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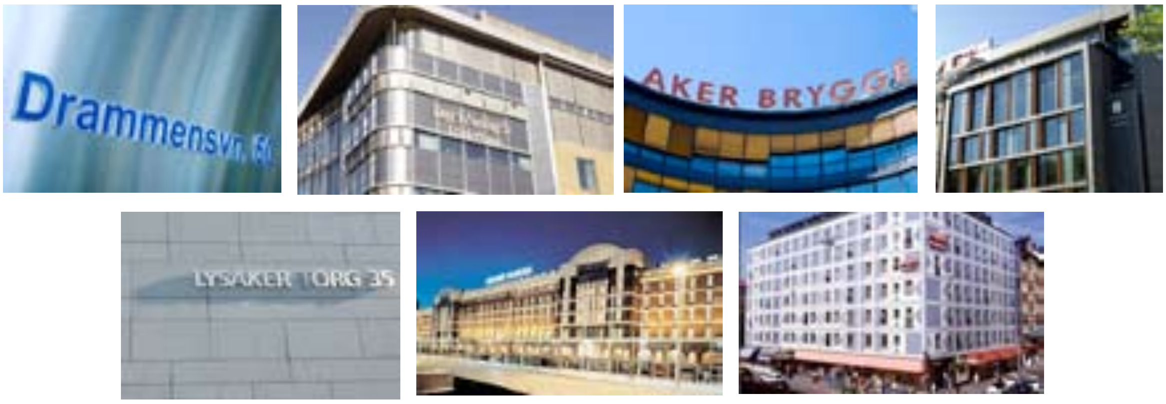
Prospectus

NORWEGIAN PROPERTY

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



Subsequent Offering of up to 50,000,000 additional New Shares with preferred allocation to Eligible Shareholders as of 10 June 2009 at a subscription price of NOK 6.00 per New Share, raising up to NOK 300,000,000 in gross proceeds.

Subscription Period from and including 12 August to 17:30 hours (CET) on 24 August 2009.

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 3 FOR A DISCUSSION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NEW SHARES.

Listing of 201,635,416 New Shares on Oslo Børs ASA, each with a nominal value of NOK 0.50 placed in the Private Placement at a subscription price of NOK 6.00 per New Share, raising total gross proceeds of NOK 1,209,812,496.

Joint Lead Managers:

ARCTIC SECURITIES | Pareto Securities AS | Pareto Private Equity AS

10 August 2009

Important information

This prospectus (the "**Prospectus**") has been prepared in order to provide information about Norwegian Property ASA ("**Norwegian Property**" or the "**Company**") and its business in connection with (i) the listing of 201,635,416 shares in the Company (the "**Placement Shares**") to be issued in the private placement closed in June 2009 (the "**Private Placement**"), and (ii) the subsequent offering of up to 50,000,000 new shares in the Company (the "**Subsequent Offering Shares**") (the "**Subsequent Offering**") as described in this Prospectus. The Placement Shares and the Subsequent Offer Shares are hereinafter also referred to as the "**New Shares**".

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. Arctic Securities ASA, Pareto Securities AS and Pareto Private Equity AS (hereinafter referred to as the "**Managers**") makes 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 related secondary legislation, 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, but contains a Norwegian summary set out in Section 2 herein. Please note that the Norwegian summary is a translation of the English summary as set out in Section 1 in this Prospectus. In the event of any discrepancies between the contents of the Norwegian text and the English text, the English text will prevail.

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 Subsequent 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 of the Company (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 Listing or the Subsequent 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 Subsequent Offering Shares 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 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 New Shares to occur outside of Norway.

The New Shares 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 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.

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.

Investing in the Company's Shares involves risks. See Section 3 "Risk Factors" of this Prospectus.

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APPENDICES

This Prospectus has only been produced in the English language only. An unofficial translation of Section 1 “Summary” has also been produced, and is incorporated in this Prospectus in Section 2 “Norsk sammendrag (Norwegian translation)”. In the event of any discrepancy between the contents of the English and Norwegian text, the English text will prevail.

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. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if 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, Norway. 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-site: www.npro.no.

1.1.2 History

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

2005 ....
- Incorporated in July 2005 with the name Tekågel Invest 83 AS, but no business operations were carried out in 2005.

2006 ....
- Name change into Norwegian Property AS and then Norwegian Property ASA.
- Norwegian Property completed its first private placement of NOK 1.75 billion at a price of NOK 50 per Share.
- Norwegian Property settled the acquisition of its first 28 properties in June 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 settled the acquisitions of additional 27 properties from July to December 2006 with a total value of approximately NOK 8.6 billion.

2007 ....
- Norwegian Property completed a private placement of 6,968,641 Shares at a subscription price of NOK 71.75 per Share, raising gross proceeds of approximately NOK 500 million in March 2007.
- Norwegian Property acquired four office and retail properties at Aker Brygge in Oslo and one hotel in Oslo through Norgani Hotels AS ("**Norgani Hotels**").
- Norwegian Property acquired 17.5% of the shares of Oslo Properties AS ("**Oslo Properties**") in September 2007, 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.
- Norwegian Property entered into agreements to sell two non-core properties for a value of NOK 281.3 million.
- Norwegian Property was included from 24 December 2007 in GPR 250, which is a leading global benchmark index for investors in property shares.

2008 ....
- Norwegian Property entered into agreements during the year to sell eight different non-core properties for a value of NOK 2,070 million.
- Norwegian Property entered into an agreement with NEAS ASA ("**NEAS**") in February 2008 regarding management and operation of its office portfolio.
- Norwegian Property entered into agreements in July and August 2008 to acquire 100% of the shares of Oslo Properties, and by this controlling 100% of the shares of Norgani Hotels.
- Norwegian Property completed a rights issue in July of 96,153,846 Shares at a

subscription price of NOK 26 per Share, raising gross proceed of approximately NOK 2,500 million.

- An extraordinary general meeting was held in July 2008 where three of the board members were replaced with three new ones.
- An extraordinary general meeting was held in December 2008 electing the current Board.

2009................................

- Norwegian Property entered into agreements to sell one property in February 2009 for a total value of NOK 324 million, and to terminate an obligation to acquire a hotel property at the end of 2009.
- Petter Jansen informed the Board of Directors that he wants to resign from his position as CEO of the Company.
- Restructuring of the Company's interest bearing debt and completion of the Private Placement raising gross proceeds of approximately NOK 1.2 billion (as described in Section 6 "The Private Placement" of this Prospectus).

1.1.3 Business description

The Group has two business segments:

- Commercial properties (the "**Commercial Properties**" or "**Commercial Property**") (Norwegian Property), which includes office properties, warehouses, and retail properties (shopping areas), in addition to parking area in connection with the office areas; and

- hotel properties (the "**Hotel Properties**" or "**Hotel Property**") (Oslo Properties/Norgani Hotels).

The Company's business segment division is in conformity with its legal organisation and the internal management reporting.

As of 30 June 2009, the combined portfolio of Norwegian Property and Norgani Hotels consisted of 122 properties with a total of 1,306,053 sqm of prime office, retail and hotel properties across the Nordic region.

Commercial Properties

As of 30 June 2009, Norwegian Property owned 48 Commercial Properties, mainly located in Oslo and Stavanger.

Norwegian Property has a tenant portfolio of attractive and well-established organizations and companies. The tenants consist of companies within several different lines of service, with Oil/Oil Service, Telecom/IT and Financial services representing approximately 61%. Average contract duration for the tenants as of 30 June 2009 is 5.2 years.

Norwegian Property sold eight non-core assets during 2008, with a total value of NOK 2,070 million. The properties sold included Østre Akervei 20 and 22 (Oslo), Forskningsveien 2 (Oslo), Magnus Paulssons vei 7 (Oslo), Økernveien 9 (Oslo), Nedre Holmegate 30-34 (Stavanger), Elvegaten 25 (Sandnes) and Grev Wedels Plass 9 (Oslo). Grev Wedels Plass 9 was agreed sold in 2008 and the transaction was completed in January 2009. Drammensveien 144 (Oslo) was sold in 2009.

A detailed overview of the Commercial Properties owned by Norwegian Property is set forth in Section 8.7 "Commercial Properties" below.

Hotel Properties

The Hotel Properties are organised in Norgani Hotels, which had a portfolio of 73 Hotel Properties in addition to one conference centre as of 30 June 2009. The Hotel Properties are located in Sweden, Finland, Norway and Denmark. Altogether, the 74 properties have 12,879 rooms and an area of 671,480 sqm. Most of all the space is leased for hotel operation, but some hotels also have small areas leased for other types of activity.

By the end of June 2009, all the Hotel Properties 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. The

Hotel Properties had a rental income in 2008 of NOK 787 million. The weighted average duration of lease contracts as of 30 June 2009 is approximately 9.7 years.

Detailed information regarding the Hotel Properties in Norway, Denmark, Sweden and Finland is set forth in Section 8.8 ”Hotel Properties (Norgani Hotels)” below.

1.2 PURPOSE AND BACKGROUND FOR THE OFFERINGS

Both the general macroeconomic climate and the property markets in the Nordic region have seen a weak development so far in 2009, including but not limited to, a reduced demand for office space and lower rental prices and a negative development in the Nordic hotel market.

According to expectations, conditions in the hotel market will be challenging throughout 2009. Norwegian Property has over a period had an objective to strengthen the balance sheet and to secure a robust financial position for the Company. In order to achieve this, Norwegian Property has been working to improve debt arrangements and covenant structures as well as evaluated different strategies to raise equity.

Norwegian Property negotiated with its key banks potential amendments and changes to the Company’s current loan agreements. Several amendments with respect to inter alia covenants and repayment dates for the respective loan agreements have been achieved. These amendments were subject to the Company raising equity in the range of NOK 1,200 to 1,500 million. As a consequence, the Board of Directors proposed to raise approximately NOK 1,200 million through a private placement (subject to approval by an extraordinary general meeting of the Company), for which subscriptions were subsequently successfully received. The extraordinary general meeting approved inter alia the share capital increase through the Private Placement on 24 June 2009.

It has been of vital importance for the Company that none of the Company’s shareholders should receive an unreasonable advantage on behalf of other shareholders. The Company has considered the principle of equal treatment of shareholders as set out in the Norwegian Public Limited Liability Companies Act, and the chosen model for completion of both offerings aims at giving the shareholders an equal right to maintain their relative ownership compared to the shareholders participating in the Private Placement.

The background for the Private Placement and the Subsequent Offering is described in more detail in Sections 6.1 “Background for the Private Placement”and 7.1 “Background and overview of the Subsequent Offering” below.

1.3 DESCRIPTION OF THE OFFERINGS

1.3.1 The Private Placement

On 9 June 2009, the Board of Directors resolved to conduct a private placement of up to 201.6 million new shares at a price set through a bookbuilding procedure conducted by the Managers. After the end of the subscription period, the subscription price was set to NOK 6.00 per Placement Share, constituting approximately NOK 1,200 million in gross proceeds.

The conditional notice of allocation was sent to the investors on 10 June 2009 and payment was received on 29 June 2009.

Completion of the Private Placement is conditional upon registration of the share capital reduction, estimated to take place on or around 26 August 2009, see Section 6.3 “Conditions to completion of the Private Placement” below.

1.3.2 The Subsequent Offering

The Subsequent Offering comprises an offering of up to 50,000,000 Subsequent Offering Shares. The shareholders of Norwegian Property as of 10 June 2009, appearing as shareholders in the Norwegian Central Securities Depository (the “**VPS**”) on 16 June 2009, except for those shareholders who were given the opportunity to subscribe for Placement Shares in the Private Placement, their respective affiliates and those shareholders that are restricted from participating due to laws and regulations in their home country jurisdiction (the “**Eligible Shareholders**”), will, to the extent possible, be given preferred allocation in the Subsequent Offering to maintain their relative ownership as of 10 June 2009 following the Private Placement within the limit of 50,000,000 Shares. The Eligible Shareholders will be given preferred allocation for 0.5 Subsequent Offering Shares for each Share owned as of 10 June 2009.

It will be issued 0.5 subscription rights ("**Subscription Rights**") for each Share owned by an Eligible Shareholder as of 10 June 2009. One (1) Subscription Right gives the right of preferred allocation of one (1) Subsequent Offering Share. Over-subscription and subscription without Subscription Rights are allowed. The Subscription Rights will not be transferable and will not be listed on Oslo Børs.

The subscription period (the "**Subscription Period**") for the Subsequent Offering will commence on 12 August 2009 and expire at 17:30 hours (CET) on 24 August 2009. The Subscription Period may not be extended.

The subscription price in the Subsequent Offering is NOK 6.00 per Subsequent Offering Share, which is equal to the subscription price in the Private Placement.

Completion of the Subsequent Offering is conditional upon completion of the Private Placement, see Section 7.4 "The Subsequent Offering" below.

1.4 CONDITIONS AND TIME TABLE FOR THE SUBSEQUENT OFFERING

Below is a brief overview of the terms and time table for the Subsequent Offering:

Shares offered...	Up to 50,000,000 Subsequent Offering Shares
Subscription price per Share.....................................	NOK 6.00 per Subsequent Offering Share equalling the price in the Private Placement.
Record date...	10 June 2009.
Subscription Period	From and including 12 August 2009 to and including 17.30 hours (CET) on 24 August 2009.
Preferred allocation...	Eligible Shareholders will be given preferred allocation for 0.5 Subsequent Offering Share per Share owned per 10 June 2009.
Subscription Rights	It will be issued 0.5 Subscription Right for each Share owned by an Eligible Shareholder as of 10 June 2009. One (1) Subscription Right gives the right of preferred allocation of one (1) Subsequent Offering Share. Over-subscription and subscription without Subscription Rights are allowed. The Subscription Rights will not be transferable and will not be listed on Oslo Børs. The Subscription Rights must be used for subscription of Subsequent Offering Shares during the Subscription Period for the Subsequent Offering. After expiry of the Subscription Period for the Subsequent Offering, the Subscription Rights will be deleted in the VPS and be of no value.
Allocation date..	On or about 26 August 2009.
Payment date	On or about 1 September 2009.
Distribution of allocated shares	On or about 7 September 2009.
Listing of the Subsequent Offering Shares................	On or about 8 September 2009.

Subscriptions for Subsequent Offering Shares must be made on a subscription form in the form as attached as Appendix 6 and 7 hereto (the "**Subscription Form**"). The Subscription Form must be received by the Managers by 17:30 hours (CET) on 24 August 2009. Norwegian subscribers may also apply for Subsequent Offering Shares on the internet within the Subscription Period through the web-pages www.arcticsec.no and www.pareto.no.

The Board 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.

Allotment of the Subsequent Offering Shares is expected to take place on or about 26 August 2009. The Board reserves the right to round off, cancel or reduce any subscription.

The following allocation criteria will be used in the Subsequent Offering:

1. All Eligible Shareholders who subscribe in the Subsequent Offering will be allocated 0.5 Subsequent Offering Shares per Share owned as of 10 June 2009 (appearing in the VPS on 16 June 2009).
2. In the event all Eligible Shareholders do not fully utilize their pre-emptive right according to critera 1 above, those Eligible Shareholders who have over-subscribed, will have a right to be allocated remaining shares not subscribed for on a pro rata basis. In the event a pro rata allocation is not possible due to few remaining shares, the Company will determine the allocation by drawing lots or applying similar mechanisms through the automated procedure applicable through the VPS.
3. To the extent the Subsequent Offering is not fully subscribed and allocated in accordance with criterias 1 and 2 above, allocation will be made to other Subscribers not being Eligible Shareholders at the discretion of the Board.

General information on the number of Subsequent Offering Shares is expected to be published on or about 27 August 2009 in the form of a stock exchange release through the Oslo Børs information system. All subscribers being allotted Subsequent Offering Shares will receive a letter from the VPS confirming the number of Subsequent Offering Shares allotted to the subscriber and the corresponding amount to be paid. This letter is expected to be mailed on or about 26 August 2009.

Each subscriber must provide a one-time irrevocable authorisation to the Managers to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the Subsequent Offering Shares allotted to such subscriber by signing the Subscription Form when subscribing for Subsequent Offering Shares. The amount will be debited on or about 1 September 2009. Subscribers not having a Norwegian bank account must ensure that payment for their Subsequent Offering Shares with cleared funds is made on or before 12:00 hours (CET) on 31 August 2009 and should contact the Managers in this respect.

1.5 THE LISTING AND ADMISSION TO TRADING OF THE NEW SHARES

Following the publication of this Prospectus and the expiry of the creditor notice period (expected on or about 25 August 2009), the Placement Shares will be issued and listed and begin trading on Oslo Børs, being on or about 27 August 2009.

The Subsequent Offering Shares to be issued to subscribers in the Subsequent Offering will also be listed on Oslo Børs. Assuming timely payment by all subscribers, the Company expects that the Subsequent Offering Shares will be listed on Oslo Børs on or about 8 September 2009.

1.6 EXPENSES IN CONNECTION WITH THE OFFERINGS

Costs attributable to the Private Placement and the Subsequent Offering will be borne by the Company. The total costs are expected to amount to approximately NOK 62 million.

1.7 SUMMARY OF RISK FACTORS

A number of risk factors may adversely affect the Company. Below is a summary of the factors described in Section 3 “Risk Factors” believed to be most relevant. Please note that the risks below are not the only risks that may affect the Company’s business or the value of the Shares. Additional risks not presently known to the Company or currently considered immaterial may also impair its business operations and prospects.

1.7.1 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 increase in supply for office space and accommodation.

1.7.2 Operational risk

Operational risk include risk for financial status and strength of the Company's tenants and thus their ability to service their rent etc., 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 costs, risk for decreased technical conditions, risk for hidden defects and emissions, risk for regulated areas which restricts use, risk from use of title companies and fraud risk.

1.7.3 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 and exchange rate risk.

1.7.4 Risk factors relating to the Shares

The risk related to the Company's Shares include price volatility of publicly traded securities, reputation damage and news, which may adversely affect the share price and the stock performance of the Company.

1.8 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

1.8.1 Board of Directors

The Company's Board of Directors consists of the following members: Tormod Hermansen (Chairman), Harald Grimsrud (Deputy Chairman), Nils K. Selte (Board member), Synne Syrrist (Board member) and Gry Mølleskog (Board member). For more information, please see Section 13.1 "Board of Directors" below.

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

1.8.2 Management

The management of the Company currently consists of the following members: Petter Jansen (Chief Executive Officer), Mari Thjømøe (Chief Financial Officer), Dag Fladby (Chief Investment Officer) and Aili E. Klami (Chief Operating Officer).

Both the Chief Executive Officer, Mr. Petter Jansen, and the Chief Investment Officer, Mr. Dag Fladby have resigned from their posisitions in the Company. They will remain in their positions until replacements have been found.

For more information, please see Section 13.2 "Management" below.

1.8.3 Employees

As of the date of this Prospectus, the Company has 36 employees. For more information, please see Section 13.7 "Employees" below.

1.9 ADVISORS AND AUDITOR

1.9.1 Managers

The Managers for the Private Placement and the Subsequent Offering are Arctic Securities ASA, Haakon VII's gate 5, P.O. Box 1833 Vika, 0123 Oslo, Norway, Pareto Securities AS, Dronning Maudsgate 3, P.O. Box 1411 Vika, 0115 Oslo, Norway and Pareto Private Equity AS, Dronning Maudsgate 3, P.O. Box 1411 Vika, 0115 Oslo, Norway.

1.9.2 Legal advisor

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

1.9.3 Independent auditor

The Company's auditor is Deloitte AS (“**Deloitte**”). For more information about the auditor, please see Section 10.5 ”Independent auditor” below.

1.10 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 10 “Consolidated financial information”, 11 “Operating and financial review” and 12 “Capital resources” in this Prospectus.

1.10.1 Summary of consolidated income statement

NOK 1,000	**As per 30 June 2009 (unaudited)**	**As per 30 June 2008 (unaudited)**	**Full year 2008 (audited)**	**Full year 2007 (audited)** [1]	**Full year 2006 (audited)**
Gross rental income	892,504	946,194	1,866,774	1,195,686	414,773
Total operating cost	(143,045)	(139,978)	(283,713)	(159,367)	(63,062)
Operating profit before fair value adj. investment property	**749,459**	**806,215**	**1,583,062**	**1,036,319**	**351,711**
Operating profit	**(657,756)**	**(967,842)**	**(2,591,047)**	**2,264,738**	**744,955**
Net financial items	(715,582)	(270,901)	(2,527,858)	(614,143)	(205,498)
Profit before income tax	**(1,373,338**	**(1,238,743)**	**(5,118,905)**	**1,650,595**	**539,457**
Income tax expense	179,841	347,402	928,194	(460,736)	(148,565)
Profit for the period	**(1,193,497)**	**(891,342)**	**(4,190,711)**	**1,189,859**	**390,892**
Minority interests	-	(46,744)	132,322	(4,829)	(1,256)
Profit after minority interests	**(1,193,497)**	**(844,598)**	**(4,058,389)**	**1,185,030**	**389,636**
Basic and diluted earnings per share for profit attributable to shareholders (NOK)	(5.92)	(7.52)	(25.81)	11.42	5.14

1.10.2 Summary of consolidated balance sheet

NOK 1,000	**As per 30 June 2009 (unaudited)**	**As per 30 June 2008 (unaudited)**	**As per 31 December 2008 (audited)**	**As per 31 December 2007 (audited)** [2]	**As per 31 December 2006 (audited)**
Total non-current assets	25,191,818	29,252,906	28,258,607	32,194,589	15,184,916
Total current assets	553,779	4,155,361	667,716	1,687,498	1,703,015
TOTAL ASSETS	**25,745,597**	**33,408,267**	**28,926,323**	**33,882,087**	**16,887,931**
Total equity	**3,647,165**	**8,048,466**	**5,001,160**	**6,830,903**	**5,373,227**
Non-current liabilities	20,076,120	22,284,281	21,693,743	23,255,713	10,996,397
Total current liabilities	2,022,306	3,075,520	2,231,420	3,795,470	518,307
Total liabilities	**22,098,433**	**25,359,802**	**23,925,163**	**27,051,183**	**11,514,704**
TOTAL EQUITY AND LIABILITIES	**25,745,597**	**33,408,267**	**28,926,323**	**33,882,087**	**16,887,931**

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

1.10.3 Summary of consolidated cash flow

NOK 1,000	As per 30 June 2009 (unaudited)	As per 30 June 2008 (unaudited)	As per 31 December 2008 (audited)	As per 31 December 2007 (audited)[3]	As per 31 December 2006 (audited)
Net cash flow from operating activities	676,265	660,374	1,715,677	1,066,873	576,311
Net cash flow from investment activities	997,119	1,219,803	847,206	(8,363,412)	(14,823,896)
Net cash flow from financing activities	(1,608,956)	(2,191,819)	(3,032,159)	6,675,980	15,499,947
Net change in cash and cash equivalents	**64,427**	**(311,642)**	**(469,276)**	**(620,559)**	**1,252,362**
Opening balance of cash and cash equivalents	**174,220**	**635,476**	635,476	1,252,462	100
Exchange rates	**(7,450)**	**82**	8,020	3,573	-
Cash and cash equivalents end of period	**231,197**	**323,915**	**174,220**	**635,476**	**1,252,462**

1.10.4 Significant changes to the Company's financial or trading position since 30 June 2009

There have been no significant changes in the financial and trading position of Norwegian Property since 30 June 2009.

1.11 SUMMARY OF CAPITALISATION AND INDEBTENESS

For further information, please refer to Section 12.4 "Capitalisation and indebtedness" below.

NOK million	30.06.2009 (unaudited)
Shareholders equity (A)	3,647.2
Total current debt	2,022.3
Total non-current debt	20,076.1
Total indebtedness (B)	22,098.4
Total capitalisation (A + B)	25,745.6
Liquidity (C)	231.2
Current financial receivable (D)	60.8
Current financial debt (E)	1,414.6
Non-current financial debt (F)	19,638.1
Net financial indebtedness (C+D-E-F)	**20,760.7**

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

1.12 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1.12.1 Major shareholders

As of 10 August 2009, the Company had in total 2,694 shareholders, of which 2,535 were Norwegian and 159 were non-Norwegian. The five largest shareholders are shown in the table below:

	Name of shareholder	Number of Shares	Percentage (%)
1	AWilhelmsen Capital	23,254,334	11.53
2	Canica AS	9,246,467	4.59
3	Credit Suisse Securities (Europe) Prime Broker	7,955,885	3.95
4	Trondheim Kommunale Pensjonskasse	6,199,700	3.07
5	Vital Forsikring ASA	6,089,907	3.02

1.12.2 Related party transactions

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

- Property transactions with share considerations to sellers;
- facility management agreements (property management agreements);
- rental agreements with shareholders; and
- interest charges from parent to subsidiaries.

Related party transactions have been done on arm’s length basis (please also refer to Section 16.3 “Related parties/Management agreements” in this Prospectus).

1.12.3 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 30 June 2009 and the date of this Prospectus, other than those described elsewhere in this Prospectus. Please see Section 8 “Presentation of Norwegian Property”, Section 9 “The Market”, Section 10 “Consolidated financial information” and Section 14 “Share capital and shareholder matters” for more information about significant recent trends in the Group’s business and relevant markets.

1.13 ADDITIONAL INFORMATION

1.13.1 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 5,040,885,400, divided into 201,635,416 Shares with a nominal value of NOK 25 per Share, all of which are fully paid.

Including the share capital fully paid from the Private Placement and the registration of the completion of the share capital reduction, the Company’s share capital will be NOK 201,635,416, divided into 403,270,832 Shares, each with a nominal value of NOK 0.5 per Share.

The dilutive effect in connection with the the Private Placement and the Subsequent Offering will be 55.5%, assuming full subscription of the Subsequent Offering.

	Prior to the Private Placement and the Subsequent Offering	Prior to the Subsequent Offering	Subsequent to both offerings
No of Shares	201,635,416	403,270,832	453,270,832
% dilution	100.0%	50.0%	44.5%

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 (the "**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 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, P.O.Box 1166 Sentrum, 0107 Oslo, Norway.

See Section 14 "Share capital and shareholder matters" below for a further description of the Company's share capital.

1.13.2 Articles of Association

The Company's current Articles of Association is 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 is described in Section 14.6.1 "The Company's objects and purpose" in this Prospectus.

1.13.3 Documents on display

For the life of this Prospectus, the documents indicated in the list below, may be inspected at the Company's offices at Stranden 3 A, 0250 Oslo, Norway or requested by telephone: +47 22 83 40 20 or telefax: +47 22 83 40 21 or downloaded from the Company's web-site: 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 2 quarter financial figures ended 30 June 2009 (may also be inspected in Appendix 2 to this Prospectus);
- The Company's historical financial information for the twelve months ended 31 December 2008 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 2007 and auditors report (may also be inspected in Appendix 4 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 5 to this Prospectus); and
- Valuation report from DTZ (may also be inspected in Appendix 6 to this Prospectus).

In addition, the Company has approximately 210 subsidiaries, which reports to the Group, see Sections 8.3 "Legal structure" and 8.4 "Description of the main companies in the current Group".

1.13.4 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. NORSK SAMMENDRAG (NORWEGIAN TRANSLATION)

This Section is a translation of Section 1 "Summary" incorporated in this Prospectus. In the event there are any discrepancies between the contents of this Norwegian text and the English text, the English text will prevail.

Dette kapittelet er en oversettelse av kapittel 1 "Summary" inntatt i dette prospektet ("Prospektet"). Dersom det oppstår motstrid i fortolkningen av de to kapitlene, går den engelske versjonen foran.

2.1 BESKRIVELSE AV NORWEGIAN PROPERTY

2.1.1 Innledning

Norwegian Property ASA ("**Norwegian Property**" eller "**Selskapet**") er et norsk allmennaksjeselskap stiftet den 20. juli 2005 i henhold til norsk lov. Selskapets hovedkontor er i Oslo, Norge. Selskapets adresse er Stranden 3 A, Postboks 1657 Vika, 0120 Oslo, Norge, telefon: +47 22 83 40 20, telefaks: +47 22 83 40 21, web-side: www.npro.no.

2.1.2 Historie

Noen av de viktigste begivenhetene i Norwegian Propertys historie er:

2005	• Stiftet i juli 2005 under navnet Tekågel Invest 83 AS. Ingen virksomhet ble utført i 2005.
2006	• Bytte av navn til Norwegian Property AS og deretter til Norwegian Property ASA. • Norwegian Property gjennomførte sin første rettede emisjon på NOK 1,75 milliarder til en pris på NOK 50 per aksje. • Norwegian Property kjøpte sine første 28 eiendommer i juni med en total verdi på ca. NOK 8,4 milliarder. Selgerne deltok med ca. NOK 1,35 milliarder i ny egenkapital som ble tegnet til en kurs på NOK 50 per aksje. • Selskapet kjøpte i tillegg 27 eiendommer i perioden fra juli til desember 2006, med en total verdi på ca. NOK 8,6 milliarder.
2007	• Norwegian Property gjennomførte en rettet emisjon av 6.968.641 aksjer til en tegningskurs på NOK 71.75 per aksje, tilsvarende brutto emisjonsproveny på ca. NOK 500 millioner i mars 2007. • Norwegian Property kjøpte fire kontoreiendommer på Aker Brygge i Oslo og ett hotell i Oslo gjennom Norgani Hotels AS ("**Norgani Hotels**"). • Norwegian Property kjøpte 17,5% av aksjene i Oslo Properties AS ("**Oslo Properties**") i september 2007, og inngikk avtaler hvor Norwegian Property kunne bli eier av mer enn 90% av aksjene i Oslo Properties. Oslo Properties fremsatte et frivillig og et pliktig tilbud for alle utestående aksjer i Norgani Hotels, og ble eier av 100% av aksjene i Norgani Hotels. • Norwegian Property inngikk avtaler om å selge to eiendommer utenfor kjerneeiendommene for en verdi på NOK 281.3 millioner. • Norwegian Property ble inkludert i GPR 250 fra den 24. desember 2007, som er en ledende global indeks for investorer i eiendomsaksjer.

2008	•	Norwegian Property inngikk gjennom året avtaler om å selge åtte forskjellige eiendommer utenfor kjerneområdet med en total verdi på NOK 2.070 millioner.
	•	Norwegian Property inngikk en avtale med NEAS ASA ("**NEAS**") i februar 2008 vedrørende ledelse og drift av Selskapets kontorportefølje.
	•	Norwegian Property inngikk avtaler i juli og august 2008 om kjøp av 100% av aksjene i Oslo Properties og ved dette å kontrollere 100% av aksjene i Norgani Hotels.
	•	Norwegian Property gjennomførte en fortrinnsrettsemisjon i juli av 96.153.846 aksjer til en tegningskurs på NOK 26 per aksje, tilsvarende brutto emisjonsproveny på ca. NOK 2.500 millioner.
	•	Det ble avholdt en ekstraordinær generalforsamling i juli 2008, hvorpå tre av styremedlemmene ble skiftet ut med tre nye.
	•	En ekstraordinær generalforsamling ble avholdt i desember 2008 hvor det nåværende styret ble valgt.
2009	•	Norwegian Property inngikk avtaler om å selge en eiendom i februar 2009 for en total verdi på NOK 324 millioner, og å avslutte opsjonen om å kjøpe hotelleiendom ved slutten av 2009.
	•	Petter Jansen informerte styret om at han ønsket å trekke seg fra sin posisjon om administrerende direktør i Selskapet.
	•	Restrukturering av selskapets rentebærende gjeld og gjennomføring av en rettet emisjon med brutto proveny på NOK 1,2 milliarder (som beskrevet i kapittel 6 "The Private Placement" i dette Prospektet).

2.1.3 Beskrivelse av Selskapets virksomhet

Konsernet har to forretningsområder:

- Næringseiendommer ("**Næringseiendommer**" eller "**Næringseiendom**") (Norwegian Property), som inkluderer kontoreiendommer, lagerbygninger og butikkeiendommer (handleområder), i tillegg til parkeringsområder i forbindelse med kontorområdene; og

- Hotell eiendommer ("**Hotelleiendommer**" eller "**Hotelleiendom**") (Oslo Properties/Norgani Hotels).

Selskapets inndeling i forretningsområder er i samsvar med dets juridiske organisasjon og interne rapportering.

Per 30. juni 2009 besto den kombinerte porteføljen i Norwegian Property og Norgani Hotels av 122 eiendommer med totalt 1.306.053 m^2 av kontor-, nærings- og hotelleiendommer i den nordiske regionen.

Næringseiendommer

Per 30. juni 2009, eide Norwegian Property 48 Næringseiendommer hovedsaklig lokalisert i Oslo og Stavanger.

Norwegian Property har en portefølje av attraktive og veletablerte organisasjoner og selskaper som leietakere. Leietakerne består av selskaper innenfor flere forskjellige næringer hvorav olje/offshore-service, telekom/IT og finansielle tjenester representerer ca. 61%. Gjennomsnittlig kontraktstid for leietakerne per 30. juni 2009 er 5,2 år.

Norwegian Property solgte åtte eiendommer utenfor kjerneområdet i 2008, med en total verdi på NOK 2.070 millioner. De solgte eiendommene inkluderte Østre Akervei 20 og 22 (Oslo), Forskningsveien 2 (Oslo), Magnus Paulssons vei 7 (Oslo), Økernveien 9 (Oslo), Nedre Holmegate 30-34 (Stavanger), Elvegaten 25 (Sandnes) og Grev Wedels Plass 9 (Oslo). Grev Wedels Plass 9 ble avtalt solgt 2008 og transaksjonen ble gjennomført i januar 2009. Drammensveien 144 (Oslo) ble solgt i 2009.

En detaljert oversikt over Næringseiendommene eiet av Norwegian Property er inntatt i kapittel 8.7 "Commercial Properties" nedenfor.

Hotelleiendommer

Hotelleiendommene er organisert i Norgani Hotels som per 30. juni 2009 hadde en portefølje av 73 Hotelleiendommer i tillegg til ett konferansesenter. Hotelleiendommene er lokalisert i Sverige, Finland, Norge og Danmark. De 74 eiendommene har til sammen 12.879 rom og et areal på 671.480 m^2. De fleste av eiendommene er utleid til hotellvirksomhet, men noen hoteller har også mindre områder som er utleid til andre typer virksomheter.

Ved slutten av juni 2009 var alle Hotelleiendommene utleid med kun uvesentlig ledighet. Bortsett fra ett hotell var alle leiekontraktene på en omsetningsbasert leie med forskjellige rater for overnatting og mat/drikke, som er den mest vanlige type kontrakt i den nordiske regionen. Hotelleiendommene hadde i 2008 en omsetning på NOK 787 millioner. Gjennomsnittlig vektet lengde på disse leiekontraktene var ca. 9,7 år per 30. juni 2009.

Detaljert informasjon om Hotelleiendommene i Norge, Danmark, Sverige og Finland er inntatt i kapittel 8.8 ”Hotel Properties (Norgani Hotels)” nedenfor.

2.2 FORMÅL OG BAKGRUNN FOR EMISJONENE

Både det makroøkonomiske klimaet og eiendomsmarkedene i den nordiske regionen har sett en svak utvikling så langt i 2009, inkludert men ikke begrenset til en redusert etterspørsel etter kontoreiendom og lavere leiepriser samt en negativ utvikling i det nordiske hotellmarkedet.

Forholdene i hotellmarkedet ventes å være utfordrende gjennom 2009. Norwegian Property har over en periode hatt et mål om å styrke balansen og å sikre en robust finansiell posisjon for Selskapet. For å møte dette målet har Norwegian Property arbeidet med å forbedre gjeldssituasjonen og gjeldsbetingelsene i tillegg til å ha vurdert flere strategier for å styrke egenkapitalen.

Norwegian Property har forhandlet med sine hovedbankforbindelse om flere endringer til Selskapets nåværende låneavtaler. Det har blitt oppnådd enighet om flere endringer med hensyn til bl.a. betingelser og tilbakebetalingsdatoer for de respektive låneavtalene. Endringene var betinget av at Selskapet innhentet egenkapital i størrelsesorden NOK 1,2 til 1,5 milliarder. Som en konsekvens av dette foreslo styret å innhente ca. NOK 1,2 mrd. gjennom en rettet emisjon (betinget av godkjennelse fra den ekstraordinære generalforsamlingen i Selskapet), som ble fulltegnet. Den ekstraordinære generalforsamlingen godkjente bl.a. kapitalinnhentingen gjennom den rettede emisjonen (den “**Rettede Emisjonen**”) den 24. juni 2009.

Det har vært av avgjørende betydning for Selskapet at ingen av Selskapets aksjonærer skulle motta en urimelig fordel fremfor andre aksjonærer. Selskapet har vurdert prinsippet om likebehandling av aksjonærer i henhold til allmennaksjeloven, og valgt modellen for gjennomføring av begge emisjonene med det mål å gi alle aksjonærer en lik rett til å opprettholde sitt relative eierskap sammenlignet med aksjonærene som deltok i den Rettede Emisjonen.

Bakgrunnen for den Rettede Emisjonen og den etterfølgende emisjonen (den ”**Etterfølgende Emisjonen**”) er beskrevet i mer detalj i kapitlene 6.1 “Background for the Private Placement” og 7.1 “Background and overview of the Subsequent Offering” nedenfor.

2.3 BESKRIVELSE AV EMISJONENE

2.3.1 Den Rettede Emisjonen

Den 9. juni 2009 besluttet styret å gjennomføre en rettet emisjon på opp til 201,6 millioner nye aksjer til en pris som skulle bli satt gjennom en bookbuilding prosess gjennomført av tilretteleggerne. Etter avslutningen av tegningsperioden ble tegningskursen satt til NOK 6 per aksje, tilsvarende ca. NOK 1,2 milliarder i brutto emisjonsproveny.

Betinget tildeling ble sendt til investorene den 10. juni 2009 og betaling ble mottatt den 29. juni 2009.

Gjennomføring av den Rettede Emisjonen var betinget av registrering av kapitalnedsettelsen, estimert til å skje ca. 26. august 2009, se kapittel 6.3 “Conditions to completion of the Private Placement” nedenfor.

2.3.2 Den Etterfølgende Emisjonen

Den Etterfølgende Emisjonen består av opp til 50.00.000 etterfølgende nye aksjer (”**Etterfølgende Nye Aksjer**”). Aksjonærer i Norwegian Property per den 10. juni 2009, synlige som aksjonærer i Verdipapirsentralen (“**VPS**”) den 16. juni 2009, med unntak for de aksjonærene som ble invitert til å tegne aksjer i den Rettede Emisjonen, deres respektive tilknyttede personer og de aksjonærer som ikke kan delta som følge av begrensninger i lover og regler i deres hjemmehørende jurisdiksjoner (de "**Kvalifiserte Aksjonærene**"), vil så langt det er mulig bli gitt prioritert tildeling i den Etterfølgende Emisjonen for å kunne opprettholde deres relative eierandel per 10. juni 2009 etter den Rettede Emisjonen inntil begrensningen av 50.000.000 aksjer. Kvalifiserte Aksjonærer vil bli gitt en prioritert tildeling av 0,5 Etterfølgende Nye Aksjer for hver aksje eiet per 10. juni 2009 rundet opp til nærmeste hele aksje.

Det vil bli utstedt 0,5 tegningsretter ("**Tegningsretter**") for hver aksje eiet av Kvalifiserte Aksjonærer per 10. juni 2009. Én (1) Tegningsrett gir rett til å motta tildeling av én (1) Etterfølgende Ny Aksje. Overtildeling og tegning uten tegningsretter er tillatt. Tegningsrettene vil ikke være omsettbare og vil ikke bli notert på Oslo Børs.

Tegningsperioden ("**Tegningsperioden**") for den Etterfølgende Emisjonen vil starte den 12. august 2009 og utløpe kl. 17:30 (CET) den 24. august 2009. Tegningsperioden kan ikke bli utsatt.

Tegningskursen i den Etterfølgende Emisjonen er NOK 6,00 per Etterfølgende Nye Aksje, tilsvarende tegningskursen i den Rettede Emisjonen.

Gjennomføring av den Etterfølgende Emisjonen er betinget av oppfyllelse av vilkårene for den Rettede Emisjonen, se kapittel 7.4 "The Subsequent Offering" under.

2.4 BETINGELSER OG TIDSPLAN FOR DEN ETTERFØLGENDE EMISJONEN

Nedenfor oppstilles et kort sammendrag av vilkårene og tidsplanen for den Etterfølgende Emisjonen:

Aksjer tilbudt	Opp til 50.000.000 Etterfølgende Nye Aksjer
Tegningskurs per aksje	NOK 6,00 per Etterfølgende Nye Aksje, tilsvarende tegningskursen i den Rettede Emisjonen.
Ex dato	10. juni 2009.
Tegningsperiode	Fra og med den 12. august 2009 til kl. 17:30 (CET) den 24. august 2009.
Prioritert tildeling	Kvalifiserte Aksjonærer vil bli gitt tildeling for 0,5 Etterfølgende Ny Aksje per aksje eiet per ex.dato.
Tegningsretter	Det vil bli utstedt 0.5 Tegningsretter for hver aksje eiet av Kvalifiserte Aksjonærer den 10. juni 2009. En (1) Tegningsrett gir rett til å få tildelt (1) Etterfølgende Ny Aksje. Overtegning og tegning uten Tegningsretter er tillatt. Tegningsrettene vil ikke være omsettbare og vil ikke bli notert på Oslo Børs. Tegningsrettene må benyttes til tegning av Etterfølgende Nye Aksjer i den Etterfølgende Emisjonen i Tegningsperioden. Tegningsrettene vil etter utløpet av Tegningsperioden bli slettet i VPS og vil ikke ha noen verdi.
Tildelingsdato	Ca. 26. august 2009.
Betalingsdato	Ca. 1. september 2009.
Levering av tildelte aksjer	Ca. 7. september 2009.
Notering av Etterfølgende Nye Aksjer	Ca. 8. september 2009.

Tegninger for Etterfølgende Nye Aksjer må gjøres på en tegningsblankett i den form som er inntatt som Vedlegg 6 og 7 i dette Prospektet ("**Tegningsblankett**"). Tegningsblanketten må være mottatt av en av Tilretteleggerne innen kl. 17:30 (CET) den 24. august 2009. Norske tegnere kan også bestille aksjer via interett innen utløpet av Tegningsperioden på web-adressene www.arcticsec.no og www.pareto.no.

Styret og Tilretteleggerne kan etter eget skjønn velge å se bort ifra enhver Tegningsblankett som ikke er korrekt utfylt eller levert for sent eller en tegning som er ulovlig. Tegningen er ugjenkallelig og kan ikke tilbakekalles, kanselleres eller endres etter at den har blitt levert til en av Tilretteleggerne.

Tildeling av Etterfølgende Nye Aksjer er forventet å skje ca. 26. august 2009. Styret forbeholder seg retten til å runde av, kansellere eller redusere enhver tegning.

Følgende tildelingskriterier vil bli benyttet i den Etterfølgende Emisjonen:

1. Alle Kvalifiserte Aksjonærer som tegner i den Etterfølgende Emisjonen vil bli tildelt 0,5 Etterfølgende Nye Aksjer per aksje eiet per 10. juni 2009 (vises i VPS den 16. juni 2009).
2. I det tilfellet ikke alle Kvalifiserte Aksjonærer tegner for sine Tegningsretter i henhold til kriterie 1 ovenfor, vil de Kvalifiserte Aksjonærene som har overtegnet få retten til å bli tildelt de igjenværende aksjene som ikke er tegnet for på en pro rata basis. I det tilfellet pro rata tildeling ikke lar seg gjennomføre pga for få gjenværende aksjer, vil Selskapet beslutte tildelingen ved loddtrekning eller tilsvarende lignende mekanismer gjennom den automatiserte prosedyren i VPS.
3. I det tilfellet den Etterfølgende Emisjonen ikke er fulltegnet og tildelt i henhold til kriteriene 1 og 2 ovenfor, vil tildeling skje til andre tegnere som ikke var Kvalifiserte Aksjonærer, etter styrets skjønn.

Generell informasjon om antall Etterfølgende Nye Aksjer tegnet er forventet å bli offentliggjort ca. 25. august 2009 gjennom en børsmelding i Oslo Børs' informasjonssystem. Alle tegnere som blir tildelt Etterfølgende Nye Aksjer vil motta et brev fra VPS som bekrefter antall Etterfølgende Nye Aksjer tildelt til tegneren og det korresponderende beløpet som skal innbetales. Dette brevet er forventet å bli sendt ca. 26. august 2009.

Hver tegner må ved signering av Tegningsblanketten gi en ugjenkallelig engangsfullmakt til Tilretteleggerne om å belaste en norsk bankkonto for det beløpet (i NOK) som er tildelt tegneren. Beløpet vil bli belastet ca. 1. september 2009. Tegnere som ikke har en norsk bankkonto må selv besørge at betaling for deres Etterfølgende Nye Aksjer blir gjort før kl. 12:00 (CET) den 31. august 2009 og må kontakte en av Tilretteleggerne for dette formål.

2.5 NOTERING OG OPPTAK TIL NOTERING FOR DE NYE AKSJENE

Etterfølgende offentliggjøringen av dette Prospektet og utløpet av kreditorvarselsperioden (forventet ca. 25. august 2009) vil de nye aksjene fra den Rettede Emisjonen bli utstedt og begynne handel på Oslo Børs, forventet ca. 27. august 2009.

De Etterfølgende Nye Aksjene som skal utstedes til tegnerne i den Etterfølgende Emisjonen vil også bli notert på Oslo Børs. Gitt tidsriktig betaling fra alle tegnerne forventer Selskapet at disse aksjene vil bli notert på Oslo Bør ca. 8. september 2009.

2.6 KOSTNADER I FORBINDELSE MED EMISJONENE

Kostnader i forbindelse med den Rettede Emisjonen og den Etterfølgende Emisjonen vil bli belastet Selskapet. Totale kostnader er forventet å beløpe seg til ca. NOK 62 millioner.

2.7 SAMMENDRAG AV RISIKOFAKTORER

En rekke risikofaktorer kan påvirke Selskapet negativt. Nedenfor gis en oppsummering av de mest relevante risikofaktorene som beskrevet i kapittel 3 i dette Prospektet. Det gjøres oppmerksom på at risikofaktorene som er opplistet nedenfor ikke er de eneste som kan påvirke Selskapets virksomhet eller verdien av Selskapets aksjer. Ytterligere risiki som Selskapet per dags dato ikke kjenner til, eller som på det nåværende tidspunkt betraktes som uvesentlige, kan også svekke dets virksomhet og muligheter.

2.7.1 Markedsrisiko

Markedsrisiko omfatter risiko for makroøkonomiske svingninger, inflasjon, risiko for endring i eller gjennomføring av planlagte eksisterende forskrifter, risiko for nedgang i etterspørsel og risiko for økt tilbud av kontorlokaler og hotellovernattingsplasser.

2.7.2 Operasjonell risiko

Operasjonell risiko omfatter risiko for finansiell status og styrke for Selskapets leietakere og deres evne til å håndtere leie etc., risiko relatert til restriksjoner i leiekontrakter, risiko relatert til juridiske søksmål og krav fra leietakere, myndigheter; herunder skatteetaten og andre tredjeparter, risiko for dårlige forhold med eiendomsbestyrere, risiko for økt vedlikeholdskostnad, risiko for reduserte tekniske forhold, risiko for skjulte feil og mangler, risiko for regulerte områder som forhindrer bruk, risiko for benyttelse av merkevarer og risiko for svindel.

2.7.3 Finansiell risiko

Finansiell risiko omfatter risiko for å ikke oppfylle lånebetingelser, svingninger i rentenivået, risiko relatert til effektene av verdijusteringer, endringer i lover og regler vedrørende skatter og avgifter og valuta risiko.

2.7.4 Risiko forbundet med Selskapets aksjer

Risiko relatert til Selskapets aksjer inkluderer prisvolatilitet på noterte omsettelige aksjer, rykter og nyheter som vesentlig kan påvirke aksjekursen og aksjekursuviklingen på Selskapets aksjer.

2.8 STYRE, LEDELSE OG ANSATTE

2.8.1 Styre

Selskapets styre består av følgende medlemmer: Tormod Hermansen (styrets leder), Harald Grimsrud (styrets nestleder), Nils K. Selte (styremedlem), Synne Syrrist (styremedlem) og Gry Mølleskog (styremedlem). For ytterligere informasjon vennligst se kapittel 13.1 “Board of Directors” nedenfor.

Ingen av medlemmene av styret er del av ledelsen i Norwegian Property.

2.8.2 Ledelse

Selskapets ledelse består for tiden av følgende personer: Petter Jansen (administrerende direktør), Mari Thjømøe (finansdirektør), Dag Fladby (investeringsdirektør) og Aili E. Klami (operasjonell direktør).

Både administrerende direktør, Petter Jansen, og investeringsdirektør, Dag Fladby, har sagt opp sine stillinger i Selskapet. De vil være i sine nåværende stillinger inntil nye personer har blitt ansatt.

For mer informasjon, vennligst se kapittel 13.2 “Management” nedenfor.

2.8.3 Ansatte

Per dato for dette Prospektet har Selskapet 36 ansatte. For mer informasjon, se kapittel 13.7 “Employees” nedenfor.

2.9 RÅDGIVERE OG REVISOR

2.9.1 Finansielle rådgivere

Tilretteleggerne for den Rettede Emisjonen og den Etterfølgende Emisjonen er Arctic Securities ASA, Haakon VII’s gate 5, Postboks 1833 Vika, 0123 Oslo, Norge; Pareto Securities AS, Dronning Maudsgate 3, Postboks 1411 Vika, 0115 Oslo, Norge og Pareto Private Equity AS, Dronning Maudsgate 3, Postboks 1411 Vika, 0115 Oslo, Norge.

2.9.2 Juridisk rådgiver

Selskapets juridiske rådgiver er Thommessen Krefting Greve Lund AS Advokatfirma.

2.9.3 Uavhengig revisor

Selskapets revisor er Deloitte AS. For mer informasjon om revisor, vennligst se kapittel 10.5 ”Independent auditor” nedenfor.

2.10 SAMMENDRAGAV OPERASJONELL OG FINANSIELL INFORMASJON

Den utvalgte finansielle informasjonen inntatt i dette Prospektet bør leses i sammenheng med årsrapportene og notene som er inntatt som Vedlegg 2, 3, 4 og 5 til dette Prospektet, i tillegg til kapittel 10 "Consolidated financial informasjon", kapittel 11 "Operating and financial review" og kapittel 12 "Capital resources" i dette Prospektet.

2.10.1 Konsolidert resultatregnskap

NOK 1.000	**Per 30. juni 2009 (urevidert)**	**Per 30. juni 2008 (urevidert)**	**Året 2008 (revidert)**	**Året 2007 (revidert)** [4]	**Året 2006 (revidert)**
Brutto leieinntekter	892.504	946.194	1.866.774	1.195.686	414.773
Sum driftskostnader	(143.045)	(139.978)	(283.713)	(159.367)	(63.062)
Driftsresultat før verdiendringer på investeringseiendommer	**749.459**	**806.215**	**1.583.062**	**1.036.319**	**351.711**
Driftsresultat	**(657.756)**	**(967.842)**	**(2.591.047)**	**2.264.738**	**744.955**
Netto finansposter	(715.582)	(270.901)	(2.527.858)	(614.143)	(205.498)
Resultat før skatt	**(1.373.338**	**(1.238.743)**	**(5.118.905)**	**1.650.595**	**539.457**
Skattekostnad	179.841	347.402	928.194	(460.736)	(148.565)
Resultat for perioden	**(1.193.497)**	**(891.342)**	**(4.190.711)**	**1.189.859**	**390.892**
Minoritetsinteresser	-	(46.744)	132.322	(4.829)	(1.256)
Resultat etter minoritetsinteresser	**(1.193.497)**	**(844.598)**	**(4.058.389)**	**1.185.030**	**389.636**
Inntjening per aksje til aksjonærer (NOK)	(5,92)	(7,52)	(25,81)	11,42	5,14

2.10.2 Konsolidert balanse

NOK 1.000	**Per 30. juni 2009 (urevidert)**	**Per 30. juni 2008 (urevidert)**	**Per 31. desember 2008 (revidert)**	**Per 31. desember 2007 (revidert)** [5]	**Per 31. desember 2006 (revidert)**
Sum anleggsmidler	25.191.818	29.252.906	28.258.607	32.194.589	15.184.916
Sum omløpsmidler	553.779	4.155.361	667.716	1.687.498	1.703.015
SUM EIENDELER	**25.745.597**	**33.408.267**	**28.926.323**	**33.882.087**	**16.887.931**
Sum egenkapital	**3.647.165**	**8.048.466**	**5.001.160**	**6.830.903**	**5.373.227**
Sum langsiktig gjeld	20.076.120	22.284.281	21.693.743	23.255.713	10.996.397
Sum kortsiktig gjeld	2.022.306	3.075.520	2.231.420	3.795.470	518.307
Sum gjeld	**22.098.433**	**25.359.802**	**23.925.163**	**27.051.183**	**11.514.704**
SUM EGENKAPITAL OG GJELD	**25.745.597**	**33.408.267**	**28.926.323**	**33.882.087**	**16.887.931**

[4] Inkluderer Oslo Properties/Norgani Hotels fra 24. september 2007.
[5] Inkluderer Oslo Properties/Norgani Hotels fra 24. september 2007.

2.10.3 Konsolidert kontantstrøm

NOK 1.000	Per 30. juni 2009 (urevidert)	Per 30. juni 2008 (urevidert)	Per 31. desember 2008 (revidert)	Per 31. desember 2007 (revidert) [6]	Per 31. desember 2006 (revidert)
Netto kontantstrøm fra operasjonelle aktiviteter...	676.265	660.374	1.715.677	1.066.873	576.311
Netto kontantstrøm fra investeringsaktiviteter......	997.119	1.219.803	847.206	(8.363.412)	(14.823.896)
Netto kontantstrøm fra finansieringsaktiviteter	(1.608.956)	(2.191.819)	(3.032.159)	6.675.980	15.499.947
Netto endring i kontanter og kontantekvivalenter	**64.427**	**(311.642)**	**(469.276)**	**(620.559)**	**1.252.362**
Inngående balanse av kontanter og kontantekvivalenter...	**174.220**	**635.476**	635.476	1.252.462	100
Valutakurseffekter...	**(7.450)**	**82**	8.020	3.573	-
Utgående balanse av kontanter og kontantekvivalenter	**231.197**	**323.915**	**174.220**	**635.476**	**1.252.462**

2.10.4 Vesentlige endringer i Selskapets finansielle posisjon eller handelsposisjon etter 30. juni 2009

Det har ikke inntruffet noen vesentlige endringer i Selskapets finansielle posisjon eller handelsposisjon etter 30. juni 2009.

2.11 SAMMENDRAG AV EGENKAPITAL OG GJELD

For ytterligere informasjon vennligst se kapittel 12.4 "Capitalisation and indebtedness" nedenfor.

NOK millioner	30.06.2009 (urevidert)
Sum egenkapital (A)	3.647,2
Sum kortsiktig gjeld	2.022,3
Sum langsiktig gjeld...	20.076,1
Sum gjeld (B)	22.098,4
Sum kapitalisering (A + B)	25.745,6
Likviditet (C)	231,2
Kortsiktige finansielle fordringer (D)	60,8
Kortsiktig finansiell gjeld (E)	1.414,6
Netto kortsiktig finansiell gjeld (E-C-D) (F)	19.638,1
Netto finansiell gjeld (C+D-E-F)	**20.760,7**

[6] Inkluderer Oslo Properties/Norgani Hotels fra 24. september 2007.

2.12 HOVEDAKSJONÆRER OG TRANSAKSJONER MED NÆRSTÅENDE

2.12.1 Hovedaksjonærer

Per 10. august 2009 hadde Selskapet totalt 2.694 aksjonærer hvorav 2.535 var norske og 159 var utenlandske. De fem største aksjonærene fremgår av tabellen nedenfor:

	Navn på aksjonær	Antall aksjer	Prosent (%)
1	AWilhelmsen Capital	23.254.334	11,53
2	Canica AS	9.246.467	4,59
3	Credit Suisse Securities (Europe) Prime Broker	7.955.885	3,95
4	Trondheim Kommunale Pensjonskasse	6.199.700	3,07
5	Vital Forsikring ASA	6.089.907	3,02

2.12.2 Transaksjoner med nærstående

Det er fire hovedgrupper av transaksjoner med ”nærstående” til Norwegian Property:

- Eiendomstransaksjoner med aksjevederlag til selgere;
- driftsavtaler (avtaler om drift av eiendommene);
- leiekontrakter med aksjonærer; og
- rentebelastninger fra morselskap til datterselskaper.

Transaksjoner med nærstående har blitt inngått på ”armlengdes avstand” (se også kapittel 16.3 “Related parties/Management agreements” i dette Prospektet).

2.12.3 Trendinformasjon

Selskapet har ikke erfart noen endringer eller trender utover sin normale virksomhet som er vesentlig for Konsernet i perioden mellom den 30. juni 2009 og datoen for dette Prospektet, utenom de som ellers er beskrevet i dette Prospektet. Se for øvrig kapittel 8 “Presentation of Norwegian Property”, kapittel 9 “The market”, kapittel 10 “Consolidated financial information” og kapittel 14 “Share capital and shareholder matters” for mer informasjon om vesentlige nyere trender i Konsernets virksomhet og relevante markeder.

2.13 TILLEGGSINFORMASJON

2.13.1 Aksjekapital og aksjonærforhold

Selskapet er stiftet som et norsk allmennaksjeselskap i henhold til allmennaksjeloven med organisasjonsnummer 988 622 036.

Selskapets nåværende registrerte aksjekapital er NOK 5.040.885.400, fordelt på 201.635.416 aksjer hver pålydende NOK 25 fullt innbetalt.

Inkludert aksjekapitalen fullt innbetalt fra den Rettede Emisjonen og registrering av kapitalnedsettelsen, vil Selskapets aksjekapital være NOK 201.635.416, fordelt på 403.270.832 aksjer hver pålydende NOK 0,50.

Utvanningseffekten i forbindelse med den Rettede Emisjonen og den Etterfølgende Emisjonen vil være ca. 55,5%, forutsatt fulltegning av den Etterfølgende Emisjonen.

	Før den Rettede Emisjonen og den Etterfølgende Emisjonen	Før den Etterfølgende Emisjonen	Etter begge emisjonene
Antall aksjer	201.635.416	403.270.832	453.270.832
% utvanning	100,0%	50,0%	44,5%

Alle utstedte aksjer i Selskapet er utstedt i samsvar med norsk lov, og har like aksjonærrettigheter i ethvert henseende. Det er kun en aksjeklasse. Selskapets vedtekter innehar ingen bestemmelser vedrørende begrensninger knyttet til eierskap eller omsettelighet til aksjene.

Aksjonærenes eierskap til aksjer er registrert i VPS med identifikasjonsnummer ("**ISIN**") NO 001 0317811.

Kontofører for aksjene er Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, Postboks 1166 Sentrum, 0107 Oslo, Norge.

Se kapittel 14 "Share capital and shareholder matters" nedenfor for en ytterligere beskrivelse av Selskapets aksjekapital.

2.13.2 Vedtekter

Selskapets vedtekter er inntatt som Vedlegg 1 til dette Prospektet.

Selskapets virksomhetsformål fremgår av §3 i Selskapets vedtekter og er beskrevet i kapittel 14.6.1 "The Company's objects and purpose" i dette Prospektet.

2.13.3 Dokumenter til gjennomsyn

Så lenge dette Prospektet er gyldig, vil dokumentene referert til i nedenstående liste være tilgjengelig på Selskapets hovedkontor på adressen Stranden 3A, 0250 Oslo, Norge, eller ved henvendelse per telefon: +47 22 83 40 20 eller telefaks: +47 22 83 40 21 eller kan lastes ned fra Selskapets hjemmeside: www.npro.no:

- Firmaattester, Selskapets stiftelsesdokumenter;
- Selskapets vedtekter (er også inntatt som Vedlegg 1 til dette Prospektet);
- Selskapets 2 kvartalsrapport per 30. juni 2009 (er også inntatt som Vedlegg 2 til dette Prospektet);
- Selskapets historiske finansielle informasjon for 12 måneder avsluttet 31. desember 2008 og revisorerklæring (er også inntatt som Vedlegg 3 til dette Prospektet);
- Selskapets historiske finansielle informasjon for 12 måneder avsluttet 31. desember 2007 og revisorerklæring (er også inntatt som Vedlegg 4 til dette Prospektet);
- Selskapets historiske finansielle informasjon for 12 måneder avsluttet 31. desember 2006 og revisorerklæring (er også inntatt som Vedlegg 5 til dette Prospektet); og
- Verdivurderingsrapport fra DTZ (er også inntatt som Vedlegg 6 til dette Prospektet).

I tillegg har Selskapets ca. 210 datterselskaper som rapporterer til Konsernet, se kapittel 8.3 "Legal structure" og 8.4 "Description of the main companies in the current Group".

2.13.4 Tredjeparts informasjon

Informasjon som er inntatt i dette Prospektet og som kommer fra tredjepart har blitt korrekt publisert, og ingen slik informasjon har, etter det Selskapet kjenner til, blitt utelatt på en måte som medfører at informasjon er ukorrekt eller misvisende.

3. RISK FACTORS

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.

3.1 MARKET RISK

3.1.1 Macro economic fluctuations

The Norwegian Property Group 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 Group's assets. There is risk associated with the general development of lease levels of commercial and hotel properties for various segments and locations where the Group owns properties. For the Group's commercial properties, it is especially important what the market conditions are when lease contracts expire. See Section 3.2.2 "Revenue based leases" regarding revenue based leases on the Group's hotel properties.

3.1.2 Inflation risk

The Norwegian Central Bank's ("**Norges Bank**") objective is to maintain annual long-term inflation level at a level of 2.5%. However, Norges Bank expects that the inflation level will decline from approximately 2.3% in 2008 to slightly above 1.5% in 2009 (as publicated per 17 June 2009). The national bank authorities in Sweden, Denmark and Finland, expect an inflation level for 2008 of 3.4%, 3.4% and 3.9%, respectively, and further these authorities expect an inflation level in 2009 of 0%, -0.2% and 1.0%, respectively (as publicated by these sources per June 2009). 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. Negative CPI levels may for some rental contracts lead to reduced rent levels. On the majority of rental contracts in the Company's hotel portfolio the minimum rents have a CPI adjustment clause.

3.1.3 Regulation risk

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

3.1.4 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.

3.1.5 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 and reduced occupancy rates. 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.

3.2 OPERATIONAL RISK

3.2.1 Tenant risk

The financial status and strength of the Group's tenants, and thus their ability to service the rent etc. will always be a decisive factor when evaluating the risk of property projects. Contractual rights to terminate leases prior to expiry date, with subsequent vacancy of the premises, bankrupcy of tenants and possible adjustment cost in relation to new tenants or lower rent levels, will influence the rental income negatively. In Norgani Hotels (the Group's hotel business) some tenants/operators operate many of the Group's hotels (see Section 8.8.2 "The Hotel Property portfolio" and Section 8.8.3 "Lease agreements"). If one of these tenants/operators for example go bankrupt this may have material negative effect on the income of the Company.

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.

Breach of obligations under rental contracts and disputes with tenants, may cause losses and costs for the Company.

3.2.2 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.

3.2.3 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 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 future solution for public transport at Fornebu may lead to claims against the owner of the property and other property owners at Fornebu.

3.2.4 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, includes 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.

3.2.5 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, counterparties in completed sales transactions due to warranty claims or otherwise, 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 (*in Norwegian "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 the Group'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. In addition, there are contractual pre-emption rights for tenants that may limit the landlords' flexibility, and/or reduce property value.

3.2.6 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.

3.2.7 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 lease contracts 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 larger than assumed. 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

The intention of the NEAS-agreement, through the fixed price system, is to reduce this risk. However, the NEAS-agreement does not cover the Norgani properties.

3.2.8 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 authorities.

3.2.9 Preservation areas

Some of the buildings on Aker Brygge and parts of Middelthunsgate 17 are regulated for preservation purposes. For Aker Brygge this includes the original buildings from the shipyard period. These buildings are regulated as "special area preservation (business, office, food and drink, cinema, museum)" and may not be demolished. In additionthere 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.

3.2.10 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 Norwegian 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 in Norway, it is normal practice that the buyer does not register the 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. The Norwegian Supreme Court passed a decision in 2008, which was relevant to, and to some extent confirmed, this possible risk. 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.

3.3 FINANCIAL RISK

3.3.1 Financial leverage and bank debt

The Group remains highly leveraged. As of 30 June 2009, the Group had a total interest bearing debt of approximately NOK 20,292 million, including approximately NOK 648 million of short-term financial debt (including current portion of long-term debt). The Group also had total shareholders' equity of NOK 3,647 million.

It is the Company's objective to strengthen the Group's financial position and to improve its long term loan to value position from current levels. In 2009, the Company has sold one property with a value of NOK 324 million, and an obligation to acquire a hotel property at the end of 2009 has been terminated. In the light of the current financial situation, no dividend was paid out for the year 2008. Furthermore, in addition to carrying out the Private Placement and the Subsequent Offering, the Company has renegotiated the terms of its interest bearing debt (see Section 12.5 "Borrowings" below for an outline of the renegotiated terms).

Although the Company seeks to strengthen the Group's financial position, the degree of financial leverage currently existing may have several adverse consequences. For example, the Company will be required to manage the Group's businesses in a way to service its debt obligations. Also, as is customary for holding companies, the ability of the companies in the Group to make future scheduled payments on its outstanding indebtedness may depend on, among other things, the ability to obtain access to the earnings and cash balances of their subsidiaries or otherwise realise their value (which may be subject to legal and contractual restrictions), as well as on the future operating performance of the Group and its ability to refinance its indebtedness where necessary. There can be no assurance that the Company, or any of its subsidiaries as part of the Group, will be able to service its debt obligations or will have access to such earnings or cash balances in the future.

The Company's ability to make scheduled payments or to refinance the Group's obligations with respect to its indebtedness depends on the Group's financial operating performance, which, in turn, is subject to prevailing macro economic and competitive conditions and to financial, business and other factors beyond its control, including those described under Section 3.3.7 "Norwegian Property's business, earnings and financial condition have been and will continue to be affected by the current crisis in the global markets and the deterioration in the global economic outlook" below. There can be no assurance that the Group will have a level of cash flow from operations sufficient to permit the Company or the relevant subsidiary to pay the principal, premium, if any, and interest on its indebtedness.

If the Group's cash flow and capital resources are insufficient to fund its debt service obligations, the Company may be forced to reduce or delay capital expenditures, sell assets or seek to obtain additional equity capital or restructure or refinance the Group's debt. There can be no assurance that such alternative measures would be successful or would permit the Group to meet its debt service obligations. In the absence of such operating results and resources, the Group could face substantial liquidity problems and might be required to dispose of material assets or operations, to meet its debt service and other obligations. There can be no assurance as to the ability of the Company to consummate such sales or that such proceeds would be adequate to meet the obligations then due.

In the event that the Group is unable to generate sufficient cash flow and the Group is otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on its indebtedness, or if the Group otherwise fails to comply with the various covenants in the instruments governing such indebtedness the Company could be in default under the terms of the agreements governing such indebtedness. See Section 12.5 “Borrowings” below for further information.

3.3.2 Fulfilment of loan obligations

The loan facilities of the Group contain certain requirements as regards the financial condition of the Company and its subsidiaries (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 in addition to repayment obligations at the respective maturity dates. See Section 12.5 “Borrowings” below for a further description of the borrowings of the Group.

No assurance can be given that the relevant Group 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 loans are accelerated by lenders, including acceleration based on cross-default provisions, which could itself oblige the Company to seek to refinance the Group’s loans and the Company may be forced to divest properties. There can be no assurance that the Company will, if required, be able to refinance or enter into new loan facilities on satisfactory terms, and to the extent necessary to maintain its existing and future business.

The renegotiated terms of the Group’s interest bearing debt (see Section 12.5 “Borrowings” below for a further description), is subject to completion of the share capital reduction and the Private Placement, see Section 3.4.3 “Share capital reduction and completion of the Private Placement and the Subsequent Offering” below.

3.3.3 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 Sections 9 “The Market” and 9.1.3 “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 profit & loss accounts and equity. 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.

3.3.4 Interest rate fluctuations

Norwegian Property is to a large extent financed by debt and will be exposed to interest rate fluctuations. Any period of 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. Interest rate fluctuations will influence the fair value of the Company’s portfolio of financial dervatives and thereby lead to changes in the financial results. 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, as rent level is also relevant when re-negotiating/renewing or entering into new leases.

3.3.5 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 “Legal matters” below.

3.3.6 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. Even though the Company to a reasonable extent seeks to raise interest bearing debt in the same currency as revenue, and uses currency derivatives to tune the interest rate position, 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.

3.3.7 Norwegian Property's business, earnings and financial condition have been and will continue to be affected by the current crisis in the global financial markets and the deterioration in the global economic outlook

Norwegian Property's performance is influenced by the economic conditions in the markets in which it operates. The global economy and the global financial system have been experiencing a period of uncertainty and significant difficulties since August 2007 and the financial markets have deteriorated substantially since September 2008. This has led to severe dislocation of financial markets around the world and unanticipated levels of illiquidity, resulting in the development of significant problems at a number of the world's largest companies and financial institutions. In response to market instability and illiquidity, a number of governments have intervened in order to inject liquidity and capital into, and to stabilise, financial markets, and, in some cases, to prevent the failure of the financial institutions. Despite this intervention, the volatility of, and market disruption have continued to a degree unprecedented in recent history. The market dislocation has also been accompanied more recently by recessionary conditions and trends in a number of economies across the world. These conditions have produced downward pressure on stock prices and on availability of credit for companies. Continued deterioration in the economies throughout the world, including the state of the economy, equity and bonds markets, the availability and cost of credit, the property sector generally, business and consumer confidence, employment trends, inflation, the liquidity of global financial markets and market interest rates may significantly impact Norwegian Property's earnings and financial position. The exact nature of all the risks and uncertainties Norwegian Property faces as a result of the current global financial crisis and global economic outlook cannot be predicted and many of these risks are outside of Norwegian Property's control. In addition, disruption, uncertainty or volatility in the stock and credit markets may limit Norwegian Property's ability to access the capital necessary to grow its business.

3.3.8 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. These rental gurantees will expire successively and the last guarantee will expire on 31 December 2012. 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.

3.3.9 Agreements with Fearnley syndicate

According to the original share purchase agreement entered into in 2006 between Norgani Hotels and a Fearnley syndicate regarding sale to the syndicate of one Clarion hotel and three Scandic hotels, Norgani Hotels has guaranteed a certain rent and cost level.

Furthermore, companies within the Fearnley syndicate have rights to sell (put options) the Clarion hotel and/or the three Scandic hotels comprised by the share purchase agreement to Norgani Hotels. The aggregate purchase price for all four hotels should both of the put options be exercised is about DKK 578 million. The share purchase agreement of 2006 has been renegotiated. On 9 June 2009, Norgani Hotels entered into two agreements with companies within the Fearnley syndicate whereby the put options related to the four hotels may be exercised towards Norgani Hotels during a period starting from 1 March 2011 (instead of from 1 January 2010) and ending 31 December 2012, with a three months settlement period (instead of 30 days). Furthermore, the Company has guaranteed the rightful fulfilment of Norgani Hotels' obligations according to the said put options. The implementation of the amendment agreements is subject to completion of the Private Placement. See Section 8.8.4 "Share purchase agreement with Fearnley syndicate" below for an outline of this agreement.

There are risks related to these agreements as Norgani Hotels may incur higher costs than anticipated given the guaranteed rent and cost level and as the Group may be unable to secure required financing of the acquisition from internal and/or external sources should the syndicate exercise its put options.

3.4 RISK FACTORS RELATING TO THE COMPANY'S SHARES

3.4.1 General

All share investments are connected with risks. The Company is exposed to fluctuations in the general economy, changes in e.g. interest rates and foreign exchange ratios will influence the financial situation of the Company.

3.4.2 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.

3.4.3 Share capital reduction and completion of the Private Placement and the Subsequent Offering

Pursuant to the Norwegian Public Limited Liability Companies Act, payment for new shares cannot be below the nominal value of the shares. On 24 June 2009, the extraordinary general meeting of the Company resolved to reduce the share capital of the Company by reducing the nominal value of each share. The share capital reduction was registered with the Norwegian Register of Business Enterprises on 25 June 2009. The share capital reduction will be effective and registered following expiry of a two months creditor notice period ending on or about 25 August 2009, and subject to the Company resolving any objections from creditors in the notice period.

Completion of any share capital increases, including the Private Placement and the Subesequent Offering, is subject to completion of the reduction of the share capital. Furthermore, the completion of the Private Placement and the Subsequent Offering, is subject to the share capital reduction and the Private Placement having been registered in the Norwegian Register of Business Enterprises on or before 30 September 2009.

There is a risk that creditors objects to the capital reduction and that the Private Placement and the Subsequent Offering cannot be completed. If the share capital decrease and the Private Placement not have been registered in the Norwegian Register of Business Enterprises on or before 30 September 2009, the Private Placement and the Subsequent Offering will be cancelled and the proceeds from the Private Placement will be repaid to the investors from the escrow account, including accrued interests.

3.5 OTHER RISKS

3.5.1 Enforceability of civil liabilities

The Company is a public limited liability company organised under the laws of Norway. The directors of the Company and the executive management 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.

3.5.2 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, may be diluted. Unless otherwise resolved by the Board (in case of proxy) or the general meeting, shareholders in Norwegian public limited liability companies, such as the Company have preferential 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.

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

The Company is a public limited liability 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.

4. RESPONSIBILITY FOR THE PROSPECTUS

4.1 The Board of Directors of Norwegian Property

The Board of Directors of Norwegian Property ASA 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, 10 August 2009

The Board of Directors of Norwegian Property ASA

Tormod Hermansen
(Chairman)

Harald Grimsrud
(Deputy Chairman)

Nils K. Selte
(Board member)

Synne Syrrist
(Board member)

Gry Mølleskog
(Board member)

5. 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", "may", "plan" 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 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 Section 3 "Risk Factors" in this Prospectus.

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

6. THE PRIVATE PLACEMENT

6.1 BACKGROUND FOR THE PRIVATE PLACEMENT

Both the general macroeconomic climate and the property markets in the Nordic region have seen a weak development so far in 2009. A reduced demand for office space and lower rental prices are to be expected. Supply of new office capacity into the market is limited compared to previous economic cycles, and the general credit contraction is expected to inhibit many of the potential new projects from being started. The strong development in the Nordic hotel market reversed in the fourth quarter of 2008 and has had a negative development in the first half of this year. In particular, this development affected hotels in the region's main cities. According to expectations, conditions in the hotel market will be challenging throughout 2009.

There have been few transactions in the market for commercial property in the Norwegian market during the first half of 2009. Potential buyers seem to be restricted by limited access to financing, cost of capital and by general uncertainty dominating the property market.

The main focus for Norwegian Property in 2009 has been to strengthen the financial position and to maintain a strong and predictable cash flow going forward. The Company has been working with financial restructuring where debt arrangements were renegotiated and prolonged in combination with a strenghtened equity position.

Norwegian Property negotiated with its key banks potential amendments and changes to the Company's current loan agreements. Several amendments with respect to inter alia covenants and repayment dates for the respective loan agreements have been achieved including, but not limited to (i) an extention of the remaining "Oslo Property AS NOK 1,700 million Multicurrency Acquisition and Guarantee Facility Agreement" (OPAS facility) from October 2010 to June 2012 (after repayment of the loan with NOK 700 million); (ii) refinancing of the SEK 565 million stand-alone facility maturing in September 2009 for three years to 2012; (iii) secured available financing to repay second priority bond loan maturing March 2010; and (iv) obtained waivers for LTV covenants on the "NOK 11,000 million Term Loan and Revolving Credit Facility" (Term Loan) and the OPAS facility up to and including Q2 2011 (after repayment of the loan with NOK 400 million); (v) avoided step-up for LTV requirement for the OPAS facility, and avoided an increase in ICR coventant from 1.4 to 1.5 for both the OPAS and the Term Loan facility; (vi) re-established Norgani revolving credit facility of NOK 55 million; and (vii) renegotiated and postponed a put option owned by a Fearnley syndicate related to four Danish hotels which were sold from Norgani Hotels in 2006.

These amendments were subject to the Company raising equity in the range of NOK 1,200 to 1,500 million. As a consequence, the Board of Directors proposed to raise approximately NOK 1,200 million through a private placement, for which subscriptions were subsequently successfully received. The extraordinary general meeting approved inter alia the capital raising through the Private Placement on 24 June 2009. In addition, the Board suggested a Subsequent Offering of up to NOK 300 million, which falls in under the mandate for capital raising which was approved on the annual general meeting on 30 April 2009. The Subsequent Offering is scheduled to be executed by end of August 2009.

Please refer to Section 12.5 "Borrowings" below for a description of the amended loan agreements. The Private Placement is described in detail below in this Section.

6.2 OVERVIEW OF THE PRIVATE PLACEMENT

On 9 June 2009, the Board of Directors resolved to propose to the extraordinary general meeting to issue up to 201.6 million Placement Shares through a private placement with a price set through a bookbuilding process conducted by the Managers. The subscription period opened on 17:30 hours (CET) on 9 June 2009 and could be closed at 08:30 hours (CET) on 10 June 2009 at the latest. The Board of Directors resolved to close the book at 24:00 hours (CET) on 9 June 2009 after being informed by the Managers that the book was fully covered.

During the subscription period, the Company received orders to subscribe for Placement Shares corresponding to approximately NOK 1,800 million from approximately 205 investors, of which approximately 100 were existing shareholders and approximately 105 were new shareholders.

On 10 June 2009, the subscribers in the Private Placement were notified of their allotment. Payments for the Placement Shares were made on 29 June 2009 to an escrow account in the name of the Managers pending the satisfaction of the conditions to the completion of the Private Placement.

The Placement Shares to be issued in the Private Placement are expected to be registered with the Company's ISIN on or about 27 August 2009.

6.3 CONDITIONS TO COMPLETION OF THE PRIVATE PLACEMENT

Pursuant to the Norwegian Public Limited Liability Companies Act, payment for new shares cannot be below the nominal value of the shares. On 24 June 2009, the extraordinary general meeting of the Company resolved to reduce the share capital of the Company by reducing the nominal value of each share. The share capital reduction was registered with the Norwegian Register of Business Enterprises on 25 June 2009. The share capital reduction will be registered as effective following expiry of a two months creditor notice period ending on or about 25 August 2009, and subject to the Company resolving any objections from creditors made in the notice period. As of the date of this Prospectus, the Company has not received any objections from creditors.

Completion of the Private Placement is conditional upon the share capital reduction having been registered as effective, and that such registration, and the registration of the Private Placement, has been made in the Norwegian Register of Business Enterprises on or before 30 September 2009.

The conditions are expected to be fulfilled within expiry of week 35 in August 2009. If the share capital reduction and the Private Placement have not been registered the Norwegian Register of Business Enterprises on or before 30 September 2009, the Private Placement will be cancelled and the proceeds from the Private Placement will be repaid to the investors from the escrow account, including accrued interests.

6.4 THE SHARES AND SHARE CAPITAL

6.4.1 The Shares and Share capital

The Company's share capital prior to the reduction of the share capital, the Private Placement and the Subsequent Offering is NOK 5,040,885,400 divided into 201,635,416 Shares, all fully paid and with a nominal value NOK 25.00 per Share. The share capital will be NOK 201,635,416, divided into 403,270,832 Shares with a nominal value of NOK 0.50 per Share following the registration of the share capital reduction and the Private Placement in the Norwegian Register of Business Enterprises, but prior to the completion of the Subsequent Offering.

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.

6.4.2 Mandatory offers

Being a Norwegian primary listed company on Oslo Børs, the Company is subject to the regulations on mandatory offer bids. Please refer to Section 14.6.11 "Mandatory offer requirement" below for a description of the regulation on mandatory offers applicable to primary listed companies on Oslo Børs. The Company has not received any takeover-bids during the last or current financial years.

6.4.3 Withholding tax

Section 15.2 "Tax consequences related to the ownership and disposal of shares – foreign shareholders" of this Prospectus provides information concerning withholding tax for foreign shareholders.

6.5 RESOLUTIONS FROM THE COMPANY'S EXTRAORDINARY GENERAL MEETING

6.5.1 The share capital reduction

In terms of the share capital reduction, the extraordinary general meeting of the Company held on 24 June 2009, adopted the following resolution[7]:

1. *The share capital is reduced with NOK 4,940,067,692 from NOK 5,040,885,400 to NOK 100,817,708 by reduction of the nominal value of the shares from NOK 25 to NOK 0.50 per share. The reduction amount shall be transferred to other equity.*
2. *In this connection, Section 4 of the Articles of Association is amended and shall read:*
   "The share capital is NOK 100,817,708 divided into 201,635,416 shares, each with a nominal value of NOK 0.50."
3. *The change in the Articles of Association shall be in force at the same time the capital reduction is in force.*

6.5.2 The Private Placement

In terms of the Private Placement, the extraordinary general meeting of the Company held on 24 June 2009, adopted the following resolution[8]:

1. *The share capital shall be increased with NOK 100,817,708, from 100,817,708 to 201,635,416, by issue of 201,635,416 new shares, each with a nominal value of NOK 0.50.*
2. *The shares shall be subscribed for by Arctic Securities ASA, Pareto Securities AS and/or Pareto Private Equity AS pursuant to a proxy form investors that ordered shares in the private placement. The preferential right of the existing shareholders to subscribe for the new shares pursuant to Section 10-4 of the Norwegian Public Limited Liability Companies Act, cf. Section 10-5, is waived.*
3. *The subscription price shall be NOK 6 per share. Payments shall be made in cash.*
4. *The subscription period is 1 July 2009 to 30 September 2009.*
5. *Payment for the new shares shall be made no later than 30 September 2009. The payment shall be made to the company's bank account number 8101 23 07454 by Arctic Securities ASA, Pareto Securities AS and Pareto Private Equity AS on behalf of the investors.*
6. *The new shares will carry rights to dividend and have shareholder rights from registration of the share capital increase with the Norwegian Register of Business Enterprises.*
7. *Section 4 of the Articles of Association is amended and shall read:*
   "The share capital is 201,635,416 divided into 403,270,832 shares. The nominal value of each share is NOK 0.50."
8. *The private placement is conditional upon the capital reduction as proposed under Section 4 above. The private placement will be annulled if the capital reduction and the capital increase are not registered in the Norwegian Register of Business Enterprises within 30 September 2009.*

6.6 THE SUBSCRIPTION PRICE IN THE PRIVATE PLACEMENT

The Private Placement was structured as a bookbuilding process whith an indicative price range of NOK 6.00 to NOK 7.20 per Placement Share. On 10 June 2009, the Board resolved to set the subscription price to NOK 6.00. When determining the subscription price, the Board considered inter alia, the overall subscription level and the limits received from the subscribers in the bookbuilding period in addition to the closing price on Oslo Børs on 9 June 2009 at NOK 7.20.

6.7 SETTLEMENT OF THE PRIVATE PLACEMENT

On 10 June 2009, the Managers sent conditional allocations and payment instructions to the subscribers in the Private Placement. As the Private Placement was conditional upon the Company's extraordinary general meeting approving the reduction of the share capital and the Private Placement, a second allocation and payment instruction was sent on 25 June 2009 subsequent the Company's extraordinary general meeting approving the Private Placement.

[7] Office translation from Norwegian
[8] Office translation from Norwegian

The payment for the Placement Shares being issued in the Private Placement was made to a blocked escrow account on 29 June 2009, pending inter alia the registration of the share capital reduction, see Section 6.3 "Conditions to completion of the Private Placement" above.

Subject to the conditions set out in Section 6.3 "Conditions to completion of the Private Placement" above, the Placement Shares will be issued to the subscribers on or about 27 August 2009 and immediately begin trading on Oslo Børs under the Company's ticker code "NPRO".

6.8 THE RIGHTS ATTACHED TO THE PLACEMENT SHARES

All of the Placement Shares will be issued electronically in accordance with the regulations set forth in the Norwegian Public Limited Liability Companies Act and pursuant to the resolution by the extraordinary general meeting of 24 June 2009, referred to in Section 6.5 "Resolutions from the Company's extraordinary general meeting" above.

The Placement Shares will be freely tradable and carry the rights from registration of the Private Placement in the Norwegian Register of Business Enterprises, including rights to any dividend, declared with a record date after such registration, and otherwise rank pari passu with the other outstanding Shares. See also Section 14.6.9 "Dividends" below. For a further description of the rights and tradability of the Shares, see Section 14 "Share capital and shareholder matters" below.

6.9 SHARE CAPITAL FOLLOWING THE PRIVATE PLACEMENT

Following registration of the Placement Shares to be issued in the Private Placement, the Company's issued share capital will be NOK 201,635,416 divided into 403,270,832 Shares, each with a nominal value of NOK 0.50 per Share.

6.10 USE OF PROCEEDS

The gross proceeds from the Private Placement will be approximately NOK 1,200 million. The net proceeds from the Private Placement will be approximately NOK 1,149 million, after payment of fees and commissions and other estimated transaction expenses. See Section 7.14 "Expenses" below for a further description of the fees and expenses related to the Private Placement and the Subsequent Offering.

The proceeds will be used to repayment of debt in order to strengthen the balance sheet and improve covenant ratios.

The share premium resulting from the Private Placement less the direct expenses relating to the Private Placement, will be allocated to the Company's share premium fund.

7. THE SUBSEQUENT OFFERING

7.1 BACKGROUND AND OVERVIEW OF THE SUBSEQUENT OFFERING

7.1.1 Background

The Company has resolved to complete the equity raising through the Private Placement and a Subsequent Offering. The rationale to conduct the equity raising in two offerings has been to secure that the necessary equity was obtained in a swift and a satisfactory manner in order to comply with the conditions set by the Company's lenders.

At the same time, it has been a vital importance for the Company that none of the Company's shareholders should receive an unreasonable advantage on behalf of other shareholders through the Company's chosen model for the completion of the equity raising. The Company has considered the principle of equal treatment of shareholders as set out in the Norwegian Public Limited Liability Companies Act, and the chosen model for completion of both offerings aims at giving the shareholders an equal right to maintain their relative ownership compared to the shareholders participating in the Private Placement subject to the further description set out below in Section 7.4 "The Subsequent Offering" below. In addition, the subscription price for the Subsequent Offering is equal to the subscription price in the Private Placement.

7.1.2 Overview of the Subsequent Offering

The Subsequent Offering comprises an offering of up to 50,000,000 Subsequent Offering Shares, to be issued in accordance with the regulations set forth in the Norwegian Public Limited Liability Companies Act.

Eligible Shareholders may submit subscriptions for the Subsequent Offering Shares and will be given preferred allocation in order to enable said shareholders the ability to maintain their relative ownership as of 10 June 2009 following the Private Placement, as set out in more detail below. Accordingly, the preferential rights of the shareholders are waived. Over-subscription and subscription without Subscription Rights are allowed. See Section 6.1 "Background for the Private Placement" above for a further description of the background for the Private Placement.

7.2 BOARD RESOLUTION

With basis in the authorisation granted to the Board in the annual general meeting held on 30 April 2009, the Board of Norwegian Property resolved the following resolution in its meeting held on 9 August 2009[9]:

1. *The share capital shall be increased with minimum NOK 0.50 and maximum NOK 25,000,000 by issue of minimum 1 share and maximum 50,000,000 shares.*
2. *The nominal value per share shall be NOK 0.50.*
3. *The shares mayl be subscribed for by the shareholders of the company as of 10 June 2009, except for the shareholders who were given the opportunity to participate in the Private Placement and other investors. The preferential right of the existing shareholders to subscribe for the new shares pursuant to Section 10-4 of the Norwegian Public Limited Liability Companies Act, cf. Section 10-5, is waived.*
4. *The subscription price shall be NOK 6 per share. Payments shall be made in cash.*
5. *The subscription period is from 12 August 2009 to 24 August 2009 at 17:30 hours (CET). The shares shall be subscribed for on a separate subscription form.*
6. *Payment for the new shares shall be made no later than 1 September 2009. When subscriptions for shares are made, each subscriber must by separate notice on the subscription form grant Arctic Securities ASA, Pareto Securities AS or Pareto Private Equity AS a one-time authorisation to debit a specific bank account for the subscription amount corresponding to the amount of shares allocated. Upon allocation, Arctic Securities ASA, Pareto Securities AS or Pareto Private Equity AS will debit the subscribers account for the allocated amount. The allocated amount will be debited on or about 1 September 2009.The board of directors reserves the right to extend the deadline for payment and any resolution of extension will be communicated by a stock exchange announcement.*
7. *The new shares will carry the right to dividends resolved subsequent to the registration of the share capital increase in the Norwegian Register of Business Enterprises. Other than that, the new shares give rights in the company as from the registration of the share capital increase in the Norwegian Register of Business Enterprises.*

[9] Office translation from Norwegian

8. *Section 4 of the Articles of Association shall be amended by the board of directors to reflect the share capital, the number of shares and the nominal value following the share capital increase.*
9. *The share capital increase is conditional upon registration of the Private Placement, resolved on the general meeting of the company on 24 June 2009, in the Norwegian Register of Business Enterprises.*
10. *This share capital increase, by use of board authority, will be annulled if the Private Placement resolved on the general meeting on 24 June 2009 is not registered in the Norwegian Register of Business Enterprises within 30 September 2009.*

7.3 CONDITIONS TO THE SUBSEQUENT OFFERING

The Subsequent Offering is conditional upon completion of the Private Placement. The Private Placement is expected to be completed within expiry of week 35 in August 2009. If the Private Placement has not been registered the Norwegian Register of Business Enterprises on or before 30 September 2009, the Private Placement and the Subsequent Offering will be cancelled and any proceeds paid to the Company in relation to the Subsequent Offering will be repaid to the investors from the escrow account, including accrued interests. Reference is made to Section 6.3 "Conditions to completion of the Private Placement" above for conditions to the Private Placement.

7.4 THE SUBSEQUENT OFFERING

7.4.1 Eligible Shareholders and Subscription Rights

The shareholders of Norwegian Property as of 10 June 2009, as appearing as shareholders in the VPS on 16 June 2009, except for those shareholders who were given the opportunity to subscribe for Placement Shares in the Private Placement, their respective affiliates and those shareholders that are restricted from participating due to laws and regulations in their home country jurisdiction (the "**Eligible Shareholders**"), will, to the extent possible, be given preferred allocation in the Subsequent Offering to maintain their relative ownership as of 10 June 2009 following the Private Placement within the limit of 50,000,000 Shares. The Eligible Shareholders will be given preferred allocation of 0.5 Subsequent Offering Shares for each Share owned as of 10 June 2009, rounded up to the nearest whole share. It will be issued 0.5 Subscription Right for each Share owned by an Eligible Shareholder as of 10 June 2009 One (1) Subscription Right gives the right of preferred allocation of one (1) Subsequent Offering Share. Over-subscription and subscription without Subscription Rights are allowed. The Subscription Rights will not be transferable and will not be listed on Oslo Børs.

The Subscription Rights must be used for subscription of Subsequent Offering Shares during the Subscription Period for the Subsequent Offering. After expiry of the Subscription Period for the Subsequent Offering, the Subscription Rights will be deleted in the VPS and be of no value.

The Subsequent Offering is not being and will not be made, directly or indirectly, in or into, or by use of mails or any means or instrumentality (including, without limitation, facsimile transmission, telephone and internet) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia (collectively, the "United States") and the Subsequent Offering will not be capable of acceptance by any such use, means, instrumentality or facilities or from within the United States. In addition, persons located in the United States will not be able to exercise rights to subscribe for the Subsequent Offering Shares pursuant to the Subsequent Offering.

The Subsequent Offering Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor under any laws of any state of the United States. Such securities may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States absent registration under the Securities Act or an exemption from registration.

7.4.2 Subscription Period

The Subscription Period for the Subsequent Offering will commence on 12 August 2009 and expire at 17:30 hours (CET) on 24 August 2009. The Subscription Period may not be extended.

7.4.3 The Subscription Price

The Subscription Price in the Subsequent Offering is NOK 6.00 per Subsequent Offering Share, which is equal to the subscription price in the Private Placement. For a description of the basis for determining the subscription price in the Private Placement, see Section 6.6 "The subscription price in the Private Placement" above.

The Subscribers will not incur any costs related to the subscription for, or allotment of, the Subsequent Offering Shares.

7.4.4 Subscription procedures

Subscriptions for Subsequent Offering Shares must be made on a Subscription Form in the form attached as Appendix 7 or 8 hereto. Eligible Shareholders will receive Subscription Forms which include information on shareholdings as of 10 June 2009 and certain other matters relating to the relevant shareholders.

Accurately completed Subscription Forms must be received by one of the Managers by 17:30 hours (CET) on 24 August 2009. Subscription Forms sent by regular mail on 24 August 2009 are likely to arrive after the deadline. Neither the Company nor any of 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 one of the Managers at the addresses set out below:

Arctic Securities ASA	**Pareto Securities AS**	**Pareto Private Equity AS**
Haakon VII's gate 5	Dronning Mauds gate 5	Dronning Mauds gate 5
P.O.Box 1833 Vika	P.O. Box 1411 Vika	P.O. Box 1411 Vika
0123 Oslo	0115 Oslo	0115 Oslo
Norway	Norway	Norway
Telefax: +47 21 01 31 36	Telefax: +47 22 83 43 09	Telefax: +47 22 83 43 09
Telephone: +47 21 01 31 00	Telephone: +47 22 87 87 00	Telephone: +47 22 87 87 00
www.arcticsec.no	www.pareto.no	www.pareto.no

Norwegian subscribers may also apply for Subsequent Offering Shares on the internet within the Subscription Period through the web-pages www.arcticsec.no and www.pareto.no.

The Board 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 the Eligible shareholder submits one or more identical Subscription Forms (the same VPS account and same subscription amount), only the first Subscription Form will be registered. The other Subscription Forms will be rejected without further notice. Persons who have submitted one Subscription Form and who wish to subscribe for additional Subsequent Offering Shares, should therefore ensure that the subscribed amount is not the same on the various Subscription Forms.

7.4.5 Subscription offices

The subscription offices for the Subsequent Offering are Arctic Securities ASA, Pareto Securities AS and Pareto Private Equity AS.

7.4.6 Allotment

Allotment of the Subsequent Offering Shares is expected to take place on or about 26 August 2009. The Board reserves the right to round off, cancel or reduce any subscription.

The following allocation criteria will be used in the Subsequent Offering:

1. All Eligible Shareholders who subscribe in the Subsequent Offering will be allocated 0.5 Subsequent Offering Share per Share owned as of 10 June 2009 (appearing in the VPS on 16 June 2009).

2. In the event all Eligible Shareholders does not utilize their pre-emptive right according to criteria 1 above, those Eligible Shareholders who have over-subscribed, will have a right to be allocated remaining shares not subscribed for on a pro rata basis. In the event a pro rata allocation is not applicable due to few remaining shares, the Company will determine the allocation by drawing lots or applying similar mechanisms through the automated procedure applicable through the VPS.
3. To the extent the Subsequent Offering is not fully subscribed and allocated in accordance with criterias 1 and 2 above, allocation will be made to other Subscribers not being Eligible Shareholders, at the Board's discretion.

General information on the number of Subsequent Offering Shares is expected to be published on or about 25 2009 in the form of a stock exchange release through the Oslo Børs information system. All Subscribers being allotted Subsequent Offering Shares will receive a letter from the VPS confirming the number of Subsequent Offering Shares allotted to the Subscriber and the corresponding amount to be paid. This letter is expected to be mailed on or about 26 August 2009.

7.4.7 Payment

Each Subscriber must provide a one-time irrevocable authorization to the Managers to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the Subsequent Offering Shares allotted to such Subscriber by signing the Subscription Form when subscribing for Subsequent Offering Shares. The amount will be debited on or about 1 September 2009. Subscribers not having a Norwegian bank account must ensure that payment for their Subsequent Offering Shares with cleared funds is made on or before 12:00 hours (CET) on 31 August 2009 and should contact one of 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 Subsequent Offering Shares will be withheld. Interest will in such event accrue at a rate equal to the interest on late payment, currently being 8.25% per annum.

The Managers reserves the right to make up to three debits in the period up to 4 Sepember 2009 if there are insufficient funds on the account on the debiting date. If payment for the allotted Subsequent Offering Shares is not received when due, the Subsequent Offering Shares will not be delivered to the Subscriber, and the Board reserves the right, at the risk and cost of the Subscriber, to cancel the subscription in respect of the Subsequent Offering Shares for which payment has not been made, or to sell or otherwise dispose of the Subsequent Offering Shares, and hold the Subscriber liable for any loss, cost or expense suffered or incurred in connection therewith. If payment has not been received when due, or should the subscriber have insufficient funds on the account, the Board may without further notice procure that a third party that has paid for the Subsequent Offering Shares, takes over or sells the shares three days after due date. 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.

7.5 PUBLICATION OF INFORMATION RELATING TO THE SUBSEQUENT OFFERING

Publication of information related to any changes in the Subsequent Offering and the amount subscribed, will be published on the Oslo Børs information system, and will also be available on the Company's web-site www.npro.no. General information of the subscription level etc. of the Subsequent Offering is expected to be made as soon as possible after expiry of the subscription period, expected on or about 25 August 2009.

7.6 DELIVERY OF THE SUBSEQUENT OFFERING SHARES

All subscribers subscribing for Subsequent Offering 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 Subsequent Offering Shares. Assuming that payment from all Subscribers are made when due, delivery of the Subsequent Offering Shares is expected to take place on or about 7 September 2009. It is expected that the share capital increase will be registered in the Norwegian Register of Business Enterprises on or about 7 September 2009.

7.7 SHARE CAPITAL FOLLOWING THE SUBSEQUENT OFFERING

The final number of Shares to be issued in the Subsequent Offering will depend on the number of subscriptions received. The maximum number of Subsequent Offering Shares to be issued is 50,000,000 with a nominal value of NOK 0.50 per share, which will give a further increase in the Company's Share capital from NOK 201,635,416 (following the Private Placement and the reduction of the Company's share capital) to a maximum of NOK 226,635,416. Likewise, on the basis of the maximum number of the Subsequent Offering Shares being issued, the total number of issued Shares will increase from 403,270,832 (following the Private Placement and the reduction in the Company's share capital) to a maximum of 453,270,832. See Section 14 "Share capital and shareholder matters" below for a further description of the Company's authorised and issued share capital.

The share premium resulting from the Subsequent Offering, less the direct expenses, will be allocated to the Company's share premium fund.

7.8 LISTING OF THE SUBSEQUENT OFFERING SHARES

All of the Subsequent Offering Shares will be listed on Oslo Børs. Assuming timely payment by all Subscribers, the Company expects that the Subsequent Offering Shares will be listed on Oslo Børs on or about 8 September 2009.

The Shares of the Company are solely listed on Oslo Børs, and no application has been filed for listing, on any other stock exchange or regulated market than Oslo Børs.

7.9 TRANSFERABILITY OF THE SUBSEQUENT OFFERING SHARES

Any subscriber (having paid for its shares) that sells or transfers its Subsequent Offering Shares before delivery of the Subsequent Offering 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 7.4.4 "Subscription procedures" above. In such case, the completion of the Subsequent Offering and thereby the delivery of the Subsequent Offering Shares to the subscriber may be delayed. The subscriber will then run the risk that the Subscriber is unable to settle the sale or transfer its Subsequent Offering Shares in time.

7.10 SHAREHOLDERS' RIGHTS RELATING TO THE SUBSEQUENT OFFERING SHARES

All of the Subsequent Offering Shares will be issued electronically in accordance with the regulations set forth in the Norwegian Public Limited Liability Companies Act and pursuant to the resolution of the Board, cf. Section 7.3 "Conditions to the Subsequent Offering" above. The Subsequent Offering Shares will be freely tradable and carry rights from registration of the Subsequent Offering in the Norwegian Register of Business Enterprises, including rights to any dividend declared with a record date on or after such registration, and otherwise rank pari passu with the other outstanding Shares, see also Section 14.6.9 "Dividends" regarding the dividend rights. For a further description of the rights and tradability of the Shares, see Section 14 "Share capital and shareholder matters" below.

7.11 TIMELINESS, VALIDITY, FORM AND ELIGIBILITY OF SUBSCRIPTIONS

All questions concerning the timeliness, validity, form and eligibility of any subscription for Subsequent Offering 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 Subsequent Offering 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. Furthermore, 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.

7.12 REGISTRATION WITH THE NORWEGIAN CENTRAL SECURITIES DEPOSITORY (VPS)

The Shares are registered with the VPS under the International Securities Identification Number (ISIN) NO 001 0317811. Pending the expiry of the creditor notice period, the Placement Shares and the Subsequent Offering Shares will be registered in the VPS with the Company's original ISIN number upon issuance.

The registrar for the Shares is Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, P.O.Box 1166 Sentrum, 0107 Oslo, Norway.

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 does not contain any provisions imposing any limitations on the ownership or the tradability of the Shares.

7.13 MANDATORY ANTI-MONEY LAUNDERING PROCEDURES

The Subsequent Offering is subject to the Norwegian Money Laundering Act No. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations No. 302 of 13 March 2009 (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 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 Subsequent 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 European Economic Area (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 Financial Services Authority. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

7.14 EXPENSES

Costs attributable to the Private Placement and the Subsequent Offering will be borne by the Company. The total costs are expected to amount to approximately NOK 62 million. The net proceeds to the Company will be approximately NOK 1,438 million from both offerings, assuming full subscription of the Subsequent Offering.

7.15 MANAGERS

The Managers for the Private Placement and the Subsequent Offering are Arctic Securities ASA, Haakon VII's gate 5, P.O. Box 1833 Vika, 0123 Oslo, Norway, Pareto Securities AS, Dronning Maudsgate 3, P.O. Box 1411 Vika, 0115 Oslo, Norway and Pareto Private Equity AS, Dronning Maudsgate 3, P.O. Box 1411 Vika, 0115 Oslo, Norway.

7.16 DILUTIVE EFFECT

The dilutive effect in connection with the Private Placement and the Subsequent Offering will be 55.5%, assuming full subscription of the Subsequent Offering.

	Prior to the Private Placement and the Subsequent Offering	**Prior to the Subsequent Offering**	**Subsequent both offerings**
No of Shares	201,635,416	403,270,832	453,270,832
% dilution	100.0%	50.0%	44.5%

8. PRESENTATION OF NORWEGIAN PROPERTY

8.1 THE COMPANY

Norwegian Property ASA is a Norwegian public limited liability company incorporated under the laws of Norway (the "Norwegian Public Limited Liability Companies Act") with the organisation number 988 622 036. The Company was incorporated on 20 July 2005 as a private limited liability company and was converted into a public limited liability company ("ASA") on 22 May 2006.

The Company's principal place of business is in Oslo, Norway. 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-site: www.npro.no.

8.2 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 were carried out in 2005.
April - May 2006	• Name change into Norwegian Property AS and then Norwegian Property ASA. • Norwegian Property completed its first private placement of NOK 1.75 billion at a price of NOK 50 per Share.
June - December 2006	• Norwegian Property settled the acquisition of its first 28 properties in June 2006 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. • Norwegian Property was listed on the Norwegian OTC-list in June 2006 • The Company settled the acquisitions of additional 27 properties from July to December 2006 with a total value of approximately NOK 8.6 billion. • Norwegian Property was listed on Oslo Børs in November 2006. The Company completed an initial public offering raising NOK 1,445 million in total proceeds.
January - December 2007......	• Norwegian Property completed a private placement of 6,968,641 Shares at a subscription price of NOK 71.75 per Share, raising gross proceeds of approximately NOK 500 million in March 2007. • Norwegian Property acquired four office and retail properties at Aker Brygge in Oslo. • Norwegian Property acquired 17.5% of the shares of Oslo Properties in September 2007, and entered into agreements whereby Norwegian Property could 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. • Norwegian Property entered into agreements to sell two non-core properties for a value of NOK 281.3 million. • Norwegian Property was included from 24 December 2007 in GPR 250, which is a leading global benchmark index for investors in property shares.

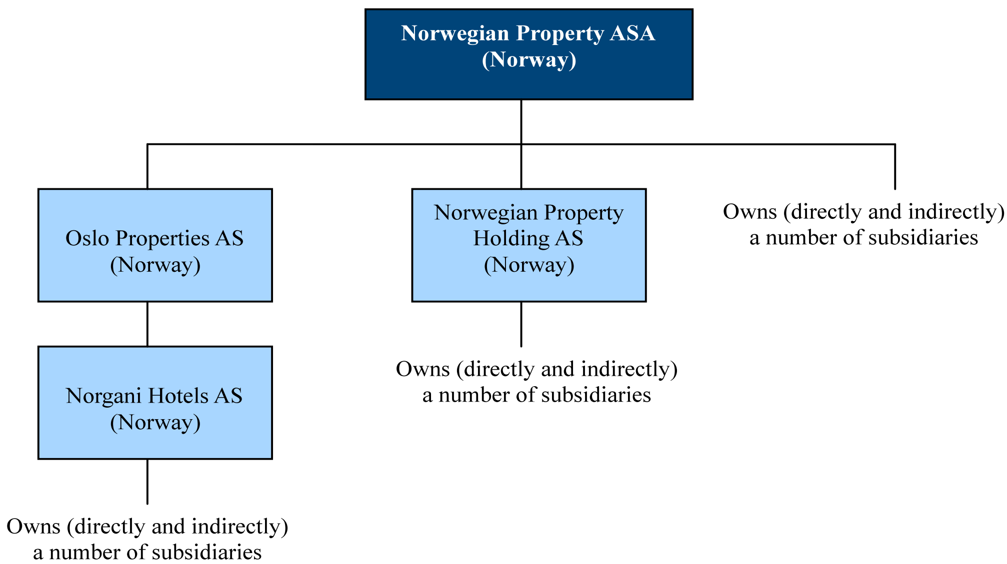
January - December 2008	•	Norwegian Property entered into agreements during the year to sell eight different non-core properties for at total property value of NOK 2,070 million.
	•	Norwegian Property entered into an agreement with NEAS in February 2008 regarding management and operation of its office portfolio.
	•	Norwegian Property entered into agreements in July and August 2008 to acquire 100% of the shares of Oslo Properties, and by this controlling 100% of the shares of Norgani Hotels.
	•	Norwegian Property completed a rights issue in July of 96,153,846 Shares at a subscription price of NOK 26 per Share, raising a gross proceed of approximately NOK 2,500 million.
	•	An extraordinary general meeting was held in July 2008 where three of the board members were replaced with three new ones.
	•	An extraordinary general meeting was held in December 2008 electing the current Board.
January 2009 -	•	Norwegian Property entered into agreements to sell one property in February 2009 for a total value of 324 million, and to terminate an obligation to acquire a property at the end of 2009.
	•	Petter Jansen informed the Board of Directors that he wants to resign from his position as CEO of the Company.
	•	Restructuring of the Company's interest bearing debt and completion of the Private Placement raising gross proceeds of approximately NOK 1.2 billion (as described in Section 6 "The Private Placement" of this Prospectus).

8.3 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 separate companies and in some cases the title is held by a separate legal entity. The Company has approximately 210 subsidiaries.

The figure below sets forth a simplified overview of Norwegian Property's legal structure:



8.4 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.

8.4.1 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 18 employees. The Company has approximately 210 subsidiaries.

8.4.2 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's registered address is Stranden 3 A, 0250 Oslo, Norway.

8.4.3 Oslo Properties AS

Oslo Properties is a Norwegian limited liability company incorporated on 2 January 2007 with organisation number 990 727 716. Oslo Properties is the sole owner of Norgani Hotels as described in more detail in Section 8.8 ”Hotel Properties (Norgani Hotels)” below. The company has limited activity other than being a holding company and has no employees. The company's registered address is Stranden 3 A, 0250 Oslo, Norway.

8.4.4 Norgani Hotels AS

Norgani Hotels is a Norwegian limited liability company organised under Norwegian laws. The company has limited activity other than being a holding company. Norgani Hotels was incorporated on 7 March 2005 with organisation number 988 016 683 and has a total of 18 employees. The company's registered address is Stranden 3 A, 0250 Oslo, Norway.

8.5 THE COMPANY'S VISION, OBJECTIVES AND BUSINESS STRATEGY

8.5.1 Goals

Norwegian Property's overall long-term goals are to further establish itself as a professional real estate owner, evolve as a leading player in the Nordic real estate business, and position itself as a preferred and primary investment alternative for investors.

8.5.2 Strategies

Norwegian Property will actively manage and continue to develop its property portfolio within selected property segments. Norwegian Property will continue to work with large, established tenants and hotel operators to secure attractive long-term leases.

The Company will work dedicated to continue the predictable and positive development of revenues and cash flows, which in combination with an active risk management of financial debt and expenditures should result in an attractive long-term return on equity.

8.6 OVERVIEW OF THE BUSINESS

The Group has two business segments:

- Commercial Properties (Norwegian Property), which includes office properties, warehouses, and retail properties (shopping areas), in addition to parking area in connection with the office areas (described in more detail in Section 8.7 “Commercial Properties” below); and

- Hotel Properties (Oslo Properties/Norgani Hotels) (described in more detail in Section 8.8 “Hotel Properties” below).

The Company's business segment division is in conformity with its legal organisation and the internal management reporting.

As of 30 June 2009, the combined portfolio of Norwegian Property and Norgani Hotels consist of 122 properties with a total of 1,306,053 sqm of prime office, retail and hotel properties across the Nordic region.

8.7 COMMERCIAL PROPERTIES

8.7.1 Overview

Below is an overview of the key figures for the Commercial Property portfolio as of 30 June 2009 and 31 December 2008, 2007 and 2006:

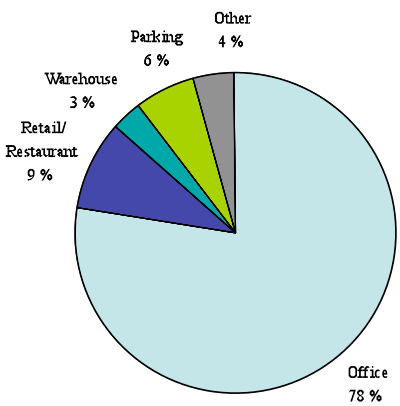
Portfolio of Commercial Properties	**30.06.2009**	**31.12.2008**	**31.12.2007**	**31.12.2006**
Number of Commercial Properties.................	48	50	58	55
Total area, square metres................................	634,587	669,569	736,391	722,542
Avg. size of properties, square metres............	13,221	13,391	12,919	13,137
Avg. value per square metre (NOK)	23,607	24,716	28,151	24,990
Market value (NOK mill)	14,981	16,549	20,730	18,056
Gross rental income (NOK mill)	1,053	1,120	1,149	1,064
Est. annual property costs (NOK mill)...........	59	63	76	61
Net rental income (NOK mill)........................	994	1,057	1,073	1,003
Gross yield, contractual rent (%)....................	7.0	6.8	5.5	5.9
Net yield, contractual rent (%)	6.6	6.4	5.2	5.7
Avg. remaining lease term (years)	5.2	5.6	6.5	7.3
Avg. consumer price index adj. (%)	97	97	95	96
Vacancy (% of gross rental income)	0.8	0.7	0.7	0.8

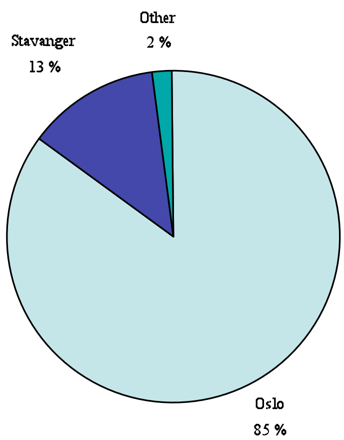
8.7.2 The Commercial Property portfolio

As of 30 June 2009, Norwegian Property owned 48 Commercial Properties, mainly located in Oslo and Stavanger.

Norwegian Property's Commercial 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.

The chart to the left sets forth an overview of the gross rent (run rate) as of 30 June 2009 for the tenants grouped by segment. The chart to the right sets forth an overview of the gross rent (run rate) as of 30 June 2009 for the tenants grouped by geographical area.





The table below sets forth the main facts regarding the Commercial Property portfolio as of 30 June 2009:

	PROPERTY FACTS									RENT FACTS			
	Space split (sqm)												
Property	Offices	Retail / Rest-aurant	Retail	Rest-aurant	Ware-house	Indoor parking	Other	Residual	Total sqm	Vac-ancy %	CPI	Duration pr 30.06.09	Runrate pr 30.06.09
OSLO/AKERSHUS													
CBD													
Aker Brygge - total	28 675	21 192	12 238	8 954	3 315	2 062	491	4 430	60 164				
Aker Brygge (Kaibygning I)	23 015	3 832	2 308	1 524	5 076	0	0	-507	31 416				
Drammensveien 60	8 593	797	797	0	1 483	377	0	0	11 250				
Ibsenkvartalet	31 630	800	252	548	4 229	0	490	893	38 042				
Stortingsgaten 6	4 460	867	867	0	919	470	0	464	7 179				
Total CBD	**96 372**	**27 487**	**16 461**	**11 026**	**15 021**	**2 909**	**981**	**5 280**	**148 051**	**3,0 %**	**98 %**	**3,9**	**348,3**
Skøyen													
Drammensveien 134 - building 2-5	21 225	0	0	0	2 710	5 432	0	-874	28 492				
Drammensveien 134 - building 1 and 6	15 301	642	642	0	1 777	4 009	0	0	21 729				
Drammensveien 149	10 695	0	0	0	1 622	4 006	0	160	16 483				
Hovfaret 11	4 377	0	0	0	569	0	696	0	5 642				
Nedre Skøyen vei 24	3 630	0	0	0	1 215	0	0	0	4 845				
Nedre Skøyen vei 26 A-E	11 444	0	0	0	696	398	5 084	0	17 622				
Nedre Skøyen vei 26 F	8 767	0	0	0	0	4 235	497	0	13 499				
Total Skøyen	**75 438**	**642**	**642**	**0**	**8 589**	**18 079**	**6 277**	**-714**	**108 311**	**0,0 %**	**99 %**	**6,8**	**197,6**
Oslo West/Lysaker/Fornebu													
Aker Hus	40 254	0	0	0	0	19 025	0	0	59 279				
Lysaker Torg 35	14 422	0	0	0	412	7 100	0	0	21 934				
Middelthunsgate 17	26 847	0	0	0	3 472	3 000	0	0	33 319				
Oksenøyveien 3	10 200	0	0	0	0	2 700	0	0	12 900				
Total Oslo West/Lysaker/Fornebu	**91 723**	**0**	**0**	**0**	**3 884**	**31 825**	**0**	**0**	**127 432**	**0,0 %**	**100 %**	**6,5**	**186,9**
Nydalen													
Gjerdrums vei 8	8 158	0	0	0	109	2 389	0	0	10 656				
Gjerdrums vei 10 D	2 052	0	0	0	0	0	0	0	2 052				
Gjerdrums vei 14	631	0	0	0	815	0	0	0	1 446				
Gjerdrums vei 16	4 209	0	0	0	772	2 139	0	0	7 120				
Gjerdrums vei 17	803	0	0	0	0	0	0	0	803				
Gullhaug Torg 3	7 868	0	0	0	0	0	0	0	7 868				
Gullhaugveien 9-13	23 031	0	0	0	8 248	12 628	0	-550	43 357				
Maridalsveien 323	11 646	0	0	0	2 600	5 573	1 096	0	20 915				
Nydalsveien 15	3 001	750	0	750	85	0	0	0	3 836				
Nydalsveien 17	0	1 560	0	1 560	0	0	0	0	1 560				
Sandakerveien 130	6 520	0	0	0	0	3 502	0	0	10 022				
Total Nydalen	**67 919**	**2 310**	**0**	**2 310**	**12 629**	**26 231**	**1 096**	**-550**	**109 635**	**0,0 %**	**95 %**	**3,4**	**137,8**
Oslo North/East													
Kolstadgaten 1	5 479	0	0	0	0	0	0	0	5 479				
Oslo Airport Gardermoen	0	0	0	0	0	0	20 976	0	20 976				
Total Oslo North / East	**5 479**	**0**	**0**	**0**	**0**	**0**	**20 976**	**0**	**26 455**	**0,0 %**	**93 %**	**8,1**	**34,0**
TOTAL OSLO / AKERSHUS	**336 931**	**30 439**	**17 103**	**13 336**	**40 123**	**79 044**	**29 330**	**4 016**	**519 884**	**0,9 %**	**98 %**	**5,1**	**904,6**
STAVANGER													
CBD													
Badehusgaten 33-39	16 673	0	0	0	2 540	2 315	0	0	21 528				
Forus/Airport													
Forusbeen 35	17 674	0	0	0	0	3 750	0	0	21 424				
Grenseveien 19	5 390	0	0	0	0	0	0	0	5 390				
Grenseveien 21	27 721	0	0	0	0	0	0	0	27 721				
Maskinveien 32	4 561	0	0	0	0	525	0	0	5 086				
Strandsvingen 10	2 059	0	0	0	0	0	0	0	2 059				
Svanholmen 2	2 883	6 580	6 580	0	0	0	0	0	9 463				
Stavanger - other													
Finnestadveien 44	22 032	0	0	0	0	0	0	0	22 032				
Total Stavanger	**98 993**	**6 580**	**6 580**	**0**	**2 540**	**6 590**	**0**	**0**	**114 703**	**0,2 %**	**90 %**	**5,7**	**148,6**
GROSS TOTAL	**435 924**	**37 019**	**23 683**	**13 336**	**42 663**	**85 634**	**29 330**	**4 016**	**634 587**	**0,8 %**	**97 %**	**5,2**	**1 053,3**

Sale of non-core properties

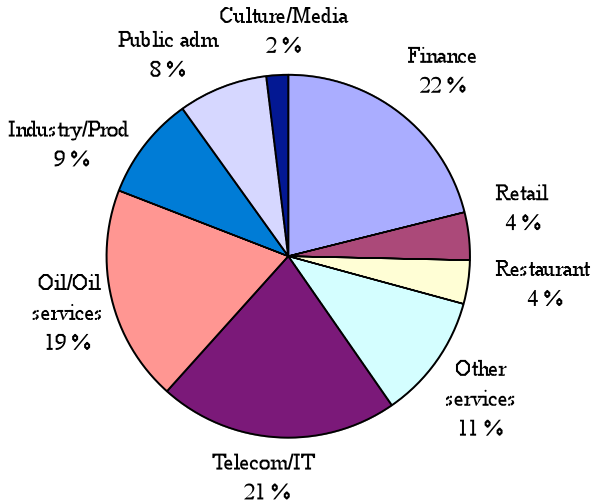
Norwegian Property has sold eight non-core assets during 2008, which amounted to a total property value of NOK 2,070 million. The properties sold included Østre Akervei 20 and 22 (Oslo), Forskningsveien 2 (Oslo), Magnus Paulssons vei 7 (Oslo), Økernveien 9 (Oslo), Nedre Holmegate 30-34 (Stavanger), Elvegaten 25 (Sandnes) and Grev Wedels Plass 9 (Oslo).

The property Grev Wedels Plass 9 was agreed sold in September 2008 and the transaction was completed in January 2009. Norwegian Property has guaranteed an annual rent level (rental guarantee) of NOK 11,458,200 VAT exclusive (to be CPI-adjusted) plus common costs for an area of 4,407 sqm (NHST area) and the guarantee period is running for five years from 1 July 2009 to 30 June 2014. As of 30 June 2009, the Company has not concluded any leases for the NHST area and the rental guarantee is thus effective until new leases have been concluded and approved. In addition, the Company has given a rental guarantee applicable if Forsvarsbygg utilises its right to terminate the lease agreement on 12 months prior notice. The level on this rental guarantee is in total NOK 5,308,000 VAT exclusive per year (to be CPI-adjusted) plus common costs and runs for a period of up to five years after 15 January 2009. As of 30 June 2009, Forsvarsbygg has given notice that it will terminate parts of its lease agreement with effect from May 2010, relating to approximately 950 sqm which is about 30% of the area rented by Forsvarsbygg. Any rent under new lease agreements approved by the buyer on the mentioned areas, will be deducted in the rent guaranteed by Norwegian Property under the rental guarantees.

In February 2009, the Company entered into a sales agreement of the property Drammensveien 144 in Oslo, for a gross value of NOK 324 million.

8.7.3 Tenants and lease contracts

Norwegian Property has a tenant portfolio of attractive and well-established organizations and companies. The tenants consist of companies within several different lines of service, with Oil/Oil Service, Telecom/ IT and Financial services representing approximately 62% of the tenant base as of 30 June 2009. The chart below illustrates the various tenants grouped by nine different lines of service.



Approximately 73% of the rental income is derived from the 25 largest tenants. Average contract duration for these tenants as of 30 June 2009 is 5.2 years. The table below sets forth these tenants' rent, the duration profile and sector category.

Tenant	Rent (MNOK)	Duration (years)	Share of total	Public sector participation	Listed at group level
EDB Business Partner ASA	83.6	9.7	7.9%	√	√
Aker Solutions ASA	82.7	9.8	7.9%	√	√
DnB NOR ASA	73.4	3.6	7.0%	√	√
StatoilHydro ASA	48.4	3.2	4.6%	√	√
Nordea	46.1	4.6	4.4%	√	√
SAS Scandinavian Airlines Norge AS	42.4	7.4	4.0%	√	√
If Skadeforsikring	40.6	3.3	3.9%	√	√
Aker Offshore Partner AS	33.9	5.5	3.2%	√	√
Total E&P Norway AS	30.4	8.4	2.9%		√
Höegh Autoliners Management AS	28.0	10.7	2.7%		
Get AS	27.3	1.9	2.6%		
Telenor Eiendom Holding AS	27.2	6.2	2.6%	√	√
NetCom AS	24.1	3.3	2.3%	√	√
Skanska Norge AS	22.0	5.8	2.1%		√
Fokus Bank	21.0	3.6	2.0%	√	√
Atea ASA	18.7	3.2	1.8%		√
TDC AS	16.1	2.0	1.5%		√
NAV	15.4	2.3	1.5%	√	
YX Energi Norge AS	14.8	2.1	1.4%	√	√
Tieto Norway AS	13.2	3.2	1.3%		√
BW Offshore AS	11.7	4.4	1.1%		√
Simonsen Advokatfirma DA	11.6	3.5	1.1%		
Økokrim	11.4	17.2	1.1%	√	
ErgoGroup AS	10.6	2.2	1.0%	√	
Schibsted Eiendom AS	9.5	4.5	0.9%		√
Total 25 largest tenants	**764.1**	**5.9**	**72.5%**		
Other tenants	289.2	3.4	27.5%		
TOTAL ALL TENANTS	**1 053.3**	**5.2**	**100.0%**		

On 28 February 2008, Norwegian Property entered into a six years agreement with NEAS regarding management and operation of its Norwegian Commercial Property portfolio. Under the agreement, NEAS has assumed responsibility for management and the day-to-day operations of Norwegian Property's Commercial Properties. For further information about the agreement with NEAS, see Section 16.3.3 "Related parties/management agreements" below.

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 previous 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.

8.7.4 Key financial figures

The Group's primary reporting format is the business segments Commercial Properties (Norwegian Property) and Hotel Properties (Oslo Properties/Norgani Hotels). See Section 10.4.1 "Business segments" for an overview of the distribution of results per business segment for the year 2008.

8.8 HOTEL PROPERTIES (NORGANI HOTELS)

8.8.1 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 30 June 2009. The Hotel Properties had a rental income in 2008 of NOK 787 million. Below is an overview of the key figures for the Hotel Property portfolio as of 30 June 2009, 31 December 2008, 2007 and 2006:

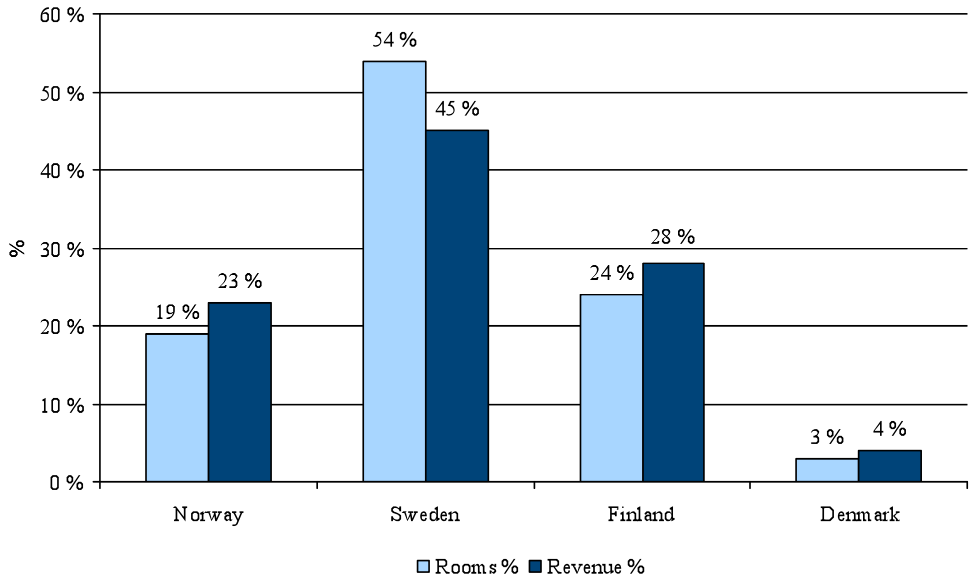
Key figures	30.06.2009	31.12.2008	31.12.2007	31.12.2006
Number of Hotel Properties	74	74	74	73
Total area, square metres	671,480	671,480	671,080	658,417
Total rooms	12,879	12,822	12,804	12,493
Avg. size per property, square metres	9,074	9,074	9,069	9,019
Avg. value per hotel room (NOK 1,000)	751	860	836	757
Market value (NOK mill)[10]	9,675	11,026	10,700	9,452
Annual gross rental income, NOK mill[11]	n.a	787	699	662
Annual property costs, NOK mill	n.a	81	65	62
Annual net rental income, NOK mill	n.a	706	634	600
Gross yield (%)	8.2[12]	7.7	6.5	7.0
Net yield (%)	7.4[13]	7.0	5.9	6.3
Min. rent and seller guarantees (NOK mill)	632	632	596	-
Min. rent (inflation adj) (NOK mill)	559	559	519	-

8.8.2 The Hotel Property portfolio

The Hotel Properties are located in Sweden, Finland, Norway and Denmark. Altogether, the 74 properties have 12,879 rooms and an area of 671,480 sqm. Most of the space is leased for hotel operation, but some hotels also have small areas leased for other types of activity.

The Company entered into an agreement in February 2009 regarding the sale of the hotel Park Inn in Oslo (under construction and thus not taken over by Norgani Hotels).

The graph below shows the geographical location of the hotels' rooms and geographical distribution of Norgani Hotels' revenues as of 30 June 2008.



A more detailed overview of all the Hotel Properties grouped by country as of 30 June 2009 is set forth in the tables below.

Norway

Norgani Hotels has 14 hotels in Norway, with a total of 140,720 sqm, 2,412 rooms and an average remaining lease term of 8.1 years. The table below shows the hotel properties located in Norway as of 30 June 2009:

[10] Market value is reported in local currencies and translated into NOK with exchange rates as of the reporting dates.

[11] Gross rent as reported based on average exchange rates in 2006, 2007 and 2008.

[12] As reported in 2008 in local currency but translated with exchange rates as of 30 June.

[13] As reported in 2008 in local currency but translated with exchange rates as of 30 June.

Hotels in Norway	Operator	Location	Rooms	Sqm
Quality Hotel & Resort Kristiansand	Choice	Kristiansand	210	9,940
Quality Hotel & Resort Hafjell	Choice	Øyer	210	9,940
Comfort Hotel Børsparken	Choice	Oslo	198	7,900
Comfort Hotel Alexandra	Choice	Molde	163	17,033
Comfort Hotel Holberg	Choice	Bergen	149	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			**2,412**	**140,720**

Sweden

Norgani Hotels has 41 hotels in Sweden, with a total of 321,763 sqm, 6,896 rooms and an average remaining lease term of 10.5 years. The table below shows the hotel properties located in Sweden as of 30 June 2009:

Hotels in Sweden	Operator	Location	Rooms	Sqm
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	234	9,397
Scandic Elmia	Scandic	Jønkøping	220	9,576
Scandic Örebro Väst	Scandic	Ørebro	204	7,621
Scandic Gävle Väst	Scandic	Gävle	200	7,382
Scandic Uppsala Nord	Scandic	Uppsala	184	7,518
Scandic Västerås	Scandic	Västerås	174	7,285
Scandic Ferrum	Scandic	Kiruna	171	11,100
Scandic Umeå Syd	Scandic	Umeå	161	5,955
Scandic Segevång	Scandic	Malmø	166	6,284
Scandic Luleå	Scandic	Luleå	160	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
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

Hotels in Sweden	Operator	Location	Rooms	Sqm
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			**6,896**	**321,763**

Denmark

Norgani Hotels has three hotels in Denmark, all located in Copenhagen, with a total of 15,405 sqm, 434 rooms and an average remaining lease term of 6.8 years. The table below shows the hotel properties located in Denmark as of 30 June 2009:

Hotels in Denmark	Operator	Location	Rooms	Sqm
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

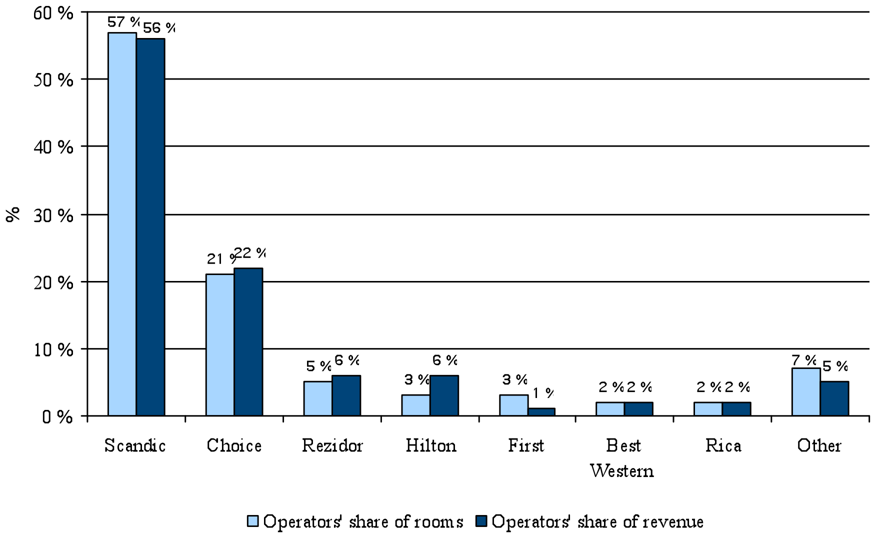
Norgani Hotels has 15 hotels in Finland in addition to a congress centre, with a total of 193,592 sqm, 3,135 rooms and an average remaining lease term of 9.7 years. The table below shows the hotel properties located in Finland as of 30 June 2009:

Hotels in Finland	Operator	Location	Rooms	Sqm
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	149	10,097
Total Finland			**3,135**	**193,592**

8.8.3 Lease agreements

By the end of June 2009, all Hotel Properties 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 minimum leases that are regulated according to a defined customer price index (CPI). One lease agreement, however, is charged at a fixed rate with yearly CPI (100%) adjustment and this fixed rental contract accounted for less than 1% of total revenue in 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. Minimum rents and vendor rental guarantees account for more than 80% of the estimated rental income for 2009, which based on current payable interest expenses more than cover debt servicing of current interest bearing debt in Norgani Hotels. See Section 12.5 "Borrowings" for information regarding the Company's debt structure. The average lease duration for the total hotel portfolio as of 30 June 2009 is 9.7 years.

The graph below show the operators' share of rooms and the operators' share of Norgani Hotels' revenues as of 31 December 2008:



8.8.4 Share purchase agreement with Fearnley syndicate

On 19 December 2006, Norgani Hotels entered into a share purchase agreement with two 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**"). See Section 3.3.9 "Agreements with Fearnley syndicate" for a summary of certain of the risks related to this agreement.

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.

The Purchaser has the right to sell (put option) the Clarion Hotel to Norgani Hotels for a price of DKK 305,727,933. Furthermore, the Purchaser has the right to sell (put option) the Scandic Hotels to Norgani Hotels for a price of DKK 272,200,000. After renegotiation of the share purchase agreement in 2009 the put option may be exercised towards Norgani Hotels during a period starting from 1 March 2011 (instead of from 1 January 2010) and ending 31 December 2012. Closing, including settlement of the purchase price, shall take place 3 months (instead of 30 days) after the Purchaser's written notice of execution of the put option(s). The implementation of the renegotiated option and execution periods is subject to completion of the Private Placement. The Company has guaranteed the rightful fulfilment of Norgani Hotels' obligations according to the said put options.

In the period from 1 January 2010 to 31 December 2012, the Purchaser may also choose to sell the hotels at market value. Under given circumstances Norgani Hotels may in such a situation be entitled to a certain amount of a possible value increase of the hotels.

8.8.5 Key financial figures

The table below illustrates Norgani Hotels as an independent unit. The figures have been derived from the Company's accounts as of 30 June 2009, enclosed to this Prospectus as Appendix 2.

NOK million	**30.06.2009 (unaudited)**	**31.12.2008 (audited)**	**31.12.2007 (audited)**	**31.12.2006 (audited)**
Rental income	368	787	699	574
Operating profit before fair value adjustments	295	636	508	515
Net gain on sales	-	27	-	66
Net change in value, property	-690	-1,082	820	613
Net change in value, financial derivatives	-72	-438	132	59
Pre-tax profit (ex. impairment of goodwill)	-638	- 1,429	1,139	932

8.9 VALUATION REPORT

DTZ Realkapital AS ("**DTZ**") and Akershus Eiendom AS performed an external and independent valuation as of 30 June 2009 covering the Company's office and hotel properties in Norway, Sweden, Denmark and Finland.

The valuation models are based on 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 and Akershus Eiendom's expertise, which has been supported by market research reports, visits to the properties, macro-economic and general sector information, and other inputs.

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 valuation by DTZ and Akershus Eiendom provide a realistic valuation of the properties as of 30 June 2009. The arithmetic average of the the two valuations has been applied in the accounts. The total value of the Company's investment properties as of 30 June 2009 was NOK 24,443 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 DTZ valuation report is included in this Prospectus as Appendix 6 and DTZ has approved the publication of the valuation reports for this use.

Further information on DTZ, can be found in Section 17.3 "Statement regarding expert opinions" below.

8.10 PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2009, Norwegian Property had non-current tangible assets of NOK 24,451million, of which the value of investment property comprise NOK 24,442 million and other tangible assets comprise NOK 8.6 million. The properties are pledged as securities in connection with the loans as described in Section 12.5 "Borrowings" below.

8.11 ENVIRONMENTAL ISSUES

Generally, the Company carries a risk of hidden defects and pollution at its properties. Such pollution may influence further development of the properties/ground. The Group is not aware of any specific environmental issues that are likely to have a negative effect on the present utilization of its assets and services. See however Section 3.2.8 "Hidden defects and emissions – pollution" above with regard to ceratin pollution issues relating to some of the Company's properties.

8.12 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.

8.13 TREND INFORMATION

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Group between 30 June 2009 and the date of this Prospectus, other than those described elsewhere in this Prospectus. Please see Section 8 “Presentation of Norwegian Property”, Section 9 “The market”, Section 10 “Consolidated financial information” and Section 14 “Share capital and shareholder matters” for more information about significant recent trends in the Group’s business and relevant markets.

9. THE MARKET

This Section may include "forward-looking" statements. See further presentation of such statements in Section 4 "Notice regarding forward-looking statements". 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 3 "Risk Factors" in this Prospectus. Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any forward-looking statements.

9.1 GENERAL ON THE MARKET

9.1.1 Market outlook

The global economy is presently experiencing a significant slowdown. The banking industry is in crisis in many countries and the credit markets are generally performing poorly. Production and demand are limited by restrictive lending practices. The Gross Domestic Product (the "**GDP**") for the countries belonging to the Organization for Economic Co-operation and Development" (the "**OECD**") area, fell almost 2% in the second half of 2008. The authorities in a number of countries have initiated and given notice of future stabilization packages for the credit market, as well as monetary and fiscal policy stimulation measures aimed to restore health in the financial markets and the real economy.

The Nordic region is impacted by the financial turmoil. Expectations for 2009 are cautious, and National statistics predict negative GDP growth for 2009. The Nordic Central Banks have cut key interest rates over the last months, in line with cuts in other regions. In addition, the Nordic governments have actively presented fiscal stimulus packages and measures to stimulate the credit markets. The table below shows the historical and estimated GDP and inflation for Norway, Sweden, Denmark, Finland and the Eurozone for the period 2000 – 2010E[14]:

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E
Norway											
GDP Mainland	2.9	2.0	1.4	1.3	4.4	4.6	4.9	6.1	2.6	-1.4	1.0
Inflation	3.1	3.0	1.3	2.5	0.4	1.6	2.3	0.8	3.8	1.7	1.1
Sweden											
GDP	4.4	1.2	2.4	2.1	3.5	3.3	4.4	3.0	-0.2	-4.6	0.9
Inflation	0.9	2.4	2.2	1.9	0.4	0.4	1.4	2.0	3.4	-0.4	0.5
Denmark											
GDP	3.3	0.7	0.6	0.4	2.1	3.2	3.3	1.9	-0.9	-3.5	0.5
Inflation	2.9	2.4	2.4	2.1	1.2	1.8	1.9	1.6	3.4	1.0	1.5
Finland											
GDP	5.3	2.4	1.6	2.0	3.7	3.2	5.0	4.6	1.5	-5.7	-1.1
Inflation	3.1	2.6	1.6	0.9	0.2	0.6	1.6	2.5	3.9	0.3	1.9
Eurozone											
GDP	3.9	2.0	1.2	1.3	2.5	2.0	3.1	2.9	0.7	-4.1	0.5
Inflation	1.9	2.2	2.1	2.0	2.0	2.2	2.2	2.1	0.7	0.4	1.9

Source: Statistics Norway (www.ssb.no), Statistics Sweden (www.scb.se), Statistical office of Finland (www.stat.fi) and statistics Denmark (www.statistikbanken.dk). DnB NOR Økonomiske Utsikter 1, 2009. Goldman Sachs Economic Research March 2009. The Economist forecast. The figures may/will change in the future.

9.1.2 The Norwegian economy

Norway is experiencing a moderate fall compared with other EU markets

The financial crisis and the backlash in the global economy are contributing to a fall in activity in the Norwegian economy; however, the fall is more moderate than in the broader markets in Europe. Norway's strong economy, with strong budget surpluses and a strong governmental sector are expected to be positive factors to support a softer landing in the Norwegian economy compared to other countries.

[14] Any year followed by the capital letter "E", e.g. 2010E, in this Prospectus, refers to the year in which the development in question is expected to occur.

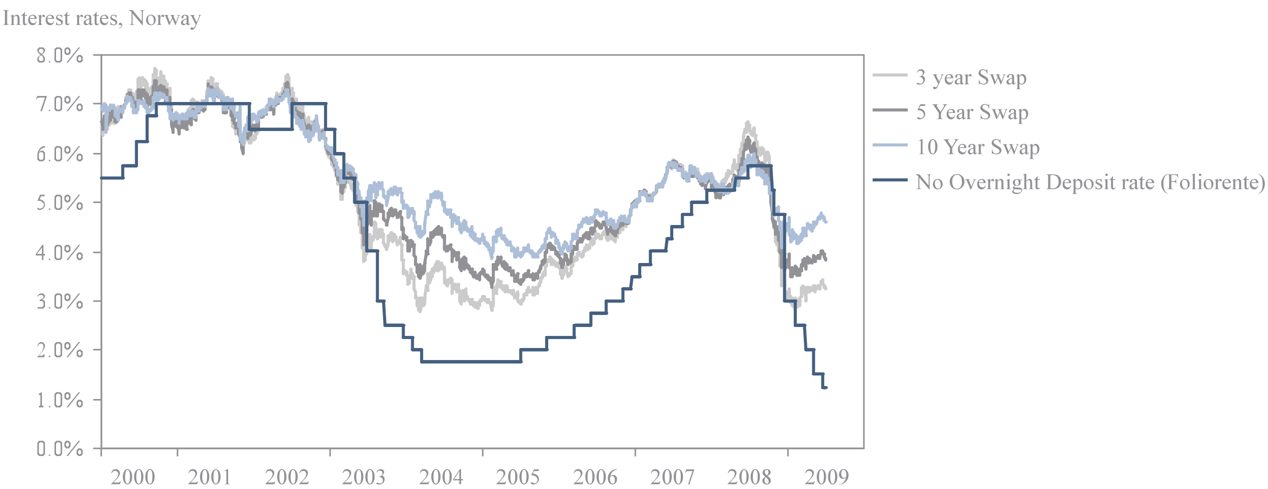
The table below shows the historical and estimated macro economic key figures for Norway for the period 2000-2012E:

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Estimates 2009	2010	2011	2012
Gross domestic product	3.3	2.0	1.5	1.0	3.9	2.7	2.3	3.1	2.1	-1.2	0.7	1.9	2.1
Mainland Norway	2.9	2.0	1.4	1.3	4.4	4.6	4.9	6.1	2.6	-1.4	1.0	2.6	3.0
Labour market:													
Labor force	0.9	0.5	0.7	-0.4	0.5	1.4	2.4	3.2	3.3	0.7	0.9	0.9	1.2
Unemployment rate (level)	3.4	3.6	3.9	4.5	4.5	4.6	3.4	2.5	2.6	3.8	4.6	4.6	4.1
Prices and wages:													
Wages per standard man-year	4.6	5.3	5.4	3.7	4.6	3.8	4.8	5.6	5.8	3.8	3.5	3.5	4.7
Consumer price index (CPI)	3.1	3.0	1.3	2.5	0.4	1.6	2.3	0.8	3.8	1.4	1.0	2.2	2.7
CPI-ATE		2.6	2.3	1.1	0.3	1.0	0.8	1.4	2.6	2.2	1.0	1.5	2.4

Source: Statistics Norway, 26 May 2009

Expansive fiscal policy
The Norwegian Parliament has approved several extraordinary fiscal policy measures. The Norwegian government economic stimulus package so far amounts to approximately NOK 243 billion, or 13% of the GDP. The stimulus package is expected to partly curb the slowdown of activity in the Norwegian economy. The expansive fiscal policy is expected to be continued in 2010.

Lower interest rates
As the financial crisis became more evident during 2008, the base interest rates both in Norway and abroad were dramatically reduced. Since August 2008, the deposit rate in Norway has been reduced by a total of 4.5 percentage points, which caused the money market rates to fall from significantly. The graph below shows the historical interest rates in Norway from 1 January 2000 to 30 June 2009:

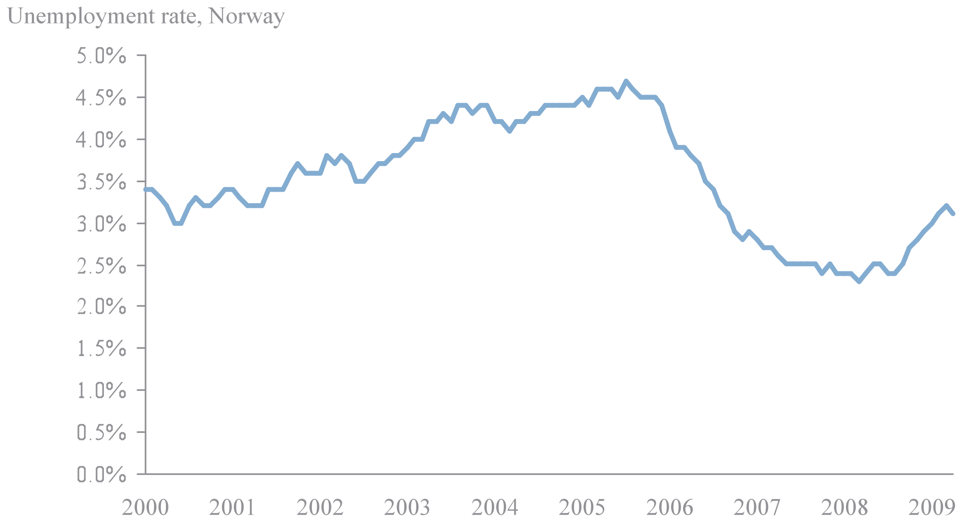


Source: Reuters, Factset

Higher unemployment
There has been strong employment growth in Norway over the last years. In 2008, the seasonally adjusted national accounts figures show a fall in employment of 0.4% from the third to fourth quarter of 2008 when adjusted for normal seasonal variations, according to Statistics Norway.

Unemployment has increased sharply since August 2008 and is according to Statistics Norway expected to further increase in many industries in 2009. The fall in employment is likely to be particularly strong within the manufacturing and the building and construction industry. However, an expected continued rise in public sector employment should limit the rise in unemployment as a whole. Statistics Norway (according to the projections as of 26 May 2009) expects unemployment to increase from 2.6% in 2008 to 4.6% (yearly averages) in 2010 and 2011. This corresponds to approximately 125,000 unemployed persons by end of 2011.

The graph below shows the historical unemployment in Norway for the period February 2000 to April 2009:

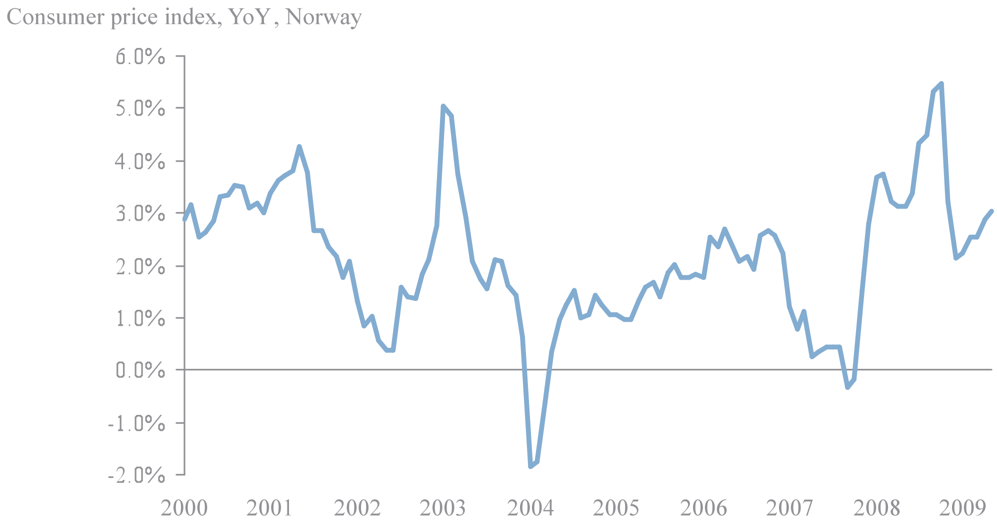


Source: Statistics Norway

Lower inflation

Reduced wage growth and higher productivity growth are expected to reduce inflation in the next two years. According to Statistics Norway, considerably lower energy prices are expected for 2009 than the prices observed in 2008. This expected fall in the energy prices are contributing to an estimated growth of the CPI by 1.4% on a yearly basis in 2009, compared with 3.8% in 2008. Furthermore, Norges Bank has a long term inflation target of 2.5% for 2009.

The graph below historical consumer price index in % for Norway for the period February January 2000 to May 2009:

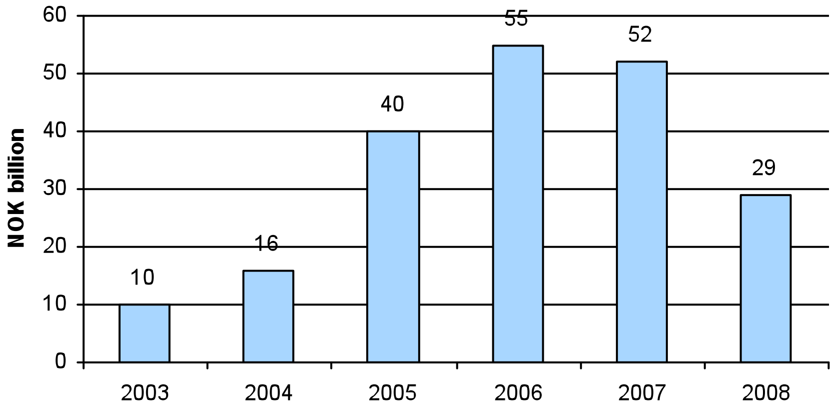


Source: Statistics Norway

9.1.3 The property transaction market

The transaction volume in 2008 for commercial properties was NOK 29 billion, down from NOK 52 billion in 2007 and NOK 68 billion in 2006, according to Akershus Eiendom. International buyers accounted for almost 50% of the transactions in 2008, which is a new peak level. The main reason for the large international presence was the sale of Steen & Strøm, where French Klepierre and Dutch ABP were the buyers.

The graph below shows the historical transaction volume of commercial properties in Norway for the period from 2003 to 2008:



Source: Akershus Eiendom, Spring 2009 report, March 18 2009

After increasing short and long term interest during the first three quarters in 2008, interest rates have adjusted substantially down-wards during the fourth quarter in 2008 and into the first months in 2009, but have moved up again since February 2009. Despite the trend of falling interest rates starting in July 2008, property prices have not been impacted positively due to increased margins and increased equity requirements from the banks. The banks are currently under pressure to increase their equity positions. In addition, the general economic market uncertainty is a factor impacting the commercial property prices currently. However, the most negative factor now is the banks' reluctance to facilitate loans at all, and if the banks offer loans, the terms and covenants are less attractive. Hence, several factors including the lack of relevant benchmark transactions, make it difficult to evaluate the current price level in the commercial property transaction market.

9.2 THE OFFICE MARKET

9.2.1 Overview of the Oslo office market

The Oslo office building stock, including Lysaker, consists of approximately 8.7 million sqm, and of this area, roughly 3 million sqm is situated within the city centre, from Solli Plass in the west to Bjørvika in the east.

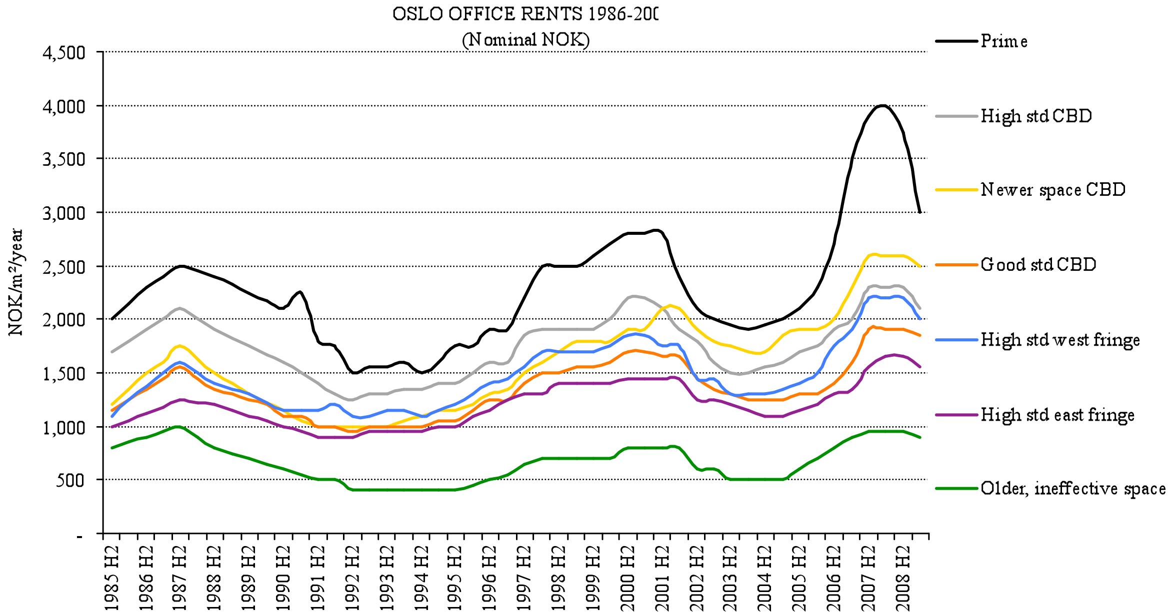
The best and highest priced office premises are located in and around the Aker Brygge/Vika area, considered as the Central Business District ("**CBD**") in Oslo. The area around the government offices forms a second popular office area and there is a strong build up of new office buildings in Bjørvika (around the central railway station) which is considered an up and coming central business area. The office zones outside the CBD stretches from the outer circle road (Ring 2) from Fornebu, Lysaker, Skøyen through Nydalen and Helsfyr to Bryn.

9.2.2 Office rents

While the first half of 2008 still carried some momentum in the rental market for some parts of Oslo, the growth came to an abrupt end in the second half, and rents even started to fall in the prime segment. According to the newspaper Dagens Næringsliv's consensus of rent estimates, segments have experienced a decline during the first six months of 2009. The rent estimates are concluded on the basis of signed contracts and renegotiations in the period, of which there has been considerably fewer than in the previous years. Thus there may be a lag effect, as less market activity, leading to less relocation and less contract signings, usually can be interpreted as a negative market signal, and the decline in rents may in fact be larger than the observed.

In the first half of 2009, the prime segment index experienced a 20% rental decline, from NOK 3,750 per sqm to NOK 3,000 per sqm, according to DN Ekspertpanel (June 2009). The other segments were only slightly lower compared to the second half of 2008. There is still a rather large gap between the prime rent and the other rent levels, one which has historically been smaller. Furthermore, the fact that the typical prime tenant's willingness to pay is strongly correlated to the overall economy, and that a large quantity of space will be available on the prime market in the coming years, adds to the perception that this area is particularly vulnerable according to Akershus Eiendom Spring 2009 Report.

The graph below shows the historical and estimated rental prices for the three segments Oslo CBD/Prime, Oslo high quality and Western fringe for the period from 1985 to June 2009:

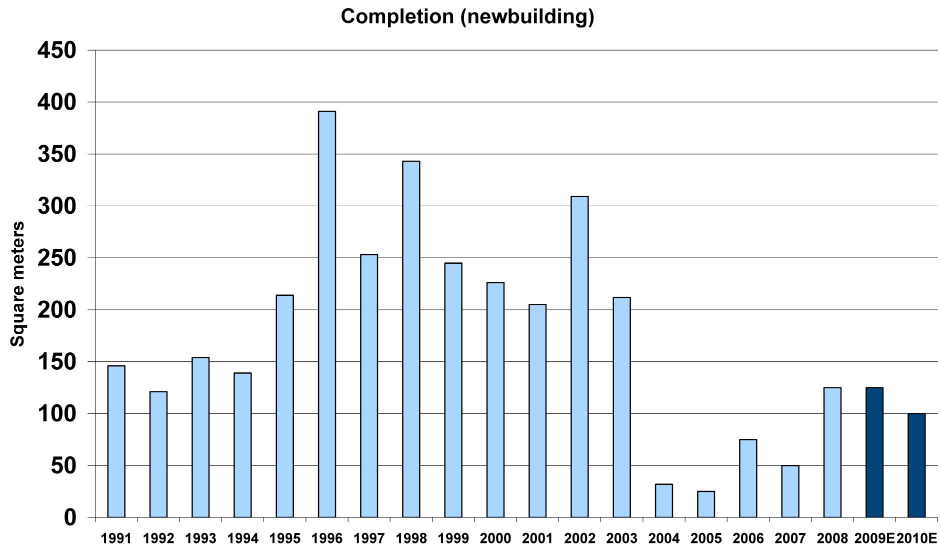


Source: DN Ekspertpanel, June 2009

9.2.3 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. Today there is more uncertainty in the residential market and the construction has slowed down. However, available land plots for office development are located in areas with lower rent levels and most of the projects due for completion in 2009 and 2010 are located in the centre and westwards to Skøyen, Lysaker and Fornebu.

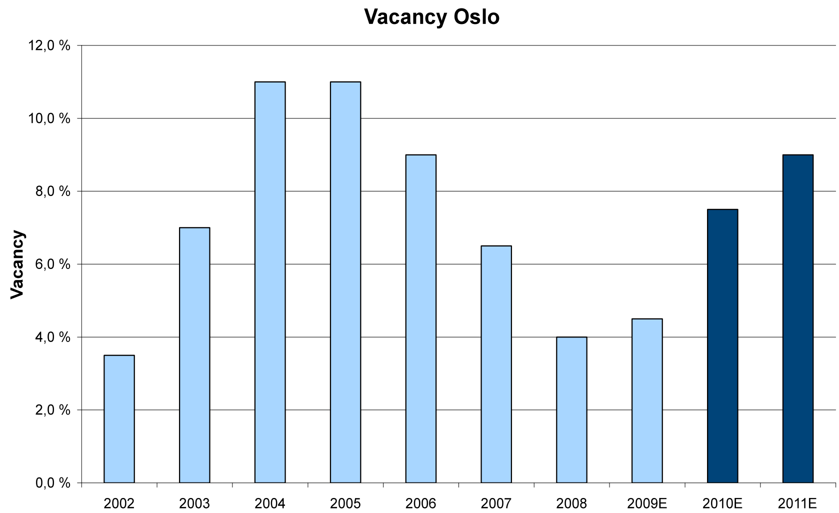
According to Eiendomsspar, about 200,000 sqm of new office stock has been brought into the Oslo market each year since 1990 and average net absorption has been 199,000 sqm over the same period. In 2004, an all-time low in new office stock with 32,000 sqm were noted. This is very low compared to average absorption. However, completion is expected to increase in 2009 with approximately 125,000 sqm, and estimated absorption of around minus 100,000 sqm. The same is expected for 2010 with expected completion about 100,000 sqm and estimated absorption of approximately minus 25,000 sqm (according to Akershus Eiendom Spring report, 18 March 2009). The graph below shows the historical and estimated completion level of newbuildings in the Oslo market for the period from 1991 to 2010E:



Source: Estimates, Akershus Eiendom, Spring 2009 report, March 18 2009. Historic figures Eiendomsspar

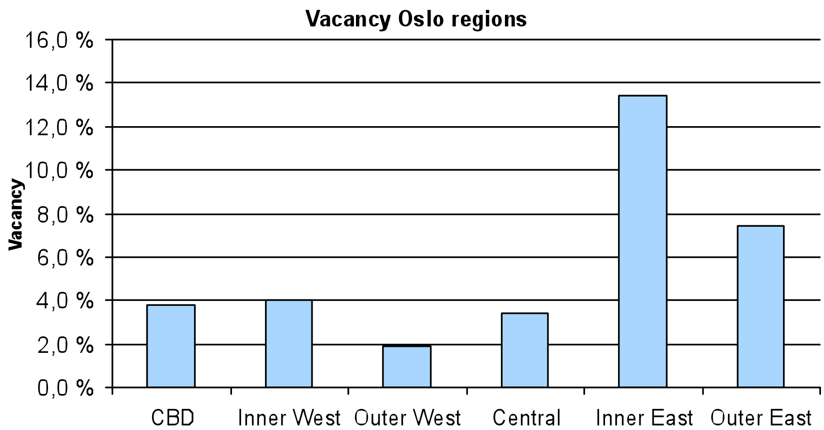
9.2.4 Vacancy

The vacancy level in the Oslo office market has declined steadily over the past four years, reaching its bottom in July 2008 at 3.5%, according to Akershus Eiendom. Since then, the vacancy level has increased; as of May 2009 the vacancy level stood at 5.5%, according to Akershus Eiendom. Going forward, Akershus Eiendom expects the vacancy in the Oslo region to increase to 7.5% in 2010 and 9% in 2011. The graph below shows the historical and estimated office vacancy measured in sqm in Oslo for the period from 1991 to 2011E:



Source: Estimates, Akershus Eiendom, Spring 2009 report, March 18 2009. Historic figures Eiendomsspar

The vacancy has increased most in the Central Business District, after coming from record low levels. The current vacancy in the Central Business District is about 3 to 4%. The vacancy in the other main office clusters in Skøyen, Lysaker, Fornebu and Nydalen have had limited increase in vacancy over the last twelve months, where the vacancy is between 2 to 5% in these regions. The graph below shows the current vacancy level in the various property segments of Oslo, as of February 2009:

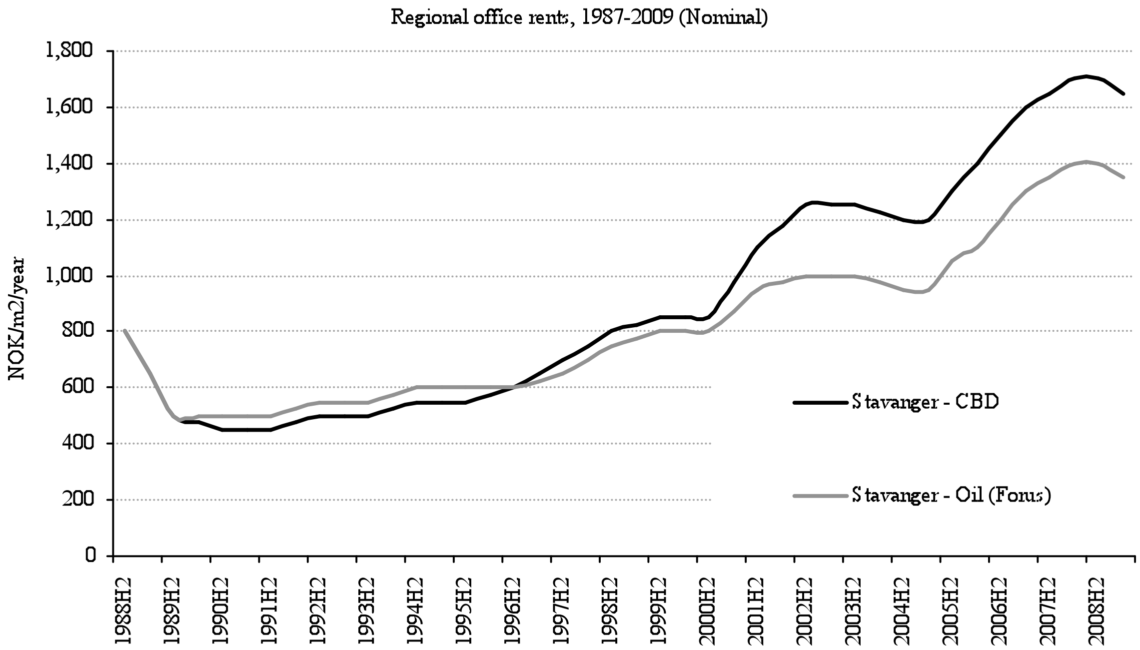


Source: Eiendomsspar, Oslo Studiet February 2009

9.2.5 Stavanger

The office rent market is still strong in the Stavanger region, according to Akershus Eiendom. This market is very dependent on the oil exploration and extraction industry. As the investment plans are still showing a growth from 2008 to 2009, it is not likely that rents will decline by much, according to Akershus Eiendom. The outlook for 2010, however, is more uncertain, especially if the price of crude oil remains low. The financial turmoil has led to longer decision processes for most tenants, and developers are more nervous as the general market outlook is weaker. The demand is expected to slow down somewhat in 2009, while some office projects will still be finished; most of these have signed tenants. The transaction market has weakened significantly also in Stavanger, and the examples of sold properties are few and far between.

The graph below shows the historical nominal rent levels in Stavanger for the period from 1988 to June 2009.



Source: DN Ekspertpanel, June 2009

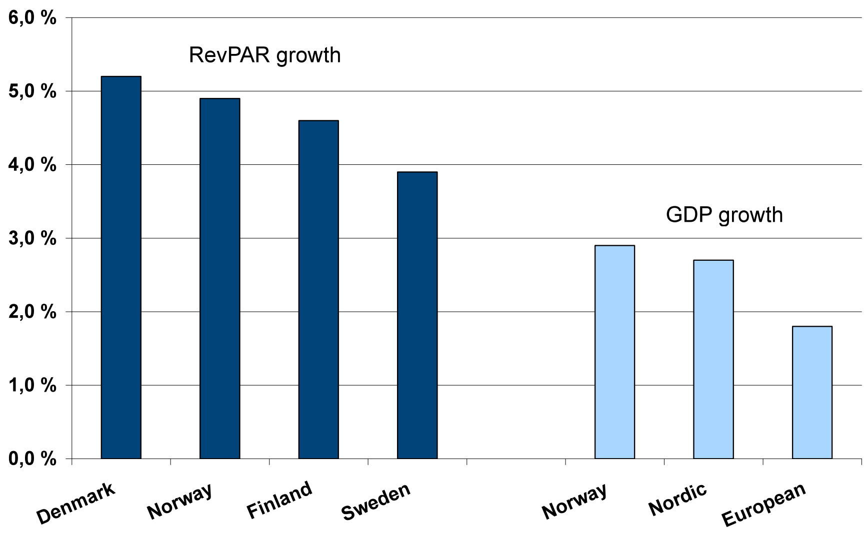
9.3 THE HOTEL MARKET

9.3.1 Overview of the Nordic hotel market

In general, the hotel market more or less follows the same trend as the GDP. Higher economic wealth leads to more spending and more travelling. Especially the business segment has experienced 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 (the "**RevPAR**"), which is determined by multiplying average room rate with occupancy, where occupancy is the proportion of sold rooms in relation to capacity. In general, the hotel room revenues may fluctuate a lot over the year, with the second and third quarters normally better than the first and fourth.

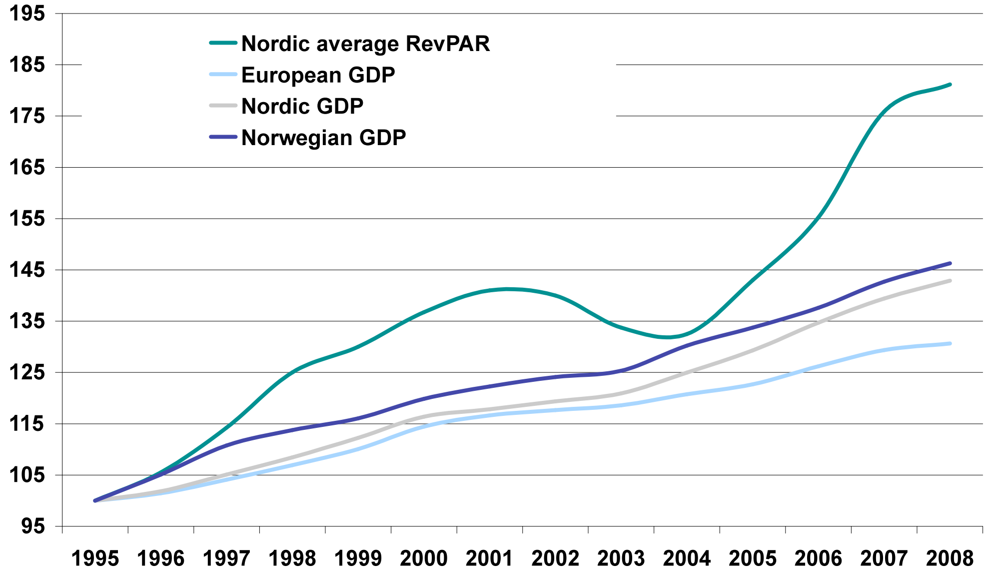
The graph below shows the RevPAR and GDP growth in the Nordic countries in the period from 1995 to 2008. The RevPAR growth in the Nordic countries has had an average annual growth of 3.9 to 5.1% in the period from 1995 to 2008. This is substantially above the average growth in GDP in the same period.



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 Nordic hotels, as well as other players in the hotel industry, experienced a peak year in 2008, due to rising room prices.

The graph below shows the historical development of Nordic RevPAR and European, Nordic and Norwegian GDP for the years 1995-2008. As set forth in the graph below, RevPAR has increased steadily the last ten years with a downturn in 2002 and 2003.



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

Hotel demand can be categorized as: 1) Conference/business; and 2) holiday/leisure, which are split by foreign and domestic guests.

In Sweden and to some extent Norway, the majority of the guests are business people, while in Denmark and Finland most guests are renting rooms in connection with holiday and leisure. The majority of the guests in the four countries are domestic residents.

The table below shows the Nordic guest profile in 2008.

Segments	Norway	Sweden	Finland	Denmark
Business	54%	53%	44%	41%
Vacation	46%	47%	56%	59%
Domestic	73%	77%	71%	82%
International	27%	23%	29%	18%

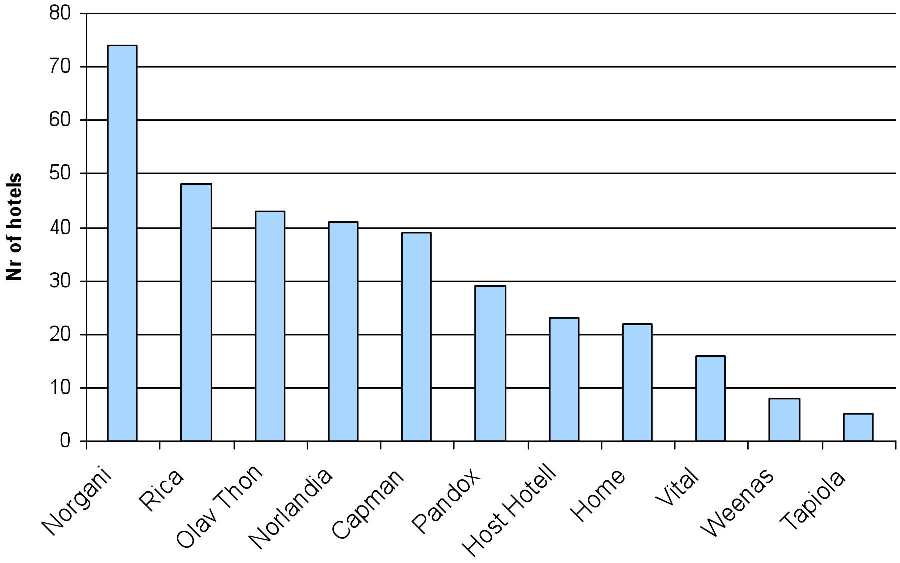
Source: Statistics Norway (www.ssb.no), Statistics Sweden (www.scb.se), Statistical office of Finland (www.stat.fi) and statistics Denmark (www.statistikbanken.dk)

The hotel market's value chain has three main players:

- The owners;
- the operators; and
- the distributors.

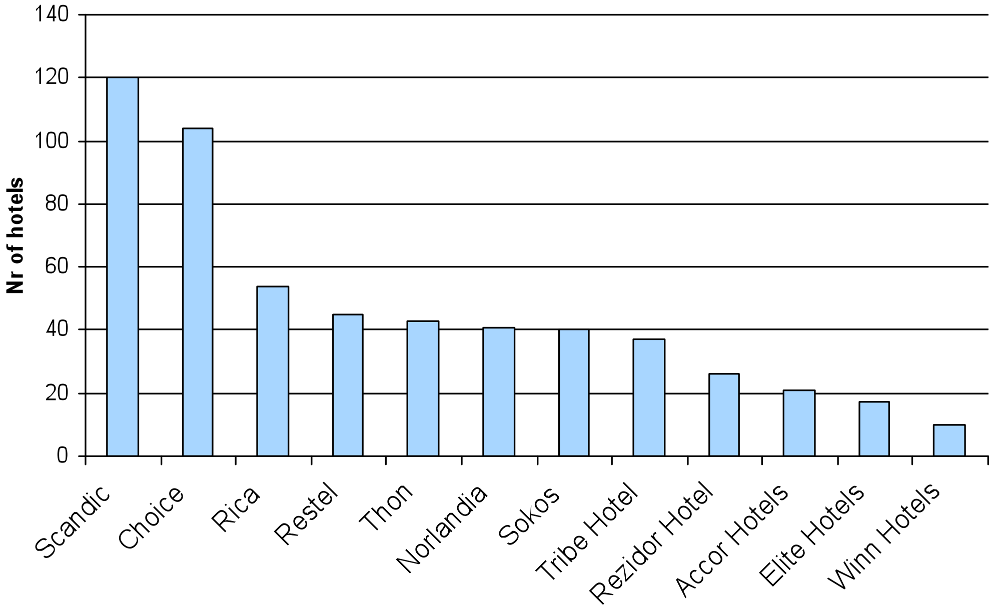
Most of the players have a specialized business model focusing on one of these functions, while a limited number of companies cover all these functions. The hotel property owners typically have lease agreements or other types of contracts with the operators who perform the day-to-day operation of the hotels, whereas hotel distributors market the hotels under a brand name and perform the booking for the hotels. In the past, it was more common that these three roles were combined. However, in the recent years specialists are to a greater extent taking responsibility for a specific 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 2008, Norgani Hotels controlled approximately 5% of available Nordic hotel rooms. The graph below shows the largest Nordic hotel owners in 2008.



Source: Home Properties 2008

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.



Source: Home Properties 2008

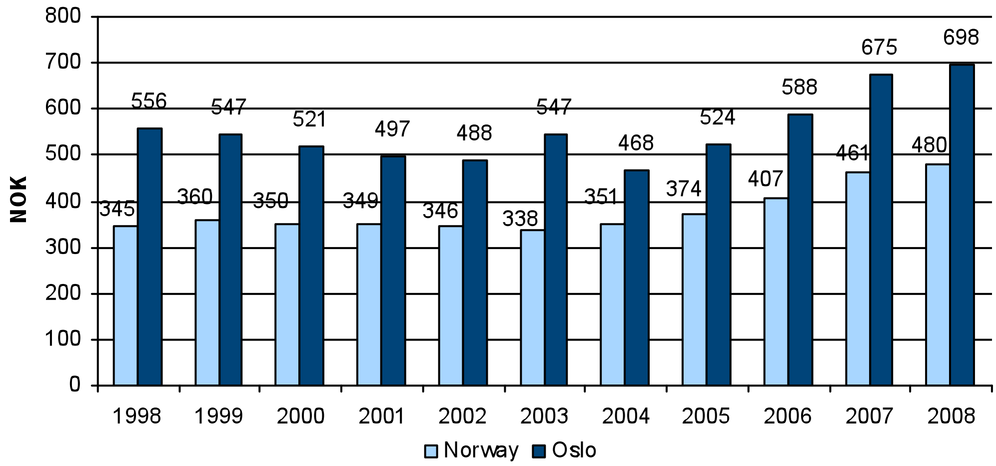
9.3.2 The Norwegian market

The RevPAR for Norway increased from 2007 to 2008 by 4.2%, from NOK 461 to NOK 480. Subsequently, the average room rate (the "**ARR**") rose by 7.0% from NOK 811 to NOK 868 and the occupancy rate was reduced by 1.5%, from 56.8 to 55.3%. The table below show the key figures for the Norwegian hotel market for the years 2007 to 2008.

Norway	2008	2007	Change
Occupancy rate	55.3%	56.8%	-1.5%
Average room rate - ARR (NOK)	868	811	7.0%
RevPAR (NOK)	480	461	4.2%
Business travel, share of occupancy	54%	53%	
Holiday and leisure, share of occupancy	46%	47%	
Foreign share of occupancy	27%	27%	
Domestic share of occupancy	73%	73%	

Source: Statistics Norway (www.ssb.no)

The graph below illustrates the historical development in RevPAR for Norway from 1998 to 2008. According to the graph 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.



Source: Statistics Norway (www.ssb.no)

YTD June 2009 the occupancy has dropped with 9.4%, and the average room rate has increased with 0.8%, thus the RevPAR has dropped with 8.7% from YTD June 2008.

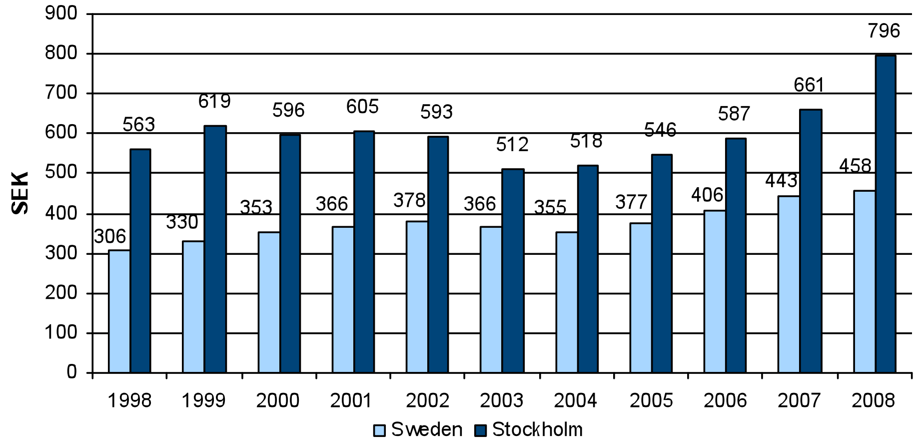
9.3.3 The Swedish market

The RevPAR for Sweden increased from 2007 to 2008 by 3.0%, from SEK 443 to SEK 458. Subsequently, the ARR rose by 4.0% from SEK 875 to SEK 911 and the occupancy rate was reduced by 0.5%, from 50.6% to 50.3%. The table below show the key figures for the Swedish hotel market for the years 2007 to 2008.

Sweden	2008	2007	Change
Occupancy rate	50.3%	50.6%	-0.5%
Average room rate (SEK)	911	875	4.0%
RevPAR (SEK)	458	443	3.0%
Business travel, share of occupancy	53%	64%	
Holiday and leisure, share of occupancy	47%	36%	
Foreign share of occupancy	23%	22%	
Domestic share of occupancy	77%	78%	

Source: Statistics Sweden (www.scb.se)

The graph below sets forth the historical development in RevPAR for Sweden from 1998 to 2008. 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 2008. Like Oslo, Stockholm has significantly higher RevPAR than the average, however with a somewhat more volatile development historically. RevPAR in Stockholm has increased the last five years.



*Source: Statistics Sweden (*www.scb.se*)*

YTD June 2009 the occupancy has dropped with 6.6%, and the average room rate has dropped with 1.8%, thus the RevPAR has dropped with 8.3% from YTD June 2008.

9.3.4 The Finnish market

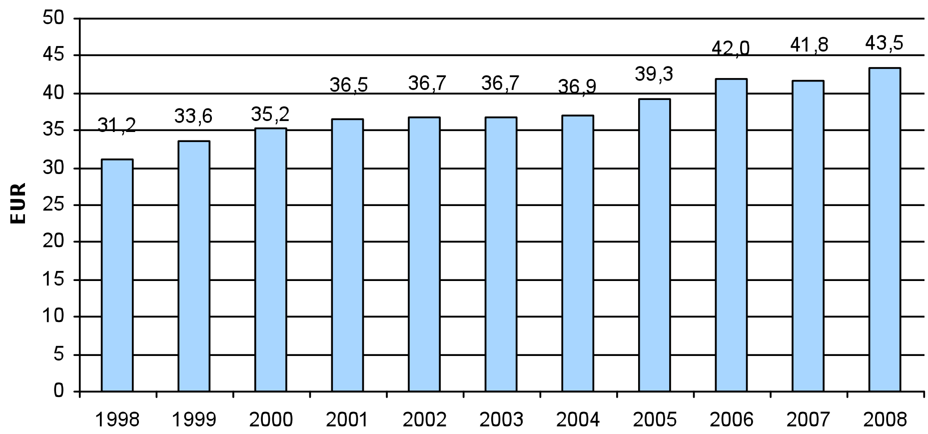
The Finnish market has expanded continuously since 2003, reaching one of its highest levels since 1980 in 2008, where RevPAR increased by 4.1% to EUR 43.5 in 2008 from EUR 41.8 in 2007. Equally, the ARR rose by 3.8% in the same period. The occupancy rate fell from 53.9% in 2007 to 53.3% in 2008.

The table below show the key figures for the Finnish hotel market for the years 2007 to 2008.

Finland	**2008**	**2007**	**Change**
Occupancy rate	53.3%	53.9%	-0.6%
Average room rate - ARR (euro)	88	84.8	3.8%
RevPAR (euro)	43.5	41.8	4.1%
Business travel, share of occupancy	44%	41%	
Holiday and leisure, share of occupancy	56%	59%	
Foreign share of occupancy	29%	30%	
Domestic share of occupancy	71%	70%	

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

The graph below illustrates the development in RevPAR in Finland from 1998 to 2008. Finland has had a steady increase in RevPAR except from the flat development from 2002 to 2004.

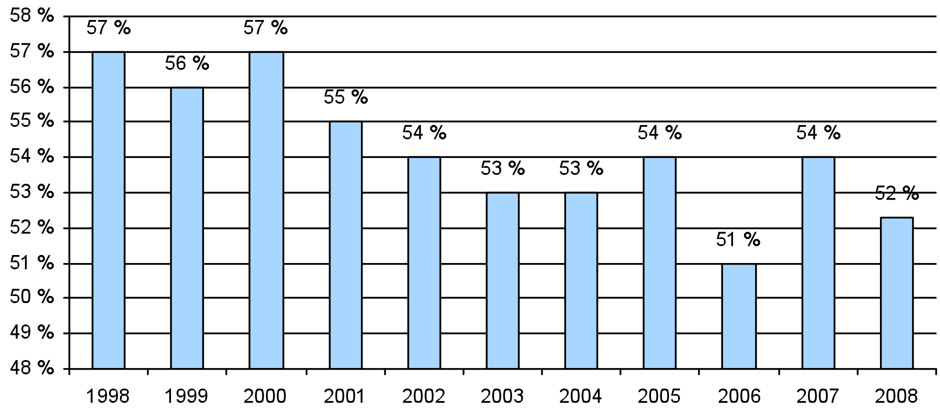


Source: Statistical office of Finland (www.stat.fi)

YTD May 2009 the occupancy has dropped with 10.3%, and the average room rate has increased with 0.6%, thus the RevPAR has dropped with 9.7% from YTD May 2008.

9.3.5 The Danish market

The Danish market lacks official statistics for the ARR, making it difficult to compare development in RevPAR. The graph below illustrates instead the development in occupancy from 1998 to 2008. According to the graph, all time high was in 1998 and 2000, followed by a volatile and overall downward development to this date.



Source: Statistics Denmark (www.statistikbanken.dk)

9.3.6 Outlook in the hotel sector

The hotel market has over the last three quarters cooled off since it is affected by the general lower economic activity. During the first half of 2008, the Nordic market still experienced RevPAR growth, but this growth levelled off and fell during the second half of 2008. The first half of 2009 the fall in RevPAR has continued and RevPAR for 2009 will be significantly lower than 2008. Several of the largest operators in the hotel market have announced public during the first quarter of 2009 that they view the hotel market as much more challenging than previously on short- and medium-term.

In line with the general economic development and expectations commented in Section 9.1 "General on the market" above, the general lower economic activity will have a negative impact on the RevPAR going forward, due to expected reduction in occupancy and reduced average room prices. The decrease has as expected been higher in the larger cities, and within the international business segment and the conference segment RevPAR have over time correlated with the gross domestic product and with expectations of falling gross domestic product in the Nordic region for 2009, this will impact the RevPAR for hotel companies negatively. In addition, several new hotels will come into the market in 2009 and 2010. These new hotels will increase the supply in the hotel market and have an impact on the occupancy levels for the hotel industry going forward.

10. CONSOLIDATED FINANCIAL INFORMATION

10.1 BASIS FOR PREPARATION

The historical consolidated financial statements set forth in Section 10.3 “Consolidated financial information” and Section 10.4 “Segment information”, are related to the Company and has been derived from the Company’s annual reports for 2008, 2007 and 2006. The annual reports for 2008, 2007 and 2006 are audited and enclosed to this Prospectus as Appendix 3, 4 and 5, respectively.

In addition, the Company has reported its 2 quarter and half-year financial figures. The half-year figures are inserted in the tables in Section 10.3 below. The Company’s 2 quarter figures may be found in the Company’s 2 quarter report enclosed to this Prospectus as Appendix 2. The Company’s 2 quarter report is unaudited.

The accounts are presented in NOK and figures are rounded off to the nearest thousand, 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 statements 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 5 in the Company’s annual report for 2008 set out in Appendix 3 in this Prospectus.

10.2 ACCOUNTING POLICIES

The Company’s condolidated financial statements have been prepared in accordance with IFRS. Please see note 2 to the annual report for 2008 in Appendix 3 for the full summary of the Company’s accounting policies.

10.3 CONSOLIDATED FINANCIAL INFORMATION

The business operations of Norwegian Property were established in 2006 and therefore real no compariable figures exist for the year 2005. The half-year figures for 2009 and 2008 as well as the full year of 2008 as presented below, includes Oslo Properties/Norgani Hotels.

10.3.1 Consolidated income statements

NOK 1,000	As per 30 June 2009 (unaudited)	As per 30 June 2008 (unaudited)	Full year 2008 (audited)	Full year 2007 (audited)[15]	Full year 2006 (audited)
Revenue income from properties	892,504	946,193	1,866,774	1,193,189	410,133
Other revenue	-	-	-	2,497	4,640
Gross rental income	**892,504**	**946,193**	**1,866,774**	**1,195,686**	**414,773**
Maintenance and property related costs	(70,907)	(74,012)	(152,151)	(81,424)	(20,216)
Other operating expenses	(72,137)	(65,966)	(131,562)	(77,943)	(42,846)
Total operating cost	**(143,045)**	**(139,978)**	**(283,713)**	**(159,367)**	**(63,062)**
Operating profit before fair value adj. investment property	**749,459**	**806,215**	**1,583,062**	**1,036,319**	**351,711**
Gain from fair value adjustment of investment property	(1,204,924)	(1,809,380)	(3,987,503)	1,219,138	393,244
Gain from sales of investment property	9,954	35,323	34,362	9,281	-
Impairment of goodwill	(212,245)	-	(220,968)	-	-
Operating profit	**(657,756)**	**(967,842)**	**(2,591,047)**	**2,264,738**	**744,955**
Financial income	30,603	16,024	26,627	67,972	13,521
Financial cost	(537,199)	(687,630)	(1,353,046)	(958,863)	(295,762)
Change in market value of financial derivative instruments	(208,987)	400,705	(1,201,439)	276,749	76,74
Net financial items	**(715,582)**	**(270,901)**	**(2,527,858)**	**(614,143)**	**(205,498)**
Profit before income tax	**(1,373,338)**	**(1,238,743)**	**(5,118,905)**	**1,650,595**	**539,457**
Income tax expense	179,841	347,402	928,194	(460,736)	(148,565)
Profit for the period	**(1,193,497)**	**(891,342)**	**(4,190,711)**	**1,189,859**	**390,892**
Minority interests	-	(46,744)	132,322	(4,829)	(1,256)
Profit after minority interests	**(1,193,497)**	**(844,598)**	**(4,058,389)**	**1,185,030**	**389,636**
Basic and diluted earnings per share for profit attributable to shareholders (NOK)	(5.92)	(7.52)	(25.81)	11.42	5.14

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

10.3.2 Consolidated balance sheets

NOK 1,000	As per 30 June 2009 (unaudited)	As per 30 June 2008 (unaudited)	As per 30 December 2008 (audited)	As per 30 December 2007 (audited)[16]	As per 30 December 2006 (audited)
ASSETS:					
Non-current assets					
Financial derivative instruments	24,594	-	37,333	9,550	105,102
Goodwill	703,987	1,064,987	885,642	1,064,987	-
Investment property	24,442,558	28,166,509	27,312,567	31,113,889	13,919,570
Development property	-	-	-	-	1,150,801
Fixtures and equipment	8,641	10,665	9,858	2,965	9,443
Shares and interests	1,837	1,626	2,014	1,623	-
Receivables	10,201	9,119	11,192	1,575	-
Total non-current assets	**25,191,818**	**29,252,906**	**28,258,607**	**32,194,589**	**15,184,916**
Current assets					
Financial derivative instruments	60,835	1,058,250	127,475	678,673	187,233
Seller guarantees for future rent	-	3,233	-	6,200	91,370
Accounts receivable	178,216	291,910	172,125	186,369	78,303
Other receivables	83,531	138,052	193,896	180,780	93,647
Cash and cash equivalents	231,197	323,915	174,220	635,476	1,252,462
Unpaid subscribed capital, net of issue cost	-	2,340,000	-	-	-
Total current assets	**553,779**	**4,155,361**	**667,716**	**1,687,498**	**1,703,015**
TOTAL ASSETS	**25,745,597**	**33,408,267**	**28,926,323**	**33,882,087**	**16,887,931**
EQUITY AND LIABILITIES:					
Equity:					
Share capital	5,040,885	5,040,885	5,040,885	2,637,039	2,462,823
Share premium	1,196,268	1,192,976	1,196,268	1,211,081	900,171
Other paid in equity	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Retained earnings	(4,321,198)	237,742	(3,127,701)	1,310,962	389,636
Other reserves	231,210	(5,316)	391,708	7,818	75,763
Minority interests	-	1,607,041	0	1,688,867	44,834
- liability to acquire shares in subsidiaries	-	(1,524,863)	-	(1,524,863)	-
Total equity	**3,647,165**	**8,048,466**	**5,001,160**	**6,830,903**	**5,373,227**
Non-current liabilities:					
Deferred tax	413,422	1,110,400	565,496	1,521,767	119,610
Financial derivative instruments	18,532	12,488	106,272	-	-
Interest bearing debt	19,644,173	21,161,393	21,021,975	21,733,946	10,876,787
Total non-current liabilities	**20,076,127**	**22,284,281**	**21,693,743**	**23,255,713**	**10,996,397**
Current liabilities:					
Financial derivative instruments	767,009	19,563	689,854	26,075	21,518
Interest bearing debt	647,631	761,593	818,611	1,498,193	100,800
Interest bearing liability to acquire shares in subsidiaries	-	1,647,700	-	1,595,837	-
Trade payables	26,149	29,866	29,432	44,086	115,317
Other liabilities	581,517	616,799	693,523	631,279	280,672
Total current liabilities	**2,022,306**	**3,075,520**	**2,231,420**	**3,795,470**	**518,307**
Total liabilities	**22,098,433**	**25,359,802**	**23,925,163**	**27,051,183**	**11,514,704**
TOTAL EQUITY AND LIABILITIES	**25,745,597**	**33,408,267**	**28,926,323**	**33,882,087**	**16,887,931**

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

10.3.3 Consolidated Cash flow statements

NOK 1,000	As per 30 June 2009 (unaudited)	As per 30 June 2008 (unaudited)	2008 (audited)	2007 (audited) [17]	2006 (audited)
Ordinary profit before income tax	(1,373,336)	(1,238,743)	(5,118,905)	1,650,595	539,457
Paid in taxes in the period	(359)	-	(8,894)	(2,042)	-
Depreciation of tangible assets	1,508	1,130	2,141	766	560
Fair value adjustments of investment properties	1,205,261	1,809,380	3,987,504	(1,219,138)	(393,244)
Gain/loss from sale of investment properties	(9,954)	(35,323)	(34,362)	(9,281)	-
Fair value adjustments of financial derivative instruments	170,698	1,809,380	1,201,439	(276,751)	(76,743)
Write-down of goodwill related to deferred tax on investment property	212,245	-	220,968	-	-
Net financial items excl. fair value adjustments of financial derivative instruments	506,595	671,676	1,326,419	890,892	282,241
Change in short-term items	(36,392)	(146,971)	(139,368)	31,831	224,040
Net cash flow from operating activities	**676,265**	**660,374**	**1,715,677**	**1,066,873**	**576,311**
Payments for purchase of fixed assets (investment properties)	(55,269)	(127,046)	(308,302)	(5,126,458)	(14,703,875)
Received for sale of fixed assets (investment properties)	1,052,387	1,346,849	1,311,029	227,393	-
Payments for purchase of subsidiaries	-	-	(155,521)	(3,464,347)	-
Payments for purchase of financial derivative instruments (guarantee rent)	-	-	-	-	(120,021)
Net cash flow from investment activities	**997,119**	**1,219,803**	**847,206**	**(8,363,412)**	**(14,823,896)**
Net change in long term debt	(1,059,424)	(1,256,509)	(3,843,536)	7,236,878	10,977,587
Net financial items excl. fair value adjustments of financial derivative instruments	(529,532)	(671,696)	(1,270,799)	(890,892)	(282,241)
Capital increase	-	-	2,345,879	479,346	4,804,601
Dividend payments	-	(263,704)	(263,704)	(263,704)	-
Other financing activities	(20,000)	-	-	114,352	-
Net cash flow from financing activities	**(1,608,956)**	**(2,191,819)**	**(3,032,159)**	**6,675,980**	**15,499,947**
Net change in cash and cash equivalents	**64,427**	**(311,642)**	**(469,276)**	**(620,559)**	**1,252,362**
Opening balance of cash and cash equivalents	174,220	635,476	635,476	1,252,462	100
Exchange rates	(7,450)	82	8,020	3,573	-
Cash and cash equivalents end of period	**231,197**	**323,915**	**174,220**	**635,476**	**1,252,462**

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

10.3.4 Unaudited consolidated statements of changes in equity

The table below sets forth the equity reconciliation for the Group for the half-year ending 30 June 2009 in addition to the years 2008, 2007 and 2006.

	Equity attributable to shareholders						
NOK 1,000	**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		(14,874)					(14,874)
Dividend payments					(263,704)		(263,704)
Financial derivatives accounted to equity				(67,945)			(67,945)
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**	**1,211,081**	**1,500,000**	**7,818**	**1,310,962**	**164,003**	**6,830,903**
Share issue June 2008	2,403,846	96,154					2,500,000
Total cost related to share issues, net of tax		(110,967)					(110,967)
Financial derivatives accounted to equity				(58,405)			(58,405)
Dividend payments					(263,704)		(263,704)
Currency translation differences				442,295			442,295
Profit for the period					(4,058,389)	(132,322)	(4,190,711)
Minority interests					(116,570)	(31,681)	(148,251)
Total equity 31.12.2008	**5,040,885**	**1,196,268**	**1,500,000**	**391,708**	**(3,127,701)**	**0**	**5,001,160**
Financial derivatives				84,352			84,352
Currency translation differences				(244,850)			(244,850)
Profit for the period					(1,193,497)		(1,193,497)
Total equity 30.06.2009	**5,040,885**	**1,196,268**	**1,500,000**	**231,210**	**(4,321,198)**	**0**	**3,647,165**

10.3.5 Significant changes to the Company's financial or trading position since 30 June 2009

There have been no significant changes in the financial and trading position of Norwegian Property since 30 June 2009.

10.4 SEGMENT INFORMATION

The tables below have been derived from note 6 to the Company's annual report for 2008 enclosed as Appendix 2 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.

10.4.1 Business segments

The Group's primary reporting format is the business segments Commercial Properties (Norwegian Property) and Hotel Properties (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 Property portfolio was acquired at the end of third quarter 2007. Below is an overview of key figures for the Company's two main business segments for the year 2008.

NOK 1,000	Commercial properties	Hotel properties	Unalloc./ elimin.	Total
Net rental income	**1,008,435**	**706,189**	**-**	**1,714,624**
Operating profit	**(1,950,311)**	**(418,700)**	**(222,035)**	**(2,591,047)**
Net financial items	(1,531,088)	(789,399)	(207,370)	(2,527,858)
Ordinary profit before income tax	**(3,481,400)**	**(1,208,100)**	**(429,405)**	**(5,118,905)**
Tax			928,194	928,194
Profit for the period			**498,789**	**(4,190,711)**
Minority interest			132,322	132,322
Profit after minority interest			**631,111**	**(4,058,389)**
Total equity	**6,006,285**	**3,154,583**	**(4,159,708)**	**5,001,160**
Investments	**104,735**	**203,567**	**-**	**308,302**

10.4.2 Geographical segments

The secondary reporting format for the group is geographical markets. The Group had operations in Norway, Sweden, Denmark and Finland in 2008. The Commercial Property segment is only located in Norway, while the Hotel Properties are located in all four countries. Below is an overview of key figures for the Company's properties in these four countries for the year 2008.

NOK 1,000	Norway	Sweden	Denmark	Finland	Unalloc./ elimin.	Total
Net rental income	**1,179,964**	**322,200**	**25,433**	**187,027**	**-**	**1,714,624**
Investm.prop/fixtures and equipment	18,656,796	4,756,989	529,266	3,379,374	-	27,322,425
Interest bearing debt	14,513,074	2,919,279	334,456	2,413,035	1,660,742	21,840,586
Other assets/liabilities (unallocated)					(480,679)	(480,679)
Total equity	**4,143,722**	**1,837,710**	**194,810**	**966,339**	**(2,141,421)**	**5,001,160**
Investments	**184,070**	**63,122**	**39,998**	**21,112**	**-**	**308,302**

10.5 INDEPENDENT AUDITOR

The Company's auditor is 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. Deloitte has not audited or reviewed or produced any report on other information provided in this Prospectus.

11. 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 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 3 "Risk factors".

11.1 COMPARISON FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2009 AND 2008

11.1.1 Operating revenue

Gross rental income for the first half year of 2009 was NOK 892.5 million compared to NOK 946.2 million in 2008. The reduction is mainly related to sale of commercial properties during 2008 and 2009, and a down turn for the hotel sector in 2009.

11.1.2 Operating expenses

Total operating cost for the first half year of 2009 was NOK 143.0 million compared to NOK 140.0 million in 2008. The increase is related to group and administrative expenses.

11.1.3 Operating profit

Operating profit was NOK -657.8 million for the first half year of 2009 compared to NOK -967.8 million in 2008. Fair value adjustments of properties are included with NOK -1,204.9 million in the first half year of 2009 compared to NOK -1,809.4 million in 2008. Impairment of goodwill of NOK -212.2 million are charged as an expense in the first half year of 2009. Gain from sale of investment properties was NOK 10.0 million in 2009 compared to NOK 35.3 million in 2008.

11.1.4 Net financial items

Net financial items were NOK -715.6 million for the first half year of 2009 compared to NOK -270.9 million in 2008. Changes in market value of financial derivatives represented a cost of NOK 209.0 million in 2009 compared to a gain of NOK 400.7 million in 2008. The Group interest cost is substantially reduced in 2009 after sale of properties in 2008 and 2009 and corresponding repayments of debt.

11.1.5 Profit before/after tax

Profit before tax for the first half year of 2009 was NOK -1,373.3 million compared to NOK -1,238.7 million in 2008. The income tax expense in 2009 is NOK -179.8 million compared to NOK -347.4 million in 2008. Profit after tax is consequently NOK -1,193.5 million and NOK -891.3 million, respectively.

11.1.6 Cash and cash equivalents

The Group had cash and cash equivalents equaling NOK 231.2 million as of 30 June 2009 compared to NOK 323.9 million as of 30 June 2008. Net change of cash and cash equivalents for the first half year of 2009 was NOK 64.4 million compared to NOK -311.6 million in 2008. Cash flow from operating activities was NOK 676.3 million for the first half year of 2009 (NOK 660.4 million in 2008). The net positive effect from investments was NOK 997.1 million (NOK 1,219.8 million), mainly related to sale of properties. Net cash flow related to financing activities was NOK -1,609.0 million (NOK -2,191.8 million), mainly related to repayment of debt, payment of interest cost and payment of dividends (2008). Changes in exchange rates only had minor effects in 2009 and 2008.

11.1.7 Liabilities

Total liabilities were NOK 22,098.4 million as of 30 June 2009 compared to NOK 25,359.8 million as of 30 June 2008. The reduction is mainly related to repayment of debt in connection with sale of properties and settlement of the liability to acquire shares in Oslo Properties.

11.1.8 Total equity

The Group's total equity was NOK 3,647.2 million as of 30 June 2009 compared to NOK 8,048.5 million as of 30 June 2008. The equity is especially affected by fair value adjustments and impairment of investment properties, financial derivative instruments and goodwill.

11.2 COMPARISON FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006

11.2.1 Operating revenue

Gross rental income for the year 2008 was NOK 1,866.8 million compared to NOK 1,195.7 million for 2007 and NOK 414.7 million for 2006. Norwegian Property had its start up year in 2006 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 from 2006 to 2007 and NOK 671 million from 2007 to 2008 was mainly due to a full year of operation from 2007, acquisitions made during 2006 and 2007 and the business combination of Norgani Hotels in September 2007. Positive effects were also seen from positive CPI-adjustments and renegotiation of leases. On the other hand, sale of properties has reduced the revenue in 2008 compared with 2007.

11.2.2 Operating expenses

Total operating cost for the year 2008 was 283.7 million compared to NOK 159.4 million for 2007 and NOK 63.1 million for 2006. The increase of NOK 96.3 million from 2006 to 2007 and NOK 124.3 million from 2007 to 2008 was attributable to a full year of operation from 2007, increased acitivity and the acquisition of Norgani Hotels.

11.2.3 Operating profit

Operating profit was NOK -2,591.0 million for the year ended 2008 compared to NOK 2,264.7 million for 2007 and NOK 744.9 million for 2006. The increase of NOK 1,519.8 million from 2006 to 2007 was attributable to a full year of operation, acquisitions of Norgani Hotels and other new properties, in addition to a larger effect from fair value adjustments of properties (representing a change of NOK 835.2 million from the previous period). The reduction of NOK 4,855.7 million from 2007 to 2008 was mainly attributable to negative effects from fair value adjustments of properties (NOK 3,987.5) and impairment of goodwill (NOK 221.0 million). The acquisitions of all the shares of Oslo Properties, which owns 100% of Norgani Hotels, contributed with a posive effect before fair value adjustments of NOK 490.6 million in 2008 compared to 2007.

11.2.4 Net financial items

Net financial items was NOK -2,527.9 million for the year 2008 compared to NOK -614.1 million for 2007 and NOK -205.5 million for 2006. The negative change of NOK 408.6 million from 2006 to 2007 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. The negative change of NOK 1,913.8 million from 2007 to 2008 was mainly attributable to the acquisitions of Norgani Hotels/Oslo Properties and a large negative change in market value of financial derivatives (change of NOK -1,478.1 million from 2007 to 2008).

11.2.5 Profit before/after tax

Profit before tax for the year 2008 was NOK -5,118.9 million compared to NOK 1,650.6 million for 2007 and NOK 539.5 million for 2006. The increase from 2006 to 2007 was 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 reduction from 2007 to 2008 was mainly due to negative changes in market value of properties and financial derivatives, and impairment of goodwill.

The income tax expense for 2008 was NOK -928.2 million compared to NOK 460.7 million for 2007 and NOK 148.6 million for 2006. Profit/loss after tax for 2008 was NOK -4,190.7 million compared to NOK 1,189.8 million for 2007 and NOK 390.9 million for 2006.

11.2.6 Cash and cash equivalents

The Group had cash and cash equivalents equalling NOK 174.2 million at the end of 2008 compared to NOK 635.5 million at the end of 2007 and NOK 1,252.5 million at the end of 2006. The reduction in 2007 was 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 in 2007. The reduction in 2008 was related to NOK 1,715.7 million in cash flow from operating activities, a net positive effect from investments of NOK 847.2 million including sale of properties, net proceeds from equity issue of NOK 2,345.9 million, dividend payments of NOK 263.7 million and other financing activities of NOK -5,114.3 million. Changes in exchange rates only had minor effects in 2008.

11.2.7 Liabilities

Total liabilities was NOK 23,925.2 million at the end of 2008 compared to NOK 27,051.2 million at the end of 2007 and NOK 11,514.7 million at the end of 2006. The increase from 2006 to 2007 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. The reduction from 2007 to 2008 is mainly due to payments of the liability to acquire shares in Oslo Properties and reduction of borrowings in connection with sale of properties.

11.2.8 Total equity

The Group's total equity was NOK 5,001.2 million at the end of 2008 compared to NOK 6,830.9 million at the end of 2007 and NOK 5,373.2 million at the end of 2006. The increase in 2007 are related to net income of NOK 1,121.9 million, equity issue with net proceeds of NOK 486.1 million, dividend payment of NOK 263.7 million and net effects related to the Oslo Properties/Norgani Hotels acquisition of NOK 130 million (minorites in Oslo Properties). The reduction in 2008 are related to net income of NOK -4,249.1 million, equity issue with net proceeds of NOK 2,389.0 million, dividend payment of NOK 263.7 million, a net negative effect related to minorities of NOK 148.3 million and positive changes in exchange rates of NOK 442.3 million.

12. CAPITAL RESOURCES

As of 30 June 2009, the Company has raised approximately NOK 8,940 million through issuing new Shares, including the proceeds from the Private Placement. These funds have partly financed the Group's commitments and liabilities. In addition, the Group has total interest bearing debt of approximately NOK 20,292 million. See further details in Section 12.5 "Borrowings" below.

As of 30 June 2009, the Company had cash and cash equivalents of approximately NOK 231 million.

12.1 CASH FLOW

The Group's main sources of cash flow are cash flow from operations, borrowings from banks and equity issues. The table below is derived from the combined historical information as presented in Section 10.3 "Consolidated financial information" above.

NOK 1,000	As per 30 June 2009	As per 30 June 2008	2008 (audited)	2007 (audited) [18]	2006 (audited)
Net cash flow (used in/generated from) operating activities..................	676,265	660,374	1,715,677	1,066,873	576,311
Net cash flow (used in) investing activities..	997,119	1,219,803	847,206	(8,363,412)	(14,823,896)
Net cash flow generated from/(used in) financing activities....	(1,608,956)	(2,191,819)	(3,032,159)	6,675,980	15,499,947

All comments below regarding historical cash flows are derived from the combined historical information as presented in Section 10 "Consolidated financial information" above.

12.1.1 Cash flows for the first half year of 2009 and 2008

Net change of cash and cash equivalents for the first half year of 2009 was NOK 64.4 million compared to NOK -311.6 million in 2008. Cash flow from operating activities was NOK 676.3 million for the first half year of 2009 (NOK 660.4 million in 2008). The net positive effect from investments was NOK 997.1 million (NOK 1,219.8 million), mainly related to sale of properties. Net cash flow related to financing activities was NOK -1,609.0 million (NOK -2,191.8 million), mainly related to repayment of debt, payment of interest cost and payment of dividends (2008). Changes in exchange rates only had minor effects in 2009 and 2008.

12.1.2 Cash flows for the full year of 2006, 2007 and 2008

The cash flow from operating activities in 2008 amounted to NOK 1,715.7 million compared to NOK 1,066.9 million for 2007 and NOK 576.3 million for 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. The increase in 2008 compared to 2007 is mainly related to the full year effect of Norgani Hotels.

The cash flow from investing activities in 2008 amounted to NOK 847.2 million compared to NOK -8,363.4 million in 2007 and NOK -14,824.0 million for 2006. The reduction in 2007 relates mainly to fewer acquisitions carried out in 2007 compared to 2006. The positive net amount in 2008 is related to sale of properties.

The cash flow from financing activities in 2008 amounted to NOK -3,032.2 million compared to NOK 6,675.9 million in 2007 and NOK 15,499.9 million in 2006. The reduction in both 2007 and 2008 is mainly related to reduced investment activity and consquently reduced financing needs.

The funding of the Company is described in detail in Sections 12.4 "Capitalization and indebtedness" and 12.5 "Borrowings" below.

For further information regarding the Company's capital expenditures, see Section 12.6 "Investments" below.

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

12.2 WORKING CAPITAL STATEMENT

In the opinion of the Company, its working capital is sufficient to cover its present requirements for at least the 12 coming months.

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

12.2.1 Key ratios

The table below sets forth some consolidated key ratios for the Group as of 30 June 2009, 31 December 2008 and 31 December 2007.

Key ratios	30.06.2009	31.12.2008	31.12.2007
Working capital ratio[19]	27.4%	29.9%	44.5%
Debt to equity ratio[20]	84.8%	81.4%	77.3%
Solidity[21]	14.2%	17.3%	20.2%

12.3 FUNDING STRUCTURE AND RESTRICTIONS ON USE OF CAPITAL

As of 30 June 2009, the Group was funded by NOK 3,647.2 million in equity and had NOK 20,291.8 million in interest bearing debt. In addition, the Group held NOK 231 million in cash.

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/or debt.

As long as the bank acquisition facilities in Oslo Properties remain in place, there are limitations as to the Company's access to the cash generated in Norgani Hotels. In general, there are no restrictions preventing the Company from transferring funds from the Company's subsidiaries, except for those financial covenants as set out in the Company's loan agreements (see Section 12.5 "Borrowings" below) and except for operational limitations that follow from e.g. legal company incorporation structure, asset management deposit accounts etc.

The Company has term loans, credit and bank facilities in addition to bond loans that include covenants which restrict the use of capital. These facilities and the covenants are further described in Section 12.5 "Borrowings" below.

The Company believes that funds from operations and funds available under its bank facilities will be sufficient to support the organic part of the Company's growth strategy.

12.4 CAPITALISATION AND INDEBTEDNESS

The Group's equity as of 30 June 2009 totalled NOK 3,647.2 million, representing an equity ratio of approximately 14.2%. The Company has an objective to strengthen the financial position and to reach a long-term loan to value target of 60 to 65%. At times when major purchases are made, this debt ratio could be higher.

The table below sets forth the Company's unaudited consolidated cash and cash equivalents and capitalisation and as at 30 June 2009 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 in Section 10 "Consolidated financial information" above. The table below is for illustrative purposes only.

[19] Current assets/current liabilities.
[20] Total interest bearing debt/total equity plus total interest bearing debt.
[21] Equity/total capital.

Amounts in NOK million	30.06.2009 (unaudited)
Current debt	
Guaranteed	-
Secured	647.6
Unsecured	1,374.7
Total current debt	**2,022.3**
Non-current debt	
Secured	19,644.2
Unsecured	431.9
Total non-current debt	**20,076.1**
Shareholders' equity	
Share capital	5,040.9
Legal reserve	1,196.3
Other reserves	(2,590.0)
Total	**3,647.2**

Amounts in NOK million	30.06.2009 (unaudited)
Cash and cash equivalents	231.2
Trading securities	-
Liquidity	**231.2**
Current financial receivable	**60.8**
Current bank debt	-
Current portion of non-current debt	647.6
Other current financial debt	767,.0
Current financial debt	**1,414.6**
Net current financial indebtedness	**1,122.6**
Non-current bank loans	18,133.2
Bonds issued	1,511.0
Other non-current loans	(6.1)
Non-current financial indebtedness	**19,638.1**
Net financial indebtedness	**20,760.7**

12.5 BORROWINGS

12.5.1 Debt financing and hedging arrangements of the Norwegian Property Group

Total interest bearing debt as of 30 June 2009 for the Norwegian Property Group was approximately NOK 20,323 million. A total of NOK 20,510 million of the interest bearing debt has been hedged, corresponding to a interest hedging ratio of 101%. The average weigthed interest p.a. of total interest bearing debt for the Group was approximately 4.99% of which the average weigthed loan margin was 0.90% p.a.

Type of debt facility (*figures in NOK mill*)	**Lenders**	**Principal debtors**	**Original amounts**	**Principal amounts**	**Final maturity**
I. Commercial Property portfolio					
A - Term loan and revolving credit facilities	Bank syndicate lead by Nordea and SEB	Norwegian Property Holding AS Gardermoen Næringseiendom KS Stortingsgaten 6 KS	11,000	9,069.94	06/06/2012
B - Bond issues	Bondholders (Norsk Tillitsmann ASA as loan trustee)	Norwegian Property ASA	302 386 823	302 386 823	22/03/2010 22/03/2012 22/03/2012
C - Mortgage and bank loans	Nykredit	Skøyen Bygg To AS Skøyen Bygg Tre AS Skøyen Bygg Fire AS Skøyen Bygg Fem AS Skøyen Bygg ANS	961	950.48	31/12/2013
D - Loan facility	Storebrand Bank	Drammensveien 134-1 AS	522	495	31/12/2020
II. Acquisition financing relating to Norgani Hotels					
Multicurrency term loan and guarantee facilities	Bank syndicate lead by Nordea and SEB	Oslo Properties AS	1,700	1,618.85	06/06/2012
III. Hotel Property portfolio (Norgani Hotels)					
A - Multicurrency term loan and revolving credit facilities	Bank syndicate lead by SEB	Fastighets AB Prince Philip	EUR 13 DKK 640 NOK 1,585 SEK 1,840	EUR 12.43 DKK 249.87 NOK 1,523.46 SEK 1,568.37	27/04/2013
B - Loan facility	Handelsbanken	Hotelleiendom i Sverige AB	SEK 1,150	SEK 1,065.3	15/06/2015
C - Term loan facilities	Bank syndicate lead by SEB and Hypo Real Estate Bank	Norgani Suomi Holding AB	EUR 239.5	EUR 229.11	31/08/2011
D - Term loan facility	SEB	Norgani Sweden Holding AB	SEK 565	SEK 565	30/09/2012
E - Overdraft credit facilities	SEB	Norgani Hotels	NOK 55	NOK 0	N/A

12.5.2 Commercial Property portfolio

A - NOK 11 billion term loan and revolving credit facilities

The NOK 11 billion term loan and revolving credit facilities form the main basis for the debt financing of the Commercial Property portfolio. Principal borrowers are Norwegian Property Holding AS, Gardermoen Næringseiendom KS and Stortingsgaten KS. The terms and conditions of the facilities are documented by a facilities agreement dated 4 July 2007 (as amended by an amendment and restatement agreement dated 5 February 2008 and as further amended by amendment letters dated 29 May 2009 and 23 June 2009).

Main commercial terms*:*

- *Interest*: NIBOR plus a margin of 0.80% p.a.
- *Interest rate hedging*: At least 70% of the Group's interest rate exposure to be hedged.
- *Amortisation*: Amortisation for this facility is currently 2.5% p.a. based on an LTV of 82.5% in respect of all properties financed under the facilities agreement. The amortisation is based on certain LTV thresholds and will be adjusted to 1.80% if the LTV is reduced to fall below 80%.
- *Final maturity date*: 6 June 2012.

Guarantees and security:

- *Guarantors*: The Company, Norwegian Property Holding AS and the relevant property owning subsidiaries (except for the limited liability partnerships).
- *Security*: As security for all obligations under the facilities agreement the Company, Norwegian Property Holding AS and/or the relevant property owning subsidiaries have provided first priority security interests in shares, real properties, trade receivables, intercompany loans, insurance proceeds, bank accounts, claims under hedging arrangements and claims under certain acquisition agreements relating to the relevant properties. If the NOK 302 million bond issue is refinanced under the revolving credit facility, then second priority security will be taken over assets currently securing that bond issue.

Financial covenants:

- *Interest coverage ratio*: The Norwegian Property Holding AS group and the Norwegian Property Group to maintain an ICR of at least 1.40 on a consolidated basis.
- *Loan to value*: The requirement on the Norwegian Property Group to maintain an LTV below 85% (on a consolidated basis) has been waived until 30 June 2011, whereas the Norwegian Property Holding AS group is required to maintain an LTV below 85% (on a consolidated basis) for the full term of the facilities.
- *Debt service coverage*: The Norwegian Property Group to maintain a DSCR (on a consolidated basis) of minimum 1.1.
- *Measurement*: The financial covenants are measured quarterly by reference to figures and accounts as of the end of each financial quarter.
- *Waiver*: Compliance with the above financial covenants has been waived until 30 September 2009.

Other significant terms:

- The facilities agreement contains undertakings which are customary for credit facilities of this nature, including the following general undertakings:
  - negative pledge in relation to assets;
  - cross default;
  - restrictions on new financial indebtedness and financial support;
  - mandatory prepayment provisions relating to disposal of properties (save for substitution of properties within 9 months after a disposal); and
  - restrictions on payment of dividends or making other distributions to its shareholders if not in compliance with its financial covenants.
- *Change of control:* The Company to maintain 100% ownership of Norwegian Property Holding AS. The majority lenders may demand full repayment of the outstanding loans if the Company is de-listed from Oslo Stock Exchange or a person (or persons acting in concert) obtains control over more than 50% of the share capital or voting rights of the Company.

B - Bond issues

As part of its stand-alone financing of certain Commercial Properties, the Company has issued the following three bond series in the Norwegian market with respect to the properties at Finnestadveien 44, Maridalsveien 323, Middelthunsgate 17 and Forusbeen 35:

- 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).

Each of the bond series have been issued with Norsk Tillitsmann ASA as trustee and are subject to the terms of three respective bond loan agreements, each entered into on 20 March 2007. The main terms are as follows:

- *Coupon on the NOK 823 million bond issue*: NIBOR plus 0.45% p.a.
- *Coupon on the NOK 302 million bond issue*: NIBOR plus 0.70% p.a.
- *Repayment*: In full at par value on 22 March 2010 for the NOK 302 million bonds and on 22 March 2012 for the NOK 823 million bonds and the NOK 386 million bonds. The NOK 302 million bonds may be refinanced in whole or in part under the revolving credit facility of the NOK 11 billion facilities described above.
- *Covenants*: The bond loan agreements are based on the prevailing market terms for this type of issues in the Norwegian market, including restrictions on the property owning subsidiaries.

- *Security*: The bondholders in the NOK 823 million bond issue and the NOK 386 million bond issue share first prirority security over the shares in the property owning and title holding subsidiaries, the properties at Finnestadveien 44 (Stavanger), Maridalsveien 323 (Oslo), Middelthunsgate 17 (Oslo) and Forusbeen 35 (Stavanger), certain bank accounts, any bank guarantee substituting a cash security and intercompany loans owed to the Company by the relevant subsidiaries. The bondholders in the NOK 302 million bond issue hold second prirority security over the same assets.

C - Skøyen Bygg stand-alone financing

The Skøyen Bygg properties at Nedre Skøyen vei and Hovfaret have been separately financed under a NOK 768 million mortgage loan agreement with Nykredit Realkredit A/S as lender and a NOK 195,750,000 bank loan agreement with Nykredit Bank A/S as lender. Both loan agreements are dated 19 December 2006. The mortgage loan has been raised through the lender's issue and sale of Danish mortgage credit bonds. Principal borrowers under both loans are Skøyen Bygg ANS, Skøyen Bygg To AS, Skøyen Bygg Tre AS, Skøyen Bygg Fire AS and Skøyen Bygg Fem AS.

The main terms of the loan agreements include:

D - Drammensveien 134 stand-alone financing

The two Commercial Properties at Drammensveien 134 have been separately financed under a NOK 522 million loan agreement dated 30 June 2005 with Drammensveien 134-1 AS as borrower and Storebrand Bank ASA as lender.

The main terms of the loan agreement are as follows:

- *Interest*: NIBOR plus an interest margin of 0.75% p.a.
- *Financial covenants*: The borrower ot maintain a liquidity reserve of minimum NOK 1 million.
- *Amortisation*: The loan will amortise with quarterly installments so that the outstanding amount will be NOK 355 million at maturity on 31 December 2020.
- *Security*: First priority mortgage over the properties, the interest swap arrangements between the borrower and the bank and the shares in the title holding subsidiaries owned by the borrower.

12.5.3 Acquisition financing relating to Norgani Hotels

Through a joint investment in Oslo Properties, the Company, 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 (arranged by Nordea and SEB) with Oslo Properties as borrower and a NOK 450 million short term credit facility agreement with the Company as borrower. The short term facility is repaid.

The NOK 1,700 million facility has been made available pursuant to a facilities agreement dated 2 October 2007 with Oslo Properties as borrower and SEB as agent for the lenders.

Main commercial terms:

- *Interest*: NIBOR plus a margin of 2.20% p.a. until the subscriptions under the offerings have been completed. Thereafter the margin will be 3.00% p.a. for the part of the outstanding facility amount which is NOK 700 million or less and 4.00% p.a. for any part of the outstanding facility amount which is above NOK 700 million.
- *Interest rate hedging*: At least 70% of the Norgani Hotels Group's interest rate exposure to be hedged.
- *Amortisation*: A prepayment of from NOK 700 million to NOK 900 million from the offerings will be used for prepayment of the facility no later than 6 October 2009. The facility thereafter amortises by quarterly instalments of NOK 12.5 million from 1 January 2010 to 1 October 2011 and by NOK 25 million instalments on 1 January 2012 and 1 April 2012 with the remaining balance falling due on maturity 6 June 2012.

Guarantees and security:

- *Guarantor*: The Company.
- *Security*: The facility and the relevant hedging arrangements are secured by first priority security over the shares in Oslo Properties, all of Oslo Properties' shares in Norgani Hotels, Oslo Properties' bank accounts and the intercompany loans owed by Oslo Properties to the Company and second priority security over the security provided under the NOK 11 billion term loan and revolving facilities agreement.

Financial covenants:

- *Interest cover ratio*: The Norgani Hotels group (on a consolidated basis) to maintain a minimum ICR of 1.60 on a consolidated basis and the Norwegian Property Group (on a consolidated basis) to maintain a minimum ICR of 1.40.
- *Loan to value*: On a consolidated basis, the Norgani Hotels group is to maintain an LTV which is not higher than 85%, the Oslo Properties group is to maintain an LTV which is not higher than 90% from Q3 2011 and the Norwegian Property Group is to maintain an LTV which is not higher than 85% from Q3 2011.
- *Waiver*: Compliance with the above financial covenants has been waived until 30 September 2009.

Other significant terms:

- The facility agreement contains undertakings which are customary for loan and guarantee facilities of this nature, including:
  - Restrictions on new financial indebtedness within the Oslo Properties group;
  - Negative pledge applying to the Oslo Properties group;
  - 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 not to make any dividend payments or 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 majority lenders may demand full repayment of the outstanding loans if the Company is de-listed from Oslo Stock Exchange or a person (or persons acting in concert) obtains control over more than 50% of the share capital or voting rights of the Company or Oslo Properties.

12.5.4 Hotel Property portfolio

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

A - Multicurrency term loan and revolving facilities

On 27 April 2006, Norgani Hotels entered into a 7-year facilities agreement with a syndicate of banks lead by SEB, pursuant to which EUR 13 million, DKK 640 million, NOK 1,435 million and SEK 1,840 million term loan facilities and a NOK 150 million multicurrency revolving credit facility were made available. 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 by an amendement and restatement agreement dated 22 December 2006. SEB acts as agent for the lenders.

Main commercial terms:

- *Interest*: XIBOR plus an interest margin of 1.10% p.a. The margin is to be revisited by the parties in 2011, with the new margin being effective from 27 April 2011 .
- *Interest rate hedging*: At least 60% (falling to 50% in 2010) of the Prince Philip group's interest rate exposure to be hedged.
- *Amortisation*: As of 31 December 2008 the amortisation for the term loans was 1.50% p.a. based on an LTV of 64%. The amortisation will be based on certain LTV thresholds (maximum 3.00% at an LTV above 80%) and adjusted quarterly.

Guarantees and security:

- *Guarantors*: The Company, Oslo Properties, Norgani Hotels, Prince Philip and the relevant property owning subsidiaries.
- *Security*: As security for all obligations under the facilities agreement Norgani Hotels, Prince Philip and/or the property owning companies have provided first priority security interests in shares, real properties, intercompany loans, insurance proceeds, certain bank accounts, claims under hedging arrangements and claims under certain acquisition agreements relating to the relevant properties.

Financial covenants:

- *Interest coverage ratio*: Prince Philip and the Prince Philip group (on a consolidated basis) to maintain an ICR of at least 2.00. Norgani Hotels group to maintain an ICR of at least 1.60.
- *Loan to value*: Prince Philip and the Prince Philip group (on a consolidated basis) to maintain an LTV of less than 85%.
- *Equity ratio*: Norgani Hotels group to maintain an equity ratio of more than 15%.

Other significant terms:

- The facilities agreement contains undertakings which are customary for credit facilities of this nature, including the following general undertakings:
  - negative pledge;
  - restrictions on any new financial indebtedness and financial support;
  - 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*: The majority lenders may demand full repayment of the outstanding loans if:
  - the Company is de-listed from Oslo Stock Exchange;
  - a person (or persons acting in concert) obtains control over more than 50% of the share capital or voting rights of the Company;
  - the Company ceases to control more than 50% of the voting rights in Oslo Properties; or
  - Oslo Properties ceases to control more than 50% of the share capital or voting rights in Norgani Hotels.

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

When acquiring the Norgani 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 existing financing with Svenska Handelsbanken AB (publ) under the SEK 1,150 million facilities agreement dated 27 June 2005, with Hotelleiendom i Sverige AB as borrower, as a stand-alone financing for this portfolio.

The main terms of the facilities agreement include:

- *Interest*: STIBOR plus (i) a margin of 2.20% p.a. (subject to negotiation).
- *Amortisation*: The Loans drawn are short term for 3, 6 or 12 months or as agreed with the lender. The available commitment is reduced every 6 months after first drawdown by SEK 12.1 million
- *Maturity*: 15 June 2015.
- *Cross default*: Cross default with other indebtedness of the borrower.
- Guarantors: Norgani Hotels and HEAS.
- *Security*: As security for all obligations under the facilities agreement Norgani Hotels, HEAS, Hotelleiendom i Sverige AB and/or the property owning companies have provided first priority security interests in shares, real properties, intercompany loans, bank accounts and claims under certain agreements relating to the relevant properties.

C - 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 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 facility agreement is to provide stand-alone financing of part of the purchase price for the Kapiteeli hotel portfolio.

Main commercial terms:

- *Interest*: EURIBOR plus an interest margin of 0.90%.
- *Interest rate hedging*: At least 70% (falling to 60% in June 2009 and to 50% in June 2010) of Suomi Holding's interest rate exposure to be hedged.
- *Amortisation*. As of 31 December 2008 amortisation for the term loan facilities was 2% p.a. The amortisation will be adjusted to 2.5% if the LTV ratio of the financed hotel properties reaches a level higher than 80%. A prepayment of NOK 100 million will be made no later than 9 December 2009 as required by the lenders under the NOK 1,700 million facility agreement.

Guarantees and security:

- *Guarantors*: The borrower and the relevant property owning subsidiaries.
- *Security*: As security for all obligations under the facilities agreement Suomi Holding, Norwegian Sweden Holding AB and/or the subsidiaries of Suomi Holding have provided first priority security interests in shares, real properties, intercompany loans, bank accounts and the general business of the relevant companies.

Financial covenants:

- *Loan to value*: The LTV (related to the value of the Kapiteeli properties) not to exceed 85%.
- *Interest coverage ratio*: The Suomi Holding group to maintain an ICR of not less than 135% and the Norgani Hotels group to maintain an ICR of not less than 160%.
- *Equity ratio*: The equity ratio of the Norgani Hotels group not to fall below 15%
- *Measurement*: Interest coverage ratios to be tested on each interest payment date and other financial ratios to be tested by reference to each compliance certificate (which shall be provided with each set of financial statements).

Other significant terms:

- The facilities agreement contains undertakings which are customary for credit facilities of this nature, including the following general undertakings:
    - restrictions on new financial indebtedness and financial support;
    - negative pledge;
    - restrictions on disposal of shares in subsidiaries/properties, except when used for mandatory repayment of the facilities or reinvestment, etc.; and
    - restrictions on dividend payments.
- *Change of control*: The majority lenders may demand full repayment of the outstanding loans if:
    - the Company is de-listed from Oslo Stock Exchange;
    - a person (or persons acting in concert) obtains control over more than 50% of the share capital or voting rights of the Company or Norgani Hotels;
    - the Company ceases to control more than 50% of the voting rights in Oslo Properties;
    - Oslo Properties ceases to control more than 90% of the share capital or voting rights in Norgani Hotels;
    - Norgani Hotels ceases to have full voting or ownerships rights in respect of Norgani Sweden Holding AB;
    - Norgani Sweden Holding AB ceases to have full voting or ownerships rights in respect of Suomi Holding; or
    - any shares in Norgani Sweden Holding AB or in any Suomi Holding group company are listed on a stock exchange.

D - 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 dated 28 September 2006. The original facility agreement has been replaced by new facility agreement dated 30 March 2009 between Norgani Hotelleiendom AS as borrower, Norgani Hotels as guarantor and SEB as lender. The facility agreement requires Norgani Hotels on a consolidated level to maintain an equity ratio of more than 15% and an interest coverage ratio of minimum 1.60. There is no amortisation and the loan matures onto 30 September 2012 and carries an interest at STIBOR plus a margin of 2.5 per cent per annum.

E - NOK 55 million overdraft credit facilities

For its working capital purposes, Norgani Hotels has entered into an agreement for overdraft credit facilities on customary terms with SEB in the maximum amount of NOK 55 million pursuant to a multi currency account facility. As agreed with SEB, the overdraft facilities are suspended awaiting a pledge to be established over Norgani Hasselbacken AB in favour of SEB. Such pledge is expected to be in place in September/October 2009.

The margin on the overdraft facilities is 0.75% and an overdraft facility fee at 0.20% applies. The agreement requires a Norgani Hotels (on a consolidated basis) to maintain an equity ratio of at least 15% and an interest coverage ratio of minimum 2.0.

12.6 INVESTMENTS

12.6.1 Historical investments

Investments related to investment properties

Investments related to investment properties carried out by the Company for the years 2006 to 2008 are specified in the table below, setting forth the changes in the book value of investment properties.

NOK 1,000	31.12.2008	31.12.2007	31.12.2006
Opening balance 1 January	31,113,889	13,919,571	-
Disposal of properties	(1,300,293)	(209,532)	-
Additions from business combinations	-	9,850,053	-
Additions from acquisition of properties and ordinary investments	282,171	4,886,115	13,526,327
Reclassification from property under construction etc	(2,769)	1,448,545	-
Fair value adjustment of investment property	(3,987,503)	1,219,138	393,244
Exchange rates	1,207,072	-	-
Book value	**27,312,567**	**31,113,889**	**13,919,571**

Investments in subsidiaries

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

During 2007 and 2008, Norwegian Property had acquired all shares in Oslo Properties. At year end 2007 Norwegian Property owned 17.5% of the shares and had entered into put/call option agreements to acquire an additional 76% of the shares of Oslo Properties. Management functions in Oslo Properties were appointed by Norwegian Property, and Norwegian Property also had the right to designate 3 out of 5 board members in Oslo Properties (including the Chairman).

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 was calculated as follows as of 31 December 2007.

NOK 1,000	Amount
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

In connection with the acquisition of all remaining shares in Oslo Properties in 2008, additional goodwill of NOK 41.6 million was calculated. For further details, see note 25 in the annual report for 2008, included in Appendix 3 to this Prospectus.

Investments in property, plant and equipment

The Group has made the following investments in property, plant and equipment for the years 2006 to 2008:

NOK 1,000	Property under construction[22]	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/from investment property	(1,442,317)	(6,228)	(1,448,545)
As of 31 December 2007	**-**	**4,289**	**4,289**
Additions/investments	-	6,265	6,265
Reclassification to/from investment property	-	2,769	2,769
As of 31 December 2008	**-**	**13,323**	**13,323**
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**
Current year's depreciation	-	2,141	2,141
As of 31 December 2008	-	**3,464**	**3,464**
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**
Book value as of 31 December 2008	-	**9,858**	**9,858**

12.6.2 Investments in progress

In the ordinary course of business the Company invests in upgrades of the properties and tenant-specific adjustments to the properties to secure the highest achievable rental income.

The largest committed investment in progress for Norgani Hotels is the Scandic agreement where approximately EUR 3.5 million remains of the investment as of 31 December 2008. According to this agreement, the operator is also contributing significantly.

In addition, Norgani Hotels is committed by a purchase agreement to invest up to SEK 50 million in relation to Scandic Alvik, if the operator decides to build a conference department. The operator has to make the decision before 31 December 2010, after this date the commitment is annulled.

The Group has no other major investments in progress.

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

13. BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

13.1 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 in 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[23]	Shares held[24]
Tormod Hermansen	Chairman	19 Dec 2008	2010	0
Harald Grimsrud	Deputy Chairman	19 Dec 2008	2010	0
Nils Kloumann Selte	Board member	19 Dec 2008	2010	250,000
Synne Syrrist	Board member	19 Dec 2008	2010	0
Gry Mølleskog	Board member	19 Dec 2008	2010	0

Tormod Hermansen (born 1940), Chairman of the Board
Mr. Hermansen holds a MSc degree in economics from the University of Oslo. Mr. Hermansen is currently self-employed and holds several board positions, among these as Chairman of the board of Dolfiscan AS, Hødnebø AS, Bredbåndsalliansen AS, Biowaz AS, Norsk Institutt for Strategiske Studier, IT Fornebu Holding AS, and further, he serves as board member of Statens Banksikringsfond og Statens bankinvesteringsfond (see Section 10.5 "Conflicts of interests etc." for a detailed list). Mr. Hermansen was previously the CEO of Telenor ASA (1995-2002) and before that the CEO of Televerket (1991-1995). Furthermore, Mr. Hermansen has broad political experience from the positions as state secretary in the Ministry of Local Government and Regional Development (1980-1985) and as state secretary in the Ministry of Finance (1986-1991). Mr. Hermansen is a Norwegian citizen, and resides in Oslo, Norway.

Harald Grimsrud (born 1961), Deputy Chairman
Mr. Grimsrud earned a Master of Science degree ("Siviløkonom") from the Norwegian School of Economics and Business Administration (NHH) in 1985. Mr. Grimsrud serves as board member of several companies, including Expert AS, Opplysningen 1881 and Telenor Venture VI AS. Mr. Grimsrud is currently the Managing Director of Awilhelmsen Capital AS, and was previously the Investment Director in the same company (2007-2008). Prior to this, Mr. Grimsrud was Partner at ABG Sundal Collier in the period 2002-2007, and further, he held various positions in Fondsfinans, including Head of Research, during 1987-2001 and in Bøndernes Bank during 1985-1987. Mr. Grimsrud is a Norwegian citizen, and resides in Bærum, Norway.

Nils Kloumann Selte (born 1965), Board member
Mr. Selte earned a Master of Science degree ("Siviløkonom") from the Norwegian School of Management (BI). Mr. Selte serves as board member at several boards, including. Montrica Global Opportunities Fund, Ferncliff Asset Management AS, as well as board member of several group companies in Canica. Mr. Selte is currently employeed as CFO/CIO at Canica AS. Mr. Selte has previously served as Chairman and board member of Steen & Strøm ASA, and board member of Gresvig ASA, ICA AB and Reiten & Co. Capital Partners V AS. Mr. Selte is a Norwegian citizen, and resides in Oslo, Norway.

Synne Syrrist (born 1972), Board member
Ms. Syrrist earned a degree in Master of Science from the Faculty of Economics and Industrial Management at the Norwegian Institute of Technology (NTH) in 1996. Further, she has completed the AFA degree (2004) at the Norwegian School of Economics and Business Administration (NHH). Ms. Syrrist is currently self-employed and works as an independent consultant, in addition to holding several board positions, among these as Chairman of the board of several shipping funds of DnB NOR, and she serves further as board member of

[23] In accordance with Section 6-6 of the Norwegian Public Limited Liability Companies Act and related secondary legislation, the term in office of the Company's elected Board members expires at the conclusion of the annual general meeting in the year of which the period of office expires.
[24] As of the date of this Prospectus, the number of shares does not include shares held by employers and related parties.

CopeInca ASA, Cecon ASA, Gregoire ASA, Faktor Eiendom ASA, Nordisk Industriutvikling AS and Global Rig Company ASA (see Section 10.5 "Conflicts of interests etc." for a detailed list). Ms. Syrrist was employeed as financial analyst at First Securities ASA in 1999 -2004 and Elcon Securities ASA in 1996-1999. Ms. Syrrist is a Norwegian citizen, and resides in Oslo, Norway.

Gry Mølleskog (born 1962), Board member
Ms. Mølleskog earned a degree as Bedriftsøkonom from the Norwegian School of Management (BI) in 1989 and is currently about to finalize a Master's degree in economics from BI. Ms. Mølleskog has attended several leadership courses at the SAS Academy. Ms. Mølleskog is currently employeed as Senior Partner in Korn/Ferry International. In the period 2003-2005 she was employeed as Chief of Staff for Their Royal Highnesses, The Crown Prince and The Crown Princess of Norway. Previously she has held various postions in SAS Airline/SAS Norge (1980-2003). Ms. Mølleskog serves as member of several boards, including Posten Norge AS, DnB NOR Finans, and as Chair of the board at Oslo Sporvognsdrift/Oslotrikken. Ms. Mølleskog is a Norwegian citizen, and resides in Oslo, Norway.

13.2 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[25]
Petter Jansen	Chief Executive Officer	75,000
Mari Thjømøe	Chief Financial Officer	20,000
Aili Klami	Chief Operating Officer	0
Dag Fladby	Chief Investment Officer	4,000

Petter Jansen (born 1955), Chief Executive Officer
Mr. Jansen was appointed CEO of the Company in August 2006. Mr. Jansen was until June 2006 the president and CEO of SAS Braathens, the Norwegian arm of the SAS airline. Mr. Jansen 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 1993-1996, Mr. Jansen held a number of senior posts in the Norwegian defence forces. Mr. Jansen serves currently as board member of Tamelin AS, Avinor AS and Norgani Hotels AS. Mr. Jansen is a graduate of the Norwegian War College and the Army Staff College, and he has also studied at the War College in Östersund, Sweden, and at the Östersund Business College in 1986-1988. He completed the senior executive programme at the London Business School in 2003. Mr. Jansen is a Norwegian citizen, and resides in Åros, Norway.

On 25 May 2009, Mr. Jansen informed the Board of Directors that he wants to resign from his position as CEO of the Company. He has agreed to stay in the position until a new CEO is in place.

Mari Thjømøe (born 1962), Chief Financial Officer
Ms. Thjømøe joined Norwegian Property as CFO in January 2009. Prior to joining the Company, Ms. Thjømøe served as Executive Vice President and CFO in KLP from 2005 to 2008. Further, Ms. Thjømøe has previously worked as Senior Vice President in Statoil ASA in the period from 2000-2006, and has held various positions within Norsk Hydro ASA in the period from 1988 to 2000. Ms. Thjømøe earned her Master of Science degree ("Siviløkonom") at the Norwegian School of Management (BI) in 1987, and became a Chartered Financial Analyst (CFA) at the Norwegian School of Economics and Business Administration (NHH) in 1991. Ms. Thjømøe is a Norwegian citizen, and resides in Oslo, Norway.

Aili Klami (born 1956), Chief Operating Officer
Ms. Klami was appointed COO of the Company in December 2006. Ms. Klami had prior to this 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. Ms. Klami 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.

[25] As of the date of this Prospectus.

Dag Fladby (born 1968), Chief Investment Officer
Mr. Fladby was appointed CIO of the Company in November 2006. Mr. Fladby came from the position as senior vice president for corporate business development at Finland's Altia Corporation Oy (2005-2006), after previously playing a key role in building up Scandinavian Beverage Group AS (SBG) from 1995 to 2005. Mr Fladby was CEO of that company when it was sold to Altia at the end of 2004 after a period of successful expansion. Mr. Fladby earned a Master's degree in business and marketing from the Norwegian School of Management (BI) in 1993. Mr. Fladby is a Norwegian citizen, and resides in Bærum, Norway.

On 15 June 2009, Mr. Fladby informed the CEO that he wants to resign from his position as CIO of the Company.

13.3 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, as well as the remuneration of the members of the Board of Directors.

The nomination committee is responsible, i.a. of:
- making recommendations to the general meeting on 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. Einar J. Greve.

13.4 THE AUDIT COMMITTEE AND THE COMPENSATION COMMITTEE

The Board has established both an audit and a compensation committee as internal committees reporting to the Board.

The Company's audit committee consists of the Board members Ms. Syrrist (Chair), Mr. Grimsrud and Mr. Selte. The audit committee is a preparatory body, and advices the Board, in matters related to the financial reporting, audits, internal control and risk management in general.

The Company's compensation committee consists of the Board members Mr. Hermansen (Chair) and Ms. Mølleskog. The compensation committee is a preparatory body, and advices the Board, in matters related to terms of employment of the Company's CEO and principles and strategies for compensation to executive management of the Company.

13.5 CONFLICTS OF INTERESTS 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	Current membership of the administrative management, supervisory bodies and/or partnerships	Previous membership of the administrative management, supervisory bodies and/or partnerships during the five years preceding the date of this Prospectus
Tormod Hermansen	Chairman of the board of Dolphiscan AS Chairman of the board of Hødnebø AS Chairman of the board of Savalen Drift AS Chairman of the board of Bredbåndsalliansen AS Chairman of the board of Forum For Innovasjon Chairman of the board of Scan4News AS Chairman of the board of Hermansen Consulting Tormod Hermansen Chairman of the board of Pock Mobile AS Chairman of the board of Hødnebø System AS Chairman of the board of Møbler AS Chairman of the board of Butikkdrift AS Chairman of the board of Dolphimed AS Chairman of the board of Bouvet AS Chairman of the board of Storgården Eiendom as Chairman of the board of Storgårdsmøbler AS Chairman of the board of Joanto AS Chairman of the board of Hødnebø Contract AS Chairman of the board of Biowaz AS Chairman of the board of Stiklstad Hotell AS Chairman of the board of Norsk Institutt for Strategiske studier Chairman of the board of Right to Play Chairman of the board of Os Trekultur AS Chairman of the board of Ot Eiendom AS Chairman of the board of IT Fornebu Holding AS Chairman of the board of Vangsveien 73 AS Chairman of the board of Vangsveien Parkering AS Chairman of the board of Vangsveien Prosjekt AS Chairman of the board of Vangsveien 73 Eiendom AS Chairman of the board of Det Norske Myntverket Chairman of the board of Mørk Engebretsen Invest AS Chairman of the board of International Pork Investment AS Board member of Statens Banksikringsfond Board member of Statens Bankinvesteringsfond	Chairman of the board of Eidsiva Energi AS Chairman of the board of Bravida ASA
Harald Grimsrud	Managing Director at Awilhelmsen Capital AS Board member of Expert ASA Board member of Opplysningen 1881 Board member of Telenor Venture VI	Investment Director at Awilhelmsen Capital AS Partner at ABG Sundal Collier ASA
Nils Kloumann Selte	CFO/CIO at Canica AS Board member of Montrica Global Opportunities Fund Board member of Montrica Investment Management LLP and other feeders Board member of Ferncliff Asset Management AS Board member of Handelsbanken Fondsforvaltning AS Deputy board member of Komplett ASA Board member of several group companies in Canica AS Board member/chairman of several personal held companies	Chairman and board member of Steen & Strøm ASA Board member of Gresvig ASA Board member of ICA AB Board member of Reiten & Co, Capital Partners V AS Board member of Oslo Areal ASA

Board of Directors	**Current membership of the administrative management, supervisory bodies and/or partnerships**	**Previous membership of the administrative management, supervisory bodies and/or partnerships during the five years preceding the date of this Prospectus**
Synne Syrrist	Board member of Cecon ASA Board member of Gregoire ASA Board member of Faktor Eiendom ASA Board member of Castelar Corporate Finance ASA Board member of Nordisk Industriutvikling AS Board member of Global Rig Company ASA Board member of Vetro Solar AS Chair of the board of DnB NOR Shippinginvest I ASA Chair of the board of DnB NOR Skipsholding I AS Chair of the board of DnB NOR Shipping I AS Chair of the board of LPG Ships 1 AS Chair of the board of DnB NOR Skipseiedne 2 AS Chair of the board of DnB NOR Skipseiende 3 AS Chair of the board of DnB NOR Skipseiende 4 AS Chair of the board of DnB NOR Skipseiende 5 AS	Board member of Wavefield Inseis ASA Board member of Ocean HeavyLift ASA Board member of Camposol AS Board member of Camposol Holding Plc Board member of APL ASA Board member of Blom ASA Board member of Scan Subsea ASA Board member of Eastern Drilling ASA Board member of AGR Group ASA Board member of CopeInca ASA Board member of Nordisk Energiforvaltning ASA Chair of the board of DnB NOR Skipseiende 6 AS Chair of the board of DnB NOR Skipseiende 7 AS Chair of the board of DnB NOR Skipseiende 8 AS Chair of the board of DnB NOR Profesjonell Shippinginvestor I AS
Gry Mølleskog	Board member of Posten Norge AS Board member of DnB NOR Finans Chair of the board of Oslo Sporvognsdrift/Oslo-trikken. Senior Partner in Korn/Ferry International Deputy member of the company assembly of Telenor ASA	Deputy chair of Hurtigruten ASA Board member of Their Royal Highnesses' Humanitarian Fund Board member of Steen & Strøm ASA Member of the election committee of Opera Software ASA

Senior Management	**Current membership of the administrative management, supervisory bodies and/or partnerships**	**Previous membership of the administrative management, supervisory bodies and/or partnerships during the five years preceding the date of this Prospectus**
Petter Jansen	Board member of Avinor AS Chairman of the board of Norgani Hotels Chairman of the board Tamelin AS	President and CEO of SAS Braathens Senior Vice President of DnB ASA Chairman of the board of OL Tromsø 2018 AS Board member of NORISS Board member of NHO Chairman of the board of Postbanken Eiendomsmegling AS Chairman of the board of DnB Eiendom AS Chairman of the board of Doorstep AS Board member of Europaprogrammet
Mari Thjømøe	Board member of Oslo Børs VPS Holding Board member of Oslo Børs ASA Board member of Petoro AS Chair of the Board of Seilsport Maritimt Forlag AS Chair of the Board of Xantippe Invest AS Chair of the Board of subsidiaries of Norwegian Property	Board member of Aksje Norge CFO of KLP Senior Vice President of Statoil ASA Director of Norsk Hydro ASA Chairman of the board of Norwegian Investor Relations Association Board member of KLP Eiendom AS Board member of KLP Skadeforsikring AS
Aili Klami	Board member of subsidiaries of Norwegian Property	Sales and Mark.dir. Avantor ASA
Dag Fladby	Board member of subsidiaries of Norwegian Property Board member of Norgani Hotels Chairman of the board of Sameiet Jaertunet	CEO of Scandinavian Beverage Group AS Senior Vice President for corporate business development of Finland's Altia Corporation Oy Chairman or board member in the majority of the subsidiaries of Scandinavian Beverage Group up to 2006

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 "Related parties/Management agreements" below.

13.6 REMUNERATION AND BENEFITS

13.6.1 Remuneration of the Board

All Board members were elected on 19 December 2008, and no remuneration has been resolved or paid to these persons for the year 2008.

The Chairman of the Board of Directors will receive NOK 500,000 and other Board members will receive NOK 200,000 each as remuneration for the period from the annual general meeting in 2009 and to the ordinary general meeting in 2010, and a pro rata remuneration for the period up to the annual general meeting in 2009 based on the above-mentioned annual remuneration.

The table below shows the total remuneration to the members of the Board for the year 2008:

Name	Position	NOK
Widar Salbuvik	Chairman from May 2008 until December 2008	400,000
Knut Brundtland	Chairman until May 2008	166,667
Torstein I. Tvenge	Board member until December 2008	200,000
Jostein Devold	Board member until December 2008	200,000
Anne Birgitte Fossum	Board member until December 2008	200,000
Hege Bømark	Board member until July 2008	166,667
Hans Herman Horn	Board member from July 2008 until December 2008	83,333
Helene Jebsen Anker	Board member from July 2008 until December 2008	83,333
Hilde Vatne	Board member from July 2008 until December 2008	83,333
Thorild Widvey	Board member from May 2008 until July 2008	33,333

13.6.2 Remuneration of the executive management

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

The table below sets forth the total remuneration to the members of the executive management for the year 2008.

Figures in NOK 1,000	Position	Bonus	Salary[26]	Other benefit	Pension benefit earned
Petter Jansen	CEO	-	3,675	149	2,314
Svein Hov Skjelle (the previous CFO)	CFO	320	1,807	80	52
Aili Klami	COO	260	1,323	20	52
Dag Fladby[27]	CIO	570	2,181	144	52

The CFO, the COO and the CIO are entitled to receive a bonus of 30% of annual base salary. The Company and the CEO, Petter Jansen, has entered a termination agreement, whereby the CEO's employment is terminated as of 1 December 2009. The CEO is then entitled to severance pay equal to two years salary. Furthermore, the CEO's accrued pension rights (early retirement pension and retirement pension) falls due for payment at the time of termination of employment.

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

[26] The total paid taxable income in 2008, deducted for income earned in 2007 and paid in 2008, which was included in the financial figures as of 31 December 2007, with NOK 1,500,000 for Mr. Jansen, NOK 345,000 for Mr. Skjelle, NOK 516,000 for Mr. Fladby and NOK 236,000 for Ms. Klami.

[27] Mr. Fladby is entitled to receive 6 months salary upon termination of the employment initiated by Norwegian Property.

subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets 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.

13.6.3 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 the Company's policy that agreement for payment of salary after termination of contract shall only be entered into in special instances. No other members of the board or the executive management have any benefits upon termination of employment.

13.6.4 Pension obligations

All employees of Norwegian Property have a defined contribution plan. Conditions of the pension plan may vary from employee to employee. All new employees of Norgani Hotels are members of a defined contribution plan (5 employees are part of a defined benefit plan).

As of 30 June 2009, the pension liability recorded in the consolidated accounts of the Group is NOK 10.3 million.

13.7 EMPLOYEES

As of the date of this Prospectus, the Company has 36 employees. The table below sets forth the development in number of employees over the last three years, as per the end of each calendar year. The Company has made no special arrangements for the participation of the employees in the Subsequent Offering or in other share issues.

	30.06.2009	**31.12.2008**	**31.12.2007**	**31.12.2006**
Total employees in the Group	36	37	33	7

14. 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.

14.1 SHARE CAPITAL AND SHARES

14.1.1 Share capital

The Company's current registered share capital is NOK 5,040,885,400, divided into 201,635,416 Shares with a nominal value of NOK 25 per Share, all of which are fully paid. Norwegian Property owns no own Shares.

Including the share capital fully paid from the Private Placement, the completion of the share capital reduction and assuming full subscription of the Subsequent Offering, the Company's share capital will be NOK 226,635,416, divided into 453,270,832 Shares, each with a nominal value of NOK 0.50.

14.1.2 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 Company's registrar is Nordea Bank Norge ASA, Verdipapirservice, Essendropsgt. 7, 0107 Oslo, Norway.

The shares of Norwegian Property have been listed on Oslo Børs under the ticker-code "NPRO" since 15 November 2006. The Shares are not listed (and no application has been filed for listing) on any other stock exchange or regulated market than Oslo Børs.

14.1.3 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.

14.1.4 Legislation and rights attached to the Shares

Reference is made to the review of legislation and rights attached to the Company's Shares in Section 14.6 "The Articles of Association and shareholder matters in general".

14.1.5 Mandatory offers

Section 14.6.11 "Mandatory offer requirement" outlines the legislation on mandatory offers applicable to Norwegian companies listed on Oslo Børs. The Company has not been subject to any public take-over bids the last 12 months.

14.1.6 Withholding tax

Section 15.2 "Tax consequences related to the ownership and disposal of shares – foreign shareholders" of this Prospectus provides information concerning withholding tax for foreign shareholders.

14.2 OUTSTANDING AUTHORISATIONS

14.2.1 Authorisation to issue Shares

On 30 April 2009, the annual general meeting of the Company resolved to grant the Board of Directors with two separate authorisations to increase the share capital of the Company with a total amount of NOK 1,000,000,000 (each authorisation may be used to increase the share capital with an amount of up to NOK 500,000,000). Both authorisations are valid until 30 June 2010. Pursuant to the resolutions, the Board is authorised to deviate from the shareholders' preferential rights. One of the authorisations authorizes the Board to issue shares in connection with (i) a potential merger situation and (ii) a contribution in kind.

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

Date of authorisation	Date of registration	Date of expiration	Amount in share capital (NOK)	Amount issued (NOK)
30.04.2009 (annual general meeting)	06.05.2009	30.10.2009	1,000,000,000	0

14.2.2 Authorisation to repurchase Shares

The Board has not been granted any authorisation to repurchase Shares in the Company.

14.3 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.

14.4 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	100.00
April 2006	Share split		100,000	4,000	25	n.a.
May 2006	Private placement	875,000,000	875,100,000	35,004,000	25	50.00
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	41,500,000	25	50.00
June 2006	Consideration issue	508,853,050	1,546,353,050	61,854,122	25	50.00
June 2006	Consideration issue	46,100,000	1,592,453,050	63,698,122	25	50.00
July 2006	Consideration issue	370,175	1,592,823,225	63,712,929	25	50.00
July 2006	Private placement	150,000,000	1,742,823,225	69,712,929	25	50.00
August 2006	Consideration issue	20,000,000	1,762,823,225	70,512,929	25	50.00
August 2006	Consideration issue	25,000,000	1,787,823,225	71,512,929	25	50.00
October 2006	Consideration issue	50,000,000	1,837,823,225	73,512,929	25	50.00
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	50.00
March 2007	Private placement	174,216,025	2,637,039,250	105,481,570	25	71.75
June 2008	Rights issue	2,403,846,150	5,040,885,400	201,635,416	25	26.00
August 2009	Write-down	4,940,067,692	100,817,708	201,635,416	0.50	n.a.
August 2009	Private Placement	100,817,708	201,635,416	403,270,832	0.50	6.00

As of 31 December 2008 and 1 January 2009, the Company had an issued share capital of NOK 5,040,885,400, comprised by 201,634,416 Shares with a par value of NOK 25.00 each, all of which were fully paid.

14.5 OWNERSHIP STRUCTURE

14.5.1 Major Shareholders

As of 10 August 2009, the Company had in total 2,694 shareholders, of which 2,535 were Norwegian and 159 were non-Norwegian.

The table below shows the 20 largest shareholders in Norwegian Property as of 10 August 2009:

	Name of shareholder	Number of Shares	Percentage (%)
1	AWilhelmsen Capital	23,254,334	11.53
2	Canica AS	9,246,467	4.59
3	Credit Suisse Securities (Europe) Prime Broker	7,955,885	3.95
4	Trondheim Kommunale Pensjonskasse	6,199,700	3.07
5	Vital Forsikring ASA	6,089,907	3.02
6	Reka AS	6,000,000	2.98
7	Fram Holding AS	5,500,000	2.73
8	Aweco Invest AS	5,486,765	2.72
9	Bank of New York Mellon S/A Alpine Intl. Real	5,434,187	2.70
10	SEB Enskilda ASA Egenhandelskonto	5,192,172	2.58
11	Bank of New York Mellon S/A Alpine Global	3,639,516	1.80
12	Skagen Vekst	3,558,000	1.76
13	Fram Realinvest AS	3,500,000	1.74
14	Opplysningsvesenet	2,962,731	1.47
15	FGCS NV RE Treaty Fortis Global Custody	2,833,283	1.41
16	Verdipapirfondet Odin	2,539,500	1.26
17	MP Pensjon	2,302,819	1.14
18	Arctic Securities AS Meglerkonto	2,175,900	1.08
19	OBOS Forretningsbygg	1,830,232	0.91
20	Wakco AS	1,619,942	0.80
	Total 20 largest shareholders	**107,321,340**	**53.24**
	Others	94,314,076	46.76
	Total	**201,635,416**	**100.00**

There are no differences in voting rights between the shareholders. The major shareholders of the Company are Awilhelmsen Capital AS, Canica AS, Credit Suisse Securities, Reka AS, Fram Holding AS and Fram Realinvest AS. The Company is not aware of any arrangements that may result in, prevent, or restrict a change in control of the Company.

In accordance with the disclosure obligations under the Norwegian Securities Trading Act, shareholders acquiring ownership to or control over 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.

14.6 THE ARTICLES OF ASSOCIATION AND GENERAL SHAREHOLDER MATTERS

14.6.1 The Company's objects and purpose

The Articles of Association (last amended 17 June 2008) of the Company are included as Appendix 1 to this Prospectus. According to Section 3 of the Articles of Association, 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.

14.6.2 The Shares

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

14.6.3 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 after the end of each financial year. The annual general meeting shall, among other things, approve the annual accounts and any dividends payable. An extraordinary general meeting shall be called if the Board resolves to do so or if 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 two weeks prior to a general meeting at the latest. According to Section 8 of the Articles of Association of Norwegian Property, the shareholders 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. A shareholder who fails to comply with the above deadline may be denied access to the general meeting. The shareholders may participate in person or by proxy. A shareholder is entitled to submit proposals to be discussed at general meetings provided such proposals are submitted in writing to the Board of Directors in such good time that it can included in the agenda of the meeting.

All shareholders in the Company are entitled to attend and vote at general meetings, either in person or by proxy. See Section 14.6.6 "Voting rights" below with regard to certain restrictions on voting right applying for nominee-registered shares, etc.

14.6.4 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, including 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 13.3 "The Nomination Committee" above and Section 7 of the Articles of Association.

14.6.5 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 14.6.4 "The Board of Directors" above.

14.6.6 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 vacant positions. However, 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 general meeting. Furthermore, 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.

14.6.7 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.

14.6.8 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 preferential right to subscribe for new shares issued. The preferential 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.

14.6.9 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.

14.6.10 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.

14.6.11 Mandatory offer requirement

The current mandatory offer regulations are included in Chapter 6 of the Norwegian Securities Trading Act, which came into force on 1 January 2008. The mandatory offer regulations are in compliance with EU's Take-Over-Directive (Directive 2004/25/EF).

Chapter 6 of the Norwegian Securities Trading Act requires any person, entity or group acting in concert that acquires more than 1/3 of the voting rights of a Norwegian company listed on a Norwegian regulated market to make an unconditional general offer for the purchase of the remaining shares in the company. A mandatory offer obligation may also be triggered where a party acquires the right to become owner of shares which together with the party's shareholding represent more than 1/3 of the voting rights in the company and Oslo Børs decides that this must be regarded as an effective acquisition of the shares in question.

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., to 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 Norwegian company listed on a Norwegian regulated market, 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 that increases his proportion of the voting rights. However, there are exceptions to this rule. Furthermore, the rule does not apply for a shareholder or a consolidated group that, upon admission of the company to listing on a regulated market, owns shares representing more than 1/3 of the voting rights in the company. However, if such shareholder or consolidated group acquires shares representing more than 40% or 50% of the voting rights in the company, a mandatory offer obligation, in general, is triggered.

The obligation to make a mandatory offer will be repeated at acquisition of shares representing 40% or more and 50% or more of the voting rights in the company.

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

14.6.12 Compulsory Acquisition

In accordance with Section 4-25 of the Norwegian Public Limited Liability Companies Act (cf. Section 6-22 of the Norwegian Securities Trading Act), a shareholder, directly or via subsidiaries, who acquires shares representing more than 90% of the total number of issued shares in a Norwegian public limited liability 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. However, pursuant to Section 6-22 of the Norwegian Securities Trading Act, if such compulsory acquisition is commenced within three months after expiry of a mandatory offer period as described in Section 14.6.11 "Mandatory offer requirement", the price shall be equal to the mandatory offer price unless particular reasons call for another price to be set. 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.

14.6.13 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.

14.7 SHAREHOLDER AND DIVIDEND POLICY

14.7.1 Shareholder policy

Norwegian Property will inform its 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.

14.7.2 Dividend policy

Norwegian Property aims to pay an annual dividend for periods where financial results permit a distribution of a cash dividend. For 2008, the general meeting resolved not to pay any dividend. For both 2006 and 2007, the general meeting resolved to pay a dividend of NOK 2.50 per Share.

14.8 SHAREHOLDER AGREEMENTS

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

14.9 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 of the date of this Prospectus, the Company is in compliance with the Norwegian Code of Practice for Corporate Governance

The Company has not been subject to any known public take over attempts, and there has not been established any principles on behavour in case of a take-over bid as the Company will be free to act within the scope of applicable laws and regulations.

15. TAXATION IN NORWAY

Set out below is a summary of certain Norwegian tax matters related to the purchase, holding and disposal of shares. The summary is based on Norwegian laws, rules and regulations applicable as of the date of this Prospectus, and is subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis. The summary does not address foreign tax laws.

The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of the shares. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who ceases to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

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.

15.1 TAX CONSEQUENCES RELATED TO THE OWNERSHIP AND DISPOSAL OF SHARES – NORWEGIAN SHAREHOLDERS

This Section summarizes Norwegian tax rules relevant to shareholders that are residents of Norway for Norwegian tax purposes ("Norwegian Shareholders").

15.1.1 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 based on the effective rate after tax of interest on treasury bills (Norwegian: statskasseveksler) with three months maturity. 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 received by shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("Norwegian Corporate Shareholders") are included in the calculation of net income from shares in limited liability companies resident in Norway for tax purposes (and certain other entities) each fiscal year, including dividends received from the Company. Only three percent of net income from shares is included in the calculation of ordinary income for such shareholders. The remaining part of net income from shares is exempt from tax. Ordinary income is subject to a flat rate of 28%.

15.1.2 Capital gains tax

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a realisation of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the shareholder's ordinary income in the year of disposal. 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/deductible loss is calculated per share and 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 realisation 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 15.1.1 "Taxation of dividends" 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, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

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.

A Norwegian Personal Shareholder who ceases to be tax resident in Norway is deemed taxable in Norway for any potential gain related to the shares held at the time the shareholder 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 realised at this time. Gains of NOK 500,000 or less are not taxable. Potential losses are as a main rule not tax deductible. However, if the person moves to a jurisdiction within the 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 taxation (loss deduction) will occur at the time the shares are actually realised 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 payment of the tax will only be postponed if the personal shareholder provides sufficient guarantee for the fulfilment of the potential tax obligations. If the shares are not realised 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 and any taxes actually paid will be refunded.

Norwegian Corporate Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. Capital gains derived from the realisation of shares in limited liability companies resident in Norway for tax purposes (and certain other entities) are included in the calculation of net income from shares. Losses incurred upon realisation of such shares may be deducted in order to reduce net taxable income from shares in the same fiscal year. Only three percent of net income from shares is included in the calculation of ordinary income for such shareholders. The remaining part of net income from shares is exempt from tax. Negative net income from shares does not reduce ordinary income. Ordinary income is subject to a flat rate of 28%.

15.1.3 Net Wealth Tax

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 currently set to the listed value as of January 1 in the year of assessment.

Norwegian Corporate Shareholders are not subjects to wealth tax.

15.2 TAX CONSEQUENCES RELATED TO THE OWNERSHIP AND DISPOSAL OF SHARES – FOREIGN SHAREHOLDERS

This section summarizes Norwegian tax rules relevant to shareholders that are not residents of Norway for Norwegian tax purposes ("Foreign Shareholders"). The potential tax liabilities for foreign shareholders in the jurisdiction where they are resident for tax purposes or other jurisdictions will depend on tax rules applicable in the relevant jurisdiction.

15.2.1 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 the Company assumes this obligation.

Foreign Personal Shareholders resident within the EEA are subject to withholding tax on dividends received from Norwegian companies at the general rate or at a reduced rate according to an applicable tax treaty. However, such shareholders may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, see Section 15.1.1 "Taxation of dividends – Norwegian Personal Shareholders".

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 Personal Shareholder, as described above.

Foreign Personal 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.

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 performs genuine economic business activities within the relevant EEA jurisdiction.

Foreign Corporate 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.

15.2.2 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 holds the shares in connection with the conduct of a trade or business in Norway.

Foreign Corporate Shareholders

Capital gains derived by the sale or other realisation of shares by Foreign Corporate Shareholders are not subject to taxation in Norway.

15.2.3 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.

15.3 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 to 15%. For inheritance and gifts from parents to children, the maximum rate is 10%.

15.4 DUTIES ON THE TRANSFER OF SHARES

No stamp or similar duties are currently imposed in Norway on the transfer of shares.

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 514 million in the accounts of Norgani Hotels, corresponding to 26.3% 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 2005 in connection with the liquidation of partnerships. The total amount of denied deductions relating to 2005 is approximately SEK 1,645 million, representing approximately SEK 433 million of the above SEK 514 million.

The Swedish Tax Agency has not challenged the deductibility of the losses as such, but have denied deduction in 2005 on the 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 position of the Tax Agency in this respect was confirmed in 2008 as the Tax Agency decided that a part of the losses relating to liquidation of partnerships in 2005 could be finally determined in 2007 and therefore allowed deduction of approximately SEK 1,245 million in 2007. However, according to the Tax Agency, it was still not possible to determine the remaining part of the losses.

In 2008, the respective group companies appealed the decisions of the Swedish Tax Agency to deny deduction in 2005. The appeals were rejected by the county administrative court in the same year and the judgments of that court were appealed in 2009 by the group companies to the administrative court of appeal. Simultaneously, the Swedish group companies have 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.

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 about SEK 15 million. The Company has filed a warranty claim against the party who sold the hotel to Norgani Hotels.

A company owned by Norgani Hotels has been reported to the police by the tax authorities for not having invoiced lodging at a value of about NOK 650,000 in the period 2002 to 2004. The company was acquired by Norgani Hotels in 2007 and the said omissions have taken place prior to Norgani Hotels' acquisition of the company. The Norwegian Property Group will maintain that the previous owner be fully responsible for the omissions pursuant to the purchase agreement.

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, reference is made to the overview of financing agreements in Section 12.5 "Borrowings", Section 8.8.4 "Share purchase agreement with Fearnley syndicate" and the agreement with NEAS described in Section 16.3.3 "Facility management agreements (property management agreements)".

The above reference to material contracts does not comprise contracts entered into in the ordinary course of business, such as rental agreements for hotels and commercial property, rental guarantee agreements, property sale/purchase agreements, management agreements etc.

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, as of the date of this Prospectus Awilhelmsen AS controlled a total of 11.5% of the Shares through Awilhelmsen Capital AS. In addition, the company Aweco Invest AS has some of the same major owners as Awilhelmsen AS, and Aweco Invest AS owned 2.7% of the Company. Torstein Tvenge and his family controlled 7.5% of the Shares through Reka AS, Fram Holding AS and Fram Realinvest AS.

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, 2008 or 2009 and no Shares in the Company 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 shareholder Torstein Tvenge. The agreement was signed on 12 May 2006 and completed on 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 Awilhelmsen AS. The purchase price was partly paid by issuing new Shares in the Company as consideration to the sellers. Awilhelmsen AS is represented on the Company's Board by Mr. Harald Grimsrud.

The table below shows the Company's property transactions with related parties.

Related party	Property	Total transaction (NOK mill)	Share price (NOK)	Shares owned in NPRO[28]	Ownership (%)
A. Wilhelmsen Capital AS	Aker Brygge/M17	2,984	50	14,955,967	20.9%
Torstein Tvenge and family through controlled companies	Skøyen Bygg	1,295	50	8,000,000	11.2%

In addition to the table above the companies set out in the table below 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:

[28] Ownership in the Company at the time of the transaction, not including purchases or sales after the transaction.

The table below shows an overview of other companies being considered as related parties of the Company:

Related party	Property	Total transaction (NOK mill)	Share price (NOK)	Shares owned in NPRO[29]	Ownership (%)
Oslo Næringseiendom 1 AS	Økernveien 9	257	50	600,000	0.8%
Pareto Private Equity, Syndicate	Finnestadveien 44	451	50	1,844,000	2.6%
Pareto Private Equity, Syndicate	Drammensveien 134 KS	670	50	14,807	0.0%
Pareto Private Equity, Syndicate	Kokstadveien 23	221	50	800,000	1.1%
Pareto Private Equity, Syndicate	Gardermoen NE	345	50	1.4%	

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 and earned NOK 63.1 million in such fees during 2006.

In 2008, Pareto Private Equity (advising the acquiring syndicate) acquired Magnus Poulssonsvei 7, Forskningsveien 2 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, which 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, was entered into with Linstow Eiendom AS in 2006 (which is owned by Awilhelmsen through two daughter companies). Linstow Eiendom AS received an annual compensation for the services rendered of NOK 6.6 million in 2008.

NEAS

On 28 February 2008, Norwegian Property entered into a six years agreement with NEAS regarding management and operation of its Norwegian Commercial Property portfolio. The parties may terminate the agreement by 12 months' prior notice, however NEAS cannot terminate the agreement before after 2 years (with effect after 3 years). If Norwegian Property terminates the agreement during the first 36 months, Norwegian Property has to pay a termination fee. In case of sale of a property, the agreement can be terminated with respect to the actual property, with 3 months prior notice. Not all Commercial Properties are currently covered by the agreement. Under the agreement, NEAS has assumed responsibility for management and the day to day operations of Norwegian Property's properties during 2008 and 2009.

The agreement involves that future ownership costs during the agreement period are expected secured at a level of 6 to 10% below previous 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.

Pareto Investor Service AS

Pareto Investor Service AS, being a part of the Pareto group is providing commercial administration services to the Company through an agreement with NEAS. As of 31 December 2008, the annual fee was NOK 2.2 million.

16.3.4 Rental agreements

Linstow Eiendom AS is a tenant at Aker Brygge. Linstow Eiendom AS is owned by Awilhelmsen AS, which also owns Awilhelmsen Capital AS, which is a shareholder in Norwegian Property. The annual rent at Aker Brygge amounts to NOK 4.3 million.

[29] Ownership in the Company at the time of the transaction, not including purchases or sales after the transaction.

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 documents indicated in the list below, may be inspected at the Company's offices at Stranden 3A, 0250 Oslo, Norway or requested by telephone +47 22 83 40 20 or telefax: +47 22 83 40 21 or downloaded from the Company's web-site: www.npro.no:

- The incorporation documents of the Company;
- The Company's Articles of Association (may also be inspected in Appendix 1 to this Prospectus);
- The Company's 2 quarter financial figures ended 30 June 2009 (may also be inspected in Appendix 2 to this Prospectus);
- The Company's historical financial information for the twelve months ended 31 December 2008 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 2007 and auditors report (may also be inspected in Appendix 4 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 5 to this Prospectus); and
- Valuation report from DTZ (may also be inspected in Appendix 6 to this Prospectus).

In addition, the Company has approximately 210 subsidiaries which reports to the Group, see Sections 8.3 "Legal structure" and 8.4 "Description of the main companies in the current Group" 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 valuation as described in Section 8.9 "Valuation report" 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 30 June 2009 covering the Company's office and hotel properties. 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 site: www.dtz.com. Mr. Jørn Høistad is a managing director of DTZ Realkapital Verdivurdering AS.

The valuation report is included in Appendix 6 to this Prospectus and DTZ has approved that the valuation is referred to and included in this Prospectus.

18. DEFINITIONS AND GLOSSARY OF TERMS

18.1 DEFINITIONS

Arctic Securities:	Arctic Securities ASA.
Board of Directors or Board:	The Board of Directors of Norwegian Property.
CBD:	Central Business District.
CEO:	Chief Executive Officer.
Commercial Properties or Commercial Property:	The Company's office, warehouse, and retail properties, in addition to parking area.
Company:	Norwegian Property ASA, or when the context so requires, including its subsidiaries.
Deloitte:	Deloitte AS, the Company's auditor.
DTZ:	DTZ Realkapital AS.
Eligible Shareholders:	The shareholders of Norwegian Property as of 10 June 2009, appearing as shareholders in the VPS on 16 June 2009, except for those shareholders who were given the opportunity to subscribe for Placement Shares in the Private Placement, their respective affiliates and those shareholders that are restricted from participating due to laws and regulations in their home country jurisdiction.
Hotel Properties or Hotel Property:	The Company's hotel properties (Norgani Hotels).
Managers:	Arctic Securities, Pareto Securities and Pareto Private Equity.
NEAS:	NEAS ASA.
New Shares:	Shares placed in the Private Placement and offered in the Subsequent Offering.
Norgani Hotels:	Norgani Hotels AS.
Norwegian Property or NPRO:	Norwegian Property ASA, or when the context so requires, including its subsidiaries.
Norwegian Property Group or the Group:	Norwegian Property and its subsidiaries.
The Norwegian Central Bank:	Norges Bank.
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 Norwegian 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 Private Equity:	Pareto Private Equity AS.
Pareto Securities:	Pareto Securities AS.
Placement Shares:	201,635,416 new shares in the Company to be issued in the Private Placement.
Prospectus:	This Prospectus dated 10 August 2009.
Private Placement:	The private placement of a total of 201,635,416 Placement Shares, as further described in Section 6 of this Prospectus.
Scandic:	Scandic Hotels AB.
Share(s):	"Shares" means the common shares in the capital of Norwegian Property each having a nominal value of NOK 25 and "Share" means any one of them.
Sqm:	Square meters.
Subsequent Offering:	The offering of up to 50,000,000 Subsequent Offering Shares to Eligible Shareholders in the Company, as further described in Section 7 in this Prospectus.
Subsequent Offering Shares:	Up to 50,000,000 new shares in the Company offered in the Subsequent Offering.
VPS account:	An account with VPS for the registration of holdings of securities.

18.2 GLOSSARY OF TERMS

ARR:	Average Room Rate.
CET:	Central European Time.
DKK:	Danish Kroner, the lawful currency of the Kingdom of Denmark.
EUR:...	The currency introduced at the start of the third stage of the Economic and Monetary Union to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union.
EEA:	European Economic Area.
GDP:	Gross Domestic Product.
IAS:	International Accounting Standard 24 – Related Party Disclosure.
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.
NOK:	Norwegian Kroner, the lawful currency of the Kingdom of Norway.
OECD:	Organization for Economic Co-operation and Development.
RevPAR:	Revenue Per Available Room.
SEK:	Swedish Kroner, the lawful currency of the Kingdom of Sweden.
VPS:	Verdipapirsentralen (Norwegian Central Securities Depository), which organizes a paperless securities registration system.

Appendix 1: Articles of Association[30]

(last amended 17 June 2008)

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 5,040,885,400 divided on 201,635,416 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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[30] Office translation from Norwegian

Appendix 2: Unaudited 2 Quarter report for 2009

NORWEGIAN PROPERTY

INTERIM REPORT FOR THE FIRST HALF OF 2009
10 AUGUST 2009

SECOND QUARTER 2009 HIGHLIGHTS

- **The group strengthened its financial position through the current restructuring process. A private placement of NOK 1.2 billion was fully subscribed in June, and arrangements have been made for a subsequent repair issue of up to NOK 300 million in August. Agreements were also concluded with the group's banks on extensions and waivers related to existing credit facilities.**
- **An agreement with DnB NOR on extending the existing lease in the Aker Brygge area until 2013 makes cash flow more predictable, reduces the need to find new tenants in 2011 and identifies an attractive level of rent for Oslo CBD.**
- **Profit before fair value adjustments was NOK 114.8 million (NOK 70 million)[1]. The loss before tax, including fair value adjustments, was NOK 439.5 million (NOK 1 071.8 million).**
    - **Rental income for the group is NOK 446.8 million in the second quarter of 2009. Adjusted for the sale of properties is the level unchanged compared to 2008, by rent increases for office properties offsetting the reduction for hotels.**
    - **Vacancy in the office portfolio was 0.8 per cent**
    - **Cost control was good, and operational cash flow strengthened**
    - **Financial costs are reduced from NOK 343 million in the second quarter last year to NOK 260 million this year**
    - **Investment was reduced in line with the completion of several major projects in 2008**
    - **Fair value adjustments to the properties yielded a 2.1 per cent reduction over the quarter (a reduction of 1.3 per cent for the commercial properties and 3.3 per cent for the hotels)**
    - **Net asset value per share came to NOK 18.09. Net asset value pursuant to the EPRA standard was NOK 23.26 per share**

[1] Figures in brackets refer to the same period of last year.

MARKET CONDITIONS

OFFICE RENTAL MARKET

Uncertainties related to macroeconomic conditions and the impact of the financial crisis on the economy persisted during the second quarter of 2009. Although earlier pessimistic estimates in such areas as the decline in GDP and future levels of unemployment have been adjusted in a positive direction, uncertainty about developments continues to prevail. A further decline in demand for office space must be expected, with a consequent increase in vacant premises and associated pressure on rents. The availability of new office space capacity in the market is limited compared with earlier business cycles, even though substantially more capacity will be completed now and over the next two years than was the case two-three years ago. New project start-ups are likely to be limited by the general market and credit situation. Office vacancy rates in Oslo are expected to rise towards 2011 and reach approximately eight to nine per cent. Office rents are also displaying a negative trend, and their level has fallen in most areas. The trend for office subletting increased somewhat during the quarter, but without any substantial amounts of office space coming onto the market. This tendency is expected to increase further in various areas during the year, with a negative effect on the level of market rents. Even with a downward adjustment in expectations for market rents, Norwegian Property's contractual rental income is considered to lie somewhat below the existing level of market rents. Maturities and renegotiations in the group's lease portfolio will be limited in 2009.

Norwegian Property entered into an agreement with DnB NOR at the end of the second quarter to extend the existing lease in the Aker Brygge area to a new expiry date of 31 March 2013. This lease covers 23 015 square metres of offices and 2 428 square metres of warehousing, with contractual rents per square metre of NOK 3 300 and NOK 1 600 respectively applicable from 28 September 2011. These amounts are adjusted annually by the full increase in the consumer price index, based on the CPI at 15 June 2009. The extension has been agreed on "as is" terms, without investment by the lessor. It represents an annual increase in rental income under this lease of about NOK 10.1 million (14.5 per cent) in 2009 money, to NOK 79.8 million. In the longer term, DnB Nor will be moving from Aker Brygge to the new head office under construction in Bjørvika. By extending the lease, the group has increased the predictability of cash flow for the office portfolio at market terms and with an attractive lessee. Vacancy in the group's office portfolio is currently very low. Renegotiation of leases will remain at a low level in 2011 and 2012, and the extension agreed with DnB NOR will help to improve the maturity profile of Norwegian Property's lease portfolio.

HOTEL MARKET

Progress in the Nordic hotel market was strong for a number of years, with both occupancy/demand and room prices developing positively. However, the market has stagnated and reversed slightly since the fourth quarter of 2008. This trend continued in the second quarter, with revenues showing a further decline – particularly for the most expensive hotels and those in the big cities. Market conditions for hotels are expected to remain challenging in 2009 and 2010, with the Finnish market likely to recover somewhat later than the other markets. The supply side will also expand towards 2011, particularly in and around the capital cities of Norway, Sweden and Denmark. This could further weaken the market if demand continues to contract.

TRANSACTION MARKET

Transactions in the Norwegian commercial property market were again limited during the second quarter. Activity was somewhat higher in the market for smaller commercial properties in rather peripheral locations, particularly in the retailing and warehousing sectors, and then as high-yield transactions. Potential Norwegian and foreign buyers with access to financing have sought to position themselves for a market with very stressed sellers and/or forced sales, a market which has so far been virtually insignificant. Other potential buyers are still restricted by access to external capital financing. Even though credit margins generally declined somewhat during the quarter, this did not enhance the willingness of the banks to lend. The market continues to be affected by general uncertainty among most players (including the banks), with few transactions. No significant change is expected in this market until loan financing becomes more readily available at a rather more normal margin.

FINANCIAL RESTRUCTURING

Norwegian Property worked on a financial restructuring during the spring of 2009. An extraordinary general meeting on 24 June 2009 approved a private placement of 201.6 million subscribed shares plus a subsequent repair issue of up to 50 million shares, both at a subscription price of NOK 6.00 per share. The restructuring is expected to be completed during the third quarter, with issue proceeds of NOK 1 200-1 500 million. These issues will increase the number of shares from 201.6 million to 403.2-453.2 million.

Proceeds from the issues will be used to repay debt in order to strengthen the group's financial position. Waivers of loan covenants, minor adjustments to margins and extensions to the maturities of the group's loan facilities have also been negotiated.

The issues are conditional on reducing the share capital of Norwegian Property ASA by cutting the nominal value of each share from NOK 25 to NOK 0.50. The amount of this reduction will be transferred to other equity. Creditors have until 25 August to object to the change.

In addition to strengthening equity, the following changes to existing credit agreements have been agreed with the group's main banks:

i) An extension of Oslo Property's acquisition financing, initially NOK 1.7 billion, from the original maturity of October 2010 to a new date in June 2012. A waiver of loan-to-value (LTV) covenants until 20 June 2011, and a subsequent adjustment to the level of LTV and the interest coverage ratio (ICR) thereafter. The facility has been reduced by NOK 700 million[2].
ii) Group LTV waiver for the original NOK 11 billion loan/credit facility until 30 June 2011. The ICR covenant remains unadjusted until maturity. The facility has been reduced by NOK 400 million[3].
iii) Three-year extension until 2012 of the SEK 565 million loan originally maturing in September 2009.
iv) Financing secured to repay the bond loan maturing in March 2010.

Norwegian Property has also secured a change agreement with the Fearnley syndicate whereby the put option related to four Danish hotels can first be exercised between 1 March 2011 (instead of 1 January 2010) and running up to 31 December 2012, with a three-month settlement period (instead of 30 days).

For further information, see the issue prospectus.

FINANCIAL RESULTS

ACCOUNTING PRINCIPLES AND CONSOLIDATED ENTITIES

The interim report has been prepared in accordance with IAS 34 on interim financial reporting. Interim results have been prepared in accordance with the current IFRS standards and interpretations. The accounting policies applied in the preparation of the interim financial statements are consistent with the principles applied in the annual financial statements for 2008. Properties sold are included in the accounts until the closing of the transaction[4]. The report has not been audited.

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[2] Redemption rises to a maximum of NOK 900 million if the repair issue yields additional proceeds of up to NOK 300 million.
[3] Redemption rises to a maximum of NOK 500 million if the repair issue yields additional proceeds of up to NOK 300 million.
[4] The sale of the Grev Wedels plass 9 property was agreed in September 2008 and the transaction was closed on 15 January. The sale of the Drammensveien 144 property was agreed in February, with the closing of the transaction on 9 March 2009. Disposal of the obligation to acquire the Park Inn hotel property (under development) was completed on 11 February.

KEY NUMBERS

NOK million			2nd Quarter 01.04 - 30.06 2009	2008	Year to date 01.01 - 30.06 2009	2008	Last year 01.01 - 31.12 2008
Profit and loss							
Gross rent			446.8	474.1	892.5	946.2	1 866.8
Operating profit			(259.6)	(1 281.6)	(657.8)	(967.8)	(2 591.0)
Operat. prof. ex. fair value adj.			372.5	400.6	749.5	806.2	1 583.1
Profit before income tax and fair value adj.			114.8	70.0	219.9	140.3	312.2
Profit before income tax			(439.5)	(1 071.8)	(1 373.3)	(1 238.7)	(5 118.9)
Profit after income tax			(394.0)	(771.2)	(1 193.5)	(891.3)	(4 190.7)
Balance sheet							
Market value of investment portfolio			24 442.6	28 166.5			27 312.6
Equity			3 647.2	8 048.5			5 001.2
Interest bearing debt	1)		20 291.8	21 923.0			21 840.6
Equity %		%	14.2 %	24.1 %			17.3 %
Pre tax return on equity (annualised)		%	-46.0 %	-58.0 %	-63.5 %	-33.3 %	-86.5 %
Cash flow							
Cash flow from operating activities			368.9	357.9	676.3	660.4	1 715.7
Cash position			231.2	323.9			174.2
Key numbers, shares		NOK					
No. of shares issued	2)	#	201 635 407	201 635 407			201 635 407
Average number of shares in period		#	201 635 407	119 217 825	201 635 407	112 349 693	157 236 500
Pre tax profit per share			(2.18)	(8.99)	(6.81)	(11.03)	(32.56)
Basic earnings per share (EPS)	3)		(1.95)	(6.47)	(5.92)	(7.93)	(26.65)
Operating cash flow per share			1.83	3.00	3.35	5.88	10.91
Interest bearing debt per share			100.64	108.73			108.32
Book value per share			18.09	39.51			24.80
Deferred property tax per share			6.16	9.09			7.47
Goodwill per share			(3.49)	(5.28)			(4.39)
Financial derivative instr. per share			2.50	(3.66)			2.25
Net asset value per share (EPRA)	4)		23.26	39.65			30.14

1) Not including the liability to acquire shares in Oslo Properties AS at 30 June 2008 (NOK 1 647.7 million).
2) The number of shares as of 30 June 2008 include 96 153 846 shares from the fully underwritten share issue resolved in June 2008. Final subscription and registration were carried out in July 2008.
3) Diluted earnings per share are the same as the basic earnings per share.
4) 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.

RESULTS FOR THE SECOND QUARTER

Gross rental income for the second quarter was NOK 446.8 million (NOK 474.1 million). NOK 8.7 million of the reduction relates to commercial properties and NOK 18.7 million to hotels. Adjusted for sold properties, gross rental income for commercial properties increased by NOK 13 million from the same period of 2008.

Maintenance and property-related expenses for the quarter declined to NOK 35.6 million (NOK 36.4 million). Group and administrative expenses increased to NOK 38.7 million (NOK 37.1 million), and were affected by the financial restructuring during the period. About NOK 6 million in one-off expenses were recognised for the second quarter. Operating profit before fair value adjustments to investment properties was NOK 372.5 million (NOK 400.6 million).

Fair value adjustments to properties were negative at NOK 557.6 million (minus NOK 1 688.0 million). See the separate section on the valuation of investment properties. NOK 74.5 million in goodwill impairment related to a reduction in deferred tax on investment properties in Norgani Hotels was recognised in the second quarter.

Net financial expenses came to NOK 179.9 million (income of NOK 209.7 million) in the second quarter. Owing to reduced debt and some reduction in average interest rates, financial expenses for the quarter were NOK 82.9 million lower than in the same period of last year at NOK 260.4 million. Financial expenses related to acquisition financing for Norgani Hotels/Oslo Properties were NOK 22.4 million. The income element related to financial derivatives showed a positive change in value corresponding to NOK 80.0 million. This gain primarily reflected an increase in long-term market interest rates during the second quarter and also offset expenses related to the agreement with the Fearnley syndicate. The group's financial derivatives had a substantial positive effect in 2008 through a NOK 543.2 million increase in value.

The loss before tax for the second quarter was NOK 439.5 million (NOK 1 071.8 million). Calculated tax was positive by NOK 45.4 million (plus NOK 300.7 million), primarily related to changes in deferred tax with no cash flow effect. The net loss for the period was thereby NOK 394.0 million (NOK 771.2 million).

RESULTS FOR THE FIRST HALF-YEAR

Gross rental income for the first half was NOK 892.5 million (NOK 946.2 million). Adjusted for sold properties, turnover for commercial properties increased by 5.5 per cent from the same period of 2008. Turnover for the hotels correspondingly declined by 6.8 per cent.

Maintenance and property-related expenses for the first six months came to NOK 70.9 million (NOK 74 million). Group and administrative expenses were NOK 72.1 million (NOK 66.0 million). This increase is attributable to costs related to the current financial restructuring. Operating profit before fair value adjustments to investment properties was NOK 749.5 million (NOK 806.2 million). The reduction primarily reflects the sale of commercial properties and reduced turnover in the hotel segment.

Fair value adjustments to properties were negative at NOK 1 204.9 million (NOK 1 809.4 million). NOK 212.2 million in goodwill impairment related to a reduction in deferred tax on investment properties in Norgani Hotels was recognised in the first half. The Grev Wedels plass 9 and Drammensveien 144 commercial properties were sold in the first half. The group recognised NOK 10.0 million in gain from the sale of investment properties in the first half (NOK 35.3 million), as well as NOK 25 million in transaction-related currency gains as financial items.

Net financial expenses came to NOK 715.6 million (NOK 270.9 million) in the first half. This figure includes a negative change of NOK 209.0 million in the value of financial derivatives (positive at NOK 400.7 million). Financial expenses related to acquisition financing for Norgani Hotels/Oslo Properties were NOK 48.0 million.

The loss before tax for the first half was NOK 1 373.3 million (NOK 1 238.7 million). Calculated tax amounted to NOK 179.8 million (NOK 347.4 million), primarily related to changes in deferred tax with no cash flow effect. The net loss for the period was thereby NOK 1 193.5 million (NOK 891.3 million).

VALUATION OF PROPERTIES

Two independent valuers have independently valued the commercial property portfolio, based on the same methods and principles as in previous periods. Lower expectations of future market rents after the expiry of current leases and higher required rates of return had a negative impact on the valuations for the second quarter. The group's portfolio of commercial properties, before adjustment for deferred tax, declined in value by 1.3 per cent from 31 March 2009 to NOK 14 981 million at 30 June. A loss of NOK 199.5 million was recognised in the income statement for the second quarter.

The portfolio of hotel properties has also been valued by two external advisors, who concluded that its value declined by 3.3 per cent from 31 March 2009 to a total of NOK 9 675 million. A negative fair value adjustment of NOK 358.1 million was recognised for the hotel properties in the second quarter. The value of the properties in the balance sheet increased somewhat because the Norwegian krone weakened against other currencies during the period.

In aggregate, the value of the properties was reduced by 2.1 per cent to NOK 24 443 million at 30 June 2009 (after adjusting for tax effects). The overall reduction in the value of the properties during the second quarter last year was NOK 1 688 million.

CASH FLOW

Net cash flow from operating activities before net financial items was NOK 368.9 million (NOK 357.9 million) in the second quarter. Net negative cash flow from investing activities for the quarter was NOK 21.9 million (positive at NOK 1 191.9 million). Investment-related spending during the second quarter of 2009 primarily reflected ordinary capital expenditure on the group's properties, while the 2008 figure reflected the sale of investment property. Net negative cash flow from financing activities was NOK 342.3 million (NOK 1 738.2 million), which reflected financial expenses and debt repayment. The net change in cash and cash equivalents during the second quarter was NOK 4.7 million (negative at NOK 188.4 million).

BALANCE SHEET

Cash and cash equivalents at 30 June 2009 came to NOK 231.2 million (NOK 323.9 million). The group also had NOK 361 million in undrawn credit facilities. Total equity was NOK 3 647 million (NOK 8 048 million), corresponding to an equity ratio of 14.2 per cent (24.1 per cent). Carried net asset value per share was NOK 18.09 (NOK 39.51). Net asset value per share pursuant to the EPRA standard was NOK 23.26 (NOK 39.65).

FINANCING

Total consolidated interest-bearing debt before capitalised costs at 30 June 2009 was NOK 20 323 million (NOK 21 972 million). NOK 85 million in interest-bearing debt was repaid in the second quarter. Exchange rate changes boosted Norgani's foreign currency debt translated into NOK by NOK 61 million during the quarter. This increase had a correspondingly positive effect on the carried value of the hotel properties.

Interest bearing debt and hedging	30.06.2009	30.06.2008	31.12.2008
Interest bearing debt, ex. costs (NOK million)	20 323	21 972	21 879
Hedging ratio	101 %	72 %	84 %
Unused credit facilities (NOK million)	361	357	521
Average time to maturity, hedging (years)	3.5	4.9	4.5
Average interest rate (incl. margin)	4.99 %	5.50 %	5.84 %
Average margin	0.90 %	0.78 %	0.81 %
Average remaining duration, debt (years)	2.8	4.3	3.9
Property value (NOK million)	24 656	28 512	27 574
Debt/Value	82.4 %	77.1 %	79.3 %

Property value gross of tax related adjustments

Norwegian Property reduced its exposure to floating interest rates in 2008 and has hedged its whole interest rate exposure for 2009. Average interest expenses for the group in 2009 are expected to be lower than the year before.

PROPERTY PORTFOLIOS

THE COMMERCIAL PORTFOLIO

Norwegian Property owned 48 office and retail properties at 30 June. These are primarily located in central areas of Oslo (85.9 per cent of gross rental income) and Stavanger (14.1 per cent of gross rental income). The group's properties consist mainly of office premises with associated warehousing and parking, and retail and restaurant space.

Total gross contractual rental income for the office portfolio was NOK 1 053 million. The average CPI adjustment factor for the portfolio is 97 per cent. Average vacancy in the portfolio is 0.8 per cent. The average remaining lease duration is 5.2 years. Valuations of the property portfolio assume an uplift potential of 8.1 per cent if rents were adjusted to the average market level.

The total value of the office portfolio at 30 June was assessed to be NOK 14 981 million. Given current payable rents, this corresponds to an implicit net yield of 6.6 per cent based on the 2009 run-rate, assuming property expenses of 5.6 per cent at the property level. Assuming market rents, the implicit net yield is 7.2 per cent.

HOTEL PORTFOLIO

Norgani's portfolio comprises 73 hotels and one congress centre with a total of 12 879 rooms. Its total area is 671 480 square metres. The tables below present the hotel portfolio by country and operator:

Geographical split	Rooms	Revenues
Norway	19%	23%
Sweden	54%	45%
Finland	24%	28%
Denmark	3%	4%

Operator	Rooms	Revenue
Scandic (incl. Hilton)	60%	63 %
Choice	21%	22 %
Rezidor	5%	6 %
First	3%	2 %
Best Western	2%	1 %
Rica	2%	2 %
Others	7%	5 %

The leases for all but one of Norgani's hotels are turnover-based, with rates differentiated between accommodation income and other revenues. Most leases specify guaranteed rents, which averaged totally about 80 per cent of gross rents paid in 2008. The minimum rent is adjusted annually pursuant to the CPI and to reflect possible major upgrades to the properties. Some of the hotels have seller guarantees, whereby the seller has agreed to compensate Norgani for any shortfall between guaranteed and actual turnover-based rents. The average remaining duration of the leases is 9.7 years.

RISK AND UNCERTAINTY FACTORS

General economic developments will affect the supply of and demand for office premises and hotel rooms. Norwegian Property is monitoring relevant markets and actively seeking to reduce the exposure of its portfolio to fluctuations in financial parameters and frame conditions, partly through close customer follow-up and portfolio management. On the office side, the group has i.e. entered into long-term leases with inflation-adjusted rents. The hotel properties are mainly leased with turnover-based rents, and significant changes in the demand for hotel rooms – adjusted for minimum rents and vendor guarantees – will affect rental income.

Operational risk relates to the ability of lessees to meet their commitments, Norwegian Property's ability to relet space which falls vacant, and the ability of external managers to fulfil their commitments to maintain and operate the properties. Norwegian Property's lessees largely comprise highly reputable companies and public institutions. Management and operation of the properties are handled by reputable players, and monitored closely by Norwegian Property. During the past half-year, the group intensified its direct contact with customers and instituted closer supervision of operations in order to improve its knowledge of the lessees, ensure a high level of satisfaction and improve opportunities for retaining lessees when renegotiating leases.

Financial risk affects the availability and cost of capital. Expected market developments, combined with changes in financial parameters, influence earnings and the development of the portfolio's value. Should current market conditions persist, they can weaken the group's ability to fulfil its loan covenant requirements. The group seeks to control this through good financial planning and management.

CLOSE ASSOCIATES

During the first six months, no transactions were conducted with close associates nor changes made to such transactions described in the most recent annual report which are considered to be of significant importance for the group's financial position or results.

SHAREHOLDERS

The total number of issued shares ahead of the issues due to be completed in the third quarter of 2009 is 201 635 416. After their completion in August/September, the planned issues will more than double the number of shares and change the group's shareholder structure. The group had 2 453 registered shareholders at 30 June, corresponding to a 24 per cent increase from 31 March 2009. Trading liquidity is good. At 30 June, the volume traded per day was almost 1.5 million (three-month rolling average). The largest shareholders registered with the Norwegian Central Securities Depository (VPS) are presented below[5].

[5] The list does not reflect shareholder structure after the private placement and subsequent repair issue.

Top 20 Shareholders

Name	Ownership %	Shares held	Acc Type	Nationality
AWILHELMSEN CAPITAL OMLØP	11.53	23 254 334		NOR
CANICA AS	4.59	9 246 467		NOR
CREDIT SUISSE SECURI (EUROPE) PRIME BROKE	3.95	7 955 885	NOM	GBR
TRONDHEIM KOMMUNALE	3.07	6 199 700		NOR
VITAL FORSIKRING ASA OMLØPSMIDLER	3.02	6 089 907		NOR
REKA AS	2.98	6 000 000		NOR
BANK OF NEW YORK MEL S/A ALPINE INTL REAL	2.78	5 604 698		USA
FRAM HOLDING AS	2.73	5 500 000		NOR
AWECO INVEST AS	2.72	5 486 765		NOR
BANK OF NEW YORK MEL S/A ALPINE GLOBAL PR	1.90	3 832 520		USA
FRAM REALINVEST AS	1.74	3 500 000		NOR
OPPLYSNINGSVESENETS JILL NORDAHL	1.47	2 962 731		NOR
SKAGEN VEKST	1.47	2 958 000		NOR
SEB ENSKILDA ASA EGENHANDELSKONTO	1.46	2 944 172		NOR
FGCS NV RE TREATY FORTIS GLOBAL CUSTOD	1.41	2 833 283	NOM	NLD
VERDIPAPIRFOND ODIN	1.26	2 539 500		NOR
CITIBANK N.A. (LONDO GENERAL IRISH RES.-T	1.16	2 344 000	NOM	IRL
MP PENSJON	1.14	2 302 819		NOR
ARCTIC SECURITIES AS MEGLERKONTO	1.02	2 053 900	MEG	NOR
WENAASGRUPPEN AS	0.96	1 932 219		NOR
	52.36	**105 540 900**		

ORGANISATION

Petter Jansen informed the board on 25 May that he wished to resign as chief executive of Norwegian Property ASA. Jansen has headed the company since its creation in the summer of 2006. When appointed, he agreed as a starting point with the then president of the board of directors on a time frame of three years for his principal job of building a new listed property company. The group is now moving into a new phase, and Jansen has found it appropriate that a new chief executive continues its development. Jansen has agreed to remain in his post until a replacement is in place.

OUTLOOK

The approved share issues and the renegotiated credit agreements will strengthen the group's balance sheet and safeguard its financial position. Attention in the time to come will be concentrated primarily on operations and on positioning the group in the market. Where the office portfolio is concerned, priority has been given to work on renegotiating leases to secure improved levels of rent and to maintain a low level of vacancy. The main focus for the hotel portfolio will be on collaboration with the operators to maximise earnings and maintain the group's strong cost control.

Uncertainty over key macroeconomic factors and the effect of the financial crisis on the economy persisted during the second quarter. RevPAR and market rents for the hotels and offices respectively continued to develop negatively. Norwegian Property has a strong position in the office segment, characterised by low vacancy, long leases and an underlying potential for rising rent levels. The extension of the agreement with DnB NOR has identified an attractive level of rents for the Oslo CBD. A downturn being experienced in the hotel sector is expected to have a limited impact on Norgani through guaranteed rents and seller guarantees. Following up customer relations is particularly important when market conditions are demanding, and the group will also continue to pay great attention to this aspect.

Norwegian Property ASA
Board of directors, 9 August 2009

For further information about Norwegian Property, including presentational material accompanying this quarterly report as well as the group's financial calendar, please see www.npro.no.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The board of directors and the chief executive have today reviewed and approved the interim report and the condensed consolidated half-year financial statements for Norwegian Property ASA at 30 June 2009 and for the first half of 2009, including condensed consolidated comparative figures at 30 June 2008 and for the first half of 2008.

The interim report has been prepared in accordance with the requirements of IAS 34 on interim financial reporting as adopted by the European Union and additional Norwegian disclosure requirements in the Securities Act.

To the best of our knowledge, the half-year financial statements for 2009 have been prepared in accordance with applicable accounting standards, and the information in these statements provides a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole at 30 June 2009 and 30 June 2008. To the best of our knowledge the interim report gives a true and fair overview of important events in the accounting period and their influence on the half-year financial statements. To the best of our knowledge, the description of the principal risks and uncertainties facing the business in the next accounting period and the description of significant transactions with close associates provide a true and fair review.

Oslo, 9 August 2009

Tormod Hermansen	Harald Grimsrud	Gry Mølleskog	Nils K. Selte	Synne Syrrist
Chair	Deputy chair	Director	Director	Director

Petter Jansen
President and CEO

CONSOLIDATED INCOME STATEMENT

	2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
Figures in NOK 1.000	2009	2008	2009	2008	2008
Rental income	446 783	474 134	892 504	946 193	1 866 774
Gross rental income	**446 783**	**474 134**	**892 504**	**946 193**	**1 866 774**
Maintenance and property related costs	(35 552)	(36 391)	(70 907)	(74 012)	(152 151)
Other operating expenses	(38 690)	(37 139)	(72 137)	(65 966)	(131 562)
Total operating cost	**(74 242)**	**(73 530)**	**(143 045)**	**(139 978)**	**(283 713)**
Operating profit before fair value adjustments	**372 541**	**400 604**	**749 459**	**806 215**	**1 583 062**
Change in market value of investment property	(557 645)	(1 687 960)	(1 204 924)	(1 809 380)	(3 987 503)
Gain from sales of investment property	-	5 768	9 954	35 323	34 362
Impairment of goodwill	(74 471)	-	(212 245)	-	(220 968)
Operating profit	**(259 576)**	**(1 281 588)**	**(657 756)**	**(967 842)**	**(2 591 047)**
Financial income	517	9 942	30 603	16 024	26 627
Financial costs	(260 432)	(343 370)	(537 199)	(687 630)	(1 353 046)
Change in market value of financial derivative instruments	80 024	543 176	(208 987)	400 705	(1 201 439)
Net financial items	**(179 891)**	**209 748**	**(715 582)**	**(270 901)**	**(2 527 858)**
Profit before income tax	**(439 466)**	**(1 071 840)**	**(1 373 338)**	**(1 238 743)**	**(5 118 905)**
Income tax expense	45 441	300 668	179 841	347 402	928 194
Profit after income tax	**(394 026)**	**(771 172)**	**(1 193 497)**	**(891 342)**	**(4 190 711)**
Comprehensive income					
Financial derivatives	(9 847)	(7 343)	117 156	(22 038)	(81 118)
Tax expense related to comprehensive income	2 757	2 056	(32 804)	6 171	22 713
Currency translation differences	47 049	(27 718)	(244 850)	3 675	442 295
Total comprehensive income	**39 959**	**(33 005)**	**(160 498)**	**(12 192)**	**383 890**
Total profit after tax	**(354 067)**	**(804 177)**	**(1 353 995)**	**(903 534)**	**(3 806 822)**
Whereof minority interests	-	(90 002)	-	(46 744)	(132 322)

BUSINESS SEGMENTS

	2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
Figures in NOK 1.000	2009	2008	2009	2008	2008
Commercial properties	259 115	267 783	524 032	550 993	1 079 420
Hotel properties	187 668	206 351	368 472	395 200	787 354
Gross rental income	**446 783**	**474 134**	**892 504**	**946 193**	**1 866 774**
Commercial properties	(15 746)	(19 774)	(32 573)	(37 178)	(70 985)
Hotel properties	(19 807)	(16 617)	(38 334)	(36 834)	(81 165)
Maintenance and property related costs	**(35 552)**	**(36 391)**	**(70 907)**	**(74 012)**	**(152 151)**
Commercial properties	(19 516)	(16 918)	(37 028)	(30 931)	(60 728)
Hotel properties	(19 114)	(19 864)	(34 984)	(34 617)	(69 766)
Oslo Properties	(60)	(358)	(124)	(418)	(1 067)
Other operating cost	**(38 690)**	**(37 139)**	**(72 137)**	**(65 966)**	**(131 562)**
Commercial properties	**223 854**	**231 091**	**454 430**	**482 884**	**947 707**
Hotel properties	**148 747**	**169 871**	**295 154**	**323 749**	**636 423**
Oslo Properties	**(60)**	**(358)**	**(124)**	**(418)**	**(1 067)**
Operating profit before fair value adjustments	**372 541**	**400 604**	**749 459**	**806 215**	**1 583 062**
Gain from fair value adjustment of commercial properties	(199 496)	(1 337 792)	(514 944)	(1 534 810)	(2 905 192)
Gain from fair value adjustment of hotel properties	(358 149)	(350 168)	(689 980)	(274 570)	(1 082 311)
Gain from sales of commercial properties	-	6 969	9 954	7 174	7 174
Gain from sales of hotel properties	-	(1 201)	-	28 149	27 188
Impairment of goodwill	(74 471)	-	(212 245)	-	(220 968)
Commercial properties	**24 358**	**(1 099 732)**	**(50 560)**	**(1 044 752)**	**(1 950 312)**
Hotel properties	**(283 873)**	**(181 498)**	**(607 072)**	**77 327**	**(639 668)**
Oslo Properties	**(60)**	**(358)**	**(124)**	**(418)**	**(1 067)**
Operating profit	**(259 575)**	**(1 281 588)**	**(657 756)**	**(967 842)**	**(2 591 048)**
Net financial items for commercial properties	(153 701)	(187 163)	(287 781)	(381 455)	(767 453)
Net financial items for hotel properties	(83 867)	(84 830)	(170 967)	(171 001)	(351 595)
Net financial items for Oslo Properties/acquisition financing	(22 347)	(61 435)	(47 848)	(119 150)	(207 370)
Financial derivative instruments for commercial properties	59 213	369 854	(137 316)	302 566	(763 635)
Financial derivative instruments for hotel properties	20 812	173 322	(71 671)	98 139	(437 804)
Net financial items	**(179 890)**	**209 748**	**(715 582)**	**(270 901)**	**(2 527 858)**
Commercial properties	**(70 131)**	**(917 041)**	**(475 657)**	**(1 123 641)**	**(3 481 400)**
Hotel properties	**(346 928)**	**(93 006)**	**(849 709)**	**4 466**	**(1 429 068)**
Oslo Properties/acquisition financing	**(22 407)**	**(61 793)**	**(47 972)**	**(119 568)**	**(208 437)**
Profit before income tax	**(439 466)**	**(1 071 840)**	**(1 373 338)**	**(1 238 744)**	**(5 118 905)**
Income tax expense	45 441	300 668	179 841	347 402	928 194
Profit after income tax	**(394 026)**	**(771 172)**	**(1 193 497)**	**(891 342)**	**(4 190 711)**

CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000	30.06.2009	30.06.2008	31.12.2008
ASSETS			
Non-current assets			
Financial derivative instruments	24 594	-	37 333
Goodwill	703 987	1 064 987	885 642
Investment property	24 442 558	28 166 509	27 312 567
Fixtures and equipment	8 641	10 665	9 858
Shares and interests	1 837	1 626	2 014
Receivables	10 201	9 119	11 192
Total non-current assets	**25 191 818**	**29 252 906**	**28 258 607**
Current assets			
Financial derivative instruments	60 835	1 058 250	127 475
Seller guarantee for future rent	-	3 233	-
Accounts receivable	178 216	291 910	172 125
Other receivables	83 531	138 052	193 896
Unpaid capital, net of issue cost	-	2 340 000	-
Cash and cash equivalents	231 197	323 915	174 220
Total current assets	**553 779**	**4 155 361**	**667 716**
Total assets	**25 745 597**	**33 408 267**	**28 926 323**
EQUITY			
Paid in equity	7 737 153	7 733 861	7 738 094
Other reserves	231 210	(5 316)	390 766
Retained earnings	(4 321 198)	237 742	(3 127 701)
Minority interests	-	1 607 041	-
- Liability to acquire shares in subsidiaries	-	(1 524 863)	-
Total equity	**3 647 165**	**8 048 466**	**5 001 160**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	413 422	1 110 400	565 496
Financial derivative instruments	18 532	12 488	106 272
Interest bearing liabilities	19 644 173	21 161 393	21 021 975
Total non-current liabilities	**20 076 127**	**22 284 281**	**21 693 743**
Current liabilities			
Financial derivative instruments	767 009	19 563	689 854
Interest bearing liabilities	647 631	761 593	818 611
Liability to acquire shares in subsidiaries	-	1 647 700	-
Accounts payable	26 149	29 866	29 432
Other liabilities	581 517	616 799	693 523
Total current liabilities	**2 022 306**	**3 075 520**	**2 231 420**
Total liabilities	**22 098 433**	**25 359 802**	**23 925 163**
Total equity and liabilities	**25 745 597**	**33 408 267**	**28 926 323**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

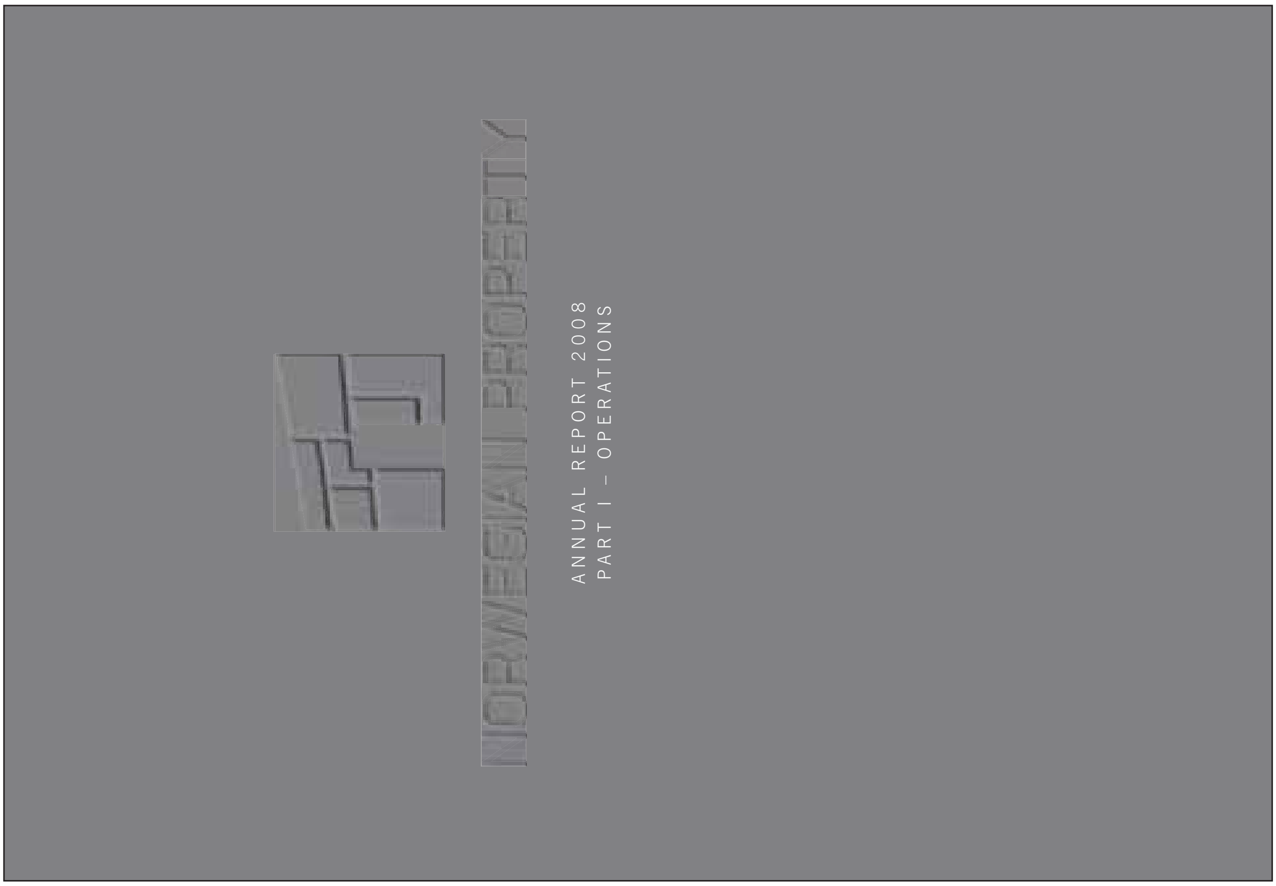
Figures in NOK 1.000	30.06.2009	30.06.2008	31.12.2008
Total equity including minority interests, beginning of year	**5 001 160**	**6 830 904**	**6 830 904**
Total profit after tax	(1 353 995)	(903 534)	(3 806 822)
Share issue, net of cost and after tax		2 384 800	2 389 033
Dividend payments		(263 704)	(263 704)
Changes of minority interests			(148 251)
Total equity including minority interests, end of period	**3 647 165**	**8 048 466**	**5 001 160**

	Equity attributable to shareholders of the company						
Figures in NOK 1.000	Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Minority interests	Total Equity
Total equity 31.12.2007	**2 637 039**	**1 211 081**	**1 500 000**	**7 818**	**1 310 962**	**164 003**	**6 830 904**
Share issue, June 2008	2 403 846	96 154					2 500 000
Total cost related to share issues, net of tax		(110 967)					(110 967)
Financial derivatives				(58 405)			(58 405)
Dividend payments					(263 704)		(263 704)
Currency translation differences				442 295			442 295
Profit after income tax					(4 058 389)	(132 322)	(4 190 711)
Changes of minority interests					(116 570)	(31 681)	(148 251)
Total equity 31.12.2008	**5 040 885**	**1 196 268**	**1 500 000**	**391 708**	**(3 127 701)**	**-**	**5 001 160**
Financial derivatives accounted to equity				84 352			84 352
Currency translation differences				(244 850)			(244 850)
Profit after income tax					(1 193 497)		(1 193 497)
Total equity 30.06.2009	**5 040 885**	**1 196 268**	**1 500 000**	**231 210**	**(4 321 198)**	**-**	**3 647 165**

CONSOLIDATED CASH FLOW STATEMENT

		2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
	Figures in NOK 1.000	2009	2008	2009	2008	2008
	Profit before income tax	(439 466)	(1 071 839)	(1 373 338)	(1 238 743)	(5 118 905)
-	Paid taxes in the period	(177)	-	(359)	-	(8 894)
+	Depreciation of tangible assets	755	630	1 508	1 130	2 141
+/-	Gain from sale of investment property	-	(5 768)	(9 954)	(35 323)	(34 362)
-/+	Fair value adjustment of investment property	557 982	1 687 960	1 205 261	1 809 380	3 987 504
-/+	Fair value adjustment of financial derivative instruments	(118 313)	(543 176)	170 698	(400 705)	1 201 439
+	Impairment of goodwill	74 471	-	212 245	-	220 968
+/-	Net financial items ex. market value adj. of financial derivative instruments	259 915	333 427	506 595	671 606	1 326 419
+/-	Change in short-term items	33 718	(43 298)	(36 392)	(146 971)	139 368
=	**Net cash flow from operating activities**	**368 885**	**357 936**	**676 265**	**660 374**	**1 715 677**
+	Received cash from sale of tangible fixed assets (investment properties)	-	1 267 545	1 052 387	1 346 849	1 311 029
-	Payments for purchase of tangible fixed assets (investment properties)	(21 923)	(75 680)	(55 269)	(127 046)	(308 302)
-	Payments for purchase of subsidiaries	0	-	0	-	(155 521)
=	**Net cash flow from investing activities**	**(21 923)**	**1 191 865**	**997 119**	**1 219 803**	**847 206**
+	Net change in interest bearing debt	(84 533)	(1 141 042)	(1 059 424)	(1 256 509)	(3 843 536)
-	Net financial items ex. market value adj. and currency gain/loss	(257 736)	(333 427)	(529 532)	(671 606)	(1 270 799)
+	Capital increase	-	-	(0)	(0)	2 345 879
-	Dividend payments	-	(263 704)	-	(263 704)	(263 704)
+/-	Payments related to other financing activities	-	-	(20 000)	-	-
=	**Net cash flow from financial activities**	**(342 269)**	**(1 738 174)**	**(1 608 956)**	**(2 191 819)**	**(3 032 159)**
=	**Net change in cash and cash equivalents**	**4 693**	**(188 372)**	**64 427**	**(311 642)**	**(469 276)**
+	Cash and cash equivalents at the beginning of the period	230 735	512 477	174 220	635 476	635 476
+/-	Exchange rates	(4 231)	(189)	(7 450)	82	8 020
	Cash and cash equivalents at the end of the period	**231 197**	**323 915**	**231 197**	**323 915**	**174 220**

Appendix 3: Annual report for 2008 with auditors statement



Contents

See also part II: Directors' report and annual accounts (separate publication)

Financial calendar 2009

30 April	Interim report, Q1
30 April	Annual general meeting
14 August	Interim report, Q2
23 October	Interim report Q3

Updates will be published on the company's website and via the Oslo Stock Exchange company disclosure system.

HIGHLIGHTS 2008

Challenging financial markets
- Prospects for a global economic downturn led to a downward adjustment of fair value in light of higher required returns and expectations of increased vacancy.
- Significantly weaker share price development than previous years.

Share issue and repayment of debt
- The proceeds from a NOK 2.5 billion share issue were used to repay debt and fulfil commitments related to the acquisition of Norgani.
- NOK 3.8 billion in long-term debt was repaid during the year. The syndicated loan facility of NOK 9.6 billion for the office property portfolio was restructured, with annual installments reduced by roughly NOK 80 million.

Leases renewed and renegotiated
- A number of leases were entered into or extended in 2008. The level of rent was substantially increased in certain leases. In aggregate, this contributes to a continued low level of vacant space, at 0.7 per cent, and higher average rental income per square metre.

More cost effective property management
- A six-year agreement to outsource management and facility services for the whole office portfolio was concluded with NEAS ASA.
- The agreement provides fixed owner costs of about six per cent of rental income, and a substantial reduction in the risk of unforeseen maintenance costs. Scope and quality will not be reduced, while tenants gain access to a number of new services.

Revenue growth for Norgani Hotels
- Norwegian Property secured full ownership of Norgani in the third quarter.
- The hotel company reported stable operation and increased revenues.

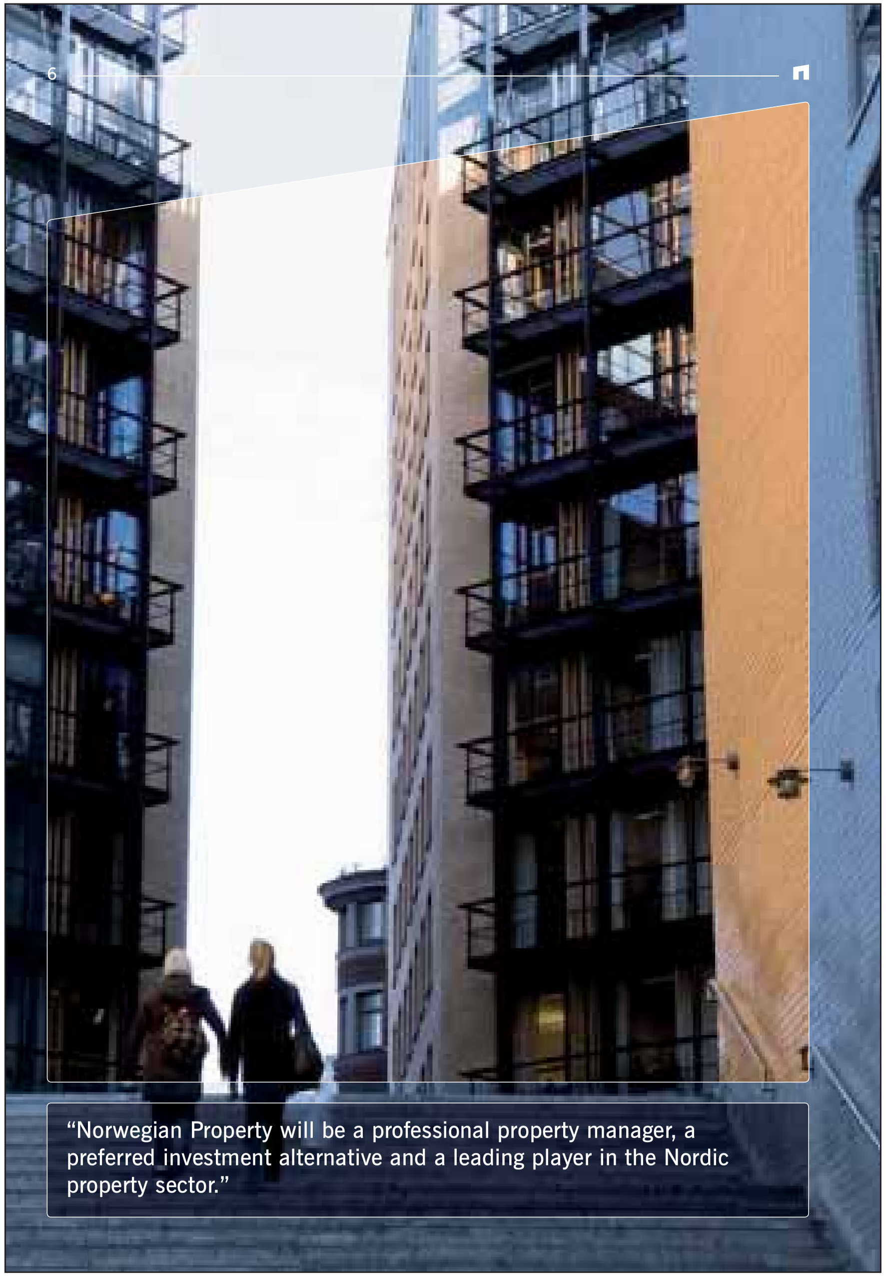
Property sales released capital
- In line with the company's strategy for active management of the portfolio, eight office properties were sold with a gross sales value of NOK 2.1 billion.
- Overall, these properties were sold at a price above book value.

Foto: Jiri Havran

KEY FIGURES

		2008	2007	2006
Profit and loss[1]				
Gross rental income	*NOK million*	1 866.8	1 195.7	414.8
Operating profit before value adjustments	*NOK million*	1 583.1	1 036.3	351.7
Value adjustment investment properties	*NOK million*	(3 987.5)	1 219.1	393.2
Profit before tax	*NOK million*	(5 118.9)	1 650.6	539.5
Annualised return on equity (before tax)	*Per cent*	(86.5)	27.0	25.2
Dividend (proposed to AGM)	*NOK per share*	-	2.50	2.50
Balance sheet[1]				
Property portfolio, book value	*NOK million*	27 313	31 114	13 920
Total assets	*NOK million*	28 926	33 882	16 888
Interest-bearing debt	*NOK million*	21 841	23 232	10 978
Equity	*NOK million*	5 001	6 831	5 373
Equity ratio	*Per cent*	17.3	20.2	31.8
Carried equity per share	*NOK per share*	24.80	63.20	54.09
EPRA, net asset value per share2	*NOK per share*	30.14	70.84	56.53
Property portfolio[3]				
Number of properties		124	131	55
Total area	*Sq.m*	1 341 049	1 407 471	722 542
Average remaining lease term	*Years*	7.5	8.4	7.3
Vacancy, office portfolio	*Per cent*	0.7	0.7	0.8
Average net yield	*Per cent*	6.6	5.8	5.6
Average net yield, fair value	*Per cent*	7.1	6.3	-
Property portfolio, fair value	*NOK million*	27 574	31 430	18 056
Property portfolio, fair value	*NOK per sq.m*	20 562	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] EPRA NAV = carried equity + deferred tax, property - goodwill - financial derivatives. (EPRA = European Public Real Estate Association).
[3] 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).



NORWEGIAN PROPERTY IN BRIEF

Norwegian Property is a leading Norwegian property company. Measured by portfolio value, it is one of the largest listed property companies in the Nordic region, with assets valued at NOK 27.6 billion at 31 December 2008. The company has robust revenues, predictable costs and a growing cash flow.

The business

The company has two business areas: commercial property and hotel property. While the first of these falls under the parent company Norwegian Property and a number of subsidiaries, hotel property is organised in the wholly owned Norgani Hotels subsidiary.

Rental income totalled NOK 1 867 million in 2008, with about 60 per cent deriving from the office portfolio and the remainder from the hotels.

The company's core competence is property and portfolio management, leasing and financial management. Operation and maintenance are largely outsourced to external partners.

Commercial property

The company's office portfolio comprises 50 commercial properties located in Oslo and Stavanger. Good locations and long-term leases with financially sound tenants ensure a robust rental income. Norwegian Property has a number of large and financially sound tenants in both private and public sectors, with the 40 largest tenants accounting for 80 per cent of rental income. The company's office portfolio has very low vacancy.

Hotel property

The hotel business (Norgani Hotels) comprises 74 properties in the Nordic region. Tenants of Norgani Hotels include leading international and regional chains such as Scandic Hotels (including Hilton), Choice Hotels Scandinavia and Rezidor. These chains account for roughly 90 per cent of rental income. Scandic Hotels, the largest tenant, accounts for about 63 per cent. The portfolio largely comprises three- and four-star hotels, which have historically had more stable turnover than the high-end hotel segment.

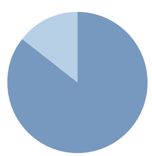
Goals

Norwegian Property will be a professional property manager, a preferred investment alternative and a leading player in the Nordic property sector.

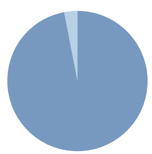
The company will actively manage and further develop its property portfolio within selected segments and priority areas. Its office tenants and hotel operators will be large, established players on long-term leases.

Norwegian Property wants to maintain a secure income and positive cash flow development. Combined with active risk management of financial costs, the company aims to provide a long-term return on equity of 13-15 per cent before tax. The equity ratio will balance the desire for a high return on equity with moderate financial risk. Open communication and a clear strategy will help to ensure that the investor market has confidence in the company.

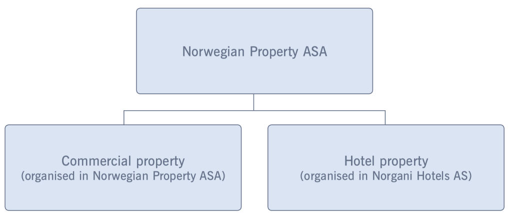
Share of interest-hedged debt
at 31 Dec 2008



Share of CPI adjustment, annual rental income
at 31 Dec 2008



Business areas



Letter from the CEO:

STRONG CASH FLOW AND SOUND FINANCIAL BASE

Attractive properties and first-class tenants give Norwegian Property a good foundation, even in demanding times.

The international financial crisis has hit the property market hard, and we have been seriously affected. Our company has been challenged by the dramatic changes in the market, and we must think differently than what we did less than a year ago. We must do what is necessary to tackle the most immediate challenges which 2008 brought with it, and our main task is to restore shareholder value in a long-term perspective.

Increased rental income in 2009

We occupy a unique position, even in today's demanding conditions. First and foremost, we have a strong portfolio of quality properties with attractive locations. We then have financially sound and blue chip tenants on long-term leases, while our loan terms also look very favourable in today's market. With declining interest rates and increased revenues as a result of consumer price index (CPI) adjustments to leases, the aggregate effect on our cash flow is positive. Specifically, we expect rental income from our office portfolio to increase by almost NOK 50 million in 2009 as a result of contractual inflation adjustments. At the same time, lower short-term market interest rates and interest hedging for 2009 will reduce our interest expenses for the year by about NOK 90-100 million compared with 2008.

Gearing tailored to market conditions

We were originally rigged during an economic boom, with debt financing for about 75 per cent of the value of our property portfolio. Given the necessary adjustments made to the fair value of the latter, worldwide problems with access to credit have contributed to a special focus on our debt-equity ratio – regardless of the fact that our cash flow is higher than ever. The financial crisis has presented us with challenges in adapting our gearing from an optimistic market to an extremely pessimistic one.

Good financial basis

In general, Nordic financial institutions have managed better in the global financial crisis than many of their international competitors. It is precisely the big Nordic financial institutions which provide most of our credit facilities. In these extraordinary circumstances, we have maintained a constructive and trust-based collaboration with our key lenders, and have thus secured a good financial base.

Conservative valuations

An important indicator for a property company is naturally the carried amount of its assets. The IFRS require us to adjust these amounts to fair value. In order for our balance sheet to reflect the particularly demanding conditions we have experienced over the past half-year, we have taken a substantial impairment charge on our properties. We have opted for a conservative approach, even though we possess a unique portfolio of both properties and tenants. We have chosen to use two independent experts for the quarterly impairment testing of our assets in order to secure the most qualified advice in both market and financial terms. The sale of Grev Wedels plass 9, which was finalised in January 2009, confirmed that the market regards our properties as attractive and that we are able to achieve prices which provide a satisfactory gain on the valuations applied in our accounts.

Capital adequacy to be strengthened

We executed a share issue of NOK 2.5 billion in the summer of 2008 to fund the final settlement of the Norgani acquisition and to strengthen our balance sheet in general. NOK 2.1 billion in divestment of and sales agreements for properties was also intended to reinforce our financial position. We will assess further sales in the time to come, providing we achieve prices which genuinely strengthen our capital adequacy and safeguard shareholder value.

More cost effective property management

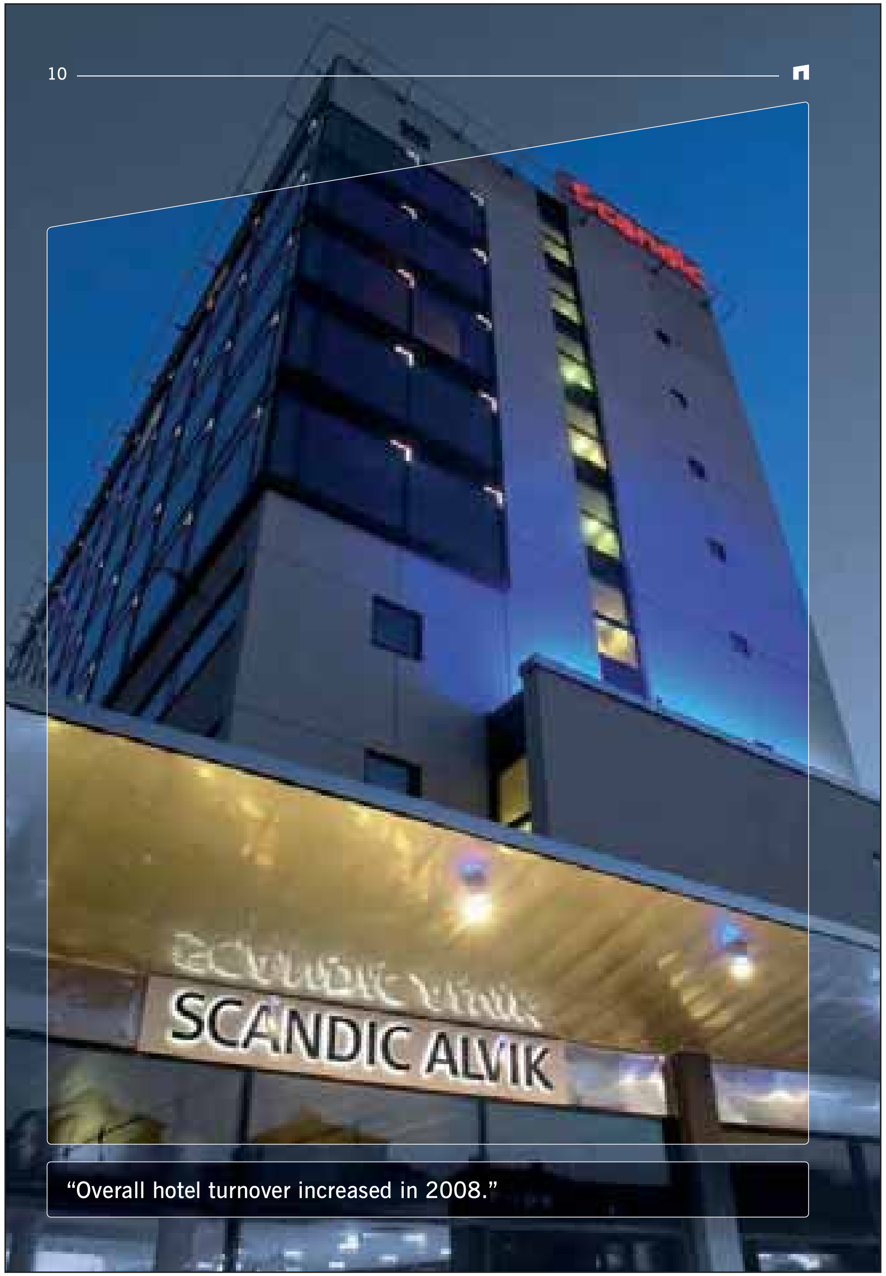
We are focused on value creation in a long term perspective. This requires us to concentrate on our core concept – the part which will generate results – namely quality properties with attractive locations and first-class tenants. In that context, we have not only strengthened our organisation on the client and leasing side, but also outsourced facility management to external partners.

By concluding a long-term contract with NEAS ASA on facility services for the whole Norwegian office portfolio, we took further steps in 2008 to industrialise our property management. This is a new type of agreement in the Norwegian property sector, which ensures a high level of service for our tenants and means that costs will be more stable and predictable at a level 10 to 12 per cent below what they were under the earlier arrangements.

Well prepared to meet an uncertain market

The economic outlook for 2009 is highly uncertain and, despite substantial and positive stimulation packages from government, weaker growth will clearly affect the market for both hotel and office properties. We have implemented measures to strengthen our financial position, and have safeguarded operations in a way which gives us a predictable and gradually increasing revenue stream. Several cost-cutting measures have also been introduced. Taken together, this will help us to meet the challenges we face in a positive manner.

Petter Jansen
President and CEO



"Overall hotel turnover increased in 2008."

Hotel property

THE NORDIC REGION'S BIGGEST HOTEL OWNER

The hotel property business area embraces Norgani Hotels, which ranks as the largest owner of such assets in the Nordic region and controls about five per cent of all available rooms in this market. During 2008, the company concentrated on improving operations and consolidating its portfolio.

Highlights of 2008

- Turnover again increased in all the company's markets. Economic growth in recent years has boosted demand for hotel accommodation. Developments reversed towards the end of the year, and demand fell in relation to the same months of 2007. That reflects lower economic activity, and expanded capacity in parts of the market yielded some decline in overall occupancy.
- Room prices increased and helped to boost revenue per available room (RevPAR) by 3.0 to 4.5 per cent in the Nordic markets. Norgani's leases are largely turnover-based, so this trend contributed to good progress in rental income for the company.
- Activity in the market for property transactions was low, and Norgani neither bought nor sold hotel property during the year.
- Substantial investments were made and upgrades implemented in the existing property portfolio.
- Norgani consolidated and revitalised its own organisation, and sharing premises and partial organisational integration with Norwegian Property had positive effects.

The core business is to create value by investing in, managing and developing hotel properties in close collaboration with their operators. Turnover in the hotel business has expanded rapidly as a result of increased tourism and business travel. The travel and leisure sector is now one of the largest and fastest-growing industries internationally. Reflecting global trends, development in the Nordic region has also been positive.

Norgani Hotels is focused on owning properties which are expected to be more robust against revenue fluctuations rooted in economic trends than the high-end hotel market.

- The goal is to have a well-diversified portfolio of three- and four-star hotels, located primarily in Nordic towns with more than 50 000 inhabitants.
- These properties will generally be fully developed, in attractive locations and with at least 150 rooms.
- Hotel management is handled by established operators. Cultivating and further extending collaboration with the largest and most professional players in the Nordic region has a high priority.
- Leases with hotel operators will be turnover-based (rather than pure management contracts), so that Norgani and the operator have a shared interest in securing the highest possible revenues.

The hotel property portfolio

Norgani Hotels owned a total of 73 hotels and one congress centre at 31 December. The hotel properties have a combined capacity of 12 822 rooms and an area of 671 480 square metres. Virtually all the space is leased for hotel operation, but some hotel properties also have small areas leased for other types of activity. The most important figures for the property portfolio appear in the table below.

Rents and markets

More than half the hotel rooms owned by Norgani(54 per cent) is located in Sweden, with 19 and 24 per cent in Norway and Finland respectively. Norgani Hotels only has three hotels in Denmark, with about three per cent of rooms. Sweden's share of the company's total turnover is relatively lower, at 45 per cent, while Norway, Denmark and Finland represent relatively higher proportions. This reflects the location, size and segment of the hotels, as well as differences in market rates for hotel rooms.

Robust leases

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 eight 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. For most of the hotels acquired by Norgani, the seller agreed at the time of acquisition to guarantee a certain minimum rental income above the minimum payable by the hotels. At 31 December 2008, minimum rents accounted for more than 80 per cent of expected turnover in 2009.

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.

The average remaining term of the leases is 10.1 years.

Other leases

Norgani has leased some minor areas to tenants other than the hotels, such as restaurants, shops or bars.

Operators

Norgani emphasises the importance of relationships with the most important Nordic players. These often achieve 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.

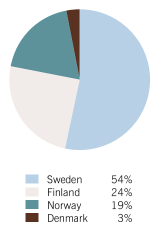
One aim of the company's long-term strategy is to secure a rather larger spread of lessees through a possible future expansion of the portfolio

Key figures, hotel portfolio

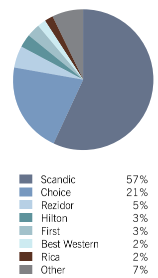
	2008[1]	2007[2]	2006
Number of hotel properties	**74**	74	73
Total area, square metres	**671 480**	671 080	658 417
Total rooms	**12 822**	12 804	12 493
Average size per property, square metres	**9 074**	9 069	9 019
Average value per hotel room, NOK 1 000	**860**	836	757
Fair value, NOK million	**11 025**	10 700	9 452
Gross rental income, NOK million	**787**	699	662
Annual property costs, NOK million	**81**	65	62
Net rental income, NOK million	**706**	634	600
Gross yield, per cent[3]	**7.7%**	6.5%	7.0%
Net yield, per cent[3]	**7.0%**	5.9%	6.3%
Average remaining lease term, *years*	**10,1**	11.0	7.7
Minimum rent and seller guarantees, *NOK million*	**632**	596	-
Minimum rent (inflation-adjusted), *NOK million*	**559**	519	-

1 Actual rent obtained and annual property costs for 2008, converted to average 2008 exchange rate.
2 Actual rent obtained and annual property costs for 2007, converted to average 2007 exchange rate.
3 Based on reported figures for 2008 converted to the exchange rate at 31 December 2008.

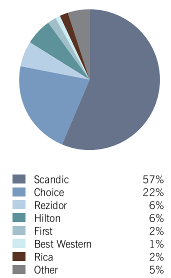
Hotel rooms by country

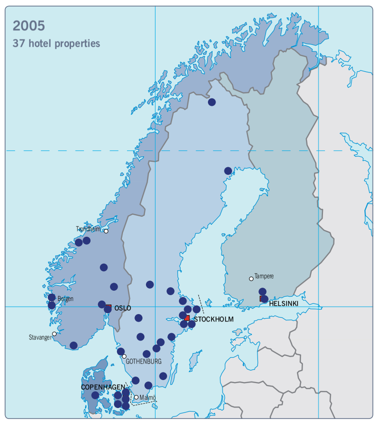


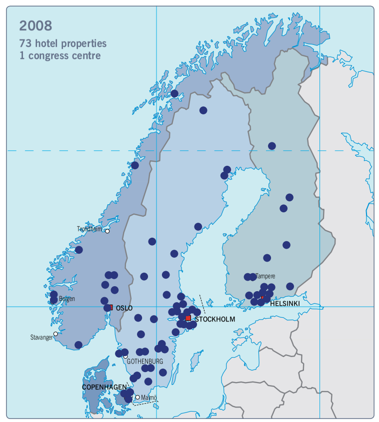
Rooms by operator



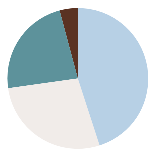
Turnover by operator



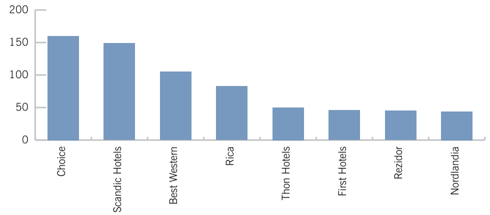




Turnover by country



The largest Nordic operators by number of hotels in the region



Scandic Hotels (including two Hilton hotels in Finland) 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 hotel market is often split into three main areas – property, operation and distribution. In the past, these three roles were usually combined. But they have increasingly become more professionalised, with players specialising more in the various parts of the value chain. Some participants are involved in several of these areas. Norgani has specialised in the hotel owner role. At 31 December 2008, it owned 5.1 per cent of available Nordic hotel rooms. The company's market share is largest in Sweden, at 7.1 per cent.

Norgani's biggest competitors on the ownership side are other hotel property companies, other large property companies and funds, and insurance companies. In addition, a number of the operators have their own property portfolios to some extent.

Major players in the Nordic hotel property market are the Olav Thon group, Pandox, Home Properties, the Wenaas group, Norlandia, Host and Capman.

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. The chain-affiliated hotels account for the biggest share of turnover. Common branding gives travellers confidence in the quality of the hotels, while loyalty programmes encourage further purchases. Affiliation also provides the hotels with economies of scale in a number of areas.

National statistics and key figures

Per 31.12.2008	Norgani No of rooms	Market No of rooms	Market share
Norway	2 412	65 130	3,8%
Sweden	6 896	96 898	7,1%
Finland	3 078	48 393	6,4%
Denmark	436	42 708	1,0%
Total	12 822	253 129	5,1%

Norway	**2008**	2007	**Change**
Occupancy rate	**55.3%**	56.8%	(1.5%)
Average room rate (ARR) – NOK	**868**	811	7.0%
RevPAR – NOK	**480**	461	4.2%
Business travel, share of occupancy	**54%**	53%	1%
Holiday and leisure, share of occupancy	**46%**	47%	(1%)
Foreign share of occupancy	**27%**	27%	-
Domestic share of occupancy	**73%**	73%	-

Sweden	**2008**	2007	**Change**
Occupancy rate	**50.3%**	50.8%	(0.5%)
Average room rate (ARR) – SEK	**911**	876	4.0%
RevPAR – SEK	**458**	445	3.0%
Business travel, share of occupancy	**75%**	74%	1%
Holiday and leisure, share of occupancy	**25%**	26%	(1%)
Foreign share of occupancy	**23%**	22%	1%
Domestic share of occupancy	**77%**	78%	(1%)

Finland	**2008**	2007	**Change**
Occupancy rate	**54.2%**	53.9%	0.3%
Average room rate (ARR) – EUR	**81**	78	3.9%
RevPAR – EUR	**44**	42	4.5%
Business travel, share of occupancy	**44%**	41%	3%
Holiday and leisure, share of occupancy	**56%**	59%	(3%)
Foreign share of occupancy	**29%**	28%	1%
Domestic share of occupancy	**71%**	72%	(1%)

Sources: Statistics Norway (www.ssb.no – December 2008), Statistics Sweden (www.scb.se – December 2008), Statistics Finland (www.stat.fi – November 2008), Statistics Denmark (www.statistikbanken.dk, November 2008).

Growing capacity utilisation and increase in RevPAR

Viewed overall, the Nordic hotel market had a very good year in 2008, with strong economic growth and expanding business travel in the first half. However, the trend reversed towards the end of the year.

Norway
RevPAR in Norway grew for the fifth year in a row, and increased by 4.2 per cent from 2007.

Sweden
Sweden, which is Norgani's most important market, also witnessed a growth in RevPAR of three per cent from 2007.

Finland
RevPAR increased in Finland by 4.5 per cent. 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 declined by 1.9 per cent from 2007.

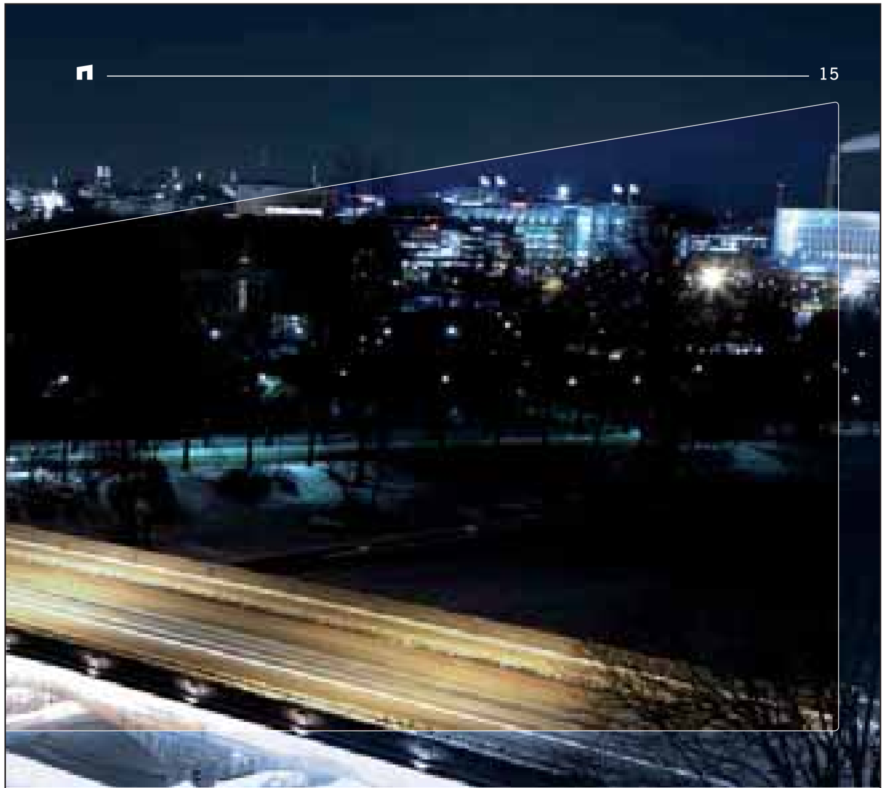
Risk

The group's most important market risks relate to a reduction in rental income. With turnover-based leases, the business has some vulnerability 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

Key financial figures[1]

(All amounts in NOK million)	**2008**	2007[2]	2006
Rental income	**785**	699	574
Operating profit	**634**	508	515
Net gain on sales	**27**	-	66
Net changes in value, properties	**(1 116)**	820	672
Net changes in value, financial derivatives	**(438)**	132	
Pre-tax profit	**(1 276)**	1 139	710

[1] Accounting figures for the Norgani Hotels AS group
[2] Norgani became part of Norwegian Property's consolidated accounts with effect from 24 September 2007.



four-star hotels, which have historically had a relatively robust development in turnover. To reduce risk, agreements covering virtually all the hotels ensures minimum rents payable to Norgani, which are inflation-adjusted on annual basis.

Norgani Hotels holds parent company or bank guarantees from most of the operators.

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 tailored insurance policies from leading players in the underwriting market.

The year 2008

Norgani's revenue increased by 12.2 per cent in 2008. Costs were substantially reduced, primarily because the 2007 figure was negatively affected by one-off expenses related to the change of ownership in Norgani Hotels in that year. The ordinary operating result before value adjustments thus improved from 2007. A general increase in required returns during 2008 was one of the factors which led to a negative change of NOK 1 116 million in the value of the hotel portfolio in 2008 (excluding currency effects). Overall, therefore, a profit before tax of NOK 1 139 million for 2007 declined to a loss of NOK 1 276 million in 2008.

Organisation

Norgani has offices in Oslo and Stockholm, and its administration and finance function are partly integrated with Norwegian Property. The company has 18 employees, and that number was stable during 2008. Norgani Hotels' ambition is to be a leading player in the development and administration of hotel properties in the Nordic region.

Outlook and goals for 2009

Norgani expects RevPAR developments to be weaker in 2009 than in 2008 because of the general economic downturn. Although new construction volumes have been reduced, the market is likely to be affected by some excess capacity because of the expected decline in demand. The biggest fall is expected in the largest cities, which have a high proportion of international traffic. Norgani's attention in 2009 will be focused on the following main issues:

- continue to develop relations with the most important operators in the Nordic hotel market to sustain strong progress for Norgani's hotels
- ensure that Norgani maintains its position as a leading player in hotel property management
- continue efforts to enhance the efficiency of operating and managing the portfolio with a constant quest for improvement opportunities
- secure an optimum portfolio of suitable hotel properties and strong operators in order to generate the best possible return on the portfolio.

Hotel portfolio at 31 December 2008

Hotel	OperatOr	Location	Rooms	Sq.m	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	234	9 397	
Scandic Elmia	Scandic	Jönköping	220	9 576	
Scandic Örebro Väst	Scandic	Örebro	204	7 621	
Scandic Gävle Väst	Scandic	Gävle	200	7 382	
Scandic Uppsala Nord	Scandic	Uppsala	184	7 518	
Scandic Västerås	Scandic	Västerås	174	7 285	
Scandic Ferrum	Scandic	Kiruna	171	11 100	
Scandic Umeå Syd	Scandic	Umeå	161	5 955	
Scandic Segevång	Scandic	Malmö	166	6 284	
Scandic Luleå	Scandic	Luleå	160	5 565	
Scandic Sundsvall Nord	Scandic	Sundsvall	159	4 948	
Scandic Linköping Väst	Scandic	Linköping	150	6 105	
Scandic Norrköping Nord	Scandic	Norrköping	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	Södertälje	131	5 630	
Scandic Östersund	Scandic	Östersund	129	4 019	
Scandic Växjö	Scandic	Växjö	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	Linköping	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	Skövde	107	3 687	
First Hotel Linköping	First/Tribe	Linköping	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	Växjö	158	7 112	
Best Western Mora Hotell & Spa	BW	Mora	135	9 161	
Ibis Stockholm Syd	Accor Hotels	Stockholm	190	8 339	
Radisson SAS Hotell, Linköping	Radisson/SAS	Linköping	91	6 354	
Stadshotellet Princess Sandviken	Stadshotellet i Sandviken AB	Sandviken	84	7 003	
Total Sweden			**6 896**	**321 763**	**11.0**

Hotel portfolio *(cont)*

Hotel	OperatOr	Location	Rooms	Sq.m	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 Kylpyälaitos Oy	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**	**9.8**
Norway					
Quality Resort Kristiansand	Choice	Kristiansand	210	9 940	
Quality Resort Hafjell	Choice	Øyer	210	9 940	
Comfort Hotel Børsparken	Choice	Oslo	198	7 900	
Quality Hotel Alexandra	Choice	Molde	163	17 033	
Comfort Hotel Holberg	Choice	Bergen	149	5 720	
Quality 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	Radisson/SAS/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 Bodø	Rica	Bodø	113	7 981	
Total Norway			**2 412**	**140 720**	**8.5**
Denmark					
Comfort Hotel Europa	Choice	Copenhagen	230	8 000	
Clarion Collecion Hotel Myfair	Choice	Copenhagen	106	3 805	
Comfort Hotel Excelsior	Choice	Copenhagen	100	3 600	
Total Denmark			**436**	**15 405**	**7.2**
Total Norgani Hotels group			**12 822**	**671 480**	**10.1**

"The goal is to have a balanced range of maturities for the leases."

Commercial property

ATTRACTIVE PROPERTIES AND STRONG TENANTS

This business area comprises the management of 50 commercial properties with a contractual rental income of NOK 1.1 billion per year.

Highlights of 2008

- An agreement was concluded with NEAS on coordinating all facility services and management. This will provide cost savings and fixed, low property expenses in the future.
- In accordance with the strategy of active portfolio management and selective sale of properties, eight office properties in Oslo and Stavanger were divested during the year.
- Two properties were fully upgraded – Grenseveien 19 for StatoilHydro ASA and Nedre Skøyen vei 24 for the EDB group/Fellesdata. Both projects have been completed.
- A number of leases were extended and renegotiated at rents 40-50 per cent above the previous level.

The combined market value of the portfolio at 31 December was NOK 16.6 billion.

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 in the portfolio. Purchase and sale of properties form a natural part of the company's efforts to create the greatest possible long-term value.

- The properties will be positioned in attractive areas of Oslo and Stavanger.
- The properties will primarily be fully developed, with a value of more than NOK 200 million each.
- The emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases to permit adaptation to market changes.
- Tenants will primarily be large, financially solid, listed companies and public sector organisations in order to reduce lease-related risk.

Portfolio of commercial properties

The most important key figures for the property portfolio are presented in the table below, which also shows the most significant changes from the end of 2007. A more detailed overview for each property is shown in a separate table.

Rental income

Gross rental income came to NOK 1 120 million at 31 December, compared with NOK 1 149 million a year earlier. This decline reflects the sale of certain properties. The average level of rents for the remaining portfolio increased during the year.

Norwegian Property's portfolio largely comprises office properties with associated warehousing and parking facilities. Some buildings include retail premises, and the company also owns the shopping centre and most of the restaurants at Aker Brygge, the heart of Oslo's central business district (CBD). Offices account for 69 per cent of the gross rental income.

The goal is to have a balanced range of maturities for the leases. Long-duration contracts provide a secure and long-term cash flow. The average remaining term for the company's leases is 5.6 years, slightly down from 31 December 2007. The portfolio's maturity profile is illustrated on page 21.

Diversified tenant structure

Norwegian Property's ambition is to have a diversified structure of high-quality tenants in order to minimise the risk of contract defaults and loss of rental income. Sector exposure is well diversified, and is shown in the table on the following page.

The 25 largest tenants account for 69 per cent gross rental income, and mainly comprise companies with good credit records or public institutions.

Market

Like most other sectors of the economy, the commercial property market was affected by the international financial crisis and general economic downturn. Property values declined sharply during 2008, and market rents also fell back from the peak reached in the spring/summer of 2008. However, contractual rents for leases maturing in 2009 and 2010 lie far below even today's market rents. Norwegian Property accordingly expects a substantial rise in income from these leases, despite the reduction in market rents during 2008.

During 2008, Norwegian Property entered into or extended a number of leases where rents were increased by 40-50 per cent from the previous level.

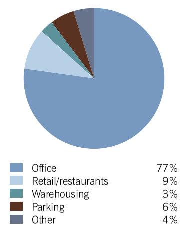
The international financial crisis and subsequent economic downturn make for a more uncertain market outlook. The leasing market for commercial property is expected to tighten considerably in 2009, with falling rent levels. A period of lower economic growth and rising unemployment is expected. At the same time, the addition of new office capacity in the market is somewhat lower than in earlier macro-economic cycles. A number of planned development projects are likely to be postponed because of the uncertain market outlook combined with difficult credit markets.

Key figures, property portfolio

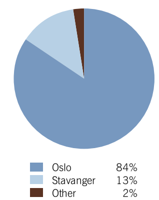
	2008	2007	2006
Number of properties	**50**	57	55
Total area, square metres	**669 569**	736 391	722 542
Average size of properties, square metres	**13 391**	12 919	13 137
Average value per square metre, NOK	**24 716**	28 151	24 990
Fair value, NOK million	**16 549**	20 730	18 056
Gross rental income, NOK million[1]	**1 120**	1 149	1 064
Estimated annual property costs, NOK million[1]	**63**	76	61
Net rental income, NOK million[1]	**1 057**	1 073	1 003
Gross yield, per cent	**6.8%**	5.5%	5.9%
Net yield, per cent	**6.4%**	5.2%	5.7%
Average remaining lease term, years	**5.6**	6.5	7.3
Average consumer price index adjustment, per cent	**97%**	95%	96%
Vacancy, in per cent of gross rental income	**0.7%**	0.7%	0.8%

[1] *Level at 31 December 2008 after inflation adjustment.*

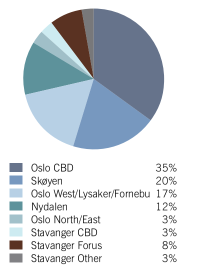
Gross rental income by category



Gross rental income by location



Gross rental income by city area/cluster



Competitors

The property market remains highly 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). Direct investment by foreign investors in the Norwegian market remains limited.

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. This risk is controlled through good portfolio management, close attention to tenants and an emphasis on investing in high-quality properties in attractive locations.

Loss of rental income also relates to the risk of 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.

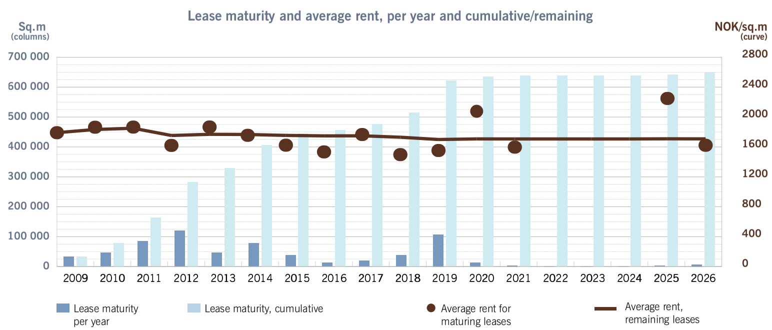
The year 2008

As a lessor and building owner, Norwegian Property seeks satisfied tenants and efficient operations. Facility services and maintenance of the properties have been outsourced, and an agreement was concluded in 2008 with NEAS ASA to professionalise and coordinate operation and maintenance even further. During 2008 and 2009, NEAS will take over total responsibility for facility services and management of all the properties. This deal enhances predictability and economics, with fixed property costs which lie 10-12 per cent lower than before without reductions in the scope and quality of the work done. Property costs have previously been at a level corresponding to roughly six per cent of rental income. The

The largest tenants at 31 December 2008

	Tenant	Annual rent		Remaining term, years
1	EDB Business Partner ASA	83.6	10.8%	
2	Aker Solutions ASA	82.7	10.7%	
3	DnB Nor Bank ASA	74.1	9.6%	
4	Nordea	46.1	6.0%	
5	SAS Consortium	42.4	5.5%	
6	If Skadeforsikring	40.6	5.3%	
7	Statoil Hydro	39.7	5.1%	
8	Aker Offshore Partner AS	33.9	4.4%	
9	Total E&P	30.4	3.9%	
10	Leif Höegh & Co AS	28.0	3.6%	
11	Get AS (UPC)	27.3	3.5%	
12	Telenor Eiendom Holding AS	27.2	3.5%	
13	Netcom AS	24.1	3.1%	
14	Skanska Norge AS	22.0	2.8%	
15	Fokus Bank	21.0	2.7%	
16	Hafslund ASA	20.7	2.7%	
17	Ementor Norge AS	18.7	2.4%	
18	TDC Norge AS	16.1	2.1%	
19	Astrup Fearnley AS	15.7	2.0%	
20	Directorate of Labour	15.4	2.0%	
21	YX Energi AS	14.8	1.9%	
22	TietoEnator	13.2	1.7%	
23	Norges Handels og Søfartstidende	12.0	1.6%	
24	Bergesen Worldwide Offshore AS	11.7	1.5%	
25	Simonsen Arkitektfirma DA	11.5	1.5%	
	Total 25 largest tenants	**772.9**	**69.0%**	**6.2**
	Other tenants	346.8	31.0%	4.5
	Total all tenants	**1 119.7**	**100.0%**	**5.6**

[1] *Level of rents at 31 December 2008 after inflation adjustment.*



agreement will also provide tenants with more and better services.

Norwegian Property retains responsibility for leasing and tenant follow-up as well as for development, upgrading and tenant customisation. To discharges these duties in the best possible way, the property department was strengthened during the year. This included the appointment of two leasing managers and a property manager. The department now has nine staff.

The property department was responsible for the full upgrading of two properties in 2008. That included the investment of more than NOK 50 million in a total rebuilding of Grenseveien 19 in Stavanger for the tenant, StatoilHydro. The refurbishment included facade changes and full modernisation of all areas to an up-to-date standard. Connection to a regional remote heating system has also been installed to provide environmental and energy-saving gains as well as a lasting enhancement in the building's value. Nedre Skøyen vei 24 has been upgraded and completed in cooperation with the tenant, the EDB group/Fellesdata, at a cost of NOK 34 million. Much of this investment has been carried by the tenant on the basis of benefits achieved from a general quality enhancement and improved use of space.

A substantial reduction in the transaction market occurred in 2008. Extremely volatile long-term interest rates and stricter terms for debt financing affected required returns, and availability of credit for property transactions became significantly tighter during the year.

Office properties in Oslo and Stavanger with a total value of NOK 2.1 billion were divested (or sales agreed) in 2008 as a natural consequence of the company's active portfolio management, and in order to release capital. These sales were made at good prices, at or above the carried amount. The disposal of Grev Wedels plass 9 to UBS Real Estate Kapitalanlagesellschaft (for the UBS (D) Euroinvest Immobilien property fund) confirms that high-quality properties can be sold at good prices, even in a turbulent market.

A number of leases were awarded and extended during the year, with rents raised by 40-50 per cent from their earlier level. This illustrates that existing leases are under-priced, despite the decline in rents. The leases also contributed to greater predictability and better cash flow. Renewals and extensions include the lease with Aker Solutions (21 528 square metres) for Badehusgaten in Stavanger.

Outlook and goals for 2009

Satisfied tenants as well as efficient operation and management will remain important targets in 2009. A commitment will be made to securing new lettings and renegotiating leases to boost revenues and reduce risk.

Developing and upgrading the properties is important both for the sake of retaining existing tenants and for attracting new ones. An extensive project will begin at Aker Brygge in 2009.

This development embraces three main elements:

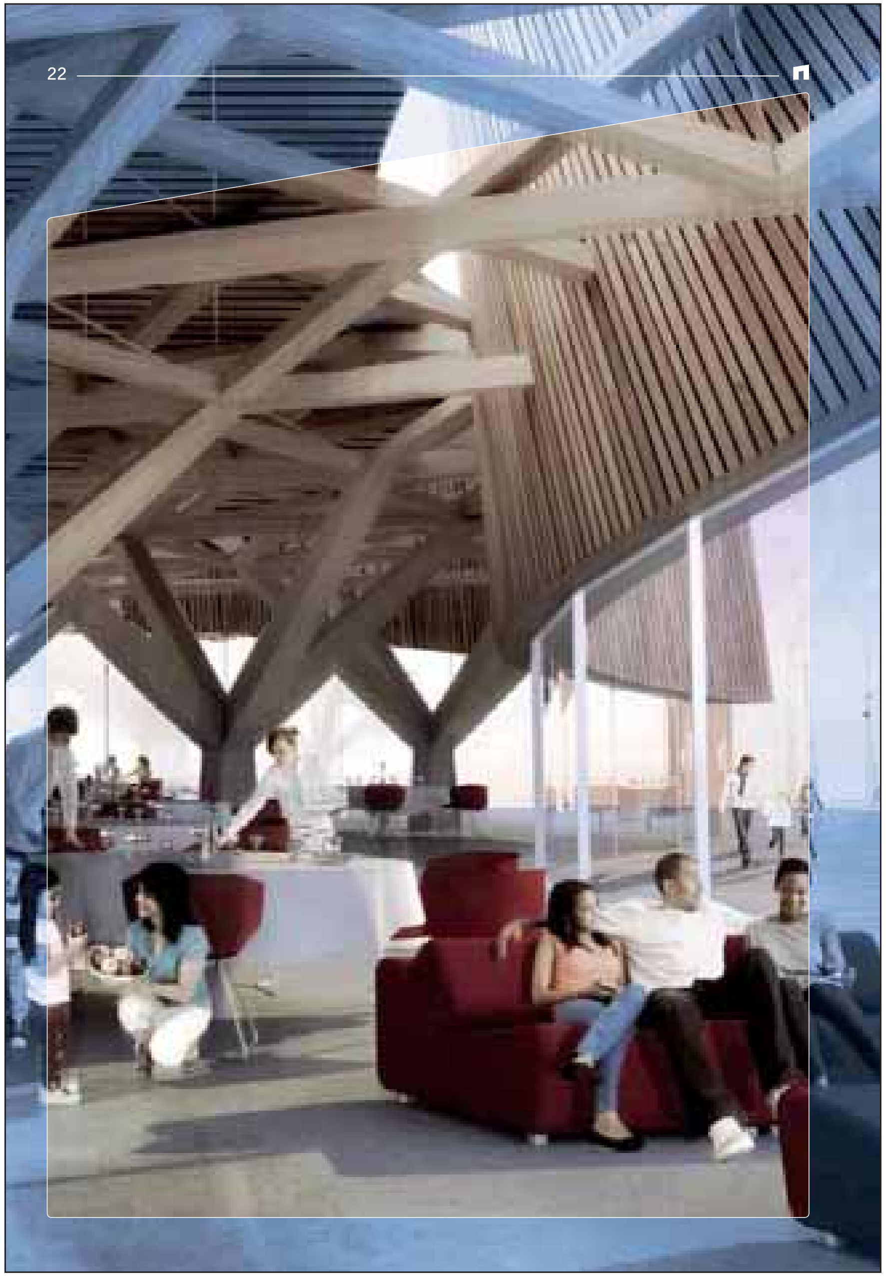
- Revitalising the area as a shopping centre and entertainment district. A considerable percentage of the leases expire in 2010-12, providing opportunities to implement a conceptual renewal. An important goal will be to develop a concept and a composition of tenants which can help to enhance Aker Brygge's attraction as a shopping centre.
- Planning how Kaibygg I is to be utilised when DnB Nor moves out. The date of departure depends on when the bank's new premises in Bjørvika are ready for occupation. The timetable calls for this to happen in 2012, but this has not been confirmed.
- Development of the Tingvalla jetty, which is due to be rezoned for commercial buildings, catering and general purposes. The area has an attractive and very visible location on the quayside. An architectural competition has been held. See the presentation on page 22.

The leasing market for commercial property is expected to be considerably tighter in 2009, with declining rents and growing vacancy. However, this is not expected to affect Norwegian Property to any significant extent. Generally strong tenants and good locations, combined with a relatively small number of leases expiring in 2009, creates a high degree of predictability in rental income. The NEAS agreement will become fully operational during 2009, with fixed and lower property expenses. In aggregate, these factors will contribute to a predictable cash flow for the coming year.

Key financial figures

(Amounts in NOK million)	**2008**	2007	2006 [1]
Rental income	**1 079**	1 011	415
Operating profit	**948**	891	352
Net gain on sales	**7**	9	–
Net changes in value, properties	**(2 905)**	1 219	393
Net changes in value, financial derivatives	**(764)**	293	77
Pre-tax profit	**(3 481)**	1 680	539

[1] *Norwegian Property was established in May 2006.*



Development of the Tingvalla jetty at Aker Brygge:

"BØLGEN" WON ARCHITECTURAL COMPETITION

The open architectural competition for the planned restaurant/service building on the Tingvalla jetty at Aker Brygge has been completed. The winning "Bølgen" (The Wave) entry was designed by Alliance Arkitekter AS in cooperation with Mapt of Copenhagen.

The Tingvalla jetty is part of Norwegian Property's holding at Aker Brygge in central Oslo. A new zoning plan for the area has made it possible to build on the jetty, and the company is planning to construct a restaurant/service building as part of the revitalisation project for the whole of Aker Brygge. The jetty has a very good waterfront location in the centre of the area, and the new building is expected to help attract even more visitors.

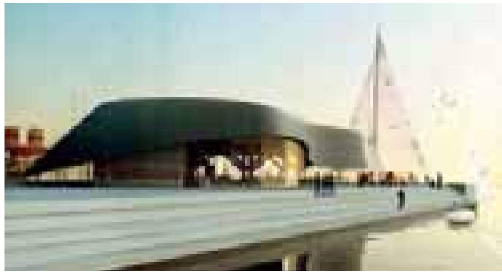
Norwegian Property wants to contribute to giving promising young architects the opportunity to help develop a modern and forward-looking building in a prominent location at Aker Brygge. An open architectural competition for the project was recently completed.

This contest attracted many well-qualified contributors. A total of 43 proposals were received, and these were assessed on the basis of the following criteria:

- compliance with the zoning plan
- efficient use of space
- attraction value
- overall integration with surrounding buildings, urban space and sightlines
- architectonic qualities, choice of materials and functional solution
- choice of solutions with a long lifetime and durability in a life-cycle perspective.

The winning proposal has been developed by Alliance Arkitekter AS in Oslo in cooperation with Copenhagen-based Mapt.

The project is a restaurant building, and the slogan for the winning design is "Bølgen".



COMMERCIAL PROPERTY PORTFOLIO

Oslo and Akershus
Central business district (CBD)

Aker Brygge

Location:	Oslo, CBD
Built/rehabilitated:	
- *Administrasjonsbygget*	1890 / 1986/2005
- *Dokkbygget*	1989
- *Kaibygg I*	1989 / 2005
- *Kaibygg II*	1989
- *Snekkeriet*	1855 / 1986/1997
- *Støperiet*	1824 / 1986/1997
- *Terminalbygget*	1986 / 2004
- *Verkstedhallene*	1986 / 2005
Gross built-up area:	91 577.53 sq.m
- *of which offices:*	51 691 sq.m
- *of which shops/restaurants:*	24 977.53 sq.m
- *of which other:*	14 909 sq.m
Parking spaces:	70
- *of which indoor:*	60
- *of which outdoor:*	10
Site area:	-
Gross rental income 2009:	NOK 237.2 million
Annual CPI adjustment:	97.8%
Biggest tenants:	
– *Administrasjonsbygget*	Cardo Partners
– *Dokkbygget*	Hong Holding AS
– *Kaibygg I*	DnB NOR Bank ASA
– *Kaibygg II*	Biffrestauranten Aker Brygge
– *Snekkeriet*	Det Norske Oljeselskap ASA
– *Støperiet*	SUN Restauranter AS
– *Terminalbygget*	Advokatfirmaet BA-HR
– *Verkstedhallene*	Akerrestaurantene AS

Kaibygning I

Verkstedhallen

Snekkeriet

Drammensveien 60

Location:	Oslo, CBD
Built/rehabilitated:	1960 / 2005
Gross built-up area:	11 250 sq.m
- of which offices:	8 593 sq.m
- of which shops/restaurants:	797 sq.m
- of which other:	1 860 sq.m
Parking spaces:	11
- of which indoor:	11
- of which outdoor:	-
Site area:	2 532 sq.m
Gross rental income 2009:	NOK 20.4 million
Annual CPI adjustment:	Fixed 2.2%
Biggest tenants:	Skanska Norge AS

Ibsen-kvartalet

Location:	Oslo, CBD
Built/rehabilitated:	1997 / (Block C) 2002
Gross built-up area:	38 031 sq.m
- of which offices:	31 618 sq.m
- of which shops/restaurants:	800 sq.m
- of which other:	5 613 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	4 762 sq.m
Gross rental income 2009:	NOK 66.6 million
Annual CPI adjustment:	100%
Biggest tenants:	Directorate of Labour

Stortingsgaten 6

Location:	Oslo, CBD
Built/rehabilitated:	2004 / n/a
Gross built-up area:	6 708.3 sq.m
- of which offices:	4 459.9 sq.m
- of which shops/restaurants:	859.9 sq.m
- of which other:	1 388.5 sq.m
Parking spaces:	22
- of which indoor:	22
- of which outdoor:	-
Site area:	989 sq.m
Gross rental income 2009:	NOK 21.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Fokus Bank

Oslo and Akershus
Skøyen

Drammensveien 134
(Blocks 1-6)

Location:	Oslo, Skøyen
Built/rehabilitated:	
- Blocks 1-4:	1986
- Block 5:	2001
- Block 6:	2005
Gross built-up area:	50 168 sq.m
- of which offices:	36 525.5 sq.m
- of which shops/restaurants:	642 sq.m
- of which other:	13 000.5 sq.m
Parking spaces:	351
- of which indoor:	330
- of which outdoor:	21
Site area:	17 634 sq.m
Gross rental income 2009:	NOK 88.3 million
Annual CPI adjustment:	98.7%
Biggest tenants:	TietoEnator AS
- Block 2:	Norsk Hydro ASA
- Block 3:	YX Energi AS
- Block 4:	StatoilHydro ASA
- Block 5:	Ementor Norge AS
- Block 6:	Leif Höegh & Co AS

Block 1 Drammensveien 134

Block 2 Drammensveien 134

Block 3 Drammensveien 134

Block 4 Drammensveien 134

Block 5 Drammensveien 134

Block 6 Drammensveien 134

Drammensveien 149

Location:	Oslo, Skøyen
Built/rehabilitated:	1988 / 2006
Gross built-up area:	16 323 sq.m
- of which offices:	10 695 sq.m
- of which shops/restaurants:	-
- of which other:	5 628 sq.m
Parking spaces:	159
- of which indoor:	141
- of which outdoor:	18
Site area:	6 115 sq.m
Gross rental income 2009:	NOK 25.7 million
Annual CPI adjustment:	99.8%
Biggest tenants:	Bergesen Worldwide Offshore AS

Hovfaret 11

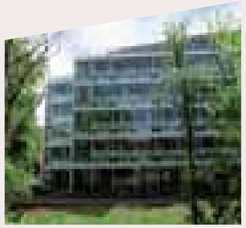
Location:	Oslo, Skøyen
Built/rehabilitated:	1970 / 1988
Gross built-up area:	5 642 sq.m
- of which offices:	4 377 sq.m
- of which shops/restaurants:	-
- of which other:	1 265 sq.m
Parking spaces:	40
- of which indoor:	-
- of which outdoor:	40
Site area:	3 021 sq.m
Gross rental income 2009:	NOK 11.6 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Nedre Skøyenvei 24

Location:	Oslo, Skøyen
Built/rehabilitated:	1983 / 2008
Gross built-up area:	4 845 sq.m
- of which offices:	3 629.6 sq.m
- of which shops/restaurants:	-
- of which other:	1 215.4 sq.m
Parking spaces:	63
- of which indoor:	-
- of which outdoor:	63
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 12.5 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Nedre Skøyenvei 26 A-E

Location:	Oslo, Skøyen
Built/rehabilitated:	1984 / n/a
Gross built-up area:	17 622 sq.m
- of which offices:	11 444 sq.m
- of which shops/restaurants:	-
- of which other:	6 178 sq.m
Parking spaces:	71
- of which indoor:	11
- of which outdoor:	60
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 35.9 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA



Nedre Skøyenvei 26 F

Location:	Oslo, Skøyen
Built/rehabilitated:	2006 / n/a
Gross built-up area:	13 498.8 sq.m
- of which offices:	8 766.8 sq.m
- of which shops/restaurants:	-
- of which other:	4 732 sq.m
Parking spaces:	120
- of which indoor:	120
- of which outdoor:	-
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 23.6 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Oslo and Akershus
Oslo West/Lysaker/Fornebu

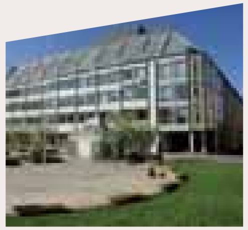
Aker Hus

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	2007 / n/a
Gross built-up area:	59 279 sq.m
- of which offices:	40 254 sq.m
- of which shops/restaurants:	-
- of which other:	19 025 sq.m
Parking spaces:	681
- of which indoor:	631
- of which outdoor:	50
Site area:	23 198 sq.m
Gross rental income 2009:	NOK 82.7 millon
Annual CPI adjustment:	Max 2.5%
Biggest tenants:	Aker Solutions ASA

Foto: Jiri Havran

Lysaker Torg 35

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	2001 / n/a
Gross built-up area:	21 934 sq.m
- of which offices:	14 422 sq.m
- of which shops/restaurants:	-
- of which other:	7 512 sq.m
Parking spaces:	220
- of which indoor:	220
- of which outdoor:	-
Site area:	3 354 sq.m
Gross rental income 2009:	NOK 40.7 million
Annual CPI adjustment:	100%
Biggest tenants:	If Skadeforsikring



Middelthunsgate 17

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	1930 / 1989/2002
Gross built-up area:	33 319 sq.m
- of which offices:	26 847 sq.m
- of which shops/restaurants:	-
- of which other:	6 472 sq.m
Parking spaces:	114
- of which indoor:	114
- of which outdoor:	-
Site area:	11 054 sq.m
Gross rental income 2009:	NOK 46.1 million
Annual CPI adjustment:	100%
Biggest tenants:	Nordea

Oksenøyveien 3

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	1986 / 1997
Gross built-up area:	12 900 sq.m
- of which offices:	10 200 sq.m
- of which shops/restaurants:	-
- of which other:	2 700 sq.m
Parking spaces:	177
- of which indoor:	110
- of which outdoor:	67
Site area:	7 845 sq.m
Gross rental income 2009:	NOK 17.4 million
Annual CPI adjustment:	100%
Biggest tenants:	SAS Consortium

Oslo and Akershus
Nydalen

Maridalsveien 323

Location:	Oslo, Nydalen
Built/rehabilitated:	2001 / n/a
Gross built-up area:	20 915 sq.m
- of which offices:	11 646 sq.m
- of which shops/restaurants:	-
- of which other:	9 269 sq.m
Parking spaces:	181
- of which indoor:	176
- of which outdoor:	5
Site area:	9 601 sq.m
Gross rental income 2009:	NOK 27.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Get AS

Gjerdumsvei 8

Location:	Oslo, Nydalen
Built/rehabilitated:	1988/1996 / 2005
Gross built-up area:	10 656 sq.m
- of which offices:	8 245 sq.m
- of which shops/restaurants:	-
- of which other:	2 411 sq.m
Parking spaces:	205
- of which indoor:	188
- of which outdoor:	17
Site area:	7 286 sq.m
Gross rental income 2009:	NOK 13.7 million
Annual CPI adjustment:	96%
Biggest tenants:	Océ-Norge AS

Gjerdumsvei 10D

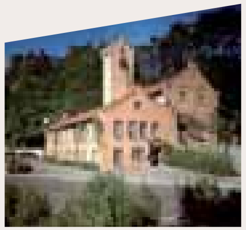
Location:	Oslo, Nydalen
Built/rehabilitated:	1845 / 1987/2004
Gross built-up area:	2 052 sq.m
- of which offices:	2 027 sq.m
- of which shops/restaurants:	-
- of which other:	25
Parking spaces:	42
- of which indoor:	-
- of which outdoor:	42
Site area:	10 487 sq.m
Gross rental income 2009:	NOK 3.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Velux-Norge AS

Gjerdumsvei 14

Location:	Oslo, Nydalen
Built/rehabilitated:	1878 / 1986
Gross built-up area:	1 446 sq.m
- of which offices:	712 sq.m
- of which shops/restaurants:	-
- of which other:	734 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	10 211 sq.m
Gross rental income 2009:	NOK 1.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Trox Auranor Norge AS

Gjerdumsvei 16

Location:	Oslo, Nydalen
Built/rehabilitated:	1920 / 2003
Gross built-up area:	7 120 sq.m
- of which offices:	3 976 sq.m
- of which shops/restaurants:	-
- of which other:	3 144 sq.m
Parking spaces:	136
- of which indoor:	91
- of which outdoor:	45
Site area:	10 211 sq.m
Gross rental income 2009:	NOK 7.8 million
Annual CPI adjustment:	97.5%
Biggest tenants:	Ullevål University Hospital



Gjerdumsvei 17

Location:	Oslo, Nydalen
Built/rehabilitated:	1867 / 1987
Gross built-up area:	803 sq.m
- of which offices:	796 sq.m
- of which shops/restaurants:	-
- of which other:	7 sq.m
Parking spaces:	18
- of which indoor:	-
- of which outdoor:	18
Site area:	3 157 sq.m
Gross rental income 2009:	NOK 1.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Kilden Helse AS

Gullhaug Torg 3

Location:	Oslo, Nydalen
Built/rehabilitated:	1993 / n/a
Gross built-up area:	7 868 sq.m
- of which offices:	7 868 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	8
- of which indoor:	-
- of which outdoor:	8
Site area:	4 103 sq.m
Gross rental income 2009:	NOK 9.5 million
Annual CPI adjustment:	2009 = 1%
Biggest tenants:	Schibsted Eiendom AS

Gullhaugveien 9-13

Location:	Oslo, Nydalen
Built/rehabilitated:	1996 / n/a
Gross built-up area:	43 357 sq.m
- of which offices:	23 031 sq.m
- of which shops/restaurants:	-
- of which other:	20 326 sq.m
Parking spaces:	476
- of which indoor:	401
- of which outdoor:	75
Site area:	10 852 sq.m
Gross rental income 2009:	NOK 46.9 million
Annual CPI adjustment:	100%
Biggest tenants:	NetCom AS

Nydalsveien 15

Location:	Oslo, Nydalen
Built/rehabilitated:	1857 / 1988/2005
Gross built-up area:	3 836 sq.m
- of which offices:	3 038 sq.m
- of which shops/restaurants:	750 sq.m
- of which other:	48 sq.m
Parking spaces:	66
- of which indoor:	-
- of which outdoor:	66
Site area:	6 845 sq.m
Gross rental income 2009:	NOK 6.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Studentenes Hus AS

Nydalsveien 17

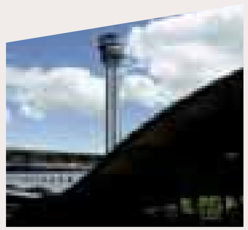
Location:	Oslo, Nydalen
Built/rehabilitated:	1968 / 2005
Gross built-up area:	1 560 sq.m
- of which offices:	-
- of which shops/restaurants:	1 560 sq.m
- of which other:	-
Parking spaces:	5
- of which indoor:	-
- of which outdoor:	5
Site area:	6 845 sq.m
Gross rental income 2009:	NOK 3.6 million
Annual CPI adjustment:	100%
Biggest tenants:	Studentenes Hus AS

Sandakerveien 130

Location:	Oslo, Nydalen
Built/rehabilitated:	2001 / n/a
Gross built-up area:	10 023 sq.m
- of which offices:	6 520 sq.m
- of which shops/restaurants:	-
- of which other:	3 503 sq.m
Parking spaces:	134
- of which indoor:	113
- of which outdoor:	21
Site area:	3 240 sq.m
Gross rental income 2009:	NOK 15.4 million
Annual CPI adjustment:	100%
Biggest tenants:	TDC Norge AS

Kolstadgata 1

Location:	Oslo, North/East
Built/rehabilitated:	1979 / 2004
Gross built-up area:	5 479 sq.m
- of which offices:	5 479 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	1 023 sq.m
Gross rental income 2009:	NOK 8.9 million
Annual CPI adjustment:	75%
Biggest tenants:	Utdanningsdirektoratet



Gardermoen Næringseiendom

Location:	Oslo, North/East
Built/rehabilitated:	1979/1985/1998 / 2005
Gross built-up area:	20 976 sq.m
- of which offices:	-
- of which shops/restaurants:	-
- of which other:	20 976 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	-
Gross rental income 2009:	NOK 25.1 million
Annual CPI adjustment:	100%
Biggest tenants:	SAS Consortium

Stavanger
CDB, Forus

Badehusgaten 33-39

Location:	Stavanger, CBD
Built/rehabilitated:	1985 / 1999
Gross built-up area:	21 528 sq.m
- of which offices:	16 673 sq.m
- of which shops/restaurants:	-
- of which other:	4 855 sq.m
Parking spaces:	240
- of which indoor:	90
- of which outdoor:	150
Site area:	9 772 sq.m
Gross rental income 2009:	NOK 33.9 million
Annual CPI adjustment:	100%
Biggest tenants:	Aker Offshore Partner AS

Forusbeen 35

Location:	Stavanger, Forus
Built/rehabilitated:	1986/1990
Gross built-up area:	21 424 sq.m
- of which offices:	17 674 sq.m
- of which shops/restaurants:	-
- of which other:	3 750 sq.m
Parking spaces:	400
- of which indoor:	150
- of which outdoor:	250
Site area:	23 074 sq.m
Gross rental income 2009:	NOK 27 million
Annual CPI adjustment:	100%
Biggest tenants:	Telenor Eiendom Holding AS

Grenseveien 19

Location:	Stavanger, Forus
Built/rehabilitated:	1984 / 2008
Gross built-up area:	5 390 sq.m
- of which offices:	5 390 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	100
- of which indoor:	-
- of which outdoor:	100
Site area:	5 603 sq.m
Gross rental income 2009:	NOK 9.9 million
Annual CPI adjustment:	100%
Biggest tenants:	StatoilHydro ASA

Grenseveien 21

Location:	Stavanger, Forus
Built/rehabilitated:	1987/1997
Gross built-up area:	27 721 sq.m
- of which offices:	27 721 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	450
- of which indoor:	-
- of which outdoor:	450
Site area:	23 537 sq.m
Gross rental income 2009:	NOK 29.7 million
Annual CPI adjustment:	50%
Biggest tenants:	StatoilHydro ASA

Maskinveien 32

Location:	Stavanger, Forus
Built/rehabilitated:	2003 / n/a
Gross built-up area:	5 086 sq.m
- of which offices:	4 561 sq.m
- of which shops/restaurants:	-
- of which other:	525 sq.m
Parking spaces:	58
- of which indoor:	21
- of which outdoor:	37
Site area:	3 829 sq.m
Gross rental income 2009:	NOK 5.4 million
Annual CPI adjustment:	100%
Biggest tenants:	ErgoGroup AS

Strandsvingen 10

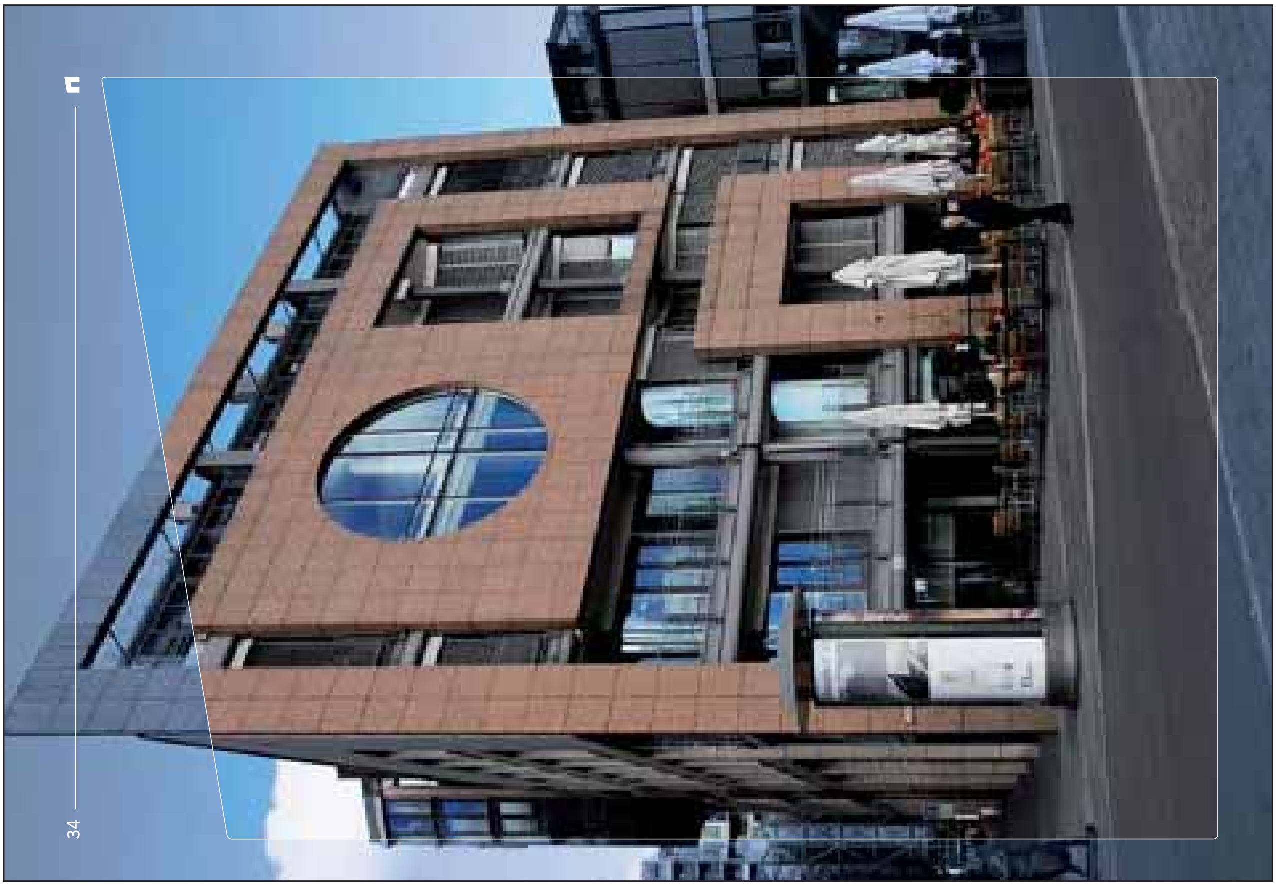
Location:	Stavanger, Forus
Built/rehabilitated:	2004 / n/a
Gross built-up area:	2 059 sq.m
- of which offices:	2 059 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	38
- of which indoor:	-
- of which outdoor:	38
Site area:	5 075 sq.m
Gross rental income 2009:	NOK 3 million
Annual CPI adjustment:	80%
Biggest tenants:	Norsk Kontantser-vice AS

Svanholmen 2

Location:	Stavanger, Forus
Built/rehabilitated:	1987/1989 / 2003/1991
Gross built-up area:	9 463 sq.m
- of which offices:	2 883 sq.m
- of which shops/restaurants:	6 580 sq.m
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	NOK 11 746 sq.m
Gross rental income 2009:	9.2 million
Annual CPI adjustment:	100%
Biggest tenants:	Elkjøp ASA

Finnestadveien 44

Location:	Stavanger - other
Built/rehabilitated:	1975/1983 / 2007/2008
Gross built-up area:	22 032 sq.m
- of which offices:	22 032 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	21 049 sq.m
Gross rental income 2009:	NOK 30.4 million
Annual CPI adjustment:	Fixed 2.5%
Biggest tenants:	Total E&P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CORPORATE GOVERNANCE

A clear division of responsibilities and roles between shareholders, the board of directors and the executive management helps to strengthen external confidence in the company. In that way, good corporate governance principles can contribute to long-term value creation.

The board of Norwegian Property has drawn up the presentation of corporate governance in the company, which is based on the prevailing Norwegian code of practice for corporate governance (the code) 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 object clause states that "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 articles of association are available at www.norwegianproperty.no. Within the framework of its articles, the company has presented goals and strategies for its business on page 7 of this report and on the company's website.

Compliance with section 2 of the code: full.

3. Equity and dividends

Group equity at 31 December 2008 totalled NOK 5 001 million, representing an equity ratio of 17.3 per cent. The board regards this as satisfactory from an operational perspective, but will seek to strengthen the company's balance sheet and to create more head room to certain covenants in key credit agreements.

The group has a loan-to-value target of borrowing 60-65 per cent of the value of the company's properties. This debt ratio could be higher at times. The capital structure is kept under continuous review in light of market developments and the group's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive for the property sector. The dividend policy is described in note 23 to the consolidated financial statements.

At 31 December 2008, the board held two mandates to increase the share capital, as settlement for property acquisitions and in return for cash payment respectively. The number of shares which can be issued under each mandate is 10.4 million. The mandates have been granted for a year and expire on 30 June 2009.

The board is also mandated to buy 10.4 million 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. Its articles impose no voting restrictions.

The board and the executive management are committed to ensuring equal treatment of all shareholders and that transactions with close associates (related parties) 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. The capital increase in 2008 was conducted as a preferential share issue.

Note 24 to the group accounts details transactions with close associates (related parties), including 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.

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 tradable 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 relevant and required documentation including the recommendations and reasoning of 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. Three extraordinary general meetings were held in 2008, including two at the request of shareholders representing more than 1/20th of the share capital to make changes to the board and one to approve a preferential share issue. Partly because of the need for swift clarification of the issues submitted to the extraordinary general meetings and to ensure that they were held before the holiday season, the notice and background documents for these meetings were not issued at least 21 days in advance, but were made available within the deadlines specified by the Public Limited Companies Act.

At the general meetings held to elect new directors, the recommendations of the nomination committee were not available early enough for the company to be able to publish them at least 21 days in advance.

> "The board and management are committed to ensuring equal treatment of all shareholders."

The notices provided information on the procedures to be observed for attendance and voting, including the use of proxies, and a proxy form was included with the notices. The notices included information on the right to have issues considered at the general meeting and the relevant deadlines related to raising such matters. The notices with appendices were made available on the company's website immediately after they had been issued as a stock exchange announcement. 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 general meeting elects its own chair.

The board and executive management have been represented at general meetings. The same has applied to the nomination committee at those meetings which have considered the election and remuneration of the board and the nomination committee, and to the auditor at the annual general meeting.

Minutes from a general meeting are 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.norwegianproperty.no under the investor relations tab.

Compliance with section 6 of the code: With the exception of the 21 days notice of the recommendation of the nomination committee.

7. Nomination committee

Pursuant to the company's articles of association, Norwegian Property has a nomination committee comprising two or three members. These are selected to safeguard the interests of shareholders in general, and the committee is independent of the board and the executive management and otherwise composed pursuant to the code. Members of the nomination committee and its chair are elected by the general meeting for two-year terms, and their remuneration has also been determined by the general meeting.

The nomination committee has nominated directors and recommended their remuneration. Its recommendations with reasons will be made available via the company's website before the election and as soon as they are available. The committee has been represented at the general meetings to present and justify its recommendations and answer questions.

Elected most recently by the extraordinary general meeting on 16 July 2008, the nomination committee comprises: Tom Furulund (chair), Lise Lindbäck and Einar J Greve. Relevant deadlines for submitting nominations to the committee are published on the company's website.

Compliance with section 7 of the code: full.

8. Corporate assembly and 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.

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 secure the interests of the owners and representation of key shareholders. The directors also collectively possess a broad business and management background and an in-depth understanding of the property market, merger and acquisition activities, financing and capital markets. The background and experience of directors are presented elsewhere in this report and on the company's website.

The board has been composed in such a way that it can act independently of special interests. Although generally present at board meetings, no member of the company's executive management is also a director. All the directors are independent of the company's executive management

or significant commercial partners. Four 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).

Director Harald Grimsrud represents shareholders who controlled about 15 per cent of the company's shares at 31 December 2008.

Information on shares owned by directors is 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, and elects its own deputy chair.

Instructions which describe the rules of procedure for the board's duties and consideration of matters have been adopted by the board. The board has drawn up instructions for the chief executive which establish a clear division of labour 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 considered it appropriate to appoint sub-committees as advisory bodies to the board. An audit committee of three directors has been established to support the board in the exercise of its responsibility for accounts reporting, internal control, audit and overall risk management. Its work is governed by a standing instruction. A compensation committee of two directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee is also governed by a standing instruction.

The board has established an annual plan for its meetings, and evaluates its work and expertise once a year. The present board was elected by the general meeting in December 2008 and intends to carry out a self-assessment in connection with the presentation of results in 2009. The outcome 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 value base and the ethical guidelines, instructions have been established for the board as well as policies for the important areas. An authority 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 related to financial reporting on an annual basis. In addition, regular audits are carried out on the way the company's systems are performing and procedures are being observed. 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. Directors' fees have not been related to results. Nor have options been awarded to directors.

Widar Salbuvik, the former chair, received a special compensation up to his departure in December 2008 for extra

duties as executive chair, based on a proposal from the nomination committee. None of the present directors have undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case.

Further details on the remuneration paid to individual directors are provided in note 19 to the annual accounts.

Compliance with section 11 of the code: With the exception of special duties and compensation to the former chair.

12. Remuneration of senior executives

As mentioned above, a compensation committee of two directors has been established to assist the board with the employment terms of the chief executive as well as with the strategy and main principles for remunerating the company's senior executives. The group's guidelines for remuneration of senior executives are reported in note 19 to the group annual accounts. Note 19 also provides further details about remuneration in 2008 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts. No options have been issued to employees or elected officers of the company.

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 published through all channels 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 and published via Hugin and the Oslo Stock Exchange's company disclosure system. Immediately after publication, such information will 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.

Important dates for the AGM, interim reports and the right to dividend are published on the company's website and in this report.

The instructions for the company's

board provide more detailed guidelines on information and communication, and the company's approved investor relations policy is available on its website.
Compliance with section 13 of the code: full.

14. Takeovers

No takeover bids were made for the company's shares or the most significant part of its operations in 2008. 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 attempt to ensure that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares. 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.
Compliance with section 14 of the code: Full.

15. Auditor

As mentioned above, an audit committee of three directors has been established to support the board in the exercise of its responsibility for accounts reporting, internal control, audit and overall risk management. Its work is governed by an instruction.

During 2008, the auditor conducted the following work in relation to fiscal 2007:

- presented the main features of the audit work
- attended board meetings considering the annual report and when significant changes in accounting principles, assessments of significant accounting estimates and possible disagreements between auditor and executive management were considered
- conducted a review together with the board of the company's internal control systems
- held a meeting with the board without the presence of the executive management
- confirmed that the requirements for the auditor's independence were fulfilled, and provided an overview of services other than auditing which have been rendered to the company.

Pursuant to the instruction for the board's audit committee, the use of the auditor for substantial assignments other than ordinary auditing services must be considered and approved by the board.
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 good management of its assets and maintaining a leading position in the property market. The company pursues an open information policy and an active dialogue with the investor market to ensure good liquidity and a broad shareholder base.

Norwegian Property was founded in May 2006 and listed on the Oslo Stock Exchange on 15 November 2006. Its shares are traded on the Oslo Stock Exchange's main list under the ticker NPRO, and registered in the Norwegian Central Securities Depository with Nordea Securities as registrar. The share has the securities number ISIN NO 001 0317811.

Share price development

The company's share price experienced a significant negative development in 2008. It was priced at NOK 6.08 at 31 December 2008, compared with NOK 65.78 a year earlier. Corrected for the dividend of NOK 2.50 per share paid in May 2008, this represents a negative return of 87 per cent. The Oslo Stock Exchange's benchmark index (OSEBX) fell by a little more than 54 per cent over the same period, after a weak market performance during 2008 characterised by price declines in every industry sector.

The share attained its highest price of NOK 66.03 at 2 January, while the lowest price was NOK 5.50 on 10 October. Property shares both in Norway and internationally found 2008 a challenging year, with financial turbulence and weakened economic prospects contributing to a decline in valuations and a crisis in the global banking and financial industry imposing higher risk premiums on all shares with a financing requirement or a substantial element of debt in the balance sheet. Developments for the leading international property indices are shown on page 41.

Trading in the NPRO share is considered good, with liquidity measured by turnover rate (turnover in relation to issued shares) for Norwegian Property in 2008 no less than 3.6 times higher than the average for the Oslo Stock Exchange as a whole.

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. Norwegian Property aims to distribute a dividend that is competitive for the property sector. The dividend policy is described in note 23 to the consolidated financial statements.The AGM will take place on 30 April 2009.

Share and share capital

Norwegian Property has 201 635 416 ordinary shares with a nominal value of NOK 25. See note 4 to the annual accounts for the company.

The company has one share class. Each share carries one vote. Norwegian Property held none of its own shares at 31 December 2008.

Capital changes in 2008

The number of shares at 1 January 2008 was 105 481 570. A rights issue of 96 153 846 shares was made in June/July 2008 at a price of NOK 26 per share. This accordingly raised the number of shares at 31 December to 201 635 416.

Shareholder structure

Norwegian Property had 1 395 registered shareholders at 31 December, an increase of 470 from a year earlier. The shareholder register is dominated by institutional investors and professional players in the Nordic and international commercial property and hotel sectors. At 31 December, 155 of the shareholders were foreign nationals compared with 195 at the same time in 2007. Foreigners owned 39 per cent of the shares issued at 31 December, compared with 61 per cent a year earlier. The company's largest shareholders at 31 December are presented in a separate table.

Nomination committee

Members of the company's nomination committee are:
Tom Furulund (chair)
Lise Lindbäck
Einar J Greve

Shareholders wishing to contact the nomination committee can use the following e-mail address: info@norwegianproperty.no.

Annual general meeting
The AGM normally takes place in March/April. Written notice is sent to all shareholders individually or to their custodian bank. To be able to vote at the AGM, the shareholder must be physically present in person or by proxy.

Investor relations

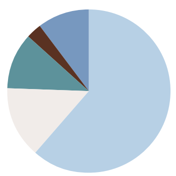
Norwegian Property has a goal of ensuring a broad shareholder base and good liquidity for the share. The company accordingly places great emphasis on making all price-relevant information available to the market at the right time, and the management works to ensure an open and active dialogue with investors 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.
- Nine investment banks and brokerage firms had established analytical coverage of Norwegian Property at 31 December, with published investment recommendations. The executive management works systematically to secure a high degree of analyst coverage by leading banks and brokers.
- www.norwegianproperty.no is updated continuously with information relevant to investors. People can also use the website to subscribe to stock exchange announcements and press releases by e-mail.

Investor contact

Truls Birkeland
Vice president investor relations
truls.birkeland@norwegianproperty.no
Tel: +47 41 04 62 09

Shareholders at 31 December 2008 by geographic distribution



Norway	61% (39%)
UK	14% (22%)
USA	11% (22%)
Benelux	3% (6%)
Other countries	11% (11%)

Share price developments

Index	Change in 2008
Norwegian Property (incl dividend)	- 87%
Global Property Research 250, European Index	- 46%
Global Property Research 250, Global Index	- 45%
FTSE EPRA/NAREIT, Global Real Estate	- 45%
FTSE EPRA/NARETI, Europe Real Estate	- 49%

20 largest shareholders at 31 Dec 2008

Largest shareholder	Country	No of shares	Percentage
Awilhelmsen Capital AS	NO	23 254 334	11.5%
Canica AS	NO	9 246 467	4.6%
Deutsche Bank Ag London	UK	9 026 994	4.5%
Bgl S/A Opcvm	LUX	8 796 924	4.4%
Credit Suisse Securities	UK	7 955 885	3.9%
Fram Realinvest AS	NO	7 250 700	3.6%
Fram Holding AS	NO	7 250 700	3.6%
Trondheim Kommunale Pensjonskass	NO	6 199 700	3.1%
Vital Forsikring ASA	NO	6 089 907	3.0%
Alpine Intl Real Estate Eq Fnd	NO	5 805 945	2.9%
Aweco Invest AS	NO	5 486 765	2.7%
Seb Enskilda ASA	NO	4 839 699	2.4%
Bank Of New York Mellon	US	4 475 027	2.2%
Fortis Global Custody Service	NL	3 954 666	2.0%
Alpine Global Prem Prop Fund	BE	3 950 150	2.0%
Bank Of New York, Brussels Branch	BE	3 934 381	2.0%
Wenaasgruppen AS	NO	3 683 219	1.8%
Opplysningsvesenets Fond	NO	2 962 731	1.5%
Skagen Vekst	NO	2 893 000	1.4%
Goldman Sachs Int.	UK	2 695 048	1.3%
Total top 20		**129 752 242**	**64.3%**
Other shareholders		71 883 174	35.7%
Total		**201 635 416**	**100.0%**

Financial calendar 2009

30 April	Interim report, Q1
30 April	Annual general meeting
14 August	Interim report, Q2
23 October	Interim report Q3

Updates will be published on the company's website and via the Oslo Stock Exchange

Key figures

Share	2008	2007	2006 [1]
Share price 31 Dec (Oslo Stock Exchange, *NOK*)	**6.08**	65.78	65.00
Highest price (Oslo Stock Exchange, *NOK*)	**66.03**	91.00	66.00
Lowest price (Oslo Stock Exchange, *NOK*)	**5.50**	60.25	55.50
Shares traded (Oslo Stock Exchange)	**185 250 456**	122 939 000	34 811 000
Outstanding shares at 31 Dec	**201 635 416**	105 481 570	98 513 000
Stock market value at 31 Dec *(NOK mill)*	**1 226**	7 015	6 403
Book equity per share *(NOK)*	**24.80**	63.20	54.09
Net value per share, EPRA *(NOK)*	**30.14**	70.84	56.53

1) Norwegian Property was founded in May 2006

ANALYTICAL INFORMATION

Norwegian Property seeks to maintain a high degree of openness and credibility concerning its results, asset values and financial accounts. External valuations which take account of such factors as interest rates, required market returns and reduced expectations for future rental income underpin the substantial downward adjustment of fair value in 2008.

Properties – key figures for the portfolio

Norwegian Property owned 50 properties, including one covered by a sales agreement, 73 hotels and one congress centre at 31 December. The table below 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 tested quarterly for fair value. At 31 December, all the properties had been valued by two external valuers.

DTZ Realkapital has valued the company's properties (both hotels and commercial buildings) in Norway, Sweden and Denmark. The group's Finnish portfolio of hotel properties has been valued by Maakanta. Furthermore, Akershus Eiendom has also prepared valuations of all the company's properties (both hotel and commercial). Based on these external valuations, supplemented with an in-house review and analysis, the management makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. An average of the two sets of valuations provides the basis for determining fair value.

The fair value of the investment properties is determined by discounting cash flows related to 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 ongoing 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. Changes to estimated fair value thereby incorporate changes in the outlook, and the adjustments recognised in the year-end balance sheet accordingly represent the estimated commercial value of the properties in light of both a weaker market and poorer prospects in general.

Financial risk

Norwegian Property operates in a capital-intensive sector, where financial risks relate primarily to changes in equity caused by adjustments to the fair 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. At 31 December, 84 per cent of the company's interest-bearing debt had been interest hedged.

A summary of the company's interest-bearing debt and interest hedge profile is provided in note 16 to the annual accounts.

The high hedging ratio means that the group's financial expenses are robust in relation to changes in short-term money market interest rates. A rise of one per cent in three-month floating interest rates would boost financial expenses by NOK 4.2 million, corresponding to an increase in the group's average payable interest rate from 4.22 to 4.24 per cent, including interest rate margin.

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

The group's principal banks are Nordea, SEB, DnB Nor, Danske Bank, Swedbank and Nykredit. One syndicated facility on the office side and two on the hotel side still represent a large proportion of the company's total borrowing. The group has also used the Norwegian bond market for a portfolio of four properties. To ensure competitive terms and optimum loan financing, the company implemented several financial restructurings in both 2007 and 2008. In addition, the company has refinanced individual properties or small portfolios in other financial institutions. The net reduction in interest-bearing debt during 2008 was NOK 3.84 billion.

Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. Its long-term goal is a debt ratio(interest-bearing debt in relation to company assets) of 60-65 per cent of the fair value of the properties, but

Commercial properties – valuations

		Valuation		Gross rents	
Location	No of sq.m	NOK mill	per sq.m	NOK mill	per sq.m
Oslo – CBD	170 871	6 319	36 980	394.9	2 311
Oslo – Skøyen	119 924	3 191	26 605	218.3	1 821
Oslo – West/Lysaker/Fornebu	127 432	2 751	21 590	186.9	1 467
Oslo – Nydalen	110 185	1 885	17 109	136.9	1 243
Oslo – North/East	26 445	341	12 892	34.0	1 284
Stavanger	114 703	2 062	17 975	148.6	1 296
Total value	**669 569**	**16 549**	**24 715**	**1 119.7**	**1 672**

this proportion is continuously reviewed in the light of market developments, portfolio development and level of interest rates. The debt ratio was 79.3 per cent at 31 December.

The group has implemented and is still working on measures to strengthen its balance sheet. It conducted a share issue of NOK 2.5 billion in July 2008, and eight properties were sold during the year.

Group liquidity totalled NOK 174 million at 31 December. In addition came NOK 521 million in available credits. The group's available liquidity is sufficient to cover on-going operational requirements.

Properties – key figures for the portfolio

	Hotell	Commercial properties	Total
No of properties	74	50	124
Market value in NOK mill	11 025	16 549	27 574
Gross rents 2009[1] in NOK mill	760	1 120	1 880
Net rents 2009[2] in NOK mill	685	1 057	1 742
Rental income by country			
Norway	23%	100%	
Sweden	45%		
Denmark	4%		
Finland	28%		
Key figures			
Total area in square metres	671 480	669 569	1 341 049
Market value per square metre, NOK	9 074	24 716	33 790
Average lease term, years	10.1	5.6	
Gross yield[4]	7.70%	6.80%	
Net yield[4]	7.00%	6.40%	

[1] Estimated 2009 gross rent based for commercial properties on the run rate at 1 January, for the hotel portfolio on actual 2008 figures.
[2] Net rents = estimated 2008 gross rents adjusted for property costs (six per cent for commercial properties and 10 per cent for hotels).
[3] DTZ has estimated that the market rent for commercial properties is about 13 per cent higher than today's level.
[4] The run rate at 31 December is used for commercial property, and actual 2008 figures for hotels.

Sensitivity analysis for the investment property portfolio

Variables	Variable change	Commercial property[1]	Hotels[1]
Net market yield	+ 0.25 %-point	(303)	(175)
Market interest rates	+ 0.25 per cent	(286)	(202)
Inflation	+1 %-point	122	50
Market rents	+10 per cent	1 218	741

[1] The calculations have been made by DTZ Realkapital and Maakanta in connection with their valuations at 31 December 2008, and exclude the Grev Wedels plass 9 property contracted for sale in 2008.

Hotel properties – valuations

	No of properties	Rooms	Sq.m	Value NOK mill Total	Value NOK mill Per room	Net yield[1]
Norge	14	2 412	140 720	2 365	980 514	7.1%
Sverige	41	6 896	321 763	4 752	689 095	7.3%
Danmark	3	436	15 405	529	1 213 303	5.5%
Finland	16	3 078	195 592	3 379	1 097 791	6.6%
Totalt	**74**	**12 822**	**673 480**	**11 026**	**859 928**	**7.0%**

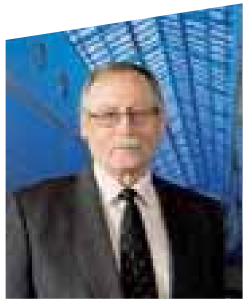
[1] Based on 2008 rental income in local currencies at the exchange rate on 31 Dec 08.

Interest-rate risk

(Amounts in NOK million)	31 Dec 08	31 Dec 07
Total interest-bearing debt	21 879	24 865
- of which hedged	18 487	16 343
Hedging ratio	84%	66%
Average term, interest hedges *(years)*	4.5	5.1
Average term, loans *(years)*	3.9	4.6
Average interest rate	5.84%	5.76%
Average borrowing margin	0.81%	0.76%

Foto: Jiri Havran

PRESENTATION OF THE BOARD



Tormod Hermansen
Chair

Mr Hermansen (born 1940) has held a number of top jobs in public administration and the business sector, as secretary general in the Ministries of Local Government and the Regions and of Finance, and most recently as chief executive of Telenor. He chairs a number of companies – including IT Fornebu AS, Bouvet ASA, the Broadband Alliance and Hødnebø Møbler AS. Mr Hermansen holds an economics degree from the University of Oslo. He has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

Nils K Selte
Director

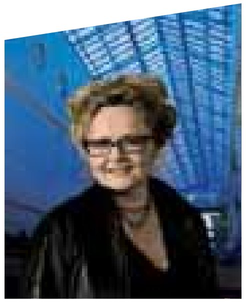
Mr Selte (born 1965) is chief financial officer of Canica AS, an investment company owned by Stein Erik Hagen and his family. He has previously held senior positions in such companies as Hakon Gruppen, ICA Ahold and Canica AS. He is a director of Jernia AS and several companies in the Canica group. Mr Selte has an MSc in business economics from the Norwegian School of Economics and Business Administration (NHH). He has been elected for the 2008-2010 period. Shareholding in NPRO: 250 000.

Harald Grimsrud
Deputy chair

Mr Grimsrud (born 1961) is chief executive of A Wilhelmsen Capital AS – a company owned by A Wilhelmsen AS. He has previously been a partner in and analysis manager of ABG Sundal Collier and Fondsfinans. He is a director of Telenor Venture AS and Expert AS. Mr Grimsrud has an MSc in business economics from the Norwegian School of Economics and Business Administration (NHH). He has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

Synne Syrrist
Director

Ms Syrrist (born 1972) has a number of boardroom appointments related to investment companies affiliated to DnB Nor. She chairs DnB Nor Shippinginvest I ASA, Lpg Ships I AS and 11 other ship investment companies affiliated to DnB Nor, and is a director of Nordisk Industriutvikling and Camposol AS as well as a number of public limited companies. Ms Syrrist holds an MSc from the Norwegian University of Science and Technology, and qualified as an authorised financial analyst at the Norwegian School of Economics and Business Administration (NHH). She has been elected for the 2008-2010 period. Shareholding in NPRO: 0.



Gry Mølleskog
Director

Ms Mølleskog (born 1962) is senior client partner at Korn Ferry International. She was previously chief of staff at the Royal Palace in Oslo, and has held a number of positions with SAS – most recently as senior vice president in Stockholm. Ms Mølleskog studied at the Norwegian School of Marketing. She has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

PRESENTATION OF THE MANAGEMENT

Petter Jansen
President and CEO

Telephone: +47 90 09 87 28
E-mail: petter.jansen@norwegianproperty.no
Shareholding: 75 000
Options: 0

Mr Jansen was president of SAS Braathens until July 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. Mr 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.

Mari Thjømøe
Vice president and chief financial officer

Telephone: +47 90 77 78 24
E-mail: mari.thjomoe@norwegianproperty.no
Shareholding: 20 000
Options: 0

Ms Thjømøe was executive vice president and CFO in KLP from 2005 to 2008, where she was also responsible for the group's investments – including a substantial property portfolio. She was senior vice president for investor relations at Statoil ASA in 2000-2005, and with Hydro from 1988-2000. Ms Thjømøe is a director of Oslo Børs VPS ASA and Petoro AS. She took an MBA at the Norwegian School of Management in 1987 and qualified as an chartered financial analyst (CFA) at the Norwegian School of Economics and Business Administration (NHH) in 1992.

Dag Fladby
Vice president and chief investment officer

Telephone: +47 90 89 19 35
E-mail: dag.fladby@norwegianproperty.no
Shareholding: 4 000
Options: 0

Mr 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). Mr 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.

Aili Klami
Vice president commercial property

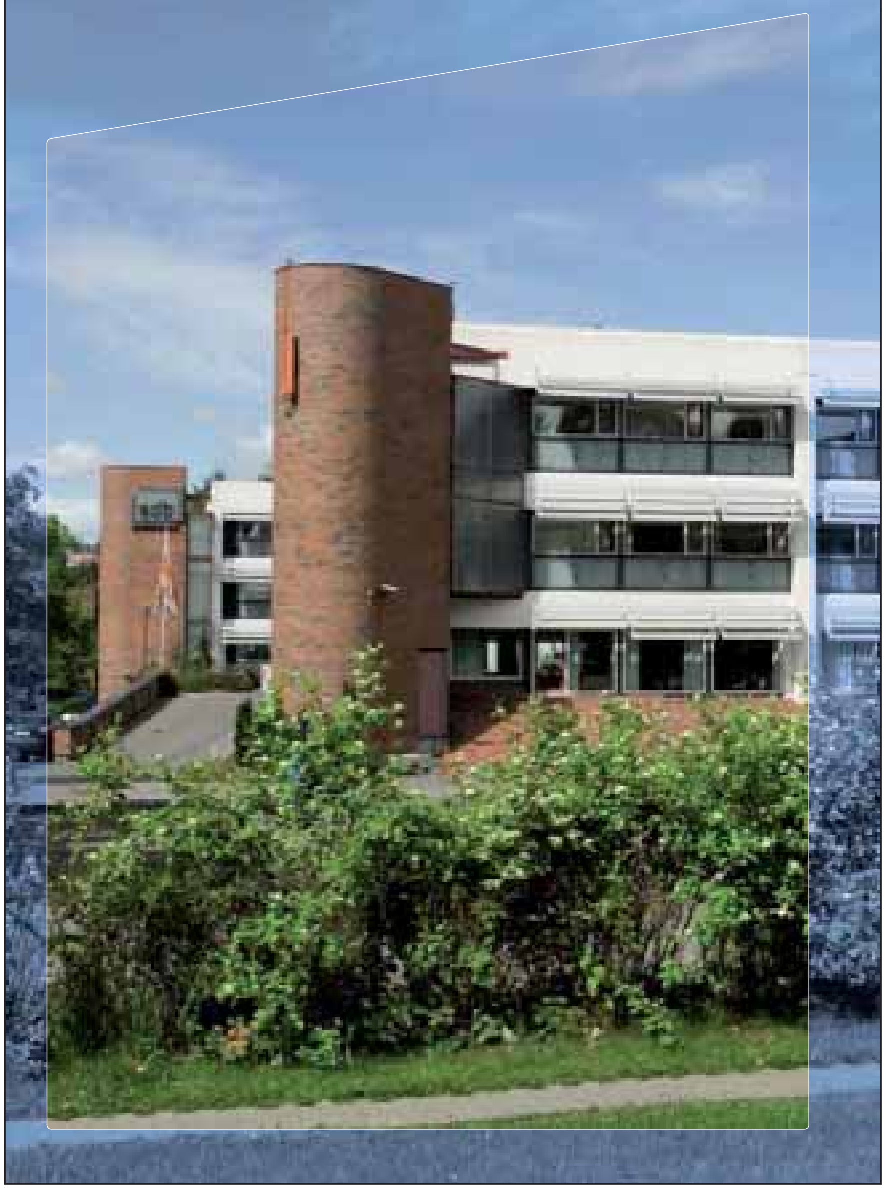
Telephone: +47 95 26 45 55
E-mail: aili.klami@norwegianproperty.no
Shareholding: 0
Options: 0

Ms Klami was previously vice president sales for the Avantor property company, and has substantial experience from the property sector. She was at Avantor in 1996-2006, and before that with Nydalens Compagnie from 1986. In addition to her extensive experience of the property business, Ms Klami has studied at the Norwegian School of Management and has taken a number of courses on property administration, management and sales.

Anders Vatne
President, Norgani Hotels (hotel property)

Telephone: +47 92 69 77 00
E-mail: anders.vatne@norgani.no
Shareholding: 0
Options: 0

Mr Vatne has broad experience of management, distribution, sales and marketing in the hotel and travel industries. He has worked for such companies as Inter Nor Hotels, Choice Hotels, Rainbow Hotels/Thon Hotels and Horwath Consulting. Mr Vatne has an MBE from the Norwegian School of Management and a qualification from the Norwegian School of Hotel Management.



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NORWEGIAN PROPERTY

ANNUAL REPORT 2008

PART II – DIRECTORS' REPORT AND ANNUAL ACCOUNTS

Contents

The operations report for 2008 can be found in a separate publication

Financial calendar 2009

30 April	Interim report, Q1
30 April	Annual general meeting
14 August	Interim report, Q2
23 October	Interim report, Q3

Updates will be published on the company's website and via the Oslo Stock Exchange company disclosure system.

Directors' report

2008 – RATIONALISATION OF OPERATIONS AND BALANCE SHEET CONSOLIDATION

Norwegian Property focused during 2008 on rationalising operations, achieving low and predictable operating costs, renegotiating leases and implementing selective property sales. A rights issue was carried out in July, and NOK 3.8 billion in debt was repaid during the year. The group's object is to give private and institutional investors access to a large, liquid and well-diversified investment alternative, with an attractive exposure to the commercial property sector. Given the changed outlook for the property market, the short-term investment potential has been weakened. The board and executive management are working to strengthen the return to shareholders and to ensure an attractive long-term return on equity.

Norwegian Property managed a property portfolio at 31 December 2008 with a gross market value of NOK 27.6 billion, which yielded an operating profit before fair value adjustment of NOK 1 583 million. Substantial adjustments to the fair value of the properties, combined with a high debt ratio, meant that the return on equity before tax was negative for 2008 at 86.5 per cent, compared with a positive 27 per cent in 2007.

The group owns and manages a substantial portfolio of commercial properties in Norway and hotel properties in the Nordic region. Its operations comprise commercial property and hotel property business areas. Activities related to commercial property are pursued by the parent company, Norwegian Property ASA, and a number of subsidiaries, while hotel property is organised in the wholly owned Norgani Hotels subsidiary. The group's head office is in Oslo, and the hotel business also has a branch office in Stockholm. The group had 37 employees at 31 December 2008. Norwegian Property ASA is listed on the Oslo Stock Exchange with the ticker NPRO. The group had a market value of NOK 1 226 million at 31 December 2008.

Commercial property

Norwegian Property ranked at 31 December 2008 as a leading manager of commercial property in Norway, and owned 50 attractive office and commercial properties in Oslo and Stavanger with a total gross fair value of NOK 16.6 billion. The group worked systematically during 2008 to establish itself as a leading player in this sector, and key measures included the following:

- strengthening the organisation through the recruitment of key resources in all parts of the business
- divesting eight properties[1] for a total of NOK 2.1 billion in property value, with agreement reached in 2009 on the sale of one commercial property and a hotel under construction
- establishing costs at a competitive and predictable level by outsourcing facility services to external partners

A number of leases were extended and renegotiated at significantly higher rents than before.

Hotel property

Through direct ownership and shareholder agreements, Norwegian Property secured control of Norgani Hotels in September 2007. During the third quarter of 2008, the group fulfilled the shareholder agreements and acquired the remaining shares to make Norgani Hotels a wholly-owned subsidiary of the business. At 31 December 2008, Norgani Hotels owned 73 hotel properties and a congress centre in Norway, Sweden, Finland and Denmark with a combined fair value of NOK 11 billion.

Norwegian Property regards the Nordic hotel market as interesting in a region with relatively robust national economies, where intra-Nordic traffic accounts for the bulk of business travel and associated hotel turnover. Turnover-based leases mean that the group shares in the rise in turnover when this is high, while the risk of declining turnover in periods of weaker economic growth is reduced by minimum-rent clauses in the leases. Seller guarantees and minimum rents account for more than 80 per cent of budgeted turnover for Norgani Hotels in 2009.

Group accounts

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

Income statement 2008

The consolidated income statement for 2008 embraces Norgani Hotels ASA, with 74 properties, and the Norwegian Property office portfolio of 50 properties. Gross rental income totalled NOK 1 866.8 million (NOK 1 195.7 million[2]).

Maintenance and property-related costs totalled NOK 152.2 million (NOK 81.4 million). Other operating costs totalled NOK 131.6 million (NOK 77.9 million). Operating profit before fair value adjustments was thereby NOK 1 583.1 million (NOK 1 036.3 million).

The downward adjustment to the fair value of the company's property portfolio totalled NOK 3 987.5 million, compared with an upward adjustment of NOK 1 219.1 million in 2007. This fall reflects a weaker economic outlook, expectations of more vacant space, lower market

[1] These include properties for which Norwegian Property entered into binding sales contracts in 2008. Among them were Grev Wedels plass 9, where the sale was closed in January 2009. The sale of the Mauritz Kartevoldsgate 1 property, agreed in December 2007 and completed in February 2008, is not included.

[2] Figures in brackets are for 2007.

rents and a higher required return. Eight properties were sold or agreed for sale in 2008, fetching NOK 2.1 billion in total and yielding an accounting gain of NOK 34.4 million. See part I of the annual report on operations, which contains a presentation of the property portfolio. The consolidated operating loss after negative adjustments to fair value came to NOK 2 591.1 million (profit of NOK 2 264.7 million).

Financial income, which consists largely of interest income, totalled NOK 26.6 million (NOK 68 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 1 353.1 million (NOK 958.9 million). The company has secured financial instruments to manage interest rate and exchange rate risk. The change in fair value for these instruments had a negative effect on profits of NOK 1 201.4 million (positive effect of NOK 276.7 million). The loss before tax and minority interests was thereby NOK 5 118.9 million (profit of NOK 1 650.6 million).

NOK 928.2 million is recognised in the accounts as a tax credit (expense of NOK 460.7 million), which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of the loss is NOK 132.3 million (profit of NOK 4.8 million). As a result, the net loss after tax and minorities is NOK 4 058.4 million (NOK 1 185 million). That means earnings per share were negative at NOK 25.81, compared with a positive figure of NOK 11.42 in 2007.

Cash flow

Cash flow from operations totalled NOK 1 715.7 million (NOK 1 066.9 million). Net cash flow from financing activities was negative at NOK 3 032.2 million (positive at NOK 6 676 million), primarily from the redemption of loans. The net negative change in liquidity was NOK 469.3 million (positive at NOK 620.6 million).

Financial position and capital structure

Cash in hand at 31 December amounted to NOK 174.2 million (NOK 635.5 million). In addition, the group had NOK 521 million in unused drawing rights. Total equity was NOK 5 001 million (NOK 6 831 million), representing an equity ratio of 17.3 per cent (20.2 per cent). After deduction of minority interests, carried equity per share came to NOK 24.80 (NOK 63.20).

Interest-bearing debt at 31 December was NOK 21 840 million (NOK 23 232 million). At 31 December, the average interest rate on the company's loans was 5.84 per cent (5.76 per cent). The average loan margin was 0.81 per cent (0.76 per cent). The average remaining term to maturity for the loans was 3.9 years (4.6 years).

The group had concluded net interest rate hedging contracts totalling NOK 18 487 million (NOK 16 343 million) at 31 December. That represented a hedging ratio of 84 per cent (66 per cent). The average remaining term of the interest rate hedges was 4.5 years (5.1 years). The bulk of the hedging is not subject to hedge accounting under IAS 39.

Going concern assumption

The group had an adequate cash flow and liquid assets in 2008. Because the fair value of the properties has been impaired by NOK 4 billion, and despite an increase in equity, the debt ratio of 79.3 per cent is relatively high. The group's various loan agreements include a requirement that this loan-to-value (LTV) ratio should not exceed 85 per cent of total property value. Uncertainty continues to prevail about the future development of the fair value of the property portfolio and the costs which will be associated with refinancing loans when they mature.

The board and the executive management are working to strengthen the group's financial position and reduce its debt ratio, and a number of relevant instruments have been identified. The group is also keeping the position in the credit, equity and bond markets under observation, and is continuously assessing opportunities for refinancing its interest-bearing debt. Renegotiation and extension of existing loan agreements could also be a relevant approach.

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2008 have been prepared on that basis.

Coverage of net loss in the parent company

The board proposes that the net loss for the year be covered by a transfer from other paid-in equity and the share premium reserve. The board will propose to the annual general meeting in April that no dividend be paid for fiscal 2008.

Properties

Norwegian Property owned 50 office and retail properties in Norway and 74 hotel properties in the Nordic region at 31 December.

Commercial property

Norwegian Property's commercial property sector focuses on assets located in central areas of Oslo and Stavanger. The properties primarily comprise office premises 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 1 079.4 million in 2008. The average remaining term of the portfolio's leases was 5.6 years, and rents are adjusted annually by an average of 97 per cent of the consumer price index.

Norwegian Property has financially sound and attractive organisations and companies as tenants. The 25 largest office tenants accounted for 69 per cent of annual rental income at 31 December 2008.

Hotel property

In the hotel segment, Norgani Hotels focuses primarily on three- and four-star hotels located in Nordic towns with more than 50 000 inhabitants. Historically, these have experienced less volatility in turnover than hotels in the high-end segment and the sector as a whole.

All but one of the hotels have leases with turnover-based rents. Gross rental income for 2008 was NOK 787 million. The average remaining term for the leases is 10.1 years, and most specify minimum rents which are inflation-adjusted annually. The minimum guaranteed rental income for 2009 is NOK 560 million. In addition come seller guarantees of NOK 72 million.

Tenants largely comprise the biggest hotel chains operating in the Nordic region. Scandic/Hilton accounts for 63 per cent of turnover, Choice Hotels for 22 per cent and Rezidor for six per cent.

Valuation of the properties

DTZ Realkapital and Akershus Eiendom performed independent valuations of the group's office and hotel properties in Norway, Sweden and Denmark at 31 December 2008. The company's hotel properties in Finland were valued by Maakanta and Akershus Eiendom. The valuation models are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses and upgrading costs and the risk of vacancy at the expiry of existing leases are made on a property-by-property basis. The valuers note that abnormal conditions prevail in the transaction market as a result of the dramatic reduction in the availability in bank financing. The level of uncertainty in the estimates is accordingly higher than normal.

The board and executive management have carried out independent assessments of parameters which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has concluded that the external valuations provide a realistic valuation of the properties. The total carried amount of the company's investment properties, after deducting tax compensation for purchases, was NOK 27 312.6 million at 31 December 2008.

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.

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, liquidity and profit risks 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 is characterised by high quality, a financially sound and well diversified group of tenants, and an average remaining lease term of 5.6 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 10.1 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 effect of interest rate changes on profits and liquidity. At 31 December, 84 per cent of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.5 years. Further decline in short-term market interest rates will accordingly have a limited impact on the group's interest expenses. The composition of the derivatives means that the group's financial expenses for 2009 will be reduced to levels below the corresponding figures for 2008.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 695 million. The group 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 and disposals.

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 re-letting of premises.

Market conditions

After a number of years of strong growth, the period – particularly from the second half of 2008 – was affected by financial unrest and uncertainty at both national and international levels.

Demand for office premises in the group's principal markets remains good, but vacant space was generally rising somewhat at 1 January 2009. New building is at low levels, and additional space is only expected to become available from projects launched before the second half of 2008. Unemployment is generally expected to rise during 2009, and this will normally have a negative effect on demand for office premises. Vacant space is accordingly expected to expand, with rents in 2009 likely to show weaker progress than in 2008.

Growth in the hotel market is closely linked with the development of the domestic economy. This market was strong for the first nine months of 2008 and, despite the decline towards the end of the year, overall progress for the hotels was good. Revenue per available room (RevPAR) increased by 3-4.5 per cent in the Nordic countries during 2008. Both occupancy rates and room prices made strong progress. Certain areas will gain new capacity, but the likelihood that not all announced projects and new developments will be realised could dampen some of this growth. Weaker economic progress is expected, with an associated effect on RevPAR in 2009.

Employees and organisation

The group had 37 employees at 31 December, including 18 in the hotel business. Daily operation of the properties has largely been outsourced to external partners.

The group's executive management comprises five people, including the CEO of Norgani Hotels. Two of these executives are women. 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 a leading Norwegian centre of expertise for managing commercial property.

Information on the remuneration of directors, the chief executive, the rest of the executive management and the auditor is provided in note 19 to the consolidated accounts and note 6 to the accounts for Norwegian Property ASA .

Health, safety and the working environment

No injuries were recorded in Norwegian Property's business during 2008. Overall sickness absence for Norwegian Property ASA and Norgani Hotels was 0.4 per cent in 2008. 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 group's business 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.

Total annual energy consumption by buildings belonging to Norwegian Property is estimated at 160 gigawatt-hours for the commercial property portfolio and 235 GWh for the hotels. The group has initiated measures to identify activities which can help to reduce energy consumption in its buildings.

Corporate governance

Norwegian Property's corporate governance principles build on Norway's prevailing code of practice. A detailed presentation of the company's corporate governance is provided in the separate report on operations for 2008.

The present board was elected at an extraordinary general meeting on 19 December 2008. Generally speaking, the board meets once a month and more frequently if required. A total of 19 board meetings were held in 2008.

Share and shareholders

Norwegian Property has worked actively towards Norwegian and international investor communities since its foundation in order to ensure interest in its share. A large number of investor meetings have been held in Norway and abroad, and nine investment banks and brokerage firms provide analysis coverage of the group. The number of shareholders has increased, while foreign owners declined from 61 to 39 per cent during 2008. By comparison, the overall foreign proportion of share ownership on the Oslo Stock Exchange was 33 per cent at 31 December.

Issued shares at 31 December totalled 201 635 416. The closing price at 31 December was NOK 6.08, which represents a decrease of 87 per cent from 1 January when the effect of NOK 2.50 in dividend paid is taken into account. The highest and lowest prices for the share in 2008 were NOK 66.03 on 2 January and NOK 5.50 on 10 October respectively.

A rights issue of 96 153 846 shares was implemented in July 2008 at a price of NOK 26 per share. The proceeds from this issue were used to implement the final phase in the acquisition of Norgani Hotels and to strengthen the group's balance sheet.

Norwegian Property had a total of 1 390 registered shareholders at 31 December (925). Foreigners owned 39 per cent of the issued shares at that date (61 per cent).

Outlook

The markets for hotel property, leasing office premises and commercial property transactions are expected to be affected in the short term by the same general trends observed since the autumn of 2008. In the longer term, however, the general economic picture is expected to stabilise and later improve. Traditionally, that would mean an improvement in the group's most important value drivers.

Norwegian Property's ambition is to be a leading player among listed property companies in the Nordic region. In a short- and medium-term perspective, its attention is primarily concentrated on consolidation, including a reduction of the debt ratio, renegotiation of leases, continued integration of the organisations, securing synergies and selective property sales.

With a property stock of very high quality and a predictable and growing cash flow from operations, the board believes Norwegian Property to be well equipped operationally to meet the challenges which 2009 is expected to present to the group and to the industry as a whole.

Oslo, 18 March 2009
The board of directors of Norwegian Property ASA

Tormod Hermansen Chair	Harald Grimsrud Deputy chair	Gry Mølleskog Director
Nils K. Selte Director	Synne Syrrist Director	Petter Jansen President and CEO

INCOME STATEMENT 1 JAN - 31 DEC

Consolidated

(Amounts in NOK 1 000)	*Note*	**2008**	2007
Rental income from properties		**1 866 774**	1 193 189
Other revenue		-	2 497
Gross rental income		**1 866 774**	1 195 686
Maintenance and property-related costs		**(152 151)**	(81 424)
Other operating expenses	*18, 19*	**(131 562)**	(77 943)
Total operating cost		**(283 713)**	(159 367)
Operating profit before fair value adjustment investment property		**1 583 061**	1 036 319
Gain from fair value adjustment of investment property	*7*	**(3 987 503)**	1 219 138
Gain from sales of investment property	*7*	**34 362**	9 281
Impairment of goodwill	*9*	**(220 968)**	-
Operating profit		**(2 591 047)**	2 264 738
Financial income	*20*	**26 627**	67 972
Financial costs	*20*	**(1 353 046)**	(958 863)
Change in market value of financial derivative instruments	*12, 20*	**(1 201 439)**	276 749
Net financial items		**(2 527 858)**	(614 143)
Profit before income tax		**(5 118 905)**	1 650 595
Income tax expense	*17, 21*	**928 194**	(460 736)
Profit for the period		**(4 190 711)**	1 189 859
Minority interests		**132 322**	(4 829)
Profit after minority interests		**(4 058 389)**	1 185 030
Basic and diluted earnings per share for profit attributable to shareholders *(amounts in NOK)*		**(25.81)**	11.42

BALANCE SHEET AT 31 DECEMBER

Consolidated

(Amounts in NOK 1 000)	*Note*	**2008**	2007
ASSETS			
Non-current assets			
Financial derivative instruments	*12*	**37 333**	9 550
Goodwill	*9*	**885 642**	1 064 987
Investment property	*7*	**27 312 567**	31 113 889
Other tangible assets	*8*	**9 858**	2 965
Shares and interests		**2 014**	1 623
Receivables		**11 192**	1 575
Totale non-current assets		**28 258 607**	32 194 589
Current assets			
Financial derivative instruments	*12*	**127 475**	678 673
Seller guarantees for future rent		-	6 200
Accounts receivable	*13*	**172 125**	186 369
Other receivables	*13*	**193 896**	180 780
Cash and cash equivalents	*3*	**174 220**	635 476
Total current assets		**667 716**	1 687 498
TOTAL ASSETS		**28 926 323**	33 882 087

BALANCE SHEET AT 31 DECEMBER

Consolidated

(Amounts in NOK 1 000)	*Note*	2008	2007
EQUITY AND LIABILITIES			
Equity			
Share capital	*14*	**5 040 885**	2 637 039
Share premium		**1 196 268**	1 211 081
Other paid-in equity		**1 500 000**	1 500 000
Retained earnings		**(3 127 701)**	1 310 962
Other reserves		**391 708**	7 818
Minority interests		-	1 688 867
- Liability to acquire shares in subsidiaries		-	(1 524 863)
Total equity		**5 001 160**	6 830 903
Non-current liabilities			
Financial derivative instruments	*12*	**106 272**	-
Deferred tax	*17, 21*	**565 496**	1 521 767
Interest bearing debt	*16*	**21 021 975**	21 733 946
Non-current liabilities		**21 693 743**	23 255 713
Current liabilities			
Financial derivative instruments	*12*	**689 854**	26 075
Interest-bearing debt	*16*	**818 611**	1 498 193
Interest-bearing liability to acquire shares in subsidiaries	*16, 24*	-	1 595 837
Accounts payable		**29 432**	44 086
Other liabilities	*15*	**693 523**	631 279
Total current liabilities		**2 231 420**	3 795 470
Total liabilities		**23 925 163**	27 051 183
TOTAL EQUITY AND LIABILITIES		**28 926 323**	33 882 087

Oslo, 18 March 2009
The board of directors of Norwegian Property ASA

Tormod Hermansen
Chair

Harald Grimsrud
Deputy chair

Gry Mølleskog
Director

Nils K. Selte
Director

Synne Syrrist
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 pai-in equity**	**Retained earnings**	**Other[1] reserves**	**Minority interests**	**Total equity**
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 for 2006	-	-	-	(263 704)	-	-	(263 704)
Capital reduction in subsidiaries with 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**
Financial derivatives, net of tax	-	-	-	-	(58 405)	-	(58 405)
Profit for the period	-	-	-	(4 058 389)	-	(132 322)	(4 190 711)
Total net income for 2008	-	-	-	(4 058 389)	(58 405)	(132 322)	(4 249 116)
New equity, June 2008	2 403 846	96 154	-	-	-	-	2 500 000
Equity issue costs, net of tax	-	(110 967)	-	-	-	-	(110 967)
Dividend paid for 2007	-	-	-	(263 704)	-	-	(263 704)
Exchange rates	-	-	-	-	442 295	-	442 295
Acquisition of minorities in subsidiaries and divestment of subsidiaries with minorities	-	-	-	(116 570)	-	(31 681)	(148 251)
Transactions with shareholders	2 403 846	(14 813)	-	(380 274)	442 295	(31 681)	2 419 373
Total equity 31 December 2008	**5 040 885**	**1 196 268**	**1 500 000**	**(3 127 701)**	**391 708**	-	**5 001 160**

[1] *Other reserves include exchange rate effects and hedging reserves.*

CASH FLOW STATEMENT 1 JAN - 31 DEC

Consolidated

	(Amounts in NOK 1 000)	2008	2007
	Ordinary profit before income tax	**(5 118 905)**	1 650 595
–	Paid taxes in the period	**(8 894)**	(2 042)
+	Depreciation of tangible assets	**2 141**	766
+/–	Fair value adjustments of investment properties	**3 987 504**	(1 219 138)
–/+	Gain/loss from sale of investment properties	**(34 362)**	(9 281)
+/–	Fair value adjustments of financial derivative instruments	**1 201 439**	(276 751)
+	Impairment of goodwill	**220 968**	-
+/–	Net financial items excluding fair value adjustments of financial derivative instruments	**1 326 419**	890 892
+/–	Change in short-term items	**139 368**	31 831
=	**Net cash flow from operating activities**	**1 715 677**	1 066 874
–	Payments for purchase of fixed assets (investment properties)	**(308 302)**	(5 126 458)
+	Received for sale of fixed assets (investment properties)	**1 311 029**	227 393
–	Payments for purchase of subsidiaries	**(155 521)**	(3 464 347)
=	**Net cash flow from investment activities**	**847 206**	(8 363 412)
+/–	Net change in long-term debt	**(3 843 536)**	7 236 878
+/–	Net financial items excluding fair value adjustements of financial derivative instruments	**(1 270 799)**	(890 892)
+	Capital increase	**2 345 879**	479 346
–	Dividend payments	**(263 704)**	(263 704)
+/–	Other financing activities	**-**	114 352
=	**Net cash flow from financing activities**	**(3 032 159)**	6 675 980
=	**Net change in cash and cash equivalents**	**(469 276)**	(620 559)
+	Opening balance for cash and cash equivalents	**635 476**	1 252 462
+/–	Exchange rates	**8 020**	3 573
	Cash and cash equivalents 31 December	**174 220**	635 476

NOTES TO THE ANNUAL ACCONUNTS

Consolidated

NOTE 1 GENERAL INFORMATION

The Norwegian Property ASA group is a real property investment company established in 2006, which invests in large, centrally located commercial properties in Norway's biggest cities. At 31 December 2008, the company owned 50 properties in Oslo and Stavanger. All the properties were acquired after 9 June 2006. Through Oslo Properties, Norwegian Property acquired all the shares in the previously listed Norgani Hotels group in 2007 and 2008. The Norgani Hotels group owns 73 hotel properties and one congress centre in Sweden, Norway, Finland and Denmark. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and effective at 31 december 2008, and additional requirements pursuant to the Norwegian Accounting Act at 31 December 2008.

IFRS standards and interpretations published before the reporting of the financial statements, but not mandatory at 31 December 2008, have not been adopted by the group. This applies to IFRS 8, revision of IFRS 3, IAS 1 and IAS 23, changes to IFRS 1, IFRS 2, IAS 27 and IAS 32. In addition come IFRIC 13 and improvements related to IFRS. IAS 1 influence on the presentation of consolidated financial statements. The other standards and interpretations are not assumed to have any significant effect on the reported figures.

The consolidated financial statement have been prepared under the historical cost convention, except that investment property, financial assets available for sale, and financial assets and financial liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

Preparation of financial statements in accordance with the 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 in note 5.

2.2 Consolidation

(a) Subsidiaries

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

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be the acquisition of a business, and bringing together those entities is 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 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 value 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 shareholders' equity in the group and are 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 which 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 are 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) which 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 which is held for long-term rental yields or for capital appreciation or both, and which 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 value 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. Tenant 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 is stated at historical cost less depreciation. Historical cost includes expenditure 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 which have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 was 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 in this category if acquired principally for the purpose of selling in the short term owing 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 which 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 recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of net investments or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between the hedging instrument and the 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 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 12. Movements in 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 not included as hedge accounting
The majority of the group's interest rate and currency swaps are assumed not to qualify for hedge accounting. Changes in the fair value of any derivative instruments which 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 which are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other financial income (costs).

Amounts accumulated in equity are recognised in the income statement in the period within which the hedged item affects profit or loss (when the hedged forecast sale is hedged takes place, for example). The gain or loss relating to the effective portion of interest rate swaps used to hedge variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in 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 which 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 in a similar way 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 under '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 the amounts due under the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will go into liquidation 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 which at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) which 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' in 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 which 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 which 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 chief executive of Norwegian Property also has a defined benefit pension plan. Norgani Hotels AS, including subsidiaries, operates defined contribution plans for all new employees. Some employees are included in a former defined benefit plan 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.

A defined benefit plan is a pension plan which defines an amount of pension benefit which 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 greater of 10 per cent of the value of plan assets or 10 per cent 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 the latter case, past-service costs are amortised on a straight-line basis over the vesting period.

NOTE 3 FINANCIAL RISK MANAGEMENT

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

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 financial risks in close cooperation with the group's operational units. The board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk.

3.1 Market risk
Foreign exchange risk
The group operates in different countries and is exposed to foreign exchange risks in several currencies, mainly related to the Norgani Hotels businesses in Sweden (SEK), Finland (EUR) and Denmark (DKK). Investments in foreign subsidiaries imply risks related to the translation of net investments. 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 limited extent. The general policy for Norgani Hotels is to hedge 70 per cent of the net exposure at any time, and the hedging ratio will never deviate by more than 20 percentage points from this baseline. The hedging ratio is measured on the basis of the portion of interest-bearing liabilities and derivatives compared with investment properties and cash and cash equivalents in the different currencies. The hedging ratio at 31 December is specified in the table below.

(Amounts in NOK 1 000)	2008 NOK	2008 SEK	2008 EUR	2008 DKK	2008 Total	2007 NOK	2007 SEK	2007 EUR	2007 DKK	2007 Total
Investment property	18 651 806	4 752 121	3 379 374	529 266	**27 312 567**	23 111 428	4 684 208	2 912 134	406 119	31 113 889
Cash and cash equivalents	81 477	25 247	70 095	(2 599)	**174 220**	623 066	10 235	2 175	-	635 476
Interest-bearing debt	(16 173 816)	(2 919 272)	(2 413 042)	(334 456)	**(21 840 586)**	(18 213 296)	(2 762 985)	(1 983 144)	(272 714)	(23 232 139)
Derivatives	1 029 962	(580 182)	(370 160)	(79 619)	-	429 429	(330 381)	(99 048)	-	-
Net exposure	3 589 429	1 277 914	666 267	112 592	**5 646 201**	5 950 627	1 601 077	832 117	133 405	8 517 226
Hedging ratio *(per cent)*	81	73	81	79	**79**	75	66	71	67	73

Norgani Hotels' rental income and operating costs in foreign currencies related to foreign subsidiaries are not subject to currency hedging. In 2008, 77 per cent of Norgani Hotels' revenue was related to Sweden, Finland and Denmark (2007: 76 per cent).

Of Norwegian Property's (commercial property) rental income, 3.7 per cent (NOK 41 million annually) is in foreign currency (EUR) and practically all operational expenses are denominated in NOK (2007: 4.1 per cent, NOK 39 million). This exposes the segment to limited foreign exchange risk. Norwegian Property has enterred into hedging agreements to limit the risk related to foreign currencies.

Gains and losses on the group's hedging contracts are classified as 'changes in market value of financial derivatives' in the income statement. Notional pricipal amounts and the maturity for the group's total portfolio of forward exchange contracts at the end of 2008 are specified in local currencies in the table below (see also note 12).

Currency	Notional principal amount in currency	< 1 year	1-2 years	2-5 years	Over 5 years
NOK	244 811	20 105	45 117	80 761	98 828
SEK	(640 660)	(640 660)	-	-	-
EUR	(81 973)	(41 183)	(7 499)	(11 249)	(22 042)
DKK	(60 000)	(60 000)	-	-	-

If NOK in relation to SEK, EUR and DKK was 10 per cent weaker/stronger at 31 December 2008, and all other variables were kept constant, profit/loss after tax for 2008 wpuld be changed by about NOK 70 million (2007: about NOK 85 million) as a result of currency changes when translating foreign subsidiaries. Equity would correspondingly be changed by NOK 165 million (2007: NOK 230 million).

Price risk

Rental income is exposed to changes in market rent, revenue-based rent and inflation. The group focuses on long-term leases. The average duration of leases at 31 December 2008 was 5.6 years for commercial properties and 10.1 years for hotels (2007: 6.5 and 11.0 years respectively).

Leases for commercial properties secure a fixed revenue during the lease term. The majority of leases have a full consumer price index (CPI) adjustment clause which allows the group to adjust rents in line with the development of the CPI. The group seeks to secure such regulatory clauses in all new leases. The average CPI adjustment at 31 December 2008 was four per cent, which increased annual rental income for 2009 by NOK 43 million. Rent forto the shopping centre at Aker Brygge in Oslo is revenue-based, but the seller has given a rental guarantee to Norwegian Property covering the difference between the guaranteed rent and actual revenue-based rent until June 2010.

All leases for hotels, with one exception, are revenue-based (the single exception is a fixed-rent contract with CPI adjustments). Most leases guarantee a certain minimum rent, and the sellers of some hotels have given rent guarantees covering the difference between a guaranteed rent and the actual revenue-based rent. At 31 December 2008, minimum rent agreements guarantee an annual rental income of NOK 560 million, and rental guarantees secured an additional annual rent of NOK 72 million.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property has a policy of hedging a minimum of 70 per cent of outstanding floating rate loans. At 31 December, 93 per cent of such loans (including cash) were hedged (2007: 84 per cent). The loan-to-value ratio is lower for Norgani Hotels than for Norwegian Property, and the corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of outstanding floating rate loans. At 31 December, 91 per cent of such loans were hedged (2007: 67 per cent). At the same time, Norgani Hotels experienced fluctuations in its revenue-based rental income.

In order to mitigate interest risk, the group had entered into interest rate swap agreements totalling NOK 18.5 billion at 31 December (2007: NOK 16.3 billion). At 31 December, the average credit margin on floating rate borrowings was 81 basis points (2007: 76 basis points). The average basis rate of the loan portfolio was 5.84 per cent at 31 December (2007: 5.4 per cent). The average remaining term to maturity for hedging agreements was 4.5 years (2007: 4.6 years). Notional principal amounts and the term to maturity for the group's total portfolio of interest rate hedges at 31 December2008 are specified in local currencies in the table below (see also note 12).

Currency	Notional principal amount in currency	< 1 year	1-2 years	2-5 years	Over 5 years
NOK	(13 413 308)	(575 000)	(2 875 000)	(7 398 965)	(2 564 343)
SEK	(2 600 000)	(250 000)	(1 260 000)	(635 000)	(455 000)
EUR	(274 967)	(25 000)	(80 000)	(115 467)	(54 500)
DKK	-	-	-	-	-

If the average interest rate at 31 December 2008 were 25 basis points higher/lower, and all other variables were held constant, the group's profit/loss after tax would be NOK 39 million lower/higher (2007: NOK 42 million).

3.2 Credit risk

The majority of the group's rental income comes from solid tenants. These are preferably large, financially sound companies and public institutions in order to reduce the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or paid deposits of amounts equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2008 and 2007 was negligible.

At the end of 2008, receivables in the balance sheet related to the group's interest and currency derivatives were NOK 164.8 million. The agreements are generally with several large and reputable Norwegian and international banks (all with a Standard & Poors credit rating ranging from BBB+ to AA-).

The maximum credit exposure related to accounts receivable on the balance sheet are specified by business segment and currency in the table below.

(Amounts in NOK 1 000)	2008 Commercial properties	2008 Hotels	2008 Total	2007 Commercial properties	2007 Hotels	2007 Total
Norway (NOK)	153 481	1 953	**155 434**	178 972	3 356	182 328
Sweden (SEK)	-	13 842	**13 842**	-	3 515	3 515
Denmark (DKK)	-	2 552	**2 552**	-	526	526
Finland (EUR)	-	297	**297**	-	-	-
Total	153 481	18 644	**172 125**	178 972	7 397	186 369

3.3 Liquidity risk

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

(Amounts in NOK 1 000)	2008	2007
Cash and cash equivalents	**174 220**	635 476
- of which restricted cash and cash equivalents	**(711)**	(4 162)
Available cash and cash equivalents	**173 509**	631 314
Unused credit facilities	**466 000**	100 000
Unused overdraft facilities	**55 000**	190 000
Liquidity reserve	**694 509**	921 314

As described above, the group has a high degree of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes, changes in exchange rates and gain/loss from sale of properties), for both 2008 (NOK 312 million) and 2007 (NOK 136 million). Additional liquidity risks are mainly related to instalments and the maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. Amounts in the table are undiscounted cash flows (NOK 1 000).

(Amounts in NOK 1 000)	Book value	Expected cash flow	< 1 year	1-2 years	2-5 years	Over 5 years
31 December 2008						
Interest-bearing debt	21 840 586	21 840 586	818 611	2 317 738	17 033 030	1 700 819
Accounts payable	29 432	29 432	29 432	-	-	-
Other liabilities	693 523	481 021	481 021	-	-	-
31 December 2007						
Interest-bearing debt	24 827 976	24 827 976	3 094 030	2 378 780	16 422 327	2 961 053
Accounts payable	44 086	44 086	44 086	-	-	-
Other liabilities	631 279	451 631	451 631	-	-	-

3.4 Capital risk management

The group's goal related to capital risk management is to ensure continued operation in order to secure a return on investment for owners and other stakeholders and to obtain an optimum capital structure to reduce capital costs. To improve its capital structure, the group can adjust the level of dividend paid to shareholders, return capital to investors, issue new shares or sell assets to reduce debt. Capital risk management is monitored in part by the level of the group's debt ratio (LTV – loan-to-value). The debt ratio is calculated as the proportion of gross interest-bearing debt compared with gross property value. A group objective is to strengthen its financial posision and to reach a long-term loan-to-value target of 60 to 65 per cent. The loan-to-value ratio at 31 December is specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Long-term interest-bearing debt according to the balance sheet	**21 021 975**	21 733 946
Current interest-bearing debt according to the balance sheet	**818 611**	3 094 030
Capitalised borrowing costs	**37 942**	36 542
Gross interest-bearing debt	**21 878 528**	24 864 518
Investment properties according to the balance sheet	**27 312 567**	31 113 889
Tax compensation at acquisition accounted for as a reduction of investment properties in the balance sheet	**261 664**	364 500
Gross property value	**27 574 231**	31 478 389
Loan-to-value *(per cent)*	**79**	79

NOTE 4 DETERMINATION OF FAIR VALUE

The consolidated financial statements have been prepared under the historical cost convention except that investment property, financial assets available for sale, and financial assets and liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

Investment property

All group investment properties are valued at their fair value based on a quarterly valuation update, and each property is valued at 31 December 2008 by two independent experts. DTZ Realkapital has performed a primary valuation of all all the properties in Norway, Sweden and Denmark. Maakanta has correspondingly valued properties in Finland. Akershus Eiendom has also valued all the properties. Based on external valuations and supplementary in-house analysis of the market for the rental portfolio, the group management makes an overall fair value assessment to determine whether the external valuations fairly represent the value of the investment properties. All properties are periodically subject to inspections and technical reviews. See also note 5 for critical accounting estimates and judgements.

Financial instruments and derivatives

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

Cash and cash equivalents

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

Interest-bearing liabilities

The group recognise interest-bearing liabilities at amortised cost.

Accounts receivable/other receivables and accounts payable/other liabilities

In principle, these are recognised initially at fair value and subsequently measured at amortised cost. However, discounting is normally assumed to have no significant effect on this type of receivable and liability.

Equities and interests

The fair value of any listed equities and interests are valued at the market price listed at the balance sheet date. Unlisted equities and interests are calculated using accepted and recognised valuation techniques, or carried at cost if their fair value can not be reliably measured.

Derivatives

The fair value of financial derivatives, including currency forwards/swaps and interest rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. For derivatives related to Norwegian Property (commercial properties), the calculations are generally performed by banks. The group has checked and reasonably assessed the valuations. For derivatives related to Norgani Hotels (hotels), the calculations are performed by the group's treasury department and verified by external valuations from banks.

When determining the fair value of net obligations to acquire investment properties, the valuation of the investment property is based on the same principles described for the ordinary valuation of investment properties. The liability is the net present value of future cash flows agreed in relation to the takeover of the property.

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations about future events assumed to be likely under current circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions which pose a significant risk of requiring a material adjustment to the carried amounts of assets and liabilities within the coming financial year are outlined below.

Fair value of investment properties

Investment property is valued at its fair value on the basis a quarterly valuation update. The procedures for determining the fair value of investment properties are described in note 4. In line with these principles, Norwegian Property's portfolio of commercial properties are valued externally each quarter since the company was incorporated in 2006. The hotel portfolio (Norgani Hotels) was acquired at the end of the third quarter of 2007 and externally valued from 31 December 2007.

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Therefore, fair value assessment of investment properties depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and segmentations of different areas within the properties if relevant. Macro-economic assumptions for the level of interest rates, inflation expectations, etc, are updated as part of the calculations. Inflation expectations are based on consensus from banks and public statistical agencies (2.30-2.70 per cent for Norway, 2.00-2.23 pr cent for Denmark and 2.00 per cent for Sweden and Finland are assumed in the calculation period). Cash flows from current leases are discounted using individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of the properties and the tenants. Current rent for commercial properties are discounted on the basis of discount rates in the 6.25-11.00 per cent interval, and renewals/residual values are discounted on the basis of discount rates in the 8.25-11.00 per cent interval, based on individual assessments of each single propertiy. Current rent for hotels are correspondingly discounted based on discount rates in the interval 6.00-11.00 per cent, and residual values are discounted based on discount rates in the interval 7.70-11.50 per cent.

Uncertainty in financial markets was substantial at 31 December 2008, with limited access to capital and few property transactions being carried out which could support valuations. In its report, DTZ states that current market conditions are abnormal and that the degree of uncertainty in the reported valuations is likely to be greater than usual.

The sensitivity of the fair value assessments for investment properties depends mainly on assumptions related to yield, interest rates, inflation and market rents for properties. The table on the next page shows examples of the way changes related to each of these variables influenced property values at 31 December 2008, assuming that all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Commercial properties[1]	Hotels[1]
Net market yield	+ 0.25 per cent	(303)	(175)
Market interest rate	+ 0.25 per cent	(286)	(202)
Inflation	+ 1 per cent	122	50
Market rent	+ 10 per cent	1 218	741

[1] *The calculations are carried out by DTZ Realkapital and Maakanta in connection with the valuation at 31 December 2008, excluding the Grev Wedels plass 9 property which was subject to a sales agreement in 2008.*

Fair value of financial derivatives

The group's financial derivatives include currency forwards/swaps, interest-rate swaps and the obligation to acquire investment properties. Procedures for valuing financial derivatives are described in note 4.

NOTE 6 SEGMENT INFORMATION

Business segments

The group's primary reporting format is the business segments of commercial properties (Norwegian Property) and hotels (Norgani Hotels). The division into business segment conforms with the group's internal management reporting. Each property is generally organised as a separate legal entity. As a result, the allocation of revenues, expenses, assets and liabilities to the business segments follows the group's legal structure. The hotel business was acquired at the end of the third quarter of 2007. An allocation of key figures to the business segments is presented below.

	Commercial properties		Hotels		Other/elim[1]		Total	
(Amounts in NOK 1 000)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Gross rental income	**1 079 420**	1 010 507	**787 354**	185 179	-	-	**1 866 774**	1 195 686
Property-related costs	**(70 985)**	(61 498)	**(81 165)**	(19 926)	-	-	**(152 150)**	(81 424)
Net rental income	**1 008 435**	949 009	**706 189**	165 253	-	-	**1 714 624**	1 114 262
Owner-related costs	**(60 728)**	(58 468)	**(69 766)**	(19 415)	**(1 067)**	(60)	**(131 561)**	(77 943)
Gain from fair value adjustment of investment properties	**(2 905 192)**	1 219 138	**(1 082 311)**	-	-	-	**(3 987 503)**	1 219 138
Gain from sales of investment properties	**7 174**	9 281	**27 188**	-	-	-	**34 362**	9 281
Impairment of goodwill	-	-	-	-	**(220 968)**	-	**(220 968)**	-
Operating profit	**(1 950 311)**	2 118 960	**(418 700)**	145 838	**(222 035)**	(60)	**(2 591 047)**	2 264 738
Net financial items	**(1 531 088)**	(439 020)	**(789 399)**	(109 287)	**(207 370)**	(65 836)	**(2 527 858)**	(614 143)
Ordinary profit before income tax	**(3 481 400)**	1 679 940	**(1 208 100)**	36 551	**(429 405)**	(65 896)	**(5 118 905)**	1 650 596
Income tax expense					**928 194**	(460 736)	**928 194**	(460 736)
Profit for the period					**498 789**	(526 632)	**(4 190 711)**	1 189 860
Minority interests					**132 322**	(4 830)	**132 322**	(4 830)
Profit after minority interests					**631 111**	(531 462)	**(4 058 389)**	1 185 030

	31.12.08	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07	**31.12.08**	31.12.07
Investment property/fixtures and equipment	**16 289 968**	20 416 452	**11 032 457**	10 700 402	-	-	**27 322 425**	31 116 854
Other assets	**3 594 382**	2 255 788	**386 448**	1 417 416	**(2 376 932)**	(907 972)	**1 603 898**	2 765 232
Interest-bearing debt	**12 978 429**	14 861 865	**7 671 415**	7 105 274	**1 190 742**	2 860 838	**21 840 586**	24 827 977
Other liabilities	**899 636**	1 088 383	**592 907**	1 118 724	**592 034**	16 099	**2 084 577**	2 223 206
Total equity	**6 006 285**	6 721 992	**3 154 583**	3 893 820	**(4 159 708)**	(3 784 909)	**5 001 160**	6 830 903
Investments	**104 735**	4 275 323	**203 567**	851 135	-	-	**308 302**	5 126 458

[1] *Include group eliminations, Oslo Properties and the liability to acquire shares in Oslo Properties (total acquisition financing). Figures for Oslo Properties were merged with the hotel figures in the 2007 annual accounts.*

Geographical markets

The group's secondary reporting format is based on geographical markets (countries). The group has operations in Norway, Sweden, Denmark and Finland. Its commercial properties are located only in Norway, while the hotel properties are located in all four countries. An allocation of key figures to the different countries is presented below.

	Norway		Sweden		Denmark		Finland		Other/elim		Total	
(Amounts in NOK 1 000)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Gross rental income	**1 261 482**	1 055 470	**358 162**	88 776	**31 565**	6 967	**215 565**	44 473	-	-	**1 866 774**	1 195 686
Property-related costs	**(81 518)**	(67 511)	**(35 962)**	(4 993)	**(6 132)**	(2 118)	**(28 538)**	(6 802)	-	-	**(152 150)**	(81 424)
Net rental income	**1 179 964**	987 959	**322 200**	83 783	**25 433**	4 849	**187 027**	37 671	-	-	**1 714 624**	1 114 262

	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Investment property/ fixtures and equipment	**18 656 796**	22 883 283	**4 756 989**	4 678 954	**529 266**	453 727	**3 379 374**	3 100 890	-	-	**27 322 425**	31 116 854
Interest-bearing debt	**14 513 074**	16 513 295	**2 919 279**	2 762 985	**334 456**	272 714	**2 413 035**	1 983 144	**1 660 742**	3 295 839	**21 840 586**	24 827 977
Net other assets/liabilities (unallocated)									**(480 679)**	542 026	**(480 679)**	542 026
Total equity	**4 143 722**	6 369 988	**1 837 710**	1 915 969	**194 810**	181 013	**966 339**	1 117 746	**(2 141 421)**	(2 753 813)	**5 001 160**	6 830 903
Investments	**184 070**	4 394 255	**63 122**	732 203	**39 998**	-	**21 112**	-	-	-	**308 302**	5 126 458

NOTE 7 INVESTMENT PROPERTY

Changes in the book value of investment property are specified in the table below. The future minimum annual rent payments receivable under non-cancellable operating leases are specified in note 10.

(Amounts in NOK 1 000)	**2008**	2007
Opening balance 1 January	**31 113 889**	13 919 571
Disposal of properties[1]	**(1 300 293)**	(209 532)
Additions from business combinations	-	9 850 053
Additions from acquisition of properties and ordinary investments	**282 171**	4 886 115
Reclassification from property under construction, etc (see note 8)	**(2 769)**	1 448 545
Fair value adjustment of investment property	**(3 987 503)**	1 219 138
Exchange rates	**1 207 072**	-
Book value at 31 December[2]	**27 312 567**	31 113 889
Rental income	**1 866 774**	1 195 686
Property-related costs	**(152 150)**	(81 424)
Net rental income	**1 714 624**	1 114 262

[1] *Disposals in 2008 related to the following properties: Forskningsveien 2, Økernveien 9, Østre Aker vei 20/22, Magnus Poulssons vei 7, Nedre Holmegate 30-34, Elvegaten 25 and Mauritz Kartevolds plass 1. Total net gain from these disposals was NOK 7.2 million. Disposal in 2007 related to the Kokstadveien 23 property. Gain from sale was NOK 9.3 million.*

[2] *Book value at 31 December 2008 includes a reduction of NOK 261.7 million (2007: NOK 364.5 million) related to tax compensation received when acquiring investment properties (single-purpose entities).*

Restrictions related to investment properties

Other than covenants in loan agreements, no restrictions apply to when the investment properties can be realised or the use of the revenue and cash flow on any sale.

Agreement to sell investment property

Norwegian Property has entered into an agreement for the sale of Grev Wedels plass 9 in Oslo. The buyer is UBS Real Estate Kapitalanlagegesellschaft on behalf of its UBS (D) Euroinvest Immobilien property fund. The transaction was completed in January 2009. The property is valued at its net sales value in the balance sheet at 31 December 2008. The net sales value takes into account that Norwegian Property has given a rental guarantee of NOK 11.5 million exclusive of VAT per year (to be CPI adjusted) plus common costs for an area of 4 407 square meter (NHST area), and this guarantee period runs until 30 June 2014. In addition, Norwegian Property has given a rental guarantee if Forsvarsbygg utilises its right to terminate its lease with 12 months notice. The level on this rental guarantee is NOK 5.3 million exclusive of VAT per year (to be CPI adjusted) plus common costs, and runs until 15 January 2014. Any rent under new leases approved by the buyer on the abowe-mentioned areas will be deducted from guaranteed rent. Norwegian Property is responsible for some construction work on the property after the completion date.

Obligation to acquire investment properties

Norgani Hotels entered into an agreement at 31 December 2007 to acquire the Park Inn property in Oslo for NOK 174 million. This property wil be acquired by Norgani Hotels at completion, expected to be 31 December 2009. The Rezidor Hotel group has entered into a 20-year revenue-based lease for the hotel. The property/obligation is accounted for on a net basis as a derivative financial instrument until completion. At the contract date/31 December 2007, the value of the derivative is assumed to be zero, and the value at 31 December 2008 represent a liability of NOK 20 million. The negative value adjustment in 2008 is accounted for as a change in market value of financial derivative instruments. See also note 27 for events after the balance sheet date, and note 26 for contingent purchase obligations

NOTE 8 OTHER TANGIBLE ASSETS

Changes in the balance sheet item on other tangible assets are specified in the table below.

(Amounts in NOK 1 000)	Property under construction[1]	Fixture, fittings and equipment	Total
Acquisition costs			
At 31 December 2006	**1 150 801**	**10 001**	**1 160 801**
Additions/investments	291 516	516	292 032
Reclassification to investment property (see note 7)	(1 442 317)	(6 228)	(1 448 545)
At 31 December 2007	-	**4 289**	**4 289**
Additions/investments	-	6 265	6 265
Reclassification to investment property (see note 7)	-	2 769	2 769
At 31 December 2008	-	**13 323**	**13 323**
Accumulated depreciation			
At 31 December 2006	-	**557**	**557**
Current year's depreciation	-	766	766
At 31 December 2007	-	**1 323**	**1 323**
Current year's depreciation	-	2 141	2 141
At 31 December 2008	-	**3 464**	**3 464**
Book value at 31 December 2007	-	**2 965**	**2 965**
Book value at 31 December 2008	-	**9 858**	**9 858**

[1] *Norwegian Property acquired Aker House in 2006. This was 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 9 GOODWILL

Changes in the book value of goodwill are specified in the table below.

(Amounts in NOK 1 000)	**2008**	2007
Opening balance 1 January	**1 064 987**	-
Additions from business combinations (see note 25)	**41 623**	1 064 987
Impairment of goodwill	**(220 968)**	-
Book value at 31 December	**885 642**	1 064 987

Goodwill relates entirely to deferred tax accounted for in connection with the takeover of Oslo Properties/Norgani Hotels.

Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction not treated as a business combination (acquisition of single-purpose entities). Even if investment properties are normally sold as equity or interests in a company without calculation of tax payable, deferred income tax must be accounted for in relation to all temporary differences between the book value and the tax basis in a business combination. Deferred tax is reduced on the basis of negative fair value adjustments to investment properties after their acquisition. Goodwill related to such reductions in deferred tax must be correspondingly reduced. Impairment in this respect amounts to NOK 221 million for 2008.

NOTE 10 OPERATING LEASES

The group is the lessor of investment properties. The future minimum annual rent payments receivable under non-cancellable operating leases are as follows:

(Amounts in NOK 1 000)	**2008**	2007
Within one year	**1 661 624**	1 689 173
Later than one and less than five years	**5 425 350**	5 913 511
Later than five years	**5 260 584**	6 300 014
Total	**12 347 558**	13 902 698

The figures presented above relate to contract values for the following year (not index adjusted) for leases entered into at 31 December.

NOTE 11 FINANCIAL INSTRUMENTS

(Amounts in NOK 1 000)

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

At 31 December 2008	Financial instruments at fair value through profit or loss	Derivative instruments in designated hedge accounting relationships	Loans and recivables	Other financial liabilities	Other items	Total[1]
Financial assets						
Non-current derivatives	-	37 333	-	-	-	37 333
Shares and interests	2 014	-	-	-	-	2 014
Non-current receivables	-	-	11 192	-	-	11 192
Current derivatives	127 475	-	-	-	-	127 475
Current receivables[2]	-	-	278 738	-	87 283	366 021
Cash and cash equivalents	-	-	174 220	-	-	174 220
Financial liabilities	-	-	-	-	-	
Non-current derivatives	-	106 272	-		-	106 272
Non-current interest-bearing debt	-	-	-	21 021 975	-	21 021 975
Current derivatives	689 854	-	-		-	689 854
Current interest-bearing debt	-	-	-	818 611	-	818 611
Current liabilities[2]	-	-	-	510 453	212 502	722 955
Profit/(loss) related to financial instruments	-	-	-	-	-	
Rental income	-	-		(6 200)	1 872 974	1 866 774
Operating costs	-	-	(709)	-	(283 004)	(283 713)
Financial income	-	-	26 627	-	-	26 627
Financial expenses	-	-	-	(1 353 046)	-	(1 353 046)
Change in market value of financial derivative instruments	(1 201 439)	-	-	-	-	(1 201 439)
Gain/(loss) accounted for against equity	-	-	-	-	-	
Accounted for against equity, before tax	-	(81 118)	-	-	-	(81 118)

At 31 December 2007	Financial instruments at fair value through profit or loss	Derivative instruments in designated hedge accounting relationships	Loans and recivables	Other financial liabilities	Other items	Total[1]
Financial assets						
Non-current derivatives	-	9 550	-	-	-	9 550
Shares and interests	1 623	-	-	-	-	1 623
Non-current receivables	-	-	1 575	-	-	1 575
Current derivatives	678 673	-	-	-	-	678 673
Seller guarantees for future rent	-	-	-	6 200	-	6 200
Current receivables[2]	-	-	284 054	-	83 095	367 149
Cash and cash equivalents	-	-	635 476	-	-	635 476
Financial liabilities	-	-	-	-	-	
Non-current interest-bearing debt	-	-	-	21 733 946	-	21 733 946
Current derivatives	26 075	-	-	-	-	26 075
Current interest-bearing debt	-	-	-	1 498 193	-	1 498 193
Interest-bearing liability to acquire shares in subsidiaries	-	-	-	1 595 837	-	1 595 837
Current liabilities[2]	-	-	-	495 718	179 648	675 366
Profit/(loss) related to financial instruments	-	-	-	-	-	
Rental income	-	-	-	(15 000)	1 210 686	1 195 686
Operating cost	-	-	207	-	(159 574)	(159 367)
Financial income	-	-	67 972	-	-	67 972
Financial cost	-	-	-	(958 863)	-	(958 863)
Change in market value of financial derivative instruments	276 749	-	-	-	-	276 749
Gain/(loss) accounted for against equity	-	-	-	-	-	-
Accounted for against equity, before tax	-	(95 676)	-	-	-	(95 676)

[1] Accounting lines not specified in the table above but included in the group's financial statement do not contain financial instruments. The book value of financial instruments in the group's balance sheet is assumed to represent fair value.
[2] Other items under current receivables include prepaid expenses, and other items under current liabilities include prepaid rental income.

NOTE 12 DERIVATIVES

(All amounts in NOK 1 000 or EUR, SEK or DKK 1 000 where specified)

Specification of derivatives in the financial statement

The group is subject to interest rate risk related to floating-rate loans. As described in note 3, the policy for Norwegian Property is to hedge a minimum of 70 per cent of floating rate loans outstanding. The corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of floating rate loans outstanding.

Norgani Hotels enters to a limited extent into hedging contracts to reduce its net asset exposure in foreign currencies (see note 3). Hedging of net investment in foreign subsidiaries is generally achieved through borrowing in the various currencies. The general policy for Norgani Hotels is to hedge 70 per cent of the net exposure at any time, and the hedging ratio will never deviate by more than 20 percentage points from this baseline. That exposes the segment to limited foreign exchange risk. Norwegian Property use foreign exchange swaps to limit the risk related to rental income in foreign currencies (see note 3).

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

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
Interest-rate contracts, included as hedge accounting	**37 333**	-	9 550	-
Exchange-rate contracts, included as hedge accounting	-	**106 272**	-	-
Interest-rate contracts, not included as hedge accounting	**35 972**	**590 879**	664 663	11 541
Exchange-rate contracts, not included as hedge accounting	**91 503**	**79 026**	14 009	14 533
Net obligation to acquire investment property (see note 7)	-	**19 949**	-	-
Book value of derivatives	**164 808**	**796 126**	688 222	26 074
Derivatives, long-term assets/liabilities				
Interest-rate/exchange-rate contracts, included as hedge accounting	**37 333**	**106 272**	9 550	-
Derivatives, current assets/liabilities	**127 475**	**689 854**	678 672	26 074
Net financial derivatives in the balance sheet		**(631 318)**	662 148	

Financial derivative contracts which do not qualify for hedge accounting are classified as current assets or liabilities. 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. No inefficiencies related to hedge accounting were accounted for in 2008 and 2007.

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

	2008	2007
Net book value of derivatives, 1 January	**662 148**	270 917
Addition and changes in fair value, contracts not included as hedge accounting	**(92 027)**	9 550
Contracts no longer qualifying for hedge accounting (see below)	-	(105 102)
Addition, contracts not included as hedge accounting from business combinations	-	210 034
Net addition of financial derivatives during the year	**(92 027)**	114 482
Net fair value adjustments of derivatives during the year	**(1 201 439)**	171 647
Derivatives no longer qualifying for hedge accounting to profit and loss	-	105 102
Net fair value adjustments of derivatives during the year	**(1 201 439)**	276 749
Net book value of derivatives, 31 December	**(631 318)**	662 148

Interest rate derivatives

A specification of principal notional amounts per business segment and currency for the group's interest rate derivatives at 31 December is provided below. All group interest rate derivatives are cash flow hedges. Their maturity is specified in note 3.

	Currency	**2008 Notional principal amount**	2007 Notional principal amount
Commercial properties	NOK	**(386 000)**	(386 000)
Interest rate swaps included as hedge accounting	NOK	**(386 000)**	(386 000)
Commercial properties	NOK	**11 663 308**	11 475 000
Commercial properties	EUR	**25 467**	25 467
Hotel	NOK	**1 750 000**	1 450 000
Hotel	SEK	**2 600 000**	1 800 000
Hotel	EUR	**249 500**	212 500
Interest rate swaps not included as hedge accounting	NOK	**18 486 785**	16 342 819
Total interest rate swaps	NOK	**18 100 785**	15 956 819
Interest rate options, commercial properties	NOK	**-**	400 000

Floating rates are three-month Nibor with the exception of the EUR and SEK swaps, where the floating rate is three-month Euribor/Stibor. Gains and losses related to derivative contracts which do not qualify for hedge accounting are realised within the profit and loss account until such time as the underlying hedged loan is fully repaid. Gains and losses related to contracts qualifying for hedge accounting are accounted for within the hedging reserve in equity until such time as the underlying hedged loans are fully repaid.

Foreign exchange derivatives

A specification of principal notional amounts per business segment and currency for the group's exchange rate derivatives at 31 December is provided below. All exchange-rate derivatives related to commercial properties are cash flow hedges, and all exchange-rate derivatives related to hotels are net investment hedges. The maturity is specified in note 3.

	Currency	2008 Notional principal amount	2007 Notional principal amount
Commercial properties	NOK	**244 811**	219 635
Commercial properties	EUR	**(44 539)**	(28 851)
Hotels	NOK	-	432 129
Hotels	SEK	**(640 660)**	(390 660)
Hotels	EUR	**(37 434)**	(12 434)
Hotels	DKK	**(60 000)**	-
Total currency forwards/swaps	NOK	**244 811**	651 764
Total currency forwards/swaps	SEK	**(640 660)**	(390 660)
Total currency forwards/swaps	EUR	**(81 973)**	(41 285)
Total currency forwards/swaps	DKK	**(60 000)**	-

NOTE 13 CURRENT RECEIVABLES

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

(Amounts in NOK 1 000)	2008	2007
Accounts receivable	**172 125**	186 369
Provision for impairment of receivables	-	-
Net accounts receivable	**172 125**	186 369
Other current receivables[1]	**193 896**	180 780
Total current receivables	**366 021**	367 149

[1] *Related mainly to accrued income/deferred cost and accrued interest on hedging instruments.*

No material legal claims or disputes over services and/or maintenance charges have been raised against the group at the date of this report.

NOTE 14 SHARE CAPITAL AND SHAREHOLDERS

The tables below specify changes in the share capital since the incorporation of Norwegian Property ASA, the average number of shares for the past two years, the largest shareholders and shares owned directors and senior executives at 31 December 2008.

Changes in share capital and average number of shares

Date	Type of change	Changes in share capital *(NOK)*	Share capital after change *(NOK)*	No of shares after change	Nominal 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**	
17-06-08	Private placement	2 403 846 150	5 040 885 400	201 635 416	25.00	26.00
31-12-08			**5 040 885 400**	**201 635 416**	**25.00**	

	2008	2007
Average number of shares *(1 000)*	**157 236**	103 798
Number of shares issued at 31 December *(1 000)*	**201 635**	105 482

Principal shareholders at 31 December 2008

Principal shareholders	Country	Number of shares	Per cent share
AWilhelmsen Capital AS	NOR	23 254 334	11.53
Canica AS	NOR	9 246 467	4.59
Deutsche Bank AG London	GBR	9 026 994	4.48
BGL	LUX	8 796 924	4.36
Credit Suisse Securities	GBR	7 955 885	3.95
Fram Realinvest AS	NOR	7 250 700	3.60
Fram Holding AS	NOR	7 250 700	3.60
Trondheim Kommunale Pensjonskasse	NOR	6 199 700	3.07
Vital Forsikring ASA	NOR	6 089 907	3.02
Bank Of New York, Brussels Branch	BLE	5 805 945	2.88
Aweco Invest AS	NOR	5 486 765	2.72
SEB Enskilda ASA	NOR	4 839 699	2.40
Bank Of New York Mellon	USA	4 475 027	2.22
FGCS NV RE Treaty	NLD	3 954 666	1.96
Bank Of New York, Brussels Branch	BLE	3 950 150	1.96
Bank Of New York, Brussels Branch	BLE	3 934 381	1.95
Wenaasgruppen AS	NOR	3 683 219	1.83
Opplysningsvesenets Fond	NOR	2 962 731	1.47
Skagen Vekst	NOR	2 893 000	1.43
Goldman Sachs Int. Equity	GBR	2 695 048	1.34
Other		71 883 174	35.65
Total number of shares at 31 December 2008		**201 635 416**	**100.00**

Shares held by directors and senior executives at 31 December 2008

Shareholder	Number of shares
Board of directors	
Tormod Hermansen (chair)	-
Harald Grimsrud (deputy chair)	-
Gry Mølleskog	-
Nils K Selte	250 000
Synne Syrrist	-
Senior executives	
Petter Jansen, president and CEO	75 000
Dag Fladby, vice president and CIO	4 000
Svein Hov Skjelle, vice president and CFO[1]	5 000
Aili Klami, vice president and COO	-
Roar Ingdal, vice president and CEO, Norgani Hotels	-
Shares held by directors and senior executives at 31 Dec 2008	**334 000**

[1] *Vice president and CFO until 28 February 2009.*

NOTE 15 OTHER CURRENT LIABILITIES

Other current liabilities in the balance sheet are specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Public dues	**71 629**	43 224
Accrued salaries	**6 916**	10 667
Accrued interest	**312 047**	184 725
Deferred income	**212 502**	179 648
Other payables	**90 429**	213 015
Total other current liabilities	**693 523**	631 279

NOTE 16 INTEREST-BEARING DEBT

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

	Commercial properties 2008	Hotels 2008	Total 2008	Acquisition financing (Oslo Properties) 2008	Total incl acquisition financing 2008	Total 2007
Total interest-bearing debt at face value *(NOK 1 000)*	13 006 308	7 201 415	**20 207 723**	1 670 805	**21 878 528**	24 864 519
– Of which hedged *(NOK 1 000)*	11 915 000	6 572 000	**18 487 000**		**18 487 000**	16 343 000
Hedging ratio, excluding cash and cash equivalents *(per cent)*	92	91	**91**		**84**	66
Cash and cash equivalents *(NOK 1 000)*	153 223	16 915	**170 138**	4 082	**174 220**	635 476
Effective hedging ratio, including cash *(per cent)*	93	91	**92**		**85**	67
Committed unused credit facilities *(NOK 1 000)*	466 000	55 000	**521 000**		**521 000**	290 000
Average interest, including margin *(per cent)*	5.31	6.02	**5.56**	9.23	**5.84**	5.76
Average margin *(per cent)*	0.57	1.08	**0.75**	1.50	**0.81**	0.76
Average remaining duration, borrowings *(years)*	4.3	3.7	**4.1**	1.8	**3.9**	4.6
Average remaining duration, hedging contracts *(years)*	4.8	3.7	**4.5**		**4.5**	5.1

Group interest-bearing long-term and current debt at 31 December is specified by business area, type of debt and currency in the table below.

		2008			2007		
(Amounts in NOK 1 000)	**Currency**	**Non-current**	**Current**	**Total**	Non-current	Current	Total
Bank borrowings	NOK	**10 985 629**	**187 790**	**11 173 419**	11 157 041	635 578	11 792 619
Bank borrowings	EUR	**31 308**	**485**	**31 794**	31 894	364	32 258
Bonds	NOK	**1 511 000**	-	**1 511 000**	2 682 350	-	2 682 350
Other borrowings	NOK	**7 500**	-	**7 500**	7 500	158 361	165 861
Total commercial properties	**NOK**	**12 813 721**	**192 587**	**13 006 308**	14 101 563	796 846	14 898 409
Bank borrowings	NOK	**1 512 265**	**22 380**	**1 534 645**	1 411 450	139 980	1 551 430
Certificate borrowings	NOK	-	-	-	-	100 000	100 000
Bank borrowings	SEK	**2 608 637**	**615 091**	**3 223 728**	2 711 828	555 435	3 267 263
Bank borrowings	EUR	**239 047**	**4 980**	**244 027**	248 954	-	248 954
Bank borrowings	DKK	**247 699**	**4 311**	**252 010**	255 303	-	255 303
Total hotel	**NOK**	**6 567 062**	**634 353**	**7 201 415**	5 960 597	709 676	6 670 273
Bank borrowings Oslo Properties/ acquisition financing[1]	NOK	**1 670 805**	-	**1 670 805**	1 700 000	1 595 837	3 295 837
Total interest-bearing debt	**NOK**	**21 051 588**	**826 940**	**21 878 528**	21 762 160	3 102 359	24 864 519
Capitalised borrowing cost	NOK	**(29 613)**	**(8 329)**	**(37 942)**	(28 213)	(8 329)	(36 542)
Total book value interest-bearing debt	**NOK**	**21 021 975**	**818 611**	**21 840 586**	21 733 947	3 094 030	24 827 977

[1] *Including Norwegian Property ASA's liability related to put/call option agreements to acquire shares in Oslo Properties AS in 2007, in addition to the NOK 1 700 million acquisition financing. The discounted value of the put/call liability, including interest, was NOK 1 595.8 million at 31 December 2007.*

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

	2008				2007			
(Amounts in NOK 1 000)	**Commercial properties**	**Hotels**	**Oslo Properties/ acquisition financing**	**Total**	Commercial properties	Hotels	Oslo Properties / acquisition financing	Total
Between 1-2 years (2010 and 2011/2009 and 2010)	**646 933**	-	**1 670 805**	**2 317 738**	678 780	-	1 700 000	2 378 780
Between 2-5 years (2012, 2013 and 2014/2011, 2012 and 2013)	**11 441 629**	**5 591 401**	-	**17 033 030**	11 393 305	5 029 022	-	16 422 327
More than 5 years (after 2014/after 2013)	**725 158**	**975 661**	-	**1 700 819**	2 029 478	931 575	-	2 961 053
Total	**12 813 721**	**6 567 062**	**1 670 805**	**21 051 588**	14 101 563	5 960 597	1 700 000	21 762 160

Book value of group assets pledged as security at 31 December is specified in the table below.

(Amounts in NOK 1 000)	**2008**	2007
Investment property	**27 312 567**	31 113 889
Receivables	**366 021**	373 349
Cash and cash equivalents	**174 220**	635 476
Total	**27 852 808**	32 122 714
Liabilities secured	**21 878 528**	23 102 821

Assets owned by limited liability partnerships are only pledged as security for the group's own borrowings.

Interest-bearing debt for commercial properties
Norwegian Property ASA issued three tranches of bonds, totalling NOK 1 511 million, in the Norwegian capital markets in March 2007. These tranches have a tenor of five years and three years respectively. Four properties are pledged as first-priority security for these borrowings.

In February 2008, the NOK 9.6 billion borrowing facility for Norwegian Property Holding AS and the NOK 1.4 billion revolving credit facility for Norwegian Property ASA were refinanced with a NOK 11 billion facility in Norwegian Property Holding AS, of which NOK 1 billion is a revolving credit facility. The available amount under the facility has been reduced by ordinary installments and sale of properties by Norwegian Property Holding AS. At 31 December 2008, after installments and the closure of property sales during the year, the remaining available loan/credit amount under the facility is NOK 10 186 million. NOK 466 million of the facility was undrawn at 31 December.

Group commercial property subsidiaries had additional borrowings of NOK 1 775 million at 31 December 2008.

The main terms of the facilities for the commercial properties portfolio are:

- *Interest:* Nibor + margin
- Interest rate hedging: minimum 70 per cent for the commercial property portfolio.
- *Financial covenants:* the group must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. Senior interest cover of at least 1.4 (1.5 from the third quarter of 2009) and a LTV ratio of 85 per cent were agreed at 31 December 2008.
- Instalments are based on the LTV level.
- *Other covenants:* negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change-of-control clause.
- Security: the facilities are secured by pledges on properties. The main facility is also secured by first-priority pledges on the subsidiaries' shares, properties, accounts receivable, inter-company loans and the group's bank accounts. Subsidiaries are guarantees for the facilities. No bank guaranties of significant size have been issued on the parent company's behalf.

Interest-bearing debt for hotels
The financing of Norgani Hotels was taken over with the acquisition. Two syndicated borrowing facilities were in place at 31 December 2008 – an EUR 239 million facility and a multiple currency credit facility originally totalling EUR 13 million, DKK 677 million, NOK 1 435 million and SEK 1 840 million. The group has also entered into a SEK 1 150 million financing agreement with Svenska Handelsbanken AB, and a SEK 565 million bilateral loan agreement.

The main terms of the facilities for the hotel portfolio are:
- *Interest:* Nibor/Euribor/Cibor/Stibor + margin.
- *Interest rate hedging:* different minimum levels of interest rate hedging ratios in relation to the various borrowing agreements.
- *Financial covenants:* agreed senior interest cover at 31 December 2008 of at least 1.35 to 2.0 in relation to different agreements, LTV ratio of 85 per cent and an equity ratio of 15 per cent.
- *Other covenants:* negative pledge, restrictions on granting loans, restrictions on acquisitions and a change-of-control clause.
- *Security:* the facilities are secured by pledges on properties, pledges on the subsidiaries' shares, properties, accounts receivable, inter-company loans and the group's bank accounts. Subsidiaries are guarantees for the facilities. No bank guaranties of significant size have been issued on the parent company's behalf.

Interest-bearing debt for Oslo Properties
NOK 1 671 million in acquisition financing for Oslo Properties AS falls due in October 2010, and the main terms are as follows:

- *Interest:* Nibor + margin
- *Interest rate hedging:* minimum 70 per cent (excluding 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 an LTV below 85 per cent and a senior interest cover ratio of at least 1.6.
- *Other covenants:* negative pledge, pari passu, restrictions on granting loans, restrictions related to mergers/demergers and a change-of-control clause.
- Restrictions related to payment of dividend by Oslo Properties, cash flow generated from sale of properties and other cash flow generated by Norgani exceeding certain levels will be used to repay borrowings.
- *Security:* first-priority pledges on all Oslo Properties assets, including the shares in Norgani Hotels and bank accounts, pledges on Norwegian Property ASA's shares in Oslo Properties and guarantee issued on Norwegian Property ASA's behalf.

NOTE 17 DEFERRED TAX

The book value of deferred tax at 31 December is specified in the tables below.

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 where the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

(Amounts in NOK 1 000)	2008	2007
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**750 516**	634 214
Deferred tax assets to be recovered within 12 months	**-**	-
Deferred tax assets	**750 516**	**634 214**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**1 316 011**	2 155 981
Deferred tax liabilities to be recovered within 12 months	**-**	-
Deferred tax liabilities	**1 316 011**	**2 155 981**
Net deferred tax liabilities	**565 495**	1 521 767
Change in the book value of deferred tax for the year is specified as follows:		
At 1 January	**1 521 767**	119 610
Additions from business combinations	**(2 869)**	977 195
Income statement change (see note 21)	**(928 315)**	457 498
Tax on interest rate hedges charged to equity	**7 779**	(26 755)
Tax on issue expenses charged to equity	**(43 154)**	(5 781)
Exchange rates	**10 288**	-
At 31 December[1]	**565 496**	1 521 767

[1] *Deferred tax at 31 December 2008 breaks down by country as follows: Norway NOK 287.9 million (2007: NOK 973 million), Sweden NOK 21.8 million (2007: NOK 157.5 million), Denmark NOK 45.5 million (2007: NOK 67.1 million) and Finland NOK 210.3 million (2007: NOK 324.2 million).*

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

(Amounts in NOK 1 000)	2008	2007
Tax on equity issue expenses	**(107 318)**	(64 165)
Tax on financial derivative instruments charged to equity	**10 453**	2 674
Total deferred tax charged to equity	**(96 865)**	(61 491)

Change in deferred tax assets and deferred tax liabilities:

(Amounts in NOK 1 000)	Deficit carried forward[1]	Buildings	Fair value gain	Total
Total at 31 December 2006	**(53 965)**	**1 539 049**	**50 917**	**1 536 001**
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 at 31 December 2007	**(568 171)**	**3 445 838**	**101 651**	**2 979 318**
Deferred tax liability from purchase of companies	-	(122 360)	-	(122 360)
Deferred tax assets from business combinations	-	-	-	-
Deferred tax liability from business combinations	-	-	-	-
Tax charged to income statement	258 310	(850 223)	(336 403)	(928 315)
Tax charged to equity	(43 154)	-	7 779	(35 375)
Exchange rates	(1 962)	11 899	351	10 288
Total at 31 December 2008	**(354 977)**	**2 485 154**	**(226 622)**	**1 903 556**
Amounts not accounted for owingg to purchase of assets (not a business combination pursuant to IFRS 3)[2]	(12 550)	1 470 101	-	1 457 551
As of 31 December 2007	**(555 621)**	**1 975 737**	**101 651**	**1 521 767**
Amounts not accounted for owing to purchase of assets (not a business combination pursuant to IFRS 3)[2]	(12 550)	1 350 609	-	1 338 059
As of 31 December 2008	**(342 427)**	**1 134 545**	**(226 622)**	**565 496**

[1] *Includes tax assets related to a disputed loss carried forward of SEK 1 645 million in relation to the acquisition of hotels by Norgani Hotels in Sweden during 2005. The Swedish tax authorities have accepted only SEK 1 245 million of the loss in 2007. The remaining loss of SEK 400 million remains to be clarified. Norgani Hotels has appealed all decisions which limit the loss to carry forward. The seller of the hotels has issued guarantees related to the availability of the losses, and Norgani Hotels made a claim of about SEK 130 million against the seller pursuant to this agreement. The group considers that it has no financial risk related to any restrictions for the loss to carry forward.*

[2] *Acquisitions of single-purpose entities owning only one property with no employees, management or recorded procedural 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 on business combinations is not applicable). The deferred income tax is accordingly not accounted for as it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affected neither accounting nor taxable profit or loss.*

NOTE 18 OTHER OPERATING EXPENSES

Other operating expenses (owner-related costs) in the income statement is specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Payroll expenses (see note 19)	**56 769**	34 008
Depreciation	**2 141**	766
Other expenses	**72 652**	43 170
Total other operating expenses	**131 562**	77 943

NOTE 19 PAYROLL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVS AND THE AUDITOR

(Amounts in NOK 1 000)

Payroll expenses, including pension costs (pension obligation) and remuneration of directors, senior executives and the auditor, are specified in the tables below.

Payroll expenses

Payroll expenses for the year are specified as follows:

	2008	2007
Pay and other remuneration	**40 230**	24 122
Social security costs	**6 765**	4 036
Pension costs	**5 538**	5 389
Other payroll expenses	**4 236**	460
Total payroll expenses	**56 769**	34 008
Employees at 31 December	**37**	33
Number of full-time equivalent positions at 31 December	**37**	33
Average number of employees	**35**	16

Pension cost and pension obligation

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA and Norgani Hotels AS must operate certain pension schemes. The companies have schemes which satisfies these requirements. Norwegian Property ASA operates a defined contribution plan for all employees. In addition, the chief executive of Norwegian Property ASA has a defined benefit pension plan. Norgani Hotels AS, including subsidiaries, operates a defined contribution plan for all new employees. Five employees are part of a former defined contribution plan in Norway. Pension costs for the year are specified as follows:

	2008	2007
Pension earnings (service cost) for the period	**3 051**	4 875
Interest cost of pension obligation	**304**	121
Return on plan assets	**(59)**	(8)
Administration costs	**40**	10
Changes in employer's national insurance contributions	**39**	-
Pension cost, benefit plans	**3 374**	4 999
Pension cost, contribution plans	**2 164**	391
Total pension cost	**5 538**	**5 389**

Pension obligations for defined benefit plans are specified as follows at 31 December:

	2008	2007
Present value of pension obligations	**10 896**	6 458
Pension assets at market value[1]	**(871)**	(776)
Net pension obligation	**10 025**	5 681
Deferred effect of actuarial and financial gains and losses	**(1 847)**	(297)
Employer's national insurance contributions	**104**	85
Pension obligation recognised in the balance sheet at 31 December	**8 282**	5 470

[1] *Pension assets at market value are not specified for different categories of assets, since the group's pension obligations are fully insured with two insurance companies.*

Change in pension obligations for defined benefit plans for the year is specified as follows:

	2008	2007
At 1 January	**5 469**	-
Changes from business combinations	**-**	624
Total pension cost, see above	**3 374**	4 999
Premium paid	**(561)**	(153)
At 31 December	**8 282**	**5 470**

Financial assumptions for defined benefit plans:

	2008	2007
Discount rate *(per cent)*	**4.30**	4.70
Expected return on plan assets *(per cent)*	**6.30**	5.75
Annual pay increases *(per cent)*	**4.50**	4.50
Adjustment of NI base amount *(per cent)*	**4.25**	4.50
Pension increases *(per cent)*	**2.00**	2.00

Remuneration of senior executives for 2008

Executive management:

Name	Title	Salary[1]	Bonuses[2]	Other benefits	Pension benefit earned
Petter Jansen[3]	President and CEO	3 675	-	149	2 314
Svein Hov Skjelle[4]	Vice president and CFO	1 807	320	80	52
Dag Fladby[3]	Vice president and CIO	2 181	570	144	52
Aili Klami	Vice president and COO	1 323	260	20	52
Roar Ingdal	Vice pres and CEO, Norgani Hotels	1 822	280	90	35
Total		**10 808**	**1 430**	**483**	**2 505**

[1] *Paid in 2008 after deducting bonuses earned for 2007, included in the amounts for 2007 as follows: 1 500 for Jansen, 345 for Skjelle, 516 for Fladby and 236 for Klami.*

[2] *Bonuses for 2008 to be paid in 2009, confirmed before the preparation of the annual accounts for 2008.*

[3] *In the event that their employment with Norwegian Property ASA is terminated, these employees are entitled six months salary as severance pay.*

[4] *Vice president and CFO until the end of February 2009.*

The president and CEO is additionally entitled to a bonus up to 50 per cent of his annual base salary. The rest of the executive management are entitled to receive a bonus of up to 30 per cent oftheir annual base salary. Mr Jansen will be entitled to an annual pension of NOK 2 million between the ages of 62 and 67, assuming that full pension rights are earned. The group is also obliged to enter into a pension arrangement after Mr Jansen reaches the age of 67 which, together with accumulated paid-up pension entitlements, will constitute 66 per cent of his annual salary.

Board of directors:

An extraordinary general meeting on 19 December 2008 elected a new board of directors for the parent company. As presently constituted, the board consists of Tormod Hermansen (chair), Harald Grimsrud, Nils K Selte, Synne Syrrist and Gry Mølleskog. Directors' fees specified below relate to former directors for 2008. This remuneration is calculated on the basis of decisions made by the extraordinary general meeting of 4 October 2006 concerning the principles for remunerating directors.

Name	Fees
Widar Salbuvik (chair from May to December 2008)	467
Hans Herman Horn (deputy chair from July to December 2008)	83
Jostein Devold (director until December 2008)	200
Anne Birgitte Fossum (director until December 2008)	200
Helene Jebsen Anker (director from July to December 2008)	83
Torstein I. Tvenge (director until December 2008)	200
Hilde Vatne (director from July to December 2008)	83
Knut Brundtland (chair until May 2008)	167
Hege Bømark (director until July 2008)	117
Thorild Widvey (director from May to July 2008)	33
Total	**1 633**

Declaration on management remuneration

This declaration relates to remuneration received by senior executives for work performed in connection with their employment in the group. The group will seek to have a management which can safeguard shareholder interests in the best possible manner at all times. To achieve this, the group must offer competitive terms as part of a total compensation package.

1. Principles for base salary
Senior executives will receive a competitive base annual salary, which will be determined by the individual's responsibilities and level of expertise.

2. Principles for bonus payments
Senior executives can also receive variable bonus payments. These are determined by the individual's own performance in achieving key targets for the group as a whole, for a specific function or for a subsidiary in which the individual is employed. These targets may comprise the attainment of various performance improvements or financial criteria, including the development of the group's share price. Such criteria can be set by the board for the chief executive, and by the chief executive for other senior executives. Targets should as far as possible be measurable. Bonus payment will not exceed 50 per cent of the chief executive's annual salary or 30 per cent of annual base salary for other senior executives.

3. Principles for non-cash benefits
Senior executives will be offered certain non-cash benefits, such as company car, insurance and pension arrangements. The group will also provide these employees with home and mobile phones, in addition to covering the cost of newspaper subscriptions in order to ensure that they are available to the group. Senior executives are entitled to participate in a defined contribution pension scheme. The terms of such schemes can verify from employee to employee. The chief executive has a personal pension plan which entitles him to retire at the age of 62 with an annual pension of NOK 2 million until reaching the age of 67. Upon reaching the latter age, he will receive 66 per cent of his base salary per annum when accumulated paid-up pension policies are taken into account.
The group currently has no option programmes for employees.

4. Pay guarantee schemes
Two senior executives had agreements with the group at 31 December for severance pay after the termination of their employment. The pperiod of notice is six months. Severance pay can be given to senior executives in special cases. The chair musat approve any agreement to award severance pay to an employee who does not have such an entitlement in their contract of employment.

5. Information on preparatory and decision-making processes
The board determines the annual pay terms for the chief executive at a meeting.
The board prepares annual guidlines to support its recommendation, which is presented to shareholders at the annual general meeting for ratification in accordance with the section 5-6 Public Limitid Liabilities Companies Act.

Auditor's fee for 2008

Deloitte is the auditor for all Norwegian Property group companies as well as for 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
Statutory audit	**1 935**	3 377
Other certification services	**125**	57
Tax/VAT advice fees	**32**	143
Other non-audit services	**292**	50
Total	**2 384**	**3 627**

The auditor's fee is net of VAT.

NOTE 20 NET FINANCIAL EXPENSES

Net financial expenses are specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Interest income (loans and receivables)	**22 650**	58 669
Foreign currency gains (loans and receivables)	**3 887**	9 111
Other financial income (loans and receivables)	**90**	191
Total financial income	**26 627**	67 972
Interest costs (loans and receivables)	**(1 211 476)**	(803 593)
Foreign currency loss (loans and receivables)	**(59 506)**	(131)
Other financial expenses (loans and receivables)[1]	**(82 064)**	(155 140)
Total financial expenses	**(1 353 046)**	(958 864)
Change in market value of financial derivative instruments (fair value through profit and loss)	**(1 201 439)**	276 749
Net financial expenses	**(2 527 858)**	(614 143)

[1] *Other financial expenses for 2008 include NOK 61.4 million related to the obligation to acquire shares in Olso Properties AS, see note 25 (2007: NOK 22.8 million). Other financial expenses for 2007 include costs of about NOK 114 million in connection with refinancing borrowing facilities. There were no substantial items of this kind in 2008.*

NOTE 21 INCOME TAX EXPENSE

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

(Amounts in NOK 1 000)	2008	2007
Tax payable	**121**	3 238
Deferred tax (see note 17)	**(928 315)**	457 498
Income tax expense	**(928 194)**	460 736
Profit before tax:	**(5 118 905)**	1 650 595
Tax calculated at a rate of 28 per cent	**(1 433 293)**	462 167
Deferred tax asset not capitalised[1]	**473 476**	-
No calculation of tax on impairment of goodwill	**61 871**	-
Income not subject to tax/expenses not deductible for tax purposes	**(30 247)**	(2 784)
Corrections related to tax payable in previous years	**-**	1 353
Income tax expense	**(928 194)**	460 736

[1] *Related mainly to deferred tax asset on investment properties not capitalised when fair value exceeds the tax basis but is lower than the group acquisition cost.*

NOTE 22 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.

	2008	2007
Net profit attributable to shareholders *(NOK 1 000)*	**(4 058 389)**	1 185 030
Weighted average number of ordinary shares outstanding *(1 000)*	**157 236**	103 798
Basic earnings per share *(NOK per share)*	**(25.81)**	11.42

Norwegian Property has not issued options or other financial instruments which would dilute the issued share capital. The group has not bought back any of its own shares. Diluted earnings per share are therefore the same as basic earnings per share.

NOTE 23 DIVIDEND PER SHARE AND DIVIDEND POLICY

Norwegian Property ASA aims to pay an annual dividend which is competitive for the property sector, and dividends will be proposed by the board of directors inperiods when the financial results permit the distribution of a cash dividend.
Norwegian Property ASA had no free equity at 31 December 2008 available for distribution as an ordinary dividend.

NOTE 24 RELATED-PARTIES

General

Related-parties exercises significant influence on or control over the group's strategy or operational choices. The opportunity to influence another party is normally achieved through ownership, through participation in the group's decision-making bodies and executive management, or through agreements such as loan or management agreements or customer and supplier relationships.
Norwegian Property ASA is not directly controlled or dominated by any specific shareholder. The Anders Wilhelmsen group controlled a total of 15 per cent of the shares at 31 December 2008 through AWilhelmsen Capital AS (11.5 per cent), Aweco invest AS (2.7 per cent) and Miami AS (0.8 per cent). The Anders Wilhelmsen group is represented on the board of Norwegian Property ASA by Harald Grimsrud from December 2008 (formerly by Jostein Devold). Canica AS controlled a total of 4.6 per cent of the shares at 31 December 2008, and is represented on the board by Nils K Selte from December 2008. Torstein Tvenge and his family controlled 7.2 per cent at 31 December 2008 through Fram Holding AS (3.6 per cent) and Fram Realinvest AS (3.6 per cent). Mr Tvenge was a director of Norwegian Property ASA until December 2008.
Financial considerations related to the directors and senior executives are described in notes 14 and 19. Since Norwegian Property was incorporated, four main categories of transactions have occurred between related-parties and the group:

- property transactions where shares in Norwegian Property ASA form part or all of the consideration paid to the seller
- facility management agreements
- leases with shareholders
- interest payments and management charges from the parent company to subsidiaries

Property transactions

Companies which have sold properties to Norwegian Property and accepted part payment in the form of new shares issued by Norwegian Property ASA are considered to be close associates.

2008
No shares were issued as consideration for property transactions.
Pareto PE AS (syndicate), part of the Pareto goup, received shares in Norwegian Property ASA as part of the consideration for property transactions when Norwegian Property was incorporated in 2006. Pareto PE AS acquired Magnus Poulssonsvei 7 (from Norwegian Property Holding AS), Forskningsveien 2 (from Norwegian Property ASA) and Østre Akervei 20/22 (from Norwegian Property Nydalen AS) for a total of NOK 948 million in 2008.

2007
No property transactions with close associates are carried out in 2007, and shares were not issued as consideration for property transactions.
In connection with the takeover of Oslo Properties/Norgani Hotels in 2007 (see note 25), the Anders Wilhelmsen group became a shareholder of Oslo Properties AS with a holding of 6.5 per cent. Norwegian Property acquired this shareholding for NOK 141 million in 2008.

Facility management agreements (property management contracts)

Norwegian Property ASA entered into an agreement with NEAS in 2008 on management and operation of the majority of the portfolio of commercial properties. Under the agreement, NEAS assumed responsibility for management and day-to-day operation of the office properties from 1 April 2008. The agreement means that the group's future property costs for the relevant properties will be locked for the duration of the contract at a level 10-12 per cent below the level prevailing at the time the agreement was entered into, without a corresponding reduction in the scope or quality of the work. The agreement also permits NEAS to offer more and better services to the tenants. The purpose of the agreement for Norwegian Property's part is to industrialise facility management by achieving economies of scale along the management chain and by enhancing the quality of the rental product. The agreement with NEAS runs for six years, with options for further extensions. NEAS recevied in the order of NOK 33 million for management and operation services in 2008.

Pareto Investor Service AS, part of the Pareto group, provided administrative services to subsidiaries of Norwegian Property ASA for a total fee of NOK 2.2 million in 2008.

A separate four-year management agreement, covering both operation and maintenance and commercial aspects, was concluded in 2006 with Linstow Eiendom AS. The latter is owned by the Anders Wilhelmsen group through two subsidiaries. Until the end of 2008, Linstow also managed the Middelthunsgate 17 and Ibsenkvartalet properties. Linstow received a compensation of NOK 6.6 million from subsidiaries of Norwegian Property ASA for these services in 2008.

Leases

Linstow Eiendom AS (Anders Wilhelmsen group) is a tenant at Aker Brygge and, as described above, also a shareholder of Norwegian Property ASA. Rent paid to subsidiaries of Norwegian Property ASA amounted to NOK 4.3 million in 2008.

Charging of interest and management fees to subsidiaries

Group subsidiaries are charged interest corresponding to their share of total group financial costs. In addition, subsidiaries are charged for a share of administration expenses incurred by the holding/parent company which are assumed not to related to owner costs.

NOTE 25 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITIES

The acquisition of Oslo Properties/Norgani Hotels AS in 2007 was treated as a business combination pursuant to IFRS 3. All previous acquisitions made by the group since its incorporation in 2006 have involved the purchase of single-purpose entities.

Norwegian Property owned 17.5 per cent of the shares in Oslo Properties at 31 December 2007 and had put/call option agreements to acquire an additional 75.8 per cent of the shares. Oslo Properties owned all the shares in the Norgani Hotels AS group at 31 December 2007. For accounting purposes, it was assumed that Norwegian Property ASA controlled Oslo Properties AS. Oslo Properties/Norgani Hotels have been consolidated in the Norwegian Property ASA group from 24 September 2007.

The discounted value of the put/call obligation, including interest, to acquire shares in Oslo Properties has been treated as a current liability from the date of in the group's balance sheet. Norwegian Property ASA acquired all the shares in 2008 under the put/call option agreements. The carried amount of the liability at the strike date was NOK 1 661.9 million, and NOK 61.4 million of the liability was charged as an expense under other financial expenses for 2008.

Norwegian Property ASA also acquired the remaining 6.7 per cent of the shares in Oslo Properties in 2008 outside the put/call option agreements (minorities in the group's balance sheet) for a total of NOK 146.4 million. The carried amount of minorities at the acquisition date was NOK 116.7 million, and the transaction yielded a goodwill of NOK 29.8 million. Goodwill related to Oslo Properties/Norgani Hotels increased by an additional NOK 11.8 million in 2008 in connection with the acquisition of shares and subsequent changes in equity at the original date of the takeover. See also note 9 for a specification of changes in goodwill.

NOTE 26 CONTINGENT LIABILITIES

The group has a liability if it is committed to cede financial resources to another party at a future date. A provision is a liability of uncertain timing or amount. A contingent liability is a category of provisions in which the possible obligation depends on the occurrence of some uncertain future event which the group can not fully influence.

Contingent share purchase and guarantee agreement

Norgani Hotels AS has entered into a share purchase agreement with three single-purpose companies established by Fearnley Finans Eiendom ASA (Fearnley) concerning the sale of the Clarion Hotel Copenhagen (Clarion Hotel), Scandic Hotel Hvidovre, Scandic Hotel Kolding and Scandic Hotel Glostrup (Scandic Hotels) hotel properties.

If Fearnley wishes to sell the hotels before 31 December 2009, Norgani Hotels has the right to make a purchase offer. If this offer is not accepted, Fearnley has the right to sell the hotels to a third party on better terms than the Norgani Hotels offer. During the period from 1 January 2010 to 31 December 2012. Fearnley has the right to sell the Clarion Hotel and Scandic Hotels to Norgani Hotels for a price of DKK 299.2 million and DKK 272.2 million respectively (closing, including settlement of transaction purchase price, shall take place 30 days after Fearnley's written notice of execution of the options). Fearnley may also choose to sell the hotels during this period at fair value to one or more third parties. Under given circumstances, Norgani Hotels would in that case have the right of a share of the increase in the value of the hotels.

Norgani Hotels has issued the following guarantees to Fearnley for the period until 31 December 2012:

- that Clarion Hotel will generate a minimum annual rent of DKK 18.2 million (2007 figures, to be indexed every year).
- that Scandic Hotels will generate a minimum annual rent of DKK 24.4 million (2007 figures, to be indexed every year).
- that no investment will be required in the hotels during the guarantee period, with the exception of DKK 10 million related to Scandic Hotels.
- that running expenses for Clarion Hotel during the guarantee period will not exceed 5 per cent of the above-mentioned guaranteed rent.
- that running expenses for Scandic Hotels during the guarantee period will not exceed 18 per cent of the above-mentioned guaranteed rent.

During the guarantee period, Norgani Hotels has undertaken to manage the hotels on behalf of Fearnley through a separate management agreement.

Norgani Hotels has not recognised any liability at 31 December 2008 related to the agreement with Fearnley.

Contingent investment obligation

As part of its ordinary business, the group makes investments to optimise property values and the income base. In connection with a purchase agreement, Norgani Hotels is committed to invest up to SEK 50 million if the operator of the Scandic Alvik hotel wishes by the end of 2010 to build a conference centre in connection with the hotel. This contingent liability is additional to the investment commitments made by Norgani Hotels in connection with the renegotiation of the Scandic leases in 2007. The remaining investment commitment in this case was EUR 3.5 million at 31 December 2008.

NOTE 27 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are favourable or unfavourable occurrences between the balance sheet date and the date the financial statements are approved for publication. Such events can either provide information on conditions which existed at the balance sheet date, with a consequent effect on the accounts at the balance sheet date, or relate to conditions which arose after the balance sheet date without such accounting consequences.

The group has divested the following popperties after the balance sheet date:

Norwegian Property entered into an agreement in February 2009 for the sale of the commercial Drammensveien 144 property in Oslo for a gross amount of NOK 324 million. This transaction was completed on 9 March 2009. The buyer is Arivest AS, a company owned by the Havila Ariel ASA group. Existing external financing for the property will be continued under the new ownership on renegotiated terms. The sale will yield a gain in the consolidated income statement for 2009.

Norgani Hotels entered in February into an agreement on the sale of the Park Inn hotel property (Tollbugata 28) in Oslo to Kristiania Eiendomsforvaltning AS. This hotel is under construction. The value of the property and the obligation to acquire the property at completion are recognised on a net basis as a derivative financial instrument in the balance sheet (see note 7). The sale has been implemented on a par with the carried amount of the financial instrument at 31 December 2008, with the consideration corresponding to the carried amount of the derivative in the balance sheet.

As described in note 7, Norwegian Property has entered into an agreement for the sale of Grev Wedels plass 9 in Oslo in 2008. The property is carried in the balance sheet at its net sale value at 31 December 2008. The agreement was signed in 2008, and the completion of the transaction in January 2009 has not been treated as an event after the balance sheet date.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The board of directors and the chief executive have today reviewed and approved the directors' report and the annual consolidated and parent company[1] financial statements for Norwegian Property ASA at 31 December 2008.

The consolidated financial statements have been prepared in accordance with the IFRS and IFRIC as adopted by the European Union and additional Norwegian disclosure requirements in the Norwegian Accounting Act in force at 31 December 2008. The parent company's financial statements[1] have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles at 31 December 2008. The directors' report for the group and the parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no 16 at 31 December 2008.

To the best of our knowledge:

- the annual parent company[1] and consolidated financial statements for 2008 have been prepared in accordance with applicable accounting standards
- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss as a whole at 31 December 2008 for the group and the parent company
- the directors' report for the group and the parent company includes a true and fair review of:
  - the development and performance of the business and the position of the group and the parent company
  - the principal risks and uncertainties facing the group and the parent company.

Oslo, 18 March 2009
The board of directors of Norwegian Property ASA

Tormod Hermansen Chair	Harald Grimsrud Deputy chair	Gry Mølleskog Director
Nils K. Selte Director	Synne Syrrist Director	Petter Jansen President and CEO

1 Not translated. Available in the Norwegian report only.

AUDITOR'S REPORT

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Appendix 4: Annual report for 2007 with auditors statement

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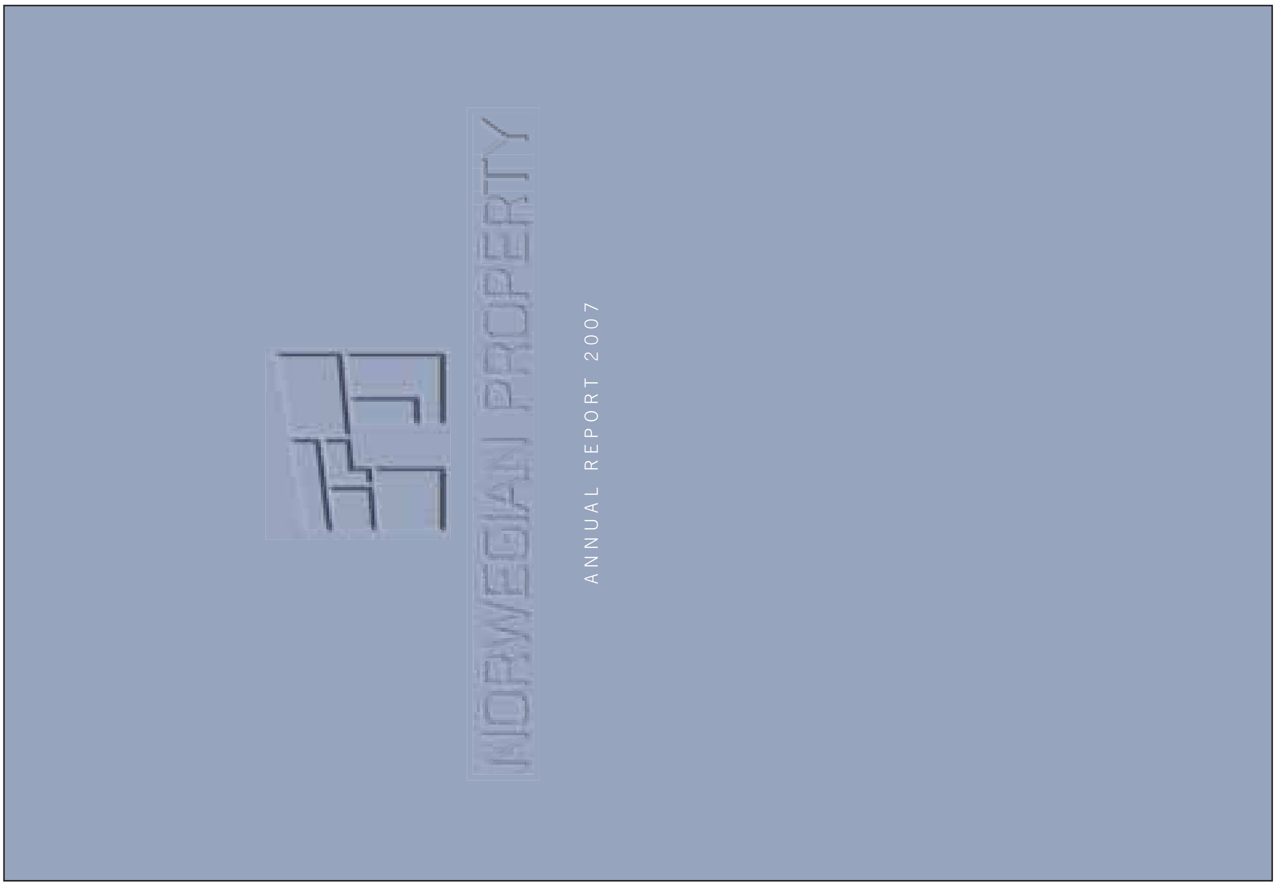
Financial calendar 2008

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.

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).

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.

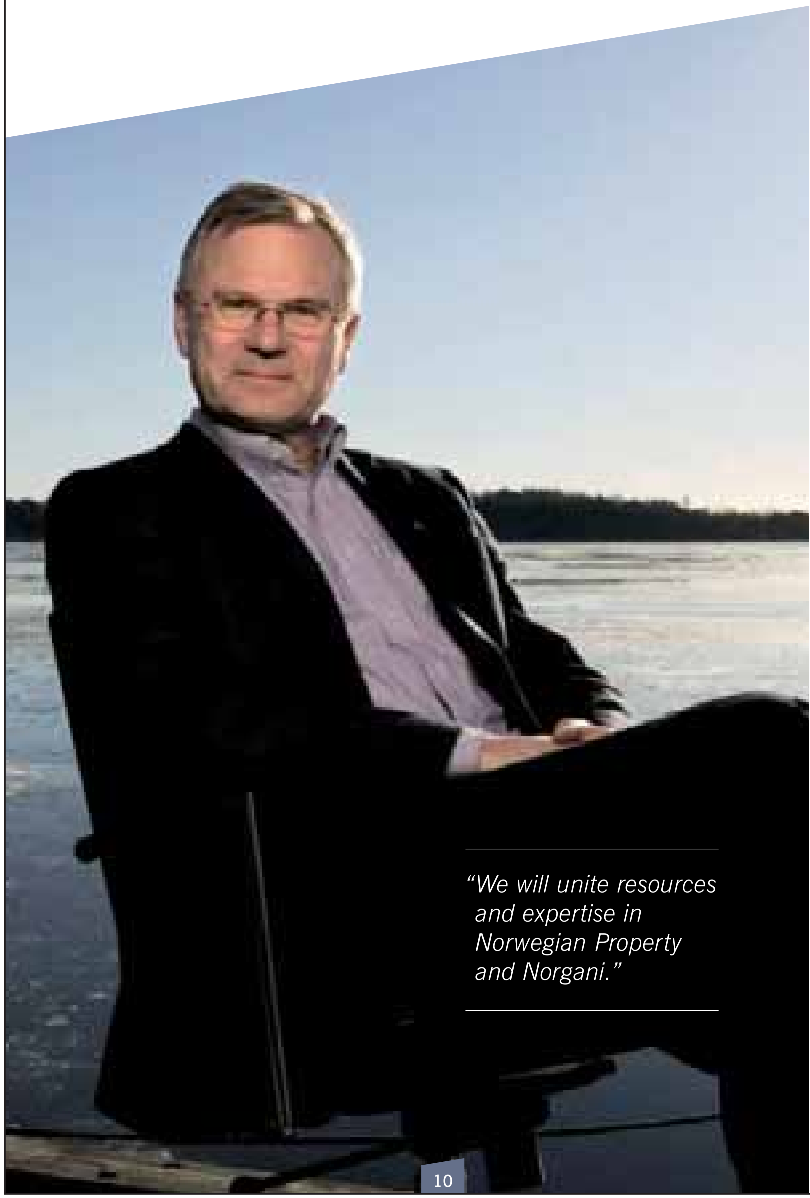
More information about each property can be found in a separate section of this annual report, and on the company's websites at www.npro.no and www.norgani.no.

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:

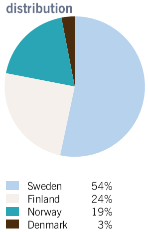
- The goal is to have a well-diversified portfolio of three- and four-star (mid- and up-market segments) hotels, located primarily in Nordic towns with more than 50 000 inhabitants.
- These properties will be mainly fully developed, in attractive locations and with at least 150 rooms.
- Hotel management 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

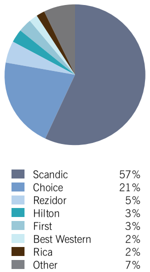
	2007[2]	2006[1]
Number of hotel properties	**74**	73
Total area, square metres	**671 080**	658 417
Total rooms	**12 804**	12 493
Average size per property, square metres	**9 069**	9 019
Average value per hotel room, NOK 1 000	**836**	757
Market value, NOK million	**10 700**	9 452
Gross rental income, 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.

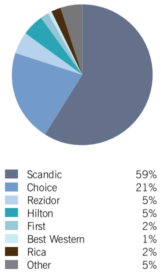
Hotel rooms, geographical distribution



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

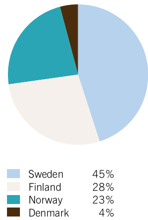
The hotel market has three main players – the owners, the operators and the distributors. In the past, these three roles were usually combined. Increasingly, however, specialists are taking responsibility for their part of the value chain. Norgani has specialised in the hotel owner role. At 31 December 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.

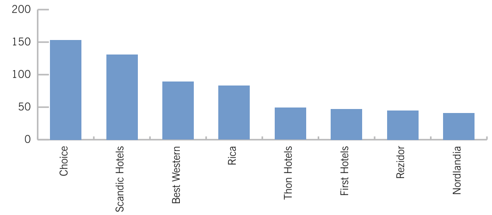
Operators

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

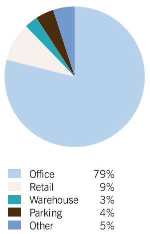
Norwegian Property owned 58 properties at 31 December, including one (Mauritz Kartevoldsplass 1 in Sandnes) covered by a sales agreement. The total area of the remaining 57 properties was 736 391 square metres. The most important key figures for the property portfolio are presented in the table on page 21, which also shows the most important changes compared with the end of 2006. A more

Key figures, commercial property portfolio

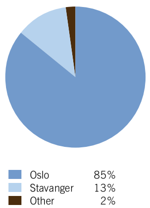
	2007[2]	2006[1]
Number of commercial properties	**57**	55
Total area, square metres	**736 391**	722 542
Average size of properties, square metres	**12 919**	13 137
Average value per square metre, NOK	**28 151**	24 990
Market value, NOK million	**20 730**	18 056
Gross rental income, NOK million[3]	**1 149**	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.

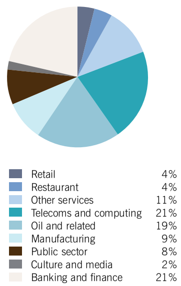
Gross rental income by category



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.

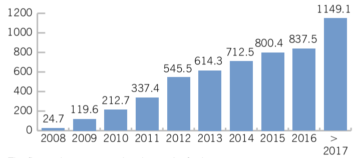
The largest tenants account for 65.5 per cent gross rental income, compared with 64.2 per cent in 2006, and mainly comprise companies with good credit records or public institutions.

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	Properties – Area breakdown, sq.m: Office	Retail/ restaurant	Ware- house	Indoor parking	Other	Total	Rents: Vacancy	CPI adjustment	Duration at 31.12.07	Gross 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.*

Directors' report

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

(Amounts in NOK 1 000)	Equity attributable to shareholders of the company						
	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 31.12.07	Norgani Hotels 31.12.07	Total 31.12.07	Oslo Properties (OP) 31.12.07	Total 31.12.07	Liability to acquire shares in OP 31.12.07	Total 31.12.07	Total 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

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.

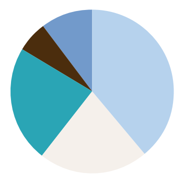
Share price developments

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

Svein Hov Skjelle
Chief financial officer
Svein.hov.skjelle@norwegianproperty.no
Tel: +47 93 05 55 66

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.*

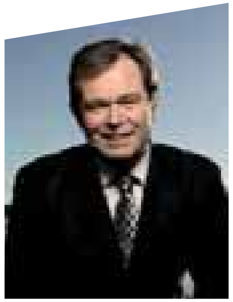
Equity exposure – currency – Norgani Hotels

	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

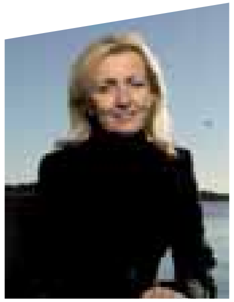


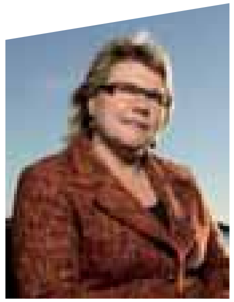
Knut Brundtland
Chair

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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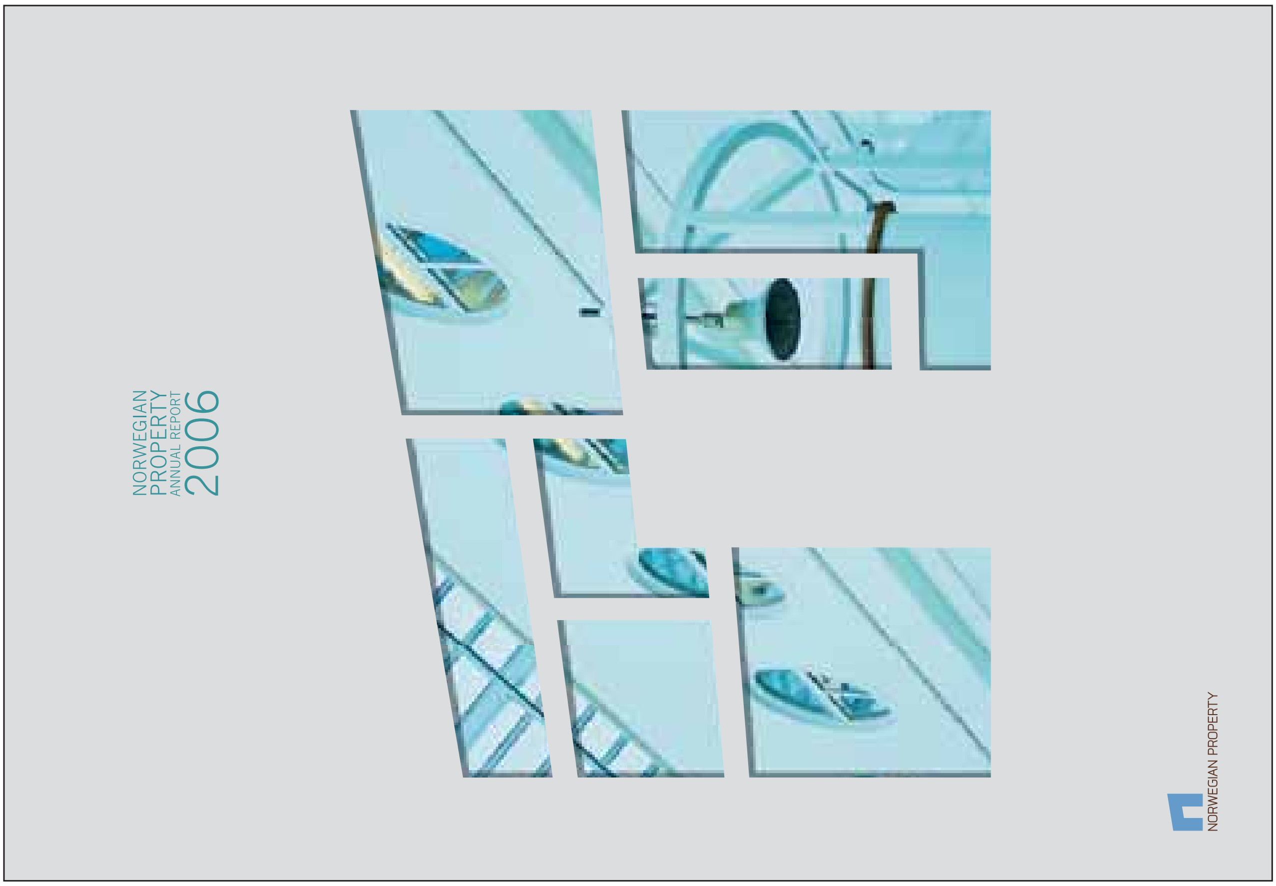
Appendix 5: Annual report for 2006 with auditors statement



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.

"Aims to take a leading role in the restructuring and consolidation of the market"

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.

"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


Scanpix

"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 bare-house 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

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.

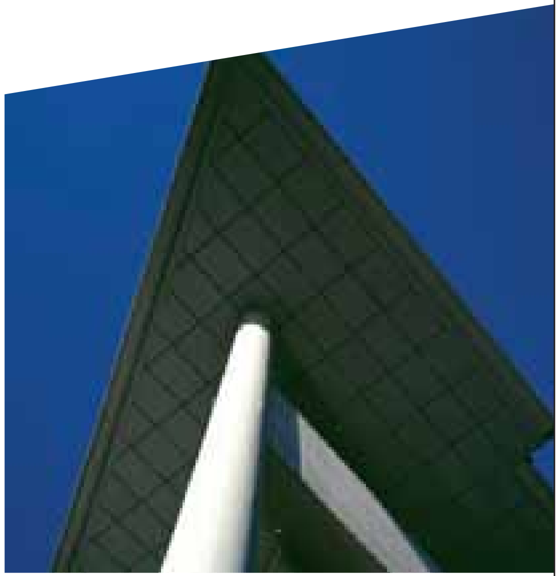
The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest. The directors have also undertaken to 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

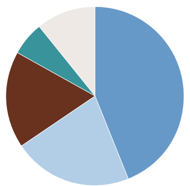
Largest shareholders	Country	No of shares	Ownership
A. Wilhelmsen Capital AS	NO	12 087 000	12.27%
State Street Bank and Trust Co. (nom)	USA	4 726 472	4.80%
Fram Holding AS	NO	4 000 000	4.06%
Fram Realinvest AS	NO	4 000 000	4.06%
Credit Suisse Securities	GB	3 568 202	3.62%
Morgan Stanley & Co. Inc. (nom)	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)

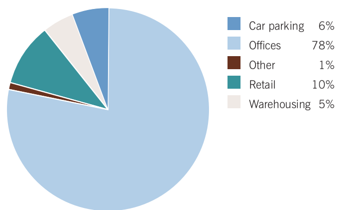
Number of properties	55
Total area, sq.m	722 542
Average size of properties, sq.m	13 137
Market value, NOK mill	18 056
Gross rental income, NOK mill	1 064
Estimated yearly property costs, NOK mill	61
Net rental income, NOK mill	1 003
Gross yield, %	5.9%
Net yield, %	5.6%
Average lease term, years	7.3
Average consumer price index adjustment, %	96%
Vacancy (% of gross rental income)	0.8%

Rental income

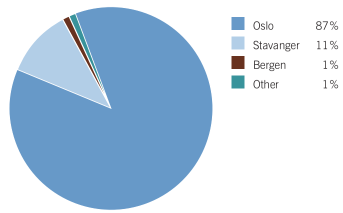
Following the acquisition of the IFN portfolio, gross annual rental income totals NOK 1 064 million. Norwegian Property concentrates primarily on office properties, and office space accounts for 78 per cent of gross rental income. Geographically, the focus is on Oslo and Stavanger. Properties in these 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.

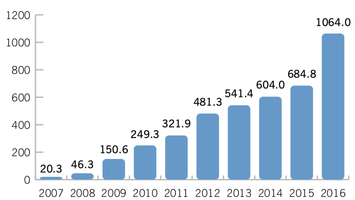
Total vacancies in Oslo declined during 2006 from seven-eight per cent to just over six per cent. The proportion of vacant properties in central districts – Vika, inner zone west and Skøyen – is considerably lower.

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.

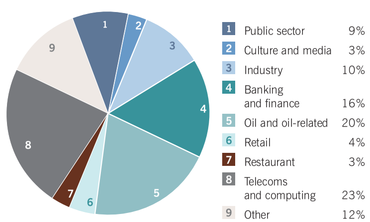
Stavanger

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

	Properties						Rents			
	Area breakdown, sq.m									
Property	Office	Retail/restau-rant	Ware-house	Indoor car park	Other	Total	Vacancy	KPI adjust-ment	Duration	Gross 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.										
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	Properties: Area breakdown, sq.m Office	Retail/ restau- rant	Ware- house	Indoor car park	Other	Total	Rents: Vacancy	KPI adjust- ment	Duration	Gross 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

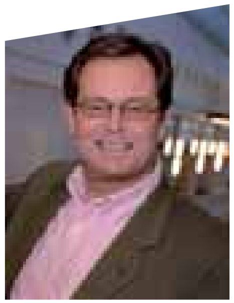
Devold (born 1960) is vice president investment at Aweco Invest AS, an investment company affiliated with Anders Wilhelmsen group. He was previously investment vice president for Rasmussengruppen AS, with corporate finance at Saga Securities AS and with the Ministry of Finance. With an MSc in business 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.

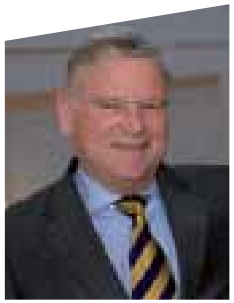
Bømark owned 0 shares and 0 options in Norwegian Property at 31 December 2006.

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 6: Valuation report from DTZ

DTZ Realkapital

Valuation Report
Norwegian Property ASA
per 30 June 2009

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 12,500 people operating from 150 offices in 45 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 15 valuers in Sweden, 3 in Norway, 3 in Denmark, and 4 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 four 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

General

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'

Introduction

conditions, possible restrictions, covenants or otherwise that would have had an impact on our assessments and valuations, other that what we have already received.

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.

Current Financial Market

The financial markets have seen significant turbulence over the last year or so resulting in severe liquidity shortages. Lenders have sought to both reduce leverage and to shift to low risk assets.

Against this background buyers of bonds have in the main withdrawn from the market at previous pricing levels resulting in the exit route of many lenders (the CMBS market and securitisation) no longer being available. Such lenders have significantly reduced their lending business at competitive prices leaving only a few "balance sheet lenders". The result has been materially less liquidity. The cost of debt has risen significantly and the quantum of debt as a percentage of loan to value has fallen substantially for all but the best assets.

The turmoil in the credit markets had an immediate effect on the real estate investment market resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions with activity below the levels of recent years. The negotiation of price chips prior to the completion of transactions remains common. Generally, there is greater volatility in the evidence generated by comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets.

The position has also become more difficult with the recent demise and rescue of several of the major banks and institutions across the globe and the significant injections of equity into the banks by the UK, European and US Authorities. These factors have combined to create further anxiety about future availability of debt finance and movements in the financial and real estate markets, despite the joint efforts to cut interest rates by the US Federal Reserve, The Bank of England and the European Central Bank.

Whereas transaction evidence underpins the valuation process, the definition of Market Value requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

The above situation has lead to a dearth of comparable transactional evidence which has become more acute in recent weeks. Those transactions which have been proceeding have been doing so at a further significant discount to previously established levels leading to further volatility in all property markets

Therefore, we are of the opinion that 'abnormal' market conditions currently prevail and that there is likely to be a greater than usual degree of uncertainty in respect of the figures now reported. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

Introduction

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 June 2009. The valuation was carried out during June 2009. Neither market events nor property-specific events after this date have been taken into account in our valuation.

Methodology and definitions

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.

Inspections
The properties were inspected by by DTZ in 2005, 2006, 2007, 2008 and 2009.

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

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;
- 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	Valuation	Tenure
Kaibygning Office		Oslo CBD	1 003,5	Freehold
Kaibygning Retail		Oslo CBD	296,6	Freehold
Kaibygg II		Oslo CBD	149,2	Freehold
Snekkeriet		Oslo CBD	153,4	Freehold
Terminalbygget Office		Oslo CBD	525,9	Freehold
Terminalbygget Retail		Oslo CBD	249,4	Freehold
Verkstedhallene Office		Oslo CBD	475,0	Freehold
Verkstedhallene Retail		Oslo CBD	548,0	Freehold
Aker Hus		Oslo Lysaker / Fornebu	1 308,4	Freehold
Gjerdrumsvei 8		Oslo Nydalen	189,3	Freehold
Gullhaug Torg 3		Oslo Nydalen	143,7	Freehold
Gullhaugveien 9-13		Oslo Nydalen	706,5	Freehold
Maridalsveien 323		Oslo Nydalen	319,5	Freehold
Sandakerveien 130		Oslo Nydalen	185,6	Freehold
Badehusgaten 33-39		Stavanger CBD	433,4	Freehold
Drammensveien 134 - 2		Oslo Skøyen	101,0	Freehold
Drammensveien 134 - 3		Oslo Skøyen	157,4	Freehold
Drammensveien 134-4		Oslo Skøyen	107,6	Freehold
Drammensveien 134 - 5		Oslo Skøyen	221,4	Freehold
Drammensveien 134-1		Oslo Skøyen	160,2	Freehold
Drammensveien 134 - 6		Oslo Skøyen	447,6	Freehold
Drammensveien 149		Oslo Skøyen	378,8	Freehold
Drammensveien 60		Oslo Skøyen	300,9	Freehold
Finnestadveien 44		Stavanger CBD	443,5	Freehold
Forusbeen 35		Stavanger Forus	350,7	Freehold
Grenseveien 19		Stavanger Forus	134,1	Freehold
Grenseveien 21		Stavanger Forus	433,1	Freehold
C.J. Hambros Plass 2		Oslo Inner City	979,1	Freehold
Lysaker Torg 35		Oslo Lysaker / Fornebu	514,1	Freehold
Middelthunsgate 17		Oslo Inner City	689,5	Freehold
Oksenøyveien 3		Oslo Lysaker / Fornebu	214,1	Freehold
Oslo Gardemoen Airport		Ullensaker	266,5	Leasehold
Hovfaret 11		Oslo Skøyen	147,9	Freehold
Nedre Skøyen Vei 24		Oslo Skøyen	152,1	Freehold
Nedre Skøyen Vei 26a-e		Oslo Skøyen	533,4	Freehold
Nedre Skøyen Vei 26f		Oslo Skøyen	350,4	Freehold
Stortingsgaten 6		Oslo Inner City	311,8	Freehold
Svanholmen 2		Stavanger Forus	126,7	Freehold
Other properties	1/		813,4	
Subtotal			**15 022,7**	

1/ Other properties with individual market values less than mNOK 100

Valuation

Hotel properties, Norway (mNOK)

Property	Location	Valuation	Tenure
Comfort Hotel Børsparken	Oslo	278,7	Freehold
Comfort Hotel Holberg	Bergen	181,0	Freehold
Quality Hotel Alexandra	Molde	137,8	Freehold
Quality Hotel Kristiansand	Kristiansand	177,8	Freehold
Quality Hafjell	Øyer	155,9	Freehold
Scandic Bergen Airport	Flesland	189,0	Freehold
Scandic KNA	Oslo	290,8	Freehold
SAS Radisson Lillehammer	Lillehammer	259,9	Freehold
Rica Hotell Bodø	Bodø	101,9	Freehold
Radisson SAS Bodø	Bodø	186,8	Freehold
Other properties, Norway 2/		317,3	
Subtotal, Norway		**2 276,9**	

2/ Other properties with individual market values less than mNOK 100.

Hotel Properties, Denmark (mDKK)

Property	Location	Valuation	Tenure
Clarion Collection Mayfair	Copenhagen	123,4	Freehold
Comfort Europa	Copenhagen	186,6	Freehold
Other properties, Denmark 3/		72,3	
Subtotal, Denmark		**382,2**	

3/ Other properties with individual market values less than mNOK 100.

Hotel properties, Sweden (mSEK)

Property	Location	Valuation	Tenure
Hotel Ekoxen	Linköping	127,0	Leasehold
Quality Hotel Luleå	Luleå	126,0	Freehold
Quality Prince Philip	Stockholm	134,2	Leasehold
Scandic Alvik	Stockholm	414,7	Freehold
Scandic Backadal	Göteborg	155,0	Leasehold
Scandic Elmia Jönköping	Jönköping	162,8	Leasehold
Scandic Ferrum	Kiruna	147,4	Leasehold
Scandic Hasselbacken	Stockholm	245,5	Leasehold
Scandic Kungens Kurva	Huddinge	204,3	Freehold
Scandic Malmen	Stockholm	541,6	Leasehold
Scandic Star Sollentuna	Sollentuna	245,0	Leasehold
Other properties, Sweden 4/		2 448,5	
Subtotal, Sweden		**4 952,0**	

4/ Other properties with individual market values less than mNOK 100.

Valuation

Hotel Properties, Finland (mEUR)

Property	Location	Valuation	Tenure
Hilton Kalastajatorppa	Helsinki	38,0	Leasehold
Scandic Grand Marina	Helsinki	51,4	Leasehold
Marina Congress Center	Helsinki	12,6	Leasehold
Scandic Continental	Helsinki	51,8	Leasehold
Hilton Strand	Helsinki	36,9	Freehold
Scandic Jyväskylä	Jyväskylä	11,8	Freehold
Scandic Tampere City	Tampere	38,3	Freehold
Scandic Rosendahl	Tampere	14,5	Leasehold
Airport Hotel Bonus Inn	Vantaa	18,0	Freehold
Other properties, Finland 5/		48,0	
Subtotal, Finland		**321,4**	

5/ Other properties with individual market values less than mNOK 100.

DTZ Realkapital

DTZ Realkapital Verdivurdering AS

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Appendix 7: Subscription form for the Subsequent Offering (English)

Norwegian Property ASA

Subsequent Offering
August 2009

SUBSCRIPTION FORM

SUBSCRIPTION GUIDELINES

Subscription of shares may take place in the period from and including 12 August to 17:30 hours (CET) on 24 August 2009. The shareholders of Norwegian Property ASA ("**Norwegian Property**") as of 10 June 2009, as appearing as shareholders in the Norwegian Central Securities Depository (the "**VPS**") on 16 June 2009, except for those shareholders who were given the opportunity to subscribe for new shares in the private placement (the "**Private Placement**"), their respective affiliates and those shareholders that are restricted from participating due to laws and regulations in their home country jurisdiction (the "**Eligible Shareholders**"), will, to the extent possible, be given preferred allocation in the Subsequent Offering to maintain their relative ownership as of 10 June 2009 following the Private Placement within the limit of 50,000,000 shares. The Eligible Shareholders will be given preferred allocation of 0.5 new shares in the Subsequent Offering for each share owned as of 10 June 2009, rounded up to the nearest whole share. It will be issued 0.5 subscription right for each share owned by an Eligible Shareholder as of 10 June 2009. One (1) subscription right gives the right of preferred allocation of one (1) new share. Over-subscription and subscription without subscription rights are allowed. The subscription rights will not be transferable and will not be listed on Oslo Børs. The subscription price for each new share is set to NOK 6.00. The allocation criterias are set out in the prospectus dated 10 August 2009 (the "**Prospectus**"). The new shares will give the right to dividends for the accounting year 2009 resolved after the registration of the Subsequent Offering in the Norwegian Register of Business Enterprises and will be equal in all respects to the existing shares in Norwegian Property.

Properly completed subscription forms must be received by Arctic Securities ASA, Haakon VII's gt. 5, P.O.Box 1833 Vika, 0123 Oslo, Norway, phone +47 21 01 31 00, telefax +47 21 01 31 36 or Pareto Securities AS/Pareto Private Equity AS, Dronning Maudsgate 3, P.O.Box 1411 Vika, 0115 Oslo, Norway, phone +47 22 87 87 00, telefax +47 22 83 43 09 on or before 24 August 2009 at 17:30 hours (CET).

PAYMENT FOR ALLOCATED SHARES

Each subscriber provides by signature on this subscription form Arctic Securities ASA and Pareto Securities AS/Pareto Private Equity AS a one-time irrevocable authorisation to debit a bank account for payment of the allocated new shares. Debit of the accounts will take place after allocation, on or about 1 September 2009 (see below for the specification of the bank account). Should the subscriber have insufficient funds on the account, the board of directors of Norwegian Property retains the right to after 3 days to annul or sell the allocated shares at the subscribers risk and cost. The allocated shares cannot be transferred before fully paid and registered on each subscribers VPS account. Such registration is expected to take place on or about 7 September 2009.

Notification of allocation will be sent out on or about 26 August 2009. Debit of the accounts is expected to take place on or about 1 September 2009.

Subscribers VPS account no.	No. of subscription rights	No. of new shares subscribed (incl. over-subscription):	(For official use: Serial no.)

1 SUBSCRIPTION RIGHT GIVES THE RIGHT TO BE ALLOCATED 1 NEW SHARE

Amount to be paid for each share	Total amount to be paid
NOK 6.00	NOK

Pursuant to the terms and conditions set out in the Prospectus, I/we hereby irrevocable subscribe for the above number of new shares.

I/We hereby give a one-time irrevocable authorisation to Arctic Securities ASA and Pareto Securities AS/Pareto Private Equity AS for the direct debiting from my Norwegian bank account for the allotted amount (no. of allotted shares x subscription price).	______________________ (Bank account number 11 digits)

NB! If the bank account number for debit is not specified, the subscription form cannot be registered.

____
Subscription place and date
Must be dated in the subscription period

____
Binding signature. The subscriber must be of age.
When signing per procura, documentation in form of company certificate or power of attorney must be enclosed.

SPECIFICATION OF THE SUBSCRIBER

Subscribers VPS account no.	**PLEASE NOTIFY THE REGISTRAR OF ANY CHANGES:**
Subscribers first and last name/firm etc.	
Street address etc. (private subscribers: state home)	
Postal code and area	
Date of birth/ national ID number (11 digits) **MUST BE COMPLETED**	
Telephone number./E-mail	

This subscription form must be read and may only be delivered together with the Prospectus dated 10 August 2009 for Norwegian Property. In the event of any discrepancies between the contents in this subscription form and the Prospectus, the Prospectus shall prevail.

Appendix 8: Subscription form for the Subsequent Offering (Norwegian)

Norwegian Property ASA

Etterfølgende Emisjon
August 2009

TEGNINGSBLANKETT

VEILEDNING FOR TEGNEREN

Tegning av aksjer kan finne sted i perioden fra og med den 12. august til kl.17:30 den 24. august 2009. Aksjonærer i Norwegian Property ASA ("**Norwegian Property**") per 10. juni 2009, og som vises som aksjonærer i Verdipapirsentralen ("**VPS**") den 16. juni 2009, med unntak for de aksjonærene som ble invitert til å tegne aksjer i den rettede emisjonen (den "**Rettede Emisjonen**"), deres respektive tilknyttede personer og de aksjonærene som ikke kunne delta som følge av begrensninger i lover og regler i deres hjemmehørende jurisdiksjoner (de "**Kvalifiserte Aksjonærene**"), vil så langt det er mulig, bli gitt prioritert tildeling i den Etterfølgende Emisjonen for å kunne opprettholde sin relative eierandel per 10. juni 2009 etter den Rettede Emisjonen innen grensen på 50.000.000 aksjer. Kvalifiserte Aksjonærer vil bli gitt prioritert tildeling av 0,5 ny aksje i den Etterfølgende Emisjonen for hver aksje eiet per 10. juni 2009, rundet opp til nærmeste hele aksje. Det vil bli utstedt 0,5 tegningsrett for hver aksje eiet av en Kvalifisert Aksjonær per 10. juni 2009. Én (1) tegningsrett gir rett til prioritert tildeling av én (1) ny aksje. Overtegning og tegning uten tegningsretter er tillatt. Tegningsrettene vil ikke være omsettelige og vil ikke bli notert på Oslo Børs. De nye aksjene tilbys til kurs NOK 6,00 pr aksje. Tildelingskriteriene fremgår av prospektet datert 10. august 2009 ("**Prospektet**"). De nye aksjene vil være berettiget til utbytte for regnskapsåret 2009 besluttet etter at den Etterfølgende Emisjonen er registrert i Foretaksregisteret og vil for øvrig være likestilt med de gamle aksjene i Norwegian Property.

Korrekt utfylt tegningsblankett må være mottatt av Arctic Securities ASA, Haakon VII's gt. 5, Postboks 1833 Vika, 0123 Oslo, Norge, telefon +47 21 01 31 00, telefaks +47 21 01 31 36 eller Pareto Securities AS/Pareto Private Equity AS, Dronning Maudsgate 3, Postboks 1411 Vika, 0115 Oslo, Norge, telefon +47 22 87 87 00, telefaks +47 22 83 43 09 innen 24. august 2009 kl. 17:30.

BETALING FOR TILDELTE AKSJER

Ved tegning må den enkelte tegner gi Arctic Securities ASA og Pareto Securities AS/Pareto Private Equity AS en ugjenkallelig engangsfullmakt til å belaste en oppgitt konto for de aksjene tegneren blir tildelt. Belastning av konto vil skje etter at tildeling har funnet sted, ca. 1. september 2009 (se nedenfor for angivelse av bankkonto). Dersom kontoen ikke kan belastes på forfallsdag, forbeholder styret i Norwegian Property seg retten til etter 3 dager å annullere eller selge de tildelte aksjene for tegnerens regning og risiko. De tildelte aksjene kan ikke overdras før de er betalt og registrerert på den enkelte tegnerens konto i VPS. Slik registrering forventes å skje ca. den 7. september 2009.

Melding om tildeling vil bli sendt ut ca. 26. august 2009. Belastning av konto skjer ca. 1. september 2009.

Tegnerens VPS-kontonr.	**Antall tegningsretter**	**Tegner antall nye aksjer (inkl. overtegning):**	**(For megler: Løpenr.)**

1 TEGNINGSRETT GIR FORTRINNSRETT TIL ALLOKERING AV 1 NY AKSJE

Innbetalingsbeløp per ny aksje	**Totalbeløp å betale**
NOK 6,00	**NOK**

I henhold til de betingelser som fremgår av Prospektet, tegnes herved ugjenkallelig det antall aksjer som er angitt ovenfor.

Jeg/Vi gir med dette Arctic Securities ASA og Pareto Securities AS/Pareto Private Equity AS en ugjenkallelig engangsfullmakt til å belaste min bankkonto for tildelt beløp (antall tildelte aksjer x kurs)	(Bankkontonr. 11 siffer)

NB! Tegningen vil ikke kunne bli registrert hvis ikke kontonummer for belastning er fylt ut.

Tegningssted og dato Må være datert i tegningsperioden	Forpliktende underskrift. Tegneren må være myndig. Når det undertegnes iflg. fullmakt skal dokumentasjon i form av firmaattest eller fullmakt vedlegges.

OPPLYSNINGER OM TEGNEREN

Tegnerens VPS-kontonr.	**VED ENDRINGER I FASTE OPPLYSNINGER MÅ KONTOFØRER KONTAKTES:**
Tegnerens fornavn og etternavn/firma e.l.	
Gateadresse e.l. (for private: Boligadresse)	
Postnummer og poststed	
Fødselsnummer (11 sifre)/org.nummer **MÅ FYLLES UT**	
Telefonnr./E-mail	

Denne tegningsblanketten må leses og kun utleveres sammen med Prospektet datert den 10. august 2009 for Norwegian Property. I tilfelle uoverensstemmelser mellom innholdet i denne tegningsblanketten og Prospektet, skal Prospektet gå foran.

Registered Office

NORWEGIAN PROPERTY ASA
Stranden 3 A
P.O. Box 1657 Vika
0250 Oslo
Norway

Tel: +47 22 83 40 20
Fax: +47 22 83 40 21
www.npro.no

Joint Lead Managers

ARCTIC SECURITIES ASA
Haakon VII's gt 5
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0123 Oslo
Norway

Tel: +47 21 01 31 00
Fax: +47 21 01 31 36
www.arcticsec.no

PARETO SECURITIES AS
Dronning Maudsgate 3
P.O. Box 1411 Vika,
0115 Oslo
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Fax: +47 22 83 43 09
www.pareto.no

PARETO PRIVATE EQUITY AS
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0115 Oslo
Norway

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Fax: +47 22 83 43 09
www.pareto.no

Legal Adviser to the Company
(as to Norwegian Law)

Thommessen Krefting Greve Lund AS
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P.O. Box 1484 Vika
0116 Oslo
Norway

Legal Adviser to the Joint Lead Managers
(as to Norwegian Law)

Bugge, Arentz-Hansen & Rasmussen
Stranden 1A
P.O. Box 1524 Vika
0250 Oslo
Norway

www.kursiv.no