



# NORWEGIAN PROPERTY

ANNUAL REPORT 2007



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## Financial calendar 2008

28 April	Interim report, Q1
20 May	Annual general meeting
10 June	Dividend payment
8 August	Interim report, Q2
24 October	Interim report, Q3

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# Highlights 2007

## Share issues and refinancing

- A fully-subscribed private placement of NOK 500 million was implemented on 29 March at a subscription price of NOK 71.75.
- Agreements for loans and mandates related to financing with an overall volume of up to NOK 21 billion were concluded in July. After this refinancing, the average margin on Norwegian Property's borrowing was reduced to 56 basis points.

## Biggest Nordic hotel property company acquired

- All the shares in Norgani Hotels ASA were acquired in the fourth quarter through the Oslo Properties investment company owned 17.5 per cent by Norwegian Property. Through agreements, Norwegian Property has secured the right to acquire more than 90 per cent of Oslo Properties.

## Strengthening property portfolio in Norway

- The acquisition of four office and retail properties during July for NOK 1.7 billion made Norwegian Property the largest landlord at Aker Brygge in Oslo.
- Park Inn in downtown Oslo was acquired in December for NOK 174 million through Norgani Hotels AS.

## Disposal of non-strategic properties

- Agreement was reached in December on the sale of the Mauritz Kartevold-spllass 1 property for NOK 50.5 million and of the Kokstadveien 23 property in Bergen for a value corresponding to NOK 230.8 million.

## Included in international benchmarking index

- Norwegian Property was included from 24 December in GPR 250, a leading global benchmark index for investors in property shares.



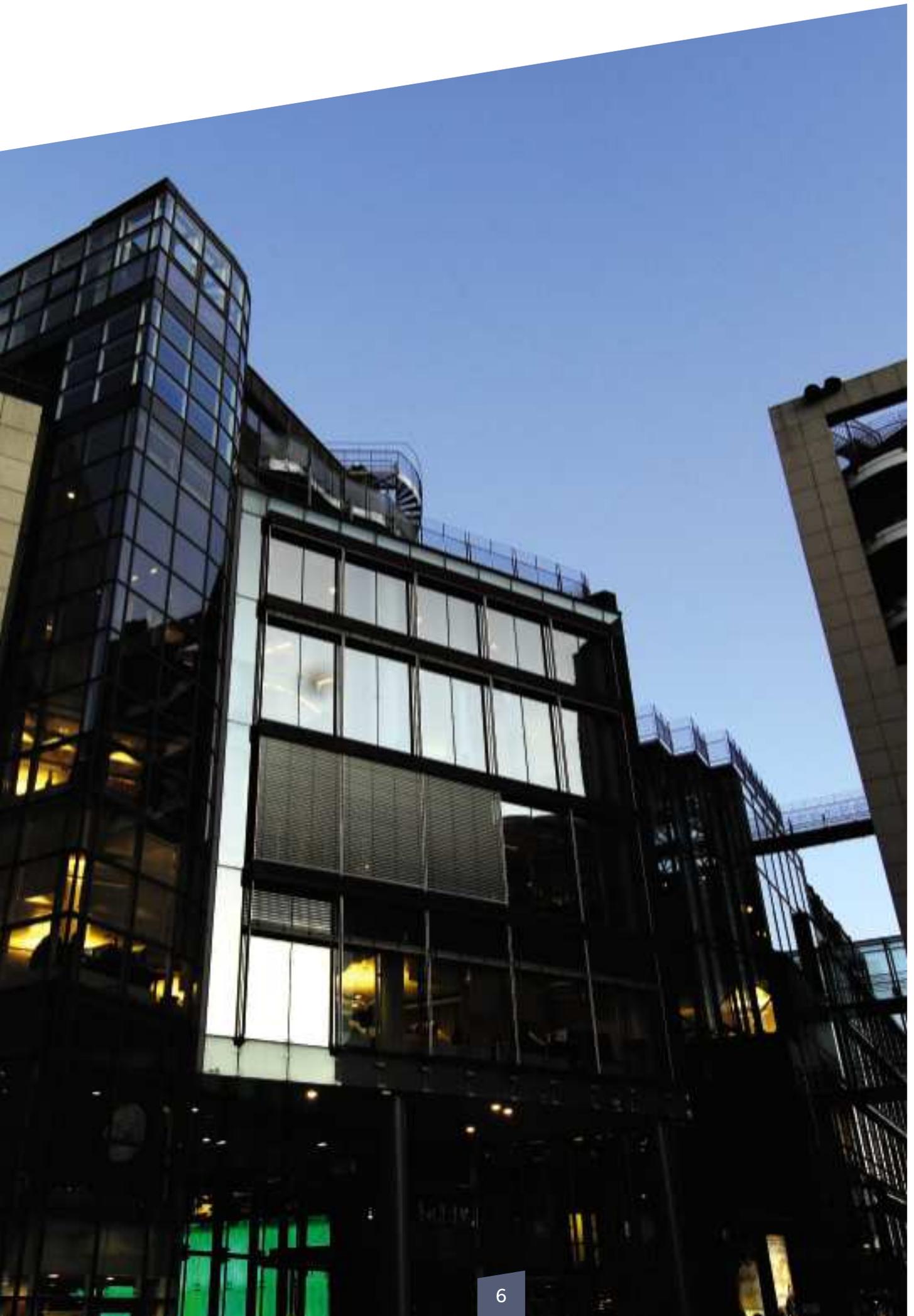
# Key figures

		2007	2006
<b>Profit and loss<sup>1</sup></b>			
Gross rental income	<i>NOK million</i>	<b>1 195.7</b>	414.8
Operating profit	<i>NOK million</i>	<b>2 264.7</b>	745.0
- of which value change investment properties	<i>NOK million</i>	<b>1 219.1</b>	393.2
Operating margin	<i>Per cent</i>	<b>189.4</b>	179.6
Profit before tax	<i>NOK million</i>	<b>1 650.6</b>	539.5
Annualised return on equity (before tax)	<i>Per cent</i>	<b>27.0</b>	25.2
Dividend (proposed 2007/paid 2006)	<i>NOK per share</i>	<b>2.50</b>	2.50
<b>Balance sheet<sup>1</sup></b>			
Property portfolio, book value	<i>NOK million</i>	<b>31 114</b>	13 920
Total assets	<i>NOK million</i>	<b>33 882</b>	16 888
Interest-bearing debt	<i>NOK million</i>	<b>23 232</b>	10 978
Equity	<i>NOK million</i>	<b>6 831</b>	5 373
Equity ratio	<i>Per cent</i>	<b>20.2</b>	31.8
Book equity per share	<i>NOK per share</i>	<b>63.20</b>	54.09
EPRA, value per share <sup>3</sup>	<i>NOK per share</i>	<b>70.84</b>	56.53
<b>Portfolio<sup>2</sup></b>			
Number of properties		<b>131</b>	55
Total area	<i>Sq.m</i>	<b>1 407 471</b>	722 542
Average remaining lease term	<i>Years</i>	<b>8.4</b>	7.3
Vacant, office portfolio	<i>Per cent</i>	<b>0.7</b>	0.8
Average net yield	<i>Per cent</i>	<b>5.8</b>	5.6
Average net yield, market value	<i>Per cent</i>	<b>6.3</b>	-
Property portfolio, market value	<i>NOK million</i>	<b>31 430</b>	18 056
Property portfolio, market value	<i>NOK per sq.m</i>	<b>22 331</b>	24 991

<sup>1</sup> Reported figures where the properties are included from their date of acquisition. Norgani Hotels included from 24 September 2007.

<sup>2</sup> Rental income: based for commercial properties on the on-going level of rents at 1 January 2008, and for Norgani Hotels on the level of rents for 2007 with a five per cent adjustment for expected RevPAR growth in 2008. (RevPAR=Revenue Per Available Room).

<sup>3</sup> EPRA (70.84) = carried amount of equity (63.20) + deferred tax, property (22.18) - goodwill (10.10) - financial derivatives (4.45). (EPRA= European Public Real Estate Association).



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# Norwegian Property in brief

Norwegian Property buys, develops and owns high-quality commercial properties with attractive locations. The portfolio was expanded in 2007 with additional commercial properties in Oslo. Acquiring Norgani Hotels also contributed with a substantial number of hotel properties in the Nordic region.

Established in May 2006, Norwegian Property ASA has made its mark from the start as a substantial and dynamic player in the Norwegian property market. Its portfolio at 31 December 2007 totalled 58 commercial and 74 hotel properties with a combined market value of NOK 31.4 billion. This makes Norwegian Property the largest listed Nordic property company.

These properties represent a total area of roughly 1 400 000 square metres, with an annual rental income of just under NOK 2 billion. Vacancy for the overall portfolio of commercial and hotel properties is less than one per cent, and leases have an average remaining term of 8.4 years.

Norwegian Property is located in Oslo. It had 33 employees at the end of 2007 and a total rental income for 2007 of NOK 1 195.7 million. The company is listed on the Oslo Stock Exchange with ticker code NPRO.

Through the Oslo Properties investment company, Norwegian Property also controls Norgani Hotels. The latter has its head office in Oslo and 19 employees, with a total rental income of NOK 699.1 million in 2007. Norgani Hotels was delisted from the Oslo Stock Exchange on 12 November following its acquisition by Oslo Properties.

## The business

The company has two business areas: commercial property and hotel property.

### Commercial property – Norwegian Property ASA

Activities related to commercial property are organised in Norwegian Property ASA.

At 31 December, the portfolio comprised 58 attractive commercial properties in Oslo and Stavanger with a market

value of NOK 20.7 billion. These represented an annual gross rental income of roughly NOK 1 149 million. The properties are managed by external partners.

### Hotel property – Norgani Hotels AS

The hotel properties are organised in Norgani Hotels AS, which had a portfolio at 31 December comprising 74 hotel properties with a rental income for 2008 of NOK 819 million based on development expectations from the hotel operators.

Norgani Hotels was acquired in 2007 by the Oslo Properties investment company. At 31 December, the latter controlled all the shares in Norgani. Norwegian Property owns 17.5 per cent of the shares in Oslo Properties, and has secured the right to secure 90 per cent. Norwegian Property regards the investment in Norgani Hotels as both long-term and strategically important, and has accordingly opted to present the hotel properties as part of its business.

### Well-diversified portfolio

Norwegian Property has a clear strategy of investing in high-quality commercial properties with attractive locations in Norway's largest cities. Over time, the ambition is for attractively-located office and commercial properties in Norway to account for more than 70 per cent of the value of the group's property portfolio. Demand from the rental market for this type of property is high, while the supply of vacant premises and new buildings is

restricted. Rents are accordingly expected to continue rising over the next few years. Norwegian Property is well positioned to benefit from a future positive trend in the property market, and has ambitions for continued growth.

Meeting the demand for a liquid, listed investment option in the commercial property sector, the company aims to give its shareholders an attractive return. A well-diversified quality portfolio of large commercial properties, combined with an attractive and predictable relationship between risk and return, will contribute to value creation. Norwegian Property aims to take a leading role in the restructuring and industrialisation of the market.

### Object and strategies

The overall long-term object for Norwegian Property is to be the preferred investment option and premier value-developer in Norway, and to serve as a door-opener to the Nordic property market.

Norwegian Property's ambition is to achieve predictable progress in revenues and cash flow, with a long-term return on equity of at least 13-15 per cent before tax, while also paying a competitive dividend.

### Investment strategy

The investment strategy is to continue actively developing and managing the portfolio in the chosen priority areas. At the same time, the group will contribute to a restructuring and professionalisation of the sector.

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*“The investment in Norgani Hotels is both long-term and strategically important.”*

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- In the long term, attractively located office properties in Norway will form 70 per cent of the portfolio by value. Hotel and retail could form up to 30 per cent of the portfolio by value in the long term.
- The main focus for the office portfolio will be:
  - locations in attractive areas of Oslo and Stavanger, with Bergen and Trondheim considered if large portfolios become available
  - fully developed properties with a value of more than NOK 200 million and a high expected return
  - the emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases in order to secure the potential in today's strong market
  - tenants will normally be large listed

companies and public bodies, in order to reduce risk associated with leases.

- The main focus for the hotel portfolio is on properties subject to less volatility than the general hotel market:
  - a well-diversified portfolio of three- and four-star hotels (mid- and up-market) units, primarily located in Nordic towns with more than 50 000 inhabitants
  - mainly fully developed properties, with a minimum of 150 rooms and attractive locations
  - collaboration with the largest and most professional hotel operators in the Nordic region.

#### Financing and investment strategy

The company's earnings, cash flow and required return will be highly predictable.

- The objective is a return of 13-15 per cent on paid-in equity and an annual dividend of four-six per cent of paid-in equity.
- The company's target equity ratio will be about 25 per cent.
- The company will be financed on competitive terms.
- A high proportion of long-term debt will be hedged at fixed interest rates. This applies to at least 70 per cent of the office portfolio and at least 50 per cent of the hotel portfolio.

#### Shareholder strategy

- Open communication combined with clear goals and strategies will help to ensure confidence in the investor market.
- A broad shareholder base comprising Norwegian and international inves-



tors will contribute to a high level of liquidity for the share.

### Market

The Norwegian market for commercial property reflects the strength of the national economy. Demand for quality properties in central locations is high. At the same time, the supply of vacant premises and new building is limited. Vacant space fell during 2007 from six to four per cent, and is expected to contract even further in 2008. This has raised the level of rents, and a further increase is expected over the next few years.

The Nordic hotel market is experiencing a growth phase, which is expected to continue over the next few years. Revenue per available room (RevPAR) rose in the Nordic market by 7.1-13.0 per cent during 2007. This growth reflects increased travel by both tourists and

business people. The availability of new hotel capacity has been limited, and both occupancy rates and average room prices have made good progress.

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

### Tenants

Norwegian Property has a number of large and financially sound tenants in both private and public sectors. The 25 largest office tenants account for about 66 per cent of the rental income. The office portfolio had a total of 400 tenants at 31 December 2007.

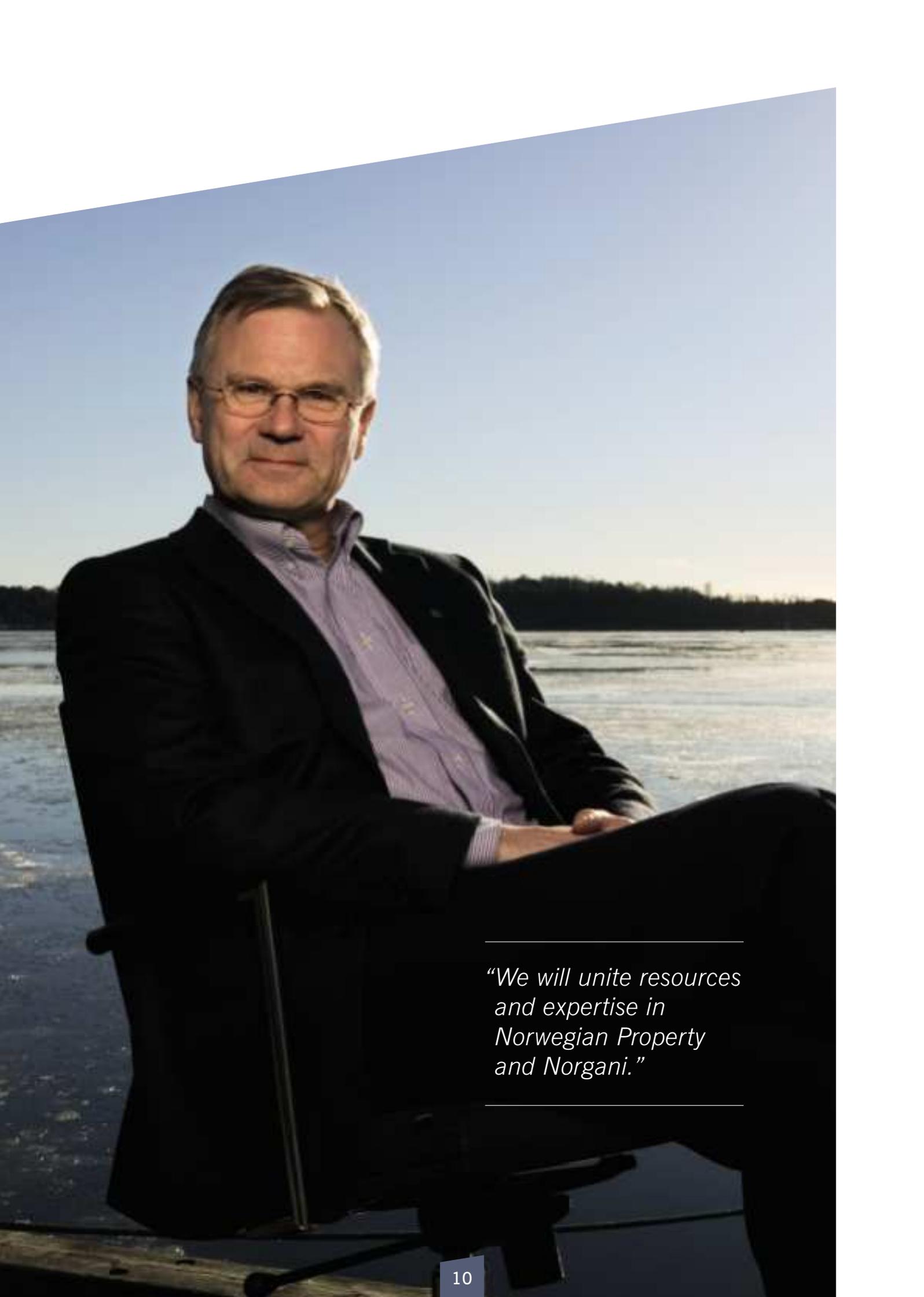
Tenants of Norgani Hotels include leading international and regional chains such as Scandic Hotels (including Hilton), Choice Hotels Scandinavia

and Rezidor. These account for about 90 per cent of the rental income. Scandic Hotels is the largest tenant, accounting for about 64 per cent.

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*“The company’s earnings, cash flow and required return will be highly predictable.”*

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*“We will unite resources  
and expertise in  
Norwegian Property  
and Norgani.”*

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Letter from the CEO:

## Focus on increased value creation

Norwegian Property is growing. We became the Nordic region's largest listed property company in 2007, and have established a strong portfolio of hotel and commercial properties.

High-quality office properties in attractive locations represent the bulk of our portfolio. In order to become even more strongly placed, however, we also positioned ourselves during 2007 in the market for hotel properties. This will make us less vulnerable to economic fluctuations and help to enhance value creation.

The Norwegian property market was again characterised by a high level of activity in 2007, and plenty of holdings were for sale. However, we in Norwegian Property are very selective about which buildings and portfolios we consider. Maintaining our absolute requirement for a return of 13-15 per cent on equity is crucial for us. It is also important for the properties to be attractive in terms of quality and location. That will help us to maintain our position as the landlord for large and reputable tenants, and will ensure a level of rents which creates value for our owners.

We were built on a portfolio of office properties. At an early stage, we expressed an ambition to develop our company into a Nordic leader. To fulfil our growth strategy, we wanted more legs to stand on. Market trends indicated that a commitment to hotel properties would be favourable, and we accordingly made an offer in August 2007 for Norgani Hotels. Other players also regarded Norgani's portfolio of 74 Nordic hotel properties as attractive, and a bidding war ensued. I am pleased that we emerged victorious from this struggle through an alliance forged by Oslo Properties. The agreement means that we have secured the right to more than 90 per cent of the Oslo Properties shares in the longer term, and the acquisition of Norgani was accomplished at a price which satisfies our required return.

Acquiring Norgani has given us a more diversified portfolio, making us

more robust in relation to economic fluctuations. Backed by assessments from independent analysts, we believe that hotel properties will now experience something like the same growth seen for the development of office property values. Occupancy rates in Nordic hotels are rising, and this trend is expected to persist. Norgani's portfolio consists primarily of three- and four-star hotels, and this is the segment with the highest growth and most stable progress. Renegotiations with Scandic Hotels have resulted in higher rents with effect from 1 January 2008. During the boom we are experiencing in the hotel market, we will also secure a positive effect for our cash flow from the fact that all but one of the hotels have turnover-based leases. In addition come minimum-rent guarantees from operators for an average period of 11 years to come.

Another milestone for us in 2007 was the acquisition of the DnB Nor head office at Aker Brygge in July. We now own a substantial proportion of all the commercial premises in this part of Oslo – Norway's most attractive property market. Demand for premises in this area is high, and rents have risen by more than 100 per cent over the past two years.

While our main focus remains on Norwegian office properties, we will be able to have about 30 per cent of our investments in other segments with growth opportunities. Through our strong portfolio of attractive Norwegian office and Nordic hotel properties, we are well positioned in two segments with good prospects for continued growth. Demand remains strong, rents are expected to go on increasing, and the supply of new properties is limited. Combined with high employment and continued growth in Norway's gross domestic product, this will allow us to enhance our value

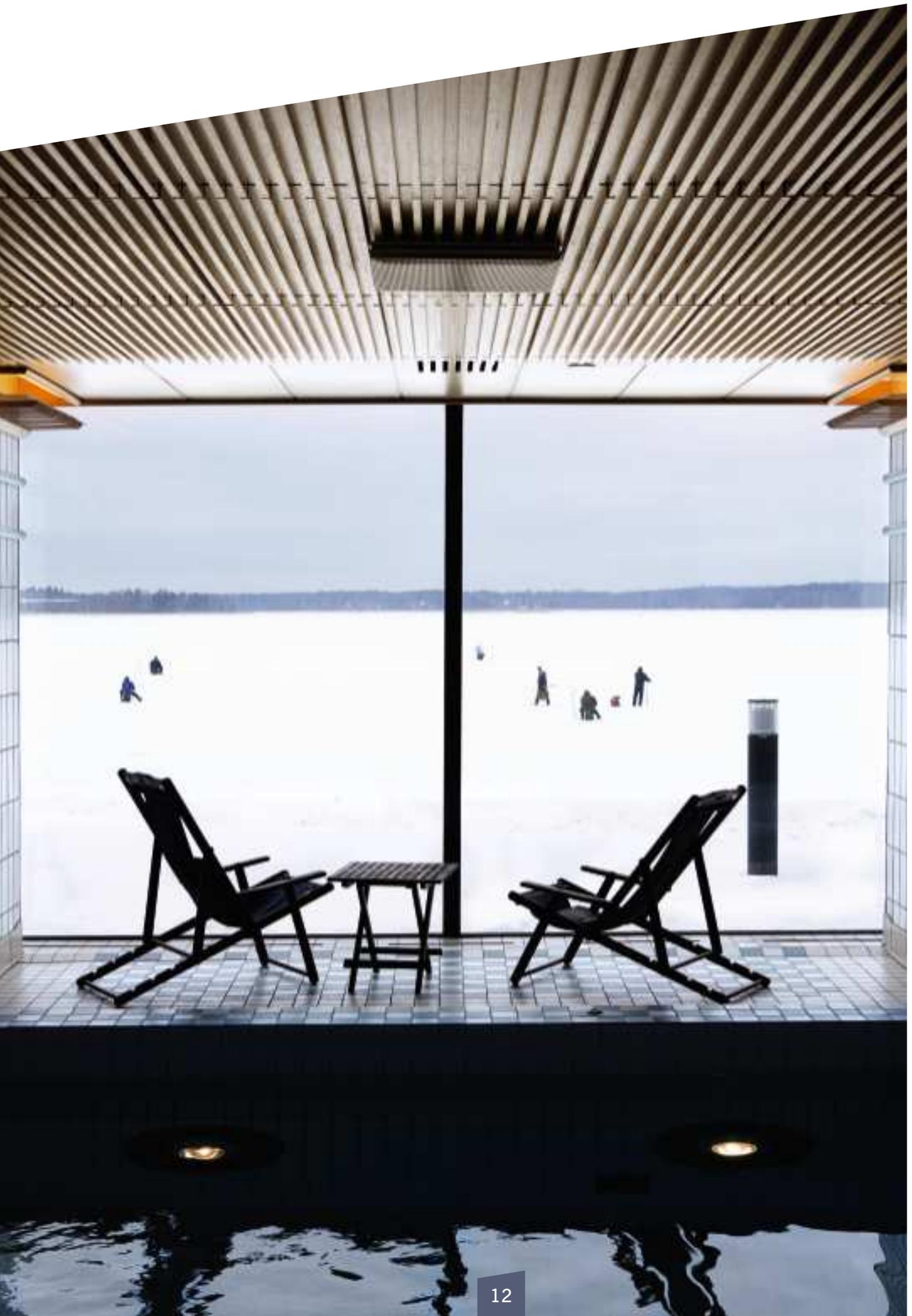
creation even further. By integrating the Norwegian Property and Norgani organisations, we can unify resources and expertise in a way which strengthens us even further while also laying the basis for taking out substantial synergies and economies of scale.

The unrest in the financial market and the strong decline we have seen in stock markets, particularly in early 2008, have not affected our operations. The quality of our tenants is still very good, demand for premises remains high and rents are continuing to rise. Nor has our financing been affected by the turbulence in the market. Almost 80 per cent of our debt is covered by fixed-interest contracts on terms below the market rate, and we are comfortable with our ability to maintain our target of a return of 13-15 per cent on equity.

We will continue our efforts to trim and optimise our portfolios in both office and hotel segments, and our attention is focused more on structural opportunities than on individual purchases. We believe that our combination of first-class office properties and properties with consumer-oriented activities will be a successful formula for enhanced value creation.



Petter Jansen  
President and CEO



Hotel properties:

## Biggest Nordic hotel owner

Through its investment in Norgani Hotels, Norwegian Property established hotel properties as a new business area in 2007. This commitment is long-term and regarded as strategically important.

### Highlights of 2007

- Norgani Hotels strengthened its position as the largest Nordic hotel owner, and concluded agreements on the acquisition of five hotels and a development project with a total of 859 new rooms.
- Work continued on refining the portfolio, and three non-strategic properties with a total of 231 rooms were sold.
- An overall agreement on renegotiating all leases for the 42 hotels in the Scandic chain was concluded with effect from 1 January 2008. Rents were raised to the current market level, representing an annual increase of EUR 10.5 million. At the same time, the term of the leases was extended from six to 13 years and minimum rents were introduced for all the hotels. Leases for each hotel were completed during February 2008.
- Turnover made strong progress in all the company's markets during 2007. Rising tourist traffic and good times in the business sector have boosted demand for hotel rooms. Only limited new capacity has come onto the hotel market, and both occupancy and room prices developed positively in 2007. RevPAR increased by eight to 13.1 per cent in all the Nordic markets. Since Norgani Hotels' leases are largely turnover-based, the company therefore experienced very good progress for rental income.

Norgani Hotels is a focused company with core expertise in owning and developing hotel properties. It cooperates closely with both operators and distributors.

### Strong market positions in growth markets

As the biggest owner of Nordic hotel properties, Norgani Hotels embraces about five per cent of all available rooms in the region. Turnover in the hotel sector is expanding rapidly as a result of both increased tourism and greater business travel. The travel trade is now one of the world's biggest industries, and one of those with the fastest growth. In line with international trends, developments in the Nordic region are also very positive.

Norgani Hotels is active in the travel trade as a hotel owner and as a creator

of value through investment in as well as management and development of hotel properties in close cooperation with their operators. The company's main focus is on hotels with less volatility than the hotel market in general:

- The goal is to have a well-diversified portfolio of three- and four-star (mid- and up-market segments) hotels, located primarily in Nordic towns with more than 50 000 inhabitants.
- These properties will be mainly fully developed, in attractive locations and with at least 150 rooms.
- Hotel management is handled by professional players. Cultivating and further extending collaboration with the largest and most professional hotel operators in the Nordic region has a high priority.

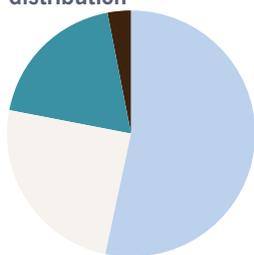
### Key figures, hotel property portfolio

	2007 <sup>2</sup>	2006 <sup>1</sup>
Number of hotel properties	74	73
Total area, square metres	671 080	658 417
Total rooms	12 804	12 493
Average size per property, square metres	9 069	9 019
Average value per hotel room, NOK 1 000	836	757
Market value, NOK million	10 700	9 452
Gross rental income, NOK million	819	662
Estimated annual property costs, NOK million	82	62
Net rental income, NOK million	737	600
Gross yield, per cent	7.7%	7.0%
Net yield, per cent	6.9%	6.3%
Average remaining lease term, years	11.0	7.7
Minimum rent and seller guarantees, NOK million	596	-
Minimum rent (inflation-adjusted), NOK million	519	-

<sup>1</sup> Actual rent achieved for 2006, adjusted for hotels bought and sold. Estimated property cost of 10 per cent.

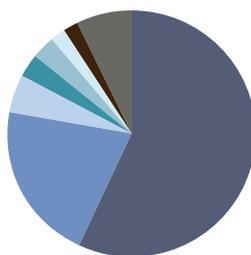
<sup>2</sup> Rental income based on hotel operator budgets for 2008, which implies a RevPAR growth of just over five per cent from 2007.

### Hotel rooms, geographical distribution



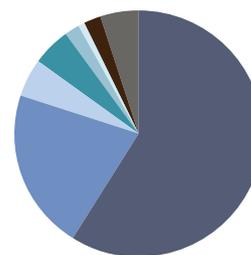
Sweden	54%
Finland	24%
Norway	19%
Denmark	3%

### Operators' share of rooms



Scandic	57%
Choice	21%
Rezidor	5%
Hilton	3%
First	3%
Best Western	2%
Rica	2%
Other	7%

### Operators' share of turnover



Scandic	59%
Choice	21%
Rezidor	5%
Hilton	5%
First	2%
Best Western	1%
Rica	2%
Other	5%

### Hotel property portfolio

Norgani Hotels owns a total of 73 hotels and one conference centre. It has also reached agreement on acquiring a further hotel in Oslo upon completion in 2009. Altogether, the 74 properties have 12 804 rooms and an area of 671 080 square metres. Virtually all the space is leased for hotel operation, but some hotels also have small areas leased for other types of activity. The most important key figures for the property portfolio are shown in the table on page 13. A more detailed presentation of all the properties is provided in a separate table.

### Rental income and geography

More than half the hotel room capacity – 54 per cent – is located in Sweden, with 19 and 25 per cent in Norway and Finland respectively. Norgani Hotels only has three hotels in Denmark, and their share of capacity also totals about three per cent. Sweden's share of turnover is relatively low, at 45 per cent, while Norway, Denmark and Finland represent relatively higher proportions. This reflects both the location and segment of the hotels, but also differences in market rates for hotel rooms.

### Turnover-based leases

Following the renegotiation of lettings for the Scandic hotels, all but one of the leases are turnover-based. The hotel owner's share of occupancy turnover (room price) normally amounts to 25-40 per cent, and the share of other revenue (food and beverages) lies between seven and 12 per cent. With the exception of three hotels, the leases also contain provisions on minimum rents which are inflation-adjusted annually and independent of hotel turnover. At 31 December 2007, minimum rents accounted for about 64 per cent of expected turnover in 2008.

With turnover-based leases, the hotel owner is normally responsible for external maintenance while the operator meets on-going operating costs. As a general rule, the hotel owner is responsible for replacing technical installations while the operator handles on-going maintenance. The usual practice for other investment in the property is to agree a split between owner and operator.

Following the renegotiation of the Scandic agreement, the average remaining term of the leases is 11 years.

### Other leases

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

### Seller guarantee

For most of the hotels acquired by Norgani, the seller agreed at the time of acquisition to guarantee a certain minimum rental income. Given the strong growth in turnover, this seller guarantee is expected to apply to only four hotels during 2008.

### Operators

Norgani gives weight to having relationships with the most important Nordic players. These often have greater market penetration through coordination of marketing and loyalty programmes. They also have professional operations organisations and a strong focus on positioning, operational tools and product development.

Scandic Hotels (including Hilton) and Choice, which are the two largest Nordic chains, account between them for 81 per cent of the hotel rooms and 85 per cent rental income.

### Market

The travel trade is one of the world's

largest industries, and estimated by the World Travel and Tourism Council (WTTC) to account for more than 10 per cent of global GDP. Employing more than 200 million people, the industry is forecast by the WTTC to grow by an annual average of 4.3 per cent over the next decade. Demand for hotel rooms is expanding in pace with the general growth in travel.

### Hotel owners

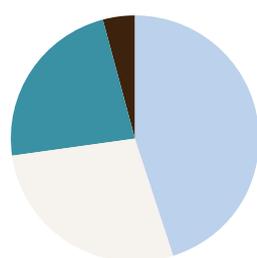
The hotel market has three main players – the owners, the operators and the distributors. In the past, these three roles were usually combined. Increasingly, however, specialists are taking responsibility for their part of the value chain. Norgani has specialised in the hotel owner role. At 31 December 2007, it controlled five per cent of available Nordic hotel rooms. The company's market share is largest in Sweden, at 6.6 per cent.

Norgani's biggest competitors on the ownership side are operators who also own the hotels (the Olav Thon group and Nordlandia). The biggest specialised hotel-owning companies are Northern European Properties, with 39 hotels (mainly in Finland), Pandox with 29 hotels in Sweden and Denmark, and Home Properties with 23 hotels in Sweden and Norway. Northern European Properties sold its hotels to a fund controlled by private equity company Capman in the first quarter of 2008.

### Operators

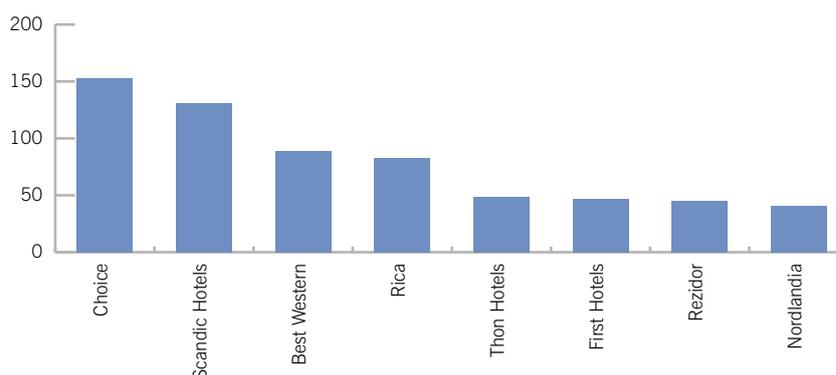
Hotels are increasingly being marketed through chains. Although hotels outside such chains are still in the majority in the Nordic area, most of the large operators in this region have growth ambitions. Common branding gives travellers confidence in the quality of the hotels, while loyalty programmes encourage further purchases. Affiliation also provides econ-

## Turnover by country



Sweden	45%
Finland	28%
Norway	23%
Denmark	4%

## The largest Nordic operators by number of hotels in the region



omies of scale for the hotels in a number of areas. The main Nordic players are shown in the table above.

### Growing capacity utilisation and big rise in RevPAR

The Nordic hotel market had a very good year in 2007, with strong economic growth and expanding business travel as contributory factors. At the same time, increased prosperity has boosted holiday and leisure travel.

#### Norway

RevPAR in Norway made progress for the fourth year in a row, with RevPAR growth rising from 8.8 per cent in 2006 to a record 13.1 per cent. Business travel and the domestic share of occupancy showed particular growth.

#### Sweden

This country, which is Norgani's most important market, also witnessed growth in RevPAR growth rate from 6.7 to nine per cent. Average RevPAR rose from SEK 406 in 2006 to SEK 443.

#### Finland

The Finnish market has expanded continuously since 2003, and reached its highest level since 1980 in 2007. RevPAR increased by 7.1 per cent to EUR 42. This market is driven particularly by domestic holiday and leisure travel.

#### Denmark

Norgani only has three hotels in Denmark, where the market lacks official statistics for average room prices. However, the occupancy rate has risen by 2.5 per cent, from 57.5 to 58.9 per cent.

#### Risk

The group's most important market risks relate to a reduction in rental income.

### Key figures for the hotel portfolio

At 31 Dec 07	Norgani No of rooms	Market No of rooms	Market share
Norway	2 403	61 496	3.9%
Sweden	6 889	103 901	6.6%
Finland	3 078	48 000	6.4%
Denmark	434	42 314	1.0%
Total	12 804	255 711	5.0%
Norway – under development	119		
<b>Total</b>	<b>12 923</b>		

Sources for market data: Statistics Norway ([www.ssb.no](http://www.ssb.no) – December 2007), Statistics Sweden ([www.scb.se](http://www.scb.se) – December 2007), Statistical Office of Finland ([www.stat.fi](http://www.stat.fi) – November 2007), Statistics Denmark ([www.statistikbanken.dk](http://www.statistikbanken.dk) – November 2007)

Norway	2007	2006	Change
Occupancy rate	<b>56.8%</b>	54.6%	4.0%
Average room rate (ARR) – NOK	<b>811</b>	746	8.7%
RevPAR – NOK	<b>461</b>	407	13.1%
Business travel, share of occupancy	<b>53%</b>		
Holiday and leisure, share of occupancy	<b>47%</b>		
Foreign share of occupancy	<b>27%</b>		
Domestic, share of occupancy	<b>73%</b>		

Source: Statistics Norway

Sweden	2007	2006	Change
Occupancy rate	<b>50.6%</b>	49.2%	2.8%
Average room rate (ARR) – SEK	<b>875</b>	825	6.1%
RevPAR – SEK	<b>443</b>	406	9.0%
Business travel, share of occupancy	<b>64%</b>		
Holiday and leisure, share of occupancy	<b>36%</b>		
Foreign share of occupancy	<b>22%</b>		
Domestic, share of occupancy	<b>78%</b>		

Source: Statistics Sweden

Finland	2007	2006	Change
Occupancy rate	<b>53.1%</b>	51.4%	3.3%
Average room rate (ARR) – Euro	<b>79</b>	76	3.8%
RevPAR – Euro	<b>42</b>	39	7.2%
Business travel, share of occupancy	<b>41%</b>		
Holiday and leisure, share of occupancy	<b>59%</b>		
Foreign share of occupancy	<b>30%</b>		
Domestic, share of occupancy	<b>70%</b>		

Source: Statistics Finland – December 2007 figures



With turnover-based leases, the business is vulnerable to some extent to reductions in economic growth and travel activity. The bulk of the leases have been awarded to the largest operators in the Nordic market. At the same time, Norgani focuses on three- and four-star hotels,

which have historically experienced the lowest turnover volatility. To reduce risk, agreements have been concluded with virtually all the hotels on minimum rents which are inflation adjusted on annual basis.

A risk of lost rental income exists in

the event of significant damage to the hotels through fire, for instance. This risk is reduced through suitable insurance policies from leading players in the underwriting market.

### The year 2007

The level of activity was high in Norgani during 2007. The market made strong progress, and many attractive transaction opportunities were continuously assessed.

- A number of leases were renegotiated with tenants and improved. The most important renegotiation related to the 42 Scandic hotels, and the principal elements were a substantial increase in the level of rents, the introduction of a minimum rent for those hotels which lacked one, and an extension

#### Key financial figures

(All amounts in NOK million)

	2007 <sup>1</sup>	2006	2005
Rental income	699	574	136
Operating profit	508	515	120
Net gain on sales	-	66	-
Net change in value, property	820	613	200
Net change in value, financial derivatives	132	59	-
Pre-tax profit	1 139	932	235

<sup>1</sup> The table shows Norgani Hotels as an independent unit for the whole of 2007. Norgani became part of Norwegian Property's consolidated accounts with effect from 24 September 2007.



of the lease term. In addition, the leases incorporate an understanding in principle on how future investment is to be handled.

- Many potential property acquisitions were assessed. Of these, agreement was reached on the purchase of five hotels with a total of 859 rooms.
- The portfolio was continuously improved, with the disposal of three hotels regarded as non-strategic.
- During the second half, Oslo Properties AS – which is controlled by Norwegian Property ASA – acquired all the shares in Norgani Hotels AS. The latter was delisted from the Oslo Stock Exchange in November.

Norgani's turnover rose by 21.7 per cent in 2007, partly because of an increase in the number of hotel rooms but

to a great extent as a result of improved turnover for the hotels. Expenses were negatively affected by one-off costs related to the change of ownership in Norgani Hotels during the third quarter. Ordinary operating profit before fair value adjustments accordingly declined from 2006. The strong rental market and a reduction in the required return for investors in the first half of 2007 meant a positive change of NOK 820 million in the value of the hotel portfolio for 2007. Pre-tax profit accordingly rose from NOK 710 million to NOK 1 139 million.

### Organisation

In connection with the acquisition of Norgani Hotels by Oslo Properties, Eva Eriksson opted to resign as president. She will be succeeded by Rune Ingdal from April

2008. Norgani Hotels has the ambition of being a leading expertise centre for the development and administration of hotel properties.

### Outlook and goals for 2008

Norgani expects 2008 to be a good year for hotel owners, even though this market could also be affected to some extent by the international financial unrest. New building activity is on the increase, but the balance between supply and demand in the hotel market is still affected by shortage of capacity – particularly in the biggest cities. Norgani's attention in 2008 will be focused on the following issues:

- Continue to develop collaboration with the most important operators in the Nordic hotel market to ensure continued strong progress for Norgani's hotels. In cooperation with the operators, develop the existing hotel portfolio while continuously assessing interesting new collaboration projects.
- Build further on Norgani's competent organisation to ensure that it continues to develop as the leading expertise centre for purchase and sale, development and administration of hotel properties.
- Complete the sales processes currently in progress for 20 non-strategic hotel properties. These will have an expected gross rental income of roughly NOK 140 million in 2008, and the sales process is expected to be completed during the first half.
- Based on experience gained by Norwegian Property in outsourcing property management, Norgani's ambition is to reduce property costs. This work will be given priority in 2008.

## The hotel portfolio

Hotel	Operator	Location	Rooms	Square metres	Remaining lease term
<b>Sweden</b>					
Scandic Alvik	Scandic	Stockholm	325	12 075	
Scandic Malmen Stockholm	Scandic	Stockholm	327	15 130	
Scandic Star Sollentuna	Scandic	Stockholm	269	18 573	
Scandic Kungens Kurva	Scandic	Stockholm	257	11 581	
Scandic Helsingborg Nord	Scandic	Helsingborg	237	9 399	
Scandic Backadal	Scandic	Gothenburg	232	9 397	
Scandic Elmia	Scandic	Jönköping	220	9 576	
Scandic Örebro Väst	Scandic	Örebro	204	7 621	
Scandic Gävle Väst	Scandic	Gävle	201	7 382	
Scandic Uppsala Nord	Scandic	Uppsala	184	7 518	
Scandic Västerås	Scandic	Västerås	174	7 285	
Scandic Ferrum	Scandic	Kiruna	170	11 100	
Scandic Umeå Syd	Scandic	Umeå	162	5 955	
Scandic Segevång	Scandic	Malmö	161	6 284	
Scandic Luleå	Scandic	Luleå	159	5 565	
Scandic Sundsvall Nord	Scandic	Sundsvall	159	4 948	
Scandic Linköping Väst	Scandic	Linköping	150	6 105	
Scandic Norrköping Nord	Scandic	Norrköping	150	6 768	
Scandic Kalmar Väst	Scandic	Kalmar	148	5 485	
Scandic Bromma	Scandic	Stockholm	144	6 800	
Scandic Klarälven	Scandic	Karlstad	143	5 694	
Scandia Uplandia	Scandic	Uppsala	133	5 402	
Scandic Södertälje	Scandic	Södertälje	131	5 630	
Scandic Östersund	Scandic	Östersund	129	4 019	
Scandic Växjö	Scandic	Växjö	123	3 982	
Scandic Hasselbacken	Scandic	Stockholm	112	10 025	
Scandic Bollnäs	Scandic	Bollnäs	111	5 150	
Quality Hotel Luleå	Choice	Luleå	209	12 166	
Quality Hotel Prince Philip	Choice	Stockholm	201	7 400	
Quality Hotel Ekoxen	Choice	Linköping	190	14 671	
Quality Hotel Grand Kristianstad	Choice	Kristianstad	149	7 524	
Quality Hotel Winn, Gothenburg	Choice	Gothenburg	121	5 800	
Quality Hotel Prisma	Choice	Skövde	107	3 687	
First Hotel Linköping	First/Tribe	Linköping	133	6 540	
First Hotel Mårtenson	First/Tribe	Halmstad	103	6 657	
First Hotel Royal Star	First/Cadhotels	Stockholm	103	4 900	
Best Western Royal Corner	BW/Revhaken Hotels	Växjö	158	7 112	
Best Western Mora Hotell & Spa	Best Western	Mora	135	9 161	
Ibis Stockholm Syd	Accor Hotels	Stockholm	190	8 339	
Radisson SAS Hotell, Linköping	Radisson/SAS	Linköping	91	6 354	
Stadshotellet Princess Sandviken	Stadshotellet i Sandviken AB	Sandviken	84	7 003	
<b>Total Sweden (41 hotels)</b>			<b>6 889</b>	<b>321 763</b>	<b>11.9</b>



### The hotel portfolio (cont)

Hotel	Operator	Location	Rooms	Square metres	Remaining lease term
<b>Finland</b>					
Scandic Continental	Scandic	Helsinki	512	30 000	
Scandic Grand Marina	Scandic	Helsinki	462	23 660	
Scandic Tampere City	Scandic	Tampere	263	14 457	
Scandic Kajunus	Scandic	Kajaani	191	10 468	
Scandic Rosendahl	Scandic	Tampere	213	14 662	
Scandic Jyväskylä	Scandic	Jyväskylä	150	7 360	
Scandic Kuopio	Scandic	Kuopio	137	7 113	
Scandic Espoo	Scandic	Espoo	96	5 245	
Scandic Luosto	Scandic	Luosto	59	4 230	
Scandic Marina Congress Center	Scandic	Helsinki		11 500	
Hilton Helsinki Kalastajatorpaa	Hilton	Helsinki	238	23 291	
Hilton Helsinki Strand	Hilton	Helsinki	192	10 250	
Airport Bonus Inn	Citymac Travels	Vantaa	211	8 414	
Serena Korpilampi	Savonlinnan	Espoo	150	9 777	
Comfort Hotel Pilotti	Bonfinn	Vantaa	112	3 068	
Imatran Valtionhotelli	Rantasipi	Imatra	92	10 097	
<b>Total Finland (15 hotels and a conference centre)</b>			<b>3 078</b>	<b>193 592</b>	<b>10.8</b>
<b>Norway</b>					
Quality Hotel & Resort Kristiansand	Choice	Kristiansand	210	9 940	
Quality Hotel & Resort Hafjell	Choice	Øyer	210	9 540	
Comfort Hotel Børsparken	Choice	Oslo	198	7 900	
Quality Hotel Alexandra	Choice	Molde	163	17 033	
Comfort Hotel Holberg	Choice	Bergen	140	5 720	
Quality Hotel & Resort Fagernes	Choice	Fagernes	139	10 310	
Clarion Collection Hotel Bastionen	Choice	Oslo	99	4 688	
Quality Hotel Articus	Choice Franchise	Harstad	75	3 540	
Radisson SAS Lillehammer Hotel	Franchise	Lillehammer	303	18 000	
Radisson SAS Hotel Bodø	Radisson/SAS	Bodø	191	15 546	
Scandic Bergen Airport	Scandic	Bergen	197	9 654	
Scandic KNA	Scandic	Oslo	189	11 218	
Rica Hotel Hamar	Rica	Ringsaker	176	9 250	
Rica Hotel Bodø	Rica	Bodø	113	7 981	
<b>Total Norway (14 hotels)</b>			<b>2 403</b>	<b>140 320</b>	<b>8.9</b>
<b>Denmark</b>					
Comfort Hotel Europa	Choice	Copenhagen	230	8 000	
Clarion Colleccion Hotel Myfair	Choice	Copenhagen	105	3 805	
Comfort Hotel Excelsior	Choice	Copenhagen	99	3 600	
<b>Total Denmark (3 hotels)</b>			<b>434</b>	<b>15 405</b>	<b>8.2</b>
<b>Total Norgani Hotel group (73 hotels and a conference centre)</b>			<b>12 804</b>	<b>671 080</b>	<b>11.0</b>



Commercial property:

# Largest in attractive office properties

Norwegian Property has established Norway's largest portfolio of attractive commercial properties. This business area comprises 57 properties with a market value of almost NOK 21 billion.

## Highlights of 2007

- Norwegian Property acquired the IFN portfolio in January, covering 13 properties with a total area of 123 000 square metres in the Nydalen and Økern districts of Oslo, for a purchase price of NOK 2 199 million.
- Agreement was reached in July on the acquisition of DnB Nor's head office at Aker Brygge, comprising four properties with a combined area of roughly 32 000 square metres. The purchase price was NOK 1 740 million.
- The new Aker Kvaerner head office at Fornebu outside Oslo was completed in November. This structure ranks as one of Norway's most modern office buildings, and is the largest single building in the Norwegian Property portfolio. Covering 58 500 square metres, its market value is about 1.5 billion.
- Agreement was reached in December on the disposal of the Mauritz Kartevoldsplass 1 and Kokstadveien 23 properties in Sandnes and Bergen respectively for a combined price of roughly NOK 280 million.

Norwegian Property's principal strategy is the acquisition, development and ownership of high-quality commercial properties with good locations. Its ambition is to achieve the greatest possible value creation through efficient operation of the properties and by exploiting the development potential of the portfolio.

## Focus on quality and attractive properties

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

- The properties will be positioned in attractive areas of Oslo and Stavanger. Bergen and Trondheim will be considered if large portfolios are available.
- The properties will primarily be fully developed, with a value of more than NOK 200 million each, and have an

attractive expected return.

- The emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases in order to secure the potential in today's strong market.
- Tenants will primarily be large listed companies and public bodies, in order to reduce lease-related risk.

## Portfolio of commercial properties

Norwegian Property owned 58 properties at 31 December, including one (Mauritz Kartevoldsplass 1 in Sandnes) covered by a sales agreement. The total area of the remaining 57 properties was 736 391 square metres. The most important key figures for the property portfolio are presented in the table on page 21, which also shows the most important changes compared with the end of 2006. A more

## Key figures, commercial property portfolio

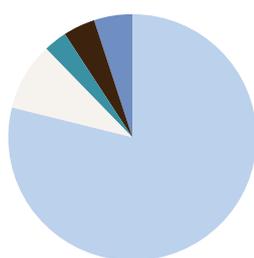
	2007 <sup>2</sup>	2006 <sup>1</sup>
Number of commercial properties	57	55
Total area, square metres	736 391	722 542
Average size of properties, square metres	12 919	13 137
Average value per square metre, NOK	28 151	24 990
Market value, NOK million	20 730	18 056
Gross rental income, NOK million <sup>3</sup>	1 149	1 064
Estimated annual property costs, NOK	76	61
Net rental income, NOK million <sup>3</sup>	1 073	1 003
Gross yield, per cent	5.5%	5.9%
Net yield, per cent	5.2%	5.7%
Average remaining lease term, years	6.5	7.3
Average consumer price index adjustment, per cent	95%	96%
Vacancy, in per cent of gross rental income	0.7%	0.8%

<sup>1</sup> Including the IFN portfolio acquired in 2006 but taken over in 2007.

<sup>2</sup> Excluding Mauritz Kartevoldsplass 1, sold in 2007 but relinquished in 2008.

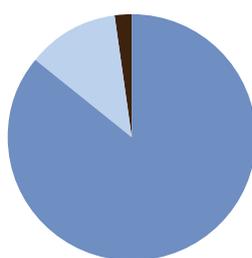
<sup>3</sup> Level at 31 December after inflation adjustments.

### Gross rental income by category



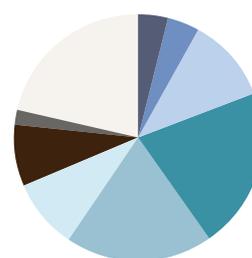
Office	79%
Retail	9%
Warehouse	3%
Parking	4%
Other	5%

### Gross rental income by location



Oslo	85%
Stavanger	13%
Other	2%

### Gross rental income by sector



Retail	4%
Restaurant	4%
Other services	11%
Telecoms and computing	21%
Oil and related	19%
Manufacturing	9%
Public sector	8%
Culture and media	2%
Banking and finance	21%

detailed overview for each property is shown in a separate table.

### Rental income

Gross rental income following the sale of Mauritz Kartevoldspllass 1 came to NOK 1 149 million at 31 December, compared with NOK 1 064 million a year earlier. Norwegian Property's portfolio largely includes office properties with associated warehousing and parking facilities. Some buildings include retail premises as well,

and the company also owns the shopping centre and most of the restaurants at Aker Brygge. Offices account for 79 per cent of the gross rental income, up from 78 per cent in 2006. Following the sale of Kokstadveien in Bergen, Norwegian Property's holdings are concentrated in Oslo (including one property at Gardermoen airport) and Stavanger.

Norwegian Property wants a balanced range of maturities for its leases. While long contracts provide a secure long-term

cash flow, short leases provide opportunities for responding more quickly to the present rise in market rents. The average remaining term for the company's leases is 6.5 years, down from 7.3 years at 31 December 2006. The accumulated maturity profile for the Norwegian Property portfolio is illustrated in the table on page 23. Given the sharp growth in the rental market, DTZ Realkapital has estimated when making its property valuations that rents based on existing leases are roughly 16 per cent lower than they would have been if all the space were leased at today's market rates.

### The largest tenants

Tenant	Annual rent	Remaining term, years
1 Aker ASA/Aker Kværner ASA	80.1	7.0%
2 EDB Business Partner ASA	79.3	6.9%
3 DnB Nor Bank ASA	67.3	5.9%
4 Nordea	43.8	3.8%
5 SAS	41.1	3.6%
6 If Skadeforsikring	38.5	3.4%
7 Statoil Hydro	36.9	3.2%
8 Total E&P	29.7	2.6%
9 Get AS (UPC)	26.6	2.3%
10 Telenor Eiendom Holding AS	26.0	2.3%
11 Leif Höegh & Co AS	25.3	2.2%
12 Netcom AS (Tele 2)	23.0	2.0%
13 Aker Kværner Offshore Partner	22.7	2.0%
14 Astrup Fearnley	22.4	1.9%
15 Skanska Norge AS	21.4	1.9%
16 Rikshospitalet	20.3	1.8%
17 Fokus Bank	19.8	1.7%
18 Hafslund ASA	18.1	1.6%
19 GlaxoSmithKlein	17.8	1.5%
20 Ementor Norge AS	17.7	1.5%
21 Oslo Sporveier	17.0	1.5%
22 Arbeidsdirektoratet	15.4	1.3%
23 TDC Norge AS	15.3	1.3%
24 Simonsen Arkitektfirma DA	14.5	1.3%
25 TietoEnator	12.5	1.1%
<b>Total 25 largest tenants</b>	<b>752.7</b>	<b>65.5%</b>
Share of all tenants	396.4	34.5%
<b>Total all tenants</b>	<b>1 149.1</b>	<b>100.0%</b>
		<b>6.5</b>

<sup>1</sup> Level of rents at 31 December 2007 after inflation adjustment.

### Diversified tenant structure

Norwegian Property's ambition is to have a diversified structure of high-quality tenants in order to minimise the risk of bad debts and loss of rents. Exposure to various sectors is well diversified, and is shown in the table to the left.

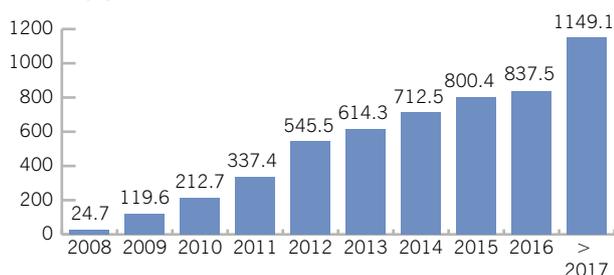
The largest tenants account for 65.5 per cent gross rental income, compared with 64.2 per cent in 2006, and mainly comprise companies with good credit records or public institutions.

### Market

#### Oslo

Oslo's market for rented office property had another record year. Employment rose by 13 000 in 2007, representing a growth of about four per cent. Although the international economy showed signs of slowing down, Norwegian economic and employment growth is expected to continue. Commercial space in Oslo totals just under nine million square metres. After a number of years with very little new building, activity in this sector was somewhat higher in 2007. But vacant space declined overall from 6.5 per cent at 1 January to four per cent at 31 December. As a result, rents

### Maturity profile, leases (NOK mill)



The figure shows accumulated maturity for leases.

rose substantially throughout Oslo – with the biggest growth in the most attractive areas. In certain districts and for the most attractive properties, rents increased by up to 50 per cent during 2007.

Estimates by independent analysts indicate that vacancy will decline or remain stable in 2008 and 2009. Based on these projections, rents are expected to continue rising in both 2008 and 2009.

Vacancy has been and is expected to remain lowest in the most central office districts, the central urban core, the inner city and the Skøyen district. In line with a growing shortage of space in these parts of Oslo, vacancy is now also declining substantially in Lysaker and Nydalen. The chapter on analytic information provides some additional details about Oslo's various sub-markets.

#### Stavanger

Vacancy is also very low in Stavanger – which includes the Forus district – and on a par with central areas of Oslo. Heavy pressure is also causing rents to rise, but a number of potential new building projects mean that the upside is rather more limited than in Oslo. However, rents are expected to continue making strong progress in Stavanger during 2008.

#### Competitors

The property market remains fragmented. The largest property owners in Oslo and Stavanger are the life insurance companies, specialised property companies such as Olav Thon, Eiendomspår and Entra, and various fund structures (property funds and syndicates). Foreign investors have made limited direct investments in the Norwegian market, even though they participated to a greater extent in 2007 as bidders in vari-

ous property transactions – often without securing final acceptance.

#### Risk

The group's most important market risks relate to reductions in rental income as a result of declining rents or increased vacancy in the property portfolio. Efforts are made to minimise this risk by investing in high-quality properties in attractive locations.

The risk of lost rental income relates to possible fire or other damage to the buildings. This risk is reduced by appropriate insurance policies from leading players in the underwriting market. Special cover has been secured for damage resulting from possible terrorist action.

#### The year 2007

Norwegian Property had its first full operating year in 2007. Its organisation was further strengthened during the year. External consultants were used to some extent for certain functions at the beginning of 2007, but all strategic functions were being carried out by full-time in-house personnel resources at 31 December.

Activity was high in most parts of the business.

- Where tenancies were concerned, vacancy was low and the number of leases due for renewal relatively small.

A top rate of NOK 4 300 per square metre was achieved in June for a lease at Aker Brygge in Oslo. With the level of rents for attractive premises continuing to rise, this record was later overturned by competitors.

- Many potential property acquisitions were considered. Only DNB Nor's head office at Aker Brygge satisfied Norwegian Property's requirements for new investments. Sales processes for non-strategic properties are under way. Two sales contracts were concluded in 2007, three in 2008.
- Work on the financing structure has had high priority. Substantial improvements in terms were achieved in the form of both reduced margins and improved repayment structures.
- Substantial work was devoted to professionalising procurement and structuring future property management.

The growth in turnover primarily reflects the fact that 2006 was a start-up year, that the number of properties increased and that the level of rents rose. Costs remain below the industry average, and reflect efficient administration with strategic jobs discharged by the company and other functions – such as property management and maintenance – outsourced. A reduction in required return during early 2006 and a substantial increase in market rents have resulted in

#### Key financial figures

(Amounts in NOK million)

	2007	2006 <sup>1</sup>
Rental income	1 011	415
Operating profit	891	352
Net gain on sales	9	0
Net change in value, property	1 219	393
Net change in value, financial derivatives	293	77
Pre-tax profit	1 680	539

<sup>1</sup> Norwegian Property was established in May 2006.



very positive progress for the value of the property portfolio. Pre-tax profit improved overall from NOK 539 million in 2006 to NOK 1 680 million.

### Outlook and goals for 2008

Norwegian Property expects 2008 to be another good year for commercial property, even though uncertainty about expected economic growth is somewhat greater than before. Financial unrest internationally could also affect market trends. However, a fundamental consideration is that the balance between supply and demand remains positive for property owners with attractive vacant premises. The most important tasks for 2008 are outlined below.

- Efforts will be made to ensure that market rents are achieved for space where the leases fall due in the next few years. Consideration will be given

to renegotiating leases where possible to secure a positive development in revenue and cash flow

- Norwegian Property has made a strategic choice to outsource its property management and maintenance work. It had eight different managers at 31 December, primarily those responsible before the properties were acquired. The company reached agreement in 2008 on concentrating all management with NEAS. This integration will yield cost savings as well as low and predictable property expenses in the future.
- Work is under way on the sale of certain properties located outside Norwegian Property's core areas in Oslo and Stavanger. Part of a natural management of the company's portfolio, these disposals will also liberate capital to strengthen the balance

sheet and to fund possible new transactions.

- Norwegian Property has ambitions to be a consolidator in the property sector. New transactions are constantly being assessed, even though it proved difficult during 2007 to find individual deals which satisfied the combination of quality and return required by the company. Possible transactions, including ones of a more structural character, are constantly being pursued. But possible deals must satisfy the company's requirements.

## Commercial property portfolio

Property	Properties						Rents			
	Area breakdown, sq.m						Vacancy	CPI adjustment	Duration at 31.12.07	Gross rents
	Office	Retail/ restaurant	Ware-house	Indoor parking	Other	Total				
<b>Oslo/Akershus</b>										
<b>Central business district (CBD)</b>										
Aker Brygge - total	29 132	21 585	4 664	2 061	491	57 933	0.2%	95%		149.4
Aker Brygge (Kaibygning I)	23 015	3 810	4 670	-	-	31 495	0.0%	100%		82.5
Drammensveien 60	8 593	797	1 483	-	-	10 873	0.0%	100%		19.9
Grev Wedels plass 9	17 909	-	852	5 363	4 128	28 252	0.0%	100%		44.0
Ibsenkvartalet	31 780	1 533	3 421	-	857	37 591	1.4%	100%		65.3
Stortingsgaten 6	4 709	726	244	560	-	6 239	0.0%	100%		20.5
<b>Total CBD</b>	<b>115 138</b>	<b>28 451</b>	<b>15 334</b>	<b>7 984</b>	<b>5 476</b>	<b>172 383</b>	<b>0.4%</b>	<b>98%</b>	<b>4.8</b>	<b>381.5</b>
<b>Skøyen</b>										
Drammensveien 134 – building 2-5	20 318	-	915	5 354	163	26 750	0.0%	74%		39.9
Drammensveien 134 – building 1 and 6	15 301	640	1 779	4 009	-	21 729	0.0%	100%		40.7
Drammensveien 144	9 150	-	148	1 450	107	10 855	0.0%	100%		18.3
Drammensveien 149	10 552	-	1 925	4 006	-	16 483	5.0%	92%		24.5
Hovfaret 11	4 377	-	569	-	696	5 642	0.0%	100%		11.0
Nedre Skøyen vei 24	3 630	-	1 215	-	-	4 845	0.0%	100%		11.8
Nedre Skøyen vei 26 A-E	11 444	-	696	398	5 084	17 622	0.0%	100%		34.0
Nedre Skøyen vei 26 F	8 767	-	-	4 235	497	13 499	0.0%	100%		22.4
<b>Total Skøyen</b>	<b>83 539</b>	<b>640</b>	<b>7 247</b>	<b>19 452</b>	<b>6 546</b>	<b>117 424</b>	<b>0.7%</b>	<b>94%</b>	<b>8.4</b>	<b>202.7</b>
<b>Oslo West/Lysaker/Fornebu</b>										
Aker Hus	40 254	-	-	18 089	-	58 343	0.0%	100%		80.1
Forskningsveien 2	19 902	-	-	4 058	543	24 503	0.0%	100%		38.7
Lysaker Torg 35	14 422	-	412	7 100	-	21 934	0.0%	100%		38.5
Magnus Paulssons vei 7	5 357	-	-	1 861	-	7 218	0.0%	100%		9.8
Middelthunsgate 17	26 847	-	3 473	3 000	-	33 320	0.0%	100%		43.7
Oksøyveien 3	10 200	-	-	2 700	-	12 900	0.0%	100%		16.8
<b>Total Oslo West/Lysaker/Fornebu</b>	<b>116 982</b>	<b>-</b>	<b>3 885</b>	<b>36 808</b>	<b>543</b>	<b>158 218</b>	<b>0.0%</b>	<b>100%</b>	<b>8.5</b>	<b>227.6</b>
<b>Nydalen</b>										
Gjerdrums vei 8	8 267	-	109	2 389	-	10 765	0.0%	96%		13.0
Gjerdrums vei 10 D	2 052	-	-	-	-	2 052	0.0%	97%		3.1
Gjerdrums vei 14	634	-	812	-	-	1 446	0.0%	100%		1.4
Gjerdrums vei 16	4 224	-	757	3 169	-	8 150	0.0%	97%		7.0
Gjerdrums vei 17	803	-	-	-	-	803	0.0%	100%		1.3
Gullhaug Torg 3	7 868	-	-	-	-	7 868	0.0%	40%		9.5
Gullhaugveien 9-13	23 015	-	7 714	12 628	-	43 357	4.8%	100%		44.6
Maridalsveien 323	11 646	-	2 600	5 573	1 096	20 915	5.3%	100%		26.6
Nydalsveien 15	3 001	750	85	-	-	3 836	0.0%	100%		6.0
Nydalsveien 17	-	1 560	-	-	-	1 560	0.0%	100%		3.4
Sandakerveien 130	6 520	-	-	3 560	-	10 080	0.0%	100%		14.9
<b>Total Nydalen</b>	<b>68 030</b>	<b>2 310</b>	<b>12 077</b>	<b>27 319</b>	<b>1 096</b>	<b>110 832</b>	<b>2.9%</b>	<b>95%</b>	<b>4.7</b>	<b>130.9</b>
<b>Oslo North/East</b>										
Kolstadgaten 1	5 479	-	-	-	-	5 479	0.0%	75%		8.7
Oslo Airport Gardermoen	-	-	-	-	20 976	20 976	0.0%	100%		24.3
Økernveien 9	8 816	1 700	-	2 245	-	12 761	0.0%	100%		17.0
Østre Aker vei 20	6 163	-	820	1 203	-	8 186	0.0%	75%		8.0
Østre Aker vei 22	2 339	-	1 637	-	-	3 976	0.0%	92%		4.2
<b>Total Oslo North/East</b>	<b>22 797</b>	<b>1 700</b>	<b>2 457</b>	<b>3 448</b>	<b>20 976</b>	<b>51 378</b>	<b>0.0%</b>	<b>93%</b>	<b>8.2</b>	<b>62.3</b>
<b>Total Oslo/Akershus</b>	<b>406 486</b>	<b>33 101</b>	<b>41 000</b>	<b>95 011</b>	<b>34 637</b>	<b>610 235</b>	<b>0.9%</b>	<b>97%</b>	<b>6.6</b>	<b>1 005.0</b>
<b>Stavanger</b>										
<b>CBD</b>										
Badehusgaten 33-39	12 973	-	2 540	2 315	3 700	21 528	0.0%	70%		23.0
Nedre Holmegate 30-34	2 856	1 023	85	1 173	220	5 357	0.0%	100%		4.6
<b>Forus / flyplass</b>										
Forusbeen 35	17 674	-	-	3 750	-	21 424	0.0%	100%		25.8
Grenseveien 19	5 390	-	-	-	-	5 390	0.0%	98%		8.5
Grenseveien 21	27 721	-	-	-	-	27 721	0.0%	50%		29.6
Maskinveien 32	4 561	-	-	525	-	5 086	0.0%	100%		5.1
Strandsvingen 10	2 059	-	-	-	-	2 059	0.0%	80%		2.9
Svanholmen 2	2 883	6 580	-	-	-	9 463	0.0%	100%		8.8
Sandnes	-	-	-	-	-	-	-	-		-
Elvegaten 25	6 096	-	-	-	-	6 096	0.0%	100%		6.3
<b>Stavanger – annet</b>										
Finnestadveien 44	22 032	-	-	-	-	22 032	0.0%	100%		29.7
<b>Total Stavanger</b>	<b>104 245</b>	<b>7 603</b>	<b>2 625</b>	<b>7 763</b>	<b>3 920</b>	<b>126 156</b>	<b>0.0%</b>	<b>84%</b>	<b>6.1</b>	<b>144.2</b>
<b>Total</b>	<b>510 731</b>	<b>40 704</b>	<b>43 625</b>	<b>102 774</b>	<b>38 557</b>	<b>736 391</b>	<b>0.7%</b>	<b>95%</b>	<b>6.5</b>	<b>1 149.1</b>

<sup>1</sup> Does not include Mauritz Kartevoldsplass 1, which was owned at 31 December 2007 but covered by a sales contract. The transaction was closed in February 2008.



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## Directors' report

# Growth and continued refinement

Norwegian Property ranked at 31 December 2007 as the largest listed property company in the Nordic region, holding properties with a market value of NOK 31.1 billion. Pre-tax return on equity was 27 per cent. The company's long-term goal for the pre-tax return on paid-in equity is a minimum of 13-15 per cent.

Norwegian Property had its first full operating year in 2007. The company was established in May 2006 with the object of providing private and institutional investors with access to a large, liquid and well-diversified investment alternative with good exposure to the market for centrally-located commercial properties. The business focused during 2007 on further refinement of the company's expertise and position, and on value-creating growth to benefit from the strength of the Nordic economies.

Attention in Norwegian Property focuses primarily on attractive office and commercial properties in Norway. Over time, the goal is that such holdings will account for more than 70 per cent of the value of the group's property portfolio.

The group embraces two business areas: office and commercial property and hotel property. Norwegian Property's head office is in Oslo.

### Commercial properties

At 31 December, Norwegian Property was the leading manager of office properties in Norway, owning 58 attractive office and commercial properties in Oslo and Stavanger with a combined market value of NOK 20.4 billion.

The company continued its systematic efforts during 2007 to become the leading owner and administrator of the best office properties in Norway.

- Its organisation was strengthened by recruiting key resources in all parts of the business.
- The portfolio was further improved through the acquisition of four properties (DnB Nor's head office) at Aker Brygge in Oslo from DnB Nor in July and through the sale of two small properties.
- Efforts to establish a competent leasing and management organisation in

order to optimise rental income and ensure customer satisfaction had a high priority.

- Costs were reduced through improvements to the company's financing structure and work on industrialising property management and procurement.

### Hotel properties

Norwegian Property secured control in September over the largest Nordic hotel property company, Norgani Hotels, through ownership and shareholder agreements. At 31 December, Norgani owned 73 hotel properties and a conference centre in Norway, Sweden, Finland and Denmark with a combined market value of NOK 10.7 billion.

The Nordic hotel sector is viewed by Norwegian Property as an interesting growth market. Turnover-based leases held by Norgani Hotels provide an immediate return from the strong growth, while risk is reduced because all but one of the leases contain clauses on a minimum rent. In connection with the acquisition, Norwegian Property also identified a potential for value development through various measures. These include the renegotiation with Scandic Hotels, the biggest tenant of Norgani Hotels, which secured a substantial increase in the level of rents and an extension to leases.

### Attractive investment

Since its creation, Norwegian Property has worked actively towards Norwegian and international investor communities to ensure interest in its share. Meetings have been held with more than 200 investors, mainly abroad, and nine stock-brokers have either established or are in the processing of establishing analysis cover. Foreign ownership increased from 56.1 per cent to 61.1 per cent

over the year. When borrowing secured on the properties is taken in account, Norwegian Property has contributed to a foreign investment of roughly NOK 14 billion in Norwegian property. This was significantly higher than direct foreign purchases of properties in Norway during 2007.

### Group accounts

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

### Income statement

The consolidated income statement for 2007 embraces Norgani Hotels ASA, with 74 properties, from its acquisition on 24 September, the original portfolio of 58 office and commercial properties, and the Aker House development completed in November 2007. Gross rental income totalled NOK 1 195.7 million (2006: NOK 414.8 million). Common costs charged on to tenants are recognised net.

Maintenance and property-related costs totalled NOK 81.4 million (2006: NOK 20.2 million). The share of costs is somewhat higher for the hotel portfolio than for the office portfolio. This is the main reason why property-related costs rose from 4.9 per cent of gross rental income in 2006 to 6.8 per cent. Other operating costs totalled NOK 77.9 million (2006: NOK 42.8 million). Operating profit before fair value adjustments was thereby NOK 1 036.3 million (2006: NOK 351.7 million).

The positive change in the valuation of the company's property portfolio totalled NOK 1 219.1 million (NOK 393.2 million). This rise primarily reflects

an increased level of rents and higher market rents. See the section below on the property portfolio. Kokstadveien 23 in Bergen was sold during December, yielding a book gain of NOK 9.3 million. Group operating profit came to NOK 2 264.7 million (2006: NOK 745 million).

Financial income, which consists largely of interest income, totalled NOK 68 million (2006: NOK 13.5 million). Financial expenses, primarily interest expenses and other costs related to the company's financing, were NOK 958.9 million (2006: NOK 295.8 million). The company has secured financial instruments to manage interest rate and foreign exchange risk. Following the restructuring of the company's borrowing, most of these instruments no longer qualify for hedge accounting under IAS 39. The change in market value for these instruments had a positive effect of NOK 276.7 million (2006: NOK 76.7 million) on profits. Profit before tax and minority interests was thereby NOK 1 650.6 million (2006: NOK 539.5 million).

NOK 460.7 million (2006: NOK 148.6 million) is recognised in the accounts for tax expense, which relates primarily to changes in deferred tax and deferred tax asset and accordingly has no cash flow effect. The minority share of profit is NOK 4.8 million (2006: NOK 1.3 million). As a result, net profit after tax and minorities is NOK 1 185 million (2006: NOK 389.6 million). That represents earnings per share of NOK 11.42 (2006: NOK 5.14).

### **Balance sheet, financial position and capital structure**

Cash in hand at 31 December amounted to NOK 635 million (2006: NOK 1 253 million). In addition, the group had NOK 290 million in unused drawing rights. Total equity was NOK 6 831 million (2006: NOK 5 373 million), representing an equity ratio of 20.2 per cent (2006: 31.8 per cent). After deduction of minority interests, book equity per share came to NOK 63.20 (2006: NOK 54.09).

Interest-bearing debt at 31 December was NOK 23 232 million (2006: NOK 10 978 million), excluding the obligation to acquire shares in Oslo Properties AS. At 31 December, the average interest rate on the company's loans was 5.41 per cent (2006: 5.16 per cent). This increase reflected higher short-term market interest rates and the effect of acquisition financing for Norgani Hotels AS. The average loan margin was unchanged from 2006 at 0.76 per cent. The average remaining term to maturity for the loans was 4.6 years (2006: seven years).

Through put and call option agree-

ments, Norwegian Property can become the owner of a further 76 per cent of the shares in Oslo Properties AS. This company is the sole owner of Norgani Hotels AS. The potential obligation totals NOK 1 525 million plus an interest compensation up to a possible takeover. At 31 December, a liability of NOK 1 595.8 million related to this obligation was recognised in the balance sheet. Norwegian Property can opt to undertake a full or partial settlement for NOK 1 120 million (plus interest) of this liability through the issue of shares in Norwegian Property ASA.

At 31 December, the company had concluded net interest rate hedging contracts totalling NOK 16 343 million (2006: NOK 9 936 million). This represented a hedging ratio of 70 per cent (2006: 91 per cent), excluding the potential obligation to acquire shares in Oslo Properties AS. The average remaining term of the interest rate hedges was 5.1 years (2006: 6.2 years). The bulk of the hedging does not qualify for hedge accounting under IAS 39.

### **Cash flow**

Cash flow from operations totalled NOK 1 066.9 million (2006: NOK 576.3 million). A total of NOK 8 363.4 million was applied to investment, primarily the acquisition of additional properties and the takeover of Norgani Hotels. Net cash flow from financing activities was NOK 6 676 million (2006: NOK 15 500 million), primarily from the take-up of loans for property acquisitions and the share issue carried out in March. The net negative change in liquidity was NOK 620.6 million (2006: NOK 1 252.4 million).

### **Going concern assumption**

Pursuant to the Norwegian Accounting Act, the board confirms that the going concern assumption is realistic. The annual accounts for 2007 have been prepared on that basis.

### **Coverage of net loss in the parent company**

The parent company, Norwegian Property ASA, showed a net loss of NOK 121.3 million in 2007 (2006: NOK 86.3 million). The board proposes that this be covered by a transfer from other equity. At the annual general meeting in May, the board will propose a dividend of NOK 2.50 per share, corresponding to a total payout of NOK 263.7 million. It is proposed to transfer this amount from other equity. The proposed dividend is at the upper end of the previously communicated goal for dividend to comprise 50-100 per cent of the net annual result (after account is taken of income state-

ment items which do not affect cash flow). Unrestricted equity at 31 December was NOK 765 million after the proposed dividend is taken into account.

### **Properties**

Norwegian Property owned 58 office and retail properties in Norway and 74 hotel properties in the Nordic region at 31 December. Sales contracts had been concluded for one office property at that date, and agreements to sell a further three office properties were reached after 1 January.

### **Office and commercial properties**

In the office sector, Norwegian Property focuses on properties located in central areas of Oslo (87 per cent of the properties by value) and Stavanger (13 per cent). The properties largely comprise office premises (79 per cent of gross rental income) as well as warehouses, retail premises and parking space in association with the offices. At Aker Brygge, the company owns the shopping centre with retail premises and restaurants.

Annual gross rental income from the office premises totalled NOK 1 149 million at 31 December 2007 when account is taken of the property where the sale contract was concluded before 31 December. The average remaining term of the portfolio's leases was 6.5 years, and rents are adjusted annually by an average of 95 per cent of the consumer price index.

Norwegian Property has a portfolio of tenants who comprises solid and attractive organisations and companies. The 25 largest office tenants accounted for 66 per cent of annual rental income at 31 December 2007.

### **Hotel properties**

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

All but one of the hotels have leases with turnover-based rents. Given their budgeted turnover for 2008, gross rental income for that year will total NOK 819 million. The average term for the leases is 11 years, and most specify minimum rents which are inflation-adjusted annually. The minimum guaranteed rental income for 2008 is NOK 519 million.

Tenants largely comprise the biggest hotel chains operating in the Nordic region. Scandic/Hilton accounts for about 64 per cent of turnover, Choice Hotels for roughly 21 per cent and SAS Radisson for around five per cent.

## Valuation of the properties

DTZ Realkapital performed an external and independent valuation at 31 December 2007 covering the company's office and hotel properties in Norway, Sweden and Denmark. The company's hotel properties in Finland were valued by Maakanta. DTZ Realkapital's valuation model is based on discounting cash flows related to existing leases and the value of market rents after the expiry of existing leases. Individual assessments of current expenses and upgrading costs and of vacancy at the expiry of existing leases are made on a property-by-property basis. Maakanta bases its valuation on cash flow models.

The board and executive management have carried out independent assessments of the parameters which affect the value of the group's properties, including developments in interest rates, market rents, occupancy, the yield level on property transactions and the quality of the properties. On the basis of these assessments, the board has concluded that the valuations by DTZ Realkapital and Maakanta provide a cautious but realistic valuation of the properties. These valuations have accordingly been applied in the accounts. The total value of the company's investment properties at 31 December was thereby NOK 31 113 million after adjusting for tax compensation at the date of acquisition.

## Risks and risk management

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

## Financial risks

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

Norwegian Property's portfolio of office properties has a high level of quality and good locations, financially sound tenants and an average remaining lease term of 6.5 years. The hotel portfolio consists primarily of good three- and four-star hotels rented on long-term turnover-based leases to the largest Nordic

hotel operators. The average remaining term for these leases is 11 years, and the leases for 71 of the hotels contain clauses on minimum rents tied to the consumer price index.

Interest rate hedging is utilised to dampen the effects of interest rate changes on profits and liquidity. At 31 December, 70 per cent of the group's interest-bearing debt (excluding latent liability to buy out minority shareholders in Oslo Properties AS) was covered by interest rate hedges with an average term of 5.1 years. The effect of possible changes in short-term term market interest rates will accordingly be limited.

Through Norgani Hotels, Norwegian Property has a net equity exposure in foreign currencies related to foreign subsidiaries. The overall guideline is that 70 per cent of this exposure will be hedged at any given time through loans in the relevant currencies or derivatives. The hedging ratio must not deviate at any time by more than 20 per cent from this basis. At 31 December, just under 70 per cent of the exposure was hedged.

The average remaining term of the company's debt is 4.8 years (excluding purchase finance and the Oslo Properties obligation). Repayments over the next 12 months amount to NOK 1 507 million (excluding the Oslo Properties obligation), and relate largely to regular repayments and financing connected with the acquisition of Norgani Hotels ASA. At 31 December, the group had a total liquidity of NOK 926 million. The company constantly seeks to have a liquidity buffer tailored to the repayment profile of its debt, continuous short-term fluctuations in working capital requirements and planned property acquisitions.

Norwegian Property ASA has concluded put/call option agreements to acquire a further 76 per cent of the shares in Oslo Properties. This liability totals NOK 1 525 million excluding interest charged until the settlement. Norwegian Property ASA can opt for a partial settlement through the issue of NOK 1 120 million in shares with a supplement for accrued interest. The discounted value of the put/call obligations (including interest) was NOK 1 573 million at the date of the acquisition and NOK 1 595.8 million at 31 December.

Since 1 January, Norwegian Property has disposed of four office properties which will liberate some NOK 177 million in liquidity. The total compensation accords with valuations at 31 December 2007. Norgani Hotels is in the process of selling 20 hotel properties, expected to liberate in the order of NOK 400-500 million in liquidity which will be applied to repaying acquisition-related debt.

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

## Market conditions

After a number of years of strong growth, the second half of 2007 was affected by international financial unrest and uncertainty. The impact of these conditions on the Norwegian and Nordic economies has been limited.

Employment is continuing to rise in Norway, with office premises in great demand. New building remains at low levels, and office vacancy in Oslo at 31 December was around four per cent – down from six per cent at 1 January. Rents increased in the whole of Oslo during 2007, and by more than 50 per cent for some properties. Vacant space is expected to contract further in 2009 before expanding again. Rents are thereby also expected to make strong progress in 2008 and 2009. The same trend is expected in Stavanger, where vacant space stands at roughly two per cent. However, somewhat greater new building activity means that the potential for rental growth is lower in this city.

Over time, growth in the hotel market largely correlates with the development of the gross domestic product. Limited new hotel capacity was added to the market in 2007. At the same time, demand was high and the hotels accordingly performed considerably more strongly than the economy as a whole. Revenue per available room (RevPAR) increased by 7.1-13 per cent in the Nordic countries during 2007. Both occupancy rates and room prices made strong progress. New capacity entering the market remains limited, while a certain degree of economic growth is expected to continue. As a result, RevPAR is likely to show further progress.

## Employees and organisation

### Personnel

The group had 33 employees at 31 December (2006: seven), including 19 in the hotel business. Fourteen people are now employed in the office property business, and the contract personnel hired in the start-up phase have largely been phased out and replaced by full-time employees. External consultants are now used primarily for major projects or assignments. A contract was awarded to NEAS in February 2008 which means that the latter will take over management

responsibility for all the office properties. This agreement is part of an industrialisation of the business, and will ensure predictable property expenses at a lower level than before.

### Equal opportunities

The corporate management team comprises four people, including one woman. 13 of the company's 33 employees are women. The board comprises two female and three male directors.

It is the board's ambition that future appointments will help to maintain a continued balance between the genders. Weight has been given when recruiting management and key personnel to a combination of professional expertise and experience of the property sector, while ensuring that personal qualities contribute to an aggressive and efficient organisation. The board's ambition is that Norwegian Property will be Norway's leading centre of expertise for buying, selling and managing commercial property.

### Board and management

Egil K Sundbye and Karen Helene Ullteit-Moe stepped down from the board at their own request at the annual general meeting in 2007. Anne Birgitte Fossum was elected by the AGM.

No changes occurred in the corporate management team during 2007.

Details of remuneration for directors, the chief executive, the corporate management team and the auditor are provided in note 17 to the accounts for the group and note 8 to the accounts for Norwegian Property ASA.

### Health, safety and the working environment

No injuries were recorded in Norwegian Property's business during 2007. Overall sickness absence in Norwegian Property ASA was 0.7 per cent in 2007 (2006: zero). The board gives weight to ensuring a good working environment in Norwegian Property through appropriate

premises, dynamic working conditions and challenging jobs.

### Natural environment

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

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

The group has initiated analyses to identify activities which can help to reduce energy consumption in the group's buildings.

### Corporate governance

Norwegian Property's corporate governance principles build almost entirely on the Norwegian code of practice of 4 December 2007, which largely harmonises with international recommendations. A more comprehensive presentation of the company's corporate governance is provided on pages 73-76 of this annual report.

### Shareholders and stock market

Issued shares at 31 December totalled 105 481 570. The closing price at 31 December was NOK 66.50, which represents an increase of 6.4 per cent from 1 January when NOK 2.50 in dividend paid is taken into account. The share price developed rather more weakly than the Norwegian stock market in general, but significantly better than the share index for listed European property companies.

A total of 44 329 transactions were

conducted with the Norwegian Property share on the Oslo Stock Exchange in 2007 (2006: 3 288), with 122.9 million shares traded (2006: 34.8 million). The highest and lowest prices for the share in 2007 were NOK 91 (2006: NOK 66) and NOK 66.25 (2006: NOK 55.50) respectively.

Norwegian Property had a total of 925 registered shareholders at 31 December (2006: 913). Foreigners owned 61.1 per cent of the issued shares at that date (2006: 56.1 per cent).

### Outlook

Norwegian Property has a strategic ambition of contributing to the consolidation of the Nordic property market and growth through accretive transactions. The principal focus remains on attractive office districts in the largest Norwegian cities. Through the investment in Oslo Properties (and Norgani Hotels), however, Norwegian Property has now also entered the Nordic market for hotel property. The high proportion of turnover-based leases in the hotel business ensures that economic growth in the region has a faster effect on profits. For the immediate future and in the medium term, Norwegian Property's principal focus is directed at consolidating the company. That includes integrating organisations, taking out synergies, refinancing Norgani and disposing of non-strategic assets.

Norwegian Property's portfolio of 54 high-quality office properties in Oslo and Stavanger and 74 Nordic hotel properties is well positioned to do well from the strong economic growth in the region. Norwegian Property will continue to maintain a strong operational focus on tenant management and lease improvements, cost reductions and management of the company's assets. At the same time, the company will continuously assess accretive transactions, primarily in the form of structural transactions.

Oslo, 31 March 2008

The board of directors of Norwegian Property ASA

Knut Brundtland  
Chair

Jostein Devold  
Deputy Chair

Torstein Tvenge  
Director

Hege Børmark  
Director

Anne Birgitte Fossum  
Director

Petter Jansen  
President and CEO





# Income statement 1.1 – 31.12

## Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>Note</i>	<b>2007</b>	2006
Rental income from properties		<b>1 193 189</b>	410 133
Other revenue		<b>2 497</b>	4 640
<b>Gross rental income</b>		<b>1 195 686</b>	414 773
Maintenance and property related costs		<b>(81 424)</b>	(20 216)
Other operating expenses	17, 18	<b>(77 943)</b>	(42 846)
<b>Total operating cost</b>		<b>(159 367)</b>	(63 062)
<b>Operating profit before fair value adjustment investment property</b>		<b>1 036 319</b>	351 711
Gain from fair value adjustment of investment property	6	<b>1 219 138</b>	393 244
Gain from sales of investment property	6	<b>9 281</b>	-
<b>Operating profit</b>		<b>2 264 738</b>	744 955
Financial income	19	<b>67 972</b>	13 521
Financial costs	19	<b>(958 863)</b>	(295 762)
Change in market value of financial derivative instruments	10, 19	<b>276 749</b>	76 743
<b>Net financial items</b>		<b>(614 143)</b>	(205 498)
<b>Profit before income tax</b>		<b>1 650 595</b>	539 457
Income tax expense	16, 20	<b>(460 736)</b>	(148 565)
<b>Profit for the period</b>		<b>1 189 859</b>	390 892
Minority interests		<b>(4 829)</b>	(1 256)
<b>Profit after minority interests</b>		<b>1 185 030</b>	389 636
Basic and diluted earnings per share for profit attributable to shareholders <i>(figures in NOK)</i>		<b>11.42</b>	5.14

# Balance sheet as at 31 December

## Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>Note</i>	<b>2007</b>	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial derivative instruments	10	9 550	105 102
Goodwill	8	1 064 987	-
Investment property	6	31 113 889	13 919 570
Development property	7	-	1 150 801
Other tangible assets	7	2 965	9 443
Shares and interests		1 623	-
Receivables		1 575	-
<b>Total non-current assets</b>		<b>32 194 589</b>	15 184 916
<b>Current assets</b>			
Financial derivative instruments	10	678 673	187 233
Seller guarantees for future rent		6 200	91 370
Accounts receivable	11	186 369	78 303
Other receivables	11	180 780	93 647
Cash and cash equivalents	12	635 476	1 252 462
<b>Total current assets</b>		<b>1 687 498</b>	1 703 015
<b>TOTAL ASSETS</b>		<b>33 882 087</b>	16 887 931

# Balance sheet as at 31 December

## Consolidated

<i>(Amounts in NOK 1 000)</i>	<i>Note</i>	<b>2007</b>	2006
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	<b>2 637 039</b>	2 462 823
Share premium		<b>1 211 081</b>	900 171
Other paid in equity		<b>1 500 000</b>	1 500 000
Retained earnings		<b>1 310 962</b>	389 636
Other reserves		<b>7 818</b>	75 763
Minority interests		<b>1 688 867</b>	44 834
- Liability to acquire shares in subsidiaries	24	<b>(1 524 863)</b>	-
<b>Total equity</b>		<b>6 830 903</b>	5 373 227
<b>Non-current liabilities</b>			
Deferred tax	16, 20	<b>1 521 767</b>	119 610
Interest bearing debt	15	<b>21 733 946</b>	10 876 787
<b>Non-current liabilities</b>		<b>23 255 713</b>	10 996 397
<b>Current liabilities</b>			
Financial derivative instruments	10	<b>26 075</b>	21 518
Interest bearing debt	15	<b>1 498 193</b>	100 800
Interest bearing liability to acquire shares in subsidiaries	15, 24	<b>1 595 837</b>	-
Trade payables		<b>44 086</b>	115 317
Other liabilities	14	<b>631 279</b>	280 672
<b>Total current liabilities</b>		<b>3 795 470</b>	518 307
<b>Total liabilities</b>		<b>27 051 183</b>	11 514 704
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33 882 087</b>	16 887 931

Oslo, 31 March 2008  
The board of directors of Norwegian Property ASA



Knut Brundtland  
Chair



Jostein Devold  
Deputy Chair



Torstein Tvenge  
Director



Hege Børmark  
Director



Anne Birgitte Fossum  
Director



Petter Jansen  
President and CEO

# Statement of changes in equity

## Consolidated

<i>(Amounts in NOK 1 000)</i>	Equity attributable to shareholders of the company					Minority interests	Total equity
	Share Capital	Share premium	Other paid in equity	Retained earnings	Other reserves		
Opening balance equity	100	-	-	-	-	-	100
Financial derivatives, net of tax	-	-	-	-	75 763	-	75 763
Profit for the period	-	-	-	389 636	-	1 256	390 892
Total net income for 2006	-	-	-	389 636	75 763	1 256	466 655
Write-down	(100)	-	-	-	-	-	(100)
New equity - May 2006	875 000	875 000	-	-	-	-	1 750 000
New equity - June 2006	717 453	717 453	-	-	-	-	1 434 906
New equity - July 2006	150 370	150 370	-	-	-	-	300 740
New equity - September 2006	45 000	45 000	-	-	-	-	90 000
New equity - October 2006	50 000	50 000	-	-	-	-	100 000
New equity - November 2006	625 000	712 500	-	-	-	-	1 337 500
Equity issues cost, net of tax	-	(150 152)	-	-	-	-	(150 152)
Capital reallocation	-	(1 500 000)	1 500 000	-	-	-	-
Minority interests from purchase	-	-	-	-	-	43 578	43 578
Transactions with shareholders	2 462 723	900 171	1 500 000	-	-	43 578	4 906 472
<b>Total equity 31 December 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>
Financial derivatives, net of tax	-	-	-	-	(67 945)	-	(67 945)
Profit for the period	-	-	-	1 185 030	-	4 829	1 189 859
Total net income for 2007	-	-	-	1 185 030	(67 945)	4 829	1 121 914
New equity - March 2007	174 216	325 784	-	-	-	-	500 000
Equity issues cost, net of tax	-	(14 874)	-	-	-	-	(14 874)
Dividend paid	-	-	-	(263 704)	-	-	(263 704)
Capital reduction / payment to minorities	-	-	-	-	-	(15 648)	(15 648)
Minority interests from purchase	-	-	-	-	-	1 654 851	1 654 851
Liability to acquire shares in subsidiaries	-	-	-	-	-	(1 524 863)	(1 524 863)
Transactions with shareholders	174 216	310 910	-	(263 704)	-	114 340	335 762
<b>Total equity 31 December 2007</b>	<b>2 637 039</b>	<b>1 211 081</b>	<b>1 500 000</b>	<b>1 310 962</b>	<b>7 818</b>	<b>164 003</b>	<b>6 830 903</b>

# Cash flow statement 1.1 – 31.12

## Consolidated

(Amounts in NOK 1 000)

	2007	2006
Ordinary profit before income tax	1 650 595	539 457
- Paid taxes in the period	(2 042)	-
+ Depreciation of tangible assets	766	560
+/- Fair value adjustments of investment properties	(1 219 138)	(393 244)
-/+ Gain/loss from sale of investment properties	(9 281)	-
+/- Fair value adjustments of financial derivative instruments	(276 751)	(76 743)
+/- Net financial items excluding fair value adjustments of financial derivative instruments	890 892	282 241
+/- Change in short-term items	31 831	224 040
<b>= Net cash flow from operating activities</b>	<b>1 066 873</b>	<b>576 311</b>
- Payments for purchase of fixed assets (investment properties)	(5 126 458)	(14 703 875)
+ Received for sale of fixed assets (investment properties)	227 393	-
- Payments for purchase of subsidiaries	(3 464 347)	-
- Payments for purchase of financial derivative instruments (guarantee rent)	-	(120 021)
<b>= Net cash flow from investment activities</b>	<b>(8 363 412)</b>	<b>(14 823 896)</b>
+/- Net change of long term debt	7 236 878	10 977 587
+/- Net financial items excluding fair value adjustments of financial derivative instruments	(890 892)	(282 241)
+ Capital increase	479 346	4 804 601
- Dividend payments	(263 704)	-
+/- Other financing activities	114 352	-
<b>= Net cash flow from financing activities</b>	<b>6 675 980</b>	<b>15 499 947</b>
<b>= Net change in cash and cash equivalents</b>	<b>(620 559)</b>	<b>1 252 362</b>
+ Opening balance of cash and cash equivalents	1 252 462	100
+/- Exchange rates	3 573	-
<b>Cash and cash equivalents 31 December</b>	<b>635 476</b>	<b>1 252 462</b>

# Notes to the accounts

## Consolidated

### NOTE 1 General information

The Norwegian Property group is a real estate investment company established in 2006 which invests in large, centrally-located commercial properties in Norway's biggest cities. At the end of 2007, the company owns 58 properties in Oslo and Stavanger. All properties are acquired after 9 June 2006. The purpose of the company is to provide private and institutional investors with access to a large, liquid and diversified investment alternative with exposure to centrally located high quality commercial properties.

In 2007 Norwegian Property gained control over the listed Norgani Hotels AS group by acquiring 17,5 per cent of the shares and entering into put/call option agreements to acquire additional 76 per cent of the shares. The Norgani Hotels group owns 73 hotel properties and 1 congress centre in Sweden, Norway, Finland and Denmark.

Norwegian Property was incorporated as a limited company on 20 July 2005 (under the name Tekågel Invest 83 AS, renamed Norwegian Property AS on 29 April 2006). The company conducted no operations in 2005. On 22 May 2006 the company was converted to a public limited company (Norwegian Property ASA) and the shares were registered in VPS (Norway's central securities register). Norwegian Property was listed on the Oslo Stock Exchange on 15 November 2006.

### NOTE 2 Summary of significant accounting policies

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

#### 2.1 Basis of preparation

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Those areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 4.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the group's operations:

- IFRS 4, Insurance contracts;
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies; and
- IFRIC 9, Re-assessment of embedded derivatives.

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

- IAS 23 (Amendment), Borrowing costs (effective as of 1 January 2009).
- IFRS 8, Operating segments (effective as of 1 January 2009).
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective as of 1 January 2008).

Interpretations to existing standards, which are not yet effective and assumed not to be relevant for the group:

- IFRIC 12, Service concession arrangements (effective as of 1 January 2008).
- IFRIC 13, Customer loyalty programmes (effective as of 1 January 2008).

#### 2.2 Consolidation

##### (a) Subsidiaries

Subsidiaries are defined as all entities (including special purpose entities) over which the group has the power to govern the financial and

operating policies, generally resulting from a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which such control ceases.

In 2005 Norwegian Property did not have any operations. The current business operations commenced in April 2006. Consequently, there are no comparable figures for the fiscal year 2005.

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

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

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

##### (b) Transactions and minority interests

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

#### 2.3 Segment reporting

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

#### 2.4 Foreign currency translation

##### (a) Functional and presentation currency

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

##### (b) Transactions and balances

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

##### (c) Group companies

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

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

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

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

## 2.5 Investment property

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

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

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

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

## 2.6 Property, plant and equipment

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

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

## 2.7 Goodwill

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

## 2.8 Impairment of non-financial assets

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

## 2.9 Financial assets

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

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

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

### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.11).

## 2.10 Derivative financial instruments and hedging activities

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

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

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

### (a) Derivatives that do not qualify for hedge accounting

The majority of the group's interest rate- and currency swaps are assumed not to qualify for hedge accounting at the end of 2007. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within 'changes in market value of financial derivatives'.

### (b) Cash flow hedge

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

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

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

### (c) Net investment hedge

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

## 2.11 Trade receivables

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Share capital

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

### 2.14 Trade payables

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

### 2.15 Borrowings

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

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

### 2.16 Deferred income tax

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

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

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

### 2.17 Revenue recognition

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

#### (a) Rental income

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

#### (b) Other income

Other income is recognised as it is earned.

### 2.18 Dividend distribution

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

### 2.19 Interest expense

Interest expenses for borrowings are recognised within 'financial costs' within the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash

payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

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

### 2.20 Pensions

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

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

## NOTE 3 Risk management objectives and policies

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

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

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

### 3.1 Operational risks

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

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

### 3.2 Financial risks

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

Norwegian Property (commercial properties) and Norgani Hotels (hotel portfolio) are financed separately. Separate Finance policies are established, which outlines instructions and guidelines for the management of the company's financial risks.

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

The group is subject to market risk relating to changes in interest rates, given that it has significant floating rate borrowings. At the end of 2007 the average credit margin on floating rate borrowings was 76 basis points.

In order to mitigate interest risk, the group has acquired from sellers and entered into new interest rate swap agreements totalling NOK 16.3 billion at the end of the year. The average basis rate of the swaps portfolio is 4.40 per cent and has an average remaining maturity of 4.6 years.

Norwegian Property has a policy to hedge a minimum of 70 per cent of floating rate loans outstanding. As at year end, 84 per cent of such loans were hedged (including cash). The loan to value ratio is lower for Norgani Hotels compared to Norwegian Property, and the corresponding policy for Norgani Hotels is to hedge a minimum of 50 per cent of floating rate loans outstanding. As at year end, 67 per cent of such loans were hedged (including cash). Simultaneously, Norgani Hotels experience fluctuations in its revenue based rental income.

Changes of interest rate expectations in the market influence the group's cash flow, results and equity. For example, if the average interest rate at the end of 2007 is changed by 10 basis points this will change the group's annual interest cost by approximately NOK 25 million when hedging instruments is not taken into account. The sensitivity of interest payments (cash flow and results/equity) related to changes of market interest rates are substantially reduced by the group's hedging strategy. Changes in market rates also affect the fair value of interest swaps and investment properties (see Note 4). Increased/reduced market rates will increase/reduce the book value of interest swaps in the balance sheet. These changes in the fair value of interest swaps are generally compensated by an opposite development in the fair value of investment properties.

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

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

##### (i) The market

The group focuses on long term lease contracts. Tenants shall in the main consist of larger, well established companies and public sector organisations in order to reduce counterparty credit risk. The current average duration of rental contracts are 8.4 years.

##### (ii) Inflation

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

##### (iii) Foreign exchange risk

A substantial part of Norgani Hotels' rental income and operating costs are in foreign currency (SEK, EUR and DKK). These cash flows are not subject to currency hedging. In 2007, 76 per cent of Norgani Hotels' revenue was related to Sweden, Finland and Denmark.

The group's properties are generally organised as single purpose entities and Norgani Hotels are exposed to net asset risks related to subsidiaries that have a functional currency different from the presentation currency. For example, if the value of NOK is changed by 5 per cent at the end of 2007 the group's equity is changed by approximately NOK 60 million. The general policy for Norgani Hotels is at any time to hedge 70 per cent of the net exposure, and the hedging ratio shall never deviate with more than 20 per cent points from this baseline. As at year end, close to 70 per cent of the net exposure were hedged. Hedging is generally achieved by borrowings in the different currencies. The group has entered into hedging agreements to reduce the net asset exposure in foreign currencies to a smaller extent. Gain and loss from such hedging instruments are taken to shareholders' equity.

Less than 5 per cent (NOK 47 million annually) of Norwegian Property's (office portfolio) rental income is in foreign currency (EUR) and practically all operational expenses are denominated in NOK. This exposes the segment to limited foreign exchange risk. At the end of the financial period, Norwegian Property had in place currency swap agreements with a total nominal value of NOK 296 million. Gains and losses on the group's forward exchange contracts are classified as 'changes in market value of financial derivatives' in the income statement.

##### (iv) Credit risk

The majority of the group's rental revenues come from solid tenants. New tenants are checked against credit rating agencies for acceptable credit history. Most tenants have provided bank guarantees or made deposits with amounts equivalent to 3 months rent.

Credit loss during 2007 and 2006 has been negligible.

#### *Liquidity risk and financial flexibility*

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

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

### 3.3 Fraud risks

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

The group has identified no incidents of fraud.

## NOTE 4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

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

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

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

A separate valuation will be carried out by independent experts where all properties are assessed using updated macro assumptions (interest rate level, inflation expectations, economic growth etc) and adjusted for significant changes in tenant portfolio. In addition, all properties are periodically subject to technical reviews. The commercial properties are in line with this valued quarterly by external experts since the start-up in 2006. The hotel portfolio (Norgani Hotels) was acquired at the end of third quarter 2007, and externally valued for the first time at year end 2007.

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

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

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

(ii) A valuation of a property company can be made by using the discounted cash flow method (DFC). This approach has its foundation in the 'present value' rule, where the value of any asset is the present value of expected future cash flows arising from it and assuming a certain discount rate (a calculation of today's value of a future cash flow).

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

#### *Fair value of derivatives and other financial instruments*

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

**NOTE 5 Segment information**

(Amounts in NOK 1 000)

**Business segments**

The Group's primary reporting format are the business segments commercial properties (Norwegian Property) and hotel (Oslo Properties/Norgani Hotels). The business segment division is in conformity with the group's legal organisation and the internal management reporting. Thus the distribution of revenue, expenses, assets and liabilities to the business segments follows the group's legal structure. The hotel portfolio was acquired at the end of third quarter 2007. Below is an allocation of key figures to the business segments.

	Commercial properties		Hotel properties <sup>1</sup>		Unallocated/elim.		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Gross rental income	1 010 507	414 773	185 179	-	-	-	1 195 686	414 773
Property related costs	(61 498)	(20 216)	(19 926)	-	-	-	(81 424)	(20 216)
<b>Net rental income</b>	<b>949 009</b>	<b>394 557</b>	<b>165 253</b>	-	-	-	<b>1 114 262</b>	<b>394 557</b>
Owner related costs	(58 468)	(42 846)	(19 475)	-	-	-	(77 943)	(42 846)
Gain from fair value adjustment of investment properties	1 219 138	393 244	-	-	-	-	1 219 138	393 244
Gain from sales of investment properties	9 281	-	-	-	-	-	9 281	-
<b>Operating profit</b>	<b>2 118 960</b>	<b>744 956</b>	<b>145 778</b>	-	-	-	<b>2 264 738</b>	<b>744 956</b>
Net financial items	(439 019)	(205 498)	(175 123)	-	-	-	(614 142)	(205 498)
<b>Ordinary profit before income tax</b>	<b>1 679 941</b>	<b>539 457</b>	<b>(29 345)</b>	-	-	-	<b>1 650 596</b>	<b>539 457</b>
Income tax expense	(469 003)	(148 565)	8 267	-	-	-	(460 736)	(148 565)
<b>Profit for the period</b>	<b>1 210 938</b>	<b>390 892</b>	<b>(21 078)</b>	-	-	-	<b>1 189 860</b>	<b>390 892</b>
Minority interests	(8 667)	(1 256)	3 837	-	-	-	(4 830)	(1 256)
<b>Profit after minority interests</b>	<b>1 202 271</b>	<b>389 636</b>	<b>(17 241)</b>	-	-	-	<b>1 185 030</b>	<b>389 636</b>
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
Investment property/fixtures and equipment	20 416 452	13 919 570	10 700 402	-	-	-	31 116 854	13 919 570
Other assets	2 255 788	2 968 361	1 481 289	-	(971 845)	-	2 765 232	2 968 361
Interest bearing debt	14 861 865	10 977 587	10 561 112	-	(595 000)	-	24 827 977	10 977 587
Other liabilities	1 088 383	537 117	1 136 378	-	(1 555)	-	2 223 206	537 117
<b>Total equity</b>	<b>6 721 992</b>	<b>5 373 227</b>	<b>484 201</b>	-	<b>(375 290)</b>	-	<b>6 830 903</b>	<b>5 373 227</b>
Investments	4 275 323	14 703 875	851 135	-	-	-	5 126 458	14 703 875

<sup>1</sup> The figures for the hotel segment includes Oslo Properties and the liability to acquire shares in Oslo Properties (total acquisition financing).

**Geographical markets**

The group's secondary reporting format is geographical markets. The group had operations in Norway, Sweden, Denmark and Finland in 2007 (only Norway in 2006). The commercial property segment is only located in Norway, while the hotel segment is located in all four countries. Below is an allocation of key figures to the different countries.

	Norway		Sweden		Denmark		Finland		Unallocated/elim.		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Gross rental income	1 055 470	414 773	88 776	-	6 967	-	44 473	-	-	-	1 195 686	414 773
Property related costs	(67 511)	(20 216)	(4 993)	-	(2 118)	-	(6 802)	-	-	-	(81 424)	(20 216)
<b>Net rental income</b>	<b>987 959</b>	<b>394 557</b>	<b>83 783</b>	-	<b>4 849</b>	-	<b>37 671</b>	-	-	-	<b>1 114 262</b>	<b>394 557</b>
	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06	<b>31.12.07</b>	31.12.06
Investm. property/fixtures and equip..	22 883 283	13 919 570	4 678 954	-	453 727	-	3 100 890	-	-	-	31 116 854	13 919 570
Other assets	2 319 031	2 968 361	63 243	-	9 540	-	20 791	-	352 627	-	2 765 232	2 968 361
Interest bearing debt	16 513 295	10 977 587	2 762 985	-	272 714	-	1 983 144	-	3 295 839	-	24 827 977	10 977 587
Other liabilities (unallocated)	-	-	-	-	-	-	-	-	2 223 206	537 117	2 223 206	537 117
<b>Total equity</b>	<b>8 689 019</b>	<b>5 910 344</b>	<b>1 979 212</b>	-	<b>190 553</b>	-	<b>1 138 537</b>	-	<b>(5 166 418)</b>	<b>(537 117)</b>	<b>6 830 903</b>	<b>5 373 227</b>
Investments	4 394 255	14 703 875	732 203	-	-	-	-	-	-	-	5 126 458	14 703 875

**NOTE 6 Investment property***(Amounts in NOK 1 000)*

	2007	2006
Opening balance 1 January	13 919 571	-
Disposal of properties <sup>1</sup>	(209 532)	-
Additions from business combinations (see Note 24)	9 850 053	-
Additions from acquisition of properties and ordinary investments	4 886 115	13 526 327
Reclassification from property under construction etc (see Note 7)	1 448 545	-
Fair value adjustment of investment property	1 219 138	393 244
<b>Book value as of 31 December<sup>2</sup></b>	<b>31 113 889</b>	<b>13 919 571</b>
Rental income	1 195 686	414 773
Property related costs	(81 424)	(20 216)
<b>Net rental income</b>	<b>1 114 262</b>	<b>394 557</b>

<sup>1</sup> Related to the sale of Kokstadveien 23 in Bergen at year end 2007. Gain from the sale was NOK 9.3 million.

<sup>2</sup> Book value at year end 2007 includes a reduction related to tax compensation received when acquiring investment properties (single purpose entities) of NOK 364.5 million. The corresponding reduction at year end 2006 was NOK 250.8 million.

**General principles**

Investment property was valued at its fair value as of 31 December 2007 based on valuations carried out by independent experts (DTZ Realkapital in Norway, Sweden and Denmark and Maakanta in Finland). Investment property is not subject to depreciation.

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

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

**Restrictions related to investment properties**

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

**Obligation to acquire investment properties**

Norgani Hotels entered into an agreement at year end 2007 to acquire the property Park Inn, Oslo, in Norway for NOK 174 million. Norgani Hotels will acquire the property at the time of completion, estimated during the summer of 2009. Rezidor Hotel Group has entered into a 20 years revenue based rental agreement for the hotel. The property/obligation will be accounted for on a net basis as a derivative financial instrument until completion. At the contract date/year end 2007 the value of the derivative is assumed to be zero.

**NOTE 7 Property, plant and equipment***(Amounts in NOK 1 000)*

	Property under construction <sup>1</sup>	Fixture, fittings and equipment	Total
<b>Acquisition costs</b>			
1 January 2006	-	-	-
Additions/investments	56 333	2 991	59 324
Additions from the acquisition of companies	1 094 467	7 010	1 101 477
<b>As of 31 December 2006</b>	<b>1 150 801</b>	<b>10 001</b>	<b>1 160 801</b>
Additions/investments	291 516	516	292 032
Reclassification to investment property (see Note 6)	(1 442 317)	(6 228)	(1 448 545)
<b>As of 31 December 2007</b>	<b>-</b>	<b>4 289</b>	<b>4 289</b>
<b>Accumulated depreciation</b>			
1 January 2006	-	-	-
Current year's depreciation	-	557	557
<b>As of 31 December 2006</b>	<b>-</b>	<b>557</b>	<b>557</b>
Current year's depreciation	-	766	766
<b>As of 31 December 2007</b>	<b>-</b>	<b>1 323</b>	<b>1 323</b>
<b>Book value as of 31 December 2006</b>	<b>1 150 801</b>	<b>9 443</b>	<b>1 160 244</b>
<b>Book value as of 31 December 2007</b>	<b>-</b>	<b>2 965</b>	<b>2 965</b>

<sup>1</sup> Norwegian Property acquired 'Aker Hus' in 2006. This is a property under construction completed in 2007. Until completion, property under construction is accounted for at cost. At completion, accumulated cost is reclassified to investment property.

## NOTE 8 Goodwill

<i>(Amounts in NOK 1 000)</i>	2007	2006
Opening balance 1 January	-	-
Additions from business combinations (see Note 24)	1 064 987	-
<b>Book value as of 31 December</b>	<b>1 064 987</b>	-

Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction of a single purpose entity, and that at the time of the transaction affects neither accounting nor taxable profit or loss. In a business combination deferred income tax must be accounted for related to all temporary differences between the book value and the tax basis of assets and liabilities. Investment properties are normally divested as shares or interests in a company without the calculation of payable tax. Goodwill calculated in the purchase consideration for 2007 is mainly related to the fact that deferred income tax must be accounted for as described in a business combination. The carrying amount of goodwill is assumed to exceed its recoverable amount at year end 2007.

## NOTE 10 Financial derivative instruments

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

The group has fixed the majority of its floating rate borrowing exposure through interest rate swaps (see Note 3). Despite its current hedging position, the company's financial positions and cash flows remain exposed to the effects of fluctuations in prevailing market interest rates. Interest costs may therefore increase or decrease as a result of such fluctuations.

### Interest rate derivatives

Details of the group's interest rate derivatives as of 31 December:

	Currency	31.12.2007 Notional principal amount	31.12.2006 Notional principal amount
Commercial properties, interest rate swaps	NOK	(386 000)	5 750 000
<b>Total - contracts qualifying for hedge accounting</b>	NOK	<b>(386 000)</b>	5 750 000
Commercial properties, interest rate swaps	NOK	11 475 000	3 977 000
Commercial properties, interest rate swaps	EUR	25 467	25 467
Hotel, interest rate swaps	NOK	1 450 000	-
Hotel, interest rate swaps	EUR	212 500	-
Hotel, interest rate swaps	SEK	1 800 000	-
<b>Total - other contracts</b>	NOK	<b>16 342 819</b>	4 185 950
<b>Total interest rate hedging - NOK equivalent</b>	NOK	<b>15 956 819</b>	9 935 950
<b>Commercial properties, options</b>	NOK	<b>400 000</b>	-

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

### Foreign exchange derivatives

Details of foreign exchange derivative financial instrument contracts as of 31 December:

Currency swaps	Currency	31.12.2007 Notional principal amount	31.12.2006 Notional principal amount
Commercial properties	NOK	295 583	317 937
Commercial properties	EUR	(37 510)	(40 347)
<b>Total currency swaps</b>	NOK	<b>295 583</b>	317 937
<b>Total currency swaps</b>	EUR	<b>(37 510)</b>	(40 347)
Currency forward contracts	Currency	Amount	Amount
Commercial properties	NOK	(75 948)	(115 907)
Commercial properties	EUR	8 659	13 385
Hotel	NOK	432 129	-
Hotel	SEK	(390 660)	-
Hotel	EUR	(12 434)	-
<b>Total currency forward contracts</b>	NOK	<b>356 181</b>	(115 907)
<b>Total currency forward contracts</b>	SEK	<b>(390 660)</b>	-
<b>Total currency forward contracts</b>	EUR	<b>(3 775)</b>	13 385
<b>Total foreign exchange derivatives</b>	NOK	<b>651 764</b>	202 030
<b>Total foreign exchange derivatives</b>	SEK	<b>(390 660)</b>	-
<b>Total foreign exchange derivatives</b>	EUR	<b>(41 285)</b>	(26 962)

## NOTE 9 Operating leases

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

<i>(Amounts in NOK 1 000)</i>	2007	2006
Within 1 year	1 689 173	917 955
Later than 1 year and no later than 5 years	5 913 511	3 214 640
Later than 5 years	6 300 014	3 098 379
<b>Sum</b>	<b>13 902 698</b>	7 230 974

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

## Specification of financial derivative instruments in the balance sheet as of 31 December

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives - qualifying for hedge accounting	9 550	-	105 102	-
Interest rate derivatives - not qualifying for hedge accounting	664 663	11 541	161 762	-
Currency forward contracts	14 009	14 533	25 471	21 418
<b>Total - financial derivative instruments in the balance sheet</b>	<b>688 222</b>	<b>26 074</b>	<b>292 335</b>	<b>21 418</b>
Financial derivative instruments, non-current assets:				
Interest rate contracts - cash flow hedge	9 550	-	105 102	-
<b>Financial derivative instruments, current assets</b>	<b>678 672</b>	<b>26 074</b>	<b>187 233</b>	<b>21 418</b>
<b>Net fin. derivative instr. in the balance sheet (net asset)</b>	<b>662 148</b>		<b>270 917</b>	

## Current years change of net financial derivative instruments in the balance sheet

	2007	2006
<b>Net book value of financial derivative instruments, 1 January</b>	<b>270 917</b>	-
Addition, contracts qualifying for hedge accounting	9 550	105 102
Contracts no longer qualifying for hedge accounting (see below)	(105 102)	-
Addition, contracts not qualifying for hedge accounting from acquisitions of properties	-	89 072
Addition, contracts not qualifying for hedge accounting from business combinations	210 034	-
<b>Net additions of financial derivatives during the year</b>	<b>114 482</b>	<b>194 174</b>
Net fair value adjustments of contracts during the year	171 647	76 743
Contracts no longer qualifying for hedge accounting to profit and loss during the year	105 102	-
<b>Net fair value adjustments of financial derivative instruments during the year</b>	<b>276 749</b>	<b>76 743</b>
<b>Net book value of financial derivative instruments, 31 December</b>	<b>662 148</b>	<b>270 917</b>

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

## NOTE 11 Current receivables

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Account receivables	186 369	79 517
Less: provision for impairment of receivables	-	(1 214)
<b>Account receivables - net</b>	<b>186 369</b>	<b>78 303</b>
Other receivables	180 780	93 647
<b>Total receivables</b>	<b>367 149</b>	<b>171 950</b>

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

## NOTE 12 Cash and cash equivalents

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Cash at bank and in hand	631 314	1 251 951
Withholding tax account (tied up deposits)	4 162	511
<b>Total cash and cash equivalents</b>	<b>635 476</b>	<b>1 252 462</b>

Total un-drawn borrowing facilities amounts to NOK 290 million at year end 2007, and NOK 1 900.5 million at year end 2006 (see Note 15).

**NOTE 13 Share capital****Specification of changes in the share capital:**

Date	Type of change	Changes in share capital	Share capital after change	No of shares after change	Par value NOK	Price per share NOK
20.07.05	Incorporation	-	100 000	1 000	100.00	100.00
26.04.06	Share split	-	100 000	4 000	25.00	-
22.05.06	Private placement	875 000 000	875 100 000	35 004 000	25.00	50.00
22.05.06	Write down	100 000	875 000 000	35 000 000	25.00	-
22.05.06	Private placement	162 500 000	1 037 500 000	41 500 000	25.00	50.00
09.06.06	Consideration issue	508 853 050	1 546 353 050	61 854 122	25.00	50.00
22.06.06	Consideration issue	46 100 000	1 592 453 050	63 698 122	25.00	50.00
<b>30.06.06</b>			<b>1 592 453 050</b>	<b>63 698 122</b>	<b>25.00</b>	
04.07.06	Consideration issue	370 175	1 592 823 225	63 712 929	25.00	50.00
18.07.06	Private placement	150 000 000	1 742 823 225	69 712 929	25.00	50.00
28.08.06	Consideration issue	20 000 000	1 762 823 225	70 512 929	25.00	50.00
28.08.06	Consideration issue	25 000 000	1 787 823 225	71 512 929	25.00	50.00
<b>30.09.06</b>			<b>1 787 823 225</b>	<b>71 512 929</b>	<b>25.00</b>	
16.10.06	Consideration issue	50 000 000	1 837 823 225	73 512 929	25.00	50.00
14.11.06	Consideration issue, IPO	563 636 375	2 401 459 600	96 058 384	25.00	53.50
05.12.06	Consideration issue, Green Shoe	61 363 625	2 462 823 225	98 512 929	25.00	50.00
<b>31.12.06</b>			<b>2 462 823 225</b>	<b>98 512 929</b>	<b>25.00</b>	
29.03.07	Private placement	174 216 025	2 637 039 250	105 481 570	25.00	71.75
<b>31.12.07</b>			<b>2 637 039 250</b>	<b>105 481 570</b>	<b>25.00</b>	
					<b>2007</b>	<b>2006</b>
	Average number of shares (1 000 shares)				<b>103 798</b>	75 774
	Number of shares issued as of 31 December (1 000 shares)				<b>105 482</b>	98 513

**List of 20 largest shareholders as of 31 December 2007:**

Shareholder	Country	Number of shares	Per cent share
A. Wilhelmsen Capital AS	NOR	12 165 000	11.53
JP Morgan Chase Bank (nom)	GBR	10 300 884	9.77
State Street Bank and Trust Co. (nom)	USA	8 368 729	7.93
Fram Holding AS	NOR	4 000 000	3.79
Fram Realinvest AS	NOR	4 000 000	3.79
Bank of New York, Brussels Branch, Alpine Int.	BLE	3 660 295	3.47
Vital Forsikring ASA	NOR	3 578 700	3.39
Aweco Invest AS	NOR	2 870 282	2.72
Mellon Bank as agent for ABN Amro (nom)	USA	2 154 305	2.04
Bank of New York, Brussels Branch, Alpine Int.	BLE	2 126 600	2.02
Forties Global Custody Services (nom)	NL	2 055 739	1.95
Spencer Trading Inc.	NOR	2 000 000	1.90
Mellom Bank as agent for clients (nom)	USA	1 772 141	1.68
Opplysningsvesenets Fond	NOR	1 662 731	1.58
BNP Paribas Securities Services (nom)	FRA	1 601 000	1.52
JP Morgan Chase Bank (nom)	GBR	1 590 131	1.51
Lani Development AS	NOR	1 497 900	1.42
Morgan Stanley & Co (nom)	GBR	1 450 448	1.38
Credit Suisse Securities	GBR	1 383 415	1.31
Bank of New York, Brussels Branch, clients account	BLE	1 325 403	1.26
Other shareholders		35 917 867	34.05
<b>Total number of shares as of 31 December 2007</b>		<b>105 481 570</b>	<b>100.00</b>

**Shares held by the board of directors and senior executive officers as of 31 December 2007:**

Shareholder	Number of shares
<b>Board of directors</b>	
Knut Brundtland (Chair)	200 000
Jostein Devold	-
Torstein I. Tvenge	8 000 000
Anne Birgitte Fossum	6 500
Hege Bømark	-
<b>Senior executives</b>	
Petter Jansen, President and Chief executive officer (CEO)	75 000
Dag Fladby, Vice president and Chief investment officer (CIO)	4 000
Svein Hov Skjelle, Vice president and Chief financial officer (CFO)	5 000
Aili Klami, Vice president and Chief operating officer (COO)	-
<b>Total no. of shares held by the board of directors and senior executive officers as of 31 December 2007</b>	<b>8 290 500</b>

**NOTE 14 Other short term liabilities**

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
Public dues	43 224	21 117
Accrued salaries	10 667	208
Accrued interest	184 725	113 439
Deferred income	179 648	102 402
Other payables	213 015	43 506
<b>Total other short term liabilities</b>	<b>631 279</b>	<b>280 672</b>

**NOTE 15 Borrowings**

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

**Details of interest bearing debt per business segment and currency**

	Currency	31.12.2007	31.12.2006
<b>Commercial properties</b>			
Total bank borrowings	NOK	11 792 619	9 846 451
Total bank borrowings	EUR	32 258	32 622
Total bonds	NOK	2 682 350	768 000
Total other borrowings	NOK	165 861	165 861
<b>Total borrowings</b>	<b>NOK</b>	<b>14 640 830</b>	<b>10 780 312</b>
<b>Total borrowings</b>	<b>EUR</b>	<b>32 258</b>	<b>32 622</b>
<b>Total borrowings - NOK equivalent</b>	<b>NOK</b>	<b>14 898 409</b>	<b>11 049 051</b>
<b>Total un-drawn borrowing facilities</b>	<b>NOK</b>	<b>215 000</b>	<b>1 900 549</b>
<b>Hotel</b>			
Total bank borrowings	NOK	1 551 430	-
Total certificate borrowings	NOK	100 000	-
Total bank borrowings	SEK	3 267 263	-
Total bank borrowings	EUR	248 954	-
Total bank borrowings	DKK	255 303	-
<b>Total borrowings - NOK equivalent</b>	<b>NOK</b>	<b>6 670 273</b>	<b>-</b>
<b>Total un-drawn borrowing facilities</b>	<b>NOK</b>	<b>75 000</b>	<b>-</b>

**Details of long term- and short term interest bearing debt**

	Currency	31.12.2007	31.12.2006
<b>Commercial properties</b>			
Long term debt	NOK	13 843 587	10 682 509
Long term debt	EUR	31 894	32 258
<b>Total long term debt for commercial properties - NOK equivalent</b>	<b>NOK</b>	<b>14 101 563</b>	<b>10 948 251</b>
<b>Hotel</b>			
Long term debt	NOK	1 411 450	-
Long term debt	SEK	2 711 828	-
Long term debt	EUR	248 954	-
Long term debt	DKK	255 303	-
<b>Total long term debt for hotel - NOK equivalent</b>	<b>NOK</b>	<b>5 960 597</b>	<b>-</b>
<b>Oslo Properties</b>			
Long term debt, acquisition financing	NOK	1 700 000	-
<b>Total Group long term debt - NOK equivalent</b>	<b>NOK</b>	<b>21 762 160</b>	<b>10 948 251</b>
<b>Commercial properties</b>			
Short term debt	NOK	796 032	97 803
Short term debt	EUR	364	364
<b>Total short term debt for commercial properties - NOK equivalent</b>	<b>NOK</b>	<b>796 846</b>	<b>100 801</b>
<b>Hotel</b>			
Short term debt	NOK	239 967	-
Short term debt	SEK	555 435	-
<b>Total short term debt for hotel - NOK equivalent</b>	<b>NOK</b>	<b>709 676</b>	<b>-</b>
<b>Total Group short term debt - NOK equivalent</b>	<b>NOK</b>	<b>1 506 522</b>	<b>100 801</b>
<b>Total borrowings at nominal value<sup>1</sup></b>	<b>NOK</b>	<b>23 268 682</b>	<b>11 049 051</b>
Capitalised borrowing costs	NOK	36 542	71 466
<b>Total borrowings at amortized value</b>	<b>NOK</b>	<b>23 232 140</b>	<b>10 977 587</b>
Classified as short term (first year's repayments - book value in the balance sheet)	NOK	1 498 193	100 800
<b>Long term borrowings (book value in the balance sheet)</b>	<b>NOK</b>	<b>21 733 947</b>	<b>10 876 787</b>

<sup>1</sup> Exclusive Norwegian Property ASA's liability related to a put/call option agreement to acquire shares in Oslo properties AS (see Note 24). The liability amounts to NOK 1 525 million exclusive interests, which will be accrued until settlement. The discounted value of the put/call liability (including interests) was NOK 1 595.8 million at year end 2007. The liability is accounted for under short term liabilities in the group's balance sheet.

**The maturity of non-current borrowings for commercial properties**

	31.12.2007	31.12.2006
Between 1-2 years (2009 and 2010)	678 780	181 985
Between 2-5 years (2011, 2012 and 2013)	11 393 305	1 300 501
Over 5 years	2 029 478	9 465 765
<b>Total</b>	<b>14 101 563</b>	10 948 251

**The maturing of non-current borrowings for hotel**

	31.12.2007	31.12.2006
Between 1-2 years (2009 and 2010)	-	-
Between 2-5 years (2011, 2012 and 2013)	5 029 022	-
Over 5 years	931 575	-
<b>Total</b>	<b>5 960 597</b>	-

The non-current acquisition financing in Oslo Properties of NOK 1 700 million falls due in 2010.

Norwegian Property ASA issued three tranches of bonds in the Norwegian capital markets in March 2007, totalling NOK 1 511 million. One of the tranches has a tenor of 5 years and the other two tranches have a tenor of 3 years. Four properties are pledged as first priority security for these borrowings.

In connection with the acquisition of Norgani Hotels AS the group refinanced existing borrowing facilities of NOK 8 720 million with a NOK 9.6 billion 5 year term loan facility on 5 July 2007, with Norwegian Property Holding AS as the borrower. NOK 115 million of the facility was un-drawn at year end. Simultaneously, Oslo Properties AS entered into a 3 year term loan facility of NOK 1.7 billion, and Norwegian Property Holding AS established a 1 year term loan facility of NOK 450 million. Both facilities were fully drawn as of 31.12.2007. A revolving credit facility of NOK 1.4 billion has been established to finance the acquisition of properties, and utilised in relation with the acquisition of DnB NOR's premises at Aker Brygge in Oslo. NOK 100 million of this facility was un-drawn at year end.

Group subsidiaries have additional borrowings of NOK 1 963.4 million as of 31.12.2007.

The main terms of the commercial properties portfolio based upon the prevailing loan agreements as at 31.12.2007 are:

- Interest: NIBOR + margin
- Interest rate hedging: Minimum 70 per cent for the commercial portfolio.
- Financial covenants: The company must comply with agreed senior interest cover and loan-to-value thresholds (LTV). Senior interest cover of at least 1.4 and a LTV ratio of 85 per cent are agreed as of 31.12.2007.
- Other covenants: Negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Security: The facility is secured by way of, inter alia, first priority mortgages/pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the Company's bank accounts. Subsidiaries are guarantees for the facilities. No bank guarantees of significant size have been issued on the parent company's behalf.

The financing of Norgani Hotels was continued in connection with the takeover. As of 31.12.2007 two syndicated borrowing facilities were in place, an EUR 239 million facility and a multiple currency credit facility of originally EUR 13 million, DKK 677 million, NOK 1 435 million and SEK 1 840 million. In addition, the Company has entered into a financing agreement with Handelsbanken AB of SEK 1 150 million.

The main terms of the hotel portfolio based upon the prevailing loan agreements as at 31.12.2007 are:

- Interest: NIBOR/EURIBOR/CIBOR/STIBOR + margin.
- Interest rate hedging: Different minimum levels of interest rate hedging ratios in relation to the different borrowing agreements.
- Financial covenants: Senior interest cover of at least 1.25 (1.35 after 29 June 2008 and 2.0 in relation to a different agreement), LTV ratio of 85 per cent and equity ratio of 15 per cent are agreed as of 31.12.2007.
- Other covenants: Negative pledge, restrictions on granting of loans, restrictions on acquisitions and a change of control clause.
- Security: The facility is secured by way of, inter alia, first priority mortgages/pledges over the subsidiaries' shares, properties, trade receivables, inter company loans and the Company's bank accounts. Subsidiaries are guarantees for the facilities. No bank guarantees of significant size have been issued on the parent company's behalf.

The terms of the NOK 1 700 million acquisition financing are as follows:

- Interest: NIBOR + margin
- Interest rate hedging: Minimum 70 per cent (excluding the acquisition financing).
- Financial covenants: LTV below 90 per cent for the Oslo Properties Group for the two first years, thereafter 75 per cent. The Norgani Group must have a LTV below 85 per cent and a senior interest cover ratio of minimum 1.6.
- Other covenants: Negative pledge, pari passu, restrictions on granting of loans, restrictions related to mergers/demergers and a change of control clause.
- Restrictions related to payments of dividends from Oslo Properties, cash flow generated from sale of properties and other cash flow generated by Norgani exceeding certain levels shall be used for the purpose of repayment of borrowings.
- Security: First priority mortgages/pledges over all Oslo Properties assets, including the shares in Norgani Hotels and bank accounts, mortgages/pledges over Norwegian Property ASA's shares in Oslo Properties and a guarantee issued by Norwegian Property ASA.

**Book value of group assets pledged as security**

	31.12.2007	31.12.2006
Investment property	31 113 889	13 919 570
Property under construction	-	1 150 801
Receivables	373 349	263 320
Cash and cash equivalents	635 476	1 252 462
<b>Total</b>	<b>16 586 163</b>	16 586 163
Liabilities secured	23 102 821	10 883 190

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

## Details of hedging ratio, average interest and remaining duration

	Norwegian Property	Norgani Hotels	Total	Oslo Prop- erties (OP)	Total	Liability to acquire shares in OP	Total	Total
	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.07	31.12.06
Total interest bearing debt at face value (NOK million) <sup>1</sup>	14 449	6 920	21 369	1 900	23 269	1 596	<b>24 865</b>	11 049
- Of which hedged (NOK million)	11 678	4 665	16 343		16 343		<b>16 343</b>	9 936
Hedging ratio, exclusive cash and cash equivalents	81%	67%	76%		70%		<b>66%</b>	90%
Cash and cash equivalents (NOK million)	584	6	590	45	635		<b>635</b>	1 252
Effective hedging ratio, including cash	84%	67%	79%		72%		<b>67%</b>	101%
Average interest (including margin)	5.33%	5.11%	5.26%	7.09%	5.41%	10.75%	<b>5.76%</b>	5.16%
Average basis interest of hedging contracts	4.53%	4.12%	4.40%		4.40%		<b>4.40%</b>	4.39%
Average margin	0.56%	0.99%	0.70%	1.50%	0.76%		<b>0.76%</b>	0.76%
Average remaining duration, borrowings (years)	4.9	4.5	4.8	2.9	4.6		<b>4.6</b>	7.0
Average remaining duration, hedging contracts (years)	5.1	5.1	5.1		5.1		<b>5.1</b>	6.2
Property value (NOK million)	20 414	10 700	31 114		31 114		<b>31 114</b>	15 070
LTV	70.8%	64.7%	68.7%		74.8%		<b>79.9%</b>	73.3%

<sup>1</sup> In the table, NOK 450 million of Norwegian Property ASA's interest bearing liabilities are allocated as intercompany loans to Norgani Hotels (NOK 250 million) and Oslo Properties (NOK 200 million).

## Events post 31 December 2007

On 7 February 2008, the Norwegian Property Holding AS NOK 9.6 billion facility and the Norwegian Property ASA NOK 1.3 billion revolving credit facility were refinanced with a Norwegian Property Holding AS NOK 11.0 billion credit facility, including a NOK 1.0 billion revolving credit facility. Annual repayments are reduced by calculating the repayments on the basis of LTV levels, and the flexibility of the revolving facility is improved. Other terms of the borrowings are unchanged.

## NOTE 16 Deferred income tax

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

(Amounts in NOK 1 000)	31.12.2007	31.12.2006
<b>Deferred tax assets</b>		
Deferred tax assets to be recovered after more than 12 months	<b>634 214</b>	58 384
Deferred tax assets to be recovered within 12 months	-	-
	<b>634 214</b>	58 384
<b>Deferred tax liabilities</b>		
Deferred tax liabilities to be recovered after more than 12 months	<b>2 155 981</b>	177 994
Deferred tax liabilities to be recovered within 12 months	-	-
	<b>2 155 981</b>	177 994
<b>Net deferred tax liabilities</b>	<b>1 521 767</b>	119 610
<b>The movement on the deferred income tax account</b>		
Opening balance	<b>119 610</b>	-
Additions from business combinations	<b>977 195</b>	-
Income statement change (see Note 20)	<b>457 498</b>	148 565
Tax on interest rate hedges charged to equity	<b>(26 755)</b>	29 429
Tax on issue expense charged to equity	<b>(5 781)</b>	(58 384)
<b>As of 31 December</b>	<b>1 521 767</b>	119 610
<b>Deferred tax charged to equity</b>		
Tax on equity issue expense	<b>(64 165)</b>	(58 384)
Tax on financial derivative instruments charged to equity	<b>2 674</b>	29 429
<b>Total deferred tax charged to equity</b>	<b>(61 491)</b>	(28 955)

## Consolidated annual accounts

### The movement of deferred tax assets and deferred tax liabilities

(Amounts in NOK 1 000)	Deficit carried forward	Buildings	Fair value gain	Total
At 1 January 2006	-	-	-	-
Deferred tax assets from purchase of companies	(12 550)	-	-	(12 550)
Deferred tax liability from purchase of companies	-	1 428 941	-	1 428 941
Deferred tax assets from business combinations	-	-	-	-
Deferred tax liability from business combinations	-	-	-	-
Tax charged to income statement	16 969	110 108	21 488	148 565
Tax charged to equity	(58 384)	-	29 429	(28 955)
<b>Total as of 31 December 2006</b>	<b>(53 965)</b>	<b>1 539 049</b>	<b>50 917</b>	<b>1 536 001</b>
Deferred tax assets from purchase of companies	-	-	-	-
Deferred tax liability from purchase of companies	-	41 160	-	41 160
Deferred tax assets from business combinations	(567 985)	-	-	(567 985)
Deferred tax liability from business combinations	20 910	1 524 270	-	1 545 180
Tax charged to income statement	38 650	341 359	77 490	457 498
Tax charged to equity	(5 781)	-	(26 755)	(32 536)
<b>Total as of 31 December 2007</b>	<b>(568 171)</b>	<b>3 445 838</b>	<b>101 651</b>	<b>2 979 318</b>
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3) <sup>1</sup>	(12 550)	1 428 941	-	1 416 391
<b>As of 31 December 2006</b>	<b>(41 415)</b>	<b>110 108</b>	<b>50 917</b>	<b>119 610</b>
Amounts not accounted for due to purchase of assets (not a business combination according to IFRS 3) <sup>1</sup>	(12 550)	1 470 101	-	1 457 551
<b>As of 31 December 2006</b>	<b>(555 621)</b>	<b>1 975 737</b>	<b>101 651</b>	<b>1 521 767</b>

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

### NOTE 17 Employee benefit expenses

(Amounts in NOK 1 000)

#### Total employee benefit expenses

	2007	2006
Salaries and remuneration	24 122	3 500
Social security costs	4 036	506
Pension costs	5 389	300
Other employee expenses	460	21
<b>Total employee benefit expenses</b>	<b>34 008</b>	<b>4 327</b>
Number of employees at 31 December	33	7
Number of full time equivalent positions at 31 December	33	7
Average number of employees	16	2

#### Total pension costs

Norwegian Property ASA operates a defined contribution plan for all employees. The CEO of Norwegian Property ASA has in addition a defined benefit pension plan. Norgani Hotels AS including subsidiaries operates defined contribution plans for all employees except in Norway, where a defined benefit plan is operated (7 employees).

	2007	2006
The period's pension earnings (service cost)	4 875	-
Interest cost of pension obligation	121	-
Return on plan assets	(8)	-
Administration costs	10	-
Pension cost, benefit plans	4 999	-
Pension cost, contribution plans	391	300
<b>Pension cost for the year</b>	<b>5 389</b>	<b>300</b>

#### Pension obligations for benefit plans

	2007	2006
Present value of pension obligations	6 458	-
Pension assets at market value	(776)	-
Net pension obligation	5 681	-
Deferred effect of actuarial and financial gains and losses	(297)	-
Employers' national insurance contributions	85	-
<b>Pension obligation recorded in the balance sheet</b>	<b>5 470</b>	<b>-</b>

#### The movement of pension obligations for benefit plans

	2007	2006
At 1 January	-	-
Changes from business combinations	624	-
Total pension cost, see above	4 999	-
Premium paid	(153)	-
<b>As of 31 December</b>	<b>5 470</b>	<b>-</b>

#### Financial assumptions for benefit plans

	2007	2006
Discount rate (per cent)	4.70	-
Expected return on plan assets (per cent)	5.75	-
Annual wage increases (per cent)	4.50	-
Adjustments of statutory base amount (per cent)	4.50	-
Pension increases (per cent)	2.00	-

**Remuneration of executive officers for 2007****Group Management**

Name	Title	Base salary	Bonus earned	Other benefit	Total taxable income	Pension benefit earned
Petter Jansen <sup>1</sup>	President and CEO	2 846	2 000	138	4 984	2 094
Svein Hov Skjelle	Vice president and CFO	1 341	345	70	1 756	46
Dag Fladby <sup>1</sup>	Vice president and CIO	1 859	516	207	2 582	46
Aili Klami	Vice president and COO	1 214	236	78	1 528	46
<b>Total</b>		<b>7 260</b>	<b>3 097</b>	<b>493</b>	<b>10 850</b>	<b>2 232</b>

<sup>1</sup> In case of termination of employments in Norwegian Property ASA, these employees are entitled to severance pay of 6 months salary.

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

**Board of directors**

Name	Board compensation
Knut Brundtland (Chair)	300
Jostein Devold	200
Torstein I. Tvenge	200
Hege Børmark	200
Anne Birgitte Fossum (Director from May 2007)	133
Egil Sundbye (Director until May 2007)	67
Karen Helene Ulltveit-Moe (Director until May 2007)	67
<b>Total</b>	<b>1 167</b>

The board compensation specified above is related to the year 2007, and payments will be made in 2008. The compensation is calculated according to decisions made in the shareholders extraordinary general meeting of 4 October 2006, related to principles for remunerations of the Board of directors.

**Declaration of management benefits**

This declaration relates to benefits received by key management personnel for work performed in connection with their employment within the group. The group shall at all times ensure that it has a professional leadership team in place so as to ensure that shareholder interests are safeguarded to best effect. In order to achieve this, the company is required to offer competitive remuneration terms, as part of a total compensation package.

**1. Principles for base salary**

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

**2. Bonus principles**

Key management employees can also receive variable bonus payments. Bonus payments are determined by the individual's own performance in achieving key targets either for the group as a whole, a specific function or a subsidiary in which the individual is employed. Key targets shall consist of performance improvement initiatives or financial targets, including the company's share price performance and shall be measurable wherever possible. Targets in relation to the Chief Executive Officer's own performance shall be established by the Board, whilst the Chief Executive Officer shall establish targets for other key management personnel. Bonus payment shall not exceed 50 per cent of the Chief Executive Officer's annual salary or 30 per cent of annual base salary for other key management employees.

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

Key management employees shall be offered certain non-cash related compensation benefits, such as access to company car, insurance and pension scheme arrangements. The company shall also provide these employees with home and mobile telephones, in addition to covering the cost of newspaper subscriptions such that employees are contactable for business purposes. Key management employees shall be granted the right to membership of the company's defined contribution pension scheme. Conditions of the pension scheme can 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'). The group has currently not issued any employee option programmes.

**4. Payment after termination of contract**

As at year end, two key management employees have agreements in place with the company for payment of salary after termination of contract. Resignation notice periods are six months. Payment of salary after termination of contract shall only occur in special instances. Approval from the Chairman of the Board shall be required for the granting of payment of salary after termination of contract for any employees where this right is not already documented within their employment contract.

**5. Remuneration decision making process**

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

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

The guidelines related to management benefits were carried out as described above last year. The board of directors has granted the president and CEO a NOK 500 000 bonus related to extraordinary efforts in connection with several large projects, including the acquisition of Norgani Hotels. The remuneration of executive officers is charged as an expense, and has no other consequences for the shareholders of the company.

**Auditor's fee**

Deloitte is at year end 2007 the auditor for all Norwegian Property group companies, Oslo Properties AS/Norgani Hotels AS and directly owned Norwegian subsidiaries. PricewaterhouseCoopers (PwC) is the auditor for other Norgani Hotels group companies.

Fee	Deloitte	PwC <sup>1</sup>
Statutory audit	1 649	2 604
Other certification services	260	97
TAX/VAT Advisory fee	262	539
Other services than audit	106	659
<b>Total</b>	<b>2 277</b>	<b>3 899</b>

<sup>1</sup> In addition to fees invoiced to Norgani Hotels, PwC has also invoiced Norwegian Property ASA NOK 7.9 million in 2007 related to other services than audit and TAX/VAT advisory fee.

The auditor's fee is net of VAT.

**NOTE 18 Non-recurring costs**

The company charged the income statement for 2006 with non-recurring costs of approximately NOK 21 million, in connection with start-up and stock-exchange introduction of the company. In 2007, no material costs of such kind are charged.

**NOTE 19 Net financial expenses**

<i>(Amounts in NOK 1 000)</i>	2007	2006
Interest income	58 669	13 231
Foreign currency gains	9 111	484
Other financial income	191	(193)
<b>Total financial income</b>	<b>67 972</b>	13 521
Interest costs	(803 593)	(274 549)
Foreign currency loss	(131)	(221)
Other financial expenses <sup>1</sup>	(155 140)	(20 992)
<b>Total financial expenses</b>	<b>(958 864)</b>	(295 762)
Change in market value of financial derivative instruments	276 749	76 743
<b>Net financial expenses</b>	<b>(614 143)</b>	(205 498)

<sup>1</sup> Other financial expenses for 2007 include costs in connection with refinancing of borrowing facilities with approximately NOK 114 million.

**NOTE 20 Income tax expense**

<i>(Amounts in NOK 1 000)</i>	2007	2006
Current tax	3 238	-
Deferred tax (see Note 16)	457 498	148 565
<b>Income tax expense</b>	<b>460 736</b>	148 565
Profit before tax:	1 650 595	539 458
Tax calculated at a tax rate of 28 per cent	462 167	151 048
Income not subject for tax purposes, expenses not deductible for tax purposes, etc	(2 784)	(2 483)
Corrections related to previous years current tax	1 353	-
<b>Income tax expense</b>	<b>460 736</b>	148 565

**NOTE 21 Earnings per share**

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

	2007	2006
Net profit attributable to shareholders (NOK 1000)	1 185 030	389 636
Weighted average number of ordinary shares in issue (1 000)	103 798	75 744
Basic earnings per share (NOK per share)	11.42	5.14

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

**NOTE 22 Dividend per share and dividend policy**

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

For 2007, the board has recommended a dividend of NOK 2.50 which will be tabled for resolution within the company's annual general meeting on 20 May 2008. Dividend payments will be made to shareholders on 10 June 2008 in accordance with the share register as at 20 May 2008.

**NOTE 23 Related-party disclosures**

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

The Norwegian Property ASA group is not directly controlled or dominated by any significant shareholders. However, the Anders Wilhelmsen Group controlled a total of 15.2 per cent of the shares as of 31 December 2007 through Anders Wilhelmsen Capital AS (11.5 per cent) and AWECO invest AS (2.7 per cent) and Miami AS (1.0 per cent). Torstein Tvenge and his family controlled a total of 7.6 per cent as of 31 December 2007 through Fram Holding AS (3.6 per cent) and Fram Realinvest AS (3.6 per cent).

After Norwegian Property was established in 2006, there are four main categories of transactional relationships with 'related parties' to Norwegian Property ASA:

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

**Property transactions**

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

**2007**

No property transactions with related parties are carried out in 2007, and new shares in Norwegian Property are not issued as consideration to any seller.

In connection with the takeover of Oslo Properties/Norgani Hotels in 2007 (see Note 24), the Anders Wilhelmsen Group is one of the shareholders of Oslo Properties AS (shareholding of 6.5 per cent). No put/call option agreement is related to this shareholding.

**2006**

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

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

Related party	Property	Total transaction (NOK million)	Shares	Share price (NOK)	Stake <sup>1</sup>
A. Wilhelmsen Capital AS/Aweco Invest AS	Aker Brygge / M17	2 984	14 955 967	50	20.9%
Torstein Tvenge w/family through controlled companies	Skøyen Bygg	1 295	8 000 000	50	11.2%

<sup>1</sup> Ownership at the time of transaction, not including purchases and sales after the transaction.

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

Related party	Property	Total transaction (NOK million)	Shares	Share price (NOK)	Stake <sup>1</sup>
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%
Næringsfastigheter i Sverige II Rød AB	Aker Hus	1 502	2 000 000	50	2.7%

<sup>1</sup> Ownership at the time of transaction, and do not include purchases and sales after the transaction.

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

#### Facility management agreements (property management agreements)

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

A special commercial and facility management arrangement for Aker Brygge, with four years duration, has been entered into with Linstow Eiendom AS in 2006, which is owned by the Anders Wilhelmsen Group through two daughter companies. Linstow is also managing the property Middelthunsgate 17, Ibsenkvartalet and Stortingsgaten 6. Linstow receives an annual compensation for the services rendered of NOK 5.3 million.

Pareto Investor Service AS, part of the Pareto Group is providing commercial administration services for a total annual fee of NOK 3.6 million.

#### Rental agreements

Linstow Eiendom AS (A. W. Group) is a tenant at Aker Brygge, and as described above also a shareholder of Norwegian Property ASA. Annual rent amounts to NOK 4.3 million.

#### Charges of interest and management fee to subsidiaries

Group subsidiaries are charged for interest in relation to the subsidiaries share of total group financial costs. In addition, group subsidiaries are charged for a share of administration expenses related to holding/group companies ownership costs.

## NOTE 24 Business combinations

(Amounts in NOK 1 000)

Oslo Properties AS gained control over Norgani Hotels AS on 24 September 2007, and owns all shares in the company at year end 2007. The Norgani Hotels Group owns 73 hotel properties and 1 congress centre in Sweden, Norway, Finland and Denmark. For accounting purposes it is assumed that Norwegian Property ASA controls Oslo Properties AS. Oslo Properties/Norgani Hotels is consolidated as a part of the Norwegian Property Group from 24 September 2007.

Norwegian Property owns 17.5 per cent of the shares and has entered into put/call option agreements to acquire an additional 76 per cent of the shares in Oslo Properties. Management functions in Oslo Properties are appointed by Norwegian Property, and Norwegian Property also has the right to designate 3 out of 5 board members in Oslo Properties (including the chair).

Income statement items related to Oslo Properties AS and Norgani Hotels AS, included in the consolidated statements for 2007, are described in Note 5.

The acquisition of Norgani Hotels AS is treated as a business combination according to IFRS 3. All previous acquisitions made by the group in 2006 and 2007 have been purchases of single purpose entities. The purchase consideration of Norgani Hotels AS is calculated as follows:

#### Purchase consideration

Purchase price for the shares in Norgani Hotels	3 718 688
Interest/discounting effects related to the put/call option agreement	48 157
Costs related to the takeover	94 269
Total purchase price	3 861 114
Fair value of net assets acquired, exclusive goodwill (see below)	2 796 127
<b>Goodwill</b>	<b>1 064 987</b>

Norwegian Property ASA has entered into put/call option agreements to acquire an additional 76 per cent of the shares in Oslo Properties AS by 1 July 2008. The liability amounts to NOK 1 525 million exclusive interests, which will be accrued until settlement. NOK 1 120 million plus accrued interest may be settled with shares in Norwegian Property ASA at the discretion of Norwegian Property. The discounted value of the put/call liability (including interests) was NOK 1 573.0 at the acquisition date and NOK 1 595.8 million at year end 2007. The change in the liability of NOK 22.8 million from the acquisition date and until year end is charged as an expense under other financial expenses in 2007.

#### Assets (exclusive goodwill) and liabilities related to the acquisition

Investment property	9 850 053
Cash and cash equivalents	348 610
Net working capital/other items	81 919
Interest bearing debt	(6 507 260)
Deferred tax liability	(977 195)
<b>Net assets acquired</b>	<b>2 796 127</b>

#### Net cash flow related to the acquisition

Acquisition price and costs in cash and cash equivalents	3 812 957
Cash and cash equivalents in acquired entities	(348 610)
<b>Net cash flow</b>	<b>3 464 347</b>

### Pro forma result for 2007

If the acquisitions of Oslo Properties/Norgani Hotels had been carried out 1 January 2007, calculated pro forma group gross operating revenues and profit after minorities for 2007 would have been NOK 1 709.6 million and NOK 1 280.5 million respectively. The pro forma figures are calculated on the basis of actual full year figures for Norwegian Property and Norgani Hotels. Actual figures are adjusted for full year interest costs related to the acquisition financing, 82.5 per cent minority interests in Oslo Properties/Norgani Hotels, non-recurring costs related to the acquisition and the difference between internal and external fair value adjustments of investment properties in Norgani Hotels. Income tax is calculated based on 28 per cent.

Pro forma figures are meant to provide a basis for comparison based on the group's composition after the takeover of Oslo Properties/Norgani Hotels. Pro forma figures are encumbered with greater uncertainty than are the actual historical figures, and will not necessarily reflect the results that would have been realised if the takeover had actually been made at an earlier date.

### NOTE 25 Contingencies

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

### NOTE 26 Events after the balance sheet date

In February 2008, Norwegian Property ASA has entered into an agreement with Norsk Eiendom ASA (Neas) regarding management and operation of its Norwegian office portfolio. Under the agreement, Neas will assume responsibility for management and the day to day operations of the office properties from 1 April 2008. The agreement involves future ownership cost during the agreement period will be secured at a level of 10-12 per cent below the level at the time of the agreement, without a corresponding reduction in magnitude or quality of work. In addition the agreement allows for Neas to offer more and better services for the tenants. The purpose of the agreement for Norwegian Property is to industrialize the facilities management, by achieving economies of scale throughout the management chain and by enhancing the quality of the rental product. The agreement with Neas has duration of 6 years, with possibilities of further extensions.

Acquisitions and divestments of properties are in line with the group's strategy to actively develop the property portfolio. After the balance sheet date on 31 December 2007, Norwegian Property has entered into agreements to dispose of the following non-core properties:

- Østre Aker vei 20 and 22 at Økern in Oslo are divested for a total of NOK 155 million. The buyer is a consortium lead by Pareto Private Equity (considered to be a related party in Note 23). The sales price is above the property value as per 31 December 2007, and about NOK 30 million in positive cash flow will be released. The transaction will be completed on 1 April 2008.
- The 80 per cent share in Forskningsveien 2, Oslo is divested for a property value corresponding to NOK 668 million (100 per cent). The buyer is a consortium lead by Pareto Private Equity (considered to be a related party in Note 23). The property value, which is the basis for the sales price, is in line with the valuation as of 31 December 2007. The transaction will release above NOK 140 million in positive cash flow. In connection with the divestment, it is agreed that the existing external financing (borrowings/interests) related to the property will be transferred to the buyer. The transaction will be completed in April 2008.

See Note 15 for refinancing activities carried out after the balance sheet date.

# Auditor's report

**Deloitte.**

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Property ASA

AUDITOR'S REPORT FOR 2007

We have audited the annual financial statements of Norwegian Property ASA as of 31 December 2007, showing a profit of NOK 1.189.859.000 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, 2007, 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, 31 March 2008  
Deloitte AS

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

Audit. Tax & Legal. Consulting. Financial Advisory.

Org.nr.: 980 211 282

Member of  
Deloitte Touche Tohmatsu



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*“The goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector.”*

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# Corporate governance

Good corporate governance is intended to contribute to strengthening external confidence in Norwegian Property, and to the largest possible value creation over time. The company's corporate governance principles are intended to ensure an appropriate division of roles between shareholders, the board of directors and the chief executive.

The board of Norwegian Property has drawn up the presentation of corporate governance in the company, which is based on the Norwegian code of practice for corporate governance dated 4 December 2007. The presentation relates to each section of the code.

## 1. Values base and ethical guidelines

The company's core values are value creation, expertise, innovation and integrity. Its ethical guidelines and other policy documents have been formulated in accordance with the values base.

*Compliance with section 1 of the code: full.*

## 2. Business

The company's business is the management, acquisition, sale and development of commercial property, including participation in other companies as well as businesses which are related to such.

The company's full articles of association are available in updated form on its website at [www.norwegianproperty.no](http://www.norwegianproperty.no). Within the framework of its articles, the company has established clear goals and strategies for its business. These are presented on pages 7-9 in this annual report and on the company's website.

*Compliance with section 2 of the code: full.*

## 3. Equity and dividends

Group equity at 31 December 2007 totalled NOK 6 831 million, representing an equity ratio of 20.2 per cent. The board regards this as satisfactory in the light of current activities relating to the sale of certain assets and agreements with certain of the minority shareholders in Oslo Properties AS which provide the opportunity to convert their shareholdings in Oslo Properties to shares in Norwegian Property ASA. To optimise the

long-term return, the board has a "loan to value" target of borrowing up to 75 per cent of the value of the company's properties. At times when major purchases are made, this debt ratio could be higher. The capital structure is kept under continuous review in light of the market development and the company's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive, predictable and higher than average for the property sector. The dividend policy is described in more detail in the chapter on shareholder information on page 78 of this annual report.

At 31 December 2007, the board held two mandates to increase the share capital through private placements, either as settlement for property acquisitions. The number of shares remaining under these mandates was 22 651 280. The mandates remain valid until 30 June 2008 or, for 9 851 280 shares, until the annual general meeting if this is held before 30 June 2008.

The board is also mandated to buy 9 851 280 of the company's own (treasury) shares at a price between NOK 10 and NOK 400. These mandates have not been utilised so far.

*Compliance with section 3 of the code: full.*

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

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

The board and the executive management are concerned to ensure equal treatment of all shareholders and that transactions with close associates take place on an arm's-length basis.

The general meeting has mandated

the board to increase the share capital. Pursuant to these mandates, the board can resolve to waive the pre-emptive right of shareholders to subscribe to new shares. This is because the mandates are intended to be used for such purposes as the issue of shares as settlement for property transactions.

Note 23 to the group accounts details transactions with close associates, including management agreements with companies controlled by shareholders in Norwegian Property and agreements on leasing premises to companies controlled by shareholders in Norwegian Property.

A Wilhelmsen Capital AS (a company controlled by the Anders Wilhelmsen group) owns 6.5 per cent of the shares in Oslo Properties AS, which in turn owns all the shares in Norgani Hotels AS. Norwegian Property ASA owns or can acquire through put/call agreements the remaining 93.5 per cent of the shares in Oslo Properties. The Anders Wilhelmsen group is a shareholder in Norwegian Property, and represented on the boards of both Norwegian Property ASA and Oslo Properties AS.

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

*Compliance with section 4 of the code: full.*



## 5. Free negotiability

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

*Compliance with section 5 of the code: full.*

## 6. General meeting

The company encourages its shareholders to attend the general meeting. Its goal is that notice of the general meeting, with background documentation including the recommendations with justifications from the nomination committee, will be made available to shareholders on the company's website no later than 21 days before the general meeting, and that corresponding documentation will be sent to shareholders with known addresses at least two weeks before the meeting is

due to take place.

Shareholders wishing to attend a general meeting must indicate this intention by the specified deadline, which will not expire earlier than five days before the meeting. Shareholders who cannot attend in person are 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.

The minutes of the general meeting will be published as soon as possible via the stock exchange's reporting system ([www.news-web.no](http://www.news-web.no), ticker code: NPRO) and on the company's website at [www.npro.no](http://www.npro.no) under the investor relations tab.

## 7. Nomination committee

Pursuant to the company's articles of association, Norwegian Property has a nomination committee comprising two or three members. The latter are selected to take account of the interests of the shareholders in general as well as their independence of the board and the executive management. Members of the nomination committee and its chair are elected by the general meeting for two-year terms. Their remuneration is also determined by the general meeting.

The nomination committee will nominate directors and recommend their remuneration. Its recommendations with justifications will be made available via the company's website before the election. Members of the committee will attend the general meeting to present and justify their recommendations and answer questions.



Elected most recently by the annual general meeting in 2007, the nomination committee comprises:

- Tor Bergstrøm, deputy chief executive, Anders Wilhelmsen & Co AS
- Egil K Sundbye, managing director, Norwegian State Church Endowment Fund.

Relevant deadlines for submitting nominations to the committee are shown on the company's website.

*Compliance with section 7 of the code: full.*

## **8. Board of directors, composition and independence**

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

Directors and the chair of the board

are elected by the general meeting for two-year terms. The company does not have a corporate assembly.

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

The board has been composed in such a way that it can act independently of special interests. The company's executive management is not represented on the board. More than half the directors are independent of the company's executive management or significant commercial partners. Three of the five directors are considered to be independent of

the company's principal shareholders (defined as shareholders with more than 7.5 per cent of the company's shares). The independent directors are Knut Brundtland, Hege Bømark and Anne Birgitte Fossum.

Director Jostein Devold represents shareholders controlling 15.3 per cent of the company's shares, while director Torstein Tvenge controls 7.6 per cent of the company's shares through family-owned companies (at 31 December 2007).

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

Note 13 to the annual accounts reports on shares owned by directors at 31 December 2007. This information is also updated continuously on the company's website.

*Compliance with section 8 of the code: full.*

## **9. Work of the board**

The board has overall responsibility for managing the group and for supervising the executive management and the group's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. In addition come control functions which ensure acceptable management of the company's assets. The board appoints the president and CEO. Instructions which describe the rules of procedure for the board's work and its consideration of matters has been adopted by the board. The board has drawn up instructions for the chief executive. A clear division of labour has been established between the board and the executive management. The chief executive is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair. The board has not so far considered it desirable or necessary to appoint sub-committees for dealing with individual matters. The board has established an annual plan for its meetings, and evaluates its work and expertise once a year. The result of the evaluation is reported to the nomination committee.

*Compliance with section 9 of the code: full.*

## **10. Risk management and internal control**

Overall goals and strategies are established and further developed through a continuous updating of Norwegian Property's strategy. On the basis of this

strategy, the values base and the ethical guidelines, instructions have been established for the board as well as policies for the important areas. A matrix has also been prepared for delegation of responsibility to defined roles in the organisation.

Norwegian Property has established a set of internal procedures and systems to ensure unified and reliable financial reporting. The various departments/units in the organisation are required to evaluate their internal control systems in relation to financial reporting on an annual basis. In addition, regular audits are carried out on the way the company's systems and procedures are followed up. The board receives a monthly report on the company's financial results as well as a description of the status for its most important projects. Governing processes have been established in important areas on the basis of the overall policies. The board will annually review the company's most important risk areas and its internal control.

*Compliance with section 10 of the code: full.*

### 11. Remuneration of the board

Directors' fees are determined by the general meeting on the basis of recommendations from the nomination committee. These recommendations are prepared in accordance with approved principles for remunerating the directors. These principles reflect the responsibility, expertise and time devoted to the business by the directors, as well as the complexity of the business. Directors' fees are not related to results. No options have been awarded to directors. No directors have undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments unless this has been resolved by the board and approved by the general meeting in each case.

Further details on the remuneration paid to individual directors are provided in note 17 to the annual accounts.

*Compliance with section 11 of the code: full.*

### 12. Remuneration of senior executives

The group's guidelines for the remuneration of senior executives are reported in note 17 to the group annual accounts.

Note 17 also provides further details about remuneration in 2007 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts.

*Compliance with section 12 of the code: full.*

### 13. Information and communication

All reporting of financial and other information will be timely and accurate, and simultaneously based on openness and equal treatment of players in the securities market. Information is published in the form of annual and interim reports, press releases, stock market announcements and investor presentations. All information of significance for valuing the company will be distributed via Hugin and the Oslo Stock Exchange's reporting system. Immediately after publication via the stock exchange, the information will also be made available on the company's website – where it is also possible to subscribe to announcements. The main purpose of such information will be to clarify the company's long-term goals and potential, including its strategy, value drivers and important risk factors. Norwegian Property's ambition is to have an open and proactive investor relations policy.

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

The instructions for the company's board provide more detailed guidelines on information and communication, including guidance on ensuring a good dialogue with shareholders between general meetings.

*Compliance with section 13 of the code: full.*

### 14. Takeovers

The company's articles of association place no restrictions on buying shares in the company.

In a takeover process, the company's board and executive management will seek to help ensure that the shareholders are treated equally and that the company's business suffers no unnecessary disruption. The board will give special weight to ensuring that the shareholders have sufficient time and information to

be able to form a view of a possible offer for the company's business or shares. Without special reasons, the board will not seek to prevent or create difficulties for anyone making an offer for the company's business or shares.

During a takeover process, the behaviour of the board and the executive management could be significant for the extent to which the value of the business is reflected in a possible bid. In order to preserve its freedom of action to safeguard shareholder interests in such circumstances, the board does not wish to communicate the main principles for the company's response to a possible takeover bid, other than to specify that all legal requirements will be met.

*Non-compliance with section 14 of the code: the board gives weight to safeguarding the interests of the shareholders in a takeover process, and will therefore not communicate its main principles for responding to a possible takeover process other than to specify that legal requirements will be met.*

### 15. Auditor

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

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

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

*Compliance with section 15 of the code: full.*



# Share and shareholder information

Norwegian Property's goal is to secure a competitive return for its shareholders, based on a sound financial position and good management of its assets. The company gives weight to an open information policy and an active dialogue with the investor market to ensure a broad shareholder base and a high level of liquidity for the share.

## Share price development

The share price at 31 December 2007 was NOK 66.50, compared with NOK 65.00 a year earlier. Corrected for the dividend of NOK 2.50 per share paid in May 2007, this represents a return of just over six per cent. The Oslo Stock Exchange's benchmark index (OSEBX) rose by a little more than 11 per cent over the same period, after a very volatile performance during 2007.

The share attained its highest price at the beginning of June at NOK 91.00, while the lowest price was NOK 60.25 in November. A background of financial unrest and fears of weaker international growth made 2007 a challenging year for property shares both in Norway and internationally. Developments for the leading international property indices are shown in the table below. Norwegian Property's share price performed significantly better progress than comparable industry indices.

## Dividend policy

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

The company wants its annual dividend to be competitive, predictable and higher than average for the property

sector. The goal is that dividend will represent four-six per cent of paid-in equity and at least 50 per cent of the annual net profit (when account has been taken of income statement items without cash flow effect). For 2007, the board will propose to the company's AGM that a dividend of NOK 2.50 per share be paid. The AGM will take place on 20 May 2008, and dividend will be paid on 10 June to shareholders included in the share registry at 20 May.

## Capital changes in 2007

The number of shares at 1 January 2007 was 105 481 570. A private placement of 6 968 641 shares was made in March 2007 with professional Norwegian and international investors at a price of NOK 71.75 (the shares were entitled to full dividend for 2006).

## Shareholder structure

Norwegian Property had 925 registered shareholders at 31 December, up from 913 a year earlier. Of these, 195 were foreign citizens – an increase from 151 in 2006. The company's largest shareholders at 31 December are presented in a separate overview.

## Investor relations

Norwegian Property has a goal of ensuring a broad shareholder base and high

liquidity for the share. The company accordingly places great emphasis on making all price-relevant information available to the market at the right time, and the management works consciously to ensure an open and active dialogue with investors and other parts of the financial market. Important activities include:

- Publication of annual and quarterly results at public presentations, which are also broadcast in real time via webcasts with simultaneous translation to English.
- Investor meetings are staged in Norway and internationally in connection with the presentation of results and on the occasion of major transactions. Norwegian Property also participates in international property seminars. More than 200 investor meetings were held in 2007.
- Six stockbrokers had established analytical coverage of Norwegian Property at 31 December, with a further three in the process of establishing such cover. The executive management works systematically to secure increased analytical coverage.
- [www.norwegianproperty.no](http://www.norwegianproperty.no) is updated continuously with information relevant to investors.

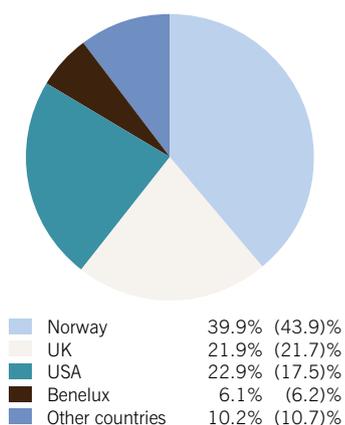
## Share price developments

Index	Change in 2007
Norwegian Property (incl dividend)	+ 6.2%
Global Property Research 250, European Index	- 30.1%
Global Property Research 250, Global Index	- 12.4%
FTSE EPRA/NAREIT, Global Real Estate	- 16.1%
FTSE EPRA/NAREIT, Europe Real Estate	-31.9%

## Financial calendar 2008

Interim report, Q1	28 April 2008
AGM 2008	20 May 2008
Dividend payment	10 June 2008
Interim report, Q2	8 August 2008
Interim report, Q3	24 October 2008

## Shareholders at 31 December 2007 by geographic distribution



## 20 largest shareholders at 31 Dec 2007

Largest shareholders	Country	No of shares	Percentage
A. Wilhelmsen Capital AS	NO	12 165 000	11.53%
JPMorgan Chase Bank (nom)	GB	10 300 884	9.77%
State Street Bank and Trust Co. (nom)	USA	8 368 729	7.93%
Fram Holding AS	NO	4 000 000	3.79%
Fram Realinvest AS	NO	4 000 000	3.79%
Bank of New York, Brussels Branch, Alpine Int.	BE	3 660 295	3.47%
Vital Forsikring ASA	NO	3 578 700	3.39%
Aweco Invest AS	NO	2 870 282	2.72%
Mellon Bank AS Agent for ABN Amro (nom)	USA	2 154 305	2.04%
Bank of New York, Brussels Branch, Alpine Int.	BE	2 126 600	2.02%
Fortis Global Custody Services (nom)	NL	2 055 739	1.95%
Spencer Trading Inc.	NO	2 000 000	1.90%
Mellon Bank as agent for clients (nom)	USA	1 772 141	1.68%
Opplysningsvesenets fond	NO	1 662 731	1.58%
BNP Paribas Securities Services (nom)	FR	1 601 000	1.52%
JPMorgan Chase Bank (nom)	GB	1 590 131	1.51%
Lani Development AS	NO	1 497 900	1.42%
Morgan Stanley & Co (nom)	GB	1 450 448	1.38%
Credit Suisse Securities	GB	1 383 415	1.31%
Bank of New York, Brussels Branch, clients account	BE	1 325 403	1.26%
Other shareholders		35 917 866	34.05%
<b>Total number of shares at 31 Dec 07</b>		<b>105 481 570</b>	<b>100.00%</b>

## Key figures

Share	2007	2006 <sup>1</sup>
Share price 31 Dec (closing)	<b>66.50</b>	65.00
Highest price, Oslo Stock Exchange	<b>91.00</b>	66.00
Lowest price, Oslo Stock Exchange	<b>60.25</b>	55.50
Earnings per share, NOK	<b>11.42</b>	5.16
Book equity per share	<b>63.20</b>	54.09
+ Deferred tax property value per share	<b>22.19</b>	3.65
- Goodwill per share	<b>(10.10)</b>	-
- Financial derivatives per share	<b>(4.45)</b>	(1.21)
Net value per share (EPRA standard)	<b>70.84</b>	56.53
Proposed dividend per share	<b>2.50</b>	2.50
Outstanding shares, average, 1 000	<b>103 798</b>	78 263
Outstanding shares at 31 Dec, 1 000	<b>105 481</b>	98 513
Stock market value at 31 Dec, NOK mill	<b>7 015</b>	6 403
Total transactions, Oslo Stock Exchange	<b>44 329</b>	3 288
Shares traded, Oslo Stock Exchange (1 000)	<b>122 939</b>	34 811
Value of shares traded, Oslo Stock Exchange (NOK mill)	<b>8 701.1</b>	2 034.2
No of registered shareholders at 31 Dec	<b>925</b>	913
- of whom foreign citizens	<b>195</b>	151

<sup>1</sup> From 15 November to 31 December 2006.

## Investor contact

Svein Hov Skjelle  
Chief financial officer  
Svein.hov.skjelle@norwegianproperty.no  
Tel: +47 93 05 55 66

# Analytical information

## Properties – key figures for the portfolio

Norwegian Property owned 58 properties, including one covered by a sales agreement, 73 hotels and one conference centre at 31 December. The table on the facing page presents the principal figures for the portfolio. Details of each portfolio are provided in the section on the relevant business area.

## Properties – valuation

The company's properties are valued continuously at fair value as investment properties. At 31 December, all the properties had been valued by external valuers.

DTZ Realkapital has valued the company's properties (both hotels and commercial buildings) in Norway, Sweden and Denmark. The fair value of the investment properties is determined by discounting cash flows related to existing leases and expectations for market rents after the expiry of the leases. The risk-adjusted required return is used as the discount factor. The value of the properties is adjusted for expected ongoing costs, maintenance requirements and upgrading required on the expiry of the leases. Assessments are also made about the length of the vacant period at the expiry of the lease.

Maakanta has valued the group's Finnish portfolio of hotel properties. These valuations are based on discounting of cash flows for the holdings.

## Commercial properties – valuation

The total value of the commercial property portfolio was NOK 20 730 million at 31 December. The portfolio is broken down by geographical area in the table below.

DTZ Realkapital has simulated how changes in various factors would affect the valuation of the commercial properties. Values are most sensitive to changes in market rents and the discount rate, primarily because of the long leases.

## Hotel properties – valuation

The valuation of the company's hotel properties broken down by country is presented in the bottom table on the facing page.

## Financial strategy

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

## Financial risk

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

rate changes on profits, and the liquidity risk associated with refinancing the company's debt.

## Interest rate risk

The group's interest rate regulation profile is tailored continuously through the use of financial derivatives to prevailing interest rate expectations and the company's fixed interest rates. Group policy is to hedge at least 70 per cent of its interest rate exposure in the commercial property portfolio. The requirement for the hotel portfolio (Norgani Hotels) is that at least 50 per cent of the company's interest rate exposure will be hedged.

A summary of the company's interest rate hedging profile is provided in the table on the facing page.

Norwegian Property also has a possible and likely obligation to buy out minority shareholders in Oslo Properties. The discounted value of this liability was NOK 1 596 million at 31 December.

The high hedging ratio means that the group's financial expenses are only affected to a limited extent by changes in short-term money market interest rates. A rise of one per cent in the three-month Nibor would boost financial expenses by NOK 69 million, corresponding to an 0.3 percentage point increase in the group's average interest rate to 5.7 per cent.

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

## Commercial properties – valuations

Commercial properties	No of sq.m	Valuation		Gross rents		Akershus eiendom Market rent per sq.m <sup>1</sup>
		NOK mill	per sq.m	NOK mill	per sq.m	
Oslo – CBD	172 383	7 662	44 448	381.5	2 213	2 300 – 4 500
Oslo – Skøyen	117 424	3 689	31 416	202.7	1 726	2 300 – 3 100
Oslo – West / Lysaker / Fornebu	158 218	4 065	25 692	227.6	1 439	1 700 – 2 500
Oslo – Nydalen	110 832	2 215	19 985	130.9	1 181	1 700 – 2 200
Oslo – North/East	51 378	752	14 637	62.3	1 212	1 200 – 1 800
Stavanger <sup>2</sup>	126 156	2 347	18 604	144.2	1 143	1 200 – 2 200
<b>Total value<sup>3</sup></b>	<b>736 391</b>	<b>20 730</b>	<b>28 151</b>	<b>1 149.1</b>	<b>1 560</b>	

<sup>1</sup> Akershus Eiendom, estimated market rent, office normal and high standard.

<sup>2</sup> Vågen Eiendom, based on market report of November 2007.

<sup>3</sup> Without Mauritz Kartevoldsplass 1. Transaction closed in February 2008.

## Currency risk

Through Norgani Hotels, Norwegian Property has a net equity exposure in foreign currencies related to foreign subsidiaries. The overall guideline is that 70 per cent of this exposure will be hedged at any given time through loans in the relevant currencies or derivatives. The hedging ratio must not deviate at any time by more than 20 per cent from this basis. At 31 December, just under 70 per cent of the exposure was hedged. A one per cent change in exchange rates against the Norwegian krone would alter the group's equity by about NOK 24 million.

## Financing sources

Norwegian Property worked on its financing structure during 2007. Its financing was initially based on a syndicated credit facility provided by the company's four principal banks. One syndicated facility on the office side and two on the hotel side still represent a large proportion of the company's total borrowing. To ensure competitive terms and optimum loan financing, the company implemented several financial restructurings during 2007. These include using the Norwegian bond market for a portfolio of four properties. In addition, the company has refinanced individual properties or small portfolios in other financial institutions. This work is being pursued continuously in order to achieve constant improvements and optimisations in the company's financing structure.

## Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. It has initially set a debt ratio of 75 per cent of the fair value of the properties, but this proportion is continuously reviewed in the light of market developments, portfolio development and level of interest rates. The debt ratio (interest-bearing debt in relation to company assets) was 74.8 per cent at 31 December. If the group's potential obligation to buy out minorities in Oslo Properties is included, the ratio was 79.9 per cent. The group is pursuing various activities to reduce the debt ratio to the long-term target, including the sale of certain assets.

Group liquidity totalled NOK 636 million at 31 December. In addition came NOK 290 million in available credits. The company's available liquidity should be sufficient to cover on-going operational requirements, but securing a liquidity position which provides the financial freedom of action to exploit interesting investment opportunities is also a company ambition.

## Properties – key figures for the portfolio

	Hotel properties	Commercial properties	Total
<b>No of properties</b>	<b>74</b>	<b>57</b>	<b>131</b>
<b>Market value in NOK mill</b>	<b>10 700</b>	<b>20 730</b>	<b>31 430</b>
<b>Gross rents 2008<sup>1</sup> in NOK mill</b>	<b>819</b>	<b>1 149</b>	<b>1 968</b>
<b>Net rents 2008<sup>2</sup> in NOK mill</b>	<b>737</b>	<b>1 073</b>	<b>1 810</b>
<b>Rental income by country</b>			
Norway	23%	100%	68%
Sweden	45%		19%
Denmark	4%		2%
Finland	28%		12%
<b>Key figures</b>			
Total area in square metres	671 080	736 391	1 407 471
Market value per square metre, NOK	15 944	28 151	22 331
Average duration, leases, years	11.0	6.5	8.4
Gross yield, 2008, e	7.7%	5.5%	6.3%
Net yield, 2008, e	6.9%	5.2%	5.8%
Net yield, 2008, e, based on market rents	6.9%	6.0%	6.3%

<sup>1</sup> Estimated 2008 gross rent based for commercial properties on the run rate at 1 January, for the hotel portfolio on 2007 adjusted for five per cent RevPAR growth.

<sup>2</sup> Net rents = estimated 2008 gross rents adjusted for property costs (6.6 per cent for commercial properties and 10 per cent for hotels)

<sup>3</sup> DTZ has estimated that the market rent for commercial properties is 16.2 per cent higher than today's level of rents.

## Sensitivity analysis for the commercial property portfolio

Commercial property sensitivities		Value change NOK mill	Value change%
Inflation 2008	+1 %-point to 3.7%	152	0.7%
Market rent	5%	830	4.0%
Market yield	+ 0.25 %-point	(443)	(2.1%)
Discount rate	+ 0.25 %-point	(883)	(4.2%)

## Hotel properties – valuations

	No of properties	Rooms	Sq.m	Value NOK mill		Net yield <sup>1</sup>
				Total	Per room	
Norway	14	2 403	140 320	2 660	1 107	6.5
Sweden	41	6 889	321 763	4 678	679	7.2
Denmark	3	434	15 405	454	1 047	6.4
Finland	16	3 078	193 592	2 908	945	6.9
<b>Total</b>	<b>74</b>	<b>12 804</b>	<b>671 080</b>	<b>10 700</b>	<b>836</b>	<b>6.9</b>

<sup>1</sup> Based on 2008 estimates for rental income with 10 per cent property costs.

## Equity exposure – currency – Norgani Hotels

	SEK	EUR	DKK
Net exposure, local currency in millions	1 711	101	170
Hedging ratio, per cent	67%		60%
Exchange rate	0.8457	7.97	1.0682
Change in equity with 1% change in exchange rate, NOK mill	14	8	2

## Interest-rate risk

(Amounts in NOK mill)	31.12.2007
Total interest-bearing debt	23 267
- of which hedged	16 340
Hedging ratio	70%
Average term, interest hedges	5.1
Average term, loans	4.6
Average interest rate	5.40%
Average loan margin	0.76%

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# Presentation of the board



**Knut Brundtland**

*Chair*

Brundtland (born 1961) has a law degree and was previously a partner with the BÅHR law firm, with corporate finance as his speciality. He has worked as a professional company director since January 2005, and became chair of the Norwegian Property board in April 2006. He is chair of Bluewater Insurance ASA, A-Pressen AS, Contopronto AS, Youngstorvet Eiendom AS, Creditsafe Business Information, Contexvision AB, VANN ASA, VOSS of Norway AS, Try AS and Futuris Asset Management AB, and a director of Bergesen World Wide Gas ASA, Revus ASA, LeasePlan Norway AS, Astrup Fearnley Museum of Modern Art and the Office for Contemporary Art Norway (OCA). In addition, he chairs the investment committee in the Norwegian Labour Party  
Shares in NPRO: 200 000.



**Jostein Devold**

*Deputy Chair*

Devold (born 1960) is vice president investment at Aweco Invest AS, an investment company affiliated with the Anders Wilhelmsen group. He was previously investment vice president for Rasmus-sengruppen 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 Hübner 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.  
Shares in NPRO: 0



**Torstein I Tvenge**

*Director*

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

Shares in NPRO: 8 000 000 (family-controlled companies).



**Hege Bømark**

*Director*

Bømark (born 1963) has been a financial analyst at Orkla Finans (Fondsmegling) AS and Fearnley Finans (Fondsmegling) AS, with property as one of her specialities. She has also been involved in a number of company creations, listings and restructurings in the property sector. As a project manager at AS Eienomsutvikling, Bømark was involved in the syndication of property projects and organising the market for share trading. She has an MSc in business economics from the Norwegian School of Economics and Business Administration. Bømark has been a director of Norwegian Property since November 2006. She is deputy chair of Block Watne Gruppen and a director of Norgani Hotels AS and Oslo Aquapark AS. Shares in NPRO: 0.



**Anne Birgitte Fossum**

*Director*

Fossum (born 1960) has an MSc in business economics from St Gallen in Switzerland and international experience in finance, exports and consumer goods. Since 1994, she has held various directorships in the Foinco group. Fossum has experience with commercial property through directorships in Heidenreich Eiendom AS and Heidenreich Holding since 1999. She has been chair since 2000 of the Foinco AS private equity company, which pursues investment in the small and medium-sized enterprise (SME) sector. Fossum is a director of Bluewater Insurance ASA, and also has directorships in other investment, commodity manufacturing and technology companies.

Shares in NPRO: 6 500.



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# Presentation of the management

## **Petter Jansen**

*President and CEO*

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

Shares owned in NPRO: 75 000 (including close associates and forwards).

## **Svein Hov Skjelle**

*Vice president and chief financial officer*

Skjelle was managing director of TeleComputing Norge in 2004-06, and served as CFO of the TeleComputing group for just over two years from May 2003. He was acting chief executive for a period. In 1998-2003, Skjelle was financial manager and later vice president finance in Merkantildata (now Ementor). His professional experience also includes six years in Veidekke to 1997, ending as finance manager. He took an MSc in business economics at the Norwegian School of Economics and Business Administration in 1990. In 1998, he qualified as an authorised financial analyst (AFA) from the same school. Shares owned in NPRO: 5 000.

## **Aili Klami**

*Vice president sales and marketing*

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

Shares owned in NPRO: 0.

## **Dag Fladby**

*Vice president and chief investment officer*

Fladby was previously senior vice president at Altia Corporation Oy, where he was responsible from August 2005 for the group's business development. Before that, he was one of the key people involved in building up Scandinavian Beverage Group (SBG). Fladby joined the company in 1995 and was its chief executive when it was sold to Altia Corporation at the end of 2004 after a successful period of growth. He received an MSc in business and marketing from the Norwegian School of Management in Oslo in 1993. Shares owned in NPRO: 4 000.







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