oslo Skøyen	18,3	365,6	Freehold
Drammensveien 149		Oslo Skøyen	24,2	454,1	Freehold
Drammensveien 60		Oslo Skøyen	19,9	345,4	Freehold
Finnestadveien 44		Stavanger CBD	29,7	501,8	Freehold
Forusbeen 35		Stavanger Forus	25,8	371,1	Freehold
Grenseveien 21		Stavanger Forus	29,6	530,0	Freehold
Grev Wedels Plass 9		Oslo Inner City	43,0	830,3	Freehold
C.J.Hambros plass 2		Oslo Inner City	64,3	1314,2	Freehold
Lysaker Torg 35		Oslo Lysaker / Fornebu	38,5	624,0	Freehold
Middelthuns gate 17		Oslo Inner City	43,7	849,7	Freehold
Oksenøyveien 3		Oslo Lysaker / Fornebu	16,8	260,7	Freehold
Oslo Airport		Ullensaker	24,3	294,0	Leasehold
Hovfaret 11		Oslo Skøyen	11,0	169,7	Freehold
Nedre Skøyen vei 24		Oslo Skøyen	11,8	154,0	Freehold
Nedre Skøyen vei 26 a-e		Oslo Skøyen	34,0	595,4	Freehold
Nedre Skøyen vei 26 f		Oslo Skøyen	22,4	410,7	Freehold
Stortingsgt 6		Oslo Inner City	20,5	370,8	Freehold
Svanholmen 2		Stavanger Forus	8,8	156,1	Freehold
Økernveien 9	1/	Oslo East	17,0	214,8	Freehold
Østre Aker vei 20	1/	Oslo East	8,0	107,0	Freehold
Magnus Poulssons vei 7	1/	Oslo Lysaker / Fornebu	9,8	126,4	Freehold
Forskningsveien 2	1/	Oslo Inner City	38,7	667,6	Freehold
Other properties	2/		68,7	955,2	
Subtotal			1139,6	20579,2	

1/ As of 30 March 2008, the Company had entered into agreements for the sale of Økernveien 9, Østre Aker Vei 20, Østre Aker Vei 22, Magnus Poulssons vei 7, and Forskningsveien 2.
2/ Other properties (including Østre Aker vei 22) with individual market values less than mNOK 100

30 March 2008

Valuation

Hotel properties, Norway (mNOK)

Property		Location	Gross rent	Valuation	Tenure
Comfort Børsparken		Oslo	19,6	309,0	Freehold
Comfort Hotel Holberg		Bergen	11,9	181,0	Freehold
Quality Hotel Alexandra		Molde	11,7	176,6	Freehold
Quality Hotel Kristiansand		Kristiansand	14,6	228,4	Freehold
Quality Hafjell		Hafjell	12,8	203,1	Freehold
Quality Fagernes		Fagernes	7,2	108,9	Freehold
Rica Hotell Hamar		Hamar	9,1	115,2	Leasehold
Scandic Bergen Airport		Bergen	14,4	236,2	Freehold
Scandic KNA		Oslo	21,4	377,9	Freehold
SAS Radisson Lillehammer		Lillehammer	18,9	259,5	Freehold
Clarion Collection Bastionen		Oslo	8,6	124,6	Freehold
Rica Hotell Bodø		Bodø	8,3	109,3	Freehold
Radisson SAS Bodø		Bodø	16,8	254,2	Freehold
Other properties, Norway	3/		3,9	51,0	
Subtotal, Norway			**179,3**	**2 735,0**	

3/ Other properties with individual market values less than mNOK 100.

Hotel Properties, Denmark (mDKK)

Property		Location	Gross rent	Valuation	Tenure
Clarion Collection Mayfair		Copenhagen	7,8	124,9	Freehold
Comfort Europa		Copenhagen	15,9	177,2	Freehold
Other properties, Denmark	4/		6,3	80,8	
Subtotal, Denmark			**30,0**	**382,9**	

4/ Other properties with individual market values less than mNOK 100.

Hotel properties, Sweden (mSEK)

Property		Location	Gross rent	Valuation	Tenure
Scandic Backadal		Gothenburg	16,3	191,6	Leasehold
Scandic Helsingborg Nord		Helsingborg	10,5	124,6	Freehold
Scandic Kungens Kurva		Huddinge	18,6	231,8	Freehold
Scandic Elmia Jönköping		Jönköping	15,3	185,4	Leasehold
Scandic Ferrum		Kiruna	13,1	149,4	Leasehold
Quality Ekoxen		Linköping	11,6	145,2	Leasehold
Quality Luleå		Luleå	11,7	147,3	Freehold
Scandic Segevång		Malmö	11,3	140,1	Leasehold
Scandic Star Sollentuna		Sollentuna	23,0	301,8	Leasehold
Ibis Stockholm Syd		Stockholm	9,6	121,8	Leasehold
Scandic Malmen		Stockholm	39,1	540,8	Leasehold
Scandic Hasselbacken		Stockholm	19,6	293,6	Leasehold
Quality Prince Philip		Stockholm	11,2	153,0	Leasehold
Scandic Bromma		Stockholm	9,8	121,5	Leasehold
Scandic Alvik		Stockholm	29,7	463,5	Freehold
Scandic Örebro Väst		Örebro	10,6	123,6	Freehold
Other properties, Sweden	**5/**		183,2	2 175,9	
Subtotal			**444,2**	**5 610,7**	

5/ Other properties with individual market values less than mNOK 100.

30 March 2008

DTZ Realkapital

DTZ Realkapital Verdivurdering AS

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30 March 2008

Norgani Finland Holding Oy

Valuation summary of 16 properties

The date of value
31.3.2008

MAAKANTA OY
4.4.2008

The Appraiser

Maakanta Oy is a responsible and independent real estate valuation and consulting company, which operates all over Finland. The company has got over 20 years experience in real estate appraisals and consists of 5 valuation surveyors of which M.Sc Hannu Ridell is an authorized real estate appraiser. This ensures a high quality on the valuations.

Description and Basis for the Valuation

The purpose of the valuation was to determine the market value of the fifteen hotel properties and one congress property in Finland. Subjects have been valuated as individual units without considering portfolio perspective. The valuation was commissioned by the Asset Manager Seppo Lehto from Norgani Finland Holding Oy. The assignment was made for the internal purposes in Norgani Finland Holding Oy. Maakanta Oy has valuated properties previously in date of value 31.12.2007. Property inspections were made for some properties in 2005, for some in August 2007 and for some in January 2008. According to the client's opinion the deeper inspections were not necessary.

The valuation was carried by using discounted cash flow method. In the Scandic Espoo, Scandic Luosto and Comfort Hotel Pilotti using sales comparison method valuated unused building permit. Direct Capitalization was used as a secondary valuation method. The date of value is 31.3. 2008.

The appraisal was based mainly on client's information. In hotels operated by Scandic calculation is based on an assumption that new lease agreements has come into force in January 2008. Lease agreements are received from the client. Investments that are used in the valuation consist in client's information; budget forecasts for different revenues are based on client's figures and also on Maakanta Oy's estimates.

The valuation didn't include soil tests.

Market analysis

Macroeconomics and short overview of Finnish property markets

Growth of the global economy has started to slow down and the uncertainty of the future state of world economy is high. Also in Finland the peak of the economic cycle is expected to be reached in 2008. GDP growth, according to Ministry of Finance, is forecasted to slow down from 4,4 % in 2007 to 2,7% in 2008, which is about 0,5 percentage unit less than what was expected in autumn 2007. In the Euro Area, according to forecasts, GPD growth will be around 1,7 % in 2008.

Inflation rate has been rising in Finland. In 2007 annual inflation rate was 2,5 % and in January 2008 it reached 3,8 % and in February it was 3,7 %. According to the latest forecasts, inflation in Finland is estimated to be approx. 3,2 % in 2008. The forecast for 2009 and 2010 is that inflation will gradually ease and be approx. 1,8%. In the Euro Area inflation rate is estimated to be 2,8 % in 2008.

Unemployment rate in Finland has been decreasing since 2005. In February 2007 unemployment rate was 7,1 %. In December 2007 it was 6,6 % and in February it reached 6,2 %. According to latest forecasts unemployment rate is estimated to be between 6,2 %

and 6,3 % in 2008 and between 5,9 % and 6,0 % in 2009. Consumer's confidence in future has been diminishing. Consumer confidence indicator has dropped from 14,7 in December 2007 to 10,8 in February 2008.

After the previous valuation in January 2008, long-term interest rates (10 years) have decreased approximately 0,3 percentage units and 31.3.2008 it was 4,1 %. In January 2008 Short-term (12 and 3 months) interest rates dropped to near 4,3 %. However in March interest rates again reached the same level, approx. 4,7 %, they were at the end of 2007.

U.S. subprime crisis has become a more widespread and deeper problem than anticipated. To this point financial results of European banks have been in a good level. However problems may emerge along with decelerating economical growth. The fragility of global financial markets have also affected Finnish property markets. Obtaining of a loan has become more difficult and banks use higher margins. Some property transactions have been canceled because of that. On the other hand, the demand of prime properties has been good and the yields have still been at the low level. But time for decreasing yields is in the past and with higher-risk properties yields are increasing and values are decreasing. Yields are now more dependent on quality of properties and lease agreements. Also investors using high leverage have been replaced with more conservative ones.

The investment volume of the property market has been in a good level. In this year two big property transactions have been made. Portfolio of 39 hotels were sold in January to Capman Investments with EUR 835 million and Kamppi Center in Helsinki was sold with EUR 452,5 million in March. Kamppi Center was sold previously with EUR 345 million in June 2006. In addition in February Citycon Oyj sold 40 % share of Shopping Center Iso Omena in Espoo at the same price than it bought it in September 2007.

Hotel Markets

In Finland tourist industry has enjoyed growth of accommodation demand. Between January 2007 and January 2008 demand of accommodation services was rose 7,2 %. Foreign tourists spent 11,5 % more nights in Finland and especially Russians were active with 17 % rise. At the same time domestic tourism raised 4,1 %. Russian tourism plays a significant role particularly in the Imatran Valtionhotelli where closeness of the Russian border attracts visitors from east.

According to Statistics Finland, average room price in Finland has increased 3,1 % from January 2007 to January 2008 while it increased 5,6 % from Jan 2006 to Jan 2007. Occupancy rate has increased approximately 4,9 % from Jan 2007 to Jan 2008 and between Jan 2006 and 2007 the rise was 7,0 %.

Growth of hotel demand is estimated to decrease in 2008 but in January and February 2008 the demand is still staying at the same level as it was in 2007. In Helsinki hotel room count will increase due to numbers of new hotel projects. That may affect to occupancy rate. In office and retail market there has already been signs for increasing vacancy rate because of new space. If growth of demand decreases under the coming supply, occupancy rate will decrease.

As far as nothing dramatic happens, domestic demand and increasing foreign accommodation demand will guarantee positive future for hotels. If financial crisis expands from USA to Europe it is predictable that accommodation business will suffer somehow. If

consumers' confidence in future will continue to decrease, it might also have some effect on domestic demand for hotel accommodation.

Room prices and occupancy rate are estimated to be at the same level in first quarter in 2008 as they were in the end of 2007. Risk factor in hotel market is most likely to increase during spring and summer 2008.

Description of the valued hotels

Scandic Continental

Scandic Continental is located quite near Helsinki city center and it takes only 10 minutes to walk to the prime shopping areas of the city. Popular Linnanmäki Amusement Park, Finnish National Opera and conference center Finlandia Hall are nearby.

Buildings net floor area is 30 000 m² and it comprises altogether 514 rooms. There is some unused building volume left in the plot. Because owner of the plot is the city of Helsinki, value of the unused building volume is presumed to belong to the cash flow value. The hotel is planed to be renovated in 2010-2012. Assumed gross rent for 2008 is 5 026 000 € and net rent for 2008 is 3 974 000 € (of which the estimated renovation costs in 2008 are reduced. This principle has also been used in the other hotels).

Scandic Grand Marina

Scandic Grand Marina is situated near to passenger ship terminal and opposite to Marina Congress Center and there is only a few minutes walk to the Helsinki market square from the hotel. Helsinki-Vantaa airport is relatively easy (approx. 30-40 min.) to access.

Building is constructed in the early 1900s and previously worked for harbour storehouse purposes. Year 1992 the building was totally refurbished for superior class hotel. The net floor area of the hotel is 23 661 m² and it comprises altogether 462 rooms. For 2008 assumed gross rent is 4 462 000 € and net rent is 3 869 000 €.

Marina Congress Center

Marina Congress Center is situated in good location opposite to Scandic Grand Marina.. Marina Congress Center has established status as one of the main congress hall in Helsinki. Scandic Grand Marina hotel and Marina Congress Center support each other by supplying seminar and accommodation services near each other.

The net floor area of the congress center is 11 500 m². For 2008 assumed gross rent is 1 034 000 € and net rent is 624 000 €.

Hilton Helsinki Kalastajatorppa

Hilton Helsinki Kalastajatorppa is located in Munkkiniemi by the sea, to the northwest from Helsinki CBD. There is 10 minutes drive from Helsinki central and approximately 35 minutes to Helsinki-Vantaa airport.

The net floor area of the hotel- and congress buildings is altogether 23 290 m². There are 235 modern rooms, many of them with sea view. For 2008 assumed gross rent is 2 705 000 € and net rent is 2 309 000 €.

Hilton Helsinki Strand

Hilton Helsinki Strand is situated just next to city central with excellent view to the sea and town. Journey to the main shopping areas and sights takes about ten minutes by public transport. Hilton Helsinki Strand is also easy to arrive by car, one of Helsinki's main roads Hämeentie is next to the hotel.

The net floor area of the hotel is 10 250 m² and it comprises altogether 192 rooms. For 2008 assumed gross rent is 2 452 000 € and net rent is 2 097 000 €.

Airport Hotel Bonus Inn

Airport Hotel Bonus Inn is located near Helsinki-Vantaa Airport in the City of Vantaa. Large shopping centre Jumbo and essential business area Aviapolis are near. Because of the airport, business travellers are in important role as a main customer group. Also employees working in construction sites are important customer group.

There are 211 rooms in the hotel and net floor area is 8 414 m². For 2008 assumed gross rent is 1 464 000 € and net rent is 1 378 000 €.

Comfort Hotel Pilotti

Comfort Hotel Pilotti is also located nearby Helsinki Helsinki-Vantaa Airport in the City of Vantaa. Aviapolis business area and Jumbo shopping centre are quit near.

There are total 112 rooms net floor area is 3 068 m². Unused building volume is 1 412 gross floor area. For 2008 assumed gross rent is 571 000 € and net rent is 468 000 €.

Scandic Hotel Espoo

Scandic Hotel Espoo has a good location in the crossroad of Ring road II and Motorway to Turku. The hotel is situated 14,5 kilometer to the west from Helsinki central and the way to Helsinki-Vantaa airport takes approx. 30 minutes. Hotel is located nearby many office premises.

According to the detail plan there is permitted building volume 10 000 gross floor area on the site, used building volume is 4 888 gross floor area and unused building volume is 5 112 gross floor area. There are 96 rooms in the hotel. For 2008 assumed gross rent is 789 000 € and net rent is 683 000 €.

Hotel Korpilampi

Hotel Korpilampi is located in the northern Espoo, Serena water park and skiing slope are next to the premises. Drive from the Helsinki City Centre to Hotel Korpilampi takes about 45 minutes. Water park guests are one of the main customer group for the hotel.

The net floor area of the hotel is 9 777 m² and it comprises altogether 150 rooms. For 2008 assumed gross rent is 749 000 € and net rent is 586 000 €.

Scandic Tampere City

Scandic Hotel Tampere City is located in the city center next to the railway station and all essential services and sights are in practically next to the Hotel. It takes about 20 minutes drive to Tampere - Pirkkala Airport. There are some retail spaces in the street level of premises. Rental income is included to the hotels cash flow analysis.

There are total 263 rooms and net floor area is 14 457 m². For 2008 assumed gross rent is 2 213 000 € and net rent is 2006 000 €.

Scandic Rosendahl

Scandic Rosendahl is located 10 minutes drive away from the Tampere city center. The hotel is by the lake Pyhäjärvi and Tampere Hall congress center is just a 10 minutes drive away.

The net floor area of the hotel is 14 662 m² and it comprises altogether 213 rooms. For 2008 assumed gross rent is 1 294 000 € and net rent is 892 000 €.

Scandic Hotel Jyväskylä

Scandic Hotel Jyväskylä is situated in the city center in the City of Jyväskylä and there is 200 meters walk to the bus and railway station. The hotel is also easy to access by car from the motorway and it takes approx. 20 minutes to reach airport from the hotel.

The building was completed in 1992 and their net floors area is 7360 m² and room count is 150 rooms. For 2008 assumed gross rent is 925 000€ and net rent is 808 000 €.

Scandic Kuopio

Scandic Kuopio is located near lake Kallavesi in the City of Kuopio. Harbour is just next to the hotel. Journey to Kuopio city center takes few minutes by walking and drive to airport about 20 minutes.

The net floor area of the hotel is 7 113 m² and it comprises altogether 137 rooms. For 2008 assumed gross rent is 724 000€ and net rent is 531 000 €.

Restel Imatran Valtionhotelli

The hotel is located in the centre of Imatra, amidst the cultural landscape of the river Vuoksi and Imatrankoski rapids. Russian border is only 6 kilometers away. The nearest airport is located 40 kilometer away from the Imatra center.

The plot comprises two buildings: The hotel building is representing the jugendstil and constructed year 1903. Building has been refurbished during the 1985-1987 to correspond the original architecture. In 1993 the part of the premises (net floor area 2 014 m²) has been transformed for hotel and restaurant schools' purposes.

Total net floor area is 10 097 m² and it comprises altogether 92 rooms. For 2008 assumed gross rent is 598 500€ and net rent is 462 000 €.

Scandic Kajanus

Scandic Hotel Kajanus is located on the bank of river Kajaani in the Town of Kajaani. It takes a few minutes to walk to the city center; also railway station is in 10 minutes drive away.

The net floor area of the hotel is 10 468 m² and it comprises altogether 191 rooms. For 2008 assumed gross rent is 533 000€ and net rent is 426 000 €.

Scandic Luosto

Scandic Hotel Luosto is located in Lapland in the Sodankylä municipality. Hotel is just next to the ski slope and there are great opportunities for different outdoor activities. Thus domestic and foreign tourists are most common visitors. Rovaniemi airport is 90 minutes drive away from the Hotel. Premises consist of individual cabins and some hotel rooms.

There is total 1 340 gross floor area of unused building permit on the site. Unused building permit is valuated by using sales comparison method. The total net floor area of the hotel is 4 230 m² and it comprises altogether 59 rooms. For 2008 assumed gross rent is 246 000€ and net rent is 150 000 €.

Total Values 31.3.2008

	31.3.2008	31.12.2007
Scandic Continental	66 100 000	66 100 000 €
Scandic Grand Marina	69 900 000	69 900 000 €
Marina Congress Center	10 800 000	10 800 000 €
Hilton Helsinki Kalastajatorppa	41 000 000	41 000 000 €
Hilton Helsinki Strand	41 100 000	41 100 000 €
Airport Hotel Bonus Inn	20 400 000	20 400 000 €
Comfort Hotel Pilotti	7 900 000	7 900 000 €
Scandic Hotel Espoo	12 500 000	12 500 000 €
Hotel Korpilampi	9 400 000	9 400 000 €
Scandic Tampere City	42 700 000	42 700 000 €
Scandic Rosendahl	12 900 000	13 000 000 €
Scandic Hotel Jyväskylä	11 000 000	11 100 000 €
Scandic Kuopio	6 200 000	6 300 000 €
Restel Imatran Valtionhotelli	9 100 000	9 100 000 €
Scandic Kajanus	3 900 000	4 000 000 €
Scandic Luosto	1 800 000	1 800 000 €
Calculation altogether	366 700 000 €	367 100 000 €

Comparing to values in 31.12.2007 net yields with higher-risk hotels have been increased approximately 0,1-0,2 % because of the changes in market situation and is due to lower values of those hotels. Those hotels are situated in smaller towns outside Helsinki Metropolitan area. With other hotels net yields are estimated to be at the same as they were in the end of 2007.

Vantaa 4.4.2008

Hannu Ridell
M.Sc. (Surveying)
Authorized Property Appraiser
Managing Director

Appendix 9: Subscription form for the Rights Offering

Norwegian Property ASA

Rights Offering June/July 2008

SUBSCRIPTION FORM

SUBSCRIPTION GUIDELINES

Shares can only be subscribed from and including 26 June to 16.30 (CET) on 10 July 2008, with pre-emptive rights for the Existing Shareholders in Norwegian Property ASA (”NPRO”) as of 18 June 2008. 1 Subscription Right will be issued for each 1.097 shares held by the eligible shareholders in NPRO on 18 June 2008. 1 Subscription Right gives the right to subscribe for 1 New Share in NPRO. The subscription price is NOK 26 for each New Share. The Subscription Rights will be tradable and listed on Oslo Børs under the ticker code NPRO T during the subscription period. Over-subscription is allowed. The resolution to increase the share capital from the extraordinary general meeting with appendices, the Company's Articles of Association and the annual financial statement and annual report for the last two years and other subscription documentation may be inspected at the Company's business address, Stranden 3A, P.O.Box 1657 Vika, 0120 Oslo, Norway.

Properly completed subscription forms must be sent to Pareto Securities AS, Dronning Maudsgate 3, Postboks 1411 Vika, 0115 Oslo, Telefax: +47 22 83 43 09 or SEB Enskilda AS, Filipstad Brygge 1, P.O. Box 1363 Vika, 0113 Oslo, Norway, Telefax: +47 21 00 89 62.

PAYMENT FOR THE SUBSCRIBED SHARES

On the subscription form, each subscriber provides Pareto Securities AS and SEB Enskilda AS with a one-time power of attorney to debit a specified Norwegian bank account for payment of the allocated shares. Debit of the accounts will take place immediately after allocation, on 21 July 2008 (see below for specification of bank account). Subscribers not having a Norwegian bank account must contact the Managers prior to the payment date in order to secure payment by other means according to instructions from the Managers. Should subscribers have insufficient funds or payment is delayed for any reason the Board reserves the right to cancel or reduce the application or sell the allocated shares at the expense and risk of the subscriber. The allocated shares will not be transferable before they are fully paid and registered with the Norwegian Register of Business Enterprises, expected to take place on or about 29 July 2008.

Notification of allocations will be sent out on or about 17 July 2008. Payment for the allocated shares must be available on the subscribers specified bank account on or before 21 July 2008.

In order for investors to be certain to participate in the Rights Offering, subscription forms must be recieved by Pareto Securities AS/SEB Enskilda AS <u>no later than 10 July 2008 at 16:30 (CET).</u>

The investor bears the risk of any delay in the postal communication, busy facsimiles and data problems preventing orders from being received by the Managers.

SPESIFICATION OF THE SUBSCRIPTION

Subscriber's VPS account no.	No. of Subscription Rights:	No. of New Shares subscribed for (incl. over-subscription):	(For official use: Serial no.)

1 SUBSCRIPTION RIGHT GIVES THE RIGHT TO SUBSCRIBE FOR 1 NEW SHARE

Amount to be paid per Share	Total amount to be paid
NOK 26.00 =	NOK

Pursuant to the terms and conditions set out in the prospectus, I/we hereby subscribe for the number of New Shares indicated above.

I/we hereby give a one-time power of attorney to Pareto Securities AS and SEB Enskilda AS for the direct debiting from my Norwegian bank account for the allotted amount (no. of allotted shares x NOK)

(Bank account. - 11 digits)

NB! If the bank account number for debit is not specified, the subscription form can not be registered.

Place and date of subscription
Must be dated within the subscription period.

Binding signature. The subscriber must be of age.
When signed per procura, documentation in the form of company certificate or power of attorney must be enclosed.

DETAILS OF SUBSCRIBER

Subscriber's VPS account no.	**PLEASE NOTIFY THE REGISTRAR OF ANY CHANGES:**
Subscriber's first name	
Subscriber's surname/firm etc. e.l.	
Street address (private subscribers: state home)	
Postal code and area etc.	
Date of birth and national ID number **MUST BE FILLED OUT**	
Bank account number	
Nationality of subscriber	
Telephone (at day time)/telefax/e-mail	

This Subscription Form should be read and delivered solely in conjunction and together with the Prospectus dated 25 June 2008 (the "Prospectus") for Norwegian Property ASA. In the event of any discrepancy between the contents of the Subsription Form and the Prospectus, the Prospectus shall prevail.

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