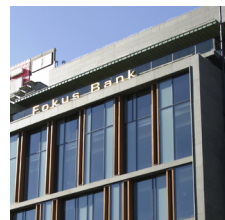




NORWEGIAN PROPERTY

**REPORT FOR THE  
THIRD QUARTER  
2006**



# NORWEGIAN PROPERTY ASA – REPORT FOR THE THIRD QUARTER 2006

## HIGHLIGHTS FOR THE QUARTER

- Rental income came to NOK 181.0 million. Operating profit was NOK 157.8 million, while profit before tax were NOK (13.2) million for the quarter due to changes in swap contract value
- Strong growth in the Norwegian economy creates strong growth in demand for office space, particularly in the central business areas where Norwegian Property is well positioned
- Supply side for office space is lagging demand. Analysts are expecting 20-40% rental rate growth over the coming years
- Nine properties were acquired during the third quarter adding up to a total of 40 successful acquisitions year to date
- New prestige property acquired. Signed and confirmed contract for the acquisition of Aker Hus in mid October for a total of NOK 1.5 billion
- CEO Petter Jansen in place during the third quarter, top management team recruited and will become operational during the fourth quarter
- Process ongoing to renegotiate the company's financing portfolio and to improve insurance terms
- Listing application filed with Oslo Børs on 27 September

## GENERAL INTRODUCTION

Norwegian Property is a new real estate investment company focusing on commercial properties with central locations in Norway. The purpose of the company is to give investors access to a listed and liquid property share with exclusive focus on centrally located commercial properties.

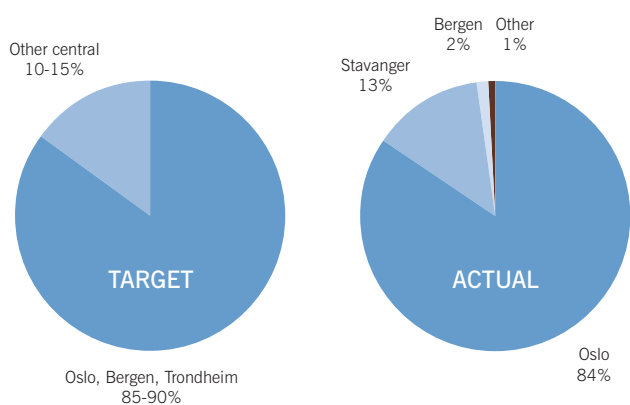
Norwegian Property was incorporated on 20 July 2005. The company conducted no operations in 2005, and comparable financial figures for 2005 are therefore not reported. On 22 May 2006 Norwegian Property was converted to a public limited company, and the shares were registered in VPS.

The business concept of Norwegian Property is to become the leading real estate company in the Norwegian real estate market and to be a front runner in driving restructuring and consolidation

of the market. The company seeks to attract the best people in the business and to harvest synergy effects compared to many of the single purpose vehicles in the market today, through reaching critical mass of the property portfolio.

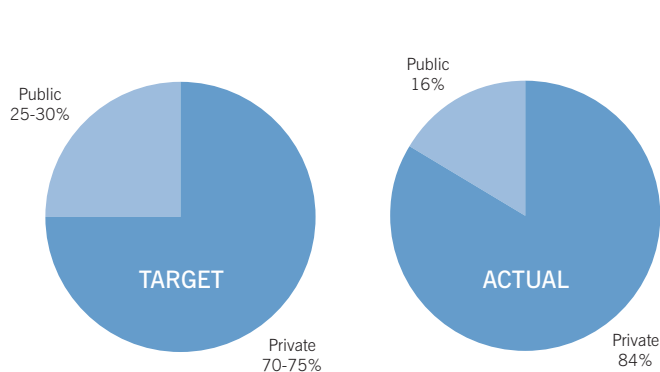
The objective is to deliver attractive returns to shareholders. The strategy to achieve this objective, is to become a leading provider of prime properties on medium to long term contracts with the most solid and attractive tenants in the market. For investors, Norwegian Property has the intention of becoming the largest and most liquid investment within Norwegian commercial real estate and thereby creating a company with highly attractive risk-return portfolio. The illustrations below demonstrate that the company has been loyal to the strategy and reached the desired objectives and the portfolio profile so far.

Geographic focus\* – target & actual



\*By Value NOKm  
Source: Enskilda, Norwegian Property. (Figures above include Aker Hus).

Tenant mix\*\* – target & actual



\*\*By rent NOKm  
Source: Enskilda, Norwegian Property. (Figures above include Aker Hus).

## KEY FIGURES

| Figures in NOK 1.000                |     | 30.09.2006 | Q3 2006  | 30.06.2006 |
|-------------------------------------|-----|------------|----------|------------|
| <b>Profit and loss</b>              |     |            |          |            |
| Gross rent                          | NOK | 212 234    | 181 033  | 31 201     |
| Operating profit                    | NOK | 181 129    | 157 803  | 23 326     |
| Operat. prof. excl. fair value adj. | NOK | 181 129    | 157 803  | 23 326     |
| Profit before tax                   | NOK | 17 052     | (13 183) | 30 235     |
| Net profit after minority interest  | NOK | 12 099     | (9 670)  | 21 769     |
| <b>Balance sheet</b>                |     |            |          |            |
| Market value adj. portfolio         | NOK | 13 151 026 | -        | 9 579 221  |
| Equity                              | NOK | 3 518 722  | -        | 3 162 667  |
| Net-interest bearing debt           | NOK | 9 508 875  | -        | 6 405 836  |
| - of which hedged                   | NOK | 8 027 000  | -        | 8 028 000  |
| Equity %                            | %   | 25.6 %     | -        | 29.9 %     |
| Pre tax return on paid in equity    | %   | 0.5 %      | -        | 1.0 %      |
| <b>Cash Flow</b>                    |     |            |          |            |
| Operational cash flow               | NOK | 455 772    | 418 699  | 63 385     |
| Cash position                       | NOK | 422 162    | -        | 754 527    |
| <b>Margins</b>                      |     |            |          |            |
| EBITDA margin                       |     | 85.3 %     | 87.2 %   | -          |
| EBIT margin                         |     | 85.3 %     | 87.2 %   | -          |
| Pre-tax margin                      |     | 8.0 %      | -7.3 %   | -          |
| <b>Per share figures</b>            |     |            |          |            |
| Number of shares issued             |     | 71 513     |          |            |
| Average no of shares YTD            |     | 67 984     |          |            |
| Pre-tax profit/share                |     | 0.25       |          |            |
| EPS                                 |     | 0.18       |          |            |
| Operating cash-flow per share       |     | 7.09       |          |            |
| Book value per share                |     | 51.76      |          |            |
| Net-interest bearing debt per share |     | 139.87     |          |            |

## NORWEGIAN PROPERTY – TARGETS AND ACTUAL POSITIONS

In the period from its inception to 30 September 2006, the company has completed two equity issues and several contributions in kind at a total value of NOK 3.6 billion. A total of NOK 9.9 billion has been drawn up in senior debt. On 13 June the company was listed on the Norwegian OTC-list with the ticker code NPRO. The company submitted an application for listing at Oslo Børs on 27 September 2006. The application is expected to be considered by the board of Oslo Børs on 25 October 2006.

## FINANCIALS

This report outlines the financial reporting for the third quarter of 2006 running from 1 July to 30 September. Norwegian Property

started its significant operations on 9 June 2006 when the company acquired its first 28 properties. This report also includes the company's financial reporting for the short period of operation in the second quarter. As this report is the first external financial report from the company, and due to the fact that the company is in the process of listing at Oslo Børs, a set of the required notes to the financial report is included. This audited financial report is prepared in accordance with IFRS (See note 2 for principles employed).

## FINANCIAL DEVELOPMENT

The rental income in the third quarter reflects the full operation of 31 properties owned as of 1 July and the operation of 9 properties bought during the third quarter. Some key figures are provided above. The rental income for the third quarter came in at NOK 180.6 million.

Operating and administrative expenses amounted to NOK 23.3 million. At property level, the operating expenses were in line with the cost assumptions used in the valuation of the properties, i.e. around 5%. No significant unforeseen costs were incurred during the period at this level. Maintenance and property related costs came to NOK 7.0 million. Corporate level costs reflect some start-up costs related to recruiting, systems implementation as well as costs related to the interim administration and the additional workload driven by the preparations for the upcoming listing on the Oslo Børs. The non recurring element of this period's operating expenses is estimated to NOK 10 million. The operating profit was NOK 157.8 million. After a swift start and a period of rapid growth in portfolio, the company is now streamlining the operating- and control structure and starting to pursue the benefits of large scale portfolio management.

- During the third quarter, after constructive negotiations, Hydro struck the option to extend a significant rental agreement (2 800 sqm) on the Skøyen premises by 2 years and is expanding the rented space by 500 sqm. The rent on the extra space is up in excess of 20%.
- An ongoing bid competition on the company's insurance policy is expected to further improve insurance terms while significantly reducing insurance premium on the majority of the properties.
- A bid on restructuring the loan portfolio is under way.
- In December, Norwegian Property will move to a part of our own office premises at Aker Brygge. This will position the company leadership and administration in the heart of the financial/real estate industry district in Oslo.

Net financial cost in the third quarter amounted to NOK 171.0 million. This includes a fair value reduction on interest rate swap contracts not qualifying for hedge accounting of NOK 57.2 million. Average cost of debt was 5.1% for the period including up-front fees. After financial cost, pre-tax profit is reported at NOK (13.2) million.

Including the brief period of operation in the second quarter, year to date rental income amounted to NOK 212.2 million. After operating cost, year to date operating result is reported at NOK 181.1 million while net profit before tax is NOK 17.1 million. Financial cost is NOK 164.1 million year to date. This includes a net loss on interest rate swap contracts not qualifying for hedge accounting of NOK 29.5 million. Current value of the same swap contracts is NOK 22.1 million.

The value of the properties acquired during the third quarter was booked at NOK 3.6 billion including capitalized transaction cost. The total portfolio book value at the end of September 2006 amounted to NOK 13.2 billion.

The valuation of the properties has been tested, using the same methodology as was employed during the acquisition period, against fair market value as of October 2006. The total value increase from 30 June to 30 September has been estimated to NOK 0.1 billion according to the independent appraiser, DTZ Realkapital.

The external appraiser, DTZ Realkapital, has valued the properties as of 30 September 2006 giving a total value of NOK 13.4

billion. This is NOK 0.1 billion (+0.8%) above the similar valuation performed by DTZ as of 30 June 2006. This confirms the positive development in the value of the property portfolio. Book value, including capitalised transaction cost, of the properties as of 30.09.06 is NOK 13.2 billion. Adjusted for deferred tax liabilities this is in line with the value from DTZ Realkapital.

The board and management have assessed the development in the macroeconomic environment in general and the observed reduction in the yield in recently closed transactions in the market. Conditions are considered favourable for the real estate market. Considering the transaction costs incurred, the stability and duration of the rental contracts and the tenant portfolio, the board and the management do not consider that a fair value adjustment of the portfolio is deemed necessary at the end of the third quarter.

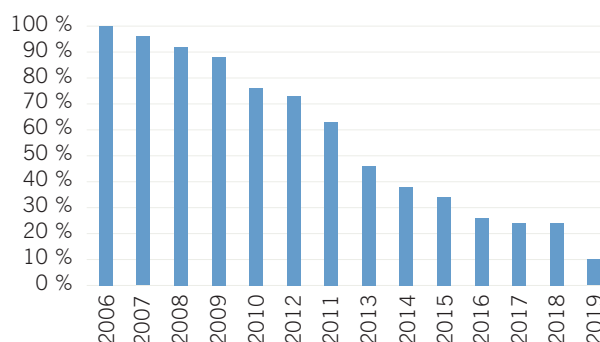
Cash and cash equivalents per 30 September 2006 was NOK 422.2 million. Total interest bearing debt outstanding was 9.9 billion, while paid in capital on 30 September was NOK 3.5 billion after issue cost of NOK 0.1 billion. The equity ratio was 25.6% as of 30 September 2006.

Transaction costs related to both equity and debt financing as well as to the purchase of the properties, amounted to NOK 0.3 billion for the period from start-up to the end of the third quarter. A net NOK 0.1 billion after tax was charged against the equity while NOK 0.2 billion was capitalized on either the properties or the loans outstanding.

## THE RENTAL SITUATION

As of 30 September 2006, the remaining weighted (based on annual rent) average tenancy period for the 40 properties on hand was 7.3 years. The rental expiry profile for the existing agreements is shown below:

### EXPIRY PROFILE (% OF TOTAL ANNUALIZED 2006 RENT) AS OF 30 SEPTEMBER 2006



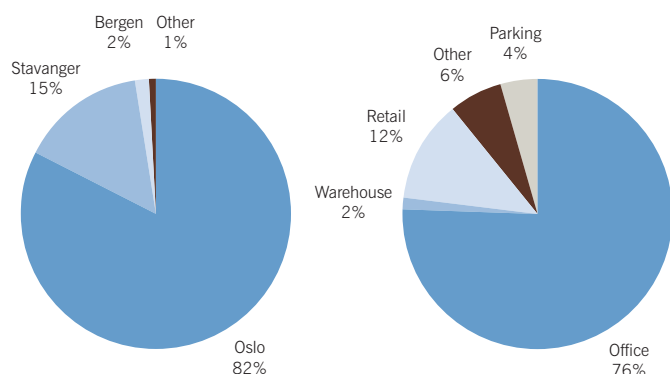
Properties in Oslo and Stavanger, two of the most attractive business centres in Norway, are dominating the company's portfolio. The majority of the properties are located in the central business areas in Oslo and Stavanger where the upward pressure on rental levels is strongest.

## 25 LARGEST TENANTS AS OF 30 SEPTEMBER 2006

| Tenant  | Privat/ Public | Listed | Contractual gross rent 2007 (NOKm) | %            | Duration (years) |
|---|----------------|--------|------------------------------------|--------------|------------------|
| 1 EDB Business Partner ASA                    | Pr             | Y      | 75.5                               | 9.2 %        | 12.6             |
| 2 Nordea                                      | Pr             | Y      | 43.7                               | 5.3 %        | 7.4              |
| 3 SAS   | Pr             | Y      | 40.4                               | 4.9 %        | 10.3             |
| 4 If Skadeforsikring                          | Pr             |        | 38.4                               | 4.7 %        | 6.2              |
| 5 Statoil                                     | Publ           | Y      | 35.3                               | 4.3 %        | 5.1              |
| 6 Total E&P                                   | Pr             | Y      | 27.5                               | 3.3 %        | 11.5             |
| 7 Leif Høegh                                  | Pr             |        | 25.9                               | 3.1 %        | 13.6             |
| 8 Telenor                                     | Pr             | Y      | 25.8                               | 3.1 %        | 9.1              |
| 9 Aker Kværner Offshore Partner               | Pr             | Y      | 23.0                               | 2.8 %        | 3.3              |
| 10 Skanska Norge AS                           | Pr             | Y      | 21.1                               | 2.6 %        | 8.7              |
| 11 Fokus bank                                 | Pr             | Y      | 19.9                               | 2.4 %        | 6.4              |
| 12 Astrup Fearnley/Astrup Fearnely stiftelsen | Pr             |        | 19.2                               | 2.3 %        | 10.9             |
| 13 Nera ASA                                   | Pr             | Y      | 17.8                               | 2.2 %        | 5.1              |
| 14 Ementor Norge AS                           | Pr             | Y      | 17.7                               | 2.1 %        | 6.0              |
| 15 Oslo Sporveier                             | Publ           |        | 17.0                               | 2.1 %        | 8.8              |
| 16 Simonsen Advokatfirma DA                   | Pr             |        | 16.7                               | 2.0 %        | 6.3              |
| 17 Rikshospitalet                             | Publ           |        | 16.2                               | 2.0 %        | 15.5             |
| 18 Arbeidsdirektoratet                        | Publ           |        | 14.3                               | 1.7 %        | 5.0              |
| 19 GlaxoSmithKlein                            | Pr             | Y      | 14.3                               | 1.7 %        | 10.4             |
| 20 TietoEnator                                | Pr             |        | 12.5                               | 1.5 %        | 6.0              |
| 21 Dagens Næringsliv                          | Pr             |        | 12.2                               | 1.5 %        | 2.8              |
| 22 Hydro Texaco AS                            | Pr             |        | 12.1                               | 1.5 %        | 3.1              |
| 23 Bergesen Worldwide Offshore AS             | Pr             | Y      | 10.6                               | 1.3 %        | 6.9              |
| 24 Esso Norge                                 | Pr             | Y      | 9.1                                | 1.1 %        | 4.3              |
| 25 Økokrim                                    | Publ           |        | 7.9                                | 1.0 %        | 20.0             |
| <b>TOTAL 25 LARGEST TENANTS</b>               |                |        | <b>574</b>                         | <b>70 %</b>  | <b>8.6</b>       |
| Other tenants                                 |                |        | 250                                | 30 %         | 4.3              |
| <b>TOTAL ALL TENANTS</b>                      |                |        | <b>824</b>                         | <b>100 %</b> | <b>7.3</b>       |

## GEOGRAPHICAL DISTRIBUTION (BASED ON VALUE) AND PORTFOLIO MIX

(Based on annualised rent per 30 September 2006):



## ATTRACTIVE TENANTS

Norway's most attractive business partners are among the high quality tenants in Norwegian Property's portfolio. 70% of the rental income stem from the 25 largest tenants, with average contract duration of 8.6 years.

## INVESTMENTS AND DISPOSALS

The company has acquired 9 properties at a total booked value of NOK 3.6 billion during the third quarter of 2006. 40 properties had been acquired on a year to date basis at the end of September.

There have been no disposals of significant assets in the quarter or year to date.

Today's portfolio, will yield an annualized rental income (estimated 2007 figures) for Norwegian Property of about NOK 0.8 billion on a consolidated basis.

## FINANCING

Total interest bearing debt at the end of September 2006 was NOK 9.9 billion, of which NOK 9.5 billion were drawn on the company loan facility with four leading banks. Norwegian Property has a six years committed credit facility of NOK 12 billion provided by DnB NOR, Danske Bank, Nordea and SEB acting as mandated lead arrangers (MLA's). The above facility can only be utilised to finance new property acquisitions up to October

31, subject to bank approval. Further facilities are under negotiation in conjunction with the loan restructuring. The board is confident that the restructured loan portfolio will further enhance the competitive position of the company.

Norwegian Property's finance policy states that 70% or more of interest exposure on floating rate loans shall be hedged and that any hedge contract shall, if possible, be entered into to match the underlying interest and loan structure and thereby secure that the company can book the hedges according to the IAS 39 hedge accounting principles.

As of 30 September 2006 the company had acquired or entered into interest rate swap agreements totalling NOK 8.0 billion, of which NOK 5.0 billion satisfy the IAS 39 hedge accounting requirements. The fair market value of the remaining NOK 3.0 billion in swaps was NOK 22 million at the end of the third quarter. A calculated loss of NOK 57 million has been booked against the third quarter results under financial items. The loss on the swap contracts is a non cash item this period.

Norwegian Property's combined NOK 8.0 billion swap portfolio has an average fixed rate of 4.3% (excluding margin and up front fees) and an average remaining duration of 6.6 years from the end of June 2006. The average interest rate for this portfolio including margin and up front fees is 5.3%.

Norwegian Property has started a process of restructuring the company's loan portfolio. Given the fact that the company now has a sound equity base, a well established property portfolio with a clear profile and a predictable long term cash flow, the intention is to achieve a significant reduction in the average funding rate.

## ORGANISATION

Petter Jansen assumed the position as CEO on 28 August 2006. Prior to joining Norwegian Property, he held the position as CEO of SAS Braathens and he has formerly held management positions within DnB NOR, Oslo's former Fornebu airport and the Norwegian Army.

To join Petter Jansen, a reputable management team is taking shape. The following persons have been recruited and will fill important key positions in the fourth quarter:

### **Chief financial officer - Svein Hov Skjelle (From 16 October 2006)**

Svein Hov Skjelle (born 1967) has a Masters degree in business administration from the Norwegian School of Economics and Business Administration (NHH). He is also an Authorised Financial Analyst (AFA) from NHH. He came from the position as Managing Director of the Norwegian subsidiary of the listed IT services company TeleComputing ASA, a position he has held since June 2004. Before that he was the CFO in the TeleComputing group for two years, and he has also been acting CEO of the group for a period. Previous appointments including finance manager and later

CFO at Merkantildata (now Ementor) from 1998-2003, and six years with Veidekke where he was finance manager. As member of the senior management in TeleComputing and Merkantildata, Mr. Skjelle served on the board of Directors in a number of the wholly owned subsidiaries of the companies.

### **Chief investment officer - Dag Fladby (From 1 November 2006)**

Dag Fladby (born 1968) has a Master of Business and Marketing from Handelshøyskolen BI, Oslo. Fladby comes from the position as Senior Vice President of business development in Altia Corporation Oy. Since 1995 Fladby was one of the key people that built up Scandinavian Beverage Group (SBG) to become a leading wholesaler of wine in the Nordic region. Fladby had the position as CEO in SBG when the company was sold to Altia end of 2004. Fladby has been chairman or member of the board in most of the subsidiaries of SBG last five years. Fladby has resigned from all board memberships as of October 1st, 2006 in Altia/SBG. From 2004 to 2005 he was board member of Løvenskiold Viltslakteri AS.

### **Director of sales and marketing - Aili E. Klami (From 1 December 2006)**

Aili E. Klami (born 1956) is educated from the Norwegian Business School of Management (Handelshøyskolen BI) and completed several courses related to sales and property management. Klami comes from a position as director of sales in the Avantor Group, where she has been working since 1996. Prior to assuming the director of sales position she held leading positions in marketing and in facilities management in the same company. Mrs Klami has a long and broad background from real estate management.

The recruitment process will continue, and all positions are expected to be filled within the next 6-12 months, reaching a total of between 15 and 20 employees during 2007.

Management consulting and audit staff from PricewaterhouseCoopers, as well as technical expertise from OPAK, have been hired as an interim administration in the start-up phase for Norwegian Property ASA. The law firm, Thommessen, is acting as legal advisors to the company.

## MARKETS

The board and the management consider the rental market for prime properties in the target cities for the company to continue to present attractive investment opportunities for the company and that the current economic development will force an upward trend in the rent levels.

The general outlook for the Norwegian economy is strong and continued growth is expected. The Norwegian real estate sector is perceived as an attractive investment opportunity. The prevailing net yield on investment in this market, despite recent pressures on yield in transactions, is still around 1% higher in Norway

## 25 LARGEST TENANTS INCLUDING AKER HUS AS OF 16 OCTOBER 2006

| Tenant  | Privat/ Public | Listed | Contractual gross rent 2007 (NOKm) | %            | Duration (years) |
|---|----------------|--------|------------------------------------|--------------|------------------|
| 1 Aker ASA/Aker Kværner ASA                   | Pr             | Y      | 78.3                               | 8.7 %        | 13.1             |
| 2 EDB Business Partner ASA                    | Pr             | Y      | 75.5                               | 8.4 %        | 12.6             |
| 3 Nordea                                      | Pr             | Y      | 43.7                               | 4.9 %        | 7.4              |
| 4 SAS   | Pr             | Y      | 40.4                               | 4.5 %        | 10.3             |
| 5 If Skadeforsikring                          | Pr             |        | 38.4                               | 4.3 %        | 6.2              |
| 6 Statoil                                     | Publ           | Y      | 35.3                               | 3.9 %        | 5.1              |
| 7 Total E&P                                   | Pr             | Y      | 27.5                               | 3.0 %        | 11.5             |
| 8 Leif Høegh                                  | Pr             |        | 25.9                               | 2.9 %        | 13.6             |
| 9 Telenor                                     | Pr             | Y      | 25.8                               | 2.9 %        | 9.1              |
| 10 Aker Kværner Offshore Partner              | Pr             | Y      | 23.0                               | 2.5 %        | 3.3              |
| 11 Skanska Norge AS                           | Pr             | Y      | 21.1                               | 2.3 %        | 8.7              |
| 12 Fokus bank                                 | Pr             | Y      | 19.9                               | 2.2 %        | 6.4              |
| 13 Astrup Fearnley/Astrup Fearnely stiftelsen | Pr             |        | 19.2                               | 2.1 %        | 10.9             |
| 14 Nera ASA                                   | Pr             | Y      | 17.8                               | 2.0 %        | 5.1              |
| 15 Ementor Norge AS                           | Pr             | Y      | 17.7                               | 2.0 %        | 6.0              |
| 16 Oslo Sporveier                             | Publ           |        | 17.0                               | 1.9 %        | 8.8              |
| 17 Simonsen Advokatfirma DA                   | Pr             |        | 16.7                               | 1.9 %        | 6.3              |
| 18 Rikshospitalet                             | Publ           |        | 16.2                               | 1.8 %        | 15.5             |
| 19 Arbeidsdirektoratet                        | Publ           |        | 14.3                               | 1.6 %        | 5.0              |
| 20 GlaxoSmithKlein                            | Pr             | Y      | 14.3                               | 1.6 %        | 10.4             |
| 21 TietoEnator                                | Pr             |        | 12.5                               | 1.4 %        | 6.0              |
| 22 Dagens Næringsliv                          | Pr             |        | 12.2                               | 1.4 %        | 2.8              |
| 23 Hydro Texaco AS                            | Pr             |        | 12.1                               | 1.3 %        | 3.1              |
| 24 Bergesen Worldwide Offshore AS             | Pr             | Y      | 10.6                               | 1.2 %        | 6.9              |
| 25 Esso Norge                                 | Pr             | Y      | 9.1                                | 1.0 %        | 4.3              |
| <b>TOTAL 25 LARGEST TENANTS</b>               |                |        | <b>645</b>                         | <b>71 %</b>  | <b>9.0</b>       |
| Other tenants                                 |                |        | 257                                | 29 %         | 4.7              |
| <b>TOTAL ALL TENANTS</b>                      |                |        | <b>902</b>                         | <b>100 %</b> | <b>7.8</b>       |

than, for example, in Sweden. The attractiveness of real estate investments in Norway is underlined by the strong interest in the Norwegian Property shares from UK and US investors.

The positive outlook is based on the view that a number of factors will continue to increase demand for prime, centrally located properties in our target markets while the growth in supply appear not to match the demand growth.

Key factors driving office space demand in Oslo are:

- A strong economy with growth in employment: Increase in office space demand for 2006-2008 coming from employment growth is estimated at 600 000 sqm.
- Increased space per employee: Space per employee has increased steadily over the last few years, but at the same time rental cost as a percentage of salary cost has decreased significantly and is well below the last peak in 2001
- Planned expansions among tenants: This applies particularly to the central regions of Norway (Oslo, Stavanger)

In total, the above mentioned factors are expected to result in a total demand growth of 800 000 sqm. The demand growth is expected to be strongest in the central business areas in the largest cities.

Expected supply growth, based on confirmed construction plans and/or buildings under construction in the period is expected at 550 000 sqm implying a net absorption of 250 000 sqm in the Oslo office market.

Hence, Norwegian Property expects the vacancy to drop from currently 7% to 4% in the coming years.

The above factors are the key elements leading external analysts to predict a 20 – 40% increase in rental levels in central business areas in the larger cities in Norway. The board and the management consider Norwegian Property to be well positioned to benefit both from rental level and property value increases driven by the above market factors in the coming years.

### THE PROPERTY PORTFOLIO

An overview of the properties held by the company is continuously updated on the company's web site, [www.npro.no](http://www.npro.no).

The estimated annualised consolidated gross rental income, based on the current contract portfolio from the properties owned as of 30 September 2006, is around NOK 0.8 billion.

## LIST OF MAIN SHAREHOLDERS

| Shareholder                           | Country | Number of shares  | %              |
|---------------------------------------|---------|-------------------|----------------|
| A WILHELMSSEN CAPITAL AS              | NO      | 12 087 000        | 16.9 %         |
| CREDIT SUISSE SECURITIES              | UK      | 2 895 000         | 4.0 %          |
| AWECO INVEST AS                       | NO      | 2 870 282         | 4.0 %          |
| BANK OF NEW YORK. BRUSSELS BRANCH     | BL      | 2 444 695         | 3.4 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 2 314 588         | 3.2 %          |
| SPENCER FINANCE CORP.                 | NO      | 2 209 900         | 3.1 %          |
| DEUTSCHE BANK AG LONDON               | UK      | 2 101 798         | 2.9 %          |
| FRAM HOLDING AS                       | NO      | 2 000 000         | 2.8 %          |
| FRAM MANAGEMENT AS                    | NO      | 2 000 000         | 2.8 %          |
| FRAM REALINVEST AS                    | NO      | 2 000 000         | 2.8 %          |
| LANI INDUSTRIER AS                    | NO      | 2 000 000         | 2.8 %          |
| TITAS EIENDOM AS                      | NO      | 2 000 000         | 2.8 %          |
| DANSKE BANK A/S                       | DK      | 1 702 000         | 2.4 %          |
| VITAL FORSIKRING ASA                  | NO      | 1 620 000         | 2.3 %          |
| OPPLYSNINGSVESENETS FOND              | NO      | 1 599 931         | 2.2 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 1 319 900         | 1.8 %          |
| CREDIT SUISSE SECURITIES              | UK      | 1 220 000         | 1.7 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 1 140 664         | 1.6 %          |
| METEVA AS                             | UK      | 1 108 818         | 1.6 %          |
| MIAMI AS                              | UK      | 1 062 718         | 1.5 %          |
| Others                                |         | 23 815 635        | 33.3 %         |
| <b>Balance at September 30th 2006</b> |         | <b>71 512 929</b> | <b>100.0 %</b> |

Occupancy rate is above 99% for the portfolio as a whole and more than 98% of the rental contracts have a general annual CPI adjustment clause.

## OUTLOOK

The board and the management consider the prevailing market conditions for further growth to be attractive. Norwegian Property has already formed an attractive property portfolio during 2006 based on a clear investment strategy and an attractive funding base. The company will continue to pursue investment opportunities in line with the strategy, in order to achieve the targeted returns.

As a confirmation of the board of directors' confidence in the strategy and the market outlook, the company completed an agreement in mid October to acquire Aker Hus, the headquarters under construction for the Aker Group at Fornebu in Oslo. The total purchase price for the property was NOK 1.5 billion. The full year rental income for the property, which is rented on a "triple net" agreement for a remaining 13.0 years, has been agreed at NOK 78 million p.a. "Triple net" means that Norwegian Property will incur no operating or maintenance expenses during the 13-year term. This rent is also payable during the construction period.

For accounting purposes the "rental income" for Aker Hus up to the time of completion of the property in November 2007 will be treated as a down payment on a receivable against the tenants

which is established at the time of purchase (October 2006). Interest on loans related to Aker Hus will be capitalized on the asset during the construction period.

The acquisition will be financed through the use of available equity, including NOK 100 million settlement in shares to sellers (at NOK 50 per share i.e. 2 million new shares), drawdown on the existing loan facility and an "equity bridge" debt facility that has been established with the MLA banks. The property is currently under construction with expected completion in November 2007. The Aker Group carry the risk of any construction cost overrun and/or delays.

After the purchase of Aker Hus, the portfolio of 41 properties totals approximately 591 000 square metres. 99.6 % of the properties are leased. Tenants consist almost entirely of large and reputable private and public enterprises. Including Aker Hus, leases for the 25 largest tenants is 9.0 years and average for the entire portfolio is 7.8 years.

## SHAREHOLDERS

Norwegian Property ASA had a total of 71.5 million shares issued at 30. September 2006.

The largest group of shareholders, as of the date of this report, consists of Norwegian investors with 69% of the shares while foreign investors held the remaining 31%.



## COMPENSATION TO THE BOARD AND CEO

The extraordinary general meeting held on 4 October 2006 resolved to grant the board of directors an extraordinary compensation for the period up to the general meeting. This extra compensation is put back to the heavy workload and considerable number of board meetings in connection with the start-up of the company, including financing and acquisition of assets. The compensation was set to NOK 300 000 to the chairman of the board and NOK 150 000 to each of the board members, totalling NOK 750 000 for the period. Other than the said compensation, the board of directors has not received any compensation for their services to the company.

The regular annual board compensation will be settled by the general meeting, presumably in March/April 2007.

The CEO has a base salary including other benefits of NOK 286 000 per month incl. holiday pay provisions. A performance based bonus programme is in place with a capped maximum bonus set at 50% of annual base salary. A pension scheme has been established allowing retirements at the age of 62. Cost of servicing this pension plan was estimated to NOK 100 000 for the one month in service in the third quarter.

## NEW BOARD MEMBERS

Ms. Hege Børmark and Ms. Karen Helene Ulltveit-Moe were elected as new board members at the extraordinary general meeting on

4 October 2006. The new board members will assume their positions when the company's shares are listed at Oslo Børs. After this, the board has been expanded from four to six members.

## COMPENSATION TO THE AUDITOR

The auditor, Deloitte, has received NOK 514 000 in total remuneration for services rendered during the start-up phase of the company up to 30 September 2006. The remuneration is split on NOK 240 000 for statutory audit services, NOK 174 000 for other attestation services and NOK 100 000 for other non audit services.

## PLANNED INITIAL PUBLIC OFFERING AND LISTING

Norwegian Property has on 27 September applied for listing of its shares at the Oslo Børs during November 2006. An initial public offering is planned prior to the first day of listing, and a full prospectus will be issued with more details about the transaction.

## FINANCIAL OVERVIEW

The audited accounts presented in the tables below have been prepared in accordance with IFRS

Norwegian Property ASA  
The board of directors  
18 October 2006

Knut Brundtland  
Chairman

Jostein Devold

Torstein Tvenge

Egil K. Sundbye

## FINANCIAL CALENDAR

Fourth quarter 2006: 16 February 2007

For further information about Norwegian Property, see [www.npro.no](http://www.npro.no)

## CONSOLIDATED INCOME STATEMENT

| Figures in NOK 1.000   | Note   | Q3 YTD           | Q3               | Q2 YTD         |
|--|--------|------------------|------------------|----------------|
| Rental income from properties                                | 9      | 211 750          | 180 594          | 31 156         |
| Other revenues   |        | 484              | 439              | 45             |
| <b>Gross rental income</b>                                   |        | <b>212 234</b>   | <b>181 033</b>   | <b>31 201</b>  |
| Maintenance and property related costs                       |        | (9 188)          | (6 973)          | (2 215)        |
| Other operating expenses                                     | 18, 19 | (21 917)         | (16 257)         | (5 660)        |
| <b>Total operating costs</b>                                 |        | <b>(31 105)</b>  | <b>(23 230)</b>  | <b>(7 875)</b> |
| <b>Gross operating profit</b>                                |        | <b>181 129</b>   | <b>157 803</b>   | <b>23 326</b>  |
| Gain/loss from fair value adjustments on investment property |        | -                | -                | -              |
| Gain/loss from sales of investment property                  |        | -                | -                | -              |
| <b>Operating profit</b>                                      |        | <b>181 129</b>   | <b>157 803</b>   | <b>23 326</b>  |
| Financial income   |        | 3 607            | 1 834            | 1 773          |
| Financial costs  |        | (138 141)        | (115 629)        | (22 512)       |
| Change in market value of financial derivatives              |        | (29 544)         | (57 192)         | 27 648         |
| <b>Net financial items</b>                                   | 20     | <b>(164 077)</b> | <b>(170 986)</b> | <b>6 909</b>   |
| <b>Profit before income tax</b>                              |        | <b>17 052</b>    | <b>(13 183)</b>  | <b>30 235</b>  |
| Income tax expense   | 21     | (4 775)          | 3 691            | (8 466)        |
| <b>Profit for the period</b>                                 |        | <b>12 277</b>    | <b>(9 492)</b>   | <b>21 769</b>  |
| Income/loss to minorities                                    |        | (178)            | (178)            | -              |
| <b>Profit after minority interest</b>                        |        | <b>12 099</b>    | <b>(9 670)</b>   | <b>21 769</b>  |

## CONSOLIDATED BALANCE SHEET

| Figures in NOK 1.000              | Note | 30.09.2006        | 30.06.2006        |
|-----------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                     |      |                   |                   |
| <i>Non-current assets</i>         |      |                   |                   |
| <b>Intangible assets</b>          |      |                   |                   |
| Deferred tax assets               | 16   | 60 859            | 47 359            |
| <b>Tangible assets</b>            |      |                   |                   |
| Investment property               | 7    | 13 151 026        | 9 579 221         |
| Equipment                         | 8    | 6 750             | 7 712             |
| <b>Total non-current assets</b>   |      | <b>13 218 636</b> | <b>9 634 292</b>  |
| <i>Current assets</i>             |      |                   |                   |
| Derivative financial instruments  | 10   | 41 094            | 112 688           |
| Seller guarantees for future rent |      | 19 300            | 23 600            |
| Accounts receivables              | 11   | 23 386            | 35 648            |
| Current receivables               | 11   | 30 891            | 31 443            |
| Cash and cash equivalents         | 12   | 422 164           | 754 527           |
| <b>Total current assets</b>       |      | <b>536 835</b>    | <b>957 905</b>    |
| <b>Total assets</b>               |      | <b>13 755 470</b> | <b>10 592 197</b> |

## CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000

| EQUITY                                     | Note | 30.09.2006       | 30.06.2006       |
|--|------|------------------|------------------|
| <i>Majority's equity</i>                   |      |                  |                  |
| Share capital                              | 13   | 1 787 823        | 1 592 453        |
| Share premium                              |      | 1 689 518        | 1 478 566        |
| Fin. derivatives accounted to Total Equity |      | (14 474)         | 26 300           |
| Retained earnings                          |      | 12 099           | 21 769           |
| <i>Minority interests</i>                  |      |                  |                  |
| Minority interests                         |      | 43 756           | 43 578           |
| <b>Total equity</b>                        |      | <b>3 518 722</b> | <b>3 162 667</b> |

### LIABILITIES

#### *Non-current liabilities*

|  |    |                  |                  |
|--|----|------------------|------------------|
| Derivative financial instruments       | 10 | 35 943           | -                |
| Interest bearing long term liabilities | 15 | 9 846 590        | 7 265 621        |
| <b>Total non-current liabilities</b>   |    | <b>9 882 533</b> | <b>7 265 621</b> |

#### *Current liabilities*

|   |    |                |                |
|---|----|----------------|----------------|
| Derivative financial instruments        | 10 | 20 452         | -              |
| Short-term interest bearing liabilities | 15 | 49 500         | 49 500         |
| Trade and other payables                | 14 | 66 578         | 23 872         |
| Current income tax liabilities          | 21 | 9 462          | 7 259          |
| Other current liabilities               | 17 | 208 223        | 83 278         |
| <b>Total current liabilities</b>        |    | <b>354 215</b> | <b>163 909</b> |

|                          |  |                   |                  |
|--------------------------|--|-------------------|------------------|
| <b>Total liabilities</b> |  | <b>10 236 748</b> | <b>7 429 530</b> |
|--------------------------|--|-------------------|------------------|

|                                     |  |                   |                   |
|-------------------------------------|--|-------------------|-------------------|
| <b>Total equity and liabilities</b> |  | <b>13 755 470</b> | <b>10 592 197</b> |
|-------------------------------------|--|-------------------|-------------------|

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Figures in NOK 1.000                       | Share Capital    | Share Premium    | Retained Earnings | Minority Interests | Total Equity     |
|--|------------------|------------------|-------------------|--------------------|------------------|
| Opening balance equity                     | 100              | -                | -                 | -                  | 100              |
| Writedown                                  | (100)            | -                | -                 | -                  | (100)            |
| New equity - May 2006                      | 875 000          | 875 000          | -                 | -                  | 1 750 000        |
| New equity - June 2006                     | 717 453          | 717 453          | -                 | -                  | 1 434 906        |
| New equity - July 2006                     | 150 370          | 150 370          | -                 | -                  | 300 740          |
| New equity - September 2006                | 45 000           | 45 000           | -                 | -                  | 90 000           |
| Cost related to share issue, net of tax    | -                | (98 306)         | -                 | -                  | (98 306)         |
| Fin. derivatives accounted to Total Equity | -                | -                | (14 474)          | -                  | (14 474)         |
| Profit for the period                      | -                | -                | 12 099            | 178                | 12 277           |
| Minority Interests                         | -                | -                | -                 | 43 578             | 43 578           |
| <b>Total equity 30.09.2006</b>             | <b>1 787 823</b> | <b>1 689 518</b> | <b>(2 374)</b>    | <b>43 756</b>      | <b>3 518 722</b> |

# CONSOLIDATED CASH FLOW STATEMENT

Figures in NOK 1.000

Accumulated 30.09.2006

|   |                     |
|---|---------------------|
| Ordinary result before taxes  | 17 052              |
| - Paid taxes in the period  | -                   |
| +/- Gain/loss on sale of tangible fixed assets                          | -                   |
| + Depreciation intangible fixed assets                                  | -                   |
| + Depreciation tangible fixed assets                                    | 250                 |
| -/+ Gain/loss from fair value adjustments                               | -                   |
| +/- Net financial items excl. gains/losses on sales                     | 164 077             |
| +/- Change in short-term items  | 274 393             |
| <b>= Net cash flow from operating activities</b>                        | <b>455 772</b>      |
| + Received cash from sale of tangible fixed assets                      | -                   |
| - Payments for purchase of tangible fixed assets                        | (11 660 569)        |
| - Payments for purchase of financial/intangible fixed assets            | (23 600)            |
| <b>= Net cash flow from investing activities</b>                        | <b>(11 684 169)</b> |
| + Received from raising of long-term debt - repayment of long term debt | 9 846 538           |
| - Net financial items excl. gains/losses on sales                       | (164 077)           |
| + Capital increase (net private placement)                              | 1 968 000           |
| -/+ Dividend/Group contribution   | -                   |
| <b>= Net cash flow from financial activities</b>                        | <b>11 650 460</b>   |
| <b>= Net change in cash/cash equivalents</b>                            | <b>422 064</b>      |
| + Cash/cash equivalents beginning of year                               | 100                 |
| <b>= Cash and cash equivalents at the end of the period</b>             | <b>422 164</b>      |

# NOTES TO THE FINANCIAL STATEMENT

## NOTE 1 – GENERAL INFORMATION

Norwegian Property (“the Company”) is a newly established property investment company focusing on commercial properties with central locations in Norway. The purpose of the Company is to give investors access to a listed and liquid property company share with exclusive focus on centrally located commercial properties.

Norwegian Property was incorporated on 20 July 2005 (under the name Tekågel Invest 83 AS, renamed Norwegian Property AS on 29 April 2006). The Company conducted no operations in 2005. On 22 May 2006 the Company was converted to a public limited company and the shares were registered in VPS. The Company has acquired all of the properties it currently owns as from 9 June 2006.

On 9 June 2006 Norwegian Property acquired 28 commercial properties in Oslo and Stavanger, with a total of approximately 330,000 sqm to a total value of approximately NOK 8.4 billion. In total, the Company has completed 12 different property transactions involving 40 properties with a total book value of approximately NOK 13.2 billion. The weighted average remaining lease duration is currently 7.3 years (Ex. Aker Hus).

In the period from its inception to 30 September, the Company has completed two equity issues, and several contributions in kind, of a total of NOK 3.6 billion (before transaction cost) and has drawn up a total of NOK 9.9 billion in senior debt. On 13 June the Company was listed on the Norwegian OTC-list with the ticker code NPRO. The Company submitted an application for listing on Oslo Børs on 27 September 2006. The application is to be considered by the board of Oslo Børs on 25 October, 2006.

The Company is incorporated and domiciled in Norway. The address of its registered office is Karenslyst allé 12, Oslo.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of Norwegian Property ASA have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

#### *Standards, amendments and interpretations effective in 2006 but not relevant*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group’s operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

### 2.2 Consolidation

#### *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether 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 that control ceases.

As of 30 September 2006 the Company had 81 subsidiaries. In 2005 the Company did not have any operations. The current business operations started in April 2006. Consequently, there are no comparable figures for fiscal year 2005.

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be acquisition of a business, and the bringing together of those entities is not a business combination (IFRS3 is not applicable). Norwegian Property allocate the cost of such purchases between the individual identifiable assets and liabilities acquired based on their relatively fair value at the date of acquisition.

The purchase method of accounting is used to account for the acquisition of separate businesses or entities containing business. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Consistent accounting principles are applied throughout the group and accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### ***Transactions and minority interests***

Minority interests are included in the Group's income statement, which is specified as majority and minority interests. Correspondingly, minority interests are included as part of Norwegian Property's shareholders' equity and is specified on the balance sheet.

## **2.3 Foreign currency translation**

### ***Functional and presentation Currency***

Items included in the financial statements of each of the Group's entities are measured using the Currency of the primary economic environment in which the entity operates ('the functional Currency'). Currently all entities of the Group have NOK as their functional currency. The consolidated financial statements are presented in NOK, which is the Company's functional and presentation Currency.

### ***Transactions and balances***

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

## **2.4 Investment property**

Property that is held for long-term rental yields, for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. In subsequent periods investment property is measured at fair value calculated using the yield method. Changes in fair values are recorded in the income statement within 'gain on fair value adjustment on investment property'. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to Norwegian Property, and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property, is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

## **2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign Currency purchases of property, plant and equipment.

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

## **2.6 Financial assets**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

### ***(b) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet, Note 2.8.

## **2.7 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value. The method of 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 a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### ***(a) Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains/(losses) – net.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within sales. The gain or loss relating to the ineffective portion is recognised in the income statement within other gains/(losses) – net. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other gains/(losses) – net.

### ***(b) Derivatives that do not qualify for hedge accounting***

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within other gains/(losses) – net.

## **2.8 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. 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 against selling and marketing costs in the income statement.

## **2.9 Cash and cash equivalents**

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

## 2.10 Share capital

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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

## 2.11 Trade payables

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

## 2.12 Borrowings

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

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

## 2.13 Deferred income tax

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

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

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

## 2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

### *Rental income*

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

### *Other income*

Other income is recognised as it is earned.

## 2.15 Dividend distribution

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

## NOTE 3 – RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of operational, financial and fraud risks. The operational risks include exposures related to the quality of construction, the erection of buildings and extensions, operations of the buildings as well as the operations of access roads and outdoor facilities on the Company's premises. The financial risks include exposures related to the cost of financing, stability and predictability of rental income, the Company's liquidity and financial flexibility. Fraud risks include risks related to the intentional misconduct and/or misappropriation of the Company's assets or interests.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance by insuring the Company against operational risks and by entering into hedging instruments designed to mitigate interest rate and currency risk.



The management team identifies and evaluates operational and financial risks in close co operation with the Company's operating units and facilities managers. The Board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk. Fraud risks are countered by setting ethical standards and code of conduct guidelines.

### **Operational risks**

All the Company's properties are operated by professional facility management operators with clear contractual obligations to employ or engage the required certified competence and resources to meet regulatory standards.

The Company has a group wide insurance policy that will provide indemnity for unforeseen physical damage to, or loss of, insured property that occurs as a result of named perils such as fire, water damage, storm, etc. as well as liability insurance. The insured value of buildings is the replacement value of the property. The insurance terms also give coverage when rentals have been interrupted or rental value has been impaired by the occurrence of any of the insured perils. The insurance program is covered by reputable insurance companies.

### **Financial Risks**

The financial risks include exposures related to the cost of financing, stability and predictability of rental income, the Company's liquidity and financial flexibility.

In June 2006, the board established a Finance policy which outlines instructions and guidelines for the management of the Company's financial risks.

#### ***Cost of financing - interest rate risks***

The Group is subject to market risks relating to changes in the interest rates, because the Company has significant amounts of floating rate debt outstanding. At the end of September 2006 the Company has an average spread of 80 basis points above NIBOR on the bank loans.

The Company has acquired from sellers and entered into new interest rate swap agreements to limit exposure to fluctuations in the interest rate. At the end of the third quarter, interest rate agreements totalling NOK 8 billion were in effect. Total swap rate agreements, including agreements with forward start were fixed at an average rate of 4.3 % with maturity of 6.6 years.

The Company has a policy to hedge a minimum of 70% of total floating rate loans outstanding. As of 30.09.06, 80.5 % of the loans outstanding were hedged.

The fair market value of the properties will vary with, among several other factors, the long term interest rate expectations in the market. Such fair value fluctuations will be accounted for and reported according to IFRS (See separate notes on "estimates and judgement" and "fair value adjustments").

#### ***Stability and predictability of rental income***

The rental income is exposed to the market for office/shopping/parking space, credit risk and currency risk.

##### **(i) The market**

The Company focuses on blue chip tenants and on long term contracts. The current average duration of rental contracts are 7.3 years, increasing to 7.8 when including Aker Hus.

##### **(ii) Inflation**

The majority of rental contracts in the portfolio have a 100% CPI adjustment clause allowing the Company to adjust rental rates with the CPI development. The Company seeks to secure such regulation clauses in all new contracts.

##### **(iii) Foreign exchange risk**

Currently, less than 5% (NOK 32 million/pa) of the Group's rental income are in foreign currencies (EUR) and practically all operating expenses are denominated in NOK. This exposes the Group to limited foreign exchange risk.

At the end of the financial period, the Group has forward exchange contracts with notional values totalling NOK 323 million, Gains and losses on the Group's forward exchange contracts are classified as other operating gains/losses in the income statement.

##### **(iv) Credit risk**

The majority of the Company's rental revenues come from solid tenants. New tenants are checked for credit rating and history. All tenants have provided bank guaranties or made deposits in secure "depository accounts" with amounts equivalent to a minimum of 3 months rent.

Credit loss during Q3 has been negligible.

### ***Liquidity risk and financial flexibility***

The Company aims to keep liquidity sufficient to meet its foreseeable obligations as well as securing a reasonable capacity to meet unforeseen obligations. The funding strategy aims to maintain flexibility to seize market opportunities and withstand fluctuations in rental income.

As of the end of the third quarter the Company had a satisfactory liquid reserve and funding flexibility.

### **Fraud Risks**

In "Instructions to the Board" and "Instructions to the CEO" overall guidelines are communicated to set the ethical standards for the leadership and business conduct in the Company.

The company has experienced no incidents of fraud or fraudulent behaviour during the period.

## **NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### ***(a) Investment property***

Investment property is valued at its fair value based on a quarterly valuation update.

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc.) and adjusting for significant changes in tenant portfolio. In addition, all properties are made subject to in depth technical review on a rolling 8 quarter cycle.

Based on the external valuation and supplementary internal analysis of the market and rental portfolio, management make an overall fair value assessment to conclude as to whether a fair value adjustment is to be recommended to the board for final conclusion.

The Company uses different approaches to get a satisfactory valuation of the properties. These approaches are (i) the net asset value (NAV), (ii) cash flow analyses and (iii) multiple analyses.

(i) NAV of a property company can be calculated by adjusting the company's balance sheet values to the estimated market values of the properties. A common valuation approach is discounting the properties' net rental income by a given required rate of return.

(ii) A valuation of a property company can be made by using the Discounted Cash Flow method (DCF). This approach has its foundation in the "present value" rule, where the value of any asset is the present value of expected future cash flows on it.

(iii) Valuation multiples are methods that are commonly used to value property companies. The final determination of which particular pricing multiple(s) to use must be based on an understanding of how the subject compares to the guideline companies in term of important factors such as growth, size, longevity, profitability etc.

### ***(b) Fair value of derivatives and other financial instruments***

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group uses discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

## NOTE 5 – INVESTMENTS IN SUBSIDIARIES

### Norwegian Property ASA's shares in subsidiaries

(All figures in NOK 1,000)

| Company                               | Acquired /<br>Established | Registered<br>office | Ownership<br>stake | Voting<br>shares | Net carrying amount<br>at 30.09.2006 |
|---------------------------------------|---------------------------|----------------------|--------------------|------------------|--------------------------------------|
| Skøyen Bygg AS                        |                           |                      |                    |                  |                                      |
| Skøyen Bygg To AS                     |                           |                      |                    |                  |                                      |
| Skøyen Bygg Tre AS                    |                           |                      |                    |                  |                                      |
| Skøyen Bygg Fire AS                   |                           |                      |                    |                  |                                      |
| Skøyen Bygg Fem AS                    |                           |                      |                    |                  |                                      |
| Skøyen Bygg ANS                       |                           |                      |                    |                  |                                      |
| <b>Skøyen Bygg Totalt</b>             | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>198 961</b>                       |
| Økernveien 9 AS                       |                           |                      |                    |                  |                                      |
| Norwegian Property Holding AS         |                           |                      |                    |                  |                                      |
| <b>Økernveien 9 Totalt</b>            | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>54 024</b>                        |
| Forushagen AS                         |                           |                      |                    |                  |                                      |
| Forushagen KS                         |                           |                      |                    |                  |                                      |
| Eiendomsselskapet Forushagen AS       |                           |                      |                    |                  |                                      |
| <b>Forushagen Totalt</b>              | <b>09.06.2006</b>         | <b>Stavanger</b>     | <b>100 %</b>       | <b>100 %</b>     | <b>115 343</b>                       |
| Rogaland Næringseiendom I AS          |                           |                      |                    |                  |                                      |
| Rogaland Næringseiendom I KS          |                           |                      |                    |                  |                                      |
| Kontantbygget AS                      |                           |                      |                    |                  |                                      |
| Elvegaten 25 AS                       |                           |                      |                    |                  |                                      |
| Nedre Holmegate 30-34 AS              |                           |                      |                    |                  |                                      |
| Strandsvingen 10 AS                   |                           |                      |                    |                  |                                      |
| Svanholmen 2 AS                       |                           |                      |                    |                  |                                      |
| Maskinveien 32 AS                     |                           |                      |                    |                  |                                      |
| <b>Rogaland Næringseiendom Totalt</b> | <b>09.06.2006</b>         | <b>Stavanger</b>     | <b>100 %</b>       | <b>100 %</b>     | <b>93 647</b>                        |
| Magnus Poulsensvei 7 AS               |                           |                      |                    |                  |                                      |
| Magnus Poulsensvei 7 Invest AS        |                           |                      |                    |                  |                                      |
| NPJ AS                                |                           |                      |                    |                  |                                      |
| <b>Magnus Poulsensvei 7 Totalt</b>    | <b>09.06.2006</b>         | <b>Stavanger</b>     | <b>100 %</b>       | <b>100 %</b>     | <b>45 776</b>                        |
| Aker Brygge AS                        |                           |                      |                    |                  |                                      |
| Verkstedhallene ANS                   |                           |                      |                    |                  |                                      |
| Terminalbygget ANS                    |                           |                      |                    |                  |                                      |
| Bryggehandel Invest I ANS             |                           |                      |                    |                  |                                      |
| Bryggehandel Invest II ANS            |                           |                      |                    |                  |                                      |
| Aker Brygge ANS                       |                           |                      |                    |                  |                                      |
| AS Trekanten Aker Brygge              |                           |                      |                    |                  |                                      |
| Aker Brygge Senterforeningen AS       |                           |                      |                    |                  |                                      |
| Vaterland Invest AS                   |                           |                      |                    |                  |                                      |
| <b>Aker Brygge Totalt</b>             | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>1 199 804</b>                     |

| Company  | Acquired /<br>Established | Registered<br>office | Ownership<br>stake | Voting<br>shares | Net carrying amount<br>at 30.09.2006 |
|--|---------------------------|----------------------|--------------------|------------------|--------------------------------------|
| Middelthunsgate 17 AS<br>KS Middelthunsgate 17<br>Middelthunsgate 17 Hjemmel AS  |                           |                      |                    |                  |                                      |
| <b>Middelthunsgate 17 Totalt</b>   | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>366 163</b>                       |
| Drammensveien 60 AS<br>Drammensveien 60 KS<br>DRA 60 AS  |                           |                      |                    |                  |                                      |
| <b>Drammensveien 60 Totalt</b>   | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>93 374</b>                        |
| Stavanger Næringseiendom AS<br>Stavanger Næringseiendom KS<br>Stavanger Næringseiendom ANS                                   |                           |                      |                    |                  |                                      |
| <b>Stavanger Næringseiendom Totalt</b>   | <b>09.06.2006</b>         | <b>Stavanger</b>     | <b>100 %</b>       | <b>100 %</b>     | <b>154 279</b>                       |
| Telebygget AS<br>Telebygget KS<br>Forusbeen AS   |                           |                      |                    |                  |                                      |
| <b>Telebygget Totalt</b>   | <b>09.06.2006</b>         | <b>Stavanger</b>     | <b>100 %</b>       | <b>100 %</b>     | <b>94 050</b>                        |
| Stortingsgaten 6 AS<br>Stortingsgaten 6 KS<br>Glassgården AS   |                           |                      |                    |                  |                                      |
| <b>Stortingsgaten 6 Totalt</b>   | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>99 %</b>        | <b>99 %</b>      | <b>76 288</b>                        |
| Greenseveien 19 Komplementar AS<br>Greenseveien 19 AS<br>Greenseveien 19 KS  |                           |                      |                    |                  |                                      |
| <b>Greenseveien 19 Totalt</b>  | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>29 180</b>                        |
| Kolstadgaten Eiendom AS<br>Kolstadgaten 1 KS<br>Kolstadgaten 1 AS  |                           |                      |                    |                  |                                      |
| <b>Kolstadgaten 1 Totalt</b>   | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>43 461</b>                        |
| Fornebu Næringseiendom AS<br>Fornebu Næringseiendom KS<br>Fornebu Næringseiendom ANS   |                           |                      |                    |                  |                                      |
| <b>Fornebu Næringseiendom Totalt</b>   | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>83 496</b>                        |
| Drammensveien 134 AS<br>Drammensveien 134 KS<br>Skøyen Kontorsenter Hus 1 Hjemmel AS<br>Skøyen Kontorsenter Hus 6 Hjemmel AS |                           |                      |                    |                  |                                      |
| <b>Drammensveien 134 Totalt</b>  | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>175 942</b>                       |
| Innovasjonssenteret Komplementar AS<br>Innovasjonssenteret KS<br>Forskningsveien 2 AS  |                           |                      |                    |                  |                                      |
| <b>Innovasjonssenteret Totalt</b>  | <b>09.06.2006</b>         | <b>Oslo</b>          | <b>80 %</b>        | <b>80 %</b>      | <b>176 692</b>                       |
| <b>Lysaker Torg Bygg D ANS</b>   | <b>22.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>623 992</b>                       |
| Finnestadveien 44 ANS<br>Eltofi AS   |                           |                      |                    |                  |                                      |
| <b>Finnestadveien 44 Totalt</b>  | <b>22.06.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>133 791</b>                       |

| Company                                 | Acquired /<br>Established | Registered<br>office | Ownership<br>stake | Voting<br>shares | Net carrying amount<br>at 30.09.2006 |
|---|---------------------------|----------------------|--------------------|------------------|--------------------------------------|
| Ibsenkvartalet Eiendom AS               |                           |                      |                    |                  |                                      |
| Ibsenkvartalet Hjemmel AS               |                           |                      |                    |                  |                                      |
| <b>Ibsenkvartalet Totalt</b>            | <b>04.07.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>337 847</b>                       |
| <b>Drammensveien 149 AS</b>             | <b>06.07.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>47 227</b>                        |
| Drammensveien 134 Bygg 2 AS             |                           |                      |                    |                  |                                      |
| Drammensveien 134 Bygg 3 AS             |                           |                      |                    |                  |                                      |
| Drammensveien 134 Bygg 4 AS             |                           |                      |                    |                  |                                      |
| Drammensveien 134 Bygg 5 AS             |                           |                      |                    |                  |                                      |
| Drammensveien 134 Bygg 6 AS             |                           |                      |                    |                  |                                      |
| Drammensveien 134 Utearealer AS         |                           |                      |                    |                  |                                      |
| <b>Drammensveien 134 Totalt</b>         | <b>06.07.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>674 409</b>                       |
| Kokstad Næringseiendom AS               |                           |                      |                    |                  |                                      |
| Kokstad Næringseiendom KS               |                           |                      |                    |                  |                                      |
| Kokstadveien 23 AS                      |                           |                      |                    |                  |                                      |
| <b>Kokstad Næringseiendom Totalt</b>    | <b>01.09.2006</b>         | <b>Bergen</b>        | <b>100 %</b>       | <b>100 %</b>     | <b>106 964</b>                       |
| Grev Wedels plass 9 ANS                 |                           |                      |                    |                  |                                      |
| Grev Wedels plass 9 Drift AS            |                           |                      |                    |                  |                                      |
| <b>Grev Wedels plass 9 Totalt</b>       | <b>01.09.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>534 531</b>                       |
| Gardermoen Næringseiendom AS            |                           |                      |                    |                  |                                      |
| Gardermoen Næringseiendom KS            |                           |                      |                    |                  |                                      |
| Gardermoen Næringseiendom ANS           |                           |                      |                    |                  |                                      |
| <b>Gardermoen Næringseiendom Totalt</b> | <b>08.09.2006</b>         | <b>Oslo</b>          | <b>100 %</b>       | <b>100 %</b>     | <b>181 204</b>                       |
| <b>Total</b>                            |                           |                      |                    |                  | <b>5 640 445</b>                     |

Subsidiaries are acquired in 2006 with total acquisition cost of NOK 5,64 billion.

|   |             |                    |
|---|-------------|--------------------|
| Acquisition cost                                  | 5.64        | NOK billion        |
| Group contribution exceeding the periodic results | -           |                    |
| Impairment  | -           |                    |
| <b>Carried amount</b>                             | <b>5.64</b> | <b>NOK billion</b> |

## NOTE 6 – SEGMENT INFORMATION

Norwegian Property's main activity is ownership and rental of prime office buildings in prime locations in the larger cities in Norway. There are no material differences in risks and returns in the economic environments in which the company is operating. Consequently, the company is only present in one business segment and one geographic market.

## NOTE 7 – INVESTMENT PROPERTY

(All figures in NOK 1,000)

|  |                   |
|--|-------------------|
| Opening balance 01.01.06   | 0                 |
| Additions in period  | 13 151 026        |
| Net gain/loss on changes in fair value   | 0                 |
| <b>As at 30th September</b>  | <b>13 151 026</b> |
| Rental income  | 211 750           |
| Direct operating expenses arising from investment properties that generate rental income | 9 188             |
| <b>Net</b>   | <b>202 561</b>    |

## General principles of preparation

Investment property is valued at its fair value based on a quarterly valuation carried out by independent experts (ref also note 4). The latest independent valuation was carried out with value dates as of September 30 2006. Investment property is not subject to depreciation.

Apart from covenants in loan agreements, there are no restrictions on when the investment properties can be realised, or how the revenue and cash flow on any sale can be used.

There are no significant contractual obligations to buy, build or develop investment properties.

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc.) and adjusting for significant changes in tenant portfolio. In addition, all properties are made subject to in depth technical review on a rolling 8 quarter cycle.

Based on the external valuation and supplementary internal analysis of the market and rental portfolio, management make an overall fair value assessment to conclude as to whether a fair value adjustment is to be recommended to the board for final conclusion.

The Company uses different approaches to get a satisfactory valuation of the properties. These approaches are (i) the net asset value (NAV), (ii) cash flow analyses and (iii) multiple analyses.

## NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

(All figures in NOK 1,000)

### Acquisition costs

|   |              |
|---|--------------|
| 1 January 2006                              | 0            |
| Additions                                   | 0            |
| Disposals                                   | 0            |
| Additions from the acquisition of companies | 7 000        |
| Disposals on the sale of companies          | 0            |
| <b>30th September 2006</b>                  | <b>7 000</b> |

### Accumulated depreciation and impairment losses

|                                     |            |
|-------------------------------------|------------|
| Opening balance 1st of January 2006 | 0          |
| The year's depreciation             | 250        |
| The year's impairment losses        | 0          |
| Disposals                           | 0          |
| Disposals on the sale of companies  | 0          |
| <b>30th September 2006</b>          | <b>250</b> |

|                        |              |
|------------------------|--------------|
| <b>Carrying amount</b> | <b>6 750</b> |
|------------------------|--------------|

## NOTE 9 – OPERATING LEASES

(All figures in NOK 1,000)

The group is lessor for investment properties.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

|   |                |
|---|----------------|
| No later than 1 year                        | 31 700         |
| Later than 1 year and no later than 5 years | 178 000        |
| Later than 5 years                          | 565 800        |
| <b>Sum</b>                                  | <b>775 500</b> |

The above figures do not include value of the rental guarantees.

## NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

(All figures in NOK 1,000)

Norwegian Property has fixed the majority of its borrowing interest rate exposure related to debt carrying floating interest rate through interest rate swaps as described in the table below. Norwegian Property's strategy regarding interest rate exposure is to fix a minimum of 70 % of its exposure related to debt carrying floating interest rate at any time.

Irrespective a high level of secured rates, Norwegian Properties ASA takes exposure to the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flow. Interest costs may increase or decrease as result of such changes.

### Book value of hedged items

|   | Assets   | Liabilities      |
|---|----------|------------------|
| Hedged items: Interest rates - cash flow hedges | 0        | 5 000 000        |
| <b>Total</b>                                    | <b>0</b> | <b>5 000 000</b> |

### Details on interest derivatives

The notional principal amounts, fixed rates and duration of interest derivative financial instrument contracts at September 30th 2006 are (Norwegian Property is payer of fixed rates and receiver of floating rates)

|                                | Currency | Notional principal amount | Fixed rate | End date   |
|--------------------------------|----------|---------------------------|------------|------------|
| Nordea                         | NOK      | 500 000                   | 4.35500 %  | 05.07.2012 |
| Danske Bank                    | NOK      | 1 000 000                 | 4.34500 %  | 05.07.2012 |
| Danske Bank                    | NOK      | 500 000                   | 4.35500 %  | 05.07.2012 |
| DnB Nor                        | NOK      | 1 000 000                 | 4.34500 %  | 05.07.2012 |
| DnB Nor                        | NOK      | 500 000                   | 4.35500 %  | 05.07.2012 |
| SEB                            | NOK      | 1 000 000                 | 4.34500 %  | 05.07.2012 |
| SEB                            | NOK      | 500 000                   | 4.35500 %  | 05.07.2012 |
| <b>Cash flow hedging total</b> |          | <b>5 000 000</b>          |            |            |
| Nordea                         | NOK      | 1 225 000                 | 4.17850 %  | 03.05.2011 |
| Nordea                         | NOK      | 400 000                   | 4.17850 %  | 18.05.2011 |
| Nordea                         | NOK      | 975 000                   | 4.11000 %  | 30.06.2016 |
| Storebrand Bank                | NOK      | 278 500                   | 4.28000 %  | 15.07.2025 |
| Storebrand Bank                | NOK      | 148 500                   | 3.92000 %  | 15.07.2015 |
| <b>Other</b>                   |          | <b>3 027 000</b>          |            |            |
| <b>Totalt NOK</b>              |          | <b>8 027 000</b>          |            |            |

The floating rates are 3 months NIBOR.

Gains and losses recognised in hedging reserve in equity as of September 30th 2006 will be continuously realised to the income statement until the repayment of the borrowings.

## Foreign exchange derivatives

The notional principal amounts, fixed rates and duration of FX derivative financial instrument contracts at September 30th 2006 are:

|                   | Currency | Notional principal amount | Fixed rate | End date   |
|-------------------|----------|---------------------------|------------|------------|
| Nordea            | NOK      | 38 603                    | 3.97000 %  | 05.10.2012 |
| Nordea            | Euro     | (4 899)                   | 3.70000 %  | 05.10.2012 |
| Nordea            | NOK      | 284 687                   | 4.19000 %  | 05.10.2017 |
| Nordea            | Euro     | (36 128)                  | 3.90000 %  | 05.10.2017 |
| <b>Total Euro</b> |          | <b>(41 027)</b>           |            |            |

## Details on balance sheet value of derivatives

|  | Assets        | Liabilities   |
|--|---------------|---------------|
| Interests rate swaps - qualifying for hedge accounting     | 0             | 35 943        |
| Interests rate swaps - not qualifying for hedge accounting | 25 126        | 3 030         |
| Forward foreign exchange contracts                         | 15 968        | 17 422        |
| <b>Total</b>   | <b>41 094</b> | <b>56 395</b> |
| Less non-current portion:                                  |               |               |
| Interest rate swaps - cash flow hedges                     | 0             | 35 943        |
| <b>Current portion</b>                                     | <b>41 094</b> | <b>20 452</b> |

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative 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 hedge item is less than 12 months.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a loss of NOK 427.

The Company has leasing contracts where the rent is fixed in foreign exchange. As long as these foreign exchange clauses are not closely connected to the leasing contracts, the FX derivatives are separated and treated separately. The real value of such derivatives was NOK 15,968 as of September 30th.

## NOTE 11 – CURRENT RECEIVABLES

(All figures in NOK 1,000)

### Total receivables at period end (30.09.2006)

|   |               |
|---|---------------|
| Account receivables                           | 23 386        |
| Less: provision for impairment of receivables | 0             |
| Account receivables - net                     | 23 386        |
| Other receivables                             | 30 891        |
| <b>Total receivables</b>                      | <b>54 277</b> |

## NOTE 12 – CASH AND CASH EQUIVALENTS

(All figures in NOK 1,000)

|  |                |
|--|----------------|
| Cash at bank and in hand                   | 422 164        |
| Withholding tax account (tied up deposits) | -              |
| Short-term bank deposits                   | -              |
| <b>Sum</b>                                 | <b>422 164</b> |

The effective interest rate is 3.3%



## NOTE 13 – SHARE CAPITAL

### Total share capital at period end (30.09.2006)

| Date resolved     | Type of change        | Change in share capital (NOK) | Share capital after change (NOK) | No of shares after change (NOK) | Par value (NOK) | Price per share (NOK) |
|-------------------|-----------------------|-------------------------------|----------------------------------|---------------------------------|-----------------|-----------------------|
| 20.07.2005        | Incorporation         | -                             | 100 000                          | 1 000                           | 100             | 100                   |
| 26.04.2006        | Share split           | -                             | 100 000                          | 400                             | 25              | -                     |
| 22.05.2006        | Private placement     | 875 000 000                   | 875 100 000                      | 35 000 400                      | 25              | 50                    |
| 22.05.2006        | Write down            | 100 000                       | 875 000 000                      | 35 000 000                      | 25              | -                     |
| 22.05.2006        | Private placement     | 162 500 000                   | 1 037 500 000                    | 41 500 000                      | 25              | 50                    |
| 09.06.2006        | Consideration issue   | 508 853 050                   | 1 546 353 050                    | 61 854 122                      | 25              | 50                    |
| 22.06.2006        | Consideration issue   | 46 100 000                    | 1 592 453 050                    | 63 698 122                      | 25              | 50                    |
| <b>30.06.2006</b> | <b>Ending balance</b> | <b>-</b>                      | <b>1 592 453 050</b>             | <b>63 698 122</b>               | <b>25</b>       | <b>50</b>             |
| 04.07.2006        | Consideration issue   | 370 175                       | 1 592 823 225                    | 63 712 929                      | 25              | 50                    |
| 18.07.2006        | Private placement     | 150 000 000                   | 1 742 823 225                    | 69 712 929                      | 25              | 50                    |
| 28.08.2006        | Consideration issue   | 20 000 000                    | 1 762 823 225                    | 70 512 929                      | 25              | 50                    |
| 28.08.2006        | Consideration issue   | 25 000 000                    | 1 787 823 225                    | 71 512 929                      | 25              | 50                    |
| <b>30.09.2006</b> | <b>Ending balance</b> | <b>-</b>                      | <b>1 787 823 225</b>             | <b>71 512 929</b>               | <b>25</b>       | <b>50</b>             |

|                                  |            |
|----------------------------------|------------|
| Average number of shares YTD*    | 67 983 612 |
| Average number of shares Q3      | 69 268 968 |
| Number of shares issued          | 71 512 929 |
| All issued shares are fully paid | Yes        |

\*) Average based on period 22 May - 30 September 2006

### List of main shareholders

| Shareholder                           | Country | Number of shares  | %              |
|---------------------------------------|---------|-------------------|----------------|
| A WILHELMSEN CAPITAL AS               | NO      | 12 087 000        | 16.9 %         |
| CREDIT SUISSE SECURITIES              | UK      | 2 895 000         | 4.0 %          |
| AWECO INVEST AS                       | NO      | 2 870 282         | 4.0 %          |
| BANK OF NEW YORK. BRUSSELS BRANCH     | BL      | 2 444 695         | 3.4 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 2 314 588         | 3.2 %          |
| SPENCER FINANCE CORP.                 | NO      | 2 209 900         | 3.1 %          |
| DEUTSCHE BANK AG LONDON               | UK      | 2 101 798         | 2.9 %          |
| FRAM HOLDING AS                       | NO      | 2 000 000         | 2.8 %          |
| FRAM MANAGEMENT AS                    | NO      | 2 000 000         | 2.8 %          |
| FRAM REALINVEST AS                    | NO      | 2 000 000         | 2.8 %          |
| LANI INDUSTRIER AS                    | NO      | 2 000 000         | 2.8 %          |
| TITAS EIENDOM AS                      | NO      | 2 000 000         | 2.8 %          |
| DANSKE BANK A/S                       | DK      | 1 702 000         | 2.4 %          |
| VITAL FORSIKRING ASA                  | NO      | 1 620 000         | 2.3 %          |
| OPPLYSNINGSVESENETS FOND              | NO      | 1 599 931         | 2.2 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 1 319 900         | 1.8 %          |
| CREDIT SUISSE SECURITIES              | UK      | 1 220 000         | 1.7 %          |
| MORGAN STANLEY & CO. INC.             | UK      | 1 140 664         | 1.6 %          |
| METEVA AS                             | UK      | 1 108 818         | 1.6 %          |
| MIAMI AS                              | UK      | 1 062 718         | 1.5 %          |
| Others                                |         | 23 815 635        | 33.3 %         |
| <b>Balance at September 30th 2006</b> |         | <b>71 512 929</b> | <b>100.0 %</b> |

## Shares held by senior executive officers and non-executive officers

| Shareholder                                  | Number of shares |
|--|------------------|
| <b>Senior Executives</b>                     |                  |
| Petter Jansen, Chief Executive Officer (CEO) | 40 000           |
| <b>Board of Directors</b>                    |                  |
| Knut Bruntland (Chairman of the Board)       | 200 000          |
| Jostein Devold                               | -                |
| Egil K. Sundbye                              | -                |
| Torstein I. Tvenge                           | 7 700 000        |
| <b>Sum</b>                                   | <b>7 940 000</b> |

The board of directors has on the extraordinary general meeting on the 4 October 2006 been given authority to increase the company's share capital as far as MNOK 360. The authority to this increase in the share capital is applicable to 30 June 2007.

## NOTE 14 – TRADE AND OTHER PAYABLES

(Figures in NOK 1,000)

### Total payables at period end (30.09.2006)

|                                 |               |
|---------------------------------|---------------|
| Trade payables                  | 2 245         |
| Other payables                  | 50 075        |
| Social security and other taxes | 14 258        |
| <b>Total payables</b>           | <b>66 578</b> |

## NOTE 15 – BORROWINGS

(Figures in NOK 1,000)

### Total borrowing at period end (30.09.2006)

|                                 |                   |
|---------------------------------|-------------------|
| Total bank borrowings           | 9 972 200         |
| Total undrawn bank facility     | 2 545 550         |
| <b>Total borrowing facility</b> | <b>12 517 750</b> |

## Specification of borrowings

|  | Currency   | Amount           | Amount with fixed interest rate | Interest rate |
|--|------------|------------------|---------------------------------|---------------|
| <b>Non-current</b>                                 |            |                  |                                 |               |
| Long term loan facility                            | NOK        | 9 412 900        | -                               | NIBOR+ 0.8%   |
| Storebrand Bank ASA                                | NOK        | 509 750          | -                               | NIBOR+0.65%   |
| <b>Sum</b>   |            | <b>9 922 650</b> | -                               |               |
| <b>Current</b>                                     |            |                  |                                 |               |
| Long term loan facility                            | NOK        | 42 550           | -                               | NIBOR+ 0.8%   |
| Storebrand Bank ASA                                | NOK        | 7 000            | -                               | NIBOR+0.65%   |
| <b>Sum</b>   |            | <b>49 550</b>    | -                               |               |
| <b>Total borrowings at nominal value</b>           | <b>NOK</b> | <b>9 972 200</b> | -                               |               |
| Amortization                                       | NOK        | 76 110           | -                               |               |
| <b>Total borrowings at amortized value</b>         | <b>NOK</b> | <b>9 896 090</b> | -                               |               |
| Classified as short term (first year's instalment) | NOK        | 49 500           | -                               |               |
| <b>Interest bearing long term liability</b>        | <b>NOK</b> | <b>9 846 590</b> | -                               |               |

## The maturity of non-current borrowings is as follows (30.09.2006):

|                   |                  |
|-------------------|------------------|
| Between 1-2 years | 398 696          |
| Between 3-5 years | 531 594          |
| Over 5 years      | 8 992 360        |
| <b>Total</b>      | <b>9 922 650</b> |

The company entered into a NOK 12 billion 6 year term loan facility on 6 June 2006 with a syndicate of banks including DnB Nor ASA, Nordea Bank Norge ASA, Skandinaviska Enskilda Banken AS and Danske Bank AS. As of September 30th 2006 undrawn amount under the facility amounted to NOK 2.545 millions.

The long term loan facility shall be utilised by the Company to fund property acquisitions. The availability period of the loan facility currently extends to 31 October 2006. At September 30 2006, NOK 9.5 billion had been drawn under the facility.

The main terms of the facility, based upon the prevailing loan agreement, include:

- Interest: NIBOR + an interest margin of 80 bp (increasing by 5 bp from 6 June 2009). The interest margin is subject to further increases in the event that pledged security falls below agreed thresholds and/or in the event that the Company's shares are not listed on the Oslo Stock Exchange by 31 March 2007
- Interest rate hedging: The Company shall operate an appropriate interest rate hedging policy and shall ensure that hedging arrangements are in place with respect to a minimum of 70% of the company's interest rate exposure under the facility.
- Financial covenants: The Company must comply with agreed senior interest cover and loan-to-value. Agreed senior interest cover of at least 1.4 and loan-to-value (LTV) ratio of 85%.
- Other covenants: The facility contains undertakings which are customary for a credit facility of this nature, including negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Amortisation/Repayment: The facility shall be repaid by quarterly instalments of 0.45% (1.8% per annum) commencing 6 September 2007 (to be re-negotiated to 5 October 2007 so as to coincide with quarterly interest payments). No part of the facility which is repaid may be re-borrowed. The repayment rate is subject to increase in the event that LTV financial covenants are breached.
- Final maturity: The facility matures on 6 June 2012

In line with what is customary for a facility of this nature, the facility is secured by way of, inter alia, first priority mortgages/pledges over the Company's and subsidiaries' shares, acquired properties, trade receivables and the Company's accounts.

In addition to the above mentioned facility, the Company had additional long term debt of NOK 510 million as at 30 September 2006, which was acquired as part of a property acquisition. The company shall seek to refinance this borrowing within the long term loan facility in due course.

## NOTE 16 – DEFERRED INCOME TAX

(Figures in NOK 1,000)

### Deferred income tax at period end (30.09.2006)

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

|  | 30.09.2006     |
|--|----------------|
| Deferred tax assets  |                |
| - deferred tax assets to be recovered after more than 12 months                | 270 526        |
| - deferred tax assets to be recovered within 12 months                         | 0              |
| <b>Total</b>   | <b>270 526</b> |
| Amounts not accounted for due to purchase of assets (not business combination) | 270 526        |
| <b>Net deferred tax assets at the date of purchases</b>                        | <b>0</b>       |
| Movement deferred income tax   | 60 859         |
| <b>Period end</b>  | <b>60 859</b>  |

## Gross movement on the deferred income tax account at end of period (30.09.2006)

|  |               |
|--|---------------|
| Tax charged to the income statement    | -2 666        |
| Tax charged to equity                  | 63 525        |
| Net tax charged to investment property | 0             |
| <b>Period end</b>                      | <b>60 859</b> |

The movement in deferred tax assets and tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred tax assets   | Deficit carried forward | Buildings      | Fair value gain | Total          |
|---|-------------------------|----------------|-----------------|----------------|
| At 1 January 2006   | 0                       | 0              | 0               | 0              |
| Deferred tax assets in purchased properties                                       | 9 877                   | 260 649        | -               | 270 526        |
| Tax charged to income statement   | -                       | -              | -               | 0              |
| Tax charged to equity   | 39 484                  | -              | 24 041          | 63 525         |
| Net tax charged to investment property  | -                       | -              | -               | 0              |
| Exchange differences  | -                       | -              | -               | 0              |
| <b>Total</b>  | <b>49 361</b>           | <b>260 649</b> | <b>24 041</b>   | <b>334 051</b> |
| Amounts not accounted for due to purchase of assets<br>(not business combination) | 9 877                   | 260 649        | 0               | 270 526        |
| <b>Period end</b>   | <b>39 484</b>           | <b>0</b>       | <b>24 041</b>   | <b>63 525</b>  |

## Deferred tax charged to equity

|   | 30.09.2006    |
|---|---------------|
| Tax on issue expense                                  | 39 484        |
| Tax on derivative financial instruments               | 24 041        |
| Tax on group contribution                             | 0             |
| Tax on exchange differences and interest bearing loan | 0             |
| <b>Period end</b>                                     | <b>63 525</b> |

Purchases of single purpose entities owning only one property with no employees, management or recorded procedure descriptions are not considered to be acquisition of a business, and the bringing together of those entities is not a business combination (IFRS3 is not applicable). Hence, the deferred income tax is not accounted for as it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

## NOTE 17 – OTHER CURRENT LIABILITIES

(All figures in NOK 1,000)

### Total current liabilities at period end (30.09.2006)

|                                  |                |
|----------------------------------|----------------|
| Accrued expenses                 | 144 618        |
| Other accruals                   | 63 605         |
| <b>Total current liabilities</b> | <b>208 223</b> |

The amounts shown in Other Accruals are mainly advanced payments of rental income from customers and will be recorded as income in the last quarter of 2006. There are no legal claims or disputes over services and/or maintenance charges brought against Norwegian Property ASA as of the date of the issue of this report.

## NOTE 18 – EMPLOYEE BENEFIT EXPENSES

(All figures in NOK 1,000)

### Overall total expenses

|  | Numbers as of 30.09 |
|--|---------------------|
| Salaries and remuneration              | 1 026               |
| Social security costs                  | 145                 |
| Pension costs - defined benefit plan   | 100                 |
| Other employee expenses                | 10                  |
| <b>Total employee benefit expenses</b> | <b>1 280</b>        |

### Total number of employees/full time equivalent positions:

|   |   |
|---|---|
| Number of employees at September 30th 2006                      | 2 |
| Number of full time equivalent positions at September 30th 2006 | 2 |
| Average number of employees                                     | 1 |

### Remuneration of executive officers of the company and non-executive officers

|                                      |     |
|--------------------------------------|-----|
| Petter Jansen, CEO                   |     |
| - Ordinary salary (incl holiday pay) | 276 |
| - Other taxable benefits             | 10  |
| - Pension costs                      | 100 |

In case of termination of Petter Jansen's employment in Norwegian Property ASA, Jansen is entitled to severance pay of 6 months salary. The CEO is further entitled to a bonus scheme limited to 50% of annual salary. He will be entitled to a pension from the year he is 62 years old.

|  |     |
|--|-----|
| Knut Brundtland, Chairman of the Board | 300 |
| Jostein Devold                         | 150 |
| Egil K Sundbye                         | 150 |
| Torstein I. Tvenge                     | 150 |

### Pensions

The company has recently recruited 2 employees and is currently establishing pension arrangements.

### Auditor's fee

|                              |            |
|------------------------------|------------|
| Statutory audit              | 240        |
| Other certification services | 174        |
| TAX/VAT Advisory fee         | 0          |
| Other service than audit     | 100        |
| <b>Total</b>                 | <b>514</b> |

The auditor's fee is net of VAT.

## NOTE 19 – NON-RECURRING COSTS

The company has charged the income statement with non-recurring costs of approximately NOK 10 millions, in connection with start-up and stock-exchange introduction of the company.

## NOTE 20 – NET FINANCIAL EXPENSES

(All figures in NOK 1,000)

### Net financial expenses at period end (30.09.2006)

|  |                 |
|--|-----------------|
| Interest income  | 3 607           |
| Income from investments  | 0               |
| Fair value adjustment to loan hedged by interest rate swap         | 0               |
| <b>Total financial income</b>                                      | <b>3 607</b>    |
| Gains (losses) on derivatives                                      | -29 544         |
| - Interest rate swaps – cash flow hedging, transferred from equity | 0               |
| Interest costs on loans  | -137 489        |
| Interest costs on finance leases                                   | 0               |
| Other financial expenses   | -651            |
| <b>Total financial expenses</b>                                    | <b>-167 684</b> |
| <b>Net financial expenses</b>                                      | <b>-164 077</b> |

## NOTE 21 – INCOME TAX EXPENSE

(All figures in NOK 1,000)

### Total tax at period end (30.09.2006)

The income tax rates are calculated at domestic rates applicable to profits, the rate is p.t 28% in Norway.

|  |              |
|--|--------------|
| Current tax  | 2 109        |
| Deferred tax   | 2 666        |
| <b>Total tax at period end</b>                                   | <b>4 775</b> |
| Tax calculated at domestic rates applicable to profits in Norway | 4 775        |
| Income not subject for tax purposes                              | -            |
| Expenses not deductible for tax purposes                         | -            |
| Utilization of earlier years non-recorded deferred tax           | -            |
| <b>Tax charged</b>   | <b>4 775</b> |

## 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.

|   | YTD        |
|---|------------|
| Net profit attributable to shareholders (NOK 1000)  | 12 099     |
| Weighted average number of ordinary shares in issue | 67 983 612 |
| Basic earnings per share (NOK per share)            | 0.18       |

Norwegian Property have no dilutive potential ordinary shares, therefore the diluted earnings per share is the same as the basic earnings per share.

## NOTE 23 – DIVIDENDS PER SHARE / DIVIDEND POLICY

Norwegian Property aims to give the shareholder a competitive return on invested capital through a combination of dividend and share price development. In relation to dividend, the board will emphasise a stable development, the Company's dividend capacity, the need for a sound equity base and financial resources for further growth.

Within the scope of the above, Norwegian Property targets a dividend of NOK 2.50 per share and that the dividend will develop in line with the Company's growth and profit.

## NOTE 24 – RELATED-PARTY DISCLOSURES

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

The Norwegian Property group is not directly controlled and dominated by any significant shareholders. However, the Anders Wilhelmsen group controlled a total of 20.9% of the shares through Anders Wilhelmsen Capital AS (16.9%) and AWECO invest AS (4.0%) and Torstein Tvenge and his family controls 11.2%.

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

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

### Property transactions

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

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

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

| Related party   | Property          | Total transaction |            |                   |         |
|---|-------------------|-------------------|------------|-------------------|---------|
|   |                   | (NOKM)            | Shares     | Share price (NOK) | % stake |
| A. Wilhelmsen Capital AS/Aweco Invest AS              | Aker Brygge / M17 | 2.984             | 14,955,967 | 50                | 20.9%   |
| Torstein Tvenge w/Family through controlled companies | Skøyen Bygg       | 1.295             | 8,000,000  | 50                | 11.2%   |

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

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

The Pareto Group through Pareto Eiendom AS, is performing rental brokerage services for Norwegian Property and earned fees totalling NOK 1.0 million during the third quarter. Pareto Securities is providing securities brokerage services to Norwegian Property. During the third quarter they earned NOK 6.0 million in such fees.

### Facility management agreements (property management agreements)

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

A special commercial and facility management arrangement for Aker Brygge, with four year duration, has been entered into with Linstow Eiendom AS, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow is also managing the property Middelthunsgate 17, Ibsen-kvartalet and Stortingsgaten 6. Linstow is receiving an annual compensation for the services rendered of NOK 4.1 million.

Pareto Investor Service AS, part of the Pareto Group is providing commercial administration services for a fee totalling NOK 2.35 million.

## Rental agreements

The tenant listed below is also shareholders in the company:

| Related party                  | Property    | Annual rent<br>(NOKM) | Shares     | Share price (NOK) | % stake |
|--------------------------------|-------------|-----------------------|------------|-------------------|---------|
| A. W. Group-Linstow Eiendom AS | Aker Brygge | 4.14                  | 12,085,685 | 50                | 16.9%   |

## Interest charges to subsidiaries

All controlled subsidiaries to Norwegian Property ASA are charged an interest equal to the company's direct all in funding cost with the MLA banks including cost of hedging. The "Kommandittselskaper" in the group have direct borrowings with the same banks and pay the same interest as the group as a whole.

## NOTE 25 – OBLIGATIONS TO BUY

The Group has as per September 30th no obligations to buy property, plant or equipment. Events after balance sheet date are disclosed in Note 29.

## NOTE 26 – PRO FORMA ACCOUNTS

(All figures in NOK 1,000)

The companies are acquired in the period of June 9th to 30th September 2006. For the exact acquisition date of each company, refer to note 5. The pro forma accounts for the consolidated group income statement as of the financial period ended 30. September 2006, are estimated to:

|                       |     | 30.09.2006 |
|-----------------------|-----|------------|
| Gross rental income   | NOK | 579 132    |
| Profit for the period | NOK | 18 147     |

## NOTE 27 – CONTINGENCIES

Norwegian Property has no contingent liabilities in respect of guarantees or other matters arising in the ordinary course of business.

## NOTE 28 – EVENTS AFTER THE BALANCE SHEET DATE

The company completed an agreement in mid October to acquire Aker Hus, the headquarters under construction for the Aker Group at Fornebu in Oslo. The total purchase price for the property was NOK 1.5 billion. The full year rental income for the property, which is rented on a "triple net" agreement for a remaining 13.0 years, has been agreed at NOK 78 million pa. This rent is also payable during the construction period.

For accounting purposes the "rental income" for Aker Hus up to the time of completion of the property in November 2007 will be treated as a down payment on a receivable against the tenants which is established at the time of purchase (October 2006). Interest on loans related to Aker Hus will be capitalized on the asset during the construction period.

A financial "equity bridge" debt facility has been established with the MLA banks which, under the existing facility, will allow the company to fund the purchase of Aker Hus. The seller will take a NOK 100 million equity share as partial settlement issued at NOK 50 per share. Final completion of the property is expected in the fourth quarter of 2007. The Aker Group carry the risk of any construction cost overrun and/or delays.

After the purchase of Aker Hus, the portfolio of 41 properties totals approximately 591 000 square metres. 99.6 % of the properties are leased. Tenants consist almost entirely of large and reputable private and public enterprises. Including Aker Hus, leases have an average remaining term of 7.8 years.



## 25 largest tenants as of 16 October 2006

| Tenant  | Privat/ Public | Listed | Contractual gross<br>rent 2007 (NOKm) | %            | Duration (years) |
|---|----------------|--------|---------------------------------------|--------------|------------------|
| 1 Aker ASA/Aker Kværner ASA                   | Pr             | Y      | 78.3                                  | 8.7 %        | 13.1             |
| 2 EDB Business Partner ASA                    | Pr             | Y      | 75.5                                  | 8.4 %        | 12.6             |
| 3 Nordea                                      | Pr             | Y      | 43.7                                  | 4.9 %        | 7.4              |
| 4 SAS   | Pr             | Y      | 40.4                                  | 4.5 %        | 10.3             |
| 5 If Skadeforsikring                          | Pr             |        | 38.4                                  | 4.3 %        | 6.2              |
| 6 Statoil                                     | Publ           | Y      | 35.3                                  | 3.9 %        | 5.1              |
| 7 Total E&P                                   | Pr             | Y      | 27.5                                  | 3.0 %        | 11.5             |
| 8 Leif Høegh                                  | Pr             |        | 25.9                                  | 2.9 %        | 13.6             |
| 9 Telenor                                     | Pr             | Y      | 25.8                                  | 2.9 %        | 9.1              |
| 10 Aker Kværner Offshore Partner              | Pr             | Y      | 23.0                                  | 2.5 %        | 3.3              |
| 11 Skanska Norge AS                           | Pr             | Y      | 21.1                                  | 2.3 %        | 8.7              |
| 12 Fokus bank                                 | Pr             | Y      | 19.9                                  | 2.2 %        | 6.4              |
| 13 Astrup Fearnley/Astrup Fearnely stiftelsen | Pr             |        | 19.2                                  | 2.1 %        | 10.9             |
| 14 Nera ASA                                   | Pr             | Y      | 17.8                                  | 2.0 %        | 5.1              |
| 15 Ementor Norge AS                           | Pr             | Y      | 17.7                                  | 2.0 %        | 6.0              |
| 16 Oslo Sporveier                             | Publ           |        | 17.0                                  | 1.9 %        | 8.8              |
| 17 Simonsen Advokatfirma DA                   | Pr             |        | 16.7                                  | 1.9 %        | 6.3              |
| 18 Rikshospitalet                             | Publ           |        | 16.2                                  | 1.8 %        | 15.5             |
| 19 Arbeidsdirektoratet                        | Publ           |        | 14.3                                  | 1.6 %        | 5.0              |
| 20 GlaxoSmithKlein                            | Pr             | Y      | 14.3                                  | 1.6 %        | 10.4             |
| 21 TietoEnator                                | Pr             |        | 12.5                                  | 1.4 %        | 6.0              |
| 22 Dagens Næringsliv                          | Pr             |        | 12.2                                  | 1.4 %        | 2.8              |
| 23 Hydro Texaco AS                            | Pr             |        | 12.1                                  | 1.3 %        | 3.1              |
| 24 Bergesen Worldwide Offshore AS             | Pr             | Y      | 10.6                                  | 1.2 %        | 6.9              |
| 25 Esso Norge                                 | Pr             | Y      | 9.1                                   | 1.0 %        | 4.3              |
| <b>TOTAL 25 LARGEST TENANTS</b>               |                |        | <b>645</b>                            | <b>71 %</b>  | <b>9.0</b>       |
| Other tenants                                 |                |        | 257                                   | 29 %         | 4.7              |
| <b>TOTAL ALL TENANTS</b>                      |                |        | <b>902</b>                            | <b>100 %</b> | <b>7.8</b>       |



NORWEGIAN PROPERTY

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