



NORWEGIAN PROPERTY

ANNUAL REPORT 2008

PART II – DIRECTORS' REPORT AND ANNUAL ACCOUNTS



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**The operations report for 2008
can be found in a separate
publication**

Financial calendar 2009

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

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

Directors' report

2008 – RATIONALISATION OF OPERATIONS AND BALANCE SHEET CONSOLIDATION

Norwegian Property focused during 2008 on rationalising operations, achieving low and predictable operating costs, renegotiating leases and implementing selective property sales. A rights issue was carried out in July, and NOK 3.8 billion in debt was repaid during the year. The group's object is to give private and institutional investors access to a large, liquid and well-diversified investment alternative, with an attractive exposure to the commercial property sector. Given the changed outlook for the property market, the short-term investment potential has been weakened. The board and executive management are working to strengthen the return to shareholders and to ensure an attractive long-term return on equity.

Norwegian Property managed a property portfolio at 31 December 2008 with a gross market value of NOK 27.6 billion, which yielded an operating profit before fair value adjustment of NOK 1 583 million. Substantial adjustments to the fair value of the properties, combined with a high debt ratio, meant that the return on equity before tax was negative for 2008 at 86.5 per cent, compared with a positive 27 per cent in 2007.

The group owns and manages a substantial portfolio of commercial properties in Norway and hotel properties in the Nordic region. Its operations comprise commercial property and hotel property business areas. Activities related to commercial property are pursued by the parent company, Norwegian Property ASA, and a number of subsidiaries, while hotel property is organised in the wholly owned Norgani Hotels subsidiary. The group's head office is in Oslo, and the hotel business also has a branch office in Stockholm. The group had 37 employees at 31 December 2008. Norwegian Property ASA is listed on the Oslo Stock Exchange with the ticker NPRO. The group had a market value of NOK 1 226 million at 31 December 2008.

Commercial property

Norwegian Property ranked at 31 December 2008 as a leading manager of commercial property in Norway, and owned 50 attractive office and commercial properties in Oslo and Stavanger with a total gross fair value of NOK 16.6 billion. The

group worked systematically during 2008 to establish itself as a leading player in this sector, and key measures included the following:

- strengthening the organisation through the recruitment of key resources in all parts of the business
- divesting eight properties¹ for a total of NOK 2.1 billion in property value, with agreement reached in 2009 on the sale of one commercial property and a hotel under construction
- establishing costs at a competitive and predictable level by outsourcing facility services to external partners

A number of leases were extended and renegotiated at significantly higher rents than before.

Hotel property

Through direct ownership and shareholder agreements, Norwegian Property secured control of Norgani Hotels in September 2007. During the third quarter of 2008, the group fulfilled the shareholder agreements and acquired the remaining shares to make Norgani Hotels a wholly-owned subsidiary of the business. At 31 December 2008, Norgani Hotels owned 73 hotel properties and a congress centre in Norway, Sweden, Finland and Denmark with a combined fair value of NOK 11 billion.

Norwegian Property regards the Nordic hotel market as interesting in a region with relatively robust national economies, where intra-Nordic traffic accounts for the bulk of business travel and associated

hotel turnover. Turnover-based leases mean that the group shares in the rise in turnover when this is high, while the risk of declining turnover in periods of weaker economic growth is reduced by minimum-rent clauses in the leases. Seller guarantees and minimum rents account for more than 80 per cent of budgeted turnover for Norgani Hotels in 2009.

Group accounts

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

Income statement 2008

The consolidated income statement for 2008 embraces Norgani Hotels ASA, with 74 properties, and the Norwegian Property office portfolio of 50 properties. Gross rental income totalled NOK 1 866.8 million (NOK 1 195.7 million²).

Maintenance and property-related costs totalled NOK 152.2 million (NOK 81.4 million). Other operating costs totalled NOK 131.6 million (NOK 77.9 million). Operating profit before fair value adjustments was thereby NOK 1 583.1 million (NOK 1 036.3 million).

The downward adjustment to the fair value of the company's property portfolio totalled NOK 3 987.5 million, compared with an upward adjustment of NOK 1 219.1 million in 2007. This fall reflects a weaker economic outlook, expectations of more vacant space, lower market

¹ These include properties for which Norwegian Property entered into binding sales contracts in 2008. Among them were Grev Wedels plass 9, where the sale was closed in January 2009. The sale of the Mauritz Kartevoldsgate 1 property, agreed in December 2007 and completed in February 2008, is not included.

² Figures in brackets are for 2007.

rents and a higher required return. Eight properties were sold or agreed for sale in 2008, fetching NOK 2.1 billion in total and yielding an accounting gain of NOK 34.4 million. See part I of the annual report on operations, which contains a presentation of the property portfolio. The consolidated operating loss after negative adjustments to fair value came to NOK 2 591.1 million (profit of NOK 2 264.7 million).

Financial income, which consists largely of interest income, totalled NOK 26.6 million (NOK 68 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 1 353.1 million (NOK 958.9 million). The company has secured financial instruments to manage interest rate and exchange rate risk. The change in fair value for these instruments had a negative effect on profits of NOK 1 201.4 million (positive effect of NOK 276.7 million). The loss before tax and minority interests was thereby NOK 5 118.9 million (profit of NOK 1 650.6 million).

NOK 928.2 million is recognised in the accounts as a tax credit (expense of NOK 460.7 million), which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of the loss is NOK 132.3 million (profit of NOK 4.8 million). As a result, the net loss after tax and minorities is NOK 4 058.4 million (NOK 1 185 million). That means earnings per share were negative at NOK 25.81, compared with a positive figure of NOK 11.42 in 2007.

Cash flow

Cash flow from operations totalled NOK 1 715.7 million (NOK 1 066.9 million). Net cash flow from financing activities was negative at NOK 3 032.2 million (positive at NOK 6 676 million), primarily from the redemption of loans. The net negative change in liquidity was NOK 469.3 million (positive at NOK 620.6 million).

Financial position and capital structure

Cash in hand at 31 December amounted to NOK 174.2 million (NOK 635.5 million). In addition, the group had NOK 521 million in unused drawing rights. Total equity was NOK 5 001 million (NOK 6 831 million), representing an equity ratio of 17.3 per cent (20.2 per cent). After deduction of minority interests, carried equity per share came to NOK 24.80 (NOK 63.20).

Interest-bearing debt at 31 December was NOK 21 840 million (NOK 23 232 million). At 31 December, the average interest rate on the company's loans was 5.84 per cent (5.76 per cent). The aver-

age loan margin was 0.81 per cent (0.76 per cent). The average remaining term to maturity for the loans was 3.9 years (4.6 years).

The group had concluded net interest rate hedging contracts totalling NOK 18 487 million (NOK 16 343 million) at 31 December. That represented a hedging ratio of 84 per cent (66 per cent). The average remaining term of the interest rate hedges was 4.5 years (5.1 years). The bulk of the hedging is not subject to hedge accounting under IAS 39.

Going concern assumption

The group had an adequate cash flow and liquid assets in 2008. Because the fair value of the properties has been impaired by NOK 4 billion, and despite an increase in equity, the debt ratio of 79.3 per cent is relatively high. The group's various loan agreements include a requirement that this loan-to-value (LTV) ratio should not exceed 85 per cent of total property value. Uncertainty continues to prevail about the future development of the fair value of the property portfolio and the costs which will be associated with refinancing loans when they mature.

The board and the executive management are working to strengthen the group's financial position and reduce its debt ratio, and a number of relevant instruments have been identified. The group is also keeping the position in the credit, equity and bond markets under observation, and is continuously assessing opportunities for refinancing its interest-bearing debt. Renegotiation and extension of existing loan agreements could also be a relevant approach.

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2008 have been prepared on that basis.

Coverage of net loss in the parent company

The board proposes that the net loss for the year be covered by a transfer from other paid-in equity and the share premium reserve. The board will propose to the annual general meeting in April that no dividend be paid for fiscal 2008.

Properties

Norwegian Property owned 50 office and retail properties in Norway and 74 hotel properties in the Nordic region at 31 December.

Commercial property

Norwegian Property's commercial property sector focuses on assets located in central areas of Oslo and Stavanger. The properties primarily comprise office premises as well as warehouses, retail

premises and parking space in association with the offices. At Aker Brygge, the company owns the shopping centre with retail premises and restaurants.

Annual gross rental income from the office premises totalled NOK 1 079.4 million in 2008. The average remaining term of the portfolio's leases was 5.6 years, and rents are adjusted annually by an average of 97 per cent of the consumer price index.

Norwegian Property has financially sound and attractive organisations and companies as tenants. The 25 largest office tenants accounted for 69 per cent of annual rental income at 31 December 2008.

Hotel property

In the hotel segment, Norgani Hotels focuses primarily on three- and four-star hotels located in Nordic towns with more than 50 000 inhabitants. Historically, these have experienced less volatility in turnover than hotels in the high-end segment and the sector as a whole.

All but one of the hotels have leases with turnover-based rents. Gross rental income for 2008 was NOK 787 million. The average remaining term for the leases is 10.1 years, and most specify minimum rents which are inflation-adjusted annually. The minimum guaranteed rental income for 2009 is NOK 560 million. In addition come seller guarantees of NOK 72 million.

Tenants largely comprise the biggest hotel chains operating in the Nordic region. Scandic/Hilton accounts for 63 per cent of turnover, Choice Hotels for 22 per cent and Rezidor for six per cent.

Valuation of the properties

DTZ Realkapital and Akershus Eiendom performed independent valuations of the group's office and hotel properties in Norway, Sweden and Denmark at 31 December 2008. The company's hotel properties in Finland were valued by Maakanta and Akershus Eiendom. The valuation models are based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses and upgrading costs and the risk of vacancy at the expiry of existing leases are made on a property-by-property basis. The valuers note that abnormal conditions prevail in the transaction market as a result of the dramatic reduction in the availability in bank financing. The level of uncertainty in the estimates is accordingly higher than normal.

The board and executive management have carried out independent assessments of parameters which affect the value of the group's properties, including developments in interest rates, market

rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has concluded that the external valuations provide a realistic valuation of the properties. The total carried amount of the company's investment properties, after deducting tax compensation for purchases, was NOK 27 312.6 million at 31 December 2008.

Risks and risk management

Risk management is intended to ensure that risks of significance for Norwegian Property's goals are clarified, analysed and handled as efficiently as possible in a systematic and cost-effective way. Risk cannot be eliminated, but risk management is necessary to ensure value creation for shareholders, employees and society.

Financial risks

The company's financial risks relate primarily to changes in equity as a result of amendments to the value of the property portfolio, the effect of interest rate changes on profits and liquidity, liquidity and profit risks when refinancing the company's debt, and the effect on profits of turnover-based rents for the group's hotels.

Norwegian Property's portfolio of office properties is characterised by high quality, a financially sound and well diversified group of tenants, and an average remaining lease term of 5.6 years. The hotel portfolio consists primarily of good three- and four-star hotels rented on long-term turnover-based leases to the largest Nordic hotel operators. The average remaining term for these leases is 10.1 years, and the leases for 71 of the hotels contain clauses on minimum rents tied to the consumer price index.

Interest rate hedging is utilised to dampen the effect of interest rate changes on profits and liquidity. At 31 December, 84 per cent of the group's interest-bearing debt was covered by interest rate hedges with an average term of 4.5 years. Further decline in short-term market interest rates will accordingly have a limited impact on the group's interest expenses. The composition of the derivatives means that the group's financial expenses for 2009 will be reduced to levels below the corresponding figures for 2008.

At 31 December, the group had a total liquidity – including unused drawing rights – of NOK 695 million. The group constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt, continuous short-term fluctuations in working capital requirements, and planned property acquisitions and disposals.

Norwegian Property's tenants in the office properties normally pay rent quar-

terly in advance. In addition, most leases require security for rent payments in the form of a deposit account or bank guarantee. The risk of direct losses from defaults or payment problems is accordingly limited, and relates primarily to re-letting of premises.

Market conditions

After a number of years of strong growth, the period – particularly from the second half of 2008 – was affected by financial unrest and uncertainty at both national and international levels.

Demand for office premises in the group's principal markets remains good, but vacant space was generally rising somewhat at 1 January 2009. New building is at low levels, and additional space is only expected to become available from projects launched before the second half of 2008. Unemployment is generally expected to rise during 2009, and this will normally have a negative effect on demand for office premises. Vacant space is accordingly expected to expand, with rents in 2009 likely to show weaker progress than in 2008.

Growth in the hotel market is closely linked with the development of the domestic economy. This market was strong for the first nine months of 2008 and, despite the decline towards the end of the year, overall progress for the hotels was good. Revenue per available room (RevPAR) increased by 3-4.5 per cent in the Nordic countries during 2008. Both occupancy rates and room prices made strong progress. Certain areas will gain new capacity, but the likelihood that not all announced projects and new developments will be realised could dampen some of this growth. Weaker economic progress is expected, with an associated effect on RevPAR in 2009.

Employees and organisation

The group had 37 employees at 31 December, including 18 in the hotel business. Daily operation of the properties has largely been outsourced to external partners.

The group's executive management comprises five people, including the CEO of Norgani Hotels. Two of these executives are women. It is the board's ambition that future appointments will help to maintain a continued balance between the genders. Weight has been given when recruiting management and key personnel to a combination of professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation. The board's ambition is that Norwegian Property will be a leading Norwegian centre of expertise for managing commercial property.

Information on the remuneration of directors, the chief executive, the rest of the executive management and the auditor is provided in note 19 to the consolidated accounts and note 6 to the accounts for Norwegian Property ASA.

Health, safety and the working environment

No injuries were recorded in Norwegian Property's business during 2008. Overall sickness absence for Norwegian Property ASA and Norgani Hotels was 0.4 per cent in 2008. The board gives weight to ensuring a good working environment in Norwegian Property through appropriate premises, dynamic working conditions and challenging jobs.

Natural environment

The group's business causes little pollution of the natural environment. As far as possible, efforts are made to use environment-friendly materials in development and rehabilitation projects and to facilitate the use of environment-friendly waste management.

Norwegian Property manages a substantial amount of property, and accordingly has an impact on the local environment around its holdings. The company's ambition is to contribute to the development of the exterior environment through rehabilitation, maintenance and possible new building.

Total annual energy consumption by buildings belonging to Norwegian Property is estimated at 160 gigawatt-hours for the commercial property portfolio and 235 GWh for the hotels. The group has initiated measures to identify activities which can help to reduce energy consumption in its buildings.

Corporate governance

Norwegian Property's corporate governance principles build on Norway's prevailing code of practice. A detailed presentation of the company's corporate governance is provided in the separate report on operations for 2008.

The present board was elected at an extraordinary general meeting on 19 December 2008. Generally speaking, the board meets once a month and more frequently if required. A total of 19 board meetings were held in 2008.

Share and shareholders

Norwegian Property has worked actively towards Norwegian and international investor communities since its foundation in order to ensure interest in its share. A large number of investor meetings have been held in Norway and abroad, and nine investment banks and brokerage firms provide analysis coverage of the group. The number of shareholders has

increased, while foreign owners declined from 61 to 39 per cent during 2008. By comparison, the overall foreign proportion of share ownership on the Oslo Stock Exchange was 33 per cent at 31 December.

Issued shares at 31 December totalled 201 635 416. The closing price at 31 December was NOK 6.08, which represents a decrease of 87 per cent from 1 January when the effect of NOK 2.50 in dividend paid is taken into account. The highest and lowest prices for the share in 2008 were NOK 66.03 on 2 January and NOK 5.50 on 10 October respectively.

A rights issue of 96 153 846 shares was implemented in July 2008 at a price of NOK 26 per share. The proceeds from this issue were used to implement the

final phase in the acquisition of Norgani Hotels and to strengthen the group's balance sheet.

Norwegian Property had a total of 1 390 registered shareholders at 31 December (925). Foreigners owned 39 per cent of the issued shares at that date (61 per cent).

Outlook

The markets for hotel property, leasing office premises and commercial property transactions are expected to be affected in the short term by the same general trends observed since the autumn of 2008. In the longer term, however, the general economic picture is expected to stabilise and later improve. Traditionally, that would mean an improvement in the

group's most important value drivers.

Norwegian Property's ambition is to be a leading player among listed property companies in the Nordic region. In a short- and medium-term perspective, its attention is primarily concentrated on consolidation, including a reduction of the debt ratio, renegotiation of leases, continued integration of the organisations, securing synergies and selective property sales.

With a property stock of very high quality and a predictable and growing cash flow from operations, the board believes Norwegian Property to be well equipped operationally to meet the challenges which 2009 is expected to present to the group and to the industry as a whole.

Oslo, 18 March 2009

The board of directors of Norwegian Property ASA


Tormod Hermansen
Chair


Harald Grimsrud
Deputy chair


Gry Mølleskog
Director


Nils K. Selte
Director


Synne Syrrist
Director


Petter Jansen
President and CEO



INCOME STATEMENT 1 JAN - 31 DEC

Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>Note</i>	2008	2007
Rental income from properties		1 866 774	1 193 189
Other revenue		-	2 497
Gross rental income		1 866 774	1 195 686
Maintenance and property-related costs		(152 151)	(81 424)
Other operating expenses	18, 19	(131 562)	(77 943)
Total operating cost		(283 713)	(159 367)
Operating profit before fair value adjustment investment property		1 583 061	1 036 319
Gain from fair value adjustment of investment property	7	(3 987 503)	1 219 138
Gain from sales of investment property	7	34 362	9 281
Impairment of goodwill	9	(220 968)	-
Operating profit		(2 591 047)	2 264 738
Financial income	20	26 627	67 972
Financial costs	20	(1 353 046)	(958 863)
Change in market value of financial derivative instruments	12, 20	(1 201 439)	276 749
Net financial items		(2 527 858)	(614 143)
Profit before income tax		(5 118 905)	1 650 595
Income tax expense	17, 21	928 194	(460 736)
Profit for the period		(4 190 711)	1 189 859
Minority interests		132 322	(4 829)
Profit after minority interests		(4 058 389)	1 185 030
Basic and diluted earnings per share for profit attributable to shareholders <i>(amounts in NOK)</i>		(25.81)	11.42

BALANCE SHEET AT 31 DECEMBER

Consolidated

(Amounts in NOK 1 000)		Note	2008	2007
ASSETS				
Non-current assets				
Financial derivative instruments	12		37 333	9 550
Goodwill	9		885 642	1 064 987
Investment property	7		27 312 567	31 113 889
Other tangible assets	8		9 858	2 965
Shares and interests			2 014	1 623
Receivables			11 192	1 575
Totale non-current assets			28 258 607	32 194 589
Current assets				
Financial derivative instruments	12		127 475	678 673
Seller guarantees for future rent			-	6 200
Accounts receivable	13		172 125	186 369
Other receivables	13		193 896	180 780
Cash and cash equivalents	3		174 220	635 476
Total current assets			667 716	1 687 498
TOTAL ASSETS			28 926 323	33 882 087

BALANCE SHEET AT 31 DECEMBER

Consolidated

(Amounts in NOK 1 000)	Note	2008	2007
EQUITY AND LIABILITIES			
Equity			
Share capital	14	5 040 885	2 637 039
Share premium		1 196 268	1 211 081
Other paid-in equity		1 500 000	1 500 000
Retained earnings		(3 127 701)	1 310 962
Other reserves		391 708	7 818
Minority interests		-	1 688 867
- Liability to acquire shares in subsidiaries		-	(1 524 863)
Total equity		5 001 160	6 830 903
Non-current liabilities			
Financial derivative instruments	12	106 272	-
Deferred tax	17, 21	565 496	1 521 767
Interest bearing debt	16	21 021 975	21 733 946
Non-current liabilities		21 693 743	23 255 713
Current liabilities			
Financial derivative instruments	12	689 854	26 075
Interest-bearing debt	16	818 611	1 498 193
Interest-bearing liability to acquire shares in subsidiaries	16, 24	-	1 595 837
Accounts payable		29 432	44 086
Other liabilities	15	693 523	631 279
Total current liabilities		2 231 420	3 795 470
Total liabilities		23 925 163	27 051 183
TOTAL EQUITY AND LIABILITIES		28 926 323	33 882 087

Oslo, 18 March 2009
The board of directors of Norwegian Property ASA


Tormod Hermansen
Chair


Harald Grimsrud
Deputy chair


Gry Mølleskog
Director


Nils K. Selte
Director


Synne Syrrist
Director


Petter Jansen
President and CEO

STATEMENT OF CHANGES IN EQUITY

Consolidated

(Amounts in NOK 1 000)	Equity attributable to shareholders of the company					Minority interests	Total equity
	Share capital	Share premium	Other paid-in equity	Retained earnings	Other ¹ reserves		
Total equity 31 December 2006	2 462 823	900 171	1 500 000	389 636	75 763	44 834	5 373 227
Financial derivatives, net of tax	-	-	-	-	(67 945)	-	(67 945)
Profit for the period	-	-	-	1 185 030	-	4 829	1 189 859
Total net income for 2007	-	-	-	1 185 030	(67 945)	4 829	1 121 914
New equity, March 2007	174 216	325 784	-	-	-	-	500 000
Equity issues cost, net of tax	-	(14 874)	-	-	-	-	(14 874)
Dividend paid for 2006	-	-	-	(263 704)	-	-	(263 704)
Capital reduction in subsidiaries with minorities	-	-	-	-	-	(15 648)	(15 648)
Minority interests from purchase	-	-	-	-	-	1 654 851	1 654 851
Liability to acquire shares in subsidiaries	-	-	-	-	-	(1 524 863)	(1 524 863)
Transactions with shareholders	174 216	310 910	-	(263 704)	-	114 340	335 762
Total equity 31 December 2007	2 637 039	1 211 081	1 500 000	1 310 962	7 818	164 003	6 830 903
Financial derivatives, net of tax	-	-	-	-	(58 405)	-	(58 405)
Profit for the period	-	-	-	(4 058 389)	-	(132 322)	(4 190 711)
Total net income for 2008	-	-	-	(4 058 389)	(58 405)	(132 322)	(4 249 116)
New equity, June 2008	2 403 846	96 154	-	-	-	-	2 500 000
Equity issue costs, net of tax	-	(110 967)	-	-	-	-	(110 967)
Dividend paid for 2007	-	-	-	(263 704)	-	-	(263 704)
Exchange rates	-	-	-	-	442 295	-	442 295
Acquisition of minorities in subsidiaries and divestment of subsidiaries with minorities	-	-	-	(116 570)	-	(31 681)	(148 251)
Transactions with shareholders	2 403 846	(14 813)	-	(380 274)	442 295	(31 681)	2 419 373
Total equity 31 December 2008	5 040 885	1 196 268	1 500 000	(3 127 701)	391 708	-	5 001 160

¹ Other reserves include exchange rate effects and hedging reserves.

CASH FLOW STATEMENT 1 JAN - 31 DEC

Consolidated

(Amounts in NOK 1 000)	2008	2007
Ordinary profit before income tax	(5 118 905)	1 650 595
- Paid taxes in the period	(8 894)	(2 042)
+ Depreciation of tangible assets	2 141	766
+/- Fair value adjustments of investment properties	3 987 504	(1 219 138)
-/+ Gain/loss from sale of investment properties	(34 362)	(9 281)
+/- Fair value adjustments of financial derivative instruments	1 201 439	(276 751)
+ Impairment of goodwill	220 968	-
+/- Net financial items excluding fair value adjustments of financial derivative instruments	1 326 419	890 892
+/- Change in short-term items	139 368	31 831
= Net cash flow from operating activities	1 715 677	1 066 874
- Payments for purchase of fixed assets (investment properties)	(308 302)	(5 126 458)
+ Received for sale of fixed assets (investment properties)	1 311 029	227 393
- Payments for purchase of subsidiaries	(155 521)	(3 464 347)
= Net cash flow from investment activities	847 206	(8 363 412)
+/- Net change in long-term debt	(3 843 536)	7 236 878
+/- Net financial items excluding fair value adjustments of financial derivative instruments	(1 270 799)	(890 892)
+ Capital increase	2 345 879	479 346
- Dividend payments	(263 704)	(263 704)
+/- Other financing activities	-	114 352
= Net cash flow from financing activities	(3 032 159)	6 675 980
= Net change in cash and cash equivalents	(469 276)	(620 559)
+ Opening balance for cash and cash equivalents	635 476	1 252 462
+/- Exchange rates	8 020	3 573
Cash and cash equivalents 31 December	174 220	635 476

NOTES TO THE ANNUAL ACCOUNTS

Consolidated

NOTE 1 GENERAL INFORMATION

The Norwegian Property ASA group is a real property investment company established in 2006, which invests in large, centrally located commercial properties in Norway's biggest cities. At 31 December 2008, the company owned 50 properties in Oslo and Stavanger. All the properties were acquired after 9 June 2006. Through Oslo Properties, Norwegian Property acquired all the shares in the previously listed Norgani Hotels group in 2007 and 2008. The Norgani Hotels group owns 73 hotel properties and one congress centre in Sweden, Norway, Finland and Denmark. The purpose of the company is to provide private and institutional investors with access to a large, liquid and diversified investment alternative with exposure to centrally located, high-quality commercial properties.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and effective at 31 December 2008, and additional requirements pursuant to the Norwegian Accounting Act at 31 December 2008.

IFRS standards and interpretations published before the reporting of the financial statements, but not mandatory at 31 December 2008, have not been adopted by the group. This applies to IFRS 8, revision of IFRS 3, IAS 1 and IAS 23, changes to IFRS 1, IFRS 2, IAS 27 and IAS 32. In addition come IFRIC 13 and improvements related to IFRS. IAS 1 influence on the presentation of consolidated financial statements. The other standards and interpretations are not assumed to have any significant effect on the reported figures.

The consolidated financial statement have been prepared under the historical cost convention, except that investment property, financial assets available for sale, and financial assets and financial liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

Preparation of financial statements in accordance with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

2.2 Consolidation

(a) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is

measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(b) Transactions and minority interests

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services which are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment which are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- (ii) Income and expenses for each income statement are translated at average exchange rates
- (iii) All resulting exchange differences are recognised as a separate component of equity

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Investment property

Property which is held for long-term rental yields or for capital appreciation or both, and which is not occupied by the companies in the consolidated group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, amongst other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Tenant accommodation, i.e. replacement of walls, is charged to the asset's carrying amount while the remaining carrying amount of the replaced components is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment unless the internal use is insignificant, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Assets under construction are classified as property, plant and equipment measured at cost until completion, when the asset is transferred to investment property.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gain/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest levels for which there are separately identifiable cash flows. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 Impairment of non-financial assets

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

2.9 Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading purposes. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term owing to favourable short-term market movements. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current

assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2.11).

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of net investments or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months or as a current asset or liability when the remaining maturity is less than 12 months.

(a) Derivatives not included as hedge accounting

The majority of the group's interest rate and currency swaps are assumed not to qualify for hedge accounting. Changes in the fair value of any derivative instruments which do not qualify for hedge accounting are recognised immediately in the income statement within 'changes in market value of financial derivatives'.

(b) Cash flow hedge

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

Amounts accumulated in equity are recognised in the income statement in the period within which the hedged item affects profit or loss (when the hedged forecast sale is hedged takes place, for example). The gain or loss relating to the effective portion of interest rate swaps used to hedge variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement within other financial income (costs).

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

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement under 'change in market value of financial derivative instruments'. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all the amounts due under the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will go into liquidation or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement within other operating expenses.

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Trade payables

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

2.15 Borrowings

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

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

2.16 Deferred income tax

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

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

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

2.17 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading. Revenue comprises the fair value of the consideration received for the services in the ordinary course of the group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the group.

(a) Rental income

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

(b) Other income

Other income is recognised as it is earned.

2.18 Dividend distribution

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

2.19 Interest expense

Interest expenses for borrowings are recognised within 'financial costs' in the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate which exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit

losses. The calculation includes all fees and points paid or received between parties to the contract which are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.20 Pensions

Norwegian Property ASA operates a defined contribution plan for all employees. The chief executive of Norwegian Property also has a defined benefit pension plan. Norgani Hotels AS, including subsidiaries, operates defined contribution plans for all new employees. Some employees are included in a former defined benefit plan in Norway. A defined contribution pension scheme is an arrangement whereby the group pays fixed (defined) amounts to a privately held administrated scheme. The group has no legal or other obligations to pay further amounts in the event that the pension scheme itself has insufficient assets to pay contributions due to employees relating to rights earned in the current or previous periods. Contributions are recognised as employee benefits expense when they fall due. Prepaid contributions are recognised as an asset to the extent that the cash refunds or reductions in future payments are available.

A defined benefit plan is a pension plan which defines an amount of pension benefit which an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, in excess of the greater of 10 per cent of the value of plan assets or 10 per cent of the defined benefit obligation, are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In the latter case, past-service costs are amortised on a straight-line basis over the vesting period.

NOTE 3 FINANCIAL RISK MANAGEMENT

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

Risk management for the group is managed by a central finance team in accordance with guidelines approved by the board. The management team identifies and evaluates financial risks in close cooperation with the group's operational units. The board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk.

3.1 Market risk

Foreign exchange risk

The group operates in different countries and is exposed to foreign exchange risks in several currencies, mainly related to the Norgani Hotels businesses in Sweden (SEK), Finland (EUR) and Denmark (DKK). Investments in foreign subsidiaries imply risks related to the translation of net investments. Hedging is generally achieved by borrowings in the different currencies. The group has entered into hedging agreements to reduce the net asset exposure in foreign currencies to a limited extent. The general policy for Norgani Hotels is to hedge 70 per cent of the net exposure at any time, and the hedging ratio will never deviate by more than 20 percentage points from this baseline. The hedging ratio is measured on the basis of the portion of interest-bearing liabilities and derivatives compared with investment properties and cash and cash equivalents in the different currencies. The hedging ratio at 31 December is specified in the table below.

(Amounts in NOK 1 000)	2008					2007				
	NOK	SEK	EUR	DKK	Total	NOK	SEK	EUR	DKK	Total
Investment property	18 651 806	4 752 121	3 379 374	529 266	27 312 567	23 111 428	4 684 208	2 912 134	406 119	31 113 889
Cash and cash equivalents	81 477	25 247	70 095	(2 599)	174 220	623 066	10 235	2 175	-	635 476
Interest-bearing debt	(16 173 816)	(2 919 272)	(2 413 042)	(334 456)	(21 840 586)	(18 213 296)	(2 762 985)	(1 983 144)	(272 714)	(23 232 139)
Derivatives	1 029 962	(580 182)	(370 160)	(79 619)	-	429 429	(330 381)	(99 048)	-	-
Net exposure	3 589 429	1 277 914	666 267	112 592	5 646 201	5 950 627	1 601 077	832 117	133 405	8 517 226
Hedging ratio (per cent)	81	73	81	79	79	75	66	71	67	73

Norgani Hotels' rental income and operating costs in foreign currencies related to foreign subsidiaries are not subject to currency hedging. In 2008, 77 per cent of Norgani Hotels' revenue was related to Sweden, Finland and Denmark (2007: 76 per cent).

Of Norwegian Property's (commercial property) rental income, 3.7 per cent (NOK 41 million annually) is in foreign currency (EUR) and practically all operational expenses are denominated in NOK (2007: 4.1 per cent, NOK 39 million). This exposes the segment to limited foreign exchange risk. Norwegian Property has 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 the end of 2008 are specified in local currencies in the table below (see also note 12).

Currency	Notional principal amount in currency	< 1 year	1-2 years	2-5 years	Over 5 years
NOK	244 811	20 105	45 117	80 761	98 828
SEK	(640 660)	(640 660)	-	-	-
EUR	(81 973)	(41 183)	(7 499)	(11 249)	(22 042)
DKK	(60 000)	(60 000)	-	-	-

If NOK in relation to SEK, EUR and DKK was 10 per cent weaker/stronger at 31 December 2008, and all other variables were kept constant, profit/loss after tax for 2008 would be changed by about NOK 70 million (2007: about NOK 85 million) as a result of currency changes when translating foreign subsidiaries. Equity would correspondingly be changed by NOK 165 million (2007: NOK 230 million).

Price risk

Rental income is exposed to changes in market rent, revenue-based rent and inflation. The group focuses on long-term leases. The average duration of leases at 31 December 2008 was 5.6 years for commercial properties and 10.1 years for hotels (2007: 6.5 and 11.0 years respectively).

Leases for commercial properties secure a fixed revenue during the lease term. The majority of leases have a full consumer price index (CPI) adjustment clause which allows the group to adjust rents in line with the development of the CPI. The group seeks to secure such regulatory clauses in all new leases. The average CPI adjustment at 31 December 2008 was four per cent, which increased annual rental income for 2009 by NOK 43 million. Rent for the shopping centre at Aker Brygge in Oslo is revenue-based, but the seller has given a rental guarantee to Norwegian Property covering the difference between the guaranteed rent and actual revenue-based rent until June 2010.

All leases for hotels, with one exception, are revenue-based (the single exception is a fixed-rent contract with CPI adjustments). Most leases guarantee a certain minimum rent, and the sellers of some hotels have given rent guarantees covering the difference between a guaranteed rent and the actual revenue-based rent. At 31 December 2008, minimum rent agreements guarantee an annual rental income of NOK 560 million, and rental guarantees secured an additional annual rent of NOK 72 million.

Interest rate risk

The group is subject to interest rate risk related to floating rate loans. Norwegian Property has a policy of hedging a minimum of 70 per cent of outstanding floating rate loans. At 31 December, 93 per cent of such loans (including cash) were hedged (2007: 84 per cent). The loan-to-value ratio is lower for Norgani Hotels than for Norwegian Property, and the corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of outstanding floating rate loans. At 31 December, 91 per cent of such loans were hedged (2007: 67 per cent). At the same time, Norgani Hotels experienced fluctuations in its revenue-based rental income.

In order to mitigate interest risk, the group had entered into interest rate swap agreements totalling NOK 18.5 billion at 31 December (2007: NOK 16.3 billion). At 31 December, the average credit margin on floating rate borrowings was 81 basis points (2007: 76 basis points). The average basis rate of the loan portfolio was 5.84 per cent at 31 December (2007: 5.4 per cent). The average remaining term to maturity for hedging agreements was 4.5 years (2007: 4.6 years). Notional principal amounts and the term to maturity for the group's total portfolio of interest rate hedges at 31 December 2008 are specified in local currencies in the table below (see also note 12).

Currency	Notional principal amount in currency	< 1 year	1-2 years	2-5 years	Over 5 years
NOK	(13 413 308)	(575 000)	(2 875 000)	(7 398 965)	(2 564 343)
SEK	(2 600 000)	(250 000)	(1 260 000)	(635 000)	(455 000)
EUR	(274 967)	(25 000)	(80 000)	(115 467)	(54 500)
DKK	-	-	-	-	-

If the average interest rate at 31 December 2008 were 25 basis points higher/lower, and all other variables were held constant, the group's profit/loss after tax would be NOK 39 million lower/higher (2007: NOK 42 million).

3.2 Credit risk

The majority of the group's rental income comes from solid tenants. These are preferably large, financially sound companies and public institutions in order to reduce the risk related to leases. New tenants are checked against credit rating agencies for an acceptable credit history. Most tenants have provided bank guarantees or paid deposits of amounts equivalent to three months' rent. Rents are generally invoiced quarterly in advance. Credit loss during 2008 and 2007 was negligible.

At the end of 2008, receivables in the balance sheet related to the group's interest and currency derivatives were NOK 164.8 million. The agreements are generally with several large and reputable Norwegian and international banks (all with a Standard & Poors credit rating ranging from BBB+ to AA-).

The maximum credit exposure related to accounts receivable on the balance sheet are specified by business segment and currency in the table below.

(Amounts in NOK 1 000)	2008			2007		
	Commercial properties	Hotels	Total	Commercial properties	Hotels	Total
Norway (NOK)	153 481	1 953	155 434	178 972	3 356	182 328
Sweden (SEK)	-	13 842	13 842	-	3 515	3 515
Denmark (DKK)	-	2 552	2 552	-	526	526
Finland (EUR)	-	297	297	-	-	-
Total	153 481	18 644	172 125	178 972	7 397	186 369

3.3 Liquidity risk

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

(Amounts in NOK 1 000)	2008	2007
Cash and cash equivalents	174 220	635 476
- of which restricted cash and cash equivalents	(711)	(4 162)
Available cash and cash equivalents	173 509	631 314
Unused credit facilities	466 000	100 000
Unused overdraft facilities	55 000	190 000
Liquidity reserve	694 509	921 314

As described above, the group has a high degree of hedging against changes in market interest rates and foreign currencies, reducing the need for liquidity reserves to meet unforeseen obligations related to these areas. The group has generated positive cash flows from operations, related to results from ordinary operations/financial items (profit/loss before value changes, changes in exchange rates and gain/loss from sale of properties), for both 2008 (NOK 312 million) and 2007 (NOK 136 million). Additional liquidity risks are mainly related to instalments and the maturity of liabilities. The maturity of liabilities for the group is specified in the table below. The classification is based on the maturity specified in the contracts. Amounts in the table are undiscounted cash flows (NOK 1 000).

(Amounts in NOK 1 000)	Book value	Expected cash flow	< 1 year	1-2 years	2-5 years	Over 5 years
31 December 2008						
Interest-bearing debt	21 840 586	21 840 586	818 611	2 317 738	17 033 030	1 700 819
Accounts payable	29 432	29 432	29 432	-	-	-
Other liabilities	693 523	481 021	481 021	-	-	-
31 December 2007						
Interest-bearing debt	24 827 976	24 827 976	3 094 030	2 378 780	16 422 327	2 961 053
Accounts payable	44 086	44 086	44 086	-	-	-
Other liabilities	631 279	451 631	451 631	-	-	-

3.4 Capital risk management

The group's goal related to capital risk management is to ensure continued operation in order to secure a return on investment for owners and other stakeholders and to obtain an optimum capital structure to reduce capital costs. To improve its capital structure, the group can adjust the level of dividend paid to shareholders, return capital to investors, issue new shares or sell assets to reduce debt. Capital risk management is monitored in part by the level of the group's debt ratio (LTV – loan-to-value). The debt ratio is calculated as the proportion of gross interest-bearing debt compared with gross property value. A group objective is to strengthen its financial position and to reach a long-term loan-to-value target of 60 to 65 per cent. The loan-to-value ratio at 31 December is specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Long-term interest-bearing debt according to the balance sheet	21 021 975	21 733 946
Current interest-bearing debt according to the balance sheet	818 611	3 094 030
Capitalised borrowing costs	37 942	36 542
Gross interest-bearing debt	21 878 528	24 864 518
Investment properties according to the balance sheet	27 312 567	31 113 889
Tax compensation at acquisition accounted for as a reduction of investment properties in the balance sheet	261 664	364 500
Gross property value	27 574 231	31 478 389
Loan-to-value (per cent)	79	79

NOTE 4 DETERMINATION OF FAIR VALUE

The consolidated financial statements have been prepared under the historical cost convention except that investment property, financial assets available for sale, and financial assets and liabilities (including derivative instruments) are carried at fair value through the profit and loss account.

Investment property

All group investment properties are valued at their fair value based on a quarterly valuation update, and each property is valued at 31 December 2008 by two independent experts. DTZ Realkapital has performed a primary valuation of all the properties in Norway, Sweden and Denmark. Maakanta has correspondingly valued properties in Finland. Akershus Eiendom has also valued all the properties. Based on external valuations and supplementary in-house analysis of the market for the rental portfolio, the group management makes an overall fair value assessment to determine whether the external valuations fairly represent the value of the investment properties. All properties are periodically subject to inspections and technical reviews. See also note 5 for critical accounting estimates and judgements.

Financial instruments and derivatives

The estimated fair value for the group's financial instruments is based on market value and the valuation methods described below.

Cash and cash equivalents

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

Interest-bearing liabilities

The group recognise interest-bearing liabilities at amortised cost.

Accounts receivable/other receivables and accounts payable/other liabilities

In principle, these are recognised initially at fair value and subsequently measured at amortised cost. However, discounting is normally assumed to have no significant effect on this type of receivable and liability.

Equities and interests

The fair value of any listed equities and interests are valued at the market price listed at the balance sheet date. Unlisted equities and interests are calculated using accepted and recognised valuation techniques, or carried at cost if their fair value can not be reliably measured.

Derivatives

The fair value of financial derivatives, including currency forwards/swaps and interest rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest rate curves and exchange rates at the balance sheet date. For derivatives related to Norwegian Property (commercial properties), the calculations are generally performed by banks. The group has checked and reasonably assessed the valuations. For derivatives related to Norgani Hotels (hotels), the calculations are performed by the group's treasury department and verified by external valuations from banks.

When determining the fair value of net obligations to acquire investment properties, the valuation of the investment property is based on the same principles described for the ordinary valuation of investment properties. The liability is the net present value of future cash flows agreed in relation to the takeover of the property.

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and based on historical experience and other factors, including expectations about future events assumed to be likely under current circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions which pose a significant risk of requiring a material adjustment to the carried amounts of assets and liabilities within the coming financial year are outlined below.

Fair value of investment properties

Investment property is valued at its fair value on the basis a quarterly valuation update. The procedures for determining the fair value of investment properties are described in note 4. In line with these principles, Norwegian Property's portfolio of commercial properties are valued externally each quarter since the company was incorporated in 2006. The hotel portfolio (Norgani Hotels) was acquired at the end of the third quarter of 2007 and externally valued from 31 December 2007.

Properties are valued by discounting future cash flows. Both contractual and expected cash flows are included in the calculations. Therefore, fair value assessment of investment properties depends largely on assumptions related to market rents, discount rates and inflation. Market rents in the primary valuations are based on individual assessments of each property and segmentations of different areas within the properties if relevant. Macro-economic assumptions for the level of interest rates, inflation expectations, etc, are updated as part of the calculations. Inflation expectations are based on consensus from banks and public statistical agencies (2.30-2.70 per cent for Norway, 2.00-2.23 pr cent for Denmark and 2.00 per cent for Sweden and Finland are assumed in the calculation period). Cash flows from current leases are discounted using individual discount rates compared with cash flows from renewals at market rent and residual values, based on an assessment of the properties and the tenants. Current rent for commercial properties are discounted on the basis of discount rates in the 6.25-11.00 per cent interval, and renewals/residual values are discounted on the basis of discount rates in the 8.25-11.00 per cent interval, based on individual assessments of each single property. Current rent for hotels are correspondingly discounted based on discount rates in the interval 6.00-11.00 per cent, and residual values are discounted based on discount rates in the interval 7.70-11.50 per cent.

Uncertainty in financial markets was substantial at 31 December 2008, with limited access to capital and few property transactions being carried out which could support valuations. In its report, DTZ states that current market conditions are abnormal and that the degree of uncertainty in the reported valuations is likely to be greater than usual.

The sensitivity of the fair value assessments for investment properties depends mainly on assumptions related to yield, interest rates, inflation and market rents for properties. The table on the next page shows examples of the way changes related to each of these variables influenced property values at 31 December 2008, assuming that all other variables remained constant (amounts in NOK million).

Variables	Changes of variables	Commercial properties ¹	Hotels ¹
Net market yield	+ 0.25 per cent	(303)	(175)
Market interest rate	+ 0.25 per cent	(286)	(202)
Inflation	+ 1 per cent	122	50
Market rent	+ 10 per cent	1 218	741

¹ The calculations are carried out by DTZ Realkapital and Maakanta in connection with the valuation at 31 December 2008, excluding the Grev Wedels plass 9 property which was subject to a sales agreement in 2008.

Fair value of financial derivatives

The group's financial derivatives include currency forwards/swaps, interest-rate swaps and the obligation to acquire investment properties. Procedures for valuing financial derivatives are described in note 4.

NOTE 6 SEGMENT INFORMATION

Business segments

The group's primary reporting format is the business segments of commercial properties (Norwegian Property) and hotels (Norgani Hotels). The division into business segment conforms with the group's internal management reporting. Each property is generally organised as a separate legal entity. As a result, the allocation of revenues, expenses, assets and liabilities to the business segments follows the group's legal structure. The hotel business was acquired at the end of the third quarter of 2007. An allocation of key figures to the business segments is presented below.

	Commercial properties		Hotels		Other/elim ¹		Total	
(Amounts in NOK 1 000)	2008	2007	2008	2007	2008	2007	2008	2007
Gross rental income	1 079 420	1 010 507	787 354	185 179	-	-	1 866 774	1 195 686
Property-related costs	(70 985)	(61 498)	(81 165)	(19 926)	-	-	(152 150)	(81 424)
Net rental income	1 008 435	949 009	706 189	165 253	-	-	1 714 624	1 114 262
Owner-related costs	(60 728)	(58 468)	(69 766)	(19 415)	(1 067)	(60)	(131 561)	(77 943)
Gain from fair value adjustment of investment properties	(2 905 192)	1 219 138	(1 082 311)	-	-	-	(3 987 503)	1 219 138
Gain from sales of investment properties	7 174	9 281	27 188	-	-	-	34 362	9 281
Impairment of goodwill	-	-	-	-	(220 968)	-	(220 968)	-
Operating profit	(1 950 311)	2 118 960	(418 700)	145 838	(222 035)	(60)	(2 591 047)	2 264 738
Net financial items	(1 531 088)	(439 020)	(789 399)	(109 287)	(207 370)	(65 836)	(2 527 858)	(614 143)
Ordinary profit before income tax	(3 481 400)	1 679 940	(1 208 100)	36 551	(429 405)	(65 896)	(5 118 905)	1 650 596
Income tax expense					928 194	(460 736)	928 194	(460 736)
Profit for the period					498 789	(526 632)	(4 190 711)	1 189 860
Minority interests					132 322	(4 830)	132 322	(4 830)
Profit after minority interests					631 111	(531 462)	(4 058 389)	1 185 030
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Investment property/fixtures and equipment	16 289 968	20 416 452	11 032 457	10 700 402	-	-	27 322 425	31 116 854
Other assets	3 594 382	2 255 788	386 448	1 417 416	(2 376 932)	(907 972)	1 603 898	2 765 232
Interest-bearing debt	12 978 429	14 861 865	7 671 415	7 105 274	1 190 742	2 860 838	21 840 586	24 827 977
Other liabilities	899 636	1 088 383	592 907	1 118 724	592 034	16 099	2 084 577	2 223 206
Total equity	6 006 285	6 721 992	3 154 583	3 893 820	(4 159 708)	(3 784 909)	5 001 160	6 830 903
Investments	104 735	4 275 323	203 567	851 135	-	-	308 302	5 126 458

¹ Include group eliminations, Oslo Properties and the liability to acquire shares in Oslo Properties (total acquisition financing). Figures for Oslo Properties were merged with the hotel figures in the 2007 annual accounts.

Geographical markets

The group's secondary reporting format is based on geographical markets (countries). The group has operations in Norway, Sweden, Denmark and Finland. Its commercial properties are located only in Norway, while the hotel properties are located in all four countries. An allocation of key figures to the different countries is presented below.

	Norway		Sweden		Denmark		Finland		Other/elim		Total	
(Amounts in NOK 1 000)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Gross rental income	1 261 482	1 055 470	358 162	88 776	31 565	6 967	215 565	44 473	-	-	1 866 774	1 195 686
Property-related costs	(81 518)	(67 511)	(35 962)	(4 993)	(6 132)	(2 118)	(28 538)	(6 802)	-	-	(152 150)	(81 424)
Net rental income	1 179 964	987 959	322 200	83 783	25 433	4 849	187 027	37 671	-	-	1 714 624	1 114 262
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Investment property/ fixtures and equipment	18 656 796	22 883 283	4 756 989	4 678 954	529 266	453 727	3 379 374	3 100 890	-	-	27 322 425	31 116 854
Interest-bearing debt	14 513 074	16 513 295	2 919 279	2 762 985	334 456	272 714	2 413 035	1 983 144	1 660 742	3 295 839	21 840 586	24 827 977
Net other assets/liabilities (unallocated)									(480 679)	542 026	(480 679)	542 026
Total equity	4 143 722	6 369 988	1 837 710	1 915 969	194 810	181 013	966 339	1 117 746	(2 141 421)	(2 753 813)	5 001 160	6 830 903
Investments	184 070	4 394 255	63 122	732 203	39 998	-	21 112	-	-	-	308 302	5 126 458

NOTE 7 INVESTMENT PROPERTY

Changes in the book value of investment property are specified in the table below. The future minimum annual rent payments receivable under non-cancellable operating leases are specified in note 10.

(Amounts in NOK 1 000)	2008	2007
Opening balance 1 January	31 113 889	13 919 571
Disposal of properties ¹	(1 300 293)	(209 532)
Additions from business combinations	-	9 850 053
Additions from acquisition of properties and ordinary investments	282 171	4 886 115
Reclassification from property under construction, etc (see note 8)	(2 769)	1 448 545
Fair value adjustment of investment property	(3 987 503)	1 219 138
Exchange rates	1 207 072	-
Book value at 31 December²	27 312 567	31 113 889
Rental income	1 866 774	1 195 686
Property-related costs	(152 150)	(81 424)
Net rental income	1 714 624	1 114 262

¹ Disposals in 2008 related to the following properties: Forskningsveien 2, Økernveien 9, Østre Aker vei 20/22, Magnus Poulssons vei 7, Nedre Holmegate 30-34, Elvegaten 25 and Mauritz Kartevolds plass 1. Total net gain from these disposals was NOK 7.2 million. Disposal in 2007 related to the Kokstadveien 23 property. Gain from sale was NOK 9.3 million.

² Book value at 31 December 2008 includes a reduction of NOK 261.7 million (2007: NOK 364.5 million) related to tax compensation received when acquiring investment properties (single-purpose entities).

Restrictions related to investment properties

Other than covenants in loan agreements, no restrictions apply to when the investment properties can be realised or the use of the revenue and cash flow on any sale.

Agreement to sell investment property

Norwegian Property has entered into an agreement for the sale of Grev Wedels plass 9 in Oslo. The buyer is UBS Real Estate Kapitalanlagegesellschaft on behalf of its UBS (D) Euroinvest Immobilien property fund. The transaction was completed in January 2009. The property is valued at its net sales value in the balance sheet at 31 December 2008. The net sales value takes into account that Norwegian Property has given a rental guarantee of NOK 11.5 million exclusive of VAT per year (to be CPI adjusted) plus common costs for an area of 4 407 square meter (NHST area), and this guarantee period runs until 30 June 2014. In addition, Norwegian Property has given a rental guarantee if Forsvarsbygg utilises its right to terminate its lease with 12 months notice. The level on this rental guarantee is NOK 5.3 million exclusive of VAT per year (to be CPI adjusted) plus common costs, and runs until 15 January 2014. Any rent under new leases approved by the buyer on the above-mentioned areas will be deducted from guaranteed rent. Norwegian Property is responsible for some construction work on the property after the completion date.

Obligation to acquire investment properties

Norgani Hotels entered into an agreement at 31 December 2007 to acquire the Park Inn property in Oslo for NOK 174 million. This property will be acquired by Norgani Hotels at completion, expected to be 31 December 2009. The Rezidor Hotel group has entered into a 20-year revenue-based lease for the hotel. The property/obligation is accounted for on a net basis as a derivative financial instrument until completion. At the contract date/31 December 2007, the value of the derivative is assumed to be zero, and the value at 31 December 2008 represent a liability of NOK 20 million. The negative value adjustment in 2008 is accounted for as a change in market value of financial derivative instruments. See also note 27 for events after the balance sheet date, and note 26 for contingent purchase obligations.

NOTE 8 OTHER TANGIBLE ASSETS

Changes in the balance sheet item on other tangible assets are specified in the table below.

(Amounts in NOK 1 000)	Property under construction ¹	Fixture, fittings and equipment	Total
Acquisition costs			
At 31 December 2006	1 150 801	10 001	1 160 801
Additions/investments	291 516	516	292 032
Reclassification to investment property (see note 7)	(1 442 317)	(6 228)	(1 448 545)
At 31 December 2007	-	4 289	4 289
Additions/investments	-	6 265	6 265
Reclassification to investment property (see note 7)	-	2 769	2 769
At 31 December 2008	-	13 323	13 323
Accumulated depreciation			
At 31 December 2006	-	557	557
Current year's depreciation	-	766	766
At 31 December 2007	-	1 323	1 323
Current year's depreciation	-	2 141	2 141
At 31 December 2008	-	3 464	3 464
Book value at 31 December 2007	-	2 965	2 965
Book value at 31 December 2008	-	9 858	9 858

¹ Norwegian Property acquired Aker House in 2006. This was a property under construction, completed in 2007. Until completion, property under construction is accounted for at cost. At completion, accumulated cost is reclassified to investment property.

NOTE 9 GOODWILL

Changes in the book value of goodwill are specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Opening balance 1 January	1 064 987	-
Additions from business combinations (see note 25)	41 623	1 064 987
Impairment of goodwill	(220 968)	-
Book value at 31 December	885 642	1 064 987

Goodwill relates entirely to deferred tax accounted for in connection with the takeover of Oslo Properties/Norgani Hotels.

Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction not treated as a business combination (acquisition of single-purpose entities). Even if investment properties are normally sold as equity or interests in a company without calculation of tax payable, deferred income tax must be accounted for in relation to all temporary differences between the book value and the tax basis in a business combination. Deferred tax is reduced on the basis of negative fair value adjustments to investment properties after their acquisition. Goodwill related to such reductions in deferred tax must be correspondingly reduced. Impairment in this respect amounts to NOK 221 million for 2008.

NOTE 10 OPERATING LEASES

The group is the lessor of investment properties. The future minimum annual rent payments receivable under non-cancellable operating leases are as follows:

(Amounts in NOK 1 000)	2008	2007
Within one year	1 661 624	1 689 173
Later than one and less than five years	5 425 350	5 913 511
Later than five years	5 260 584	6 300 014
Total	12 347 558	13 902 698

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

NOTE 11 FINANCIAL INSTRUMENTS

(Amounts in NOK 1 000)

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

At 31 December 2008	Financial instruments at fair value through profit or loss	Derivative instruments in designated hedge accounting relationships	Loans and receivables	Other financial liabilities	Other items	Total ¹
Financial assets						
Non-current derivatives	-	37 333	-	-	-	37 333
Shares and interests	2 014	-	-	-	-	2 014
Non-current receivables	-	-	11 192	-	-	11 192
Current derivatives	127 475	-	-	-	-	127 475
Current receivables ²	-	-	278 738	-	87 283	366 021
Cash and cash equivalents	-	-	174 220	-	-	174 220
Financial liabilities						
Non-current derivatives	-	106 272	-	-	-	106 272
Non-current interest-bearing debt	-	-	-	21 021 975	-	21 021 975
Current derivatives	689 854	-	-	-	-	689 854
Current interest-bearing debt	-	-	-	818 611	-	818 611
Current liabilities ²	-	-	-	510 453	212 502	722 955
Profit/(loss) related to financial instruments						
Rental income	-	-	-	(6 200)	1 872 974	1 866 774
Operating costs	-	-	(709)	-	(283 004)	(283 713)
Financial income	-	-	26 627	-	-	26 627
Financial expenses	-	-	-	(1 353 046)	-	(1 353 046)
Change in market value of financial derivative instruments	(1 201 439)	-	-	-	-	(1 201 439)
Gain/(loss) accounted for against equity						
Accounted for against equity, before tax	-	(81 118)	-	-	-	(81 118)

At 31 December 2007	Financial instruments at fair value through profit or loss	Derivative instruments in designated hedge accounting relationships	Loans and receivables	Other financial liabilities	Other items	Total ¹
Financial assets						
Non-current derivatives	-	9 550	-	-	-	9 550
Shares and interests	1 623	-	-	-	-	1 623
Non-current receivables	-	-	1 575	-	-	1 575
Current derivatives	678 673	-	-	-	-	678 673
Seller guarantees for future rent	-	-	-	6 200	-	6 200
Current receivables ²	-	-	284 054	-	83 095	367 149
Cash and cash equivalents	-	-	635 476	-	-	635 476
Financial liabilities						
Non-current interest-bearing debt	-	-	-	21 733 946	-	21 733 946
Current derivatives	26 075	-	-	-	-	26 075
Current interest-bearing debt	-	-	-	1 498 193	-	1 498 193
Interest-bearing liability to acquire shares in subsidiaries	-	-	-	1 595 837	-	1 595 837
Current liabilities ²	-	-	-	495 718	179 648	675 366
Profit/(loss) related to financial instruments						
Rental income	-	-	-	(15 000)	1 210 686	1 195 686
Operating cost	-	-	207	-	(159 574)	(159 367)
Financial income	-	-	67 972	-	-	67 972
Financial cost	-	-	-	(958 863)	-	(958 863)
Change in market value of financial derivative instruments	276 749	-	-	-	-	276 749
Gain/(loss) accounted for against equity						
Accounted for against equity, before tax	-	(95 676)	-	-	-	(95 676)

¹ Accounting lines not specified in the table above but included in the group's financial statement do not contain financial instruments. The book value of financial instruments in the group's balance sheet is assumed to represent fair value.

² Other items under current receivables include prepaid expenses, and other items under current liabilities include prepaid rental income.

NOTE 12 DERIVATIVES

(All amounts in NOK 1 000 or EUR, SEK or DKK 1 000 where specified)

Specification of derivatives in the financial statement

The group is subject to interest rate risk related to floating-rate loans. As described in note 3, the policy for Norwegian Property is to hedge a minimum of 70 per cent of floating rate loans outstanding. The corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of floating rate loans outstanding.

Norgani Hotels enters to a limited extent into hedging contracts to reduce its net asset exposure in foreign currencies (see note 3). Hedging of net investment in foreign subsidiaries is generally achieved through borrowing in the various currencies. The general policy for Norgani Hotels is to hedge 70 per cent of the net exposure at any time, and the hedging ratio will never deviate by more than 20 percentage points from this baseline. That exposes the segment to limited foreign exchange risk. Norwegian Property use foreign exchange swaps to limit the risk related to rental income in foreign currencies (see note 3).

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

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Interest-rate contracts, included as hedge accounting	37 333	-	9 550	-
Exchange-rate contracts, included as hedge accounting	-	106 272	-	-
Interest-rate contracts, not included as hedge accounting	35 972	590 879	664 663	11 541
Exchange-rate contracts, not included as hedge accounting	91 503	79 026	14 009	14 533
Net obligation to acquire investment property (see note 7)	-	19 949	-	-
Book value of derivatives	164 808	796 126	688 222	26 074
Derivatives, long-term assets/liabilities				
Interest-rate/exchange-rate contracts, included as hedge accounting	37 333	106 272	9 550	-
Derivatives, current assets/liabilities	127 475	689 854	678 672	26 074
Net financial derivatives in the balance sheet		(631 318)	662 148	

Financial derivative contracts which do not qualify for hedge accounting are classified as current assets or liabilities. The full fair value of a derivative contract qualifying for hedge accounting is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months. No inefficiencies related to hedge accounting were accounted for in 2008 and 2007.

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

	2008	2007
Net book value of derivatives, 1 January	662 148	270 917
Addition and changes in fair value, contracts not included as hedge accounting	(92 027)	9 550
Contracts no longer qualifying for hedge accounting (see below)	-	(105 102)
Addition, contracts not included as hedge accounting from business combinations	-	210 034
Net addition of financial derivatives during the year	(92 027)	114 482
Net fair value adjustments of derivatives during the year	(1 201 439)	171 647
Derivatives no longer qualifying for hedge accounting to profit and loss	-	105 102
Net fair value adjustments of derivatives during the year	(1 201 439)	276 749
Net book value of derivatives, 31 December	(631 318)	662 148

Interest rate derivatives

A specification of principal notional amounts per business segment and currency for the group's interest rate derivatives at 31 December is provided below. All group interest rate derivatives are cash flow hedges. Their maturity is specified in note 3.

	Currency	2008 Notional principal amount	2007 Notional principal amount
Commercial properties	NOK	(386 000)	(386 000)
Interest rate swaps included as hedge accounting	NOK	(386 000)	(386 000)
Commercial properties	NOK	11 663 308	11 475 000
Commercial properties	EUR	25 467	25 467
Hotel	NOK	1 750 000	1 450 000
Hotel	SEK	2 600 000	1 800 000
Hotel	EUR	249 500	212 500
Interest rate swaps not included as hedge accounting	NOK	18 486 785	16 342 819
Total interest rate swaps	NOK	18 100 785	15 956 819
Interest rate options, commercial properties	NOK	-	400 000

Floating rates are three-month Nibor with the exception of the EUR and SEK swaps, where the floating rate is three-month Euribor/Stibor. Gains and losses related to derivative contracts which do not qualify for hedge accounting are realised within the profit and loss account until such time as the underlying hedged loan is fully repaid. Gains and losses related to contracts qualifying for hedge accounting are accounted for within the hedging reserve in equity until such time as the underlying hedged loans are fully repaid.

Foreign exchange derivatives

A specification of principal notional amounts per business segment and currency for the group's exchange rate derivatives at 31 December is provided below. All exchange-rate derivatives related to commercial properties are cash flow hedges, and all exchange-rate derivatives related to hotels are net investment hedges. The maturity is specified in note 3.

	Currency	2008 Notional principal amount	2007 Notional principal amount
Commercial properties	NOK	244 811	219 635
Commercial properties	EUR	(44 539)	(28 851)
Hotels	NOK	-	432 129
Hotels	SEK	(640 660)	(390 660)
Hotels	EUR	(37 434)	(12 434)
Hotels	DKK	(60 000)	-
Total currency forwards/swaps	NOK	244 811	651 764
Total currency forwards/swaps	SEK	(640 660)	(390 660)
Total currency forwards/swaps	EUR	(81 973)	(41 285)
Total currency forwards/swaps	DKK	(60 000)	-

NOTE 13 CURRENT RECEIVABLES

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

(Amounts in NOK 1 000)	2008	2007
Accounts receivable	172 125	186 369
Provision for impairment of receivables	-	-
Net accounts receivable	172 125	186 369
Other current receivables ¹	193 896	180 780
Total current receivables	366 021	367 149

¹ Related mainly to accrued income/deferred cost and accrued interest on hedging instruments.

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

NOTE 14 SHARE CAPITAL AND SHAREHOLDERS

The tables below specify changes in the share capital since the incorporation of Norwegian Property ASA, the average number of shares for the past two years, the largest shareholders and shares owned directors and senior executives at 31 December 2008.

Changes in share capital and average number of shares

Date	Type of change	Changes in share capital (NOK)	Share capital after change (NOK)	No of shares after change	Nominal value (NOK)	Price per share (NOK)
20-07-05	Incorporation	-	100 000	1 000	100.00	100.00
26-04-06	Share split	-	100 000	4 000	25.00	-
22-05-06	Private placement	875 000 000	875 100 000	35 004 000	25.00	50.00
22-05-06	Write down	100 000	875 000 000	35 000 000	25.00	-
22-05-06	Private placement	162 500 000	1 037 500 000	41 500 000	25.00	50.00
09-06-06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25.00	50.00
22-06-06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25.00	50.00
30-06-06			1 592 453 050	63 698 122	25.00	
04-07-06	Consideration issue	370 175	1 592 823 225	63 712 929	25.00	50.00
18-07-06	Private placement	150 000 000	1 742 823 225	69 712 929	25.00	50.00
28-08-06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25.00	50.00
28-08-06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25.00	50.00
30-09-06			1 787 823 225	71 512 929	25.00	
16-10-06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25.00	50.00
14-11-06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25.00	53.50
05-12-06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25.00	50.00
31-12-06			2 462 823 225	98 512 929	25.00	
29-03-07	Private placement	174 216 025	2 637 039 250	105 481 570	25.00	71.75
31-12-07			2 637 039 250	105 481 570	25.00	
17-06-08	Private placement	2 403 846 150	5 040 885 400	201 635 416	25.00	26.00
31-12-08			5 040 885 400	201 635 416	25.00	

	2008	2007
Average number of shares (1 000)	157 236	103 798
Number of shares issued at 31 December (1 000)	201 635	105 482

Principal shareholders at 31 December 2008

Principal shareholders	Country	Number of shares	Per cent share
AWilhelmsen Capital AS	NOR	23 254 334	11.53
Canica AS	NOR	9 246 467	4.59
Deutsche Bank AG London	GBR	9 026 994	4.48
BGL	LUX	8 796 924	4.36
Credit Suisse Securities	GBR	7 955 885	3.95
Fram Realinvest AS	NOR	7 250 700	3.60
Fram Holding AS	NOR	7 250 700	3.60
Trondheim Kommunale Pensjonskasse	NOR	6 199 700	3.07
Vital Forsikring ASA	NOR	6 089 907	3.02
Bank Of New York, Brussels Branch	BLE	5 805 945	2.88
Aweco Invest AS	NOR	5 486 765	2.72
SEB Enskilda ASA	NOR	4 839 699	2.40
Bank Of New York Mellon	USA	4 475 027	2.22
FGCS NV RE Treaty	NLD	3 954 666	1.96
Bank Of New York, Brussels Branch	BLE	3 950 150	1.96
Bank Of New York, Brussels Branch	BLE	3 934 381	1.95
Wenaasgruppen AS	NOR	3 683 219	1.83
Opplysningsvesenets Fond	NOR	2 962 731	1.47
Skagen Vekst	NOR	2 893 000	1.43
Goldman Sachs Int. Equity	GBR	2 695 048	1.34
Other		71 883 174	35.65
Total number of shares at 31 December 2008		201 635 416	100.00

Shares held by directors and senior executives at 31 December 2008

Shareholder	Number of shares
Board of directors	
Tormod Hermansen (chair)	-
Harald Grimsrud (deputy chair)	-
Gry Mølleskog	-
Nils K Selte	250 000
Synne Syrrist	-
Senior executives	
Petter Jansen, president and CEO	75 000
Dag Fladby, vice president and CIO	4 000
Svein Hov Skjelle, vice president and CFO ¹	5 000
Aili Klami, vice president and COO	-
Roar Ingdal, vice president and CEO, Norgani Hotels	-
Shares held by directors and senior executives at 31 Dec 2008	334 000

¹ Vice president and CFO until 28 February 2009.

NOTE 15 OTHER CURRENT LIABILITIES

Other current liabilities in the balance sheet are specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Public dues	71 629	43 224
Accrued salaries	6 916	10 667
Accrued interest	312 047	184 725
Deferred income	212 502	179 648
Other payables	90 429	213 015
Total other current liabilities	693 523	631 279

NOTE 16 INTEREST-BEARING DEBT

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

The table below presents an overview at 31 December of group interest-bearing debt by business area, including hedging ratio, average interest and remaining duration.

	Commercial properties 2008	Hotels 2008	Total 2008	Acquisition financing (Oslo Properties) 2008	Total incl acquisition financing 2008	Total 2007
Total interest-bearing debt at face value (NOK 1 000)	13 006 308	7 201 415	20 207 723	1 670 805	21 878 528	24 864 519
– Of which hedged (NOK 1 000)	11 915 000	6 572 000	18 487 000		18 487 000	16 343 000
Hedging ratio, excluding cash and cash equivalents (per cent)	92	91	91		84	66
Cash and cash equivalents (NOK 1 000)	153 223	16 915	170 138	4 082	174 220	635 476
Effective hedging ratio, including cash (per cent)	93	91	92		85	67
Committed unused credit facilities (NOK 1 000)	466 000	55 000	521 000		521 000	290 000
Average interest, including margin (per cent)	5.31	6.02	5.56	9.23	5.84	5.76
Average margin (per cent)	0.57	1.08	0.75	1.50	0.81	0.76
Average remaining duration, borrowings (years)	4.3	3.7	4.1	1.8	3.9	4.6
Average remaining duration, hedging contracts (years)	4.8	3.7	4.5		4.5	5.1

Group interest-bearing long-term and current debt at 31 December is specified by business area, type of debt and currency in the table below.

(Amounts in NOK 1 000)	Currency	2008			2007		
		Non-current	Current	Total	Non-current	Current	Total
Bank borrowings	NOK	10 985 629	187 790	11 173 419	11 157 041	635 578	11 792 619
Bank borrowings	EUR	31 308	485	31 794	31 894	364	32 258
Bonds	NOK	1 511 000	-	1 511 000	2 682 350	-	2 682 350
Other borrowings	NOK	7 500	-	7 500	7 500	158 361	165 861
Total commercial properties	NOK	12 813 721	192 587	13 006 308	14 101 563	796 846	14 898 409
Bank borrowings	NOK	1 512 265	22 380	1 534 645	1 411 450	139 980	1 551 430
Certificate borrowings	NOK	-	-	-	-	100 000	100 000
Bank borrowings	SEK	2 608 637	615 091	3 223 728	2 711 828	555 435	3 267 263
Bank borrowings	EUR	239 047	4 980	244 027	248 954	-	248 954
Bank borrowings	DKK	247 699	4 311	252 010	255 303	-	255 303
Total hotel	NOK	6 567 062	634 353	7 201 415	5 960 597	709 676	6 670 273
Bank borrowings Oslo Properties/ acquisition financing ¹	NOK	1 670 805	-	1 670 805	1 700 000	1 595 837	3 295 837
Total interest-bearing debt	NOK	21 051 588	826 940	21 878 528	21 762 160	3 102 359	24 864 519
Capatilised borrowing cost	NOK	(29 613)	(8 329)	(37 942)	(28 213)	(8 329)	(36 542)
Total book value interest-bearing debt	NOK	21 021 975	818 611	21 840 586	21 733 947	3 094 030	24 827 977

¹ Including Norwegian Property ASA's liability related to put/call option agreements to acquire shares in Oslo Properties AS in 2007, in addition to the NOK 1 700 million acquisition financing. The discounted value of the put/call liability, including interest, was NOK 1 595.8 million at 31 December 2007.

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

	2008				2007			
	Commercial properties	Hotels	Oslo Properties / acquisition financing	Total	Commercial properties	Hotels	Oslo Properties / acquisition financing	Total
(Amounts in NOK 1 000)								
Between 1-2 years (2010 and 2011/2009 and 2010)	646 933	-	1 670 805	2 317 738	678 780	-	1 700 000	2 378 780
Between 2-5 years (2012, 2013 and 2014/2011, 2012 and 2013)	11 441 629	5 591 401	-	17 033 030	11 393 305	5 029 022	-	16 422 327
More than 5 years (after 2014/after 2013)	725 158	975 661	-	1 700 819	2 029 478	931 575	-	2 961 053
Total	12 813 721	6 567 062	1 670 805	21 051 588	14 101 563	5 960 597	1 700 000	21 762 160

Book value of group assets pledged as security at 31 December is specified in the table below.

	2008	2007
(Amounts in NOK 1 000)		
Investment property	27 312 567	31 113 889
Receivables	366 021	373 349
Cash and cash equivalents	174 220	635 476
Total	27 852 808	32 122 714
Liabilities secured	21 878 528	23 102 821

Assets owned by limited liability partnerships are only pledged as security for the group's own borrowings.

Interest-bearing debt for commercial properties

Norwegian Property ASA issued three tranches of bonds, totalling NOK 1 511 million, in the Norwegian capital markets in March 2007. These tranches have a tenor of five years and three years respectively. Four properties are pledged as first-priority security for these borrowings.

In February 2008, the NOK 9.6 billion borrowing facility for Norwegian Property Holding AS and the NOK 1.4 billion revolving credit facility for Norwegian Property ASA were refinanced with a NOK 11 billion facility in Norwegian Property Holding AS, of which NOK 1 billion is a revolving credit facility. The available amount under the facility has been reduced by ordinary installments and sale of properties by Norwegian Property Holding AS. At 31 December 2008, after installments and the closure of property sales during the year, the remaining available loan/credit amount under the facility is NOK 10 186 million. NOK 466 million of the facility was undrawn at 31 December.

Group commercial property subsidiaries had additional borrowings of NOK 1 775 million at 31 December 2008.

The main terms of the facilities for the commercial properties portfolio are:

- *Interest:* Nibor + margin
- *Interest rate hedging:* minimum 70 per cent for the commercial property portfolio.
- *Financial covenants:* the group must comply with agreed senior interest cover and loan-to-value (LTV) thresholds. Senior interest cover of at least 1.4 (1.5 from the third quarter of 2009) and a LTV ratio of 85 per cent were agreed at 31 December 2008.
- Instalments are based on the LTV level.
- *Other covenants:* negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change-of-control clause.
- *Security:* the facilities are secured by pledges on properties. The main facility is also secured by first-priority pledges on the subsidiaries' shares, properties, accounts receivable, inter-company loans and the group's bank accounts. Subsidiaries are guarantees for the facilities. No bank guarantees of significant size have been issued on the parent company's behalf.

Interest-bearing debt for hotels

The financing of Norgani Hotels was taken over with the acquisition. Two syndicated borrowing facilities were in place at 31 December 2008 – an EUR 239 million facility and a multiple currency credit facility originally totalling EUR 13 million, DKK 677 million, NOK 1 435 million and SEK 1 840 million. The group has also entered into a SEK

1 150 million financing agreement with Svenska Handelsbanken AB, and a SEK 565 million bilateral loan agreement.

The main terms of the facilities for the hotel portfolio are:

- *Interest:* Nibor/Euribor/Cibor/Stibor + margin.
- *Interest rate hedging:* different minimum levels of interest rate hedging ratios in relation to the various borrowing agreements.
- *Financial covenants:* agreed senior interest cover at 31 December 2008 of at least 1.35 to 2.0 in relation to different agreements, LTV ratio of 85 per cent and an equity ratio of 15 per cent.
- *Other covenants:* negative pledge, restrictions on granting loans, restrictions on acquisitions and a change-of-control clause.
- *Security:* the facilities are secured by pledges on properties, pledges on the subsidiaries' shares, properties, accounts receivable, inter-company loans and the group's bank accounts. Subsidiaries are guarantees for the facilities. No bank guarantees of significant size have been issued on the parent company's behalf.

Interest-bearing debt for Oslo Properties

NOK 1 671 million in acquisition financing for Oslo Properties AS falls due in October 2010, and the main terms are as follows:

- *Interest:* Nibor + margin
- *Interest rate hedging:* minimum 70 per cent (excluding acquisition financing).
- *Financial covenants:* LTV below 90 per cent for the Oslo Properties group for the two first years, thereafter 75 per cent. The Norgani group must have an LTV below 85 per cent and a senior interest cover ratio of at least 1.6.
- *Other covenants:* negative pledge, pari passu, restrictions on granting loans, restrictions related to mergers/demerger and a change-of-control clause.
- Restrictions related to payment of dividend by Oslo Properties, cash flow generated from sale of properties and other cash flow generated by Norgani exceeding certain levels will be used to repay borrowings.
- *Security:* first-priority pledges on all Oslo Properties assets, including the shares in Norgani Hotels and bank accounts, pledges on Norwegian Property ASA's shares in Oslo Properties and guarantee issued on Norwegian Property ASA's behalf.

NOTE 17 DEFERRED TAX

The book value of deferred tax at 31 December is specified in the tables below.

Deferred income tax assets and liabilities are offset where the group has a legally enforceable right to offset current tax assets against current tax liabilities, and where the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

(Amounts in NOK 1 000)	2008	2007
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	750 516	634 214
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets	750 516	634 214
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	1 316 011	2 155 981
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	1 316 011	2 155 981
Net deferred tax liabilities	565 495	1 521 767
Change in the book value of deferred tax for the year is specified as follows:		
At 1 January	1 521 767	119 610
Additions from business combinations	(2 869)	977 195
Income statement change (see note 21)	(928 315)	457 498
Tax on interest rate hedges charged to equity	7 779	(26 755)
Tax on issue expenses charged to equity	(43 154)	(5 781)
Exchange rates	10 288	-
At 31 December¹	565 496	1 521 767

¹ Deferred tax at 31 December 2008 breaks down by country as follows: Norway NOK 287.9 million (2007: NOK 973 million), Sweden NOK 21.8 million (2007: NOK 157.5 million), Denmark NOK 45.5 million (2007: NOK 67.1 million) and Finland NOK 210.3 million (2007: NOK 324.2 million).

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

(Amounts in NOK 1 000)	2008	2007
Tax on equity issue expenses	(107 318)	(64 165)
Tax on financial derivative instruments charged to equity	10 453	2 674
Total deferred tax charged to equity	(96 865)	(61 491)

Change in deferred tax assets and deferred tax liabilities:

(Amounts in NOK 1 000)	Deficit carried forward ¹	Buildings	Fair value gain	Total
Total at 31 December 2006	(53 965)	1 539 049	50 917	1 536 001
Deferred tax liability from purchase of companies	-	41 160	-	41 160
Deferred tax assets from business combinations	(567 985)	-	-	(567 985)
Deferred tax liability from business combinations	20 910	1 524 270	-	1 545 180
Tax charged to income statement	38 650	341 359	77 490	457 498
Tax charged to equity	(5 781)	-	(26 755)	(32 536)
Total at 31 December 2007	(568 171)	3 445 838	101 651	2 979 318
Deferred tax liability from purchase of companies	-	(122 360)	-	(122 360)
Deferred tax assets from business combinations	-	-	-	-
Deferred tax liability from business combinations	-	-	-	-
Tax charged to income statement	258 310	(850 223)	(336 403)	(928 315)
Tax charged to equity	(43 154)	-	7 779	(35 375)
Exchange rates	(1 962)	11 899	351	10 288
Total at 31 December 2008	(354 977)	2 485 154	(226 622)	1 903 556
Amounts not accounted for owing to purchase of assets (not a business combination pursuant to IFRS 3) ²	(12 550)	1 470 101	-	1 457 551
As of 31 December 2007	(555 621)	1 975 737	101 651	1 521 767
Amounts not accounted for owing to purchase of assets (not a business combination pursuant to IFRS 3) ²	(12 550)	1 350 609	-	1 338 059
As of 31 December 2008	(342 427)	1 134 545	(226 622)	565 496

¹ Includes tax assets related to a disputed loss carried forward of SEK 1 645 million in relation to the acquisition of hotels by Norgani Hotels in Sweden during 2005. The Swedish tax authorities have accepted only SEK 1 245 million of the loss in 2007. The remaining loss of SEK 400 million remains to be clarified. Norgani Hotels has appealed all decisions which limit the loss to carry forward. The seller of the hotels has issued guarantees related to the availability of the losses, and Norgani Hotels made a claim of about SEK 130 million against the seller pursuant to this agreement. The group considers that it has no financial risk related to any restrictions for the loss to carry forward.

² Acquisitions of single-purpose entities owning only one property with no employees, management or recorded procedural descriptions are not considered to be an acquisition of a business, and the bringing together of those entities is not a business combination (IFRS 3 on business combinations is not applicable). The deferred income tax is accordingly not accounted for as it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affected neither accounting nor taxable profit or loss.

NOTE 18 OTHER OPERATING EXPENSES

Other operating expenses (owner-related costs) in the income statement is specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Payroll expenses (see note 19)	56 769	34 008
Depreciation	2 141	766
Other expenses	72 652	43 170
Total other operating expenses	131 562	77 943

NOTE 19 PAYROLL EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES AND THE AUDITOR

(Amounts in NOK 1 000)

Payroll expenses, including pension costs (pension obligation) and remuneration of directors, senior executives and the auditor, are specified in the tables below.

Payroll expenses

Payroll expenses for the year are specified as follows:

	2008	2007
Pay and other remuneration	40 230	24 122
Social security costs	6 765	4 036
Pension costs	5 538	5 389
Other payroll expenses	4 236	460
Total payroll expenses	56 769	34 008

Employees at 31 December	37	33
Number of full-time equivalent positions at 31 December	37	33
Average number of employees	35	16

Pension cost and pension obligation

Pursuant to the Norwegian Act on Mandatory Occupational Pensions, Norwegian Property ASA and Norgani Hotels AS must operate certain pension schemes. The companies have schemes which satisfies these requirements. Norwegian Property ASA operates a defined contribution plan for all employees. In addition, the chief executive of Norwegian Property ASA has a defined benefit pension plan. Norgani Hotels AS, including subsidiaries, operates a defined contribution plan for all new employees. Five employees are part of a former defined contribution plan in Norway. Pension costs for the year are specified as follows:

	2008	2007
Pension earnings (service cost) for the period	3 051	4 875
Interest cost of pension obligation	304	121
Return on plan assets	(59)	(8)
Administration costs	40	10
Changes in employer's national insurance contributions	39	-
Pension cost, benefit plans	3 374	4 999
Pension cost, contribution plans	2 164	391
Total pension cost	5 538	5 389

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

	2008	2007
Present value of pension obligations	10 896	6 458
Pension assets at market value ¹	(871)	(776)
Net pension obligation	10 025	5 681
Deferred effect of actuarial and financial gains and losses	(1 847)	(297)
Employer's national insurance contributions	104	85
Pension obligation recognised in the balance sheet at 31 December	8 282	5 470

¹ Pension assets at market value are not specified for different categories of assets, since the group's pension obligations are fully insured with two insurance companies.

Change in pension obligations for defined benefit plans for the year is specified as follows:

	2008	2007
At 1 January	5 469	-
Changes from business combinations	-	624
Total pension cost, see above	3 374	4 999
Premium paid	(561)	(153)
At 31 December	8 282	5 470

Financial assumptions for defined benefit plans:

	2008	2007
Discount rate (per cent)	4.30	4.70
Expected return on plan assets (per cent)	6.30	5.75
Annual pay increases (per cent)	4.50	4.50
Adjustment of NI base amount (per cent)	4.25	4.50
Pension increases (per cent)	2.00	2.00

Remuneration of senior executives for 2008

Executive management:

Name	Title	Salary ¹	Bonuses ²	Other benefits	Pension benefit earned
Petter Jansen ³	President and CEO	3 675	-	149	2 314
Svein Hov Skjelle ⁴	Vice president and CFO	1 807	320	80	52
Dag Fladby ³	Vice president and CIO	2 181	570	144	52
Aili Klami	Vice president and COO	1 323	260	20	52
Roar Ingdal	Vice pres and CEO, Norgani Hotels	1 822	280	90	35
Total		10 808	1 430	483	2 505

¹ Paid in 2008 after deducting bonuses earned for 2007, included in the amounts for 2007 as follows: 1 500 for Jansen, 345 for Skjelle, 516 for Fladby and 236 for Klami.

² Bonuses for 2008 to be paid in 2009, confirmed before the preparation of the annual accounts for 2008.

³ In the event that their employment with Norwegian Property ASA is terminated, these employees are entitled six months salary as severance pay.

⁴ Vice president and CFO until the end of February 2009.

The president and CEO is additionally entitled to a bonus up to 50 per cent of his annual base salary. The rest of the executive management are entitled to receive a bonus of up to 30 per cent of their annual base salary. Mr Jansen will be entitled to an annual pension of NOK 2 million between the ages of 62 and 67, assuming that full pension rights are earned. The group is also obliged to enter into a pension arrangement after Mr Jansen reaches the age of 67 which, together with accumulated paid-up pension entitlements, will constitute 66 per cent of his annual salary.

Board of directors:

An extraordinary general meeting on 19 December 2008 elected a new board of directors for the parent company. As presently constituted, the board consists of Tormod Hermansen (chair), Harald Grimsrud, Nils K Selte, Synne Syrrist and Gry Mølleskog. Directors' fees specified below relate to former directors for 2008. This remuneration is calculated on the basis of decisions made by the extraordinary general meeting of 4 October 2006 concerning the principles for remunerating directors.

Name	Fees
Widar Salbuviik (chair from May to December 2008)	467
Hans Herman Horn (deputy chair from July to December 2008)	83
Jostein Devold (director until December 2008)	200
Anne Birgitte Fossum (director until December 2008)	200
Helene Jebesen Anker (director from July to December 2008)	83
Torstein I. Tvenge (director until December 2008)	200
Hilde Vatne (director from July to December 2008)	83
Knut Brundtland (chair until May 2008)	167
Hege Børmark (director until July 2008)	117
Thorild Widvey (director from May to July 2008)	33
Total	1 633

Declaration on management remuneration

This declaration relates to remuneration received by senior executives for work performed in connection with their employment in the group. The group will seek to have a management which can safeguard shareholder interests in the best possible manner at all times. To achieve this, the group must offer competitive terms as part of a total compensation package.

1. Principles for base salary

Senior executives will receive a competitive base annual salary, which will be determined by the individual's responsibilities and level of expertise.

2. Principles for bonus payments

Senior executives can also receive variable bonus payments. These are determined by the individual's own performance in achieving key targets for the group as a whole, for a specific function or for a subsidiary in which the individual is employed. These targets may comprise the attainment of various performance improvements or financial criteria,

including the development of the group's share price. Such criteria can be set by the board for the chief executive, and by the chief executive for other senior executives. Targets should as far as possible be measurable. Bonus payment will not exceed 50 per cent of the chief executive's annual salary or 30 per cent of annual base salary for other senior executives.

3. Principles for non-cash benefits

Senior executives will be offered certain non-cash benefits, such as company car, insurance and pension arrangements. The group will also provide these employees with home and mobile phones, in addition to covering the cost of newspaper subscriptions in order to ensure that they are available to the group. Senior executives are entitled to participate in a defined contribution pension scheme. The terms of such schemes can vary from employee to employee. The chief executive has a personal pension plan which entitles him to retire at the age of 62 with an annual pension of NOK 2 million until reaching the age of 67. Upon reaching the latter age, he will receive 66 per cent of his base salary per annum when accumulated paid-up pension policies are taken into account.

The group currently has no option programmes for employees.

4. Pay guarantee schemes

Two senior executives had agreements with the group at 31 December for severance pay after the termination of their employment. The period of notice is six months. Severance pay can be given to senior executives in special cases. The chair must approve any agreement to award severance pay to an employee who does not have such an entitlement in their contract of employment.

5. Information on preparatory and decision-making processes

The board determines the annual pay terms for the chief executive at a meeting.

The board prepares annual guidelines to support its recommendation, which is presented to shareholders at the annual general meeting for ratification in accordance with the section 5-6 Public Limited Liabilities Companies Act.

Auditor's fee for 2008

Deloitte is the auditor for all Norwegian Property group companies as well as for Oslo Properties AS/Norgani Hotels AS and directly owned Norwegian subsidiaries. PricewaterhouseCoopers (PwC) is the auditor for other Norgani Hotels group companies.

Fee	Deloitte	PwC
Statutory audit	1 935	3 377
Other certification services	125	57
Tax/VAT advice fees	32	143
Other non-audit services	292	50
Total	2 384	3 627

The auditor's fee is net of VAT.

NOTE 20 NET FINANCIAL EXPENSES

Net financial expenses are specified in the table below.

(Amounts in NOK 1 000)	2008	2007
Interest income (loans and receivables)	22 650	58 669
Foreign currency gains (loans and receivables)	3 887	9 111
Other financial income (loans and receivables)	90	191
Total financial income	26 627	67 972
Interest costs (loans and receivables)	(1 211 476)	(803 593)
Foreign currency loss (loans and receivables)	(59 506)	(131)
Other financial expenses (loans and receivables) ¹	(82 064)	(155 140)
Total financial expenses	(1 353 046)	(958 864)
Change in market value of financial derivative instruments (fair value through profit and loss)	(1 201 439)	276 749
Net financial expenses	(2 527 858)	(614 143)

¹ Other financial expenses for 2008 include NOK 61.4 million related to the obligation to acquire shares in Oslo Properties AS, see note 25 (2007: NOK 22.8 million). Other financial expenses for 2007 include costs of about NOK 114 million in connection with refinancing borrowing facilities. There were no substantial items of this kind in 2008.

NOTE 21 INCOME TAX EXPENSE

The table below specifies income tax expense on tax payable and deferred tax respectively, and the calculation of income tax expense based on profit before tax.

(Amounts in NOK 1 000)	2008	2007
Tax payable	121	3 238
Deferred tax (see note 17)	(928 315)	457 498
Income tax expense	(928 194)	460 736
Profit before tax:	(5 118 905)	1 650 595
Tax calculated at a rate of 28 per cent	(1 433 293)	462 167
Deferred tax asset not capitalised ¹	473 476	-
No calculation of tax on impairment of goodwill	61 871	-
Income not subject to tax/expenses not deductible for tax purposes	(30 247)	(2 784)
Corrections related to tax payable in previous years	-	1 353
Income tax expense	(928 194)	460 736

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

NOTE 22 EARNINGS PER SHARE

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

	2008	2007
Net profit attributable to shareholders (NOK 1 000)	(4 058 389)	1 185 030
Weighted average number of ordinary shares outstanding (1 000)	157 236	103 798
Basic earnings per share (NOK per share)	(25.81)	11.42

Norwegian Property has not issued options or other financial instruments which would dilute the issued share capital. The group has not bought back any of its own shares. Diluted earnings per share are therefore the same as basic earnings per share.

NOTE 23 DIVIDEND PER SHARE AND DIVIDEND POLICY

Norwegian Property ASA aims to pay an annual dividend which is competitive for the property sector, and dividends will be proposed by the board of directors in periods when the financial results permit the distribution of a cash dividend.

Norwegian Property ASA had no free equity at 31 December 2008 available for distribution as an ordinary dividend.

- property transactions where shares in Norwegian Property ASA form part or all of the consideration paid to the seller
- facility management agreements
- leases with shareholders
- interest payments and management charges from the parent company to subsidiaries

Property transactions

Companies which have sold properties to Norwegian Property and accepted part payment in the form of new shares issued by Norwegian Property ASA are considered to be close associates.

2008

No shares were issued as consideration for property transactions.

Pareto PE AS (syndicate), part of the Pareto group, received shares in Norwegian Property ASA as part of the consideration for property transactions when Norwegian Property was incorporated in 2006. Pareto PE AS acquired Magnus Poulssonsvei 7 (from Norwegian Property Holding AS), Forskningsveien 2 (from Norwegian Property ASA) and Østre Akervei 20/22 (from Norwegian Property Nydalen AS) for a total of NOK 948 million in 2008.

2007

No property transactions with close associates are carried out in 2007, and shares were not issued as consideration for property transactions.

In connection with the takeover of Oslo Properties/Norgani Hotels in 2007 (see note 25), the Anders Wilhelmsen group became a shareholder of Oslo Properties AS with a holding of 6.5 per cent. Norwegian Property acquired this shareholding for NOK 141 million in 2008.

Facility management agreements (property management contracts)

Norwegian Property ASA entered into an agreement with NEAS in 2008 on management and operation of the majority of the portfolio of commercial properties. Under the agreement, NEAS assumed responsibility for management and day-to-day operation of the office properties from 1 April 2008. The agreement means that the group's future property costs for the relevant properties will be locked for the duration of the contract at a level 10-12 per cent below the level prevailing at the time the agreement was entered into, without a corresponding reduction in the

NOTE 24 RELATED-PARTIES

General

Related-parties exercises significant influence on or control over the group's strategy or operational choices. The opportunity to influence another party is normally achieved through ownership, through participation in the group's decision-making bodies and executive management, or through agreements such as loan or management agreements or customer and supplier relationships.

Norwegian Property ASA is not directly controlled or dominated by any specific shareholder. The Anders Wilhelmsen group controlled a total of 15 per cent of the shares at 31 December 2008 through AWilhelmsen Capital AS (11.5 per cent), Aweco invest AS (2.7 per cent) and Miami AS (0.8 per cent). The Anders Wilhelmsen group is represented on the board of Norwegian Property ASA by Harald Grimsrud from December 2008 (formerly by Jostein Devold). Canica AS controlled a total of 4.6 per cent of the shares at 31 December 2008, and is represented on the board by Nils K Selte from December 2008. Torstein Tvenge and his family controlled 7.2 per cent at 31 December 2008 through Fram Holding AS (3.6 per cent) and Fram Realinvest AS (3.6 per cent). Mr Tvenge was a director of Norwegian Property ASA until December 2008.

Financial considerations related to the directors and senior executives are described in notes 14 and 19. Since Norwegian Property was incorporated, four main categories of transactions have occurred between related-parties and the group:

scope or quality of the work. The agreement also permits NEAS to offer more and better services to the tenants. The purpose of the agreement for Norwegian Property's part is to industrialise facility management by achieving economies of scale along the management chain and by enhancing the quality of the rental product. The agreement with NEAS runs for six years, with options for further extensions. NEAS received in the order of NOK 33 million for management and operation services in 2008.

Pareto Investor Service AS, part of the Pareto group, provided administrative services to subsidiaries of Norwegian Property ASA for a total fee of NOK 2.2 million in 2008.

A separate four-year management agreement, covering both operation and maintenance and commercial aspects, was concluded in 2006 with Linstow Eiendom AS. The latter is owned by the Anders Wilhelmsen group through two subsidiaries. Until the end of 2008, Linstow also managed the Middelthunsgate 17 and Ibsenkvartalet properties. Linstow received a compensation of NOK 6.6 million from subsidiaries of Norwegian Property ASA for these services in 2008.

Leases

Linstow Eiendom AS (Anders Wilhelmsen group) is a tenant at Aker Brygge and, as described above, also a shareholder of Norwegian Property ASA. Rent paid to subsidiaries of Norwegian Property ASA amounted to NOK 4.3 million in 2008.

Charging of interest and management fees to subsidiaries

Group subsidiaries are charged interest corresponding to their share of total group financial costs. In addition, subsidiaries are charged for a share of administration expenses incurred by the holding/parent company which are assumed not to be related to owner costs.

NOTE 25 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITIES

The acquisition of Oslo Properties/Norgani Hotels AS in 2007 was treated as a business combination pursuant to IFRS 3. All previous acquisitions made by the group since its incorporation in 2006 have involved the purchase of single-purpose entities.

Norwegian Property owned 17.5 per cent of the shares in Oslo Properties at 31 December 2007 and had put/call option agreements to acquire an additional 75.8 per cent of the shares. Oslo Properties owned all the shares in the Norgani Hotels AS group at 31 December 2007. For accounting purposes, it was assumed that Norwegian Property ASA controlled Oslo Properties AS. Oslo Properties/Norgani Hotels have been consolidated in the Norwegian Property ASA group from 24 September 2007.

The discounted value of the put/call obligation, including interest, to acquire shares in Oslo Properties has been treated as a current liability from the date of inclusion in the group's balance sheet. Norwegian Property ASA acquired all the shares in 2008 under the put/call option agreements. The carried amount of the liability at the strike date was NOK 1 661.9 million, and NOK 61.4 million of the liability was charged as an expense under other financial expenses for 2008.

Norwegian Property ASA also acquired the remaining 6.7 per cent of the shares in Oslo Properties in 2008 outside the put/call option agreements (minorities in the group's balance sheet) for a total of NOK 146.4 million. The carried amount of minorities at the acquisition date was NOK 116.7 million, and the transaction yielded a goodwill of NOK 29.8 million. Goodwill related to Oslo Properties/Norgani Hotels increased by an additional NOK 11.8 million in 2008 in connection with the acquisition of shares and subsequent changes in equity at the original date of the takeover. See also note 9 for a specification of changes in goodwill.

NOTE 26 CONTINGENT LIABILITIES

The group has a liability if it is committed to cede financial resources to another party at a future date. A provision is a liability of uncertain timing or amount. A contingent liability is a category of provisions in which the possible obligation depends on the occurrence of some uncertain future event which the group can not fully influence.

Contingent share purchase and guarantee agreement

Norgani Hotels AS has entered into a share purchase agreement with three single-purpose companies established by Fearnley Finans Eiendom ASA (Fearnley) concerning the sale of the Clarion Hotel Copenhagen (Clarion Hotel), Scandic Hotel Hvidovre, Scandic Hotel Kolding and Scandic Hotel Glostrup (Scandic Hotels) hotel properties.

If Fearnley wishes to sell the hotels before 31 December 2009, Norgani Hotels has the right to make a purchase offer. If this offer is not accepted, Fearnley has the right to sell the hotels to a third party on better terms than the Norgani Hotels offer. During the period from 1 January 2010 to 31 December 2012, Fearnley has the right to sell the Clarion Hotel and Scandic Hotels to Norgani Hotels for a price of DKK 299.2 million and DKK 272.2 million respectively (closing, including settlement of transaction purchase price, shall take place 30 days after Fearnley's written notice of execution of the options). Fearnley may also choose to sell the hotels during this period at fair value to one or more third parties. Under given circumstances, Norgani Hotels would in that case have the right of a share of the increase in the value of the hotels.

Norgani Hotels has issued the following guarantees to Fearnley for the period until 31 December 2012:

- that Clarion Hotel will generate a minimum annual rent of DKK 18.2 million (2007 figures, to be indexed every year).
- that Scandic Hotels will generate a minimum annual rent of DKK 24.4 million (2007 figures, to be indexed every year).
- that no investment will be required in the hotels during the guarantee period, with the exception of DKK 10 million related to Scandic Hotels.
- that running expenses for Clarion Hotel during the guarantee period will not exceed 5 per cent of the above-mentioned guaranteed rent.
- that running expenses for Scandic Hotels during the guarantee period will not exceed 18 per cent of the above-mentioned guaranteed rent.

During the guarantee period, Norgani Hotels has undertaken to manage the hotels on behalf of Fearnley through a separate management agreement.

Norgani Hotels has not recognised any liability at 31 December 2008 related to the agreement with Fearnley.

Contingent investment obligation

As part of its ordinary business, the group makes investments to optimise property values and the income base. In connection with a purchase agreement, Norgani Hotels is committed to invest up to SEK 50 million if the operator of the Scandic Alvik hotel wishes by the end of 2010 to build a conference centre in connection with the hotel. This contingent liability is additional to the investment commitments made by Norgani Hotels in connection with the renegotiation of the Scandic leases in 2007. The remaining investment commitment in this case was EUR 3.5 million at 31 December 2008.

NOTE 27 EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are favourable or unfavourable occurrences between the balance sheet date and the date the financial statements are approved for publication. Such events can either provide information on conditions which existed at the balance sheet date, with a consequent effect on the accounts at the balance sheet date, or relate to conditions which arose after the balance sheet date without such accounting consequences.

The group has divested the following properties after the balance sheet date:

Norwegian Property entered into an agreement in February 2009 for the sale of the commercial Drammensveien 144 property in Oslo for a gross amount of NOK 324 million. This transaction was completed on 9 March 2009. The buyer is Arivest AS, a company owned by the Havila Ariel ASA group. Existing external financing for the property will be continued under the new ownership on renegotiated terms. The sale will yield a gain in the consolidated income statement for 2009.

Norgani Hotels entered in February into an agreement on the sale of the Park Inn hotel property (Tollbugata 28) in Oslo to Kristiania Eiendomsforvaltning AS. This hotel is under construction. The value of the property and the obligation to acquire the property at completion are recognised on a net basis as a derivative financial instrument in the balance sheet (see note 7). The sale has been implemented on a par with the carried amount of the financial instrument at 31 December 2008, with the consideration corresponding to the carried amount of the derivative in the balance sheet.

As described in note 7, Norwegian Property has entered into an agreement for the sale of Grev Wedels plass 9 in Oslo in 2008. The property is carried in the balance sheet at its net sale value at 31 December 2008. The agreement was signed in 2008, and the completion of the transaction in January 2009 has not been treated as an event after the balance sheet date.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The board of directors and the chief executive have today reviewed and approved the directors' report and the annual consolidated and parent company¹ financial statements for Norwegian Property ASA at 31 December 2008.

The consolidated financial statements have been prepared in accordance with the IFRS and IFRIC as adopted by the European Union and additional Norwegian disclosure requirements in the Norwegian Accounting Act in force at 31 December 2008. The parent company's financial statements¹ have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles at 31 December 2008. The directors' report for the group and the parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no 16 at 31 December 2008.

To the best of our knowledge:

- the annual parent company¹ and consolidated financial statements for 2008 have been prepared in accordance with applicable accounting standards
- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss as a whole at 31 December 2008 for the group and the parent company
- the directors' report for the group and the parent company includes a true and fair review of:
 - the development and performance of the business and the position of the group and the parent company
 - the principal risks and uncertainties facing the group and the parent company.

Oslo, 18 March 2009

The board of directors of Norwegian Property ASA



Tormod Hermansen
Chair



Harald Grimsrud
Deputy chair



Gry Mølleskog
Director



Nils K. Selte
Director



Synne Syrrist
Director



Petter Jansen
President and CEO

¹ Not translated. Available in the Norwegian report only.

AUDITOR'S REPORT

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Property ASA

AUDITOR'S REPORT FOR 2008

We have audited the annual financial statements of Norwegian Property ASA as of 31 December 2008, showing a loss of NOK 4,190,711,000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorsforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements and the going concern assumption, is consistent with the financial statements and complies with law and regulations.

Oslo, 18 March 2009
Deloitte AS

Bernhard Lyngstad (signed)
State Authorised Public Accountant (Norway)

Audit & Advisory • Tax & Legal • Consulting • Financial Advisory •

Original: 982 211 262

Member of
Deloitte Touche Tohmatsu







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