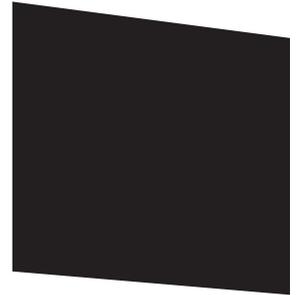


NORWEGIAN  
PROPERTY  
ANNUAL REPORT  
2006





---

Norwegian Property ASA is a new company which invests in large, centrally-located commercial properties in Norway's biggest cities.

The company has invested NOK 17.2 billion in 55 properties in Oslo, Stavanger and Bergen. These high-quality holdings occupy very attractive locations, and their tenants include a number of the country's most reputable and financially-sound enterprises.

---



## Contents

---

<b>4:</b> Highlights 2006	<b>11:</b> Directors' report 2006	<b>46:</b> Shareholder information
<b>5:</b> Key figures	<b>17:</b> Consolidated annual accounts	<b>48:</b> Analytical information
<b>5:</b> Financial calendar 2007	<b>22:</b> Notes to the accounts	<b>54:</b> Board of directors
<b>6:</b> Norwegian Property in brief	<b>41:</b> Auditor's report	<b>56:</b> Management team
<b>8:</b> A solid platform	<b>42:</b> Corporate governance	<b>59:</b> Property portfolio in separate booklet

---

# Highlights of 2006

## Creation and share issues

- Norwegian Property was founded in May with the long-term ambition of becoming the largest and most liquid investment option for commercial property in Norway.
- NOK 1.75 billion in equity was raised on 12 May through a share issue at a price of NOK 50 per share. The issue was oversubscribed 5.3 times.
- A further NOK 300 million was raised in July at an issue price of NOK 50 per share. Private placements have also been implemented in connection with the acquisition of properties.

## Build-up of the property portfolio

- A total of NOK 17.2 billion was invested in a total of 55 properties between May 2006 and January 2007.
- The total area is about 723 000 square metres, with an annual rental income of roughly NOK 1.1 billion.
- Virtually the entire portfolio is covered by leases, with an average remaining term of about 7.3 years.

## Build-up of the organisation

- Petter Jansen joined the company as president and CEO on 28 August 2006.
- The remainder of the management team was recruited and joined during the autumn.
- A number of appointments were made during 2006, and the organisation is expected to reach its planned size during the first half of 2007.

## Share issue and stock market listing

- Plans for an initial public offering and an application for a stock market listing were announced on 27 October.
- Totalling NOK 1.2 billion, the IPO was implemented at a price of NOK 53.50 per share and oversubscribed six times.
- The share was listed on the Oslo Stock Exchange on 15 November with the ticker code NPRO. Trading in the share has been good, and the price has developed positively since the listing.
- Soon after the listing, Norwegian Property was also included in the international property indices from FTSE EPRA/NAREIT Global Real Estate Index Series.

## Refinancing and reduced interest margin

- Agreement was reached in December on a seven-year credit facility of NOK 964 million for refinancing four properties in Oslo. The interest margin on the loan was reduced from 80 to 40 basis points.
- Amendments to the company's syndicated loan agreement were also negotiated in early 2007, and the loan commitment was increased by NOK 5 billion. The average margin on the group's total borrowings is expected to be reduced in March from the 80 basis points in November 2006 to 60 basis points.

## Key figures 2006

(9 June-31 December)

		2006
<b>Profit and loss*</b>		
Gross rental income	NOK million	414.8
Operating profit	NOK million	745.0
Operating margin	Per cent	179.6
Profit before tax	NOK million	539.5
Annualised return on paid-in capital	Per cent	25.2
Dividend (NOK per share) proposed to AGM in May	NOK per share	2.50
<b>Balance sheet*</b>		
Property portfolio, book value	NOK million	13 920
Total assets	NOK million	16 888
Interest-bearing debt	NOK million	10 978
Equity	NOK million	5 373
Equity ratio	Per cent	31.8
Book equity per share	NOK per share	54.09
<b>Portfolio**</b>		
Number of properties		55
Total area	Sq.m	722 542
Average remaining lease term	Years	7.3
Vacant	Per cent	0.8
Average net yield	Per cent	5.6
Property portfolio, market value	NOK million	18 056
Property portfolio, market value	NOK per sq.m	24 991
Property portfolio, cost price	NOK per sq.m	23 800

\* Reported figures where the properties are included from their date of acquisition.  
Aker Hus is recognised as a development property.

\*\* Includes 13 properties in Nydalen and at Økern (the IFN portfolio) taken over 1 January 2007.

## Financial calendar 2007

4 May	Annual general meeting 2006
4 May	Interim report for first quarter of 2007
31 May	Dividend paid
10 August	Interim report for second quarter of 2007
26 October	Interim report for third quarter of 2007

---

Established in May 2006, Norwegian Property has quickly built itself up into a leading player in Norway's property market. It secured a listing on the Oslo Stock Exchange in November.

---

## Norwegian Property in brief

Norwegian Property ranked at the beginning of 2007 as a solid and expansive company with a portfolio totalling 55 attractive commercial properties with a market value of NOK 18.1 billion. On a full-year basis, this portfolio will yield a gross rental income of roughly NOK 1 064 million. During 2006, when the company was in a start-up phase, rental income totalled NOK 415 million.

The organisation is in the process of being established, and the company had seven employees at 31 December. When fully staffed, Norwegian Property is expected to have 15-20 employees. The company is located in Oslo.

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Demand from the rental market for this type of property is high, while the supply of vacant premises and new buildings is restricted. Rents are accordingly expected to continue rising over the next few years. Norwegian Property is well positioned to benefit from a future positive trend in the property market, and has ambitions for future growth.

Meeting the demand for a liquid, listed investment option in the commercial property sector, the company aims to give its shareholders an attractive return. A well-diversified quality portfolio of large commercial proper-

ties, combined with an attractive and predictable relationship between risk and return, will contribute to value creation. Norwegian Property aims to take a leading role in the restructuring and consolidation of the market.

The 55 properties in today's portfolio represent a total area of 723 000 square metres. Virtually the entire portfolio is leased, with an average remaining term of roughly 7.3 years.

### Object and strategies

The overall long-term object is to be the largest and most liquid investment option for Norwegian commercial property.

### Investment strategy

- The principal strategy is to invest in attractive and centrally located properties with a value of more than NOK 200 million each and an attractive entry yield.
- Between 85 and 90 per cent of the properties will lie in Oslo, Stavanger, Bergen or Trondheim.
- The emphasis is on securing long-term leases, adjusted in accordance with the consumer price index.
- Tenants will normally be large listed companies and public bodies, in order to reduce risk associated with leases.

---

*“ A solid and expansive company ”*

---

### Strategy for financing and return

- The company's earnings, cash flow and required return will be highly predictable.
- The objective is a return of 13-15 per cent on paid-in equity and an annual dividend of four-six per cent of paid-in equity.
- The company's target equity ratio will be about 25 per cent.
- The company will be financed on competitive terms.
- More than 70 per cent of long-term debt will be hedged at fixed interest rates.

### Shareholder strategy

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

---

*“ Aims to take a leading role in the restructuring and consolidation of the market ”*

---

### Market

The Norwegian market for commercial property reflects the strength of the national economy. Demand for quality properties in central locations is high.



At the same time, the supply of vacant premises and new building is limited. This has raised the level of rents, and a further increase is expected in the next few years.

### Property portfolio

Norwegian Property has chosen to focus on commercial properties in the office and retail sectors, with central locations in the largest cities. At 31 December, the portfolio comprised 43 properties in Oslo, 11 in Stavanger

and one in Bergen. All were acquired in 2006. The company's ambition is to continue growing, and new investments will be constantly assessed.

More information about each property can be found in a separate section in this annual report, and on the company's website at [www.npro.no](http://www.npro.no).

### Tenants

Norwegian Property has a number of large and financially sound tenants engaged in both private and pub-

lic activities. The 25 largest tenants account for about 65 per cent of the rental income. The company had a total of 400 tenants at 31 December 2006.

---

The creation of Norwegian Property was backed by circles with substantial experience from commercial property and finance. They challenged and inspired each other in a process which sought to think along new and different lines. That led them to a strategy encompassing both size and quality as well as a conscious attitude to the required rate of return. This process and this strategy formed the basis for our creation in May 2006. We were listed on the Oslo Stock Exchange before the end of the year, and rank now as a financially sound and expansive property company.

---

## A solid platform for healthy long-term value creation

A number of major projects and many important decisions characterised 2006. In addition to getting started and acquiring properties, we worked on our financing. A series of share issues were implemented, some of them substantially over-subscribed, and we have come a long way in the job of refinancing our debt on more favourable terms. The stock market listing was an extremely important project, and we are gratified by the good reception our company has received – not least from reputable international investor circles.

Naturally, building up our own organisation has also been a priority. Most key positions have now been filled. We have given great emphasis to developing a broadly-based team in terms of experience and expertise. By drawing on well-regarded property companies as well as trendsetting players from other sectors, we want

to develop an organisation which can help establish a new standard for the property sector. Our recruitment has given weight to such considerations as the ability to create value, to execute and to think innovatively, as well as an understanding of the market.

At 1 January 2007, we possessed a total of 55 commercial properties acquired for NOK 17.2 billion. This means that we have become one of Norway's largest property companies. Our portfolio comprises quality properties with attractive locations in large Norwegian cities.

We have got off to a good start, and possess a solid platform for healthy long-term development. Having exploited an opportunity offered by the market, we are clear about what we will offer investors who want a position in commercial property. We give them access to a first-class portfolio in a company offering a liquid property share, which opens opportunities for more investors to put money into property.

Investors know what they get with Norwegian Property. We have a focused strategy, as documented by the types of properties we have become involved with. We offer a major player with optimum capitalisation, as shown by a debt ratio of about 75 per cent. More than 80 per cent of our loans are covered by interest rate hedges with average maturities of more than five years. That contributes to predictability and reduces risk in relation to

the interest rate increases which often follow in the wake of boom times. We have financially sound tenants and an average remaining term of about seven years on our leases. All this helps us to be precise about our required rate of return, and thereby about what we can offer investors.

Attractive properties often have tenants who set stringent standards for quality, efficiency and flexibility. Thanks to our size, and through our partners, we in Norwegian Property will be able to offer a competent management organisation with a high level of service. We will secure a position which means we attract able people, and we will have sufficient weight in our portfolio to be attractive to competent sub-contractors. This contributes to our ability to deliver quality to our tenants.

A large portfolio spread over several big cities also enhances our flexibility by allowing us to offer solutions adapted to the changing requirements of our tenants.

We are also concerned to ensure that, as a large owner of commercial property, we can exploit synergies and economies of scale. This will cut our own costs to the benefit of our owners. Tenants will also benefit from our efficient operation, and we will assess various measures here which can strengthen relations and competitiveness.

The development of the Norwegian property market reflects trends in

---

*“ We have got off to a good start, and possess a solid platform for healthy long-term development ”*

---

the national economy. We are experiencing a period of growth and good prospects. Demand for commercial property has been growing, and this trend is expected to continue. Attractive premises centrally located in the big cities are in particular demand, and this segment is our priority. Rents rose here by 15 per cent in the second half of 2006, and a further 25 per cent increase is expected over the next two years. We will benefit substantially from this in terms both of future earnings and of the development in the value of our properties.

We have quickly established a solid platform for further growth, and have ambitions to develop our company into the largest and most reputable player in Norwegian commercial property.



Petter Jansen  
President and CEO



---

*“ We have ambitions to develop our company into the largest and most reputable player in Norwegian commercial property ”*

---



---

Norwegian Property was founded in May 2006 in order to give private and institutional investors access to a large, liquid, profitable and well-diversified investment option with a good exposure to the market for centrally located commercial property. Our long-term goal is to become the largest and most liquid investment option in Norway's commercial property sector.

---

## Directors' report 2006

### 2006 – a start-up year

Norwegian Property took over its first properties in June 2006. Up to December, it acquired or signed purchase contracts for 55 attractive properties in Oslo, Stavanger and Bergen with a total area of 723 000 square metres and a total acquisition cost of NOK 17.2 billion. These purchases have made Norwegian Property one of Norway's largest owners of commercial property.

During the same period, the company built up its organisation and was operational by 31 December with a full-time administration supported by certain key resources employed on a contract basis.

The company has worked actively since its creation to cultivate Norwegian and international investor circles to secure interest in its share. A series of share issues have been implemented, several of them substantially over-subscribed. Since the stock market listing in November, the liquidity of the company's share has been good.

### Group accounts

The group accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). Since the company was founded in May 2006, no comparative figures are available for 2005.

### Profit and loss account 2006

The group profit and loss account for

2006 embraces the management of 41 properties from their respective acquisition dates, as well as the Aker Hus development property. Gross rental income from the company's creation totalled NOK 414.8 million. Common costs which have been charged on to tenants are recognised net.

Maintenance and property-related costs totalled NOK 20.2 million. This reflects the fact that tenants in many of the group's buildings cover the bulk of property-related costs under bare-house contracts, and that the portfolio includes a large proportion of single-user buildings. Other operating costs totalled NOK 42.8 million and includes substantial spending related to the establishment of the company and its stock market listing. Operating profit before fair value adjustments was thereby NOK 351.7 million.

The positive change in the valuation of the company's property portfolio totalled NOK 393.2 million. This increase reflects a rise in higher market rents, but was negatively affected by rising interest rates and consequent changes in the discount rate. See the section below on the property portfolio. Group operating profit came to NOK 745 million.

Financial income, which consists largely of interest income, totalled NOK 13.5 million. Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 295.8 million. The company has secured financial instruments to manage interest rate and

foreign exchange risk. Some of these instruments do not qualify for hedge accounting under IAS 39. The change in market value for these instruments had a positive effect of NOK 76.7 million on profits. Profit before tax and minority interests was thereby NOK 539.5 million.

NOK 148.6 million is recognised in the accounts for tax expense, which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of profit is NOK 1.3 million. As a result, profit after tax and minorities is NOK 389.6 million. That corresponds to earnings per share of NOK 5.14.

### Financial position and capital structure

Cash in hand at 31 December amounted to NOK 1 252 million. Total equity was NOK 5 373 million, corresponding to an equity ratio of 31.8 per cent. After deduction of minority interests, book equity per share came to NOK 54.09.

Interest-bearing debt at 31 December totalled NOK 10 978 million, of which NOK 9 136 million was drawn under credit facilities provided by a syndicate of the company's four main banks. The remaining debt related to individual properties or restricted property portfolios. At 31 December, the average interest rate on the company's loans was 5.16 per cent and the average loan margin was 0.76 per cent.

---

The average remaining term to maturity for the loans was seven years.

Norwegian Property's policy is to hedge a minimum of 70 per cent of its loans. At 31 December, the company had concluded interest rate hedging contracts totalling NOK 9 936 million. This corresponded to a hedging ratio of 91 per cent. The average remaining term of the interest rate hedges was 6.2 years. NOK 5 750 million of the hedging qualifies for hedge accounting under IAS 39.

A refinancing of the group's loans is under way at Norwegian Property in order to secure more competitive borrowing terms. The first phase of this refinancing was implemented during December with a loan of NOK 964 million from Nykredit. In January, the group's credit facility with its main banks was renegotiated and the interest margin reduced. The parties were simultaneously pursuing a joint process to raise a bond loan in March 2007 and securitise parts of the company's debt during the first half of 2007. A NOK 4.7 billion increase in borrowing limits will be available for further acquisitions up to 30 June 2007. Norwegian Property's ambition is to have overall financing costs which are competitive in the market and average margins which are significantly lower than at 31 December 2006. Another ambition is to reduce the annual repayments from today's 1.7 per cent of the loan principal per annum.

### Going concern assumption

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2006 have been prepared on that basis.

### Coverage of net loss in the parent company

The parent company, Norwegian Property ASA, showed a net loss of NOK 86.3 million for 2006. The board pro-

poses that this be covered by a transfer from other equity. At the annual general meeting in May, the board will propose a dividend of NOK 2.50 per share, corresponding to a total payout of NOK 246.3 million. It is proposed to transfer this amount from other equity. Unrestricted equity at 31 December was NOK 1 082.2 million after the proposed dividend is taken into account.

### Properties

Norwegian Property owned 42 properties at 31 December. During January 2007, the company completed the acquisition of a further 11 properties in Nydalen and two at Økern (the IFN portfolio). The combined purchase price for these 13 properties was NOK 2 189 million, which was financed by drawing down NOK 1 650 million in loans and by available liquid assets.

The company's properties are located in central districts of Oslo (87 per cent of the portfolio's value) and Stavanger (11 per cent), plus one in Bergen. They consist primarily of office buildings (78 per cent of gross rental income), as well as warehousing, retail premises and car parking associated with the offices. The company owns a shopping centre at Aker Brygge with retail outlets and restaurants.

Annual gross rental income for the company's properties totalled NOK 923 million at 31 December. Acquiring the IFN portfolio has raised this figure to NOK 1 064 million. The average remaining term of leases in the portfolio is 7.3 years.

Norwegian Property has a portfolio of tenants which comprises financially sound and attractive organisations and companies. The 25 largest tenants accounted for 64 per cent of rental income at 31 December 2006.

### Valuation of properties

DTZ Realkapital performed an external and independent valuation of the company's properties at 1 January 2007. Its valuation model is based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses and upgrading costs and of vacancy at the expiry of existing leases are made on a property-by-property basis. DTZ Realkapital concluded that a substantial upgrading of the portfolio's overall value was required at 1 January 2007 compared with its total acquisition cost.

The board and executive management have carried out independent assessments of the parameters which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has applied DTZ Realkapital's valuation in the annual accounts. These valuations have accordingly been applied in the accounts, yielding an upward adjustment of NOK 393.2 million in the value of the company's investment properties at 31 December 2006. The total value of the company's investment properties at that date was thereby NOK 13 920 million. In accordance with IAS 36, the carrying amount related to the Aker Hus development property has also been tested. The conclusion is that the carrying amount of this property remains unchanged at NOK 1 151 million.

### Risk management in Norwegian Property

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

---

ensure value creation for shareholders, employees and society. Growth opportunities are continuously assessed in relation to the associated risk picture.

### Financial risks

The company's financial risks relate primarily to changes in equity as a result of amendments to the value of the property portfolio, the effect of interest rate changes on profits and liquidity, and the liquidity risk when refinancing debt.

Norwegian Property has invested in high-quality properties with good locations, financially sound tenants and an average remaining lease term of 7.3 years.

Interest rate hedging is utilised to dampen the effects of interest rate changes on profits and liquidity. At 31 December, 91 per cent of the group's interest-bearing debt was covered by interest rate hedges with an average term of 6.2 years. The effect of possible changes in short-term market interest rates will accordingly be limited.

The average remaining term of the company's debt is seven years. Repayments over the next 12 months amount to NOK 100.8 million. At 31 December, the group had a total liquidity of NOK 1 252 million. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt over the coming 12 months, continuous short-term fluctuations in working capital requirements and planned property acquisitions.

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

### Market conditions

The Norwegian economy is enjoying boom conditions. Oil prices are high, and unemployment low and falling. Companies and organisations take a positive view of the future and are positioning themselves for further growth. Demand for office space in Oslo in 2006 was about 300 000 square metres, which is substantially higher than the long-term "normal" level.

Adjusted for obsolete commercial property converted to housing or taken out of the market, the overall supply of space was about 100 000 square metres.

Vacant property in Oslo accordingly fell from around eight per cent in 2005 to just over six per cent. In parts of the city, such as Vika and Aker Brygge (central business district – CBD), no vacant property is in practice available (less than 2.5 per cent).

The consequence of declining availability is a rising level of rents. Tenants still differentiate in terms of standard and location. The top rent paid for high quality in the CBD has risen from NOK 2 350 per square metre at 1 January 2006, via NOK 2 700 in September, to NOK 3 500 in January 2007. Based on estimates by various players, the level of rents in central districts rose by about 20-25 per cent for the year as a whole. The growth in the second half was 15 per cent.

An imbalance between supply and demand is expected to persist for a couple of years to come, and will thereby help to maintain rents at an increased level.

Vacant property is in very short supply in Stavanger, and on a par with the CBD in Oslo. As a result, the level of rents is experiencing strong upward pressure.

### Employees and organisation

The company had seven employees at 31 December, who had all been recruited during the second half of

2006. Recruitment of additional key personnel is under way and the group will have 15-20 personnel when fully staffed. During the start-up phase, the company utilised administrative resources from PricewaterhouseCoopers and technical support from Opak. In most cases, daily operational management of a property has remained with the managers who were responsible for it before the property was acquired by Norwegian Property. A tendering process will be implemented in 2007 to ensure that outsourced management is being pursued in an optimum manner. The expectation is that the number of managers will be reduced, and that the group will be able to secure quality improvements and cost savings from such integration.

The corporate management team comprises five people, who were all in full activity at 31 December. Two of the five are women. Three of the company's seven employees are women, and the board's ambition is that future appointments will help to maintain a continued balance between the genders. Weight has been given when recruiting management and key personnel to a combination of professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation. The board's ambition is that Norwegian Property will be Norway's leading centre of expertise for buying, selling and managing commercial property.

Details of remuneration for directors, the chief executive, the corporate management team and the auditor are provided in note 17 to the accounts for the group and note 10 to the accounts for Norwegian Property ASA.

### Health, safety and the working environment

No injuries or sickness absence were recorded in Norwegian Property's business during 2006.

## Natural environment

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

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

## Corporate governance

Norwegian Property's corporate governance principles build almost entirely on the Norwegian code of practice of 28 November 2006, which largely harmonises with international recommendations. A more comprehensive presentation of the company's corporate governance is provided on pages 42-45 in this annual report.

## Shareholders and the stock market

The Norwegian Property share received a listing on the Oslo Stock Exchange with effect from 15 November. Issued shares at 31 December totalled 98 512 929. The closing price at 31 December was NOK 65, which represents an increase of 12.6 per cent from the closing price of NOK 57.75 on the first day of trading. Before it received a listing on the Oslo Stock Exchange, the share was traded on the Norwegian over-the-counter market.

A total of 3 288 transactions were conducted with the Norwegian Property share on the Oslo Stock Exchange in 2006, with 34.8 million shares traded. The highest and lowest prices for the share in 2006 were NOK 66 and NOK 55.50 respectively.

Norwegian Property had a total of 913 registered shareholders at 31 December 2006. Foreigners owned 56.1 per cent of the issued shares at that date.

## Outlook

Prospects for the Norwegian economy remain good, and will exert a posi-

tive influence on the market for commercial property in the time to come. Demand for commercial premises is high. Substantial price increases are being registered in the construction market. Much of the capacity at the construction companies is tied up in housebuilding. The supply of new premises in central districts during the present year will be limited by the capacity and prices of construction companies, the availability of sites, the process of securing local authority consent and development time for new projects. All in all, therefore, the decline in vacant properties and a rapid rise in rents are expected to continue. Rents in central and attractive areas where vacant premises are already in short supply should show a particular increase. Independent analyses estimate a further rise of 15-30 per cent from today's rent level over the next two years. With high-quality properties in good locations, Norwegian Property is well placed to take advantage of this development both through an increase in the value of its properties and through improvements to operating profit when renewing leases as they expire.

Oslo, 21 March 2007

The board of directors of Norwegian Property ASA

Knut Brundtland  
Chair

Jostein Devold  
Director

Torstein Tvenge  
Director

Egil K Sundbye  
Director

Hege Børmark  
Director

Karen Helene Ulltveit-Moe  
Director

Petter Jansen  
President and CEO





# Consolidated income statement

<i>All amounts in NOK 1 000</i>	<i>Note</i>	<b>2006</b>
Rental income from properties		410 133
Other revenue		4 640
<b>Gross rental income</b>		<b>414 773</b>
Maintenance and property related costs		(20 216)
Other operating expenses	17,18	(42 846)
<b>Total operating cost</b>		<b>(63 062)</b>
<b>Operating profit before fair value adjustment investment property</b>		<b>351 711</b>
Gain from fair value adjustment of investment property		393 244
Gain from sales of investment property		-
<b>Operating profit</b>		<b>744 955</b>
Financial income	19	13 521
Financial costs	19	(295 762)
Change in market value of financial derivative instruments	9,19	76 743
<b>Net financial items</b>		<b>(205 498)</b>
<b>Profit before income tax</b>		<b>539 457</b>
Income tax expense	15,20	(148 565)
<b>Profit for the period</b>		<b>390 892</b>
Minority interests		(1 256)
<b>Profit after minority interests</b>		<b>389 636</b>
Basic and diluted earnings per share for profit attributable to shareholders		<b>5.14</b>

---

# Consolidated balance sheet

## Assets

<i>All amounts in NOK 1 000</i>	<i>Note</i>	<b>31.12.06</b>
<b>Financial assets</b>		
Financial derivative instruments	9	105 102
<b>Total financial assets</b>		105 102
<b>Tangible assets</b>		
Investment property	6	13 919 570
Development property	7	1 150 801
Other tangible assets	7	9 443
<b>Total tangible assets</b>		15 079 814
<b>Totale non-current assets</b>		15 184 916
<b>Current assets</b>		
Financial derivatives	9	187 233
Seller guarantees for future rent		91 370
Accounts receivable	10	78 303
Current receivables	10	93 647
Cash and cash equivalents	11	1 252 462
<b>Total current assets</b>		1 703 015
<b>TOTAL ASSETS</b>		16 887 931

# Consolidated balance sheet

## Equity and liabilities

<i>All amounts in NOK 1 000</i>	<i>Note</i>	<b>31.12.06</b>
<b>Equity</b>		
Share capital	12	2 462 823
Share premium		900 171
Other paid in equity		1 500 000
Retained earnings		389 636
Other reserves		75 763
Minority interests		44 834
<b>Total equity</b>		<b>5 373 227</b>
<b>Non-current liabilities</b>		
Deferred tax	15,20	119 610
Financial derivative instruments	9	-
Interest bearing long term liabilities	14	10 876 787
<b>Non-current liabilities</b>		<b>10 996 397</b>
<b>Current liabilities</b>		
Financial derivative instruments	9	21 518
Short-term interest bearing debt	14	100 800
Trade and other payables	13	254 537
Deferred income and other accruals	16	141 452
<b>Total current liabilities</b>		<b>518 307</b>
<b>Total liabilities</b>		<b>11 514 704</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16 887 931</b>

Oslo, 21 March 2007

The board of directors of Norwegian Property ASA



Knut Brundtland  
Chair



Jostein Devold  
Director



Torstein Tvenge  
Director



Egil K Sundbye  
Director



Hege Børmark  
Director



Karen Helene Ulltveit-Moe  
Director



Petter Jansen  
President and CEO

# Consolidated statement of changes in equity

<i>All amounts in NOK 1 000</i>	Equity attributable to shareholders of the company						Total equity
	Share Capital	Share premium	Other paid in equity	Retained earnings	Other reserves	Minority interests	
Opening balance equity	100	-	-	-	-	-	100
Financial derivatives, net of tax	-	-	-	-	75 763	-	75 763
Profit for the period	-	-	-	389 636	-	1 256	390 892
Total net income for 2006	-	-	-	389 636	75 763	1 256	466 655
Writedown	(100)	-	-	-	-	-	(100)
New equity - May 2006	875 000	875 000	-	-	-	-	1 750 000
New equity - June 2006	717 453	717 453	-	-	-	-	1 434 906
New equity - July 2006	150 370	150 370	-	-	-	-	300 740
New equity - September 2006	45 000	45 000	-	-	-	-	90 000
New equity - October 2006	50 000	50 000	-	-	-	-	100 000
New equity - November 2006	625 000	712 500	-	-	-	-	1 337 500
Equity issues cost, net of tax	-	(150 152)	-	-	-	-	(150 152)
Capital reallocation	-	(1 500 000)	1 500 000	-	-	-	-
Minority interests from purchase	-	-	-	-	-	43 578	43 578
Transactions with shareholders	2 462 723	900 171	1 500 000	-	-	43 578	4 906 472
<b>Total equity 31.12.2006</b>	<b>2 462 823</b>	<b>900 171</b>	<b>1 500 000</b>	<b>389 636</b>	<b>75 763</b>	<b>44 834</b>	<b>5 373 227</b>

# Consolidated cash flow statement

<i>All amounts in NOK 1 000</i>	<b>2006</b>
Profit before income tax	539 457
– Paid taxes in the period	-
+ Depreciation of tangible assets	560
-/+ (Gain) from fair value adjustments	(393 244)
-/+ (Gain) from market value adjustment of financial derivative instruments	(76 743)
+/- Net financial items excluding market value adjustments of financial derivative instruments	282 241
+/- Change in short-term items	224 040
<b>= Net cash flow from operating activities</b>	<b>576 311</b>
– Payments for purchase of tangible fixed assets	(14 703 875)
– Payments for purchase of financial and derivative instruments	(120 021)
<b>= Net cash flow from investment activities</b>	<b>(14 823 896)</b>
+ Net change in long term debt	10 977 587
– Net financial items excluding market value adjustments of financial derivative instruments	(282 241)
+ Capital increase	4 804 601
-/+ Dividend payments	-
<b>= Net cash flow from financing activities</b>	<b>15 499 947</b>
<b>= Net change in cash / cash equivalents</b>	<b>1 252 362</b>
+ Opening balance of cash and cash equivalents	100
<b>Cash and cash equivalents 31.12.2006</b>	<b>1 252 462</b>

---

# Notes to the accounts

## NOTE 1 General information

Norwegian Property ASA is a newly established real estate investment company which invests in large, centrally-located commercial properties in Norway's biggest cities. The purpose of the company is to provide access to a listed and liquid property company share with exposure to centrally-located high quality commercial properties.

Norwegian Property was incorporated as a limited company on 20 July 2005 (under the name Tekågel Invest 83 AS, renamed Norwegian Property AS on 29 April 2006). The company conducted no operations in 2005. On 22 May 2006 the company was converted into a public limited company (Norwegian Property ASA) and the shares were registered in VPS (Norway's central securities register). The company has acquired all owned properties from and including 9 June 2006.

On 9 June 2006 Norwegian Property acquired 28 commercial properties in Oslo and Stavanger, with a total approximate value of NOK 8.7 billion. In the period from 9 June to year end, Norwegian Property acquired an additional 14 attractive commercial properties with a total approximate value of NOK 6.3 billion. In total, the company has completed 14 different property transactions involving a total of 42 properties, with a total approximate value of NOK 15.0 billion.

In the period from its inception to year end, the company has undertaken several equity issues and contributions in kind, for a total of NOK 4.9 billion and has drawn up a total of NOK 10.9 billion in senior debt. Norwegian Property was listed on the Oslo Stock Exchange on 15 November 2006. The equity issue in connection with the listing was six times oversubscribed, with strong participation from international investors.

## NOTE 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Those areas involving a higher degree of judgement or complexity, or

areas where assumptions and estimates are significant to the financial statements, are disclosed within Note 4.

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

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), the Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6 Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment

Interpretations to existing standards that are not yet effective and have not been early adopted by the group:

- IFRIC 10, Interim Financial Reporting and Impairment
- IFRIC 2, Scope of IFRS 2

### 2.2 Consolidation

#### *Subsidiaries*

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

As of 31 December 2006 the company had 91 subsidiaries. In 2005 the company did not have any operations. The current business operations commenced in April 2006. Consequently, there are no comparable figures for the fiscal year 2005.

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

The purchase method of accounting is used to account for

the acquisition of subsidiaries by the group. The cost of an acquisition is measured as being the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

#### *Transactions and minority interests*

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

### **2.3 Foreign currency translation**

#### *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). All entities of the group have NOK as their functional currency for 2006. The consolidated financial statements are presented in NOK, which is the company's functional and presentation currency.

#### *Transactions and balances*

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

### **2.4 Investment property**

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

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

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

Property that is being constructed or developed for future

use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete. Upon completion, it is reclassified and subsequently accounted for as investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised within the income statement.

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

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

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

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

### **2.6 Financial assets**

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

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

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

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

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

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

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

The group documents, at the inception of the transaction, the relationship between the hedging instrument and hedged item, as well as its risk management objectives and strategy for

---

# Notes to the accounts

undertaking the hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 9. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than 12 months or as a current asset or liability when the remaining maturity is less than 12 months.

## *(a) Cash flow hedge*

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

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

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

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within “changes in market value of financial derivatives” – net.

## **2.8 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the

debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement within other operating expenses.

## **2.9 Cash and cash equivalents**

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

## **2.10 Share capital**

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

## **2.11 Trade payables**

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

## **2.12 Borrowings**

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

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

## **2.13 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor

taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

## 2.14 Revenue recognition

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

### *Rental income*

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

### *Other income*

Other income is recognised as it is earned.

## 2.15 Dividend distribution

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

## 2.16 Interest expense

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

When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## 2.17 Pensions

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

in future payments are available. The CEO has in addition a defined benefit pension plan, for specification see Note 17.

## NOTE 3 Risk Management Objectives and Policies

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

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

Risk management for the group is managed by a central finance team in accordance with guidelines approved by the Board. The management team identifies and evaluates operational and financial risks in close co operation with the company's operational units and facilities managers. The Board provides written policies covering specific areas, such as insurance, foreign exchange risk and interest rate risk. Fraud risks are countered by setting ethical standards and code of conduct guidelines.

### 3.1 Operational risks

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

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

### 3.2 Financial Risks

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

The board established a Finance policy in June 2006 which outlines instructions and guidelines for the management of the company's financial risks.

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

The group is subject to market risk relating to changes in interest rates, given that it has significant floating rate borrowings. At the end of December the average credit margin on floating rate borrowings was 76 basis points.

In order to mitigate interest risk, the group has acquired from sellers and entered into new interest rate swap agreements totalling NOK 9.9 billion as at 31.12. The average fixed rate of the swaps portfolio is 5.24 per cent (including margin) and has an average remaining maturity of 6.2 years.

The company has a policy to hedge a minimum of 70 per

---

# Notes to the accounts

cent of floating rate loans outstanding. As at year end, 91 per cent of such loans were hedged.

The fair value of the properties will vary based on, amongst several other factors, the long term interest rate expectations in the market. Such fair value fluctuations will be accounted for and reported in accordance with IFRS (See note 4).

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

Rental income is exposed to the market rental levels, credit risk and currency risk.

#### (i) The market

The company focuses on blue chip tenants and long term contracts. Tenants shall in the main consist of larger, well established companies and public sector organisations in order to reduce counterparty credit risk. The current average duration of rental contracts are 7.3 years.

#### (ii) Inflation

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

#### (iii) Foreign exchange risk

Currently, less than 5 per cent (NOK 47 million/pa) of the group's rental income is in foreign currency (EUR) and practically all operational expenses are denominated in NOK. This exposes the group to limited foreign exchange risk.

At the end of the financial period, the group had in place currency swap agreements with a total nominal value of NOK 318 mill. Gains and losses on the group's forward exchange contracts are classified as other operating gains/losses in the income statement.

#### (iv) Credit risk

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

Credit loss during 2006 has been negligible.

#### *Liquidity risk and financial flexibility*

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

As of year end the company had a satisfactory liquidity reserve and funding flexibility.

### 3.3 Fraud Risks

Overall guidelines as to ethical standards for leadership and business conduct in the company are set out in "Instructions to the Board" and "Instructions to the CEO" overall guidelines are communicated to set the ethical standard for the leadership and business conduct in the company.

Norwegian Property has experienced no incidents of identified fraud 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 as adjusted for current market conditions and other factors.

#### 4.1 Critical accounting estimates and assumptions

Management is required to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### *Estimate of fair value of investment properties*

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

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc) and adjusted for significant changes in tenant portfolio. In addition, all properties are periodically subject to technical reviews.

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

The company uses different approaches in order to obtain satisfactory and appropriate property valuations. The approaches are (i) the net asset value (NAV), (ii) cash flow analysis and (iii) multiple analyses.

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

(ii) A valuation of a property company can be made by using the discounted cash flow method (DFC). This approach has its foundation in the "present value" rule, where the value of any is the present value of expected future cash flows arising from it.

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

*Fair value of derivatives and other financial instruments*

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

## NOTE 5 Segment information

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

## NOTE 6 Investment property

*(All amounts in NOK 1 000)*

Opening balance 1 january 2006	-
Additions in period	13 526 327
Net gain/loss on changes in fair value	393 244
<b>Value as at 31 December 2006</b>	<b>13 919 571</b>
<hr/>	
Rental income	410 133
Direct operating expenses arising from investment properties that generate rental income	20 216
<b>Net rental income</b>	<b>389 916</b>

## General principles

Investment property is valued at its fair value based on a quarterly valuation carried out by independent experts. The group's investment properties were valued as at 31 December 2006 by DTZ Realkapital, an independent professional service firm. Investment property is not subject to depreciation.

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

There are no significant contractual obligations to buy, build or develop investment properties (however see note 7 for assets under construction). Investment property is valued at its fair value based on a quarterly valuation assessments (ref also note 4).

A separate valuation is carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc.) and adjusted for significant changes within the tenant portfolio. In addition, all properties are subject to technical reviews on a regular basis.

Based on external valuations and supplementary internal analysis of the market and rental portfolio, management make an overall fair value assessment to conclude as to whether they present a fair picture of the market value of the property portfolio.

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

# Notes to the accounts

## NOTE 7 Property, plant and equipment

(All amounts in NOK 1 000)

### Property, plant and equipment

	Property under construction	Fixture, fittings and equipment	Total
1 January 2006	-	-	-
Additions	56 333	2 991	59 324
Disposals	-	-	-
Additions from the acquisition of companies	1 094 467	7 010	1 101 477
	<b>1 150 801</b>	<b>10 001</b>	<b>1 160 802</b>

### Accumulated depreciation and impairment losses

	Property under construction	Fixture, fittings and equipment	Total
Opening balance 1 January 2006	-	-	-
Current year's depreciation	-	557	557
Current year's impairment losses	-	-	-
Disposals	-	-	-
As at 31 December 2006	-	<b>557</b>	<b>557</b>
Carrying amount	<b>1 150 801</b>	<b>9 443</b>	<b>1 160 244</b>

Norwegian Property acquired "Aker Hus" on 25 October 2006. This is a property under construction to be completed within 2007. Until completion, property under construction is accounted for at cost in accordance with IAS 16.

## NOTE 8 Operating leases

(All amounts in NOK 1 000)

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

Within 1 year	917 955
Later than 1 year and no later than 5 years	3 214 640
Later than 5 years	3 098 379
<b>Total</b>	<b>7 230 974</b>

The figures presented above relate to contract values as at 2007 (not index adjusted) for contracts entered into as at 31 December 2006.

## NOTE 9 Financial derivative instruments

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

Norwegian Property has fixed the majority of its floating rate borrowing exposure through interest rate swaps, as described within the tables below. The company's policy regarding interest rate exposure is to ensure that a minimum of 70 per cent of its floating rate interest exposure is fixed at any time.

Despite its current hedging position, the company's financial positions and cash flows remain exposed to the effects of fluctuations in prevailing market interest rates. Interest costs may therefore increase or decrease as a result of such fluctuations.

### Book value of hedged items

	Assets	Liability
Book value of hedged items	-	5 750 000
<b>Total</b>	<b>-</b>	<b>5 750 000</b>

### Details of interest rate derivatives

The notional principal amounts, fixed rates and duration of interest rate financial derivative instrument contracts as at 31 December 2006 are outlined below (Norwegian Property pays fixed rates and receives floating rates):

Counterparty	Currency	Notional principal amount	Fixed rate	End date
Nordea	NOK	500 000	4.35500%	05.07.12
Danske (Fokus) Bank	NOK	1 000 000	4.34500%	05.07.12
Danske (Fokus) Bank	NOK	500 000	4.35500%	05.07.12
DnB NOR	NOK	1 000 000	4.34500%	05.07.12
DnB NOR	NOK	500 000	4.35500%	05.07.12
SEB	NOK	1 000 000	4.34500%	05.07.12
SEB	NOK	500 000	4.35500%	05.07.12
SEB	NOK	750 000	4.83500%	05.07.12
<b>Total - Contracts qualifying for hedge accounting</b>	<b>NOK</b>	<b>5 750 000</b>		
Nordea	NOK	1 225 000	4.17850%	03.05.11
Nordea	NOK	400 000	4.17850%	18.05.11
Nordea	NOK	975 000	4.11000%	30.06.16
Storebrand Bank	NOK	278 500	4.28000%	15.07.25
Storebrand Bank	NOK	148 500	3.92000%	15.07.15
SEB	NOK	950 000	3.83500%	05.07.12
<b>Total - other contracts</b>	<b>NOK</b>	<b>3 977 000</b>		
DnB NOR	EUR	25 467	3.87500%	31.12.14
<b>Total - other contracts</b>	<b>EUR</b>	<b>25 467</b>		
<b>Total interest rate hedging</b>	<b>NOK</b>	<b>9 727 000</b>		
<b>Total interest rate hedging</b>	<b>EUR</b>	<b>25 467</b>		
<b>Total interest rate hedging - NOK equivalent</b>	<b>NOK</b>	<b>9 935 950</b>		

Floating rates are 3 month NIBOR with the exception of the EUR swap, where the floating rate is 3 month EURIBOR. Gains and losses relating to derivative contracts which do not qualify for hedge accounting as at 31 December 2006 are realised within the profit and loss account until such time as the underlying hedged loan is fully repaid. Gains and losses relating to contracts qualifying for hedge accounting are accounted for within the hedging reserve within equity until such time as the underlying hedged loans is fully repaid.

# Notes to the accounts

## Details of Foreign Exchange derivatives

Details of FX derivative financial instrument contracts in place as at 31 December 2006 are shown below:

	Currency	Notional amount	Fixed rate	End date	
Currency swaps					
Nordea	NOK	37 353	3.97000%	10.10.12	
Nordea	EUR	(4 740)	3.70000%	10.10.12	
Nordea	NOK	280 584	4.19000%	10.10.17	
Nordea	EUR	(35 607)	3.90000%	10.10.17	
<b>Total currency swaps</b>	<b>NOK</b>	<b>317 937</b>			
<b>Total currency swaps</b>	<b>EUR</b>	<b>(40 347)</b>			
	Currency	Amount	Exchange rate	End date	
Forward contracts					
DnB NOR	NOK	693	8.45500	15.10.18	(Quarterly exchanges at fixed exchange rate)
DnB NOR	EUR	(82)	8.45500	15.10.18	(Quarterly exchanges at fixed exchange rate)
Hafslund ASA	NOK	(116 600)	8.65810	02.01.19	
Hafslund ASA	EUR	13 467	8.65810	02.01.19	
<b>Total forward contracts</b>	<b>NOK</b>	<b>(115 907)</b>			
<b>Total forward contracts</b>	<b>EUR</b>	<b>13 385</b>			
<b>Total - FX derivatives</b>	<b>NOK</b>	<b>202 030</b>			
<b>Total - FX derivatives</b>	<b>EUR</b>	<b>(26 962)</b>			

## Details of on balance sheet derivatives

	Assets	Liabilities
Interests rate swaps - qualifying for hedge accounting	105 102	-
Interests rate swaps - not qualifying for hedge accounting	161 762	-
Foreign exchange contracts	25 471	21 518
<b>Total financial derivative contracts</b>	<b>292 336</b>	<b>21 518</b>
Non-current portion:		
Interest rate swaps - cash flow hedges	105 102	-
<b>Financial derivative contracts current portion</b>	<b>187 233</b>	<b>21 518</b>

Financial derivative contracts that do not qualify for hedge accounting is classified as a current asset or liability. The full fair value of a derivative contract qualifying for hedge accounting is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The ineffective portion recognised within the profit or loss that arises from cash flow hedges amounts to a loss of NOK 660 thousand.

The company has rental contracts where the rent is fixed in foreign exchange. As long as FX hedging contracts are not closely connected to the rental contracts, the derivatives themselves are separated and treated separately. The real value of such derivatives was NOK 25.5 million as at 31 December 2006.

## NOTE 10 Current receivables

(All amounts in NOK 1 000)

Account receivables	79 517
Less: provision for impairment of receivables	(1 214)
Account receivables - net	78 303
Other receivables	93 647
<b>Total receivables</b>	<b>171 950</b>

## NOTE 11 Cash and cash equivalents

(All amounts in NOK 1 000)

Cash at bank and in hand	1 251 951
Withholding tax account (tied up deposits)	511
Short-term bank deposits	-
<b>Total cash and cash equivalents</b>	<b>1 252 462</b>

The effective interest rate is 3.6 per cent

## NOTE 12 Share capital

Date	Type of change	Change in share capital (NOK)	Share capital after change (NOK)	No of shares after change	Par value (NOK)	Price per share (NOK)
20.07.05	Incorporation	-	100 000	1 000	100	100.0
26.04.06	Share split	-	100 000	4 000	25	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25	50.0
22.05.06	Write down	100 000	875 000 000	35 000 000	25	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25	50.0
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25	50.0
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25	50.0
<b>30.06.06</b>	<b>Closing</b>	<b>-</b>	<b>1 592 453 050</b>	<b>63 698 122</b>	<b>25</b>	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25	50.0
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25	50.0
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25	50.0
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25	50.0
<b>30.09.06</b>	<b>Closing</b>	<b>-</b>	<b>1 787 823 225</b>	<b>71 512 929</b>	<b>25</b>	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25	50.0
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25	53.5
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25	50.0
<b>31.12.06</b>	<b>Closing</b>	<b>-</b>	<b>2 462 823 225</b>	<b>98 512 929</b>	<b>25</b>	

(All figures in 1 000)

Average number of shares from 9 June until yearend	75 774
Number of shares issued	98 513

# Notes to the accounts

## List of main shareholders

Largest shareholders	Country	Number of shares	% of total shares issued
A. Wilhelmsen Capital AS	NO	12 087 000	12.27%
State Street Bank and Trust Co. (nom)	USA	4 726 472	4.80%
Fram Holding AS	NO	4 000 000	4.06%
Fram Realinvest AS	NO	4 000 000	4.06%
Credit Suisse Securities	GB	3 568 202	3.62%
Morgan Stanley & Co. Inc. (nom)	GB	3 302 227	3.35%
Vital Forsikring ASA	NO	3 228 700	3.28%
Bank of New York, Brussels Branch	BE	3 223 695	3.27%
Aweco Invest AS	NO	2 870 282	2.91%
Mellon Bank AS, Agent for ABN Amro (nom)	USA	2 767 058	2.81%
Morgan Stanley & Co. Inc.	GB	2 594 864	2.63%
Orkla ASA	NO	1 887 400	1.92%
Lani Development AS	NO	1 800 000	1.83%
BNP Paribas Sec. Services London (nom)	FR	1 750 000	1.78%
Fortis Bank Luxembourg S.A.	LUX	1 705 268	1.73%
Goldman Sachs International (nom)	GB	1 665 338	1.69%
Opplysningsvesenets Fond	NO	1 654 931	1.68%
Deutsche Bank AG London (nom)	GB	1 620 866	1.65%
Investors Bank & Trust Company (nom)	USA	1 389 434	1.41%
Mellon Bank AS Agent for clients (nom)	USA	1 239 244	1.26%
Other shareholders		37 431 948	38.00%
<b>Total number of shares as of 31 December 2006</b>		<b>98 512 929</b>	<b>100.00%</b>

## Shares held by the board of directors and senior executive officers

Shareholder	Number of shares
<b>Board of directors</b>	
Knut Brundtland (Chair)	200 000
Jostein Devold	-
Egil K. Sundbye	1 000
Torstein I. Tvenge	8 000 000
Karen Helene Ulltveit-Moe	-
Hege Bømark	-
<b>Senior executives</b>	
Petter Jansen President and Chief executive officer (CEO)	40 000
Dag Fladby Vice president and Chief investment officer (CIO)	4 000
Svein Hov Skjelle Vice president and Chief financial officer (CFO)	5 000
Aili Klami Vice president sales and marketing	-
Mona Ingebrigtsen Vice president and Chief operating officer (COO)	-
<b>Total</b>	<b>8 250 000</b>

## NOTE 13 Trade and other payables

(All amounts in NOK 1 000)

Trade payables	115 317
Accrued interest	113 439
Salaries	208
Public dues	21 117
Other payables	4 456
<b>Total trade and other payables</b>	<b>254 537</b>

## NOTE 14 Borrowings

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

	Currency	Amount
Total bank borrowings	NOK	9 846 451
Total bank borrowings	EUR	32 622
Total bond loans	NOK	768 000
Total other borrowings	NOK	165 861
<b>Total borrowings</b>	<b>NOK</b>	<b>10 780 312</b>
<b>Total borrowings</b>	<b>EUR</b>	<b>32 622</b>
<b>Total borrowings - NOK equivalent</b>	<b>NOK</b>	<b>11 049 051</b>
<b>Total un-drawn borrowing facilities</b>	<b>NOK</b>	<b>1 900 549</b>

### Specification of borrowings

	Currency	Amount	Amount with fixed interest rate	Interest rate
<b>Non-current</b>				
Long term loan facility with the MLA banks	NOK	9 094 590	-	NIBOR + 0.80% (0.90% Aker Hus)
Storebrand Bank ASA	NOK	507 000	-	NIBOR + 0.65%
Nykredit Bank A/S	NOK	190 418	-	NIBOR + 0.80%
DnB NOR ASA	EUR	32 258	-	EURIBOR + 0.375%
Nykredit Realkredit A/S - bond loan	NOK	768 000	-	NIBOR + 0.30%
Hafslund ASA - Seller credit	NOK	7 500	7 500	5.00%
*Aker ASA	NOK	115 000	-	At present 0.00%
<b>Total non-current borrowings</b>	<b>NOK</b>	<b>10 682 509</b>	-	
<b>Total non-current borrowings</b>	<b>EUR</b>	<b>32 258</b>		
<b>Total non-current borrowings - NOK equivalent</b>	<b>NOK</b>	<b>10 948 251</b>		
<b>Current</b>				
First years repayments with the MLA banks	NOK	41 111	-	NIBOR + 0.80% (0.90% Aker Hus)
Storebrand Bank ASA	NOK	8 000	-	NIBOR + 0.65%
Nykredit Bank A/S	NOK	5 332	-	NIBOR + 0.80%
DnB NOR	EUR	364	-	EURIBOR + 0.375%
Nykredit Realkredit A/S - bond loan	NOK	-	-	NIBOR + 0.30%
Hafslund ASA - Seller credit	NOK	-	7 500	5.00%
*Aker ASA	NOK	43 361	-	At present 0.00%
<b>Total current borrowings</b>	<b>NOK</b>	<b>97 803</b>		
<b>Total current borrowings</b>	<b>EUR</b>	<b>364</b>		
<b>Total current borrowings - NOK equivalent</b>	<b>NOK</b>	<b>100 801</b>		
<b>Total borrowings at nominal value</b>	<b>NOK</b>	<b>11 049 051</b>		
Capatilized transaction costs	NOK	71 466		
<b>Total borrowings at amortized value</b>	<b>NOK</b>	<b>10 977 587</b>		
Classified as short term (first year's repayments)	NOK	100 800		
<b>Long term borrowings</b>	<b>NOK</b>	<b>10 876 787</b>		

# Notes to the accounts

## The maturity of non-current borrowings is as follows as at 31 December 2006:

1-2 years	181 985
2-5 years	1 300 501
Over 5 years	9 465 765
<b>Total</b>	<b>10 948 251</b>

\* This borrowing (in total NOK 158.4 million) relates to an outstanding loan to the seller of the Aker Hus property. The amount is expected to be repaid in full during Q4 2007 and will be financed by a drawing of NOK 115.0 million under the Aker Hus facility (see below), with the balance of NOK 43.4 million financed from cash reserves.

The company entered into a NOK 12 billion 6 year term loan facility on 6 June 2006 (subsequently amended on 23 October 2006 to include a separate sub-facility of NOK 1.1 billion relating to the Aker Hus property acquisition and development) with a syndicate of banks including DnB NOR ASA, Nordea Bank Norge ASA, Skandinaviska Enskilda Banken AS and Danske Bank AS ("MLA Banks").

NOK 963.8 million of the facility was refinanced on 22 December 2006 through the issuance of a NOK 768.0 million 5 year bond loan arranged and issued through Nykredit Realkredit A/S, together with a NOK 195.8 million 7 year bank loan with Nykredit Bank A/S. The term loan facility was accordingly reduced by the amount of the refinancing to NOK 11.0 billion. As at 31 December 2006, NOK 9.1 billion had been drawn under the total facility with undrawn amounts totalling NOK 1.9 billion including NOK 0.5 billion in relation to the Aker Hus facility.

The main terms of the facility, based upon the prevailing loan agreements as at 31 December 2006 are:

- Interest: NIBOR + an interest margin of 80 bp (90bp for borrowings under the Aker Hus facility). The interest margin being subject to further increases in the event that pledged security falls below agreed thresholds.
- Interest rate hedging: The company shall operate an appropriate interest rate hedging policy and shall ensure that hedging arrangements are in place with respect to a minimum of 70 per cent of the company's interest rate exposure under the facility.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value thresholds. Agreed senior interest cover of at least 1.4 and loan-to-value (LTV) ratio of 85 per cent.
- Other covenants: The facility contains undertakings which are customary for a credit facility of this nature, including negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Amortisation/Repayment: The facility shall be repaid by quarterly instalments of 0.45 per cent (1.8 per cent per annum) commencing 5 October 2007. No part of the facility which is repaid may be re-borrowed. The repayment rate is subject to increase in the event that LTV financial covenants are breached.
- Final maturity: The facility matures on 6 June 2012.

In line with what is customary for a facility of this nature, the facility is secured by way of, inter alia, first priority mortgages/pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the company's bank accounts. Subsidiaries are guarantees for the facility. No bank guarantees of significant size have been issued on the company's behalf.

In addition to the above mentioned facility and the Nykredit refinancing, as at 31 December 2006 the company had additional long term debt of NOK 895.2 million. Of this, NOK 772.7 million related to bank borrowings taken on under property acquisitions, with the remaining NOK 122 million representing outstanding loans and sellers credits in relation to the acquisition of Aker Hus and Drammensveien 144 properties.

Book value of group assets pledged as security:

Investment property	13 919 570
Property under construction	1 150 801
Accounts receivable	263 320
Cash and cash equivalents	1 252 462
<b>Total</b>	<b>16 586 163</b>

Liabilities secured 10 883 190

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

## Events post 31.12.2006:

In connection with the acquisition of the Nydalen properties, the company subsequently entered into an amended facility agreement with the same syndicate of banks on 23 January 2007, which included an increase in the total facility amount to NOK 16 billion. The main terms of the amended facility remained substantially unchanged, except for a reduction in interest margins to 65bp (75bp on the Aker Hus facility). Following the acquisition of the Nydalen properties on 25 January 2007, NOK 10.8 billion had been drawn under the total facility (un-drawn amounts being NOK 5.2 billion including NOK 0.4 billion in relation to the Aker Hus facility).

The company intends to refinance a significant portion of the NOK 16 billion term facility within 2007. In this regard, the company shall issue a further bond loan of approximately NOK 1.5 billion in March 2007 and has entered into a mandate agreement with the same bank syndicate in connection with a potential securitisation issue planned for mid-2007. The term facility will be reduced by amounts equal to any refinancing achieved.

## NOTE 15 Deferred income tax

(All amounts in NOK 1 000)

Deferred income tax assets and liabilities are offset where the company has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

	31.12.06
<b>Deferred tax assets</b>	
- deferred tax assets to be recovered after more than 12 months	58 384
- deferred tax assets to be recovered within 12 months	-
	<b>58 384</b>

### Deferred tax liabilities

- deferred tax liabilities to be recovered after more than 12 months	177 994
- deferred tax liabilities to be recovered within 12 months	-

**177 994**

### Net deferred tax liabilities

**119 610**

### The gross movement on the deferred income tax account at end of period

Opening balance	-
Income statement change (Note 20)	148 565
Tax on interest rate hedges charged to equity	29 429
Tax on issue expense charged to equity	(58 384)

**As at 31 December 2006 119 610**

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

	Deficit carried forward	Buildings	Fair value gain	Total
<b>Deferred tax assets</b>				
At 1 January 2006	-	-	-	-
Deferred tax assets in purchase	(12 550)	-	-	(12 550)
Deferred tax liability in purchase	-	1 428 941	-	1 428 941
Tax charged to income statement	16 969	110 108	21 488	148 565
Tax charged to equity	(58 384)	-	29 429	(28 955)
<b>Total</b>	<b>(53 965)</b>	<b>1 539 049</b>	<b>50 917</b>	<b>1 536 001</b>
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3)	(12 550)	1 428 941	-	1 416 391
<b>As at 31 December 2006</b>	<b>(41 415)</b>	<b>110 108</b>	<b>50 917</b>	<b>119 610</b>
<b>Deferred tax charged to equity</b>				
Tax on equity issue expense				(58 384)
Tax on derivative financial instruments				29 429
<b>As at 31 December 2006</b>				<b>(28 955)</b>

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

# Notes to the accounts

## NOTE 16 Deferred income and other accruals

(All amounts in NOK 1 000)

Deferred income	102 402
Prepayment guaranteed rent - Aker Hus	19 089
Other accruals	19 962
<b>Total deferred income and other accruals</b>	<b>141 453</b>

There are no material legal claims or disputes over services and/or maintenance charges brought against Norwegian Property ASA as at the date of the this report.

## NOTE 17 Employee Benefit Expenses

(All amounts in NOK 1 000)

### Overall total expense

Salaries and remuneration	3 500
Social security costs	506
Pension costs	300
Other employee expenses	21
<b>Total employee benefit expenses</b>	<b>4 327</b>

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

Number of employees at 31December 2006	7
Number of full time equivalent positions at 31December 2006	7
Average number of employees	2

## Remuneration of executive officers of the company:

### Group Management

Name/title	Base salary	Bonus earned	Other benefit	Total taxable income	Pension benefit earned
Petter Jansen*					
President and Chief executive officer (CEO)	1 053	500	12	1 565	262
Dag Fladby					
Vice president and Chief investment officer (CIO)	273	-	14	287	10
Svein Hov Skjelle*					
Vice president and Chief financial officer (CFO)	267	-	44	311	8
Aili Klami					
Vice president sales and marketing	83	-	1	84	4
Mona Ingebrigtsen*					
Vice president and Chief operating officer (COO)	58	-	-	58	2
<b>Total</b>	<b>1 733</b>	<b>500</b>	<b>70</b>	<b>2 304</b>	<b>285</b>

\*In case of termination of employments in Norwegian Property ASA, these employees are entitled to severance pay of 6 months salary.

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

## Board of directors

Name	Board compensation
Knut Brundtland, Chairman of the Board	550
Jostein Devold	317
Egil Sundbye	317
Torstein Tvenge	317
Hege Bømark	25
Karen Helene Ulltveit-Moe	25
<b>Total</b>	<b>1 551</b>

## Pensions

Norwegian Property has a defined contribution plan which meets the requirements according to Norwegian law (Lov om tjenestepensjon).

## Declaration of management benefits in Norwegian Property ASA

This declaration relates to benefits received by key management personnel for work performed in connection with their employment within Norwegian Property ASA.

Norwegian Property shall at all times ensure that the company has a professional leadership team in place so as to ensure that shareholder interests are safeguarded to best effect. In order to attract and retain appropriate employees within such leadership roles, the company is required to offer competitive remuneration terms, as part of a total compensation package.

### 1. Principles for base salary

Key management employees shall receive a competitive base annual salary, the amount of which will be determined by the individual's responsibilities and level of expertise.

### 2. Bonus principles

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in achieving key targets either for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets, including the company's share price performance and shall be measurable wherever possible. Targets in relation to the Chief Executive Officer's own performance shall be established by the Board, whilst the Chief Executive Officer shall establish targets for other key management personnel.

Bonus payment shall not exceed 50 per cent of the Chief Executive Officer's annual salary or 30 per cent of annual base salary for other key management employees.

### 3. Principles for non-cash related benefits

Key management employees shall be offered certain non-cash related compensation benefits, such as access to company car,

insurance and pension scheme arrangements. The company shall also provide these employees with home and mobile telephones, in addition to covering the cost of newspaper subscriptions such that employees are contactable for business purposes and well informed of current events.

Key management employees shall be granted the right to membership of the company's defined contribution pension scheme. Conditions of the pension scheme can vary from employee to employee. The Chief Executive Officer has an individual pension scheme arrangement under which he has the right to retire from age 62 and to receive an annual sum of NOK 2 million until he reaches age 67. Upon reaching age 67, the Chief Executive Office shall receive annually the sum of 66 per cent of base salary (taking into account accumulated paid up policies "fripoliser")

### 4. Payment after termination of contract

As at year end, three key management employees have agreements in place with the company for payment of salary after termination of contract. Resignation notice periods are six months.

Payment of salary after termination of contract shall only occur in special instances. Board approval shall be required for the granting of payment of salary after termination of contract for any employees where this right is not already documented within their employment contract.

### 5. Remuneration decision making process

The Board determines the Chief Executive Officer's annual salary in unison.

The Board prepares annual guidelines to support its recommendation which is presented to shareholders at the annual general meeting for ratification in accordance with limited liabilities companies act section 5-6.

## Auditor's fee

(All amounts in NOK 1 000)

	Fee
Statutory audit	1 220
Other certification services	237
TAX/VAT Advisory fee	-
Other services than audit	217
<b>Total</b>	<b>1 674</b>

The auditor's fee is net of VAT.

## NOTE 18 Non-recurring costs

The company has charged the income statement with non-recurring costs of approximately NOK 21 million, in connection with start-up and stock-exchange introduction of the company.

# Notes to the accounts

## NOTE 19 Net financial expenses

(All amounts in NOK 1 000)

Interest income	13 231
FX gains	484
Fair value adjustment for loans hedged by interest rate swap	-
Other financial income	(193)
<b>Total financial income</b>	<b>13 521</b>
Interest rate swaps – cash flow hedging, transferred from equity	-
Interest costs on loans	(274 549)
FX losses	(221)
Other financial expenses	(20 992)
<b>Total financial expenses</b>	<b>(295 762)</b>
Gains from changes in market value on derivatives	76 743
<b>Net financial expenses</b>	<b>(205 498)</b>

## NOTE 20 Income tax expense

(All amounts in NOK 1 000)

The income tax rates are calculated at domestic rates applicable to profits, the rate is 28 per cent in Norway.

	2006
Current tax	-
Deferred tax (Note 15)	148 565
<b>Income tax expense at period end</b>	<b>148 565</b>
Profit before tax	539 458
Tax calculated at domestic rates applicable to profits in Norway	151 048
Income not subject for tax purposes	(2 483)
Expenses not deductible for tax purposes	-
Utilization of earlier years non-recorded deferred tax	-
<b>Tax charged</b>	<b>148 565</b>

## NOTE 21 Earnings per share

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

	2006
Net profit attributable to shareholders (NOK 1000)	389 636
Weighted average number of ordinary shares in issue (1 000)	75 744
Basic earnings per share (NOK per share)	5.14

Norwegian Property has not issued options or other financial instruments that have dilutive effect on shares issued. The company has not bought back shares. Diluted earnings per share are therefore the same as the basic earnings per share.

## NOTE 22 Dividends per share / Dividend Policy

Norwegian Property aims to distribute an annual dividend which is competitive, predictable and higher than the sector average. The company's goal is to distribute 4-6 per cent of paid in equity capital and 50 per cent or more of annual net profits (taken into account not cash generating profit and loss items).

The Board has recommended a dividend of NOK 2.50 which will be tabled for resolution within the company's annual general meeting on 4 May 2007. Dividend payments will be made to shareholders on 31 May 2007 in accordance with the share register as at 4 May 2007.

## NOTE 23 Related-party disclosures

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

The Norwegian Property group is not directly controlled and dominated by any significant shareholders. However, the Anders Wilhelmsen group controlled a total of 16.3 per cent of the shares through Anders Wilhelmsen Capital AS (12.3 per cent) and AWECO invest AS (2.9 per cent) and Miami AS (1.1 per cent). Torstein Tvenge and his family controlled a total of 8.1 per cent per 31 December 2006 through Fram Holding AS and Fram Realinvest AS.

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

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

### Property transactions

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

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

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

Related party	Property	Total transaction (NOK million)	Aksjer	Aksjekurs (NOK)	%-andel *
A. Wilhelmsen Capital AS/Aweco Invest AS Torstein Tvenge w/Family through controlled companies	Aker Brygge / M17	2 984	14 955 967	50	20.9%
	Skøyen Bygg	1 295	8 000 000	50	11.2%

\* Ownership at the time of transaction and do not include purchases and sales after the transaction.

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

Related party	Property	Total transaction (NOK million)	Shares	Share price (NOK)	% stake *
Oslo Næringseiendom 1 AS	Økernveien 9	257	600 000	50	0.8%
Pareto Private Equity ASA – Syndicate	Finnestadveien 44	451	1 844 000	50	2.6%
Pareto Private Equity ASA – Syndicate	Drammensveien 134 KS	670	14 807	50	0.0%
Pareto Private Equity ASA – Syndicate	Kokstadveien 23	221	800 000	50	1.1%
Pareto Private Equity ASA – Syndicate	Gardermoen NE	345	1 000 000	50	1.4%
Näringsfastigheter i Sverige II Rød AB	Aker Hus	1 502	2 000 000	50	2.7%

\* Ownership at the time of transaction and do not include purchases and sales after the transaction.

The Pareto Group, through Pareto Eiendom AS, performs rental brokerage services for Norwegian Property and earned fees totalling NOK 0.3 million during 2006. Pareto Securities provides securities brokerage services to Norwegian Property. During 2006 they earned NOK 63.1 million in such fees.

### Facility management agreements (property management agreements)

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

A special commercial and facility management arrangement for Aker Brygge, with four years duration, has been entered into with Linstow Eiendom AS, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow is also managing the property Middelthunsgate 17, Ibsenkvaralet and Stortingsgaten 6. Linstow receives an annual compensation for the services rendered of NOK 4.8 million.

Pareto Investor Service AS, part of the Pareto Group is providing commercial administration services for a total annual fee of NOK 2.8 million.

# Notes to the accounts

## Rental agreements

The tenant listed below is a shareholder in the company:

Related party	Tenant in	Annual rent (NOKM)	Shares	Share price (NOK)	% stake *
A. W. Group-Linstow Eiendom AS	Aker Brygge	4.1	12 085 685	50	16.9%

\* Ownership at the time of transaction and do not include purchases and sales after the transaction.

## Interest charges to subsidiaries

All subsidiaries of Norwegian Property ASA are charged interest in relation the subsidiaries share of group financial costs including hedging costs. The Limited liability partnership subsidiaries in the group have direct borrowings with the same banks and pay the same interest as the group as a whole.

## NOTE 24 Obligations to buy

Norwegian Property ASA entered into an agreement on 20 December 2006 to acquire 11 office properties in Nydalen and 2 office properties in Økern from the Rasmussen Group. A total acquisition price after adjustment for tax of NOK 2.2 billion was agreed and the transaction was completed on 25 January 2007 (with effect from 1 January 2007). The acquired property portfolio consisted of 116 200 square meters of principally office space with an estimated gross annual rental income for 2007 of NOK 135.2 million. The acquisition was financed by a drawing of NOK 1.65 billion under the company's loan facilities with the balance funded from cash reserves.

## NOTE 25 Contingencies

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

## NOTE 26 Events after the balance sheet date

Norwegian Property ASA acquired 13 properties in Nydalen and Økern (referred to as the "IFN portfolio") on 25 January 2007 from the Rasmussen Group (described in more detail within Note 24). After completion of the IFN portfolio transaction, the group's property portfolio consisted of 55 properties totalling 723 000 square meters. Gross annual rental income for 2007 is estimated to be NOK 1.06 billion. Unoccupied space is equivalent to approximately 0.7 per cent of gross annual rental income. Average remaining duration of rental contracts is 7.3 years and rental tenants consist principally of larger, well established companies and public sector organisations. The largest 25 properties currently account for 64.2 per cent of total gross annual rental income.

In connection with the acquisition of the IFN portfolio, the company entered into an amended facility agreement on 23 January 2007 ("Amendment Letter 2") with the MLA bank syndicate, which increased the total facility amount to NOK 16 billion. The terms of the amended agreement remain substantially unchanged, other than the lending margin which was reduced to 65 basis points (75 basis points for the Aker Hus facility). Following the acquisition of the IFN portfolio, a total of NOK 10.8 billion had been drawn under the long term syndicate bank loan facility. Undrawn amounts currently total NOK 5.2 billion of which NOK 4.8 billion is available to fund future property acquisitions up to 30 June 2007, on the assumption that the bank syndicate approves the issue of the bond loan described below.

The company, together with the MLA bank syndicate, plans to refinance a significant portion of the syndicated loan facility in the course of 2007. As an element of this refinancing, the company plans to issue a domestic bond loan in the Norwegian bond market for approximately NOK 1.5 billion. The company entered into a mandate agreement with the syndicate banks on 23 January 2007 in this regard. Norwegian Property ASA also entered into a mandate agreement with the same bank syndicate on 15 February 2007, in relation to the planning process for a significant further refinancing of the syndicated loan facility through a securitisation of many of the company's owned properties. The syndicated loan facility shall be reduced by like amounts of refinancing achieved under the planned bond loan and securitisation transactions.

# Auditor's report

**Deloitte.**

Deloitte AS  
Karenslyst allé 20  
Postboks 347 Skøyen  
0213 Oslo  
Telefon: 23 27 90 00  
Telefax: 23 27 90 01  
www.deloitte.no

Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Property ASA

## AUDITOR'S REPORT FOR 2006

We have audited the annual financial statements of Norwegian Property ASA as of 31 December 2006, showing a profit of NOK 390.892.000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of December 31, 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements and the going concern assumption, is consistent with the financial statements and complies with law and regulations.

Oslo, 21 March 2007  
Deloitte AS

Bernhard Lyngstad  
State Authorized Public Accountant (Norway)

Audit, Tax & Legal Consulting, Financial Advisory.

Org.no: 980 211 282

Member of  
Deloitte Touche Tohmatsu

---

Clear principles for corporate governance will contribute to strengthening external confidence in Norwegian Property, and to the largest possible value creation over time. Their purpose is to supplement legal requirements in clarifying the division of roles between shareholders, the board of directors and the chief executive.

---

## Corporate governance

Companies listed on the Oslo Stock Exchange are required to provide an annual statement of their principles for corporate governance. Norwegian Property was listed on 15 November 2006 and aims to comply almost entirely with the Norwegian code of practice for corporate governance of 28 November 2006. A presentation of the way the company has organised or plans to organise itself in accordance with this code is provided below.

Norwegian Property launched its business in the second quarter of 2006. During the start-up phase, PricewaterhouseCoopers (PwC) has been hired under contract as the interim administration. Under the terms of the agreement, PwC has been responsible for carrying out administrative tasks and for establishing systems and routines for reporting, accounting and information technology. The company's executive management was recruited during the second half, and this team was in full operation together with certain key administrative roles at 1 January 2007. During the first half of 2007, the company's administration will be fully staffed with 15-20 people.

### Values base and ethical guidelines

A common values base is under development and will be entrenched in the organisation. As part of this work, ethical guidelines will also be established for the business. The work is due to be completed during the first quarter of 2007.

### Object

The company's object is the management, acquisition, sale and development of commercial property, including participation in other companies as well as businesses which are related to such. The company's full articles of association are available in updated form on its website at [www.norwegianproperty.no](http://www.norwegianproperty.no). Within the framework of its articles, the company has established clear goals and strategies for its business. These are presented in this annual report and on the company's website.

### Equity and dividend

Group equity at 31 December 2006 totalled NOK 5 373 million, corresponding to an equity ratio of 31.8 per cent. The board regards this as satisfactory. To optimise the long-term return, the board has a "loan to value" target of borrowing up to 75 per cent of the value of the company's properties. At times when major purchases are made, this debt ratio could be higher. The capital structure is kept under continuous review in light of the company's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector. The dividend policy is described in more detail in the chapter on shareholder information on page 46 in this annual report.

At 31 December 2006, the board was mandated to increase the share capital through private placements,

as settlement for property acquisitions or in connection with mergers. The number of shares remaining under this mandate was 8 602 434. The board has undertaken to consult shareholders if shares are to be issued for an overall compensation which exceeds NOK 500 million. This mandate is valid until 30 June 2007. The board is also mandated to buy 3 500 000 of the company's own shares at a price between NOK 10 and NOK 400. This mandate has not been utilised so far, and expires on 30 June 2007.

### Equal treatment of shareholders and transactions with close associates

Norwegian Property has one share class with equal rights, and its articles contain no voting restrictions.

The board and the executive management are concerned to ensure equal treatment of all shareholders and that transactions with close associates take place on an arm's-length basis. In connection with the creation of Norwegian Property, the company acquired properties with a total value of NOK 2 984 million from the Anders Wilhelmsen group. It also acquired properties with a total value of NOK 1 295 from companies controlled by Torstein Tvenge and his family. Through these transactions, the Anders Wilhelmsen group and companies controlled by Tvenge became shareholders in the company. The Anders Wilhelmsen group and Tvenge are now represented on the board of Norwegian Property. These properties were valued by independent



assessors and the transactions/share issue approved by the general meeting of Norwegian Property,

Note 23 to the group accounts details transactions with close associates, including property transactions in which shares have been used for partial settlement, management agreements with companies controlled by shareholders in Norwegian Property, and agreements on leasing premises to companies controlled by shareholders in Norwegian Property.

The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest. The directors have also undertaken to ensure that they or their close associates do not involve themselves in projects relating to the purchase or sale of real property which could compete or come into conflict with the company's business without the approval of the board given at a board meeting.

### Free negotiability

The articles of association impose no restrictions on the negotiability of Norwegian Property's shares, and the share is freely negotiable on the Oslo Stock Exchange.

### General meeting

The company has not held a general meeting since it secured a stock market listing.

The general meeting is the company's ultimate authority. The board will see to it that general meeting becomes an effective forum for the company's shareholders.

Notice of the general meeting will be issued at least two weeks before it is due to be held. The notice will be accompanied by documentation which provides the shareholders with the necessary background information concerning the items on the agenda. Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline, which will not expire earlier than five days before the meeting. Shareholders who cannot attend in person are encouraged to appoint a proxy. Instructing how the proxy should vote on each item on the agenda will be facilitated.

The board sets the agenda for the general meeting. Directors, members of the nomination committee and the

auditor will attend the annual general meeting. The chief executive and chief financial officer will also be in attendance.

### Nomination committee

Pursuant to the company's articles of association as adopted at the extraordinary general meeting of 4 October 2006, Norwegian Property will have a nomination comprising two or three members. The first election to the nomination committee will take place at the AGM in May 2007. Members of the nomination committee are elected for two-year terms. The nomination committee will nominate directors and recommend their remuneration. Recommendations by the nomination committee will reflect the desire to take account of the interests of the shareholders in general.

---

## Board of directors, composition and independence

Pursuant to the articles of association, the board of Norwegian Property will comprise three to nine directors. The board currently has six shareholder-elected directors, of whom two are women.

Directors and the chair of the board are elected by the general meeting for two-year terms.

The board's composition is intended to ensure a broad business and management background, while its members collectively have an in-depth understanding of the property market, merger and acquisition activities, financing and capital markets. The background and experience of directors is presented in a separate section of this annual report and on the company's website.

The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board. More than half the directors are independent of the company's executive management or significant commercial partners. Four of the six directors are independent of the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares).

Director Jostein Devold represents shareholders controlling 16.3 per cent of the company's shares, while director Tvenge controls 8.12 per cent of the company's shares through family-owned companies (at 31 December 2006).

Director Hege Bomark is married to Mads H Syversen, country manager at SEB Norway and president of SEB Enskilda. SEB Norway participates in Norwegian Property's syndicated credit facility and has provided the company with substantial loans. SEB Enskilda was the global coordinator

for Norwegian Property's stock market listing, and functions in other contexts as a financial adviser to the company.

As mentioned above, directors who are shareholders or represent major shareholders are duty-bound to refrain from engaging in activities which could conflict with the company's interests.

Note 12 to the group accounts reports on shares owned by directors at 31 December 2006. This information is updated continuously on the company's website.

## Work of the board

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

Instructions which describe the rules of procedure for the board's work and its consideration of matters has been adopted by the board.

The board has drawn up instructions for the chief executive. A clear division of labour has been established between the board and the executive management. The chief executive is responsible for the company's executive management.

Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair. The board has not given any consideration so far to the desirability or necessity of appointing sub-committees to deal with individual matters.

The board has established an annual plan for its meetings, and evaluates its work and expertise once a year.

## Risk management and internal control

Overall goals and strategies are established and further developed through a continuous updating of Norwegian Property's strategy. The executive management and the board are currently pursuing a process to establish a values base and ethical guidelines.

On the basis of this strategy, and of the work on the values base and ethical guidelines, instructions have been established for the board as well as policies in important areas such as finance and accounting. Policies for other important areas are under preparation. A matrix has also been prepared for delegation of responsibility to defined roles in the organisation.

Governing processes have been established on the basis of these policies in important areas.

The board will annually review the company's most important risk areas and its internal control.

## Remuneration of the board

Directors' fees are determined by the general meeting. At an extraordinary general meeting on 4 October 2006, principles were adopted for remuneration of directors. Ordinary remuneration is determined pro rata in accordance with the period of service, based on annual fees of NOK 300 000 for the chair and NOK 200 000 for other directors. As compensation for a heavy workload in connection with the start-up and listing of the company, the same general meeting resolved that the chair should receive an additional fee of NOK 300 000 and each of the ordinary directors an additional fee of NOK 150 000. No options have been awarded to directors. No directors have undertaken special assignments for the company other than their work on the board, and are unable to accept

such assignments unless this has been resolved by the board and approved by the general meeting in each case.

### Remuneration of senior executives

Remuneration of the company's senior executives comprises ordinary salary and fringe benefits such as car provision, pension and insurance. The pay and other remuneration of senior executives in 2006 are reported in note 17 to the group annual accounts. Pay and other remuneration of the chief executive are determined by the board.

All senior executives have individual bonus schemes related to value drivers which influence the company's value development, and which are thereby expected to yield progress for the company's share. The bonus scheme has a maximum ceiling set individually for each senior executive, and pays 30-50 per cent of ordinary salary. The company's senior executives are not covered by option programmes. Guidelines on remuneration of senior executives will be presented to the general meeting.

#### Information and communication

All reporting of financial and other information will be timely and accurate, and simultaneously based on openness and equal treatment of players in the securities market. Information will take the form of annual and interim reports, press releases, stock market announcements and investor presentations. All information of significance for valuing the company will be distributed via the Oslo Stock Exchange's reporting system. Immediately after publication in this way, the information will also be made available on the company's website – where it is also possible to subscribe to announcements. The main purpose of information will be to clarify the company's long-term goals and poten-

tial, including its strategy, value drivers and important risk factors. Norwegian Property's ambition is to have an open and proactive investor relations policy.

Important dates for the AGM, interim reports and the right to dividend are published on the company's website.

The instructions for the company's board provide more detailed guidelines on information and communication.

### Takeovers

The company's articles of association place no restrictions on buying shares in the company. The company is in the process of establishing principles for the way it intends to respond to possible takeover bids.

### Auditor

The ambition of the board of Norwegian Property is that the auditor

- will present the main features of the audit work once a year
- attends board meetings considering the annual report when significant changes in accounting principles, assessment of significant accounting estimates and possible disagreements between auditor and executive management arise.
- will conduct an annual review together with the board of the company's internal control systems
- holds an annual meeting with the board without the presence of the executive management
- confirms once a year in writing that the requirements for the auditor's independence are fulfilled, and provides an overview of services other than auditing which have been rendered to the company.

The use of the auditor for assignments other than ordinary auditing services must be considered and approved by the board.



Norwegian Property was created in 2006, and its share was traded from the summer of that year on Norway's OTC market. The company received a listing on the Oslo Stock Exchange, with the share traded for the first time on 15 November 2006. Norwegian Property carried out several share issues at a price of NOK 50.00 from May to October 2006 in connection with property purchases and an expansion in the company's equity. In connection with the listing, an initial public offering of 25 million shares was made at a price of NOK 53.50. The closing price on the first day of trading on 15 November was NOK 57.75, while the closing price on the Oslo Stock Exchange on 31 December was NOK 65.00.

## Share and shareholders

### Dividend policy

Norwegian Property's ambition is to give its shareholders a high and stable return on their investment in the company through a combination of rising value and dividend.

The company wants its annual dividend to be competitive, predictable and higher than average for the property sector. The goal is that dividend will represent four-six per cent of paid-in equity and at least 50 per cent of the annual net profit (when account has been taken of profit and loss items without cash flow effect). For 2006, the board will propose to the company's AGM that a dividend of NOK 2.50 per share be paid. The AGM will take place on 4 May 2007, and dividend

will be paid to shareholders included in the share registry at that date.

### Shareholder structure

Norwegian Property had 913 registered shareholders at 31 December, of whom 151 were foreign citizens. The company's largest shareholder at 31 December is presented in a separate overview.

### Investor relations

Norwegian Property has a goal of ensuring a broad shareholder base and high liquidity for the share. The company accordingly places great emphasis on making all price-relevant

information available to the market at the right time, and the management works consciously to ensure an open and active dialogue with investors and other parts of the financial market. Results are reported quarterly and in accordance with the company's financial calendar. In connection with the publication of its annual and interim reports, Norwegian Property normally holds presentations for shareholders, brokers, analysts and the press. The company also maintains a continuous dialogue with investors and analysts. Its website provides an overview of analysts who monitor the company's shares.

### Capital expansions in 2006

Date	Form of issue	Issue price (NOK)	No of new shares	No of shares after expansion
22.05.06	Private cash placement	50.00	35 000 000	35 000 000
22.05.06	Private placement	50.00	6 500 000	41 500 000
22.05.06	Settlement property purchase	50.00	20 354 122	61 854 122
21.06.06	Settlement property purchase	50.00	1 844 000	63 698 122
04.07.06	Settlement property purchase	50.00	14 807	63 712 929
18.07.06	Private cash placement	50.00	6 000 000	69 712 929
28.08.06	Settlement property purchase	50.00	800 000	70 512 929
28.08.06	Settlement property purchase	50.00	1 000 000	71 512 929
16.10.06	Settlement property purchase	50.00	2 000 000	73 512 929
14.11.06	Private cash placement	53.50	22 545 455	96 058 384
05.12.06	Green shoe issue	53.50	2 454 545	98 512 929

## 20 largest shareholders at 31 December 2006

Largest shareholders	Country	No of shares	Ownership
A. Wilhelmsen Capital AS	NO	12 087 000	12.27%
State Street Bank and Trust Co. (nom)	USA	4 726 472	4.80%
Fram Holding AS	NO	4 000 000	4.06%
Fram Realinvest AS	NO	4 000 000	4.06%
Credit Suisse Securities	GB	3 568 202	3.62%
Morgan Stanley & Co. Inc. (nom)	GB	3 302 227	3.35%
Vital Forsikring ASA	NO	3 228 700	3.28%
Bank of New York, Brussels Branch	BE	3 223 695	3.27%
Aweco Invest AS	NO	2 870 282	2.91%
Mellon Bank AS, Agent for ABN Amro (nom)	USA	2 767 058	2.81%
Morgan Stanley & Co. Inc.	GB	2 594 864	2.63%
Orkla ASA	NO	1 887 400	1.92%
Lani Development AS	NO	1 800 000	1.83%
BNP Paribas Sec. Services London (nom)	FR	1 750 000	1.78%
Fortis Bank Luxembourg S.A.	LUX	1 705 268	1.73%
Goldman Sachs International (nom)	GB	1 665 338	1.69%
Opplysningsvesenets Fond	NO	1 654 931	1.68%
Deutsche Bank AG London (nom)	GB	1 620 866	1.65%
Investors Bank & Trust Company (nom)	USA	1 389 434	1.41%
Mellon Bank AS Agent for clients (nom)	USA	1 239 244	1.26%
Other shareholders		37 431 948	38.00%
Total number of shares at 31 Dec 06		98 512 929	100.00%

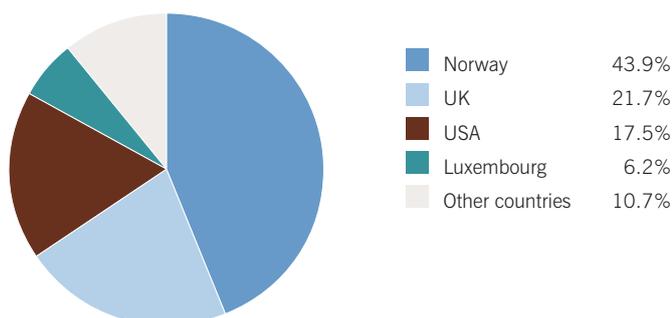
## Key figures

### Key figures share

Closing price 31 Dec 06	65.00
Highest price, Oslo Stock Exchange	66.00
Lowest price, Oslo Stock Exchange	55.50
Earnings per share (NOK)	5.14
Book equity per share	54.09
Proposed dividend per share	2.50
Issued shares, average, 1 000	75 744
Issued shares at 31 Dec 06, 1 000	98 513
Stock market value at 31 Dec 06, NOK mill	6 403
Registered shareholders at 31 Dec 06	913

The financial calendar can be found on page 5 of this annual report

## Shareholders at 31 December 2006 – by country



Norwegian Property's principal strategy is to buy, develop and own high-quality commercial properties in good locations. The company's ambition is to achieve the highest possible value creation through efficient management of its properties and by exploiting the development potential offered by the portfolio. Purchase and sale of properties will be a natural part of the company's work in creating the highest possible value.

## Analytical information

### The properties

The group owned 55 properties with a combined area of 723 000 sq.m at 31 December 2006. This figure includes 11 properties in Nydalen and two at Økern where the purchase contract

was concluded before 31 December but formal transfer occurred in January 2007. Other key figures for the portfolio are presented in the table below.

### Rental income

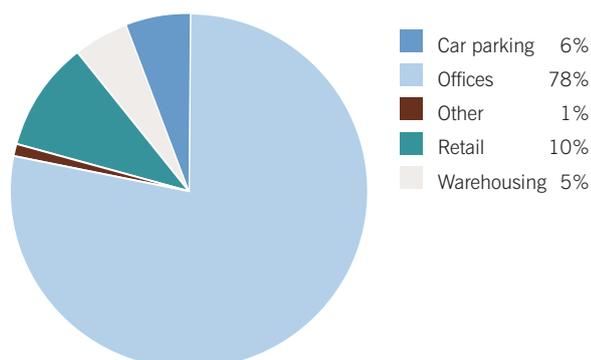
Following the acquisition of the IFN portfolio, gross annual rental income totals NOK 1 064 million. Norwegian Property concentrates primarily on office properties, and office space accounts for 78 per cent of gross rental income. Geographically, the focus is on Oslo and Stavanger. Properties in these two cities account for 98% of the portfolio's market value.

Norwegian Property seeks a balanced expiry profile for its leases. Long leases provide secure long-term cash flow, while shorter contracts offer opportunities for faster adjustment to the present rise in market rents. The average remaining term of the company's leases is 7.3 years, and the accumulated expiry profile for the portfolio is illustrated in the table.

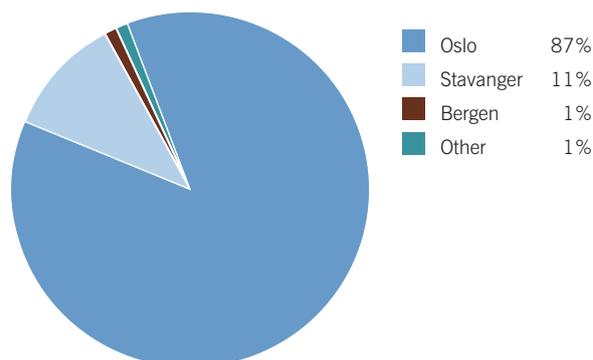
#### Key figures, property portfolio (incl INF portfolio)

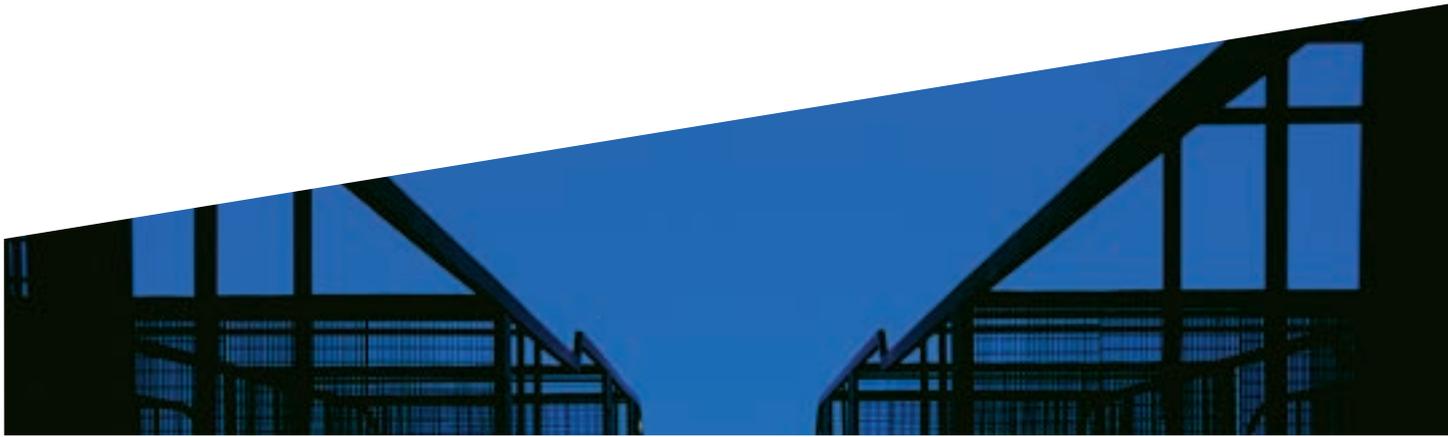
Number of properties	55
Total area, sq.m	722 542
Average size of properties, sq.m	13 137
Market value, NOK mill	18 056
Gross rental income, NOK mill	1 064
Estimated yearly property costs, NOK mill	61
Net rental income, NOK mill	1 003
Gross yield, %	5.9%
Net yield, %	5.6%
Average lease term, years	7.3
Average consumer price index adjustment, %	96%
Vacancy (% of gross rental income)	0.8%

#### Gross rental income by category



#### Property location by market value





### Tenants

Norwegian Property's ambition is to have a diversified structure of high-quality tenants to minimise the risk of defaults and cancellation of leases. The 25 largest tenants account for 64.2 per cent of gross rental income, and largely embrace highly creditworthy companies or public institutions. Exposure to different sectors is well diversified and is shown by the figure below.

### Market risk

The group's biggest market risk is a decline in rental income as a result of reduced rents or increased vacancy in the property portfolio. It seeks to reduce this risk by investing in high-quality properties in attractive locations.

### Market

#### Oslo

The market for commercial property in Oslo is good. Employment increased by 22 000 people in 2006, and generally good times indicate that demand for space will be high over the next few years. The current level of demand reflects increased employment and the desire to secure room for expansion.

New space was in short supply last year. Based on construction starts, probable projects and estimates of possible projects, the supply of new space will remain limited in 2007 and 2008.

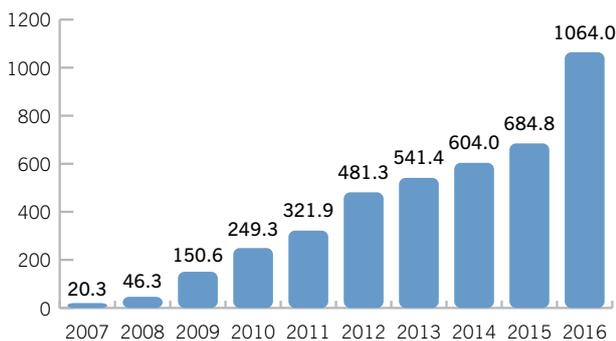
Total vacancies in Oslo declined during 2006 from seven-eight per cent to just over six per cent. The proportion of vacant properties in central districts – Vika, inner zone west and Skøyen – is considerably lower.

Eiendomsspar conducts an annual analysis (Oslo Study 2007) of the market for office buildings in Oslo, Asker and Bærum. This assessment indicates that vacancies will continue to decline in 2007 and could first start to grow again in 2009. That provides the basis for a continued rise in rents.

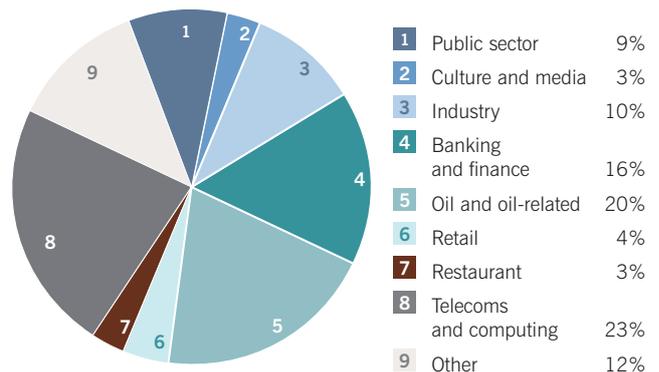
#### Stavanger

Vacant property is also very low in Stavanger, including the Forus area, and on a par with central districts in Oslo. Pressure on rising rents is also strong in Stavanger.

Accumulated expiry of leases based on gross rental income



Gross rental income by sector



## Property overview

Property	Properties Area breakdown, sq.m					Rents				
	Office	Retail/ restau- rant	Ware- house	Indoor car park	Other	Total	Vacancy	KPI adjust- ment	Duration	Gross rents
<b>OSLO/AKERSHUS</b>										
<b>CBD/Skøyen</b>										
Aker Brygge - total	30 012	23 289	1 789	1 302	1 103	57 495	0.0%	100%	3.5	149.4
Drammensveien 134 – building 2-5 *	21 846	0	1 214	4 625	0	27 685	0.0%	100%	3.4	39.3
Drammensveien 134 – building log 6	14 643	1 207	1 616	3 195	0	20 661	0.0%	100%	10.6	40.4
Drammensveien 144	9 150	0	148	1 450	107	10 855	0.0%	100%	11.9	18.0
Drammensveien 149	10 433	0	2 044	3 980	0	16 457	10.9%	100%	4.6	22.7
Drammensveien 60	8 593	797	1 483	0	0	10 873	0.0%	100%	8.6	19.5
Grev Wedels plass 9	16 405	2 601	83	5 589	3 621	28 299	0.0%	100%	6.4	44.0
Ibsenkvartalet (C.J. Hambros plass 2)	31 872	1 713	2 938	0	1 624	38 147	0.0%	100%	7.7	64.1
Hovfaret 11	4 377	0	569	0	694	5 640	0.0%	100%	12.1	10.6
Nedre Skøyen vei 24	3 630	0	696	0	520	4 846	0.0%	100%	12.1	8.6
Nedre Skøyen vei 26 a-e	11 444	0	1 093	1 234	3 850	17 621	0.0%	100%	12.1	34.0
Nedre Skøyen vei 26 f	8 767	0	0	4 235	497	13 499	0.0%	100%	12.1	22.4
Stortingsgaten 6 (99%)	5 084	851	242	0	0	6 177	0.0%	100%	5.9	20.3
<b>Total CBD/Skøyen</b>	<b>176 255</b>	<b>30 458</b>	<b>13 915</b>	<b>25 610</b>	<b>12 016</b>	<b>258 254</b>	<b>0.6%</b>	<b>100%</b>	<b>6.8</b>	<b>493.5</b>
<i>(*) Area includes parking rights in building 6.</i>										
<b>Oslo West/Lysaker/Fornebu</b>										
Aker Hus (Snarøyveien)	35 556	0	0	18 089	4 698	58 343	0.0%	100%	12.1	77.9
Forskningsveien 2	19 902	0	0	4 106	0	24 008	0.0%	100%	12.5	38.1
Lysaker Torg 35	14 422	0	412	7 100	0	21 934	0.0%	100%	5.7	38.5
Magnus Poulssons vei 7	5 357	0	0	1 861	0	7 218	0.0%	100%	8.4	9.8
Middelthunsgate 17	26 847	0	3 472	3 000	0	33 319	0.0%	100%	7.0	43.8
Oksenøyveien 3	10 200	0	0	2 700	0	12 900	0.0%	100%	5.4	16.5
<b>Total Oslo West/Lysaker/ Fornebu</b>	<b>112 284</b>	<b>0</b>	<b>3 884</b>	<b>36 856</b>	<b>4 698</b>	<b>157 722</b>	<b>0.0%</b>	<b>100%</b>	<b>9.4</b>	<b>224.6</b>
<b>Nydalen</b>										
Gjerdrums vei 8	8 158	0	109	2 389	0	10 656	7.1%	96%	5.0	11.5
Gjerdrums vei 10 D	2 052	0	0	0	0	2 052	12.3%	100%	7.9	2.4
Gjerdrums vei 14	634	0	812	0	0	1 446	0.0%	100%	3.0	1.4
Gjerdrums vei 16	4 224	0	757	3 172	0	8 153	0.0%	97%	5.0	7.3
Gjerdrums vei 17	803	0	0	0	0	803	0.0%	100%	6.0	1.3
Gullhaug Torg 3	7 868	0	0	0	0	7 868	0.0%	100%	6.9	9.4
Gullhaugveien 9-13	23 652	0	7 077	6 031	0	36 760	6.9%	100%	4.7	38.2
Maridalsveien 323	11 646	0	2 600	5 573	1 096	20 915	3.2%	100%	14.3	26.2



Property	Properties						Rents			
	Area breakdown, sq.m						Vacancy	KPI adjustment	Duration	Gross rents
	Office	Retail/restaurant	Warehouse	Indoor car park	Other	Total				
Nydalsveien 15	3 001	750	85	0	0	3 836	0.0%	100%	10.5	5.9
Nydalsveien 17	0	1 560	0	0	0	1 560	0.0%	100%	18.3	3.4
Sandakerveien 130	6 520	0	0	3 560	0	10 080	0.0%	100%	4.4	14.7
<b>Total Nydalen</b>	<b>68 558</b>	<b>2 310</b>	<b>11 440</b>	<b>20 725</b>	<b>1 096</b>	<b>104 129</b>	<b>4.1%</b>	<b>99%</b>	<b>5.5</b>	<b>121.5</b>
<b>Oslo North/East</b>										
Kolstadgaten 1	5 479	0	0	0	0	5 479	0.0%	75%	3.6	8.6
Oslo Airport Gardermoen	0	0	0	0	20 976	20 976	0.0%	100%	12.9	23.8
Økernveien 9	12 761	0	0	0	0	12 761	0.0%	100%	8.4	17.0
Østre Aker vei 20	6 163	0	666	1 203	0	8 032	0.0%	75%	2.1	8.0
Østre Aker vei 22	2 339	0	1 637	0	0	3 976	1.6%	92%	3.0	4.1
<b>Total Oslo North / East</b>	<b>26 742</b>	<b>0</b>	<b>2 303</b>	<b>1 203</b>	<b>20 976</b>	<b>51 224</b>	<b>0.1%</b>	<b>93%</b>	<b>8.3</b>	<b>61.5</b>
<b>TOTAL OSLO / AKERSHUS</b>	<b>383 839</b>	<b>32 768</b>	<b>31 542</b>	<b>84 394</b>	<b>38 786</b>	<b>571 329</b>	<b>0.9%</b>	<b>99%</b>	<b>7.4</b>	<b>901.0</b>
<b>STAVANGER</b>										
<b>CBD</b>										
Badehusgaten 33-39	12 973	0	2 540	2 315	3 700	21 528	0.0%	70%	2.8	22.7
Nedre Holmegate 30-34	3 054	1 023	0	1 173	0	5 250	0.0%	100%	6.0	4.6
<b>Forus/Airport</b>										
Forusbeien 35	17 674	0	0	3 750	0	21 424	0.0%	100%	8.6	25.9
Grenseveien 19	5 390	0	0	0	1	5 391	0.0%	53%	1.3	6.4
Grenseveien 21	27 721	0	0	0	0	27 721	0.0%	50%	5.3	29.4
Maskinveien 32	5 086	0	0	0	0	5 086	0.0%	100%	6.1	5.0
Strandsvingen 10	2 059	0	0	0	0	2 059	0.0%	80%	7.2	2.9
Svanholmen 2	2 883	6 580	0	0	0	9 463	6.3%	100%	8.7	8.7
<b>Sandnes</b>										
Elvegaten 25	5 583	0	0	0	0	5 583	0.0%	70%	3.9	7.7
Mauritz Kartevolds plass 1	3 610	0	0	0	0	3 610	0.0%	70%	12.9	3.2
<b>Stavanger - other</b>										
Finnestadveien 44	21 832	200	0	0	0	22 032	0.0%	100%	11.0	29.0
<b>Total Stavanger</b>	<b>107 865</b>	<b>7 803</b>	<b>2 540</b>	<b>7 238</b>	<b>3 701</b>	<b>129 147</b>	<b>0.5%</b>	<b>81%</b>	<b>6.8</b>	<b>145.6</b>
<b>BERGEN</b>										
Kokstadveien 23	8 600	0	0	0	13 466	22 066	0.0%	50%	4.6	17.3
<b>Total Bergen</b>	<b>8 600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13 466</b>	<b>22 066</b>	<b>0.0%</b>	<b>50%</b>	<b>4.6</b>	<b>17.3</b>
<b>TOTAL</b>	<b>500 304</b>	<b>40 571</b>	<b>34 082</b>	<b>91 632</b>	<b>55 953</b>	<b>722 542</b>	<b>0.8%</b>	<b>96%</b>	<b>7.3</b>	<b>1 064.0</b>

### Financial strategy

Norwegian Property operates in a capital-intensive sector, where the choice of financial strategy is very important. A key element in the group's financial strategy is to maximise the long-term return on equity. At the same time, it is important for the group to have a capital adequacy which provides the basis for long-term stability and a financial foundation for operational freedom of action in the purchase and sale of properties.

### Financial risk

Norwegian Property's financial risks relate primarily to changes in equity caused by alterations in the value of the property portfolio, the effect of interest rate changes on profits, and

the liquidity risk associated with refinancing the company's debt.

### Interest rate risk

The group's interest rate regulation profile is tailored continuously, through the use of financial derivatives, to prevailing interest rate expectations and the company's fixed interest rates. Group policy is to hedge at least 70 per cent of its interest rate exposure.

A summary of the company's interest rate hedging profile is provided in the table below, which also shows the status at 31 January 2007 following the formal takeover of the INF portfolio.

The high hedging ratio means that the group's financial expenses are only affected to a limited extent

by changes in the short-term money market interest rates. A rise of one per cent in three-month Nibor would boost financial expenses by NOK 24 million, corresponding to an 0.19 per cent increase in the group's average interest rate to 5.24 per cent.

Group debt with short-term fixed interest rates normally has a fixed interest period of three months, so that interest rate changes would not have immediate effect.

### Financing sources

Norwegian Property is a recently-created company. Its financing was initially based on a syndicated credit facility provided by the company's four principal banks – DnB Nor, Nordea, SEB and Danske Bank. This syndi-

### Key figures for interest hedging by the group

<i>NOK mill</i>	<b>31 Dec 06</b>	<b>31 Jan 07*</b>
Total interest-bearing debt	10 978	12 626
- of which hedged	9 943	10 191
Hedging ratio	91%	81%
Average term, interest rate hedges	6.2	6.1
Average term, loans	7.0	6.9
Average interest rate	5.16%	5.05%
Average loan margin	0.76%	0.63%

(\* ) After the acquisition of the INF portfolio



cated facility still represents a large proportion of the company's total borrowing.

To ensure competitive terms and optimum loan financing, the company has initiated a refinancing process in cooperation with its four main banks. Norwegian Property's plans include using the Norwegian bond market for partial financing of its properties. The company will also initiate a process to finance part of its debt by securitising property portfolios in the European bond market.

### Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. It has initially set a debt ratio of 75 per cent of the fair value of the properties, but this proportion is kept under continuous assessment. The

equity ratio at 31 December was 31.8 per cent.

Group liquidity totalled NOK 1 252.5 million at 31 December. The company's available liquidity should be sufficient to cover on-going operational requirements, but a liquidity position which provides the financial freedom of action to exploit interesting investment opportunities is also a company ambition.

### Value of the property portfolio

The company's properties, with the exception of the Aker House development property, are valued continuously at fair value as investment properties.

Fair value of the investment properties is determined by discounting cash flows related to existing leases and expected market rents at the expiry of these leases. Risk-adjusted required rates of return are used as the

discount factor. The value of the properties is adjusted for expected current costs, maintenance requirements and the need to upgrade after the expiry of a lease. Assessments are also made of the expected period of vacancy after the expiry of the lease.

The portfolio (including the IFN portfolio and assuming that Aker House is completed) is valued at NOK 18 056 million in total. This corresponds to a gross yield of 5.9 per cent based on a current gross rental income of NOK 1 064 million. The most important parameter for assessing the value of the properties is existing lease-based rental income, market rents and yield requirements. The yield requirement is influenced in turn by long-term market interest rates and investor requirements for a rate of return over and above market interest rates.

---

# Board of directors

## of Norwegian Property ASA

### Knut Brundtland

*Chair*

Brundtland (born 1961) has a law degree and was previously a partner with the BAHR law firm, with corporate finance as his speciality. He has worked as a professional company director since January 2005, and became chair of the Norwegian Property board in April 2006.

He is chair of Bluewater Insurance ASA, Contopronto AS, Youngstovet Eiendom AS, Creditsafe Business Information, Contexvision AB, VANN ASA, VOSS of Norway AS, Try AS and Futuris Asset Management AB, and a director of Bergesen World Wide Gas ASA, Revus ASA, LeasePlan Norway AS, Astrup Fearnley Museum of Modern Art and the Office for Contemporary Art Norway (OCA). In addition, he chairs the finance committee of the Norwegian Labour Party.

Brundtland owned 200 000 shares and 0 options in Norwegian Property at 31 December 2006.



### Jostein Devold

*Director*

Devold (born 1960) is vice president investment at Aweco Invest AS, an investment company affiliated with Anders Wilhelmsen group. He was previously investment vice president for Rasmussengruppen AS, with corporate finance at Saga Securities AS and with the Ministry of Finance. With an MSc in business economics from the Norwegian School of Economics and Business Administration, Devold has been a director of Norwegian Property since April 2006. He is a director of Expert ASA, Leif Hübert Stål AS and NOAH AS, and a member of the corporate assembly of Telenor ASA. Devold was previously a director of the Avantor ASA and Industrifinans Næringsseiendom ASA property companies.

Devold owned 0 shares and 0 options in Norwegian Property at 31 December 2006.



### Torstein I Tvenge

*Director*

Tvenge (born 1952) is president of Fram Management. He has developed a large number of property projects over the past 30 years, and ranks today as one of Norway's largest property investors. With additional experience from IT, wine importing, fish farming and tourism, he holds a degree in marketing from the Norwegian School of Management. Tvenge has been a director of Norwegian Property since April 2006. He is also a director of Avishuset Dagbladet, Solera AS and a number of privately-owned companies.

Tvenge owned 8 000 000 shares (family-controlled companies) and 0 options in Norwegian Property at 31 December 2006.



---

## Egil K Sundbye

*Director*

Sundbye (born 1945) has 37 years of experience from leading positions in the public and private sectors. He has largely worked with investment in and management of property, and with financial investments. He has been president of the Norwegian State Church Endowment Fund since 2001. Sundbye has a business economics degree from the University of California at Los Angeles (UCLA). He has been a director of Norwegian Property since April 2006.

Sundbye owned 1 000 shares and 0 options in Norwegian Property at 31 December 2006.

## Hege Bømark

*Director*

Bømark (born 1963) has been a financial analyst at Orkla Finans (Fondsmegling) AS and Fearnley Finans (Fondsmegling) AS, with property as one of her specialities. She has also been involved in a number of company creations, listings and restructurings in the property sector. As a project manager at AS Eiendomsutvikling, Bømark was involved in the syndication of property projects and organising the market for share trading. She has an MSc in business economics from the Norwegian School of Economics and Business Administration. Bømark has been a director of Norwegian Property since November 2006. She is deputy chair of Block Watne Gruppen and Norgani, and a director of Block Watne AS.

Bømark owned 0 shares and 0 options in Norwegian Property at 31 December 2006.

## Karen Helene Ulltveit-Moe

*Director*

Ulltveit-Moe (born 1967) is professor of international economics in the department of economics at the University of Oslo. She has a BSc in business economics from the University of Mannheim and took a PhD in economics at the Norwegian School of Economics and Business Administration. Ulltveit-Moe has been a member of various official commissions, including the Skaugen commission on taxation. She has been a director of Norwegian Property since November 2006. Ulltveit-Moe is also a director of the listed companies REC, IM Skaugen and Kverneland, a member of the board of representatives of Storebrand, and a member of the corporate assembly of Norsk Hydro.

Ulltveit-Moe owned 0 shares and 0 options in Norwegian Property at 31 December 2006.



---

# Norwegian Property's management team



## Petter Jansen

*President and CEO*

Jansen was president of SAS Braathens until June 2006, and previously executive vice president for personal customers at DnB and a vice president at Postbanken from 1996 to 2004. He was also head of Oslo's former Fornebu airport in 1993-96, and has held a number of leading position in the Norwegian defence forces. Jansen's education includes the War College and the Army Staff College. He studied at the Deference College in Sweden, in parallel with studies at Östersund School of Economics in 1986-88. He also took the senior executive programme at the London Business School in 2003.

**Shares owned in NPRO:** 40 000

## Svein Hov Skjelle

*Vice president and Chief financial officer*

Skjelle was president of Telecomputing Norge in 2004-06, and served as CFO of the TeleComputing group for just over two years from May 2003. He was acting chief executive for a period. In 1998-2003, Skjelle was financial manager and later vice president finance in Merkantildata (now Ementor). His professional experience also includes six years in Veidekke to 1997, ending as finance manager. He took an MSc in business economics at the Norwegian School of Economics and Business Administration in 1990. In 1998, he qualified as an authorised financial analyst (AFA) from the same school.

**Shares owned in NPRO:** 5 000



### Aili Klami

*Vice president sales and marketing*

Klami was vice president sales for the Avantor property company from 2002-06, and has substantial experience from the property sector. Earlier posts with the same company included marketing manager and head of the administration department. She was at Avantor for 10 years, and before that with former property company Nydalens Compagnie. Klami studied at the Norwegian School of Management and has taken a number of courses on property administration, management and sales.

**Shares owned in NPRO:** 0

### Dag Fladby

*Vice president and Chief investment officer*

Fladby was previously senior vice president at Altia Corporation Oy, where he was responsible from August 2005 for the group's business development. Before that, he was one of the key people involved in building up Scandinavian Beverage Group (SBG). Fladby joined the company in 1995 and was its chief executive when it was sold to Altia Corporation at the end of 2004 after a successful period of growth. He has an MSc in business and marketing from the Norwegian School of Management in Oslo in 1993.

**Shares owned in NPRO:** 4 000

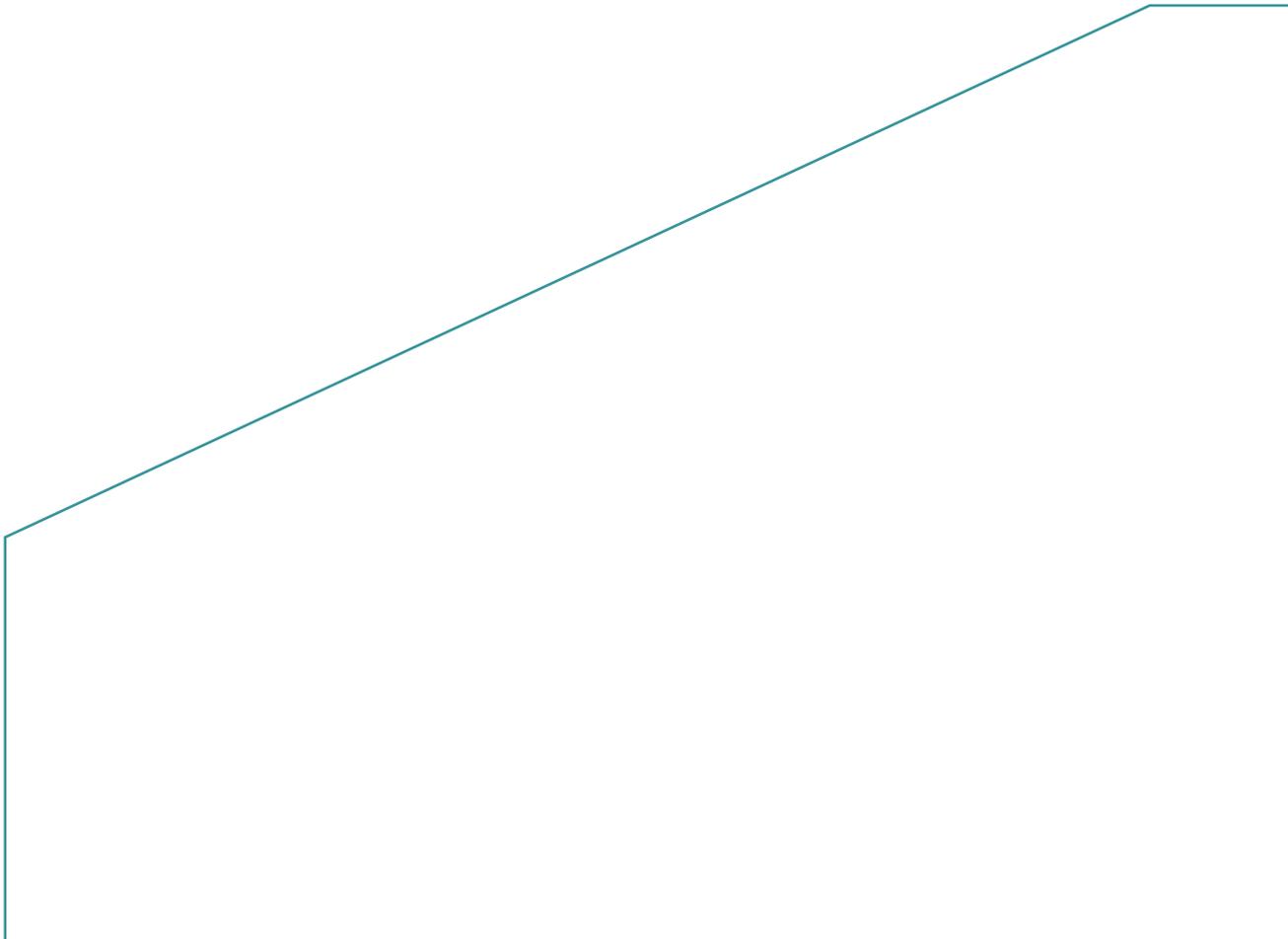
### Mona Ingebrigtsen

*Vice president and Chief operating officer*

Ingebrigtsen was president of NCC Property Development in 2004-06, and its development manager/vice president from 1997-2004. She has almost 20 years of experience in the property sector, including regional manager for the property section at Christiania Bank og Kreditkasse, a property manager at Vital Forsikring AS and Andenæs Eiendom, and a project manager (property development) at Nielsen-Nielsen AS. Ingebrigtsen received an MSc in civil engineering from the Norwegian University of Science and Technology (NTNU) in Trondheim in 1984. She has also studied business economics and took an MSc in strategic management at the Norwegian School of Economics and business administration. Ingebrigtsen is a member of the board of the Norwegian Commercial Property Association and in Scandinavian Property Development ASA.

**Shares owned in NPRO:** 0







NORWEGIAN PROPERTY

Norwegian Property ASA  
Stranden 3A  
NO-0250 Oslo  
P.O. Box 1657, Vika  
NO-0120 Oslo

Tel: +47 22 83 40 20  
Fax: +47 22 83 40 21

[www.norwegianproperty.no](http://www.norwegianproperty.no)