

Norwegian Property :: annual report 2010

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Norwegian Property in brief

Norwegian Property is a focused and fully integrated office property company. At 31 December 2010, it had a portfolio of 47 properties with a total fair value of NOK 15.1 billion. The company is characterised by attractive properties, solid tenants and leases with diversified terms and a focus on the whole value chain for property companies.



Property portfolio

Norwegian Property owned 47 properties in Norway at 31 December 2010. Located in Oslo, Bærum, Gardermoen and the Stavanger area, they had a combined fair value of NOK 15.1 billion at 31 December. The group's properties consist largely of office premises, associated warehousing and car parks, and retail and catering space. Its portfolio is characterised by a central location and attractive premises with low vacancy. Rental income at 1 January 2011 totalled NOK 1 015 million. Vacant space accounted for 5.8 per cent of the portfolio, and financial vacancy was 5.0 per cent. Norwegian Property has a number of large and financially sound tenants in both private and public sectors, with the 25 largest tenants accounting for about 75 per cent of rental income at 1 January. The average remaining term for the company's leases was 5.2 years.

Organisation

Norwegian Property had 38 employees at 1 January 2011, up from 14 a year earlier. Activity is organised in four business areas in accordance with the most important value drivers for the company – letting, property management, development, and transactions and financing. The organisation was significantly strengthened during 2010 in order to adapt it to the ambition of becoming a fully integrated property player.

The business is organised in the parent company, Norwegian Property ASA, and its subsidiaries.

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Vision, business concept and values

Vision

We will create meeting places and relationships which encourage engagement.

Business concept

Norwegian Property will create value growth through owning, developing and managing first-class commercial properties located in the most attractive office clusters in Oslo and other central growth regions. The lease portfolio will comprise large, solid private and public tenants.

Core values

The company's business culture is based on four core values:

:: Reliable

:: Proactive

:: Innovative

:: Collaborative.

Strategic goals and priorities

Competitive return on equity

Norwegian Property has a long-term goal of delivering a long-term return on equity before tax of at least twelve per cent from operations and the rise in the share price. In order to deliver a good return, the company's attention is focused on all the long-term value drivers for property players:

:: Marketing and letting

:: Property management

:: Property development

:: Transactions and financing.

The company's ambition is that 30-50 per cent of its ordinary profit after tax, but before value adjustments, will be paid as dividend to the shareholders.

Norway's most customer-oriented property company

Norwegian Property's philosophy is that the property profession first and foremost involves



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

Recruit, retain and develop staff

Norwegian Property is an expertise-driven organisation. It wants to be an attractive employer, where people thrive. Active efforts will be made to facilitate the development of employees and their expertise in order collectively to form a

leading professional team in the Norwegian property sector.

Finance and investment strategy

Investment strategy

Norwegian Property has a strategy for investment based on the following main priority areas:

:: Attractive properties in office clusters close to traffic hubs in the largest norwegian cities

:: Office properties and possible commercial premises associated with these

:: High-quality tenants, a diversified lease-term structure and a high level of inflation adjustment

:: Environment-friendly properties.

Financing strategy

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

:: A goal that the loan-to-value ratio will lie between 55 and 65 per cent over time

:: Borrowing will be based on long-term relationships with banks which have a long-term strategy in the norwegian property market.

The company's ambition is to achieve a stable development in cash flow which requires a relatively high level of interest rate hedging, at 50-80 per cent of total borrowing over time.

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Key figures

		2010 ³	2009	2008	2007	2006
Profit and loss¹						
Gross rental income	NOK million	1 025	1 768	1 867	1 196	415
Operating profit before value adjustments	NOK million	870	1 455	1 583	1 036	352
Value adjustment investment properties	NOK million	171	(1 517)	(3 988)	1 219	393
Profit before tax	NOK million	438	(1 399)	(5 119)	1 651	540
Annualised return on equity (before tax)	Per cent	8.8	(28.2)	86.5	27.0	25.2
Dividend	NOK per share	0.10	-	-	2.50	2.50
Balance sheet¹						
Property portfolio, carried amount	NOK million	14 863	23 733	27 313	31 114	13 920
Total assets	NOK million	15 877	24 713	28 926	33 882	16 888
Interest-bearing debt	NOK million	10 295	18 379	21 841	23 232	10 978
Equity	NOK million	4 989	4 918	5 001	6 831	5 373
Equity ratio	Per cent	31.4	19.9	17.3	20.2	31.8
Carried equity per share	NOK per share	10.01	10.85	24.80	63.20	54.09
Net asset value per share, EPRA ²	NOK per share	10.84	12.84	30.14	70.84	56.53
Office portfolio						
Office properties	Number	47	48	50	57	55
Total area	Square metres	623 849	633 864	669 569	736 391	722 542
Average remaining lease term	Years	5.2	5.0	5.6	6.5	7.3
Vacancy, office portfolio	Per cent	5.8	2.0	0.7	0.7	0.8
Average net yield	Per cent	6.3	6.6	6.4	5.2	5.7
Fair value	NOK million	15 062	15 029	16 549	20 730	18 056
Fair value per square metre	NOK per sq.m	24 144	23 710	24 716	28 151	24 990
Hotel portfolio						
Hotel properties	Number	-	74	74	74	73
Total area	Square metres	-	672 792	671 480	671 080	658 417
Average remaining lease term	Years	-	9.5	10.1	11.0	7.7
Average net yield	Per cent	-	7.0	7.0	5.9	6.3
Fair value	NOK million	-	8 922	11 025	10 700	9 452
Fair value per square metre	NOK per sq.m	-	13 261	16 419	15 944	14 356

¹ Reported figures where the properties are included from their date of acquisition. Norgani Hotels is included from 24 September 2007.

² Carried equity per share, adjusted for deferred tax related to property, goodwill and financial derivatives per share. EPRA = European Public Real Estate Association.

³ Norgani Hotels AS was sold during 2010. Profit and loss and balance sheet figures for 2010 relate to the continuing business.

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Highlights 2010

Concentration and sale of the hotel business

Norwegian Property reached agreement in August 2010 with a joint venture owned by Pandox AB, Eiendomsspar AS and Sundt AS on the sale of the group's hotel business, based on a fair value of NOK 8 300 million. This transaction was finalised in November 2010 and was an important condition for the work of concentrating Norwegian Property's operations as a focused office business.

From financial to industrial player

From its creation, Norwegian Property's operational strategy was based on outsourcing operation and management, with a small organisation focused on letting and finance. The company worked purposefully throughout 2010 to strengthen and develop its organisation in the most important areas for future value creation.

:: **Insourcing of property management.** The property management contract with Neas was cancelled in May 2010. Thenceforth, the company will handle this function in-house. Under the leadership of Bjørge Aarvold, who was appointed vice president commercial MOM (management, operation and maintenance) in May 2010, a dedicated management team of 15 people was operational at 31 December.

:: **Organisation for development:** Fredrik W. Baumann took office in January 2010 as vice president development. He has long experience from the construction sector and in project and building management, and his team has been given the main responsibility for establishing and implementing plans for further value-creating development of Norwegian Property's assets.

The creation of these two units was paralleled by a strengthening of the letting and financing functions with important key resources. Substantial work has been devoted to establishing a new IT structure and new management systems.

In all, staffing had increased from 14 people at 1 January 2010 to 38 at 31 December.

Greater financial freedom of action

The group's net loan-to-value ratio¹ was reduced from 75.7 per cent at 1 January 2010 to 62.7 per cent at 31 December. Positive cash flow from operations and the sale of Norgani Hotels made a significant contribution to this reduction. In addition, a private placement of 45 326 000 shares at a price of NOK 12 per share was implemented in March 2010. The gross proceeds were NOK 543.9 million.

Renegotiation or award of 82 leases

The company awarded or renegotiated 82 leases during 2010. These include an agreement with Nordea to extend its existing lease for Middelhunsgate 17 to a new expiry date of 31 January 2016, with a comparable rent increase of 33.3 per cent for the extension period. The overall rent rise for the leases was 11 per cent. At 31 December, vacant space was 5.8 per cent of the company's portfolio compared with two per cent a year earlier.

One office property sold

Norwegian Property sold one office property during 2010. The sales contract for Oksenøyveien 3 at a fair value of NOK 175 million was entered into during February and implemented in March.

¹ Net loan-to-value = gross interest-bearing debt less liquid assets less seller credit to the buyer of Norgani, divided by the gross fair value of the properties.



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More focused and robust

Change and transformation characterised Norwegian Property in 2010. The company has become more focused and more robust, and the market shows signs of improvement. This provides a good starting point for increasing shareholder value.

Norwegian Property faced major challenges at the start of 2010, and necessary measures were adopted to strengthen the company. Conceptually and organisationally, we have changed from being a financial player in the property market to become an industrial property company. Structurally, we have gone from having several segments to being a focused operator in the market for office property. The sale of the Norgani hotel business was crucial for restoring a clear business concept and a growth-oriented base. This has also substantially reduced our debt ratio, and we have transformed our financial position from difficult to comfortable.

We are respectful of the assets we have been charged with administering, and accordingly place great emphasis on acting in a manner which builds trust. We want to be known and recognised as a company which delivers what it promises, and we are therefore clear about the goals we set ourselves. We see that our company has developed over the past year in accordance with the plans which have been communicated, and that we have now put important conditions for further progress in place. We have not least built up an organisation with the experience and expertise required to meet the many assignments and the various stakeholders which a professional, integrated property company has to deal with. Four areas stand out as particularly important:

:: A marketing and letting organisation which understands market developments at all times and which manages to capitalise on this knowledge

:: An operations team which gives the customers what they expect, and more
 :: A finance and transactions organisation which ensures that we are optimally financed and capitalised, and which succeeds in exploiting the market for buying and selling
 :: A development team able to develop our properties in a manner which meets the changing requirements of our customers while simultaneously building shareholder value.

We are concerned to continue developing an organisation which is close to the customer. That facilitates a good dialogue and a better understanding of customer requirements. The latter is particularly important, precisely because we see a tendency for these needs to change more quickly than before. That calls for a very different dynamic, both in our interaction with customers and in our internal collaboration. We have built an organisation which will listen to customers, advise them and offer good solutions.

We operate in a complex, demanding and mature market, but we know there is a willingness to pay for quality. Certain of our properties have an unrealised potential for value growth, and we will accordingly now give priority to the necessary development and upgrading which will allow us to offer customers modern and forward-looking office solutions. After our restructuring, we have secured a financial strength which allows us to make a bigger commitment to development, and will thereby also be able to get more out of the value potential in our portfolio.

We have undergone a necessary transforma-



tion. The changes made have give us a very different basis for creating shareholder value, and we will be doing that by delivering in accordance with the industrial parameters which apply for our type of business.

Olav Line
President and CEO

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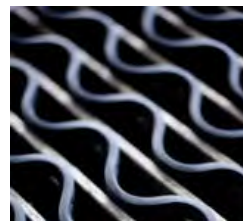
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Basis for long-term value creation

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



1. Implementation and reporting on corporate governance

Norwegian Property's overall principles for corporate governance are available at www.norwegianproperty.no and are reproduced in the directors' report on [page 22](#) in this annual report.

The board's presentation of the way Norwegian Property has implemented the applicable Norwegian code of practice for corporate governance of 21 October 2010 appears below. This presentation covers each section of the code, and possible variances from the code are specified under the relevant section.

Ethical guidelines and other policy documents have been formulated in accordance with the company's values base. The core values of Norwegian Property are reliable, innovative, proactive and collaborative. The company has initiated work on establishing a policy for corporate environmental and social responsibility. These guidelines are expected to be finalised during the first half of 2011.

2. Business

Norwegian Property's articles of association are available on its website. Within the framework of its articles, the company has presented goals and strategies for its business in the directors' report on [page 16 and 17](#) and on its website.

The company's business purpose states that: *"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"*.

3. Equity and dividends Equity

Group equity at 31 December 2010 totalled NOK 4 989 million. The equity ratio had then risen from 19.9 per cent a year earlier to 31.4 per cent. The board regards this as an acceptable level in relation to the risks in and scope of the business. To secure good financial freedom of action, however, the company has a long-term ambition that the relationship between net interest-bearing debt and gross fair value will be in the order of 55-65 per cent. Considerable work was devoted by the company during 2010 to increase its financial flexibility, and this ratio was 66.7 per cent (62.7 per cent if the NOK 600 million seller credit to the buyer of Norgani Hotels is included) at 31 December. A share issue of NOK 544 million was carried out in 2010. The sale of Norgani Hotels also contributed to a significant strengthening of the company's financial position.

Dividend

Norwegian Property's dividend policy specifies that a goal for the company is to pay a competitive annual dividend. The company's long-term goal is to pay a dividend of 30-50 per cent of its net profit before value adjustments. In light of the company's work on securing good financial freedom of action, the board has signalled that dividend could be lower than the long-term goal for a period. The dividend policy is also described in [note 24](#) to the consolidated financial statements.

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Board mandates

The board held two mandates at 31 December 2010 to increase the company's share capital, each of up to NOK 24.8 million. That corresponded to just under 10 per cent of the company's share capital when the mandates were awarded in May 2010.

The mandates can be utilised as settlement for property acquisitions and in return for cash payment respectively. They remain in force until 30 June 2011.

4. Equal treatment of shareholders and transactions with close associates

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

The board and the executive management are committed to ensuring equal treatment of all shareholders and to transactions with close associates (related parties) taking place on an arm's-length basis. [Note 25](#) to the consolidated financial statements details transactions with close associates (related parties). Financial relationships related to the directors and executive personnel are described in [note 15](#) and [note 20](#).

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 in part to be used for such purposes as the issue of shares in settlement for property transactions. The capital increase in 2010 was conducted as a private placement.

Transactions in the company's own shares will be carried out on the stock exchange or in another manner at the stock market price.

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 compa-

ny's administration in order to avoid unintended conflicts of interest.

5. Freely negotiated shares

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.

6. General meetings

The company facilitates the attendance of as many of its shareholders as possible at the general meeting. Notice of the general meeting, with comprehensive documentation including the recommendations of the nomination committee, is made available to shareholders on the company's website no later than 21 days before a meeting takes place. The deadline for shareholders to register their intention to attend is set as close to the meeting as possible, and not more than five days in advance.

Notices with documentation are made available on the company's website immediately after the documentation has been issued as a stock exchange announcement. Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline. Shareholders who cannot attend in person are encouraged to appoint a proxy. Arrangements will be made for shareholders to instruct a possible proxy how to vote on each item on the agenda. The general meeting elects its own chair. Representatives of the company's board and executive management are encouraged to attend. The same applies to the nomination committee at those meetings where the election and remuneration of directors and members of the nomination committee are to be considered, and to the auditor at the AGM.

Minutes from a general meeting are published as soon as practicable via the stock exchange's reporting system (www.newsweb.no, ticker code: NPRO) and on the company's website at www.npro.no under the investor relations tab.

Notices of general meetings have provided information on the procedures to be observed for attendance and voting, including the use of proxies. A proxy form, where a proxy has been named, has been included with the notices and framed so that the shareholder can specify how the proxy should vote on each issue. The notices have included information on the right to raise issues for consideration at the general meeting, including the relevant deadlines.

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. 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 are 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 to answer questions. Deadlines for submitting nominations to the committee will be published on the company's website. The present nomination committee was elected at the extraordinary general meeting of 4 May 2010 and comprises Tom Furulund (chair) and Pål Hvammen. No directors or executive personnel are represented on the nomination committee. Instructions for the nomination committee were submitted to the AGM in 2007.

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

The company does not have a corporate assembly. Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has five shareholder-elected directors. Directors and the chair of the board are elected by the general meeting for two-year terms, confer the provisions of the Public Limited Liability Companies Act. The board's composition is intended to secure the interests of the shareholders in general, while the directors also collectively possess a broad business and management background and an in-depth understanding of the property market, purchase and sale of businesses, financing and capital markets. In addition, account has been taken of the need for the board to function well as a collegiate body. The background and experience of directors are presented 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. The company's executive management is not represented on the board. All the directors are regarded as independent of the company's executive management or significant commercial partners. They are all considered to be independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares). Information on shares owned by directors is updated continuously on the company's website.

9. The work of the board of directors

The board has overall responsibility for managing the group and for supervising the chief executive and the group's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. In addition come control functions which ensure acceptable management of the company's assets. The board appoints the president and CEO.

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Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. The division of labour between the board and the chief executive is specified in greater detail in standing instructions for the latter. The chief executive is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair.

The board 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. It aims to carry out a self-assessment in connection with the presentation of the results for 2010. The outcome of this evaluation will be reported to the nomination committee.

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, overall instructions have been established for the board as well as policies for the most 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. In addition, regular

audits are carried out on the way the company's systems are performing and procedures are being observed. The board receives periodic reports 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 overall policies. On the basis of significant changes to the company's operational strategy, including the establishment of a development department and an internal property management department, a thorough audit of its documents and process descriptions is being conducted. The board reviews the company's most important risk areas and its internal control on an annual basis.

11. Remuneration of the board of directors

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee, and have not been related to results. The directors have not been awarded options. Nor have they undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case. Further details on the remuneration paid to individual directors are provided in [note 20](#) to the annual accounts.

12. Remuneration of executive personnel

As mentioned under section 9, a compensation committee of two directors has been established to assist the board with the employment terms of the chief executive as well as the strategy and main principles for remunerating the company's senior executives. The group's guidelines for remuneration of senior executives are reported in [note 20](#) to the consolidated financial statements. This note also provides further details about remuneration in 2010 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consider-

ation of the annual accounts. No options have been issued to employees or elected officers of the company. A ceiling has been set on the size of profit-related remuneration for those employees entitled to receive this.

13. Information and communication

All reporting of financial and other information will be timely and accurate, and based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock exchange announcements and investor presentations. All information of significance for valuing the company will be distributed and published via Hugin and the Oslo Stock Exchange's company disclosure system.

Such information is simultaneously 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 and for interim reports are published on the company's website and in this report. The instructions for the chief executive specify more detailed guidelines on information and communication, and the company's approved investor relations policy is available on its website.

14. Takeovers

No takeover bids were made for the company's shares in 2010. The company's articles of association place no restrictions on buying shares in the company. In a takeover process, the company's board and executive management will seek to help ensure that the shareholders are treated equally and that the company's business suffers no unnecessary disruption. The board will give particular weight to ensuring that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's

business or shares.

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

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 2010, the auditor conducted the following work in relation to fiscal 2009:

- :: 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.

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Equal treatment and openness

Open dialogue, equal treatment of shareholders and a high level of accessibility are among the principles observed by Norwegian Property in order to build trust in the financial market. The goal is for the share price to reflect underlying value creation in the group.

The company's aim is to secure its shareholders a competitive return over time, based on good management of its assets and a leading position in the property market.

Norwegian Property was listed on 15 November 2006 on the Oslo Stock Exchange, where its shares are traded under the ticker NPRO.

The share has the securities number ISIN NO 001 0317811.

Share and share capital

Norwegian Property has 498 596 832 ordinary shares with a nominal value of NOK 0.50. See [note 15](#) to the consolidated financial statements. The company has one share class and each share carries one vote. Norwegian Property owned none of its own shares at 31 December 2010.

Capital changes in 2010

Norwegian Property implemented a private placement of NOK 543.9 million at a subscrip-

tion price of NOK 12. The proceeds were devoted to redemption of debt, and the issue has helped to increase the company's financial flexibility.

Shareholder structure

Norwegian Property had 2 508 registered shareholders at 31 December, down from the 3 275 recorded a year earlier. More than 60 per cent of the share capital is owned by the company's 20 largest shareholders. The largest registered individual shareholder (nominee account) had a 10.4 per cent holding. The 20 largest shareholders are dominated by institutional investors and professional players in the Nordic and international commercial property sector. At 31 December, 240 of the shareholders were foreign nationals compared with 230 at the same time in 2009. Foreigners owned 49 per cent of the shares issued at 31 December, a substantial increase from 39 per cent a year earlier. The company's largest shareholders at 31 December 2010 are presented in a separate table.

Shareholders by geographic distribution

Country	No of shareholders	No of shares	Percentage
Norway	2 262	244 194 743	51.7%
USA	49	83 727 376	17.7%
United Kingdom	69	67 109 185	14.2%
Luxembourg	19	35 614 267	7.5%
Other	109	41 380 605	8.8%
Total	2 508	472 026 176	100.0%

Source: VPS

The 20 largest shareholders at 31 December 2010

Largest shareholders	Country	No of shares	Percentage
State Street Bank & Trust Co.	USA	51 765 664	10.4%
BNP Paribas	France	33 154 559	6.6%
Canica	Norway	27 895 467	5.6%
Bank of New York	USA	24 225 590	4.9%
Awilhelmsen Capital	Norway	23 254 334	4.7%
JP Morgan Chase Bank	United Kingdom	20 701 963	4.2%
Skandinaviska Enskilda Banken	Sweden	20 283 596	4.1%
Folketrygdfondet	Norway	19 824 000	4.0%
Bank of New York	Belgium	14 795 749	3.0%
Citibank	United Kingdom	9 924 322	2.0%
DNB NOR Norge	Norway	7 389 220	1.5%
SHB Stockholm	Norway	7 070 075	1.4%
Awilhelmsen Capital II	Norway	6 934 000	1.4%
Arctic Securities	Norway	6 594 500	1.3%
Trondheim Kommunale Pensjonskasse	Norway	6 363 700	1.3%
Vital Forsikring	Norway	6 111 087	1.2%
Fram Holding	Norway	6 000 000	1.2%
The Northern Trust Co.	United Kingdom	5 771 435	1.2%
Aweco Invest	Norway	5 486 765	1.1%
Citibank N.A.	United Kingdom	5 288 980	1.1%
Total top 20		308 835 006	61.9%
Other shareholders		189 761 826	38.1%
Total		498 596 832	100.0%

Source: VPS

Shareholders by size

Shareholding	No of shareholders	No of shares	Per cent of capital
Over 10 000 000	8	156 798 014	31.4%
1 000 000 - 9 999 999	84	258 127 202	51.8%
100 000 - 999 999	185	62 744 618	12.6%
10 000 - 99 999	620	16 811 167	3.4%
1 000 - 9 999	1 225	3 984 082	0.8%
1 - 9 999	386	131 749	0.0%
Total	2 508	498 596 832	100.0%

Source: VPS

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Dividend policy

Norwegian Property's aim 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 board's ambition is that substantial proportions of Norwegian Property's value creation over time will be distributed to the shareholders in the form of dividend. The long-term goal is for dividend to comprise 30-50 per cent of net profit before value adjustments.

The dividend proposed for 2010 is below the board's long-term ambition for such payouts. This must be seen in the light of the board's goal of strengthening the company's financial freedom of action, and the company's ambitious investment plans for developing the existing portfolio.

Option programmes

No option programmes or other arrangements for allocating shares to employees were in place at 31 December 2010.

Nomination committee

Members of the company's nomination committee are:

:: Tom Furulund (chair)

:: Paul Hvammen

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 the second quarter. 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 wishes to maintain a good and open dialogue with its shareholders, analysts and the financial market in general. Annual and interim reports are presented quarterly by the company's management and 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 or other events relating to the company. Norwegian Property also maintains continuous contact with analysts and investors, and participates in a number of international property seminars.

The company's website is kept continuously updated. Relevant information for investors and analysts can be found in the investor relations section. This includes all the company's press releases, interim and annual reports, prospectuses, presentations, the articles of association, the financial calendar, the company's IR policy and its corporate governance principles as well as other data. Visitors to the site can also subscribe to stock exchange announcements and press releases via e-mail. Shareholders can contact the company by e-mail at info@norwegianproperty.no.

Investor contact

Elise Heidenreich-Andersen
Director investor relations
E-mail: eha@npro.no
Telephone: +47 95 14 11 47

Share price developments

At 31 Dec	Share capital	No of shares	Nominal value
2006	2 462 823 225	98 512 929	NOK 25.00
2007	2 637 039 250	105 481 570	NOK 25.00
2008	5 040 885 400	201 635 416	NOK 25.00
2009	226 635 416	453 270 832	NOK 0.50
2010	249 298 416	498 596 832	NOK 0.50

The share in 2010

	2010
Highest traded price	NOK 14.20
Lowest traded price	NOK 7.93
Share price 31 Dec	NOK 10.35
Outstanding shares 31 Dec	Number 498 596 832
Market value 31 Dec	NOK million 5 160
Turnover rate	Per cent 92.8

Analyst coverage at 31 Dec 2010

Stockbroker	Telephone
ABG Sundal Collier	+46 8 566 294 78
Arctic Securities	+47 21 01 32 21
Carnegie	+47 22 00 93 54
DnB NOR Markets	+47 22 94 88 45
Edge Capital Markets	+47 415 14 123
First Securities	+47 23 23 82 58
Kempen	+31 20 348 84 58
Nordea Markets	+47 22 48 61 71
Pareto Securities	+47 24 13 21 49
RBS GBM	+31 20 464 37 86
SEB Enskilda	+47 21 00 85 59
Terra Markets	+370 52461918

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Presentation of the directors



Arvid Grundekjøn

Chair since May 2010

Mr Grundekjøn (born 1955) has held a number of senior positions and offices in the business sector, including chief executive and later chair of the Anders Wilhelmsen group as well as chair of Statkraft AS, Awilco ASA, Linstow ASA, IT Fornebu Eiendom AS, Svenska Datasentralen, Teamco AS and Stag AS, and director of Royal Caribbean Cruise Line. He is currently chair of the Sigma funds, Creati AS and Sparebanken Pluss, and a director of the D/S Norden shipping company. Mr Grundekjøn has an MSc in business economics from the Norwegian School of Economics and Business Administration, and a law degree from the University of Oslo. He owned 50 000 shares in the company and had no options at 31 December 2010. Mr Grundekjøn is a Norwegian citizen.



Nils K. Selte

Director since December 2008

Mr Selte (born 1965) is chief financial officer of Canica AS, an investment company which concentrates primarily on such sectors as manufacturing, consumer goods, trading and property. At 31 December 2010, Canica and closely associated companies owned about 5.6 per cent of the shares in Norwegian Property. Mr Selte has previously held senior positions in such companies as Hakon Gruppen and ICA. He is a director of Komplet AS, Jernia AS, several fund management companies and various companies in the Canica group. He has an MBE from the Norwegian School of Management. Close associates of Mr Selte owned 479 000 shares in the company and held no options at 31 December 2010. He is a Norwegian citizen.



Synne Syrrist

Director since December 2008

Ms Syrrist (born 1972) is a director of Global Rig Company ASA, Cecon ASA, Vetro Solar AS, Gregoire AS and Castelar Corporate Finance AS. She was previously a partner and financial analyst at First Securities. 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. She owned no shares in the company and held no options at 31 December 2010. Ms Syrrist is a Norwegian citizen.



Gry Mølleskog

Director since December 2008

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. She is a director of SAS AB, Posten Norge AS and DnB Nor Finans. Ms Mølleskog studied at the Norwegian School of Management. She owned no shares in the company and held no options at 31 December 2010. Ms Mølleskog is a Norwegian citizen.



Jon Erik Brøndmo

Director since May 2010

Mr Brøndmo (born May 2010) is working chair of Cenium AS, ECO1 Bio-fyringsolje AS and 2634 Holding AS. He has previously been CFO and vice president IT at Choice Hotels Scandinavia ASA and CFO at Steen & Strøm ASA, and has been a director of Choice Hotels Scandinavia, Home Properties AS and Home Invest AS. Mr Brøndmo studied finance at the University of Colorado. He owned no shares in the company and had no options at 31 December. Mr Brøndmo is a Norwegian citizen.

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Presentation of the management



Olav Line

Group president and CEO

Mr Line (born 1958) took over as president and CEO in Norwegian Property in January 2010. He was previously chief executive of Steen og Strøm AS from 2003. Mr Line has 25 years of experience from the Norwegian and Nordic commercial property market, including senior posts with NSB/Rom Eiendom, Storebrand Eiendom, Nora Eiendom (now KLP Eiendom) and Avantor. He holds an MSc from the Norwegian University of Science and Technology in Trondheim. Mr Line owned 62 000 shares in the company and held no options at 31 December 2010. He is a Norwegian citizen.



Svein Hov Skjelle

Chief financial and investment officer

Mr Skjelle (born 1967) became CFO/CIO of Norwegian Property in January 2010. He was previously CFO at Entra Eiendom. Mr Skjelle served as CFO for Norwegian Property in 2006-09, and has experience from such posts as CEO for TeleComputing Norge, CFO of the TeleComputing group and CFO for Merkantildata (now Ementor), and from various posts in finance and accounting at Veidekke. He holds an MSc in business economics and an authorised financial analyst qualification from the Norwegian School of Economics and Business Administration. Mr Skjelle owned 34 000 shares in the company and held no options at 31 December 2010. He is a Norwegian citizen.



Aili Klami

Director letting and marketing

Ms Klami (born 1956) has been vice president letting and marketing for Norwegian Property since December 2006. She was vice president sales for the Avantor property company in 1996-2006, and held posts as marketing manager and administrative head before that. In addition, she has 10 years of experience with the then Nydalens Compagnie property company. Ms Klami studied at the Norwegian School of Management, as well as taking courses on property administration, management and sales. She owned no shares in the company and held no options at 24 March 2010. Ms Klami is a Finnish citizen.



Bjørge Aarvold

Director property management

Mr Aarvold (born 1966) has been vice president commercial MOM since May 2010. He has been with the company since its creation in May 2006, first on contract from PricewaterhouseCoopers in the start-up phase and later as vice president property for Norwegian Property. Mr Aarvold has many years of experience as a restructuring consultant with PWC and Capgemini, as well as line experience from jobs in accounting and administration. He has a BSc from the Norwegian School of Management. Mr Aarvold owned no shares in the company and held no options at 31 December 2010. He is a Norwegian citizen.



Fredrik W. Baumann

Director property development

Mr Baumann (born 1962) became vice president development in January 2011. He had previously served as chief executive of OKK Entreprenør AS from 2006. Before that, he was vice president projects at Avantor ASA and a member of the management team, responsible for projects which have related for the past decade to development in the Nydalen district. Mr Baumann has also had various positions in project and construction management in such companies as CoNova AS and Pabas. He has MScs in civil engineering from Heriot-Watt University in the UK and the Norwegian University of Science and Technology. Mr Baumann owned no shares in the company and had no options at 31 December 2010. He is a Norwegian citizen.

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From financial player to focused, fully integrated industrial property company

After a period as a diversified property player, Norwegian Property concentrated its commitment in 2010 on attractive office properties through the sale of Norgani Hotels AS. The organisation was reinforced to become a customer-oriented and fully integrated property company. Property management was insourced and a dedicated development team established. The company's goal has been to increase its financial flexibility, and its equity ratio rose from 19.9 per cent at 1 January 2010 to 31.4 per cent at 31 December. Profit for the continued business in 2010 after tax and value adjustments came to NOK 351.2 million, up from a loss of NOK 243 million in 2009. Discontinued business – the hotel operation – showed an overall loss of NOK 810.8 million for 2010. Long-term development plans have been established for the company's largest and most important properties.

The board conducted an extensive audit of the company's strategy at the beginning of 2010, and much work and attention were directed during the year at implementing the changes made. The main features of the revised strategic direction for the company are:

:: Make Norwegian Property a pure office player.

The company initiated a process in February 2010 to demerge or divest the hotel business. This process was concluded in November, with the completion of the sale of Norgani Hotels to a consortium controlled by Padox AB, Eiendomsspar AS and the Sundt family.

:: Industrialisation and a concentration on the most important value drivers for property companies: letting, development, management, transactions and financing. The company's outsourcing agreement with Neas was cancelled during 2010, and Norwegian Property established its own insourced property management organisation. It has also established a separate team for property development, which focuses primarily on redevelopment and further development of the existing properties. The letting department and the finance function were also strengthened through new recruitment during 2010.

:: Increased flexibility and reduced financial risk. The company's interest-bearing debt was

reduced from NOK 18.4 billion at 1 January 2010 to NOK 10.3 billion at 31 December. Similarly, the equity ratio rose from 19.9 per cent to 31.4 per cent. The main reasons for the improvement were the sale of Norgani Hotels, a positive cash flow from operations and the share issue carried out in March.

The transformation from a diversified financial participant to a focused industrial player was largely completed by 31 December. That means an excellent basis has been established for concentrating attention fully on enhancing the value of the existing portfolio.

In operational terms, the company has given priority to close contacts with customers and the renegotiation of leases to improve rents. Much of the work related to identifying future potential in the company's properties for existing tenants. Follow-up and maintenance of each property also had high priority.

After several years of demanding macroeconomic conditions, economic developments are once again pointing in the right direction in Norway. Norwegian Property renegotiated a total of 82 leases in 2010, with an average rent increase of 11 per cent. Certain tenants opted to relocate, and vacant space in the property portfolio accordingly rose from two to 5.8 per cent over the

year. In anticipation of major refurbishments for certain of the properties, Norwegian Property has opted not to re-let the vacant space immediately.

Gross rental income from the continued business came to NOK 1 025.1 million in 2010. Adjusted for property sales, this corresponded to an increase of 0.1 per cent from 2009. The company made a profit of NOK 327.7 million before value adjustments from the continued business, compared with NOK 246.2 million in 2009. After value adjustments, tax and results from the discontinued business, net profit came to NOK 459.6 million compared with a net loss of NOK 1 168.9 million in 2009.

About Norwegian Property

Norwegian Property owned 47 office and commercial properties in Norway at 31 December. Located in Oslo, Stavanger and Bærum and at Gardermoen, these have a combined fair value before adjustments for deferred tax of NOK 15.1 billion. The company's properties primarily comprise office premises with associated warehousing and car parks, and retail and catering space. The business is organised in parent company Norwegian Property ASA with subsidiaries. The company's head office is in Oslo.

With 38 employees at 31 December, Norwe-

gian Property is listed on the Oslo Stock Exchange with the ticker code NPRO and had a market value of NOK 5 160 million at the end of the year.

Strategic priorities

Competitive return on equity

At 1 January 2011, Norwegian Property is a company focused on the office sector. Its organisation is structured to concentrate on the most important value drivers – letting, property management, property development, and transactions and financing. The company's goal is to deliver a long-term return on equity of at least 12 per cent before tax from operational profit and the rise in value. It also has a long-term ambition that 30-50 per cent of its ordinary profit after tax, but before value adjustments, will be paid as dividend to the shareholders.

The board's ambition is that the long-term return on capital will be achieved with balanced financial risk. Its goal is that the company's loan-to-value ratio (the relationship between interest-bearing debt and gross fair value) will be 55-65 per cent. It was 62.7 per cent at 31 December when the seller credit extended to the buyer of Norgani Hotels is included.

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Customer oriented

Norwegian Property's long-term goal is to become Norway's most customer-oriented property company. This goal is reflected in its values base and its vision of creating meeting places and relationships which enhance engagement. The organisation was reinforced with key resources in 2010 in order to reach this goal. At the same time, constant attention is being paid to continued development and improvement in order to reach the company's objective of satisfying customer requirements and wishes as well as possible.

Recruit, retain and develop staff

Norwegian Property is an expertise-driven organisation. It wants to be an attractive employer, where people thrive. Active efforts will be made to facilitate the development of employees and their expertise in order collectively to form a leading professional team in the Norwegian property sector.

Market conditions

Norway has come through the financial crisis better than most other countries. But Norwegian growth has also been affected in recent years by financial turmoil and an economic slump. According to Statistics Norway, GDP for mainland Norway contracted by 1.3 per cent in 2009 before growing by 2.2 per cent in 2010. Optimism gradually returned during the latter year – first in industry, where the willingness to invest and growth expectations are once again rising. Households have remained more cautious for the moment, but their consumption is also growing. In its first Economic Analyses for 2011, Statistics Norway forecasts that GDP for mainland Norway will grow by 3.3 per cent for 2011 and 3.8 per cent in 2012.

The market for commercial property

The commercial property department at DnB Nor

estimated in a report published during January 2011 that vacant space in Oslo is about 8.2 per cent of the total, a slight increase from roughly 7.8 per cent a year earlier. Based on updated forecasts for demand and the supply of new space, it estimates that vacant space will decline slightly in 2011 before increasing somewhat again in 2012 and 2013 as new projects are completed. Modern, space-efficient and environment-friendly buildings close to public transport are the most attractive objects.

Market rents for quality properties in the most attractive areas made cautious progress during 2010. Trends for less attractive office areas were still flat, and even negative in certain areas with a plentiful supply.

Demand in Stavanger is largely driven by activity in the oil and gas business. A relatively high level of new construction has nevertheless meant stable progress for rents during 2010.

Activity in the Norwegian transaction market was higher during 2010 than in 2009. DnB Nor's commercial property department estimates the total transaction volume in 2010 at NOK 36 billion. Properties with a long-term and secure cash flow remain the most attractive, and interest in properties with short-term cash flows has so far been limited. A larger supply of risk capital and better terms for bank financing are the main reasons for the improvement in the transaction market.

Risk and risk management

The company's activities involve various types of financial risk: market (including exchange rate, interest rate and price), credit and liquidity risk, and risk related to capital management. Its overall risk management plan focuses on the unpredictability of capital markets, and seeks to minimise the potentially negative effects on the company's results and equity. Financial derivatives are used by the company to hedge against certain risks.

Risk management in the company is conducted by a central finance department in accordance with guidelines approved by the board. The management team identifies, evaluates and hedges financial risk in close collaboration with the various operational units. The board establishes written principles for overall risk management and provides written guidelines for specific areas such as exchange rate and interest rate risk.

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 liquidity and profit risks when refinancing the company's debt.

Hedging is utilised to dampen the effect of interest-rate changes on profits and liquidity. At 31 December, 94 per cent (2009: 107 per cent) of the company's interest-bearing debt was covered by interest rate hedges with an average term of 4.1 years (2009: 3.1 years). Any further increase in short- and long-term market interest rates will accordingly have a limited impact on the company's interest expenses before changes in the value of derivatives.

At 31 December, the company had a total liquidity – including unused drawing rights – of NOK 1 246 million (2009: NOK 613 million). The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt and on-going short-term fluctuations in working capital requirements.

Market risk

Norwegian Property is exposed to changes in market rents, vacancy in the portfolio, turnover-based rents and the rate of inflation. The company has a large proportion of long-term leases, with an average remaining term at 31 December of 5.2 years (2009: five years).

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

Vacant space in the company's portfolio increased somewhat during 2010 and accounted at 31 December for 5.8 per cent (2009: two per cent) of the total. Most of this is immediately available for re-letting, but strategic considerations have prompted Norwegian Property to keep certain spaces unlet in preparation for major modifications to the buildings. The company works continuously to reduce vacancy in the portfolio.

Credit risk

Norwegian Property's portfolio of office properties is characterised by high quality and a financially sound and well diversified set of tenants. They 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. Bad debts were limited in both 2010 and 2009.

In connection with the sale of Norgani Hotels, Norwegian Property has provided a NOK 600 million seller credit to the buyer, Sech Holding AB. This company is controlled by Pandox AB and Heches Holding AB, which is controlled in turn by Eiendomsspar and the Sundt family. The loan is secured by a first-priority mortgage on the shares of Norgani Hotel and by guarantees from Pandox AB and Heches Holding AB.

Liquidity risk

The company will ensure that it has sufficient liquidity/credit limits to meet its obligations. It will also have a sensible level of liquidity to meet unexpected commitments. The financing strat-

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Key figures, commercial properties

		2010	2009	2008	2007	2006
Properties	Number	47	48	50	57	55
Total area	Square metres	623 849	633 864	669 569	736 391	722 542
Average size per property	Square metres	13 273	13 205	13 391	12 919	13 137
Average value per square metre	NOK	24 144	23 710	24 716	28 151	24 990
Fair value	NOK million	15 062	15 029	16 549	20 730	18 056
Gross rental income ¹	NOK million	1 015	1 049	1 120	1 149	1 064
Estimated annual property costs ¹	NOK million	61	59	63	76	61
Net rental income ¹	NOK million	964	990	1 057	1 073	1 003
Gross yield	Per cent	6.7	7.0	6.8	5.5	5.9
Net yield	Per cent	6.3	6.6	6.4	5.2	5.7
Average remaining lease term	Years	5.2	5.0	5.6	6.5	7.3
Average inflation adjustment	Per cent	97.4	97.1	97.0	95.0	96.0
Vacancy (percentage of area)	Per cent	5.8	2.0	0.7	0.7	0.8

¹ Level at 1 January 2011 after inflation adjustment

Key financial figures – commercial properties

(All amounts in NOK million)	2010	2009	2008	2007	2006 ¹
Rental income	1 025	1 044	1 079	1 011	415
Operating profit	870	878	948	891	352
Net gain on sales	9	(7)	7	9	-
Net changes in value, properties	171	(474)	(2 905)	1 219	393
Net changes in value, financial derivatives	(70)	68	(764)	293	77
Pre-tax profit	438	(168)	(3 481)	1 680	539

¹ Norwegian Property was founded in May 2006.

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

The company is well hedged against fluctuations in market interest rates and exchange rates, which reduces the need for liquidity to meet unexpected commitments in these areas. A positive cash flow was generated by the company from operations in in both 2009 and 2010. Other liquidity risk relates first and foremost to servicing instalments on and redemption of loans.

At 31 December, the company had interest-

bearing debt of NOK 10 294.6 million, with an average remaining term of two years. Ordinary redemption during 2011 totals NOK 90.7 million. The company's interest-bearing debt was reduced by a total of NOK 8 084.3 million. The company is continuously exposed to refinancing risk associated with the maturity of loans, and seeks to limit this by renegotiating and extending the duration of loans before they mature. High priority will be given in 2011 to the work of refinancing the company's loans maturing in 2012, and the board's objective is to secure a refinancing of interest-bearing debt maturing in 2012 during the first half of 2011.

Development risk

Since its creation, Norwegian Property has had a limited involvement with development projects. In connection with the expiry of a number of large leases in the years to come, the company is planning to implement extensive conversion and refurbishment projects at a number of its properties. It is establishing an organisation with competent personnel, and is also working systematically to develop its tools for project management and execution.

Highlights of 2010

Concentration and sale of the hotel business
Norwegian Property reached agreement in Au-

gust 2010 with a joint venture owned by Pandox AB, Eiendomsspar AS and Sundt AS on the sale of the company's hotel business, based on a fair value of NOK 8 300 million. This transaction was finalised in November 2010 and was an important condition for the work of concentrating Norwegian Property's operations as a focused office business.

From financial to industrial player

From its creation, Norwegian Property's operational strategy was based on outsourcing operation and management, with a small organisation focused on letting and finance. The company worked purposefully throughout 2010 to strengthen and develop its organisation in the most important areas for future value creation.

:: Insourcing of property management. The property management contract with Neas was cancelled in May 2010. After the expiry of the period of notice in May 2011, Norwegian Property will take over property management. A dedicated management team of 15 people was operational at 31 December.

:: Organisation for development: Fredrik W. Baumann took office in January 2010 as director property development. He has long experience from the construction sector and in project and building management, and his team has been given the main responsibility for establishing and implementing plans for further value-creating development of Norwegian Property's assets.

The creation of these two units was paralleled by a strengthening of the letting and financing functions with important key resources. Substantial work has been devoted to establishing a new IT structure and new management systems.

Greater financial freedom of action

The company's net loan-to-value ratio (the rela-

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tionship between net interest-bearing debt and the fair value of the properties) was reduced from 75.7 per cent at 1 January 2010 to 62.7 per cent at 31 December. Positive cash flow from operations and the sale of Norgani Hotels made a significant contribution to this reduction. In addition, a private placement of 45 326 000 shares at a price of NOK 12 per share was implemented in March 2010. The gross proceeds were NOK 543.9 million.

Renegotiation or award of 82 leases

The company awarded or renegotiated 82 leases during 2010. These included an agreement with Nordea to extend its existing lease for Middelthunsgate 17 to a new expiry date of 31 January 2016, with a comparable rent increase of 33.3 per cent for the extension period. The overall rent rise for the leases was 11 per cent. At 31 December, vacant space was 5.8 per cent of the company's portfolio compared with two per cent a year earlier.

One property sold

Norwegian Property sold one property in addition to the disposal of Norgani Hotels during 2010. The sales contract for Oksenøyveien 3 at a fair value of NOK 175 million was entered into during February and implemented in March.

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

The consolidated income statement for 2010 embraces the office portfolio of 47 properties at 31 December. The hotel business organised through Norgani Hotels was divested in 2010 and has accordingly been classified as discontinued business.

Gross rental income totalled NOK 1 025.1 million (2009: NOK 1 043.9 million). Adjusted for the sale of office properties, this represents an increase of NOK 0.8 million.

Property-related operating costs totalled NOK 95.8 million (2009: NOK 63.7 million). This increase reflects higher maintenance activity, the establishment of an internal management organisation while Neas is still pursuing management assignments until the outsourcing contract expires in May 2011, and increased development work with consequent cost recognition. Administrative owner costs in 2009 included special items totalling NOK 17.2 million related to refinancing and personnel-related expenses. Operating profit before financial items and fair value adjustments was thereby NOK 870.4 million (2009: NOK 879.3 million). No costs related to research and development activities have been recognised in the 2010 accounts.

Financial income, which consists largely of interest income, totalled NOK 24 million (2009: NOK 38 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 566.7 million (2009: NOK 671.1 million). The profit before tax and value adjustments was thereby NOK 327.7 million (2009: NOK 246.2 million).

The positive adjustment to the fair value of the company's property portfolio totalled NOK 170.6 million, compared with a negative adjustment of NOK 474 million in 2009. This increase reflects a reduced required return and higher expectations for market rents. The change in fair value for financial instruments used to manage interest rate and exchange rate risk was negative at NOK 69.9 million (2009: positive at NOK 68.3 million). The income effect of sold properties and settlement of earlier property sales was an accounting gain of NOK 9.4 million (2009: negative at NOK 7.1 million). Pre-tax profit for the continued business thereby came to NOK 351.2 million (2009: loss of NOK 243 million).

The largest tenants at 31 December 2010

Tenant	Annual rent ¹	Per cent of total	Years to maturity
1 EDB Business Partner ASA	85.8	8.5%	8.2
2 Aker Solutions ASA	85.0	8.4%	8.3
3 DnB NOR ASA	74.2	7.3%	2.3
4 Nordea	47.3	4.7%	5.1
5 Statoil ASA	43.8	4.3%	2.1
6 If Skadeforsikring	41.7	4.1%	2.3
7 Aker Offshore Partner AS	34.8	3.4%	4.0
8 Total E&P Norway AS	32.0	3.1%	11.0
9 Høegh Autoliners Management AS	28.7	2.8%	9.2
10 Get AS	28.4	2.8%	8.0
11 Telenor Eiendom Holding AS	27.9	2.7%	4.7
12 NetCom AS	26.0	2.6%	9.5
13 SAS Scandinavian Airlines Norge AS	25.9	2.6%	9.0
14 Skanska Norge AS	21.1	2.1%	4.7
15 Fokus Bank	20.7	2.0%	2.1
16 Atea ASA	19.2	1.9%	1.7
17 NAV	16.8	1.7%	5.5
18 TDC AS	16.7	1.6%	4.8
19 Tieto Norway AS	14.1	1.4%	1.6
20 BW Offshore AS	12.0	1.2%	2.9
21 Simonsen Advokatfirma DA	11.8	1.2%	0.8
22 Økokrim	11.8	1.2%	15.6
23 Uno-X Energi AS	11.1	1.1%	4.7
24 Bugge, Arentz-Hansen & Rasmussen	10.2	1.0%	1.6
25 Esso Norge AS	9.9	1.0%	4.8

¹ Rent at 1 January 2011

NOK 86.7 million is recognised in the 2010 accounts (2009: NOK 76.4 million) as a tax expense for the continued business. As a result, net profit for the year for the continued business was NOK 351.2 million (2009: loss of NOK 243 million).

Profit before tax and value adjustments for the discontinued business was NOK 188 million. Value changes for investment properties, the change in fair value of financial instruments and impairment of goodwill totalled NOK 1 407.3 million. Tax expense for the discontinued business was NOK 348.8 million, and the gain on sale of the discontinued business came to NOK 59.7 million. The overall loss for the discontin-

ued business related to the hotel activity and totalled NOK 810.8 million (2009: NOK 925.9 million). With the result for the discontinued business, the net loss for 2010 came to NOK 459.6 million (2009: NOK 1 168.9 million).

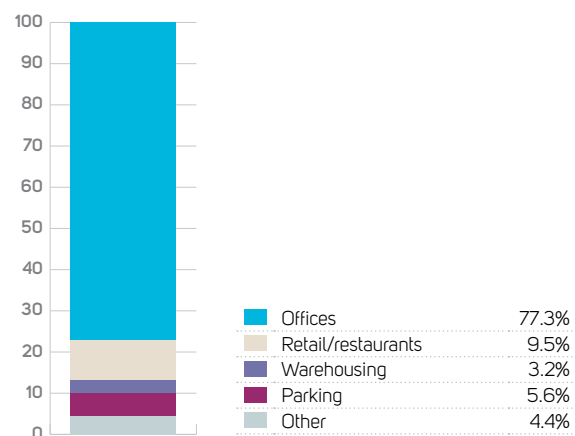
Cash flow

Cash flow from operations totalled NOK 1 155.9 million (2009: NOK 1 480 million). Net cash flow from investing activities was NOK 1 054.6 million (2009: NOK 974.9 million). Net cash flow from financing activities was negative at NOK 2 210.1 million (2009: NOK 2 371.3 million). The company reduced net interest-bearing debt by NOK 8 084.3 million in total during

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Gross rental income by category at 31 Dec 2010



2010, compared with NOK 3 461.8 million the year before. The net change in liquidity was NOK 0.5 million (2009: NOK 83.8 million).

Balance sheet and liquidity

Cash in hand at 31 December amounted to NOK 248.4 million (2009: NOK 248.2 million). In addition, the company had NOK 1 000 million in unused drawing rights at 31 December (2009: NOK 365 million). Total equity was NOK 4 988.6 million (2009: NOK 4 918 million), representing an equity ratio of 31.4 per cent (2009: 19.9 per cent). After deduction of minority interests, carried equity per share came to NOK 10.01 (2009: NOK 10.85).

Interest-bearing debt at 31 December was NOK 10 294.6 million (2009: NOK 18 378.8 million). At 31 December, the average interest rate on the company's loans was 5.16 per cent (2009: 5.33 per cent). The average loan margin was 0.74 per cent (2009: 0.98 per cent). The average remaining term to maturity for the loans was two years (2009: three years).

The company had entered into net interest rate

hedging contracts totalling NOK 9 337 million (2009: NOK 18 457 million) at 31 December. That represented a hedging ratio of 94 per cent (2009: 107 per cent). The average remaining term of the interest rate hedges was 4.1 years (2009: 3.1 years). The bulk of the hedging is not subject to hedge accounting under IAS 39.

Properties

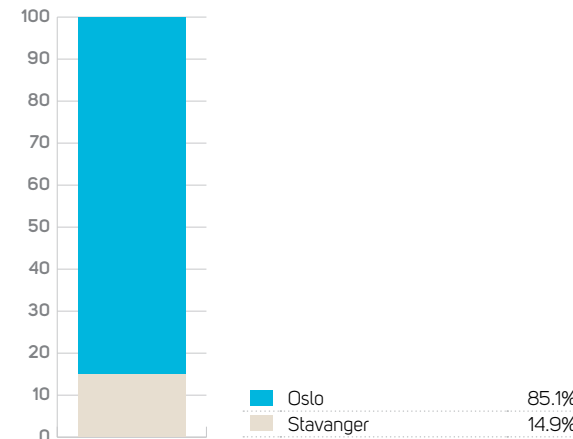
Commercial property

Gross rental income from the office premises totalled NOK 1 025.1 million (2009: NOK 1 043.9 million). The average remaining term of the portfolio's leases at 31 December was 5.2 years (2009: five years), and rents are adjusted annually by an average of 97.4 per cent of the CPI.

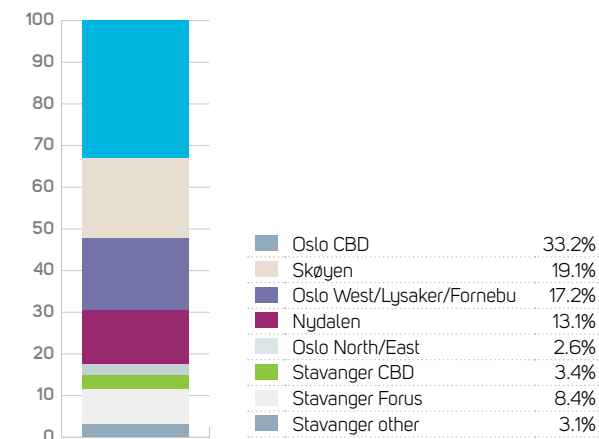
One property, Okesenøyveien 3, was sold during 2010 for NOK 175 million. The contract was agreed and finalised during the first quarter.

Norwegian Property has financially sound and attractive organisations and companies as tenants. The 25 largest office tenants accounted for 74.6 per cent of annual rental income at 31 December 2010.

Gross rental income by location at 31 Dec 2010



Gross rental income by city area/cluster at 31 Dec 2010



A total of 82 leases were awarded or renegotiated in 2010 with combined gross annual rents of NOK 268.4 million, which represents an increase of 11.2 per cent from the level for the expired leases.

Norwegian Property is well positioned in the market for commercial property. Vacancy is below the general market level, customers are financially sound and, after a period with few maturing leases, Norwegian Property now has a larger number expiring. However, this coincides with a positive trend in the rental market and accordingly represents an opportunity to increase rental income.

Valuation of the properties

DTZ Realkapital and Akershus Eiendom performed independent valuations of the company's office properties in Norway at 31 December 2010. 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 va-

cancy are made on a property-by-property basis.

The board and executive management have carried out independent assessments of parameters which affect the value of the company's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. 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 14 862.5 million at 31 December 2010 (2009: NOK 23 732.7 million including the hotel properties in Norgani Hotels).

Events after the balance sheet date

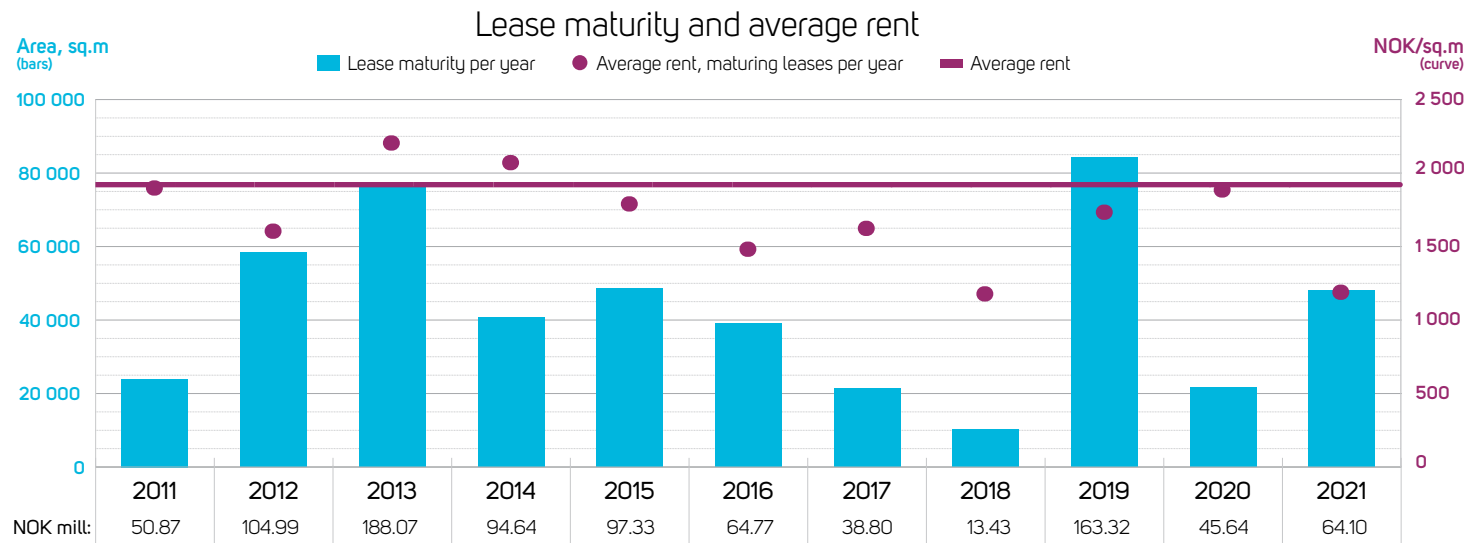
Norwegian Property redeemed bonds with a face value of NOK 61 million in one of its bond loans (see [note 27](#) for further details).

Going concern assumption

Pursuant to the Norwegian Accounting Act, the

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board confirms that the going concern assumption is realistic. The annual accounts for 2010 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. The board will propose to the AGM in May that a dividend of NOK 0.10 per share be paid for fiscal 2010, totalling NOK 49.9 million.

The company's non-restricted equity (other paid-in equity) totalled NOK 2 384.6 million at 31 December.

Organisation

The company had 38 employees at 31 December. Its organisation was significantly strengthened in 2010 in order to prepare for the takeover of management of the properties, which was previously outsourced to external partners. The company's executive management comprises five people, including one woman. Thirteen of the company's 38 employees are female. It is the board's ambition that future appointments

will contribute to a continued balance between the genders. Weight has been given when recruiting management and key personnel to combining professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation.

Olav Line took over as president and CEO of Norwegian Property in January 2010. He was previously chief executive of Steen og Strøm AS, and has 25 years of experience in the Norwegian and Nordic property market.

Svein Hov Skjelle took over in January 2010 as CFO of Norwegian Property. He has previously held various posts in finance, management and accounting, most recently as CFO for the Entra Eiendom AS property company. Before that he held a similar post in Norwegian Property from 2006-2009.

Bjørge Aarvold became director property management in May 2010. He has been with the company since its creation in May 2006, first on contract from PWC in the start-up phase and later as vice president property.

Fredrik W. Baumann became director property development in January 2011. He had previously served as chief executive of OKK Entreprenør AS from 2006, and has long experience from the construction sector and in project and building management. That includes serving as vice president projects at Avantor ASA, where he was also a member of the management team.

Benefits, collateral and loans provided to executive personnel are described in [note 20](#).

Board of directors

Arvid Grundekjøn was elected chair for a two-year term by the AGM in May 2010. The same meeting elected Jon Erik Brøndmo as a director for a two-year term. Nils K Sette, Synne Syrrist and Gry Mølleskog were re-elected by the same AGM for two-year terms.

Health, safety and the working environment

No injuries were recorded in Norwegian Property's business during 2010. Overall sickness absence for Norwegian Property ASA and Norgani Hotels AS was 3.9 per cent in 2010. The board

gives weight to ensuring a good working environment in Norwegian Property through appropriate premises, dynamic working conditions and challenging jobs.

Natural environment

A revised strategy for corporate environmental and social responsibility is due to be finalised by Norwegian Property during the first half of 2011. This will contain specific targets for both environmental and social responsibility, and reflect ambitions which go beyond the requirements of applicable legislation and statutory regulations.

Total annual energy consumption in the buildings owned by Norwegian Property is estimated at 160 GWh for the portfolio of commercial property. The new strategy will set specific targets for reducing energy consumption in the company's buildings. Systematic efforts are being made to optimise operation of the properties and to implement measures which can contribute to reducing energy consumption, including alternative energy sources for a number of the company's buildings.

The revised environmental strategy will also set specific targets for waste sorting in the buildings, reduction of water consumption, and energy bearers in the buildings. Good results will largely be pursued through proactive dialogue with customers.

Norwegian Property will execute conversion and refurbishment projects to a greater extent than before. The company will seek to promote site development through rehabilitation, maintenance and possible new construction. In executing such projects, the revised environmental strategy will provide specific goals for waste sorting, energy classification as a B building at a minimum, and the ambition of a "very good" Breeam certification.

Shareholders

Norwegian Property had 2 508 shareholders at

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31 December, down by 788 from the same time in 2009. Foreigners owned 51 per cent of the shares, compared with 38.8 per cent a year earlier. Shareholder policies and other aspects of the shareholder structure are described in a separate chapter of this annual report.

Corporate governance

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

- :: the company will treat all shareholders equally

- :: the interests of the shareholders in general will be protected
- :: the company will provide full, accurate and correlated information about its operations at the right time, and present it simultaneously and with the same content to all recipients
- :: the division of roles between owners, board and executive management will preserve their independence and prevent conflicts of interest
- :: transactions with close associates will be conducted on an arm's-length basis
- :: compliance with applicable recommendations for good corporate governance will be based on the "comply or explain" principle.

A detailed presentation of the company's corporate governance is provided in a separate section of the annual report.

Outlook

The Norwegian economy is becoming increasingly robust, and optimism is gradually returning. That also means more optimistic attitudes in the commercial property market. Despite a greater supply of new space than in the previous boom, vacancy is expected to decline in 2011. Demand for office space and rents in most areas of Oslo is accordingly showing an upward trend. However, tenants are selective. Location is a very important criterion, but efficient use of

space, technical and architectonic qualities, environmental factors and overall economics are also important decision parameters for tenants.

Norwegian Property concentrates on high-quality properties close to traffic hubs in the most central and attractive areas of Oslo and Stavanger. The company is planning major refurbishments at Aker Brygge, Skøyen and in Stavanger. With a strong focus on customer requirements and a strengthened organisation in the letting, development and management areas, Norwegian Property is now well equipped to attract new tenants and retain existing ones. The company's business is firmly based to become a key player in the commercial property market. Its improved financial position will help Norwegian Property to exploit the full potential offered by the property portfolio.

Declaration by the directors and chief executive

The board of directors and the chief executive have today reviewed and approved the directors' report and the annual consolidated and parent company financial statements for Norwegian Property ASA at 31 December 2010. The consolidated financial statements have been prepared in accordance with IFRS as approved by the European Union and associated interpretations as well as additional Norwegian disclo-

sure requirements in the Norwegian Accounting Act in force at 31 December 2010. The parent company's financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles at 31 December 2010. 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 2010.

To the best of our knowledge, we confirm that:

- :: the annual parent company and consolidated financial statements for 2010 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 2010 for the group and the parent company
- :: the directors' report for the group and the parent company provides a true and fair review of the development, financial results and position of the group and the parent company, and of the principal risks and uncertainties facing the group and the parent company.

Oslo, 24 March 2011

The board of directors of Norwegian Property ASA



Arvid Grundekjøn
Chair



Nils K. Sette
Director



Gry Mølleskog
Director



Jon Erik Brøndmo
Director



Synne Syrrist
Director



Olav Line
President and CEO

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Income statement 1 Jan-31 Dec

Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>Note</i>	<i>2010</i>	<i>2009</i>
Continued operations			
Gross income		1 025 114	1 043 861
Maintenance and other operating expenses		(90 335)	(57 830)
Other property-related expenses		(5 488)	(5 845)
Total property-related expenses		(95 823)	(63 675)
Operating profit before administrative expenses		929 291	980 186
Administrative expenses	19, 20	(58 886)	(100 919)
Profit before net financial cost and value adjustments		870 405	879 267
Financial income	21	24 011	38 010
Financial cost	21	(566 681)	(671 073)
Net financial items		(542 670)	(633 063)
Profit before income tax and value adjustments		327 735	246 205
Change in market value of investment property	8	170 607	(474 032)
Change in market value of financial derivative instruments	12, 13	(69 878)	68 329
Unrealised gains and losses		100 729	(405 703)
Gain/(loss) related to property sales	8	9 413	(7 104)
Realised gains and losses		9 413	(7 104)
Profit/(loss) before income tax for continued operations		437 877	(166 601)
Income tax for continued operations	18, 22	(86 652)	(76 426)
Profit/(loss) for continued operations		351 225	(243 027)
Discontinued operations			
Loss for discontinued operations	6	(810 807)	(925 915)
Loss for the period		(459 582)	(1 168 942)
Minority interests		-	-
Loss after minority interests		(459 582)	(1 168 942)
Earnings per share attributable to shareholders (amounts in NOK)	23	(0.94)	(4.17)

Comprehensive income statement 1 Jan-31 Dec

Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>2010</i>	<i>2009</i>
Loss after minority interests	(459 582)	(1 168 942)
Currency translation differences for discontinued operations	126 308	(433 824)
Gain/(loss) on financial derivative instruments for continued operations	(2 081)	(25 143)
Gain/(loss) on financial derivative instruments for discontinued operations	(6 557)	95 140
Income tax related to comprehensive income for continued operations	583	7 040
Income tax related to comprehensive income for discontinued operations	1 836	(26 639)
Reclassification of currency translation differences for discontinued operations	(134 779)	-
Reclassification of financial derivative instruments for discontinued operations	13 687	-
Total comprehensive income	(460 585)	(1 552 368)
Total comprehensive income attributable to owners of the company	(460 585)	(1 552 368)
Total comprehensive income attributable to non-controlling interests	-	-

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Balance sheet at 31 December

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(Amounts in NOK 1000)	Note	2010	2009
ASSETS			
Non-current assets			
Financial derivative instruments	13	24 319	33 719
Goodwill	10	-	580 230
Deferred tax asset	18	70 015	-
Investment property	8	14 862 518	23 732 704
Other tangible assets	9	2 401	6 997
Shares and interests		-	1 691
Receivables	6	600 000	8 883
Total non-current assets		15 559 253	24 364 225
Current assets			
Financial derivative instruments	13	1 778	2 745
Accounts receivable	14	51 868	93 037
Other receivables	14	15 522	4 825
Cash and cash equivalents	3	248 407	248 216
Total current assets		317 575	348 823
TOTAL ASSETS		15 876 828	24 713 047

(Amounts in NOK 1000)	Note	2010	2009
EQUITY AND LIABILITIES			
Equity			
Share capital	15	249 298	226 635
Share premium		3 048 175	2 539 654
Other paid-in equity		6 440 068	6 440 068
Other reserves		7 278	8 282
Retained earnings		(4 756 224)	(4 296 643)
Total equity		4 988 595	4 917 996
Non-current liabilities			
Financial derivative instruments	13	317 440	487 775
Deferred tax	18	-	365 497
Interest-bearing debt	17	10 203 850	17 781 346
Non-current liabilities		10 521 290	18 634 618
Current liabilities			
Financial derivative instruments	13	9 265	11 184
Interest-bearing debt	17	90 730	597 492
Trade payables		14 700	15 486
Other liabilities	16	252 248	536 271
Total current liabilities		366 943	1 160 433
Total liabilities		10 888 233	19 795 051
TOTAL EQUITY AND LIABILITIES		15 876 828	24 713 047

Oslo, 24 March 2011
The board of directors of Norwegian Property ASA


Arvid Grundekjøn
Chair


Nils K. Selte
Director


Gry Mølleskog
Director


Jon Erik Brøndmo
Director


Synne Syrrist
Director


Olav Line
President and CEO

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Statement of changes in equity

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(Amounts in NOK 1 000)

	Share capital	Share premium reserve	Other paid-in equity	Retained earnings	Other reserves ¹	Translation differences	Total equity
Total equity 31 December 2008	5 040 885	1 196 268	1 500 000	(3 127 701)	(50 587)	442 295	5 001 160
Total comprehensive income	-	-	-	(1 168 942)	50 398	(433 824)	(1 552 369)
Capital decrease	(4 940 068)	-	4 940 068	-	-	-	-
Capital increase	125 818	1 383 995	-	-	-	-	1 509 813
Equity issue cost, net of tax	-	(40 608)	-	-	-	-	(40 608)
Total equity 31 December 2009	226 635	2 539 654	6 440 068	(4 296 643)	(189)	8 471	4 917 996
Total comprehensive income	-	-	-	(459 582)	7 468	(8 471)	(460 585)
Capital increase	22 663	521 249	-	-	-	-	543 912
Equity issue cost, net of tax	-	(12 728)	-	-	-	-	(12 728)
Total equity 31 December 2010	249 298	3 048 176	6 440 068	(4 756 225)	7 278	-	4 988 595

¹ Other reserves include hedging reserves.

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Cash flow statement 1 Jan-31 Dec

Consolidated

<i>(Alle beløp i 1 000 kroner)</i>	2010	2009
Loss before income tax	(721 699)	(1 399 018)
Taxes paid in the period	(16 766)	(24 862)
Depreciation of tangible assets	1 595	3 976
Gain from fair value adjustment of investment property	534 580	1 517 369
Gain/(loss) from sale of investment property and operations	(69 081)	7 104
Gain/(loss) from fair value adjustment of financial derivative instruments	201 050	(35 518)
Impairment of goodwill	570 928	308 832
Net financial items excluding fair value adjustment of financial derivative instruments	791 805	1 055 965
Change in current items	(136 482)	46 185
Net cash flow from operating activities	1 155 930	1 480 033
Payments for purchase of investment property	(67 964)	(77 439)
Received cash from sale of investment property and discontinued operations	1 122 568	1 052 387
Net cash flow from investing activities	1 054 604	974 948
Net repayment of interest-bearing debt	(1 944 493)	(2 730 818)
Net financial items excluding fair value adjustment of financial derivative instruments	(791 805)	(1 055 965)
Capital increase	526 235	1 450 638
Payments related to other financing activities	-	(35 109)
Net cash flow from financial activities	(2 210 063)	(2 371 254)
Net change in cash and cash equivalents	471	83 727
Cash and cash equivalents at the beginning of the period	248 216	174 220
Exchange rate effects	(280)	(9 731)
Cash and cash equivalents at the end of the period	248 407	248 216

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

The cash flow statement includes both continuing and discontinued operations. Cash flows for discontinued operations are presented separately in [note 6](#).

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Notes to the annual accounts

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NOTE 1 General information

The real estate investment company Norwegian Property ASA was established in 2006. The business concept of Norwegian Property is to create value through growth from the ownership, development and management of prime commercial properties located in the most attractive clusters in Oslo and in other key growth areas. The tenant portfolio will consist of large, solid private and public tenants. The group owned 47 properties in Oslo and Stavanger at 31 December 2010.

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

Norwegian Property ASA entered into an agreement in 2008 with Neas ASA concerning the management and operation of the majority of the portfolio of commercial properties. Neas took responsibility for management and daily operations of the properties at 1 April 2008. The agreement meant that the group's future commercial property costs in the contract period were limited to an agreed level. In addition, the agreement opened the way for Neas to provide services directly to tenants. Following the change of strategic direction for the group in 2010, Norwegian Property's ambition is to be a fully integrated real estate company, with professionalism at all stages of the value chain – letting, property management and operations, transactions and property development. Norwegian Property has established a management organisation to take over from Neas in its entirety from 1 May 2011. Norwegian Property has entered into a revised agreement with Neas, which means that Norwegian Property will insource all operations related to the group's commercial properties in Oslo from 1 May 2011. The agreement with Neas related to technical management of Norwegian Property's properties in Stavanger will continue after 1 May 2011, but with a mutual 12-month rolling termination period. Existing agreements for the delivery of joint property services will continue even after 1 May 2011. The new agreement means that the property cost warranty provided by Neas in relation to the previous agreement expires. Norwegian Property will pay regular fees for on-going services from Neas.

NOTE 2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and effective at 31 December 2010, and additional requirements pursuant to the Norwegian Accounting Act at 31 December 2010.

IFRS standards and interpretations published before the reporting of the financial statement, but not mandatory at 31 December 2010, have not been adopted by the group with the exception of IAS 24 on related parties. The company has chosen an early implementation of the standard, which comes into force on 1 January 2011. The company has reviewed the effects of implementing these unimplemented non-obligatory standards and interpretations. No significant effects have been identified with regard to the annual financial statements, the assessment of reported figures or their presentation as a consequence of a future implementation.

The consolidated financial statement have been prepared on a historical cost basis, except for investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) carried at fair value through profit and loss.

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgments in the process of applying the group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in [note 5](#).

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

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

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

(b) Transactions and minority interests

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

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(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 balance sheet date
- (ii) income and expenses for each income statement are translated at average exchange rates
- (iii) all resulting translation differences are recognised as a separate component of equity.

On consolidation, exchange rate changes arising from translation of the net investment in foreign entities, and of financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value of assets arising from the acquisition of a foreign entity are allocated to the acquired entity and translated at the closing rate.

2.5 Investment property

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

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Other repairs and maintenance costs are charged to the income statement during the financial period in which they incur. Expenses related to tenants accommodation, such as replacement of walls, are activated together with the asset's carrying amount simultaneously with the derecognition of the remaining carrying amount of the replaced components. If an investment property is used by the company, it is reclassified as property, plant and equipment unless the internal use is insignificant. Fair value at the date of reclassification is the property's acquisition cost. Assets under construction for future use as investment property are also recognised as investment property during the construction period.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and write-downs. Historical cost includes expenditure directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gains/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 reliably measured. 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 as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and assets available for sale. The classification is determined in accordance with 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 in this category if acquired principally for the purpose of short-term trade owing to favourable short-term market movements. Derivatives are classified as held for trade unless 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 those with 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 at the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of net investments or of a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedge transactions. The group also documents whether the derivatives used in hedging are effective in offsetting changes in fair value or cash flows related to the hedged items. Such assessments are documented both at hedge inception and on an on-going basis.

The fair values of various derivative instruments used for hedging purposes are disclosed in [note 13](#). Changes in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The 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 under "changes in market value of financial derivatives".

(b) Cash flow hedge

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

Amounts taken directly to equity are recognised in the income statement in the period when the hedged item affects profit or loss (for example, when the planned hedged sale takes place). The gain or loss related to the effective portion of interest-rate swaps hedging floating-rate loans is recognised in the income statement under financial expenses. Gain or loss related to the effective portion of a currency future contract hedging export sales is recognised as revenues. The gain or loss related to the ineffective portion is recognised in the income statement under other financial income (costs).

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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 reversed when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in equity is immediately transferred to the income statement under "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 related 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 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 made when there is objective evidence that the group will not be able to collect all the amounts due in accordance with the original terms of the receivables. Significant financial difficulties of the debtor, the 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 recoverable amount, which is 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 changes in the provision are 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 under other operating expenses.

2.12 Cash and cash equivalents

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

2.13 Share capital and share premium reserve

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

2.14 Trade payables

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

2.15 Borrowings

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

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

2.16 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) which have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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 when the dividends are approved by the company's shareholders.

2.19 Interest expense

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

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

2.20 Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. The former CEO of Norwegian Property also had a defined benefit pension plan. Norgani Hotels AS, including subsidiaries, operated defined contribution plans for all new employees. Some employees were 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 to employees relating to rights earned in current or previous periods. Contributions are recognised as an employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that 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 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 actu-

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aries using the straight-line earnings 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 (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

NOTE 3 Financial risk management

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

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

3.1 Market risk

Foreign exchange risk

After the sale of Norgani Hotels in the autumn of 2010, the group no longer operates internationally and its exposure to currency risk is limited to a few leases in foreign currency. Investments in foreign subsidiaries imply risks related to the translation of net investments. Currency exposure arising from net investments in foreign operations were mainly controlled by borrowing in the relevant foreign currency. The group has entered to a limited extent into hedging agreements to reduce its net asset exposure in foreign currencies. The general policy for Norgani Hotels was to hedge 70 per cent of its net exposure at any time, and the hedging ratio should never deviate by more than 20 per centage points from this baseline. The hedging ratio was 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.

2010

(Amounts in NOK 1 000)	NOK	SEK	EUR	DKK	Total
Investment property	14 862 518	-	-	-	14 862 518
Cash and cash equivalents	248 407	-	-	-	248 407
Interest-bearing receivables	600 000	-	-	-	600 000
Interest-bearing debt	(10 294 580)	-	-	-	(10 294 580)
Derivatives	-	-	-	-	-
Net exposure	5 416 345	-	-	-	5 416 345

2009

(Amounts in NOK 1 000)	NOK	SEK	EUR	DKK	Total
Investment property	16 970 145	3 865 522	2 466 897	430 140	23 732 704
Cash and cash equivalents	177 203	79 040	(6 335)	(1 692)	248 216
Interest-bearing receivables	-	-	-	-	-
Interest-bearing debt	(13 645 553)	(2 568 551)	(1 888 495)	(276 239)	(18 378 838)
Derivatives	-	(430 451)	(462 591)	(67 340)	(960 382)
Net exposure	3 501 795	945 560	109 476	84 869	4 641 700
Hedging ratio (per cent)	80	76	96	80	81

Rental income and operating costs for Norgani Hotels in foreign currencies, related to foreign subsidiaries, was not subject to currency hedging. In 2010, 75.3 per cent of Norgani Hotels' revenue was related to Sweden, Finland and Denmark (2009: 82.2 per cent).

Three per cent (NOK 31 million) of Norwegian Property's rental income (commercial properties) in 2010 is in foreign currency (EUR) and practically all operational expenses are denominated in NOK (2009: 2.7 per cent, NOK 29 million). At 31 December 2010, this exposes the group to limited foreign exchange risk. Norwegian Property has entered 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 principal amounts and the maturity for the group's total portfolio of forward exchange contracts at 31 December 2010 are specified in local currencies in the table below (see also [note 13](#)).

Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
EUR	(37 546)	(13 833)	(4 104)	(10 975)	(8 634)

Price risk

Rental income is exposed to changes in market rents, revenue-based rent and inflation. The group prefers long-term leases. The average duration of rental contracts at 31 December 2010 was 5.2 years (2009: five years).

Rental agreements for commercial properties secure a fixed revenue during the lease term. The majority of leases have a 100 per cent CPI adjustment clause allowing the company to adjust rents in line with CPI changes. The company seeks to secure such regulation clauses in all new leases. CPI regulation in 2010 was 1.98 per cent for leases regulated in October and 1.90 per cent for leases regulated in November, which increased annual rental income for 2011 by NOK 20 million. Rent related to the shopping centre at Aker Brygge in Oslo is revenue-based.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property has a policy of hedging a minimum of 70 per cent of floating rate loans outstanding. At 31 December, 94 per cent of such loans (including interest-bearing receivables and cash) were hedged (2009: 117 per cent). The loan-to-value ratio was lower for Norgani Hotels compared with Norwegian Property, and the corresponding policy for Norgani Hotels was to hedge a minimum of 50 per cent of floating rate loans outstanding. At 31 December 2009, 99 per cent of such loans were hedged.

In order to mitigate interest rate risk, the group has entered into interest rate swap agreements totalling NOK 10.1 billion at 31 December (2009: NOK 19.5 billion). The average credit margin on floating rate borrowings at 31 December 2010 was 74 basis points (2009: 98 basis points). The average basis rate of the loan portfolio at 31 December 2010 was 5.16 per cent (2009: 5.33 per cent). The average remaining maturity of hedging agreements was 4.1 years (2009: 3.1 years). Notional principal amounts and the maturity for the group's total portfolio of interest rate hedges at 31 December 2010 are specified in local currencies in the table below (see also [note 13](#)).

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Currency	Notional principal amount in currency	< 1 year	1-2 years	3-5 years	> 5 years
NOK	(10 050 000)	(1 184 369)	(1 228 265)	(3 746 219)	(3 891 147)

In addition come interest rate swap agreements not actuated at 31 December 2010. If the average interest rate at 31 December 2010 was 25 basis points higher/lower, and all other variables were constant, the group's profit/loss after tax would be NOK 19 million lower/higher (2009: NOK 33 million).

3.2 Credit risk

The majority of the group's rental revenues come from solid tenants. Tenants are preferably large, solid companies and public institutions, which reduces the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or made deposits of sum equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2010 and 2009 has been limited.

Maximum credit exposure related to accounts receivable on the balance sheet date by business segments and currency are specified in the table below.

	2010			2009		
	Commercial properties	Hotel	Total	Commercial properties	Hotel	Total
(Amounts in NOK 1 000)						
Norway (NOK)	51 868	-	51 868	77 282	608	77 890
Sweden (SEK)	-	-	-	-	10 487	10 487
Denmark (DKK)	-	-	-	-	1 464	1 464
Finland (EUR)	-	-	-	-	3 196	3 196
Total	51 868	-	51 868	77 282	15 755	93 037

See also [note 6](#) for a description of the interest-bearing seller's credit of NOK 600 million. The claim is secured by first-priority pledge on the shares of the divested company and by the surety from Pandox AB and Heche Holding AB.

3.3 Liquidity risk

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

(Amounts in NOK 1 000)	2010	2009
Cash and cash equivalents	248 407	248 216
- of which restricted cash and cash equivalents	(2 897)	(707)
Available cash and cash equivalents	245 510	247 509
Unused credit facilities	1 000 000	310 000
Unused overdraft facilities	-	55 000
Liquidity reserve	1 245 510	612 509

As described above, the group has a high level of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss

before value changes, changes in exchange rates and gain/loss from sale of properties), for both 2010 (NOK 331 million) and 2009 (NOK 220 million). Additional liquidity risks are mainly related to instalments and maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the leases. Amounts in the table are undiscounted cash flows (NOK 1 000).

31 December 2010	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
interest-bearing debt ¹	10 294 580	10 314 925	104 833	9 755 092	44 000	411 000
Trade payables	14 700	14 700	14 700	-	-	-
Other liabilities	252 248	167 837	167 837	-	-	-

31 December 2009	Book value	Expected cash flow	< 1 year	1-2 years	3-5 years	> 5 years
Interest-bearing debt ¹	18 378 838	18 418 721	328 576	9 785 271	7 865 624	439 250
Trade payables	15 486	15 486	15 486	-	-	-
Other liabilities	536 270	351 702	351 702	-	-	-

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

3.4 Capital risk management

The group's goal for capital risk management is to ensure continued operation in order to secure a return on investment for the owners and other stakeholders, and to secure an optimum capital structure to reduce capital costs. To improve its capital structure, the group can adjust the level of dividends 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 group debt ratio (LTV/loan-to-value). The debt ratio is calculated as the proportion of gross interest-bearing debt compared with gross property value. The group has an objective to strengthen its financial position and to reach a long-term loan-to-value target of 55-65 per cent. The loan-to-value ratio at 31 December is specified in the table below.

(Amounts in NOK 1 000)	2010	2009
Long-term interest-bearing debt according to the balance sheet	10 203 850	17 781 346
Short-term interest-bearing debt according to the balance sheet	90 730	597 492
Capitalised borrowing costs	20 345	38 429
Gross interest-bearing debt	10 314 925	18 417 267
Investment properties according to the balance sheet	14 862 518	23 732 704
Tax compensation at acquisition accounted for as a reduction of investment properties in the balance sheet	199 932	218 458
Gross property value	15 062 450	23 951 162
Loan-to-value (per cent)	68	77

NOTE 4 Determination of fair value

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

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Investment property

All group investment properties are valued at fair value based on a quarterly valuation update, and each property is valued at 31 December 2010 by two independent experts. DTZ Realkapital and Akershus Eiendom have performed a valuation of all properties. Based on the external valuations and supplementary internal analysis of the market for the rental portfolio, management makes an overall fair value assessment to determine whether the external valuations fairly represent the value of 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

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

Cash and cash equivalents

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

Interest-bearing liabilities

The group recognises interest-bearing liabilities at amortised cost.

Accounts receivable/other receivables and trade payables/other liabilities

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

Shares and interests

Fair value of any listed shares and interests is calculated at the market price listed at the balance sheet date. Shares and interests which are not listed are calculated using accepted and acknowledged valuation techniques, or carried at cost if fair value cannot be reliably measured.

Derivatives

The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. For derivatives related to Norwegian Property (commercial properties), the calculations are generally performed by banks. The company has checked and tested the valuation for reasonableness.

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 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.

The table below shows the assessment of fair value derivatives.

	Determination of fair value at 31 Dec 10 using			
	Given market value for corresponding assets and liabilities (level 1)	Other significant observable input (level 2)	Other significant non-observable input (level 3)	Total estimated fair value
Assets				
Financial derivatives	-	26 097	-	26 097
Liabilities				
Financial derivatives	-	326 705	-	326 705
Total	-	(300 608)	-	(300 608)

There have been no movements between the levels.

NOTE 5 Critical accounting estimates and judgements

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

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

Fair value of investment properties

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

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Fair value assessment of investment properties therefore depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and on segmentations of different areas within the properties if relevant. Macroeconomic assumptions for interest rate levels, inflation expectations and so forth are updated as part of the calculations. Inflation expectations are based on consensus views from banks and public statistical agencies (from 1.42 to 2.50 per cent in the calculation period). Cash flows from current leases are discounted with individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of properties and tenants. Current rent is discounted on the basis of discount rates in the interval 5.00-9.25 per cent, based on individual assessments of the single properties.

The sensitivity of the fair value assessment of investment properties depends mainly on assumptions related to yield, interest rates, inflation and the market rent for properties. The table below shows examples of how changes related to each of these variables influenced property values at 31 December 2010, assuming all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Value change ¹
Net market yield	+ 0.25 per cent	(510)
Market interest rate	+ 0.25 per cent	(31)
Inflation	+ 1 per cent	132
Market rent	+ 10 per cent	1 197

¹ The calculations have been carried out by DTZ Realkapital in connection with the valuations at 31 December 2010.

Fair value of financial derivatives

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

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NOTE 6 Discontinued operations

The hotel business, Norgani Hotels, was divested in 2010. Below is a breakdown of results for discontinued operations for 2010, which is presented net on a single line in the income statement. Prior period comparatives have been restated accordingly. The figures for discontinued operations in 2010 include the operation of Norgani Hotels until the end of the third quarter.

Norwegian Property acquired Norgani Hotels in 2007 and the acquisition was accounted for as acquisitions in accordance with IFRS 3. All other purchases made by the group since its inception in 2006 are treated as a purchase of assets.

In 2010, Norgani Hotels was sold to a company controlled by Pandox AB, Eiendomsspar AS and Sundt AS. The sale was part of the reorganisation of Norwegian Property as a focused commercial property business. It was also re-released financial capacity to develop Norwegian Property from a financial to an industrial real estate business.

The group had no other discontinued operations at 31 December 2010, and has not reported other discontinued operation since its inception in 2006.

<i>(Amounts in NOK 1 000)</i>	2010	2009
Gross income	540 092	723 804
Maintenance and other operating expenses	(59 910)	(83 356)
Other property-related expenses	(43 004)	(64 983)
Operating profit before administrative expenses	437 178	575 465
Net financial cost related to hotel properties	(213 537)	(338 169)
Net financial cost related to Oslo Properties	(35 598)	(84 734)
Profit before income tax and value adjustments	188 043	152 562
Change in market value of investment property	(705 187)	(1 043 337)
Change in market value of financial derivative instruments	(131 172)	(32 811)
Impairment of goodwill	(570 928)	(308 832)
Loss before income tax for discontinued operations	(1 219 244)	(1 232 417)
Income tax	348 769	306 502
Loss after tax for discontinued operations	(870 475)	(925 915)
Gain from sale of discontinued operations	59 668	-
Income tax	-	-
Loss for the period for discontinued operations	(810 807)	(925 915)

Net cash flow from discontinued operations is included in the group's reported cash flow, as specified below.

<i>(Amounts in NOK 1 000)</i>	2010	2009
Net cash flow from operating activities	364 671	520 175
Net cash flow from investing activities	961 213	(59 934)
Net cash flow from financial activities	(952 754)	(403 456)
Net change in cash and cash equivalents	373 130	56 785

Profit/(loss) on the sale of discontinued operations in 2010 is specified in the table below (amounts in NOK 1 000).

Net sales proceeds:

Cash consideration, less settlement of intercompany debt and transaction costs ¹	440 733
Deferred settlement (seller's credit) ²	600 000
Net sales proceeds	1 040 733

Net assets for discontinued operations:

Investment property	8 439 084
Other non-current assets	10 876
Current assets	129 015
Interest-bearing liabilities	(6 259 771)
Interest-bearing intercompany liabilities	(583 192)
Deferred tax asset	(146 295)
Financial derivative instruments	(351 153)
Other liabilities	(136 408)
Net assets	1 102 156

Calculation of transaction profit/loss:

Net sales proceeds	1 040 733
Net assets	(1 102 156)
Foreign exchange differences and financial derivative instruments reclassified from equity to profit on sale	121 092
Transaction gain/(loss)³	59 668

¹ The cash effect from the sale in 2010 amounted to NOK 978.2 million in the form of gross compensation adjusted for deferred settlement, paid transaction costs and cash in the Norgani Hotels AS group when sold.

² An interest-bearing seller's credit with a fixed annual interest rate of five per cent and a maturity of two years for NOK 200 million and for years for NOK 400 million.

³ The carrying value of investment properties is equal to the sales value and profit/loss is the effect of other items. Transaction costs are expensed at a total of NOK 82.3 million kroner in connection with the sale.

NOTE 7 Segment information

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

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NOTE 8 Investment property

Changes in the carrying amount of investment property are specified in the table below. Future minimum annual rent payments receivable under non-cancellable operating leases are specified in [note 11](#).

<i>(Amounts in NOK 1 000)</i>	2010	2009
Opening balance 1 January	23 732 704	27 312 567
Disposals on sale of business ¹	(8 439 084)	-
Disposal of properties ²	(168 700)	(1 035 551)
Additions through acquisition of properties and on-going investments	67 964	93 439
Fair value adjustment of investment property	(534 580)	(1 517 369)
Exchange rates changes	204 214	(1 120 383)
Book value at 31 December³	14 862 518	23 732 704

¹ Disposals in 2010 relate to Norgani Hotels (see [note 6](#)).

² Disposals in 2010 relate to the sale of the Oksnøyveien 3 property. Similarly, disposals in 2009 relate to the sale of the Grev Wedel's Plass 9 and Drammensveien 144 properties.

³ The carrying amount at 31 December 2010 included a reduction of NOK 199.9 million (2009: NOK 218.5 million) related to tax compensation received when acquiring investment properties (single-purpose entities). Rental income and property-related costs relating to the assets are shown in the income statement (continuing operations) and in [note 6](#) for discontinued operations.

Gains of NOK 9.4 million on the disposal of investment property in 2010 relate to the sale of the Oksnøyveien 3 property and final settlement for the Grev Wedels Plass 9 property. Similarly, the loss of NOK 7.1 million for 2009 relates to the sales of the Grev Wedels Plass 9 and Drammensveien 144 properties.

Restrictions related to investment properties

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

NOTE 9 Other tangible assets

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

<i>(Amounts in NOK 1 000)</i>	Fixture, fittings and equipment
Acquisition costs	
At 31 December 2008	13 623
Additions 2009	815
At 31 December 2009	14 438
Additions 2010	1 374
Disposals on sale of business 2010	(8 368)
At 31 December 2010	7 444

(Amounts in NOK 1 000)

Fixture, fittings and equipment

Accumulated depreciation	
At 31 December 2008	3 464
Depreciation 2009	3 976
At 31 December 2009	7 440
Depreciation 2009	1 595
Disposals on sale of business 2010	(3 992)
At 31 December 2010	5 043
Book value	
At 31 December 2009	6 998
At 31 December 2010	2 401

NOTE 10 Goodwill

Changes in the carrying amount of goodwill are specified in the table below.

<i>(Amounts in NOK 1 000)</i>	2010	2009
Opening balance 1 January	580 230	885 642
Exchange rate effects	(9 302)	3 420
Impairment of goodwill	(570 928)	(308 832)
Carrying amount at 31 December	-	580 230

Goodwill was entirely related to the acquisition of Oslo Properties/Norgani Hotels, and was written down in connection with the sale of Norgani Hotels in 2010 (see [note 6](#)).

NOTE 11 Operating leases

The group is lessor for investment properties. The future minimum annual rents receivable under non-cancellable operating leases are as follows:

<i>(Amounts in NOK 1 000)</i>	2010	2009 ¹
Within 1 year	36 843	1 592 915
Between 1 and 5 years	1 533 746	5 229 099
Later than 5 years	3 696 143	4 427 690
Total	5 266 732	11 249 704

¹ Includes NOK 5 555.6 million in all related to Norgani Hotels (reported as discontinued operations from 2010), at NOK 540 million within one year, NOK 2 169.2 million between one and five years and NOK 2 842.4 million later than five years.

The figures presented above relate to contract values for the following year (not CPI-adjusted) for contracts entered into at 31 December.

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NOTE 12 Financial instruments

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

At 31 December 2010	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Other items	Total ¹
<i>(Amounts in NOK 1 000)</i>						
Financial assets						
Long-term derivatives	14 210	10 109	-	-	-	24 319
Long-term receivables ²	-	-	600 000	-	-	600 000
Short-term derivatives	1 778	-	-	-	-	1 778
Short-term receivables ³	-	-	51 868	-	15 522	67 390
Cash and cash equivalents	-	-	248 407	-	-	248 407
Financial liabilities						
Long-term derivatives	317 440	-	-	-	-	317 440
Long-term interest-bearing debt	-	-	-	10 203 850	-	10 203 850
Short-term derivatives	9 265	-	-	-	-	9 265
Short-term interest-bearing debt	-	-	-	90 730	-	90 730
Short-term liabilities ³	-	-	-	182 537	84 411	266 948
Profit/loss related to financial instruments						
Rental income	-	-	-	-	1 025 114	1 025 114
Operating cost	-	-	-	-	(154 709)	(154 709)
Financial income	-	-	24 011	-	-	24 011
Financial cost	-	-	-	(566 681)	-	(566 681)
Change in market value of financial instruments	(69 878)	-	-	-	-	(69 878)
Gain/loss recognised in equity						
Recognised in equity, before tax	-	10 372	-	-	-	10 372

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(Amounts in NOK 1 000)

Financial assets

	Financial instruments at fair value through profit or loss	Derivatives designated as hedging instruments	Loans and receivables	Other financial liabilities	Other items	Total ¹
Long-term derivatives	-	33 719	-	-	-	33 719
Shares and interests	1 691	-	-	-	-	1 691
Long-term receivables	-	-	8 883	-	-	8 883
Short-term derivatives	2 745	-	-	-	-	2 745
Short-term receivables ³	-	-	93 037	-	4 825	97 862
Cash and cash equivalents	-	-	248 216	-	-	248 216

Financial liabilities

Long-term derivatives	487 775	-	-	-	-	487 775
Long-term interest-bearing debt	-	-	-	17 781 346	-	17 781 346
Short-term derivatives	11 184	-	-	-	-	11 184
Short-term interest-bearing debt	-	-	-	597 492	-	597 492
Short-term liabilities ³	-	-	-	367 189	184 568	551 757

Profit/loss related to financial instruments

Rental income ⁴	-	-	-	-	1 767 665	1 767 665
Operating cost ⁴	-	-	(1 080)	-	(311 852)	(312 932)
Financial income ⁴	-	-	42 233	-	-	42 233
Financial cost ⁴	-	-	-	(1 098 198)	-	(1 098 198)
Change in market value of financial instruments ⁴	35 518	-	-	-	-	35 518

Gain/loss recognised in equity

Recognised in equity, before tax	-	69 997	-	-	-	69 997
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¹ Accounting items not specified in the table above, but included in the group's financial statement, do not contain financial instruments.

The carrying amount of financial instruments in the group's balance sheet is assumed to represent fair value, with the exception of long-term receivables/seller's credit (see footnote 2).

² An interest-bearing seller's credit with a fixed annual interest rate of five per cent and maturity of two years for NOK 200 million and five years for NOK 400 million (see note 6). The estimated fair value at 31 December 2010 was NOK 590 million.

³ Other items under short-term receivables include prepaid expenses, and other items under short-term liabilities include prepaid rental income.

⁴ Includes amounts related to discontinued operations of NOK 723.8 million for rental income, a negative NOK 148.3 million for operating expenses, NOK 1.9 million for finance income, a negative NOK 424.8 million for financial cost and a negative NOK 32.8 million for change in fair value of financial instruments.

NOTE 13 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, after the divestment of Norgani Hotels, is to hedge a minimum of 70 per cent of floating rate loans outstanding. Currency swap agreements are used to secure a small number of leases in foreign currency (see note 3).

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

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
(Amounts in NOK 1 000)				
Interest rate contracts, included as hedge accounting	10 109	-	-	-
Exchange rate contracts, included as hedge accounting	-	-	22 053	231
Interest rate contracts, not included as hedge accounting	7 514	310 744	35 416	487 544
Exchange rate contracts, not included as hedge accounting	6 696	6 696	(23 750)	-
Derivatives, non-current assets/-liabilities	24 319	317 440	33 719	487 775
Interest rate contracts, included as hedge accounting	-	-	2 737	4 790
Interest rate contracts, not included as hedge accounting	-	9 265	8	6 394
Exchange rate contracts, not included as hedge accounting	1 778	-	-	-
Derivatives, current assets/-liabilities	1 778	9 265	2 745	11 184
Total derivatives	26 097	326 705	36 464	498 959
Net financial derivatives in the balance sheet	-	(300 608)	-	(462 495)

No inefficiencies related to hedge accounting were accounted for in 2010 and 2009.

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

(Amounts in NOK 1 000)	2010	2009
Net book value of derivatives, 1 January	(462 496)	(631 318)
Addition and changes in fair value, contracts not included as hedge accounting	11 785	133 304
Additions/disposals of hedging contracts related to business combinations/divestiture	351 153	-
Net additions of financial derivatives during the year	362 938	133 304
Net fair value adjustments of derivatives during the year	(201 050)	35 518
Net book value of derivatives, 31 December	(300 608)	(462 496)

Interest rate derivatives

Below follows a specification of principal notional amounts per business segment and currency for the group's interest rate derivatives at 31 December.

All group interest rate derivatives are cash flow hedges. The maturity is specified in [note 3](#).

	Currency	2010 Hovedstol	2009 Hovedstol
Continued operations (Commercial properties)	NOK	(713 360)	(386 000)
Interest rate swaps included as hedge accounting	NOK	(713 360)	(386 000)
Continued operations (Commercial properties)	NOK	10 050 000	12 866 584
Continued operations (Commercial properties)	EUR	-	-
Discontinued operations (Hotel)	NOK	-	1 675 000
Discontinued operations (Hotel)	SEK	-	2 600 000
Discontinued operations (Hotel)	EUR	-	264 500
Interest rate swaps not included as hedge accounting	NOK	10 050 000	18 843 335
Total interest rate swaps	NOK	9 336 640	18 457 335

Floating rates are 3-month NIBOR with the exception of the EUR and SEK contracts, where the floating rate in general is 3-month EURIBOR/STIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting are realised through profit and loss until the underlying hedged loan is fully repaid. Gains and losses related to contracts qualifying for hedge accounting are accounted for in equity until the underlying hedged loans is fully repaid.

Foreign exchange derivatives

Below follows a specification of principal notional amounts per business segment and currency for the group's exchange rate derivatives at 31 December. 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	2010 Notional principal amount	2009 Notional principal amount
Continued operations (Commercial properties)	EUR	(37 546)	(30 438)
Discontinued operations (Hotel)	SEK	-	(525 000)
Discontinued operations (Hotel)	EUR	-	(25 000)
Discontinued operations (Hotel)	DKK	-	(60 000)
Total currency forward-/swap contracts	SEK	-	(525 000)
Total currency forward-/swap contracts	EUR	(37 546)	(55 438)
Total currency forward-/swap contracts	DKK	-	(60 000)

NOTE 14 Current receivables

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

(Amounts in NOK 1 000)	2010	2009
Accounts receivable	53 602	93 037
Provision for impairment of receivables	(1 734)	-
Net accounts receivable	51 868	93 037
Other current receivables ¹	15 522	4 825
Total current receivables	67 390	97 862

¹ Mainly related to accrued income/deferred cost.

No material legal claims or disputes over services and/or maintenance charges brought against the group existed at the date of this report.

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NOTE 15 Share capital and shareholders

The tables below specify changes in the share capital after the incorporation of Norwegian Property ASA, the average number of shares in the last two years, the largest shareholders and shares owned by directors and senior executive officers at 31 December 2010.

Changes in share capital and average number of shares

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

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	2010	2009
Average number of shares (1 000 shares)	489 035	280 100
Number of shares issued at 31 December (1 000 shares)	498 597	453 271

List of main shareholders at 31 December 2010

Largest shareholders	Account type	Country	Number of shares	Share
State Street Bank & Trust Co	Nominee	USA	51 765 664	10.4%
BNP Paribas	Nominee	FRA	33 154 559	6.6%
Canica		NOR	27 895 467	5.6%
Bank of New York	Nominee	USA	24 225 590	4.9%
Awilhelmsen Capital		NOR	23 254 334	4.7%
JP Morgan Chase Bank	Nominee	GBR	20 701 963	4.2%
Skandinaviska Enskilda Banken	Nominee	SWE	20 283 596	4.1%
Folketrygdfondet		NOR	19 824 000	4.0%
Bank of New York	Nominee	BEL	14 795 749	3.0%
Citibank	Nominee	GBR	9 924 322	2.0%
DNB NOR Norge		NOR	7 389 220	1.5%
SHB Stockholm	Nominee	NOR	7 070 075	1.4%
Awilhelmsen Capital II		NOR	6 934 000	1.4%
Arctic Securities	Broker	NOR	6 594 500	1.3%
Trondheim Kommunale Pensjonskasse		NOR	6 363 700	1.3%
Vital Forsikring		NOR	6 111 087	1.2%
Fram Holding		NOR	6 000 000	1.2%
The Northern Trust Co	Nominee	GBR	5 771 435	1.2%
Aweco Invest		NOR	5 486 765	1.1%
Citibank NA	Nominee	GBR	5 288 980	1.1%
Others			189 761 826	38.1%
Total number of shares at 31 December 2010			498 596 832	100.0%

Shares held by directors and senior executive officers at 31 December 2010

Shareholder	Number of shares
Board of directors	
Arvid Grundekjøn, chair	50 000
Nils K Selte, director	479 000
Senior executives	
Olav Line, president and CEO	62 000
Svein Hov Skjelle, CFO	34 000
Shares held by the board of directors and senior executive officers at 31 December 2010	625 000

The company has not issued share options.

NOTE 16 Other short-term liabilities

Other short-term liabilities at 31 December are specified in the table below.

(Amounts in NOK 1 000)	2010	2009
Public duties	9 754	62 787
Tax payable	-	16 766
Accrued salaries	1 978	5 616
Accrued interest	106 550	196 320
Deferred income	84 411	184 568
Other payables	49 555	70 213
Total other short-term liabilities	252 248	536 270

NOTE 17 Interest-bearing debt

Overview and details of the group's interest-bearing debt

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

	2010	2009
Total interest-bearing debt at face value (NOK 1 000)	10 314 925	18 417 279
- Of which hedged (NOK 1 000)	10 050 000	19 477 000
Hedging ratio, excluding cash and interest-bearing receivables (per cent)	97	106
Interest-bearing receivable (NOK 1 000)	600 000	-
Cash and cash equivalents (NOK 1 000)	248 407	248 216
Hedging ratio, including cash and interest-bearing receivables (per cent)	94	107
Committed unutilised credit facilities (NOK 1 000)	1 000 000	365 000
Average interest rate, including margin (per cent)	5.16	5.33
Average margin (per cent)	0.74	0.98
Average remaining duration, borrowings (years)	2.0	3.0
Average remaining duration, hedging contracts (years)	4.1	3.1

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

(Amounts in NOK 1 000)	Currency	2010			2009		
		Long-term	Short-term	Total	Long-term	Short-term	Total
Bank borrowings	NOK	8 826 092	104 833	8 930 925	9 791 371	150 504	9 941 875
Bonds	NOK	1 384 000	-	1 384 000	1 209 000	302 000	1 511 000
Total continued operations (commercial properties)	NOK	10 210 092	104 833	10 314 925	11 000 371	452 504	11 452 875
Bank borrowings	NOK	-	-	-	668 854	50 000	718 854
Bank borrowings	NOK	-	-	-	1 489 885	22 380	1 512 265
Bank borrowings	SEK	-	-	-	2 528 055	40 496	2 568 551
Bank borrowings	EUR	-	-	-	1 847 148	41 347	1 888 495
Bank borrowings	DKK	-	-	-	271 390	4 849	276 239
Total discontinued operations (hotel)	NOK	-	-	-	6 805 332	159 072	6 964 404
Total interest-bearing debt	NOK	10 210 092	104 833	10 314 925	17 805 703	611 576	18 417 279
Capitalised borrowing cost	NOK	(6 241)	(14 104)	(20 345)	(24 345)	(14 084)	(38 429)
Total book value interest-bearing debt	NOK	10 203 851	90 729	10 294 580	17 781 358	597 492	18 378 850
Adjustment to fair value for bank borrowings, continued operations (commercial properties)	NOK	25 472	25 304	50 776	-	-	-
Adjustment to fair value for bonds, continued operations (commercial properties)	NOK	(2 488)	-	(2 488)	(80 450)	(1 570)	(82 020)
Adjustment to fair value for bank borrowings, discontinued operations (hotel)	NOK	-	-	-	(99 594)	-	(99 594)
Total fair value of interest-bearing debt	NOK	10 226 835	116 033	10 342 868	17 601 315	595 922	18 197 236

Total fair value of interest-bearing debt consists of bonds valued at market price at 31 Dec 10 and bank loans at estimated fair value, where account is taken on the estimated difference between the current margin and market conditions.

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

(Amounts in NOK 1 000)	2010		2009	
	Total	Continued operations	Discontinued operations	Total
Between 1-2 years (2012 and 2013 / 2011 and 2012)	9 755 092	9 115 432	1 344 258	10 459 690
Between 3-5 years (2014, 2015 and 2016 / 2013, 2014 and 2015)	44 000	1 460 689	5 461 074	6 921 763
Later than 5 years (after 2016 / after 2015)	411 000	424 250	-	424 250
Total	10 210 092	11 000 371	6 805 332	17 805 703

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

(Amounts in NOK 1 000)	2010	2009
Investment property	14 862 518	23 732 704
Receivables	67 390	97 862
Cash and cash equivalents	248 407	248 216
Total	15 178 315	24 078 782
Liabilities secured	10 314 925	18 417 279

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

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Interest-bearing debt for commercial properties

Norwegian Property ASA issued three tranches of bonds in the Norwegian capital market in March 2007, totalling NOK 1 511 million. with a duration of three and five years respectively. Four properties are pledged as first priority security for these borrowings. One loan of NOK 302 million was due in March 2010 and was replaced in January 2010 by the placement of a new bond of NOK 235 million with a maturity as for other bonds in March 2012. Of this, NOK 60 million was bought back by 31 December 2010.

Norwegian Property Holding AS has a NOK 11 billion credit, of which NOK 1 billion is a revolving credit facility. The available amount under the facility is reduced by ordinary instalments and sale of properties by Norwegian Property Holding AS. At 31 December 2010, after instalments and property sales closed during the year, remaining available loan/credit under the facility is NOK 8 505 million. NOK 1 000 million of the revolving facility was undrawn at 31 December. The facilities have a term until June 2012.

Group subsidiaries had additional borrowings of NOK 1 426 million at 31 December 2010.

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 company must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. The agreed senior interest cover at 31 December 2010 is a minimum 1.4 per cent and an agreed LTV ratio of less than 85 per cent.
- :: Instalments are based on the level of LTV.
- :: Other covenants: negative pledge, restrictions on granting loan guarantees, restrictions on acquisitions and change of control.
- :: Security: the facilities are secured by pledges on properties. The main facility is also secured by first priority pledges on company's and the subsidiaries' shares, acquired properties, trade receivables, inter-company loans and the company's bank accounts. Subsidiaries guarantee for the facilities. No significant bank guarantees have been issued on behalf of the parent company.

NOTE 18 Deferred tax

The carrying amount 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:

<i>(Amounts in NOK 1 000)</i>	2010	2009
Deferred tax assets		
Deferred tax assets to be reversed after more than 12 months	70 015	767 062
Deferred tax assets to be reversed within 12 months	-	-
Deferred tax assets	70 015	767 062
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	-	1 132 560
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	-	1 132 560
Net deferred tax liabilities	(70 015)	365 497

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

<i>(Amounts in NOK 1 000)</i>	2010	2009
At 1 January	365 497	565 496
Changes related to business combinations	(146 295)	-
Recognised through profit and loss (see note 6 and note 22)	(262 117)	(254 938)
Tax on exchange rate and interest rate hedges charged to equity	(2 419)	19 599
Tax on issue expense charged to equity	(4 950)	(15 725)
Exchange rate effect	(19 731)	51 065
At 31 December¹	(70 015)	365 497

¹ Deferred tax at 31 December 2010 related entirely to Norway. Deferred tax at 31 December 2009 was divided by country as follows: Norway NOK 823.9 million, Sweden negative at NOK 465.1 million, Denmark NOK 12.1 million and Finland negative at NOK 5.5 million.

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

<i>(Amounts in NOK 1 000)</i>	2010	2009
Tax on issue expenses	(128 172)	(123 222)
Tax on financial derivative instruments charged to equity	2 830	(74)
Total deferred tax charged to equity	(125 342)	(123 296)

Changes in deferred tax assets and deferred tax liabilities:

<i>(Amounts in NOK 1 000)</i>	Properties	Fair value gain/loss	Other income statement items	Total
Total at 31 December 2008	2 485 154	(226 622)	(354 977)	1 903 556
Recognised deferred tax	(248 549)	9 945	(16 334)	(254 938)
Tax charged to equity	-	19 599	(15 725)	3 874
Exchange rate effect	53 377	(26 137)	23 826	51 066
Total at 31 December 2009	2 289 982	(223 215)	(363 210)	1 703 557
Deferred tax on purchase/sale of businesses	(847 413)	174 255	333 195	(339 963)
Recognised deferred tax	(197 452)	(56 294)	(8 370)	(262 117)
Tax charged to equity	-	(2 419)	(4 950)	(7 369)
Exchange rate effect	(88 176)	23 503	44 941	(19 732)
Total at 31 December 2010	1 156 941	(84 170)	1 606	1 074 376
At 31 December 2008	1 134 545	(226 622)	(342 427)	565 496
Amounts not accounted for, purchased assets (not a business combination pursuant to IFRS 3) ¹	1 350 609	-	(12 550)	1 338 059
At 31 December 2009	939 373	(223 215)	(350 660)	365 497
Amounts not accounted for, purchased assets (not a business combination pursuant to IFRS 3) ¹	1 156 941	-	(12 550)	1 144 391
At 31 December 2010	-	(84 170)	14 156	(70 015)

¹ Purchases of single-purpose entities owning only property with no employees, management or recorded procedure descriptions are not considered to be an acquisition of a business (IFRS 3 Business Combinations is not applicable). Hence, the deferred income tax is not accounted for, since it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting nor taxable profit or loss.

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NOTE 19 Other operating expenses

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

(Amounts in NOK 1 000)	2010	2009
Payroll expenses (see note 20)	34 148	53 129
Depreciation	751	2 284
Other expenses	23 987	45 506
Total other operating expenses	58 886	100 919

NOTE 20 Payroll costs and remuneration of executive officers and auditor

Payroll costs for continued operations, including pension cost (pension obligation) and remuneration of directors, executive officers and the auditor are specified in the tables below.

Payroll costs

Payroll costs for the year are specified as follows:

(Amounts in NOK 1 000)	2010	2009
Salaries and remuneration	26 968	41 883
Social security costs	4 225	7 123
Pension costs	2 002	3 716
Other employee expenses	953	407
Total payroll costs	34 148	53 129

Number of employees for continued operations at 31 December	38	14
Number of full-time equivalent positions for continued operations at 31 December	38	14
Average number of employees for continued operations	26	16

Pension cost and pension obligation

Pursuant to the Act on mandatory occupational pensions, Norwegian Property ASA must operate certain pension plans. The company has a plan which satisfies these requirements. Norwegian Property ASA operates a defined contribution plan for all employees. In addition, the former CEO of Norwegian Property ASA had a defined benefit pension plan. Pension costs for the year are specified as follows:

(Amounts in NOK 1 000)	2010	2009
The period's pension earnings (service cost)	-	2 571
Interest cost of pension obligation	-	270
Pension cost, benefit plans	-	2 841
Pension cost, contribution plans	2 002	875
Total pension cost	2 002	3 716

Changes in pension obligations for benefit plans for the year are specified as follows:

(Amounts in NOK 1 000)	2010	2009 ¹
At 1 January	-	7 281
Total pension cost, see above	-	2 841
Benefits paid	-	(10 122)
At 31 December	-	-

¹ The pension liability for discontinued operations at 31 December 2009 was NOK 1.3 million. The net present value of pension obligations was NOK 1.9 million, pension funds at market value were negative at NOK 1.2 million, unrecognised actuarial losses NOK 0.5 million and social security costs NOK 0.1 million. Premium paid in 2009 was negative at NOK 0.4 million and expensed amounts were NOK 0.7 million, so that the liability 1 January 2009 was NOK 1 million. The economic assumptions for 2009 were as shown below.

Financial assumptions for benefit plans:

(Amounts in NOK 1 000)	2010	2009 ¹
Discount rate (per cent)	-	4.40
Expected return on plan assets (per cent)	-	5.60
Annual wage increases (per cent)	-	4.25
Adjustments of statutory base amount (per cent)	-	4.00
Pension increases (per cent)	-	2.50

Remuneration of executive officers for 2010

Group management:

Name	Title	Salary ¹	Bonuses ¹	Other benefits ¹	Pension benefit earned ²
Olav Line ³	President and CEO	2 723 112	-	231 368	53 388
Svein Hov Skjelle ³	CFO	1 930 257	-	103 932	50 935
Mari Thjømmøe	Former CFO	3 208 086	365 050	818 280	26 850
Aili Klami	Director Leasing & Marketing	1 382 469	195 000	126 465	54 601
Bjørge Aarvold ³	Director Property Management	1 274 158	105 000	103 196	55 467
Anders Vatne ⁴	Former CEO of Norgani Hotels AS	1 807 052	810 000	30 594	66 231
Sum		12 325 134	1 475 050	1 413 835	307 472

¹ Paid benefits in 2010 (amounts in NOK).

² Paid in connection with defined contribution pension plans in 2010 (amounts in NOK).

³ Olav Line, Svein Hov Skjelle and Bjørge Aarvold have been granted loans by the company of NOK 600 000, NOK 210 000 and NOK 460 000 respectively at 31 December 2010. Interest is charged in accordance with the prevailing standard rate for low-interest loans in employment (cf section 5-12.4 of the Norwegian Taxation Act).

⁴ A severance payment of NOK 2 952 000 will also be paid in 2011.

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Board of directors:

Fees paid to directors in 2010 are presented in the table below (amounts in NOK).

Name		Remuneration
Arvid Grundekjøn ¹	Chair	328 297
Jon Erik Brøndmo ¹	Director	131 319
Gry Mølleskog ¹	Director	350 000
Nils K. Selte ¹	Director	350 000
Synne Syrrist ¹	Director	350 000
Tormod Hermansen ¹	Former chair	321 703
Harald Grimsrud ¹	Former director	218 681
Total		2 050 000

¹ The annual general meeting of 4 May 2010 elected Arvid Grundekjøn to succeed Tormod Hermansen as chair and Jon Erik Brøndmo as a new director in place of Harald Grimsrud, and re-elected Nils K. Selte, Synne Syrrist and Gry Mølleskog as directors.

Declaration of management benefits:

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

1. Principles for base salary

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

2. Bonus principles

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

3. Principles for non-cash related benefits

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

The group has currently no employee option programmes.

4. Payment after termination of contract

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

5. Decision-making process for remuneration

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

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

Auditor's fee for 2010¹

Type of fees	Fees
Statutory audit	1 600 000
Other certification services	60 000
Tax/VAT advice	103 000
Other services	211 000
Total	1 974 000

¹ Fees to Deloitte, which was the auditor in 2010 for all group companies associated with continued operations. The fees are net of VAT (amounts in NOK).

NOTE 21 Net financial items

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

(Amounts in NOK 1 000)	2010	2009
Interest income (loans and receivables)	23 450	9 536
Foreign currency gains (loans and receivables)	477	28 392
Other financial income (loans and receivables)	84	82
Total financial income	24 011	38 010
Interest costs (loans and receivables)	(538 313)	(656 153)
Foreign currency loss (loans and receivables)	(3 681)	(2 621)
Other financial expenses (loans and receivables)	(24 687)	(12 299)
Total financial expenses	(566 681)	(671 073)
Net financial items	(542 670)	(633 063)

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NOTE 22 Income tax expense

The table below specifies income tax expenses for continued operations in terms of current tax and deferred tax respectively, and the calculation of income tax expense based on profit before tax.

<i>(Amounts in NOK 1 000)</i>	2010	2009
Current tax	-	-
Deferred tax (see note 18)	86 652	76 426
Income tax expense	86 652	76 426
Profit before tax:	437 877	(166 601)
Tax calculated at a tax rate of 28 per cent	122 606	(46 648)
Deferred tax asset not capitalised ¹	(47 770)	132 729
Permanent differences	11 816	(9 655)
Income tax expense	86 652	76 426

¹ Mainly related to deferred tax asset on investment properties not capitalised when fair value exceeds the tax basis but is lower than the group's acquisition cost.

NOTE 23 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.

	2010	2009
Net profit attributable to shareholders (NOK 1 000)	(459 582)	(1 168 942)
Weighted average number of outstanding shares (1 000)	489 035	280 100
Basic earnings per share (NOK per share)	(0.94)	(4.17)

Norwegian Property has not issued options or other financial instruments which have a dilutive effect on outstanding shares. The company has no treasury shares. Diluted earnings per share are therefore the same as basic earnings per share.

NOTE 24 Dividend per share and dividend policy

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

In 2010, for the fiscal year 2009, no dividends have been paid. At the 2011 Annual General Meeting the board is planning to propose a dividend of at least NOK 0.10 per share, provided that the refinancing of the group's debt does not meet any unforeseen obstacles. This is somewhat lower than the board's long-term goal, but must be seen in light of its desire to strengthen the company's financial flexibility and its ambitious plans to invest in the existing portfolio.

NOTE 25 Related-party disclosures

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

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

Balances and transactions with subsidiaries (which are related parties of Norwegian Property ASA) are eliminated in the consolidated financial statements and are not covered by the information given in this note. Financial relationship related to the board and senior management are described in [note 15](#) and [note 20](#).

NOTE 26 Contingent liabilities

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

Guarantees in connection with the sale of properties and companies

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

In connection with sale of properties/companies in 2008, 2009 and 2010 and the sale of Norgani Hotels in 2010, Norwegian Property has issued this kind of guarantees to buyers. Provisions are made related to circumstances which are likely to entail an obligation for Norwegian Property.

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

Contingent liabilities in connection with the purchase of properties and companies

A group company acquired in 2006, which owns sections at Aker Brygge in Oslo, is sued by owners of other sections related to the disposition of common areas/allocation of common costs. The claim is limited to NOK 6 million. The lawsuit is registered to the Oslo District Court in February 2011. Norwegian Property considers the claim as invalid and demands justification and compensation for legal costs.

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NOTE 27 Events after the balance sheet date

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

In February 2011, Norwegian Property ASA has purchased a total nominal value of NOK 61 million in the bonds NO 0010564412. After the repurchase is NOK 114 million outstanding in the loan that matures in March 2012 and runs at a rate of NIBOR plus 2.75 per cent.

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Income statement 1 Jan-31 Dec

Norwegian Property ASA

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	2010	2009
Management and service fee, group companies		-	28 107
Other operating revenue		-	11 466
Total operating revenue	2	-	39 573
Payroll costs	8	(34 148)	(53 129)
Depreciation	4	(751)	(1 367)
Other operating costs		(21 732)	(28 624)
Total operating costs		(56 631)	(83 120)
Operating profit		(56 631)	(43 547)
Financial income	9	117 590	144 106
Financial expenses	9	(1 036 439)	(1 771 533)
Net financial items		(918 849)	(1 627 427)
Profit before tax		(975 480)	(1 670 974)
Income tax expense	10	24 541	66 439
Profit for the year		(950 938)	(1 604 535)
Proposed allocations:			
Transferred from other paid-in equity		(950 938)	(1 604 535)

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Balance sheet at 31 December

Norwegian Property ASA

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	2010	2009
ASSETS			
Non-current assets			
Deferred tax assets	10	202 869	171 540
Tangible assets	4	2 401	3 086
Investments in subsidiaries	3	5 261 331	5 569 784
Intercompany balances		2 391 464	2 810 383
Total non-current assets		7 858 066	8 554 793
Current assets			
Intercompany balances		3 982	49 950
Other receivables		7 946	2 765
Cash and cash equivalents	5	221 471	108 076
Total current assets		233 399	160 791
TOTAL ASSETS		8 091 465	8 715 584

<i>(Amounts in NOK 1000)</i>	<i>Note</i>	2010	2009
EQUITY AND LIABILITIES			
Equity			
Share capital		249 298	226 635
Share premium		1 930 738	1 422 217
Other paid-in equity		2 384 595	3 335 533
Total equity	6	4 564 631	4 984 385
Non-current liabilities			
Interest-bearing debt	7	1 383 424	1 208 587
Intercompany balances		1 723 234	1 833 713
Total non-current liabilities		3 106 658	3 042 300
Current liabilities			
Interest-bearing debt	7	-	301 863
Intercompany balances		39 138	5 690
Trade payables		3 395	1 424
Provision hedge contracts		320 009	253 966
Other current liabilities		57 634	125 956
Total current liabilities		420 176	688 899
Total liabilities		3 526 833	3 731 199
TOTAL EQUITY AND LIABILITIES		8 091 465	8 715 584

Oslo, 24 March 2011

The board of directors of Norwegian Property ASA


Arvid Grundekjøn
Chair


Nils K. Selte
Director


Gry Mølleskog
Director


Jon Erik Brøndmo
Director


Synne Syrrist
Director


Olav Line
President and CEO

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Cash flow statement 1 Jan-31 Dec

Norwegian Property ASA

<i>(Amounts in NOK 1 000)</i>	2010	2009
Ordinary profit before tax	(975 480)	(1 670 974)
Depreciation tangible assets	751	1 367
Gain/(loss) from sale of subsidiaries	-	(2 751)
Net financial items	918 849	1 627 427
Changes in current items	(105 488)	9 387
Net cash flow from operating activities	(161 368)	(35 544)
Purchase of tangible assets	(66)	(1 090)
Investments in subsidiaries	(1 000)	(2 574)
Sale of subsidiaries	-	3 751
Payments regarding loans to subsidiaries	(214 926)	(1 353 473)
Net cash flow from investment activities	(215 992)	(1 353 386)
Changes in borrowings	(127 602)	-
Net financial items	87 173	(96 588)
Capital increase	531 184	1 453 412
Dividend	-	-
Net cash flow from financing activities	490 755	1 356 824
Net change in cash and cash equivalents	113 395	(32 107)
Cash and cash equivalents 1 January	108 076	140 183
Cash and cash equivalents 31 December	221 471	108 076

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Notes to the annual accounts

NOTE 1 General information

The Norwegian Property ASA group is a real estate investment company established in 2006. The business concept of Norwegian Property is to create added value through the ownership, development and management of first class, centrally located commercial properties in Oslo and other central growth areas. The portfolio will consist of large solid private and public sector tenants. The Group owned 47 properties in Oslo and Stavanger at 31 December 2010.

Via Oslo Property, Norwegian Property took over all the shares in the previously listed Norgani Hotels group in 2007 and 2008. Norgani Hotels owned 73 hotels and one congress centre until 1 January 2010 in Sweden, Norway, Finland and Denmark. Norgani Hotels was sold in the autumn of 2010.

NOTE 2 Summary of significant accounting policies

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

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

Subsidiaries/associates

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

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

Tangible assets

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

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

Trade receivables

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

Cash and cash equivalents

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

Share capital and share premium

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

Borrowings

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

Management fee and other operating revenue

Revenue in 2009 included service and management fees from subsidiaries. No management fee was charged to the subsidiaries in 2010. Service fee are charged directly by the external party. At the same time, the group is building up a service team to take over service and management of the properties, starting in 2011.

Interest expense

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

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

Interest hedging agreements

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

Foreign currency translation

Monetary items in foreign currency are translated at the closing rate at the balance sheet date.

Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. The former CEO and former CFO of Norwegian Property also had a defined benefit pension plan.

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

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 straight-line earnings 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

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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 (vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Deferred income tax

Tax in the income statement consist of tax payable and changes in deferred tax. Deferred income tax is calculated at 28 per cent on the basis of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and tax loss carried forward at 31 December. Tax increasing or reducing temporary differences which are reversed or can be reversed in the same period are offset. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Classifications

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

Estimates

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

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

Cash flow statement

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

NOTE 3 Investments in subsidiaries

Investments in subsidiaries are specified in the table below at 31 December 2010. Several of the companies own shares in other companies, as described in their respective annual accounts.

<i>(Amounts in NOK 1 000)</i>	Acquired/ established	Commercial properties	Share	Voting share	Net book value
Sub-holding companies:					
Norwegian Property Holding AS ¹		Oslo	100.0%	100.0%	
Norwegian Property Holding	17. 1. 2007				4 094 551
Oslo Properties AS		Oslo	100.0%	100.0%	
Oslo Properties	17. 2. 2007				100
Norwegian Property Utvikling AS		Oslo	100.0%	100.0%	
Norwegian Property Utvikling AS	22. 6. 2010				1 000
Properties ("single purpose entities"):					
Skøyen Bygg AS		Oslo	100.0%	100.0%	
Skøyen Bygg	9. 6. 2006				214 985
Middelthunsgate 17 AS		Oslo	100.0%	100.0%	
Middelthunsgate AS		Oslo	100.0%	100.0%	
Middelthunsgate 17	9. 6. 2006				298 674
Telebygget AS		Stavanger	100.0%	100.0%	
Telebygget KS		Stavanger	100.0%	100.0%	
Telebygget	9. 6. 2006				77 951
Drammensveien 134-1 AS		Oslo	100.0%	100.0%	
Drammensveien 134 AS		Oslo	100.0%	100.0%	
Drammensveien 134	9. 6. 2006				145 236
Finnestadveien 44 ANS		Stavanger	100.0%	100.0%	
Finnestadveien 44	22. 6. 2006				124 857
Gardermoen Næringseiendom AS		Oslo	100.0%	100.0%	
Gardermoen Næringseiendom KS		Oslo	100.0%	100.0%	
Gardermoen Næringseiendom	8. 9. 2006				112 989
Maridalsveien 323 Eiendom AS		Oslo	100.0%	100.0%	
Maridalsveien 323	21. 3. 2007				190 988
Total shares in subsidiaries					5 261 331

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

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Changes in book value for the year are as follows:

(Amount in NOK 1 000)	2010	2009
Book value at 1 January	5 569 784	7 166 499
Net additions book value of shares in subsidiaries	1 000	1 574
Depreciation of shares in subsidiaries	(566 160)	(1 436 000)
Group contribution recognised against shares in subsidiaries	256 708	(162 289)
Book value at 31 December	5 261 331	5 569 784

NOTE 4 Tangible assets

Changes in tangible assets are specified in the table below:

Acquisition cost

(Amounts in NOK 1 000)	Intangible assets	Fixtures and equipment	Total
At 31 December 2008	190	6 097	6 287
Additions	-	1 090	1 090
At 31 December 2009	190	7 187	7 377
Additions	-	66	66
Disposals	-	-	-
At 31 December 2010	190	7 253	7 443

Accumulated depreciation

(Amounts in NOK 1 000)	Intangible assets	Fixtures and equipment	Total
At 31 December 2008	76	2 849	2 925
Depreciation	56	1 311	1 367
At 31 December 2009	132	4 160	4 292
Depreciation	44	707	751
At 31 December 2010	176	4 867	5 043
Book value at 31 December 2008	114	3 248	3 362
Book value at 31 December 2009	58	3 027	3 086
Book value at 31 December 2010	14	2 386	2 401

The company uses straight-line depreciation and the useful life of the assets is as follows: four years for IT equipment, five years for licences, cars and equipment, and 10 years for fixtures.

NOTE 5 Cash and cash equivalents

(Amounts in NOK 1 000)	2010	2009
The company's net balance in the group accounts	(1 504 588)	(481 551)
Intercompany net balance in the group accounts ¹	1 723 234	589 620
Restricted bank deposits	2 825	7
Cash and cash equivalents at 31 December	221 471	108 076

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

The company had unutilised overdraft facilities of NOK 1 000 million at 31 December 2010.

NOTE 6 Equity

(Amounts in NOK 1 000)	Share capital	Share premium	Other paid-in equity	Total equity
Equity at 31 December 2008	5 040 885	78 831	-	5 119 716
Capital decrease, June 2009	(4 940 068)	-	4 940 068	-
Capital increase, August 2009	100 818	1 108 995	-	1 209 813
Capital increase, September 2009	25 000	275 000	-	300 000
Equity issue cost, net after tax	-	(40 609)	-	(40 609)
Loss for the year	-	-	(1 604 535)	(1 604 535)
Transactions with shareholders	(4 814 250)	1 343 386	3 335 533	(135 331)
Equity at 31 December 2009	226 635	1 422 217	3 335 533	4 984 385
Capital increase 2010	22 663	521 249	-	543 912
Equity issue cost, net after tax	-	(12 727)	-	(12 727)
Loss for the year	-	-	(950 938)	(950 938)
Transactions with shareholders	22 663	508 522	(950 938)	(419 753)
Equity at 31 December 2010	249 298	1 930 739	2 384 595	4 564 631

The company had a share capital amounting to NOK 249 268 000 at 31 December 2010, consisting of 498 596 832 shares with a face value of NOK 0.50. For further information about changes in share capital since the incorporation of the company, average number of shares for the last two years, the group's largest shareholders and shares owned by directors and management at 31 December 2010, see [note 15](#) in the consolidated financial statement. For information about the group's dividend policy, see [note 24](#) in the consolidated financial statement.

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NOTE 7 Interest-bearing debt

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

(Amount in NOK 1 000)	Currency	2010			2009		
		Long-term	Current	Total	Long-term	Current	Total
Bond loan	NOK	1 384 000	-	1 384 000	1 209 000	302 000	1 511 000
Total interest-bearing debt	NOK	1 384 000	-	1 384 000	1 209 000	302 000	1 511 000
Capitalised borrowing costs	NOK	(576)	-	(576)	(413)	(137)	(550)
Total interest-bearing loan in the balance sheet	NOK	1 383 424	-	1 383 424	1 208 587	301 863	1 510 450

The debt consists of three tranches of bonds in the Norwegian capital market totalling NOK 1 384 million. The tranches fall due in the first quarter of 2012. The bond loans are secured by pledges on four properties. For further details about the structure, interest rates, covenants and pledges related to long-term debt, see [note 17](#) in the consolidated financial statement. No significant bank guarantees have been issued on behalf of the parent company.

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).

(Amounts in NOK 1 000)	2010	2009
Between 1-2 years (2011 and 2012 / 2010 and 2011)	1 384 000	302 000
Between 3-5 years (2013, 2014 and 2015 / 2012, 2013 and 2014)	-	1 209 000
Later than 5 years (after 2015 / after 2014)	-	-
Total	1 384 000	1 511 000

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

(Amounts in NOK 1 000)	2010	2009
Shares and interests in subsidiaries	5 261 331	5 569 784
Long-term receivables, intercompany	2 391 464	2 810 383
Current receivables, intercompany	3 982	49 950
Total	7 656 778	8 430 117
Liabilities secured	1 384 000	1 511 000

Below is a specification of notional principal for the company's interest rate derivatives in the balance sheet at 31 December:

(Amounts in NOK 1 000)	Currency	2010 Notional principal	2009 Notional principal
Interest swap contracts	NOK	(713 360)	(386 000)
Interest swap contracts	NOK	9 640 000	14 906 600
Total interest swap contracts	NOK	8 926 640	14 520 600

The majority of Norwegian Property's floating rate loans are hedged with interest rate hedge contracts. Norwegian Property has a policy of hedging a minimum of 70 per cent of the interest-bearing debt outstanding. Hedging of the interest rate risk is conducted by the parent company, Norwegian Property ASA, both for the parent company and for the subsidiaries. Part of the interest rate hedged is thereby allocated to the subsidiaries. Despite the hedging positions, the company's financial assets and cash flow will be exposed to fluctuations in the short-term interest rate. As a result of these fluctuations, the interest rate cost will vary. For further information on financial risk management, see [note 3](#) to the consolidated financial statements. Floating interest rate is three-month Nibor for all contracts.

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NOTE 8 Remuneration and fees

Payroll costs

Payroll expenses for the year are specified as follows:

<i>(Amounts in NOK 1 000)</i>	2010	2009
Pay and other remuneration	26 968	41 883
Social security costs	4 225	7 123
Pension costs	2 002	3 716
Other payroll expenses	952	407
Total payroll expenses	34 148	53 129
Employees at 31 December	38	14
Full-time equivalent positions at 31 December	38	14
Average number of employees	26	16

Pension costs and pension obligations

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA must operate certain pension plans. The company has plans which satisfy these requirements. Norwegian Property ASA operates a defined contribution plan for all employees. The former CEO and former CFO of Norwegian Property ASA also had a defined benefit pension plan. The service cost for these employees ended with the termination of their contract and was included in the final settlement. Pension costs for the year are specified as follows:

<i>(Amounts in NOK 1 000)</i>	2010	2009
Pension earnings (service cost) for the period	-	2 571
Interest cost of pension obligation	-	270
Pension cost, benefit plans	-	2 841
Pension cost, contribution plans	2 002	875
Total pension cost	2 002	3 716

Pension obligations for benefit plans are specified as follows at 31 December:

<i>(Amounts in NOK 1 000)</i>	2010	2009
Present value of pension obligations	-	7 281
Net pension obligation	-	7 281
Benefits paid	-	(7 281)
Pension obligation at 31 December	-	-

Changes in the defined benefit obligation are as follows:

<i>(Amounts in NOK 1 000)</i>	2010	2009
At 1 January	-	7 281
Total cost, see above	-	2 841
Benefits paid	-	(10 122)
At 31 December	-	-

Financial assumptions for benefit plans are as follows for 2009 (no assumptions are specified for 2010, when benefit plans are terminated):

<i>(Amounts in NOK 1 000)</i>	2010	2009
Discount rate (per cent)	-	4.40
Expected return on plan assets (per cent)	-	5.60
Annual wage increase (per cent)	-	4.25
Adjustment of statutory base amount (per cent)	-	4.00
Pension increase (per cent)	-	2.50

Remuneration of executive officers for 2010

For details about the remuneration of directors and key management personnel, including the declaration of management benefits, see [note 20](#) to the consolidated financial statements.

Audit fee 2010

<i>(Amounts in NOK 1 000)</i>	Godtgjørelse
Statutory audit	525
Tax / VAT advisory fee	45
Other services	211
Total	781

Deloitte is the company's auditor. The auditor's fee is net of VAT.

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NOTE 9 Net financial items

<i>(Amounts in NOK 1 000)</i>	2010	2009
Financial income		
Income investment subsidiaries ¹	48 538	-
Interest income from group companies	133 744	62 255
Changes in value of hedging contracts	(66 043)	76 862
Other interest income	874	-
Other financial income	477	2 238
Gain from sale of shares in subsidiaries ²	-	2 751
Total financial income	117 590	144 106
Financial expenses		
Interest costs to group companies	(50 224)	(59 914)
Interest costs loans	(95 021)	(274 636)
Depreciation of shares in subsidiaries ³	(566 160)	(1 436 000)
Depreciation of receivables against subsidiaries ³	(314 381)	-
Other financial expenses	(10 653)	(983)
Total financial expenses	(1 036 439)	(1 771 533)
Net financial items	(918 849)	(1 627 427)

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

² Gain from sale relates to the sale of Drammensveien 144 in 2009.

³ Subsidiaries are valued using the cost method, with impairment to fair value when this is considered to be lower than the acquisition price for the parent company.

NOTE 10 Income tax

<i>(Amounts in NOK 1 000)</i>	2010	2009
The major components of the income tax expense for the year are:		
Tax payable	-	-
Changes in deferred tax	(24 541)	(66 439)
Income tax expense	(24 541)	(66 439)
Calculation of the tax base for the year:		
Profit before tax	(975 480)	(1 670 974)
Permanent differences	863 594	1 377 290
Group contribution with tax effects	-	225 402
Changes in temporary differences	1 689	7 148
Tax base for the year	(110 197)	(61 133)
Temporary differences:		
Tangible assets	(809)	(763)
Limited liability partnerships	(37 159)	(35 516)
Tax loss carried forward	(686 566)	(576 369)
Total temporary differences	(724 534)	(612 648)

(Amounts in NOK 1 000)

	2010	2009
Deferred tax 28 per cent	(31 328)	(19 119)
of which recognised against equity	6 787	15 792
Tax on group contribution	-	(63 113)
Changes in deferred tax in the income statement	(24 541)	(66 439)
Deferred tax in the balance sheet	(202 869)	(171 541)
Explanations of why the tax expense is not 28 per cent of profit before tax:		
Calculated tax expense on profit before tax, 28 per cent	(273 134)	(467 873)
Permanent differences, 28 per cent	246 756	401 434
Changes from previous years	1 837	-
Income tax expense	(24 541)	(66 439)
Effective tax rate (per cent)	2.5	4.0

NOTE 11 Related-party disclosures

Financial relationships related to the board and management are described in [note 8](#) to the parent company financial statements and [note 20](#) to the consolidated financial statements. Other related parties are described in [note 25](#) to the consolidated financial statements. Group subsidiaries are charged for interest expenses in accordance with their share of the group's total financial costs.

NOTE 12 Contingent liabilities

Norwegian Property ASA has provided a guarantee for the syndicated credit facility in Norwegian Property Holding AS in the original amount of NOK 11 billion, and for the fulfilment of the loan agreement between Nykredit and the Skøyen Bygg ANS, Skøyen Bygg AS, Skøyen Bygg 2 AS, Skøyen Bygg 3 AS, Skøyen Bygg 4 AS and Skøyen Bygg 5 AS subsidiaries in the amount of NOK 944.4 million.

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

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Property ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Property ASA, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements for the parent company comprise the balance sheets as at 31 December 2010, the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements for the group comprise the balance sheet as at 31 December 2010, income statement, the statement of comprehensive income, the statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

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Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company give a true and fair view of the financial position of Norwegian Property ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group give a true and fair view of the financial position of the group Norwegian Property ASA as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the coverage of the loss

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption, and the proposal for the coverage of the loss complies with the law and regulations and that the information is consistent with the financial statements.

Opinion on Registration and Documentation

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

Oslo, 24 March 2011
Deloitte AS

Bernhard Lyngstad
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]