NORWEGIAN PROPERTY

ANNUAL REPORT 2008
PART I – OPERATIONS

Contents

See also part II: Directors' report and annual accounts (separate publication)

Financial calendar 2009

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

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

HIGHLIGHTS 2008

Challenging financial markets

- Prospects for a global economic downturn led to a downward adjustment of fair value in light of higher required returns and expectations of increased vacancy.
- Significantly weaker share price development than previous years.

Share issue and repayment of debt

- The proceeds from a NOK 2.5 billion share issue were used to repay debt and fulfil commitments related to the acquisition of Norgani.
- NOK 3.8 billion in long-term debt was repaid during the year. The syndicated loan facility of NOK 9.6 billion for the office property portfolio was restructured, with annual installments reduced by roughly NOK 80 million.

Leases renewed and renegotiated

- A number of leases were entered into or extended in 2008. The level of rent was substantially increased in certain leases. In aggregate, this contributes to a continued low level of vacant space, at 0.7 per cent, and higher average rental income per square metre.

More cost effective property management

- A six-year agreement to outsource management and facility services for the whole office portfolio was concluded with NEAS ASA.
- The agreement provides fixed owner costs of about six per cent of rental income, and a substantial reduction in the risk of unforeseen maintenance costs. Scope and quality will not be reduced, while tenants gain access to a number of new services.

Revenue growth for Norgani Hotels

- Norwegian Property secured full ownership of Norgani in the third quarter.
- The hotel company reported stable operation and increased revenues.

Property sales released capital

- In line with the company's strategy for active management of the portfolio, eight office properties were sold with a gross sales value of NOK 2.1 billion.
- Overall, these properties were sold at a price above book value.

Foto: Jiri Havran

KEY FIGURES

		2008	2007	2006
Profit and loss[1]				
Gross rental income	*NOK million*	1 866.8	1 195.7	414.8
Operating profit before value adjustments	*NOK million*	1 583.1	1 036.3	351.7
Value adjustment investment properties	*NOK million*	(3 987.5)	1 219.1	393.2
Profit before tax	*NOK million*	(5 118.9)	1 650.6	539.5
Annualised return on equity (before tax)	*Per cent*	(86.5)	27.0	25.2
Dividend (proposed to AGM)	*NOK per share*	-	2.50	2.50
Balance sheet[1]				
Property portfolio, book value	*NOK million*	27 313	31 114	13 920
Total assets	*NOK million*	28 926	33 882	16 888
Interest-bearing debt	*NOK million*	21 841	23 232	10 978
Equity	*NOK million*	5 001	6 831	5 373
Equity ratio	*Per cent*	17.3	20.2	31.8
Carried equity per share	*NOK per share*	24.80	63.20	54.09
EPRA, net asset value per share2	*NOK per share*	30.14	70.84	56.53
Property portfolio[3]				
Number of properties		124	131	55
Total area	*Sq.m*	1 341 049	1 407 471	722 542
Average remaining lease term	*Years*	7.5	8.4	7.3
Vacancy, office portfolio	*Per cent*	0.7	0.7	0.8
Average net yield	*Per cent*	6.6	5.8	5.6
Average net yield, fair value	*Per cent*	7.1	6.3	-
Property portfolio, fair value	*NOK million*	27 574	31 430	18 056
Property portfolio, fair value	*NOK per sq.m*	20 562	22 331	24 991

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

[2] *EPRA NAV = carried equity + deferred tax, property - goodwill - financial derivatives. (EPRA = European Public Real Estate Association).*

[3] *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).*

"Norwegian Property will be a professional property manager, a preferred investment alternative and a leading player in the Nordic property sector."

NORWEGIAN PROPERTY IN BRIEF

Norwegian Property is a leading Norwegian property company. Measured by portfolio value, it is one of the largest listed property companies in the Nordic region, with assets valued at NOK 27.6 billion at 31 December 2008. The company has robust revenues, predictable costs and a growing cash flow.

The business

The company has two business areas: commercial property and hotel property. While the first of these falls under the parent company Norwegian Property and a number of subsidiaries, hotel property is organised in the wholly owned Norgani Hotels subsidiary.

Rental income totalled NOK 1 867 million in 2008, with about 60 per cent deriving from the office portfolio and the remainder from the hotels.

The company's core competence is property and portfolio management, leasing and financial management. Operation and maintenance are largely outsourced to external partners.

Commercial property

The company's office portfolio comprises 50 commercial properties located in Oslo and Stavanger. Good locations and long-term leases with financially sound tenants ensure a robust rental income. Norwegian Property has a number of large and financially sound tenants in both private and public sectors, with the 40 largest tenants accounting for 80 per cent of rental income. The company's office portfolio has very low vacancy.

Hotel property

The hotel business (Norgani Hotels) comprises 74 properties in the Nordic region. Tenants of Norgani Hotels include leading international and regional chains such as Scandic Hotels (including Hilton), Choice Hotels Scandinavia and Rezidor. These chains account for roughly 90 per cent of rental income. Scandic Hotels, the largest tenant, accounts for about 63 per cent. The portfolio largely comprises three- and four-star hotels, which have historically had more stable turnover than the high-end hotel segment.

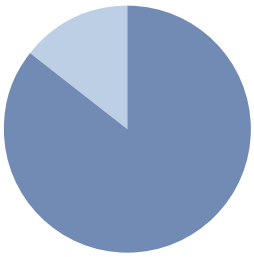
Goals

Norwegian Property will be a professional property manager, a preferred investment alternative and a leading player in the Nordic property sector.

The company will actively manage and further develop its property portfolio within selected segments and priority areas. Its office tenants and hotel operators will be large, established players on long-term leases.

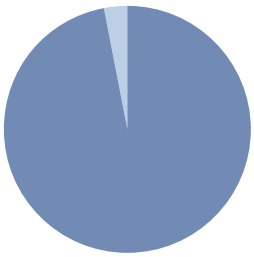
Norwegian Property wants to maintain a secure income and positive cash flow development. Combined with active risk management of financial costs, the company aims to provide a long-term return on equity of 13-15 per cent before tax. The equity ratio will balance the desire for a high return on equity with moderate financial risk. Open communication and a clear strategy will help to ensure that the investor market has confidence in the company.

Share of interest-hedged debt
at 31 Dec 2008



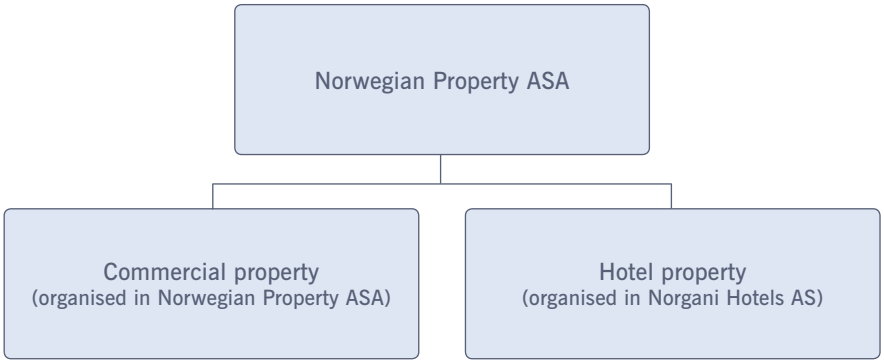
Hedged 84%
Unhedged 16%

Share of CPI adjustment, annual rental income
at 31 Dec 2008



CPI-adjusted income 97%
Non-adjusted income 3%

Business areas



“Our main task is to restore shareholder value in a long-term perspective.”

Letter from the CEO:

STRONG CASH FLOW AND SOUND FINANCIAL BASE

Attractive properties and first-class tenants give Norwegian Property a good foundation, even in demanding times.

The international financial crisis has hit the property market hard, and we have been seriously affected. Our company has been challenged by the dramatic changes in the market, and we must think differently than what we did less than a year ago. We must do what is necessary to tackle the most immediate challenges which 2008 brought with it, and our main task is to restore shareholder value in a long-term perspective.

Increased rental income in 2009

We occupy a unique position, even in today's demanding conditions. First and foremost, we have a strong portfolio of quality properties with attractive locations. We then have financially sound and blue chip tenants on long-term leases, while our loan terms also look very favourable in today's market. With declining interest rates and increased revenues as a result of consumer price index (CPI) adjustments to leases, the aggregate effect on our cash flow is positive. Specifically, we expect rental income from our office portfolio to increase by almost NOK 50 million in 2009 as a result of contractual inflation adjustments. At the same time, lower short-term market interest rates and interest hedging for 2009 will reduce our interest expenses for the year by about NOK 90-100 million compared with 2008.

Gearing tailored to market conditions

We were originally rigged during an economic boom, with debt financing for about 75 per cent of the value of our property portfolio. Given the necessary adjustments made to the fair value of the latter, worldwide problems with access to credit have contributed to a special focus on our debt-equity ratio – regardless of the fact that our cash flow is higher than ever. The financial crisis has presented us with challenges in adapting our gearing from an optimistic market to an extremely pessimistic one.

Good financial basis

In general, Nordic financial institutions have managed better in the global financial crisis than many of their international competitors. It is precisely the big Nordic financial institutions which provide most of our credit facilities. In these extraordinary circumstances, we have maintained a constructive and trust-based collaboration with our key lenders, and have thus secured a good financial base.

Conservative valuations

An important indicator for a property company is naturally the carried amount of its assets. The IFRS require us to adjust these amounts to fair value. In order for our balance sheet to reflect the particularly demanding conditions we have experienced over the past half-year, we have taken a substantial impairment charge on our properties. We have opted for a conservative approach, even though we possess a unique portfolio of both properties and tenants. We have chosen to use two independent experts for the quarterly impairment testing of our assets in order to secure the most qualified advice in both market and financial terms. The sale of Grev Wedels plass 9, which was finalised in January 2009, confirmed that the market regards our properties as attractive and that we are able to achieve prices which provide a satisfactory gain on the valuations applied in our accounts.

Capital adequacy to be strengthened

We executed a share issue of NOK 2.5 billion in the summer of 2008 to fund the final settlement of the Norgani acquisition and to strengthen our balance sheet in general. NOK 2.1 billion in divestment of and sales agreements for properties was also intended to reinforce our financial position. We will assess further sales in the time to come, providing we achieve prices which genuinely strengthen our capital adequacy and safeguard shareholder value.

More cost effective property management

We are focused on value creation in a long term perspective. This requires us to concentrate on our core concept – the part which will generate results – namely quality properties with attractive locations and first-class tenants. In that context, we have not only strengthened our organisation on the client and leasing side, but also outsourced facility management to external partners.

By concluding a long-term contract with NEAS ASA on facility services for the whole Norwegian office portfolio, we took further steps in 2008 to industrialise our property management. This is a new type of agreement in the Norwegian property sector, which ensures a high level of service for our tenants and means that costs will be more stable and predictable at a level 10 to 12 per cent below what they were under the earlier arrangements.

Well prepared to meet an uncertain market

The economic outlook for 2009 is highly uncertain and, despite substantial and positive stimulation packages from government, weaker growth will clearly affect the market for both hotel and office properties. We have implemented measures to strengthen our financial position, and have safeguarded operations in a way which gives us a predictable and gradually increasing revenue stream. Several cost-cutting measures have also been introduced. Taken together, this will help us to meet the challenges we face in a positive manner.

Petter Jansen
President and CEO

"Overall hotel turnover increased in 2008."

Hotel property

THE NORDIC REGION'S BIGGEST HOTEL OWNER

The hotel property business area embraces Norgani Hotels, which ranks as the largest owner of such assets in the Nordic region and controls about five per cent of all available rooms in this market. During 2008, the company concentrated on improving operations and consolidating its portfolio.

Highlights of 2008

- Turnover again increased in all the company's markets. Economic growth in recent years has boosted demand for hotel accommodation. Developments reversed towards the end of the year, and demand fell in relation to the same months of 2007. That reflects lower economic activity, and expanded capacity in parts of the market yielded some decline in overall occupancy.
- Room prices increased and helped to boost revenue per available room (RevPAR) by 3.0 to 4.5 per cent in the Nordic markets. Norgani's leases are largely turnover-based, so this trend contributed to good progress in rental income for the company.
- Activity in the market for property transactions was low, and Norgani neither bought nor sold hotel property during the year.
- Substantial investments were made and upgrades implemented in the existing property portfolio.
- Norgani consolidated and revitalised its own organisation, and sharing premises and partial organisational integration with Norwegian Property had positive effects.

The core business is to create value by investing in, managing and developing hotel properties in close collaboration with their operators. Turnover in the hotel business has expanded rapidly as a result of increased tourism and business travel. The travel and leisure sector is now one of the largest and fastest-growing industries internationally. Reflecting global trends, development in the Nordic region has also been positive.

Norgani Hotels is focused on owning properties which are expected to be more robust against revenue fluctuations rooted in economic trends than the high-end hotel market.

- The goal is to have a well-diversified portfolio of three- and four-star hotels, located primarily in Nordic towns with more than 50 000 inhabitants.
- These properties will generally be fully developed, in attractive locations and with at least 150 rooms.
- Hotel management is handled by established operators. Cultivating and further extending collaboration with the largest and most professional players in the Nordic region has a high priority.
- Leases with hotel operators will be turnover-based (rather than pure management contracts), so that Norgani and the operator have a shared interest in securing the highest possible revenues.

The hotel property portfolio

Norgani Hotels owned a total of 73 hotels and one congress centre at 31 December. The hotel properties have a combined capacity of 12 822 rooms and an area of 671 480 square metres. Virtually all the space is leased for hotel operation, but some hotel properties also have small areas leased for other types of activity. The most important figures for the property portfolio appear in the table below.

Rents and markets

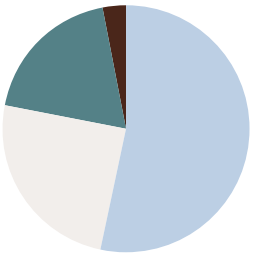
More than half the hotel rooms owned by Norgani(54 per cent) is located in Sweden, with 19 and 24 per cent in Norway and Finland respectively. Norgani Hotels only has three hotels in Denmark, with about three per cent of rooms. Sweden's share of the company's total turnover is relatively lower, at 45 per cent, while Norway, Denmark and Finland represent relatively higher

Key figures, hotel portfolio

	2008[1]	2007[2]	2006
Number of hotel properties	**74**	74	73
Total area, square metres	**671 480**	671 080	658 417
Total rooms	**12 822**	12 804	12 493
Average size per property, square metres	**9 074**	9 069	9 019
Average value per hotel room, NOK 1 000	**860**	836	757
Fair value, NOK million	**11 025**	10 700	9 452
Gross rental income, NOK million	**787**	699	662
Annual property costs, NOK million	**81**	65	62
Net rental income, NOK million	**706**	634	600
Gross yield, per cent[3]	**7.7%**	6.5%	7.0%
Net yield, per cent[3]	**7.0%**	5.9%	6.3%
Average remaining lease term, *years*	**10,1**	11.0	7.7
Minimum rent and seller guarantees, *NOK million*	**632**	596	-
Minimum rent (inflation-adjusted), *NOK million*	**559**	519	-

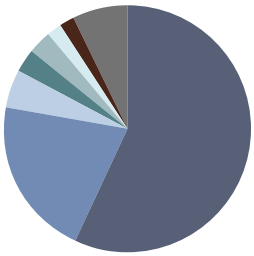
[1] *Actual rent obtained and annual property costs for 2008, converted to average 2008 exchange rate.*
[2] *Actual rent obtained and annual property costs for 2007, converted to average 2007 exchange rate.*
[3] *Based on reported figures for 2008 converted to the exchange rate at 31 December 2008.*

Hotel rooms by country



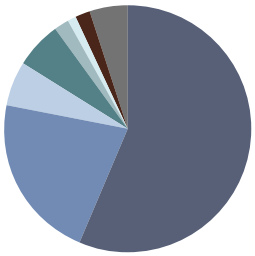
Sweden	54%
Finland	24%
Norway	19%
Denmark	3%

Rooms by operator



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

Turnover by operator



Scandic	57%
Choice	22%
Rezidor	6%
Hilton	6%
First	2%
Best Western	1%
Rica	2%
Other	5%

proportions. This reflects the location, size and segment of the hotels, as well as differences in market rates for hotel rooms.

Robust leases

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 eight 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. For most of the hotels acquired by Norgani, the seller agreed at the time of acquisition to guarantee a certain minimum rental income above the minimum payable by the hotels. At 31 December 2008, minimum rents accounted for more than 80 per cent of expected turnover in 2009.

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.

The average remaining term of the leases is 10.1 years.

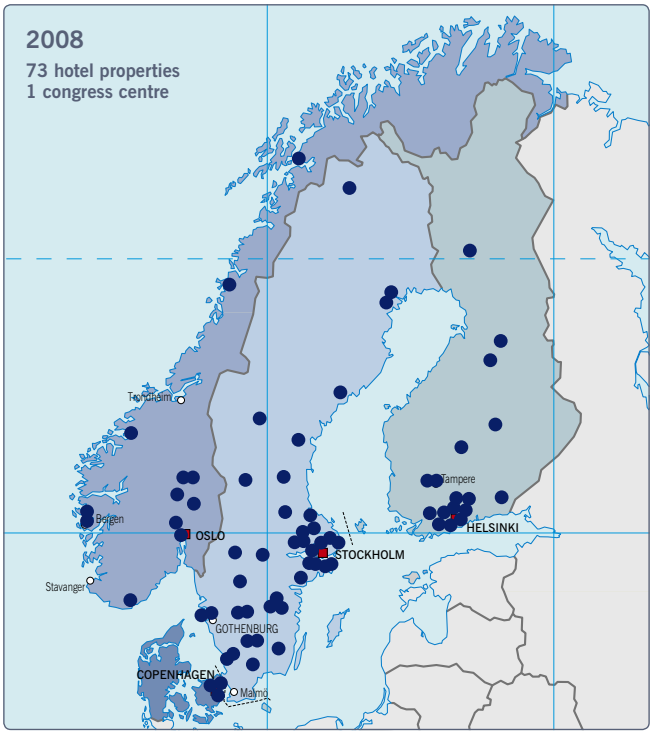
Other leases

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

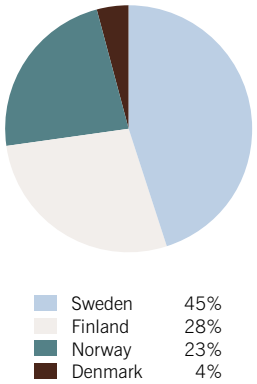
Operators

Norgani emphasises the importance of relationships with the most important Nordic players. These often achieve 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.

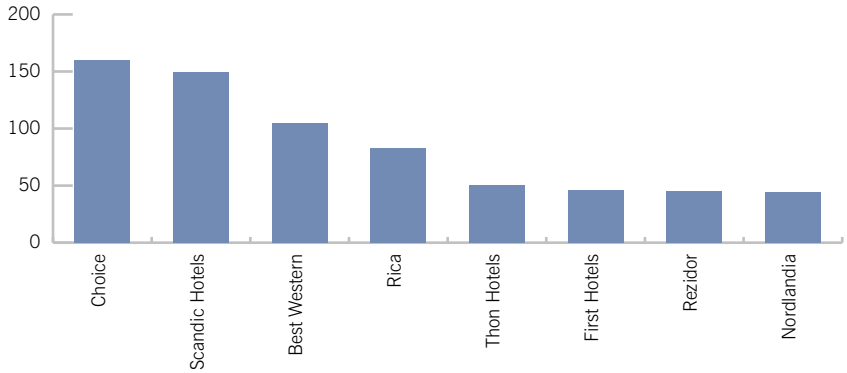
One aim of the company's long-term strategy is to secure a rather larger spread of lessees through a possible future expansion of the portfolio



Turnover by country



The largest Nordic operators by number of hotels in the region



Scandic Hotels (including two Hilton hotels in Finland) 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 hotel market is often split into three main areas – property, operation and distribution. In the past, these three roles were usually combined. But they have increasingly become more professionalised, with players specialising more in the various parts of the value chain. Some participants are involved in several of these areas. Norgani has specialised in the hotel owner role. At 31 December 2008, it owned 5.1 per cent of available Nordic hotel rooms. The company's market share is largest in Sweden, at 7.1 per cent.

Norgani's biggest competitors on the ownership side are other hotel property companies, other large property companies and funds, and insurance companies. In addition, a number of the operators have their own property portfolios to some extent.

Major players in the Nordic hotel property market are the Olav Thon group, Pandox, Home Properties, the Wenaas group, Norlandia, Host and Capman.

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. The chain-affiliated hotels account for the biggest share of turnover. Common branding gives travellers confidence in the quality of the hotels, while loyalty programmes encourage further purchases. Affiliation also provides the hotels with economies of scale in a number of areas.

National statistics and key figures

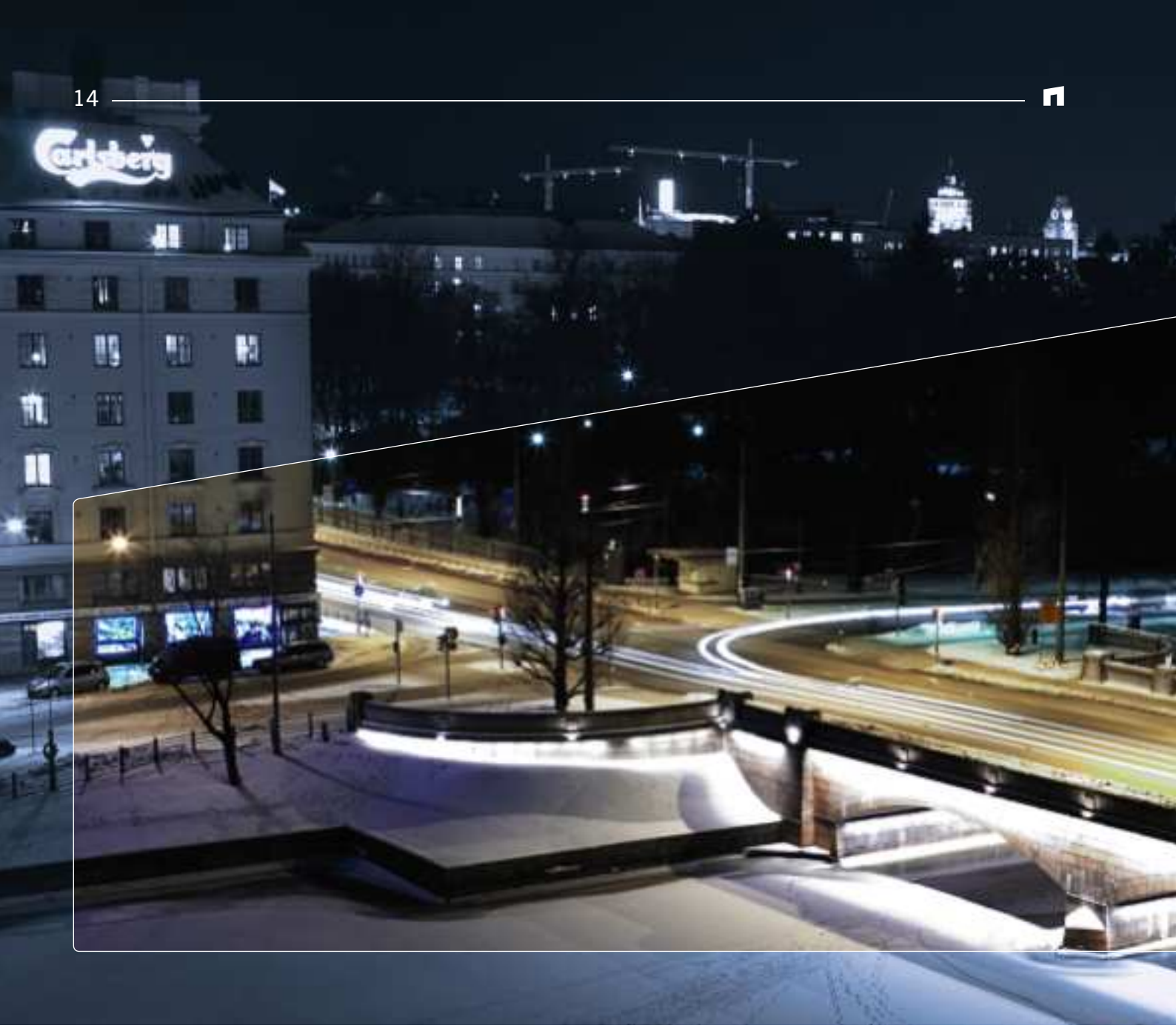
Per 31.12.2008	Norgani No of rooms	Market No of rooms	Market share
Norway	2 412	65 130	3,8%
Sweden	6 896	96 898	7,1%
Finland	3 078	48 393	6,4%
Denmark	436	42 708	1,0%
Total	12 822	253 129	5,1%

Norway	2008	2007	Change
Occupancy rate	**55.3%**	56.8%	(1.5%)
Average room rate (ARR) – NOK	**868**	811	7.0%
RevPAR – NOK	**480**	461	4.2%
Business travel, share of occupancy	**54%**	53%	1%
Holiday and leisure, share of occupancy	**46%**	47%	(1%)
Foreign share of occupancy	**27%**	27%	-
Domestic share of occupancy	**73%**	73%	-

Sweden	2008	2007	Change
Occupancy rate	**50.3%**	50.8%	(0.5%)
Average room rate (ARR) – SEK	**911**	876	4.0%
RevPAR – SEK	**458**	445	3.0%
Business travel, share of occupancy	**75%**	74%	1%
Holiday and leisure, share of occupancy	**25%**	26%	(1%)
Foreign share of occupancy	**23%**	22%	1%
Domestic share of occupancy	**77%**	78%	(1%)

Finland	2008	2007	Change
Occupancy rate	**54.2%**	53.9%	0.3%
Average room rate (ARR) – EUR	**81**	78	3.9%
RevPAR – EUR	**44**	42	4.5%
Business travel, share of occupancy	**44%**	41%	3%
Holiday and leisure, share of occupancy	**56%**	59%	(3%)
Foreign share of occupancy	**29%**	28%	1%
Domestic share of occupancy	**71%**	72%	(1%)

Sources: Statistics Norway (www.ssb.no – December 2008), Statistics Sweden (www.scb.se – December 2008), Statistics Finland (www.stat.fi – November 2008), Statistics Denmark (www.statistikbanken.dk, November 2008).



Growing capacity utilisation and increase in RevPAR

Viewed overall, the Nordic hotel market had a very good year in 2008, with strong economic growth and expanding business travel in the first half. However, the trend reversed towards the end of the year.

Norway
RevPAR in Norway grew for the fifth year in a row, and increased by 4.2 per cent from 2007.

Sweden
Sweden, which is Norgani's most important market, also witnessed a growth in RevPAR of three per cent from 2007.

Finland
RevPAR increased in Finland by 4.5 per cent. 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 declined by 1.9 per cent from 2007.

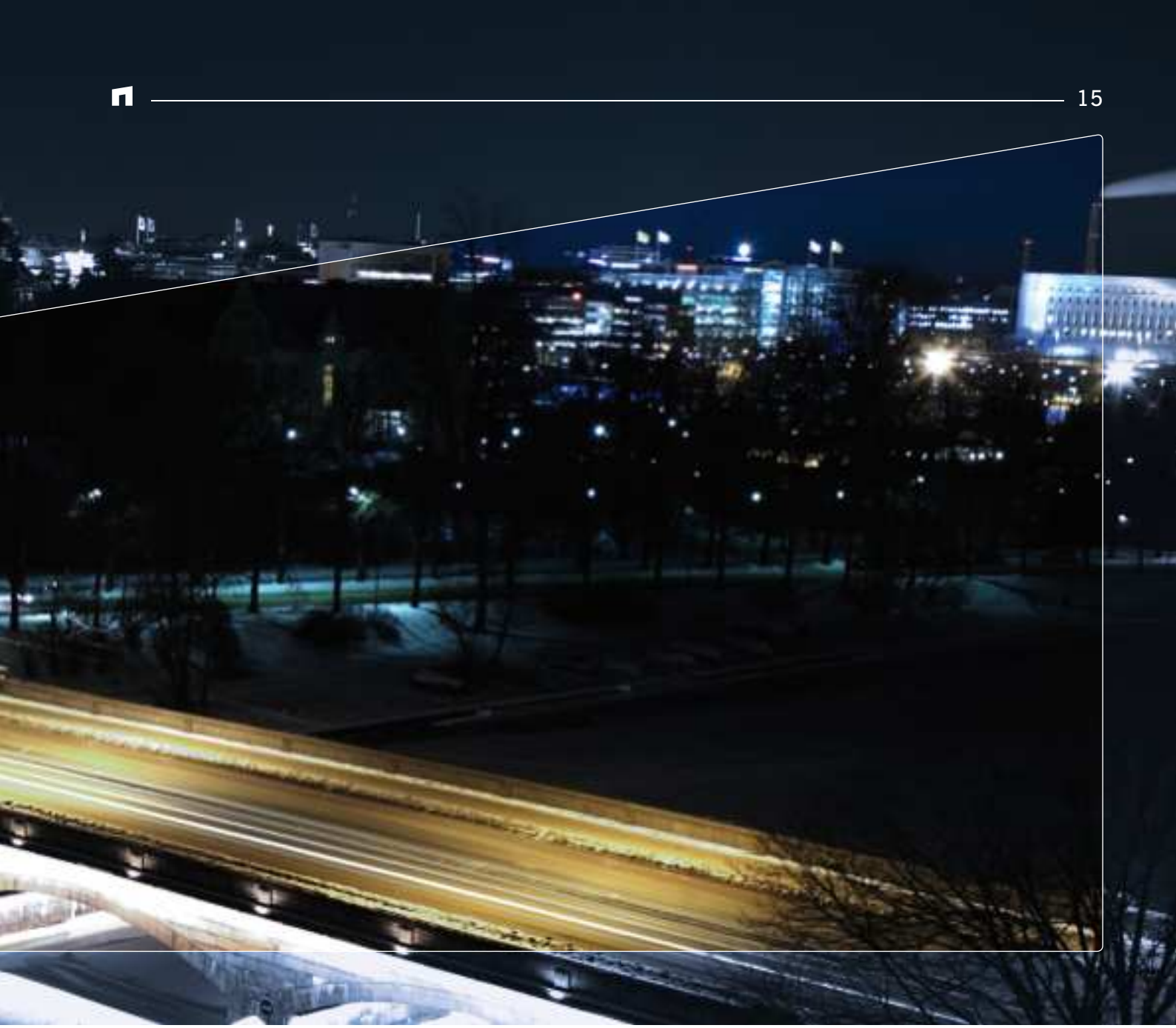
Risk

The group's most important market risks relate to a reduction in rental income. With turnover-based leases, the business has some vulnerability 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

Key financial figures[1]

(All amounts in NOK million)	**2008**	2007[2]	2006
Rental income	**785**	699	574
Operating profit	**634**	508	515
Net gain on sales	**27**	-	66
Net changes in value, properties	**(1 116)**	820	672
Net changes in value, financial derivatives	**(438)**	132	
Pre-tax profit	**(1 276)**	1 139	710

[1] *Accounting figures for the Norgani Hotels AS group*
[2] *Norgani became part of Norwegian Property's consolidated accounts with effect from 24 September 2007.*



four-star hotels, which have historically had a relatively robust development in turnover. To reduce risk, agreements covering virtually all the hotels ensures minimum rents payable to Norgani, which are inflation-adjusted on annual basis.

Norgani Hotels holds parent company or bank guarantees from most of the operators.

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 tailored insurance policies from leading players in the underwriting market.

The year 2008

Norgani's revenue increased by 12.2 per cent in 2008. Costs were substantially reduced, primarily because the 2007 figure was negatively affected by one-off expenses related to the change of ownership in Norgani Hotels in that year. The ordinary operating result before value adjustments thus improved from 2007. A general increase in required returns during 2008 was one of the factors which led to a negative change of NOK 1 116 million in the value of the hotel portfolio in 2008 (excluding currency effects). Overall, therefore, a profit before tax of NOK 1 139 million for 2007 declined to a loss of NOK 1 276 million in 2008.

Organisation

Norgani has offices in Oslo and Stockholm, and its administration and finance function are partly integrated with Norwegian Property. The company has 18 employees, and that number was stable during 2008. Norgani Hotels' ambition is to be a leading player in the development and administration of hotel properties in the Nordic region.

Outlook and goals for 2009

Norgani expects RevPAR developments to be weaker in 2009 than in 2008 because of the general economic downturn. Although new construction volumes have been reduced, the market is likely to be affected by some excess capacity because of the expected decline in demand. The biggest fall is expected in the largest cities, which have a high proportion of international traffic. Norgani's attention in 2009 will be focused on the following main issues:

- continue to develop relations with the most important operators in the Nordic hotel market to sustain strong progress for Norgani's hotels
- ensure that Norgani maintains its position as a leading player in hotel property management
- continue efforts to enhance the efficiency of operating and managing the portfolio with a constant quest for improvement opportunities
- secure an optimum portfolio of suitable hotel properties and strong operators in order to generate the best possible return on the portfolio.

Hotel portfolio at 31 December 2008

Hotel	OperatOr	Location	Rooms	Sq.m	Remaining lease term
Sweden					
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	234	9 397	
Scandic Elmia	Scandic	Jönköping	220	9 576	
Scandic Örebro Väst	Scandic	Örebro	204	7 621	
Scandic Gävle Väst	Scandic	Gävle	200	7 382	
Scandic Uppsala Nord	Scandic	Uppsala	184	7 518	
Scandic Västerås	Scandic	Västerås	174	7 285	
Scandic Ferrum	Scandic	Kiruna	171	11 100	
Scandic Umeå Syd	Scandic	Umeå	161	5 955	
Scandic Segevång	Scandic	Malmö	166	6 284	
Scandic Luleå	Scandic	Luleå	160	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	BW	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	
Total Sweden			**6 896**	**321 763**	**11.0**

Hotel portfolio *(cont)*

Hotel	OperatOr	Location	Rooms	Sq.m	Remaining lease term
Finland					
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 Kylpyälaitos Oy	Espoo	150	9 777	
Comfort Hotel Pilotti	Bonfinn	Vantaa	112	3 068	
Imatran Valtionhotelli	Rantasipi	Imatra	92	10 097	
Total Finland			**3 078**	**193 592**	**9.8**
Norway					
Quality Resort Kristiansand	Choice	Kristiansand	210	9 940	
Quality Resort Hafjell	Choice	Øyer	210	9 940	
Comfort Hotel Børsparken	Choice	Oslo	198	7 900	
Quality Hotel Alexandra	Choice	Molde	163	17 033	
Comfort Hotel Holberg	Choice	Bergen	149	5 720	
Quality 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	Radisson/SAS/Franchise	Lillehammer	303	18 000	
Radisson SAS Hotel Bodø	Radisson/SAS	Bodø	191	15546	
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	
Total Norway			**2 412**	**140 720**	**8.5**
Denmark					
Comfort Hotel Europa	Choice	Copenhagen	230	8 000	
Clarion Collecion Hotel Myfair	Choice	Copenhagen	106	3 805	
Comfort Hotel Excelsior	Choice	Copenhagen	100	3 600	
Total Denmark			**436**	**15 405**	**7.2**
Total Norgani Hotels group			**12 822**	**671 480**	**10.1**

"The goal is to have a balanced range of maturities for the leases."

Commercial property

ATTRACTIVE PROPERTIES AND STRONG TENANTS

This business area comprises the management of 50 commercial properties with a contractual rental income of NOK 1.1 billion per year.

Highlights of 2008

- An agreement was concluded with NEAS on coordinating all facility services and management. This will provide cost savings and fixed, low property expenses in the future.
- In accordance with the strategy of active portfolio management and selective sale of properties, eight office properties in Oslo and Stavanger were divested during the year.
- Two properties were fully upgraded – Grenseveien 19 for StatoilHydro ASA and Nedre Skøyen vei 24 for the EDB group/Fellesdata. Both projects have been completed.
- A number of leases were extended and renegotiated at rents 40-50 per cent above the previous level.

The combined market value of the portfolio at 31 December was NOK 16.6 billion.

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

- The properties will be positioned in attractive areas of Oslo and Stavanger.
- The properties will primarily be fully developed, with a value of more than NOK 200 million each.
- The emphasis will be on long-term leases with inflation-adjustment clauses, but with a certain element of short-term leases to permit adaptation to market changes.
- Tenants will primarily be large, financially solid, listed companies and public sector organisations in order to reduce lease-related risk.

Portfolio of commercial properties

The most important key figures for the property portfolio are presented in the table below, which also shows the most significant changes from the end of 2007. A more detailed overview for each property is shown in a separate table.

Key figures, property portfolio

	2008	2007	2006
Number of properties	**50**	57	55
Total area, square metres	**669 569**	736 391	722 542
Average size of properties, square metres	**13 391**	12 919	13 137
Average value per square metre, NOK	**24 716**	28 151	24 990
Fair value, NOK million	**16 549**	20 730	18 056
Gross rental income, NOK million[1]	**1 120**	1 149	1 064
Estimated annual property costs, NOK million[1]	**63**	76	61
Net rental income, NOK million[1]	**1 057**	1 073	1 003
Gross yield, per cent	**6.8%**	5.5%	5.9%
Net yield, per cent	**6.4%**	5.2%	5.7%
Average remaining lease term, years	**5.6**	6.5	7.3
Average consumer price index adjustment, per cent	**97%**	95%	96%
Vacancy, in per cent of gross rental income	**0.7%**	0.7%	0.8%

[1] *Level at 31 December 2008 after inflation adjustment.*

Rental income

Gross rental income came to NOK 1 120 million at 31 December, compared with NOK 1 149 million a year earlier. This decline reflects the sale of certain properties. The average level of rents for the remaining portfolio increased during the year.

Norwegian Property's portfolio largely comprises office properties with associated warehousing and parking facilities. Some buildings include retail premises, and the company also owns the shopping centre and most of the restaurants at Aker Brygge, the heart of Oslo's central business district (CBD). Offices account for 69 per cent of the gross rental income.

The goal is to have a balanced range of maturities for the leases. Long-duration contracts provide a secure and long-term cash flow. The average remaining term for the company's leases is 5.6 years, slightly down from 31 December 2007. The portfolio's maturity profile is illustrated on page 21.

Diversified tenant structure

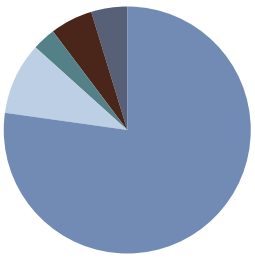
Norwegian Property's ambition is to have a diversified structure of high-quality tenants in order to minimise the risk of contract defaults and loss of rental income. Sector exposure is well diversified, and is shown in the table on the following page.

The 25 largest tenants account for 69 per cent gross rental income, and mainly comprise companies with good credit records or public institutions.

Market

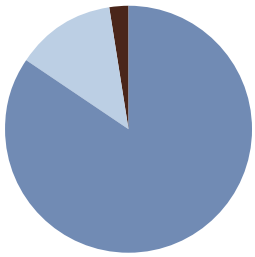
Like most other sectors of the economy, the commercial property market was affected by the international financial crisis and general economic downturn. Property values declined sharply during 2008, and market rents also fell back from the peak reached in the spring/summer of 2008. However, contractual rents for leases maturing in 2009 and 2010 lie far below even today's

Gross rental income by category



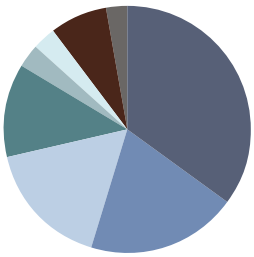
Office	77%
Retail/restaurants	9%
Warehousing	3%
Parking	6%
Other	4%

Gross rental income by location



Oslo	84%
Stavanger	13%
Other	2%

Gross rental income by city area/cluster



Oslo CBD	35%
Skøyen	20%
Oslo West/Lysaker/Fornebu	17%
Nydalen	12%
Oslo North/East	3%
Stavanger CBD	3%
Stavanger Forus	8%
Stavanger Other	3%

market rents. Norwegian Property accordingly expects a substantial rise in income from these leases, despite the reduction in market rents during 2008.

During 2008, Norwegian Property entered into or extended a number of leases where rents were increased by 40-50 per cent from the previous level.

The international financial crisis and subsequent economic downturn make for a more uncertain market outlook. The leasing market for commercial property is expected to tighten considerably in 2009, with falling rent levels. A period of lower economic growth and rising unemployment is expected. At the same time, the addition of new office capacity in the market is somewhat lower than in earlier macro-economic cycles. A number of planned development projects are likely to be postponed because of the uncertain market outlook combined with difficult credit markets.

The largest tenants at 31 December 2008

	Tenant	Annual rent		Remaining term, years
1	EDB Business Partner ASA	83.6	10.8%	
2	Aker Solutions ASA	82.7	10.7%	
3	DnB Nor Bank ASA	74.1	9.6%	
4	Nordea	46.1	6.0%	
5	SAS Consortium	42.4	5.5%	
6	If Skadeforsikring	40.6	5.3%	
7	Statoil Hydro	39.7	5.1%	
8	Aker Offshore Partner AS	33.9	4.4%	
9	Total E&P	30.4	3.9%	
10	Leif Höegh & Co AS	28.0	3.6%	
11	Get AS (UPC)	27.3	3.5%	
12	Telenor Eiendom Holding AS	27.2	3.5%	
13	Netcom AS	24.1	3.1%	
14	Skanska Norge AS	22.0	2.8%	
15	Fokus Bank	21.0	2.7%	
16	Hafslund ASA	20.7	2.7%	
17	Ementor Norge AS	18.7	2.4%	
18	TDC Norge AS	16.1	2.1%	
19	Astrup Fearnley AS	15.7	2.0%	
20	Directorate of Labour	15.4	2.0%	
21	YX Energi AS	14.8	1.9%	
22	TietoEnator	13.2	1.7%	
23	Norges Handels og Søfartstidende	12.0	1.6%	
24	Bergesen Worldwide Offshore AS	11.7	1.5%	
25	Simonsen Arkitektfirma DA	11.5	1.5%	
	Total 25 largest tenants	**772.9**	**69.0%**	**6.2**
	Other tenants	346.8	31.0%	4.5
	Total all tenants	**1 119.7**	**100.0%**	**5.6**

[1] *Level of rents at 31 December 2008 after inflation adjustment.*

Competitors

The property market remains highly fragmented. The largest property owners in Oslo and Stavanger are the life insurance companies, specialised property companies such as Olav Thon, Eiendomspar and Entra, and various fund structures (property funds and syndicates). Direct investment by foreign investors in the Norwegian market remains limited.

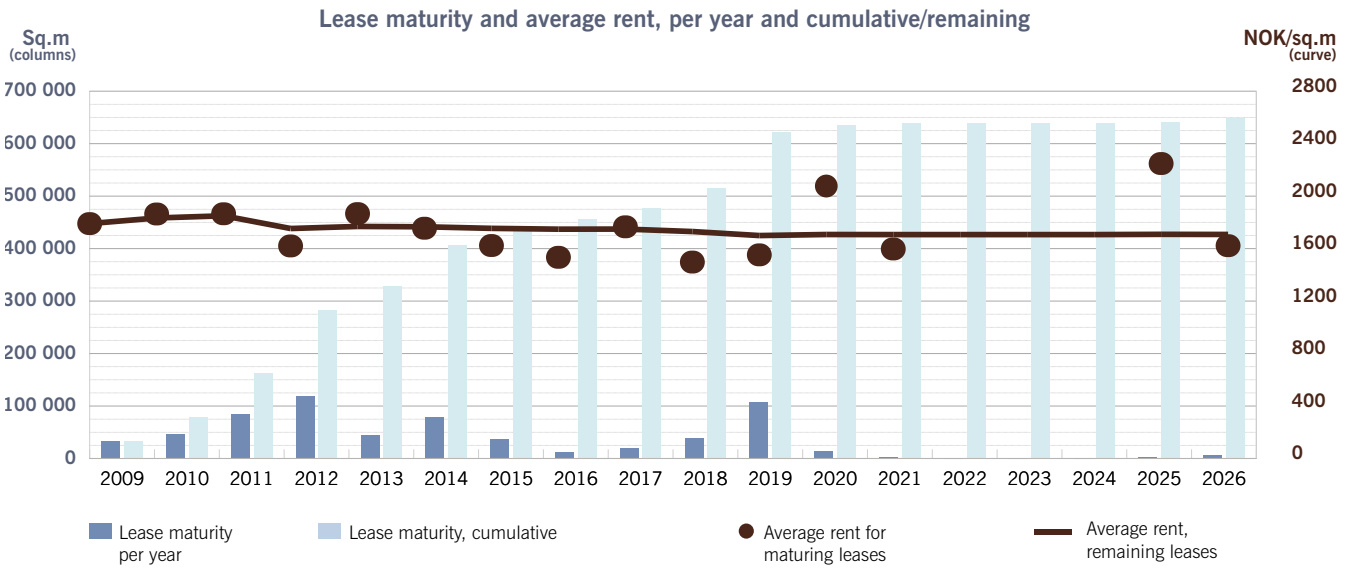
Risk

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. This risk is controlled through good portfolio management, close attention to tenants and an emphasis on investing in high-quality properties in attractive locations.

Loss of rental income also relates to the risk of 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 2008

As a lessor and building owner, Norwegian Property seeks satisfied tenants and efficient operations. Facility services and maintenance of the properties have been outsourced, and an agreement was concluded in 2008 with NEAS ASA to professionalise and coordinate operation and maintenance even further. During 2008 and 2009, NEAS will take over total responsibility for facility services and management of all the properties. This deal enhances predictability and economics, with fixed property costs which lie 10-12 per cent lower than before without reductions in the scope and quality of the work done. Property costs have previously been at a level corresponding to roughly six per cent of rental income. The



agreement will also provide tenants with more and better services.

Norwegian Property retains responsibility for leasing and tenant follow-up as well as for development, upgrading and tenant customisation. To discharges these duties in the best possible way, the property department was strengthened during the year. This included the appointment of two leasing managers and a property manager. The department now has nine staff.

The property department was responsible for the full upgrading of two properties in 2008. That included the investment of more than NOK 50 million in a total rebuilding of Grenseveien 19 in Stavanger for the tenant, StatoilHydro. The refurbishment included facade changes and full modernisation of all areas to an up-to-date standard. Connection to a regional remote heating system has also been installed to provide environmental and energy-saving gains as well as a lasting enhancement in the building's value. Nedre Skøyen vei 24 has been upgraded and completed in cooperation with the tenant, the EDB group/ Fellesdata, at a cost of NOK 34 million. Much of this investment has been carried by the tenant on the basis of benefits achieved from a general quality enhancement and improved use of space.

A substantial reduction in the transaction market occurred in 2008. Extremely volatile long-term interest rates and stricter terms for debt financing affected required returns, and availability of credit for property transactions became significantly tighter during the year.

Office properties in Oslo and Stavanger with a total value of NOK 2.1 billion were divested (or sales agreed) in 2008 as a natural consequence of the company's active portfolio management, and in order to release capital. These sales were made at good prices, at or above the carried amount. The disposal of Grev Wedels plass 9 to UBS Real Estate Kapitalanlagesellschaft (for the UBS (D) Euroinvest Immobilien property fund) confirms that high-quality properties can be sold at good prices, even in a turbulent market.

A number of leases were awarded and extended during the year, with rents raised by 40-50 per cent from their earlier level. This illustrates that existing leases are under-priced, despite the decline in rents. The leases also contributed to greater predictability and better cash flow. Renewals and extensions include the lease with Aker Solutions (21 528 square metres) for Badehusgaten in Stavanger.

Outlook and goals for 2009

Satisfied tenants as well as efficient operation and management will remain important targets in 2009. A commitment will be made to securing new lettings and renegotiating leases to boost revenues and reduce risk.

Developing and upgrading the properties is important both for the sake of retaining existing tenants and for attracting new ones. An extensive project will begin at Aker Brygge in 2009.

This development embraces three main elements:

- Revitalising the area as a shopping centre and entertainment district. A considerable percentage of the leases expire in 2010-12, providing opportunities to implement a conceptual renewal. An important goal will be to develop a concept and a composition of tenants which can help to enhance Aker Brygge's attraction as a shopping centre.
- Planning how Kaibygg I is to be utilised when DnB Nor moves out. The date of departure depends on when the bank's new premises in Bjørvika are ready for occupation. The timetable calls for this to happen in 2012, but this has not been confirmed.
- Development of the Tingvalla jetty, which is due to be rezoned for commercial buildings, catering and general purposes. The area has an attractive and very visible location on the quayside. An architectural competition has been held. See the presentation on page 22.

The leasing market for commercial property is expected to be considerably tighter in 2009, with declining rents and growing vacancy. However, this is not expected to affect Norwegian Property to any significant extent. Generally strong tenants and good locations, combined with a relatively small number of leases expiring in 2009, creates a high degree of predictability in rental income. The NEAS agreement will become fully operational during 2009, with fixed and lower property expenses. In aggregate, these factors will contribute to a predictable cash flow for the coming year.

Key financial figures

(Amounts in NOK million)	**2008**	2007	2006 [1)]
Rental income	**1 079**	1 011	415
Operating profit	**948**	891	352
Net gain on sales	**7**	9	–
Net changes in value, properties	**(2 905)**	1 219	393
Net changes in value, financial derivatives	**(764)**	293	77
Pre-tax profit	**(3 481)**	1 680	539

[1] *Norwegian Property was established in May 2006.*

Development of the Tingvalla jetty at Aker Brygge:

"BØLGEN" WON ARCHITECTURAL COMPETITION

The open architectural competition for the planned restaurant/service building on the Tingvalla jetty at Aker Brygge has been completed. The winning "Bølgen" (The Wave) entry was designed by Alliance Arkitekter AS in cooperation with Mapt of Copenhagen.

The Tingvalla jetty is part of Norwegian Property's holding at Aker Brygge in central Oslo. A new zoning plan for the area has made it possible to build on the jetty, and the company is planning to construct a restaurant/service building as part of the revitalisation project for the whole of Aker Brygge. The jetty has a very good waterfront location in the centre of the area, and the new building is expected to help attract even more visitors.

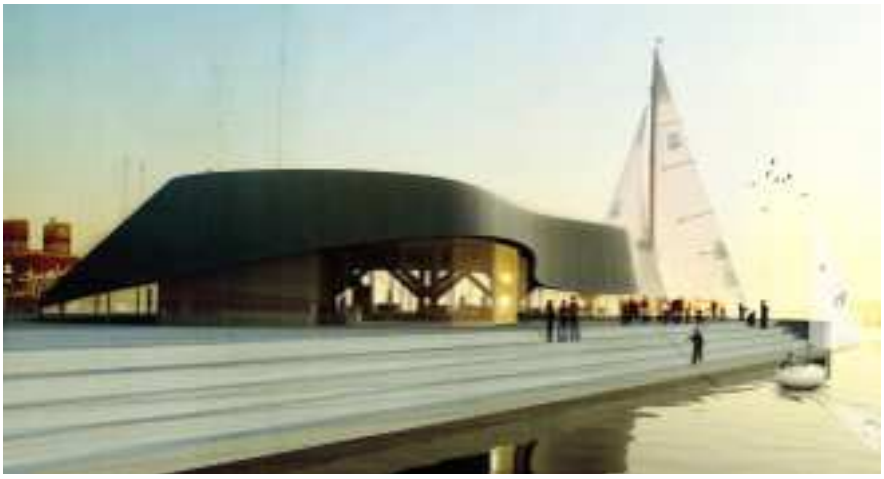
Norwegian Property wants to contribute to giving promising young architects the opportunity to help develop a modern and forward-looking building in a prominent location at Aker Brygge. An open architectural competition for the project was recently completed.

This contest attracted many well-qualified contributors. A total of 43 proposals were received, and these were assessed on the basis of the following criteria:

- compliance with the zoning plan
- efficient use of space
- attraction value
- overall integration with surrounding buildings, urban space and sightlines
- architectonic qualities, choice of materials and functional solution
- choice of solutions with a long lifetime and durability in a life-cycle perspective.

The winning proposal has been developed by Alliance Arkitekter AS in Oslo in cooperation with Copenhagen-based Mapt.

The project is a restaurant building, and the slogan for the winning design is "Bølgen".



COMMERCIAL PROPERTY PORTFOLIO

Oslo and Akershus
Central business district (CBD)

Aker Brygge

Location:	Oslo, CBD
Built/rehabilitated:	
- *Administrasjonsbygget*	1890 / 1986/2005
- *Dokkbygget*	1989
- *Kaibygg I*	1989 / 2005
- *Kaibygg II*	1989
- *Snekkeriet*	1855 / 1986/1997
- *Støperiet*	1824 / 1986/1997
- *Terminalbygget*	1986 / 2004
- *Verkstedhallene*	1986 / 2005
Gross built-up area:	91 577.53 sq.m
- *of which offices:*	51 691 sq.m
- *of which shops/restaurants:*	24 977.53 sq.m
- *of which other:*	14 909 sq.m
Parking spaces:	70
- *of which indoor:*	60
- *of which outdoor:*	10
Site area:	-
Gross rental income 2009:	NOK 237.2 million
Annual CPI adjustment:	97.8%
Biggest tenants:	
– *Administrasjonsbygget*	Cardo Partners
– *Dokkbygget*	Hong Holding AS
– *Kaibygg I*	DnB NOR Bank ASA
– *Kaibygg II*	Biffrestauranten Aker Brygge
– *Snekkeriet*	Det Norske Oljeselskap ASA
– *Støperiet*	SUN Restauranter AS
– *Terminalbygget*	Advokatfirmaet BA-HR
– *Verkstedhallene*	Akerrestaurantene AS

Kaibygning I

Verkstedhallen

Snekkeriet

Drammensveien 60

Location:	Oslo, CBD
Built/rehabilitated:	1960 / 2005
Gross built-up area:	11 250 sq.m
- of which offices:	8 593 sq.m
- of which shops/restaurants:	797 sq.m
- of which other:	1 860 sq.m
Parking spaces:	11
- of which indoor:	11
- of which outdoor:	-
Site area:	2 532 sq.m
Gross rental income 2009:	NOK 20.4 million
Annual CPI adjustment:	Fixed 2.2%
Biggest tenants:	Skanska Norge AS

Ibsen-kvartalet

Location:	Oslo, CBD
Built/rehabilitated:	1997 / (Block C) 2002
Gross built-up area:	38 031 sq.m
- of which offices:	31 618 sq.m
- of which shops/restaurants:	800 sq.m
- of which other:	5 613 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	4 762 sq.m
Gross rental income 2009:	NOK 66.6 million
Annual CPI adjustment:	100%
Biggest tenants:	Directorate of Labour

Stortingsgaten 6

Location:	Oslo, CBD
Built/rehabilitated:	2004 / n/a
Gross built-up area:	6 708.3 sq.m
- of which offices:	4 459.9 sq.m
- of which shops/restaurants:	859.9 sq.m
- of which other:	1 388.5 sq.m
Parking spaces:	22
- of which indoor:	22
- of which outdoor:	-
Site area:	989 sq.m
Gross rental income 2009:	NOK 21.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Fokus Bank

Oslo and Akershus
Skøyen

Drammensveien 134
(Blocks 1-6)

Location:	Oslo, Skøyen
Built/rehabilitated:	
- Blocks 1-4:	1986
- Block 5:	2001
- Block 6:	2005
Gross built-up area:	50 168 sq.m
- of which offices:	36 525.5 sq.m
- of which shops/restaurants:	642 sq.m
- of which other:	13 000.5 sq.m
Parking spaces:	351
- of which indoor:	330
- of which outdoor:	21
Site area:	17 634 sq.m
Gross rental income 2009:	NOK 88.3 million
Annual CPI adjustment:	98.7%
Biggest tenants:	TietoEnator AS
- Block 2:	Norsk Hydro ASA
- Block 3:	YX Energi AS
- Block 4:	StatoilHydro ASA
- Block 5:	Ementor Norge AS
- Block 6:	Leif Höegh & Co AS

Block 1 Drammensveien 134

Block 2 Drammensveien 134

Block 3 Drammensveien 134

Block 4 Drammensveien 134

Block 5 Drammensveien 134

Block 6 Drammensveien 134

Drammensveien 149

Location:	Oslo, Skøyen
Built/rehabilitated:	1988 / 2006
Gross built-up area:	16 323 sq.m
- of which offices:	10 695 sq.m
- of which shops/restaurants:	-
- of which other:	5 628 sq.m
Parking spaces:	159
- of which indoor:	141
- of which outdoor:	18
Site area:	6 115 sq.m
Gross rental income 2009:	NOK 25.7 million
Annual CPI adjustment:	99.8%
Biggest tenants:	Bergesen Worldwide Offshore AS

Hovfaret 11

Location:	Oslo, Skøyen
Built/rehabilitated:	1970 / 1988
Gross built-up area:	5 642 sq.m
- of which offices:	4 377 sq.m
- of which shops/restaurants:	-
- of which other:	1 265 sq.m
Parking spaces:	40
- of which indoor:	-
- of which outdoor:	40
Site area:	3 021 sq.m
Gross rental income 2009:	NOK 11.6 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Nedre Skøyenvei 24

Location:	Oslo, Skøyen
Built/rehabilitated:	1983 / 2008
Gross built-up area:	4 845 sq.m
- of which offices:	3 629.6 sq.m
- of which shops/restaurants:	-
- of which other:	1 215.4 sq.m
Parking spaces:	63
- of which indoor:	-
- of which outdoor:	63
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 12.5 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Nedre Skøyenvei 26 A-E

Location:	Oslo, Skøyen
Built/rehabilitated:	1984 / n/a
Gross built-up area:	17 622 sq.m
- of which offices:	11 444 sq.m
- of which shops/restaurants:	-
- of which other:	6 178 sq.m
Parking spaces:	71
- of which indoor:	11
- of which outdoor:	60
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 35.9 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Nedre Skøyenvei 26 F

Location:	Oslo, Skøyen
Built/rehabilitated:	2006 / n/a
Gross built-up area:	13 498.8 sq.m
- of which offices:	8 766.8 sq.m
- of which shops/restaurants:	-
- of which other:	4 732 sq.m
Parking spaces:	120
- of which indoor:	120
- of which outdoor:	-
Site area:	22 648 sq.m
Gross rental income 2009:	NOK 23.6 million
Annual CPI adjustment:	100%
Biggest tenants:	EDB Business Partner ASA

Oslo and Akershus
Oslo West/Lysaker/Fornebu

Aker Hus

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	2007 / n/a
Gross built-up area:	59 279 sq.m
- of which offices:	40 254 sq.m
- of which shops/restaurants:	-
- of which other:	19 025 sq.m
Parking spaces:	681
- of which indoor:	631
- of which outdoor:	50
Site area:	23 198 sq.m
Gross rental income 2009:	NOK 82.7 millon
Annual CPI adjustment:	Max 2.5%
Biggest tenants:	Aker Solutions ASA

Foto: Jiri Havran

Lysaker Torg 35

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	2001 / n/a
Gross built-up area:	21 934 sq.m
- of which offices:	14 422 sq.m
- of which shops/restaurants:	-
- of which other:	7 512 sq.m
Parking spaces:	220
- of which indoor:	220
- of which outdoor:	-
Site area:	3 354 sq.m
Gross rental income 2009:	NOK 40.7 million
Annual CPI adjustment:	100%
Biggest tenants:	If Skadeforsikring

Middelthunsgate 17

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	1930 / 1989/2002
Gross built-up area:	33 319 sq.m
- of which offices:	26 847 sq.m
- of which shops/restaurants:	-
- of which other:	6 472 sq.m
Parking spaces:	114
- of which indoor:	114
- of which outdoor:	-
Site area:	11 054 sq.m
Gross rental income 2009:	NOK 46.1 million
Annual CPI adjustment:	100%
Biggest tenants:	Nordea

Oksenøyveien 3

Location:	Oslo West/ Lysaker/Fornebu
Built/rehabilitated:	1986 / 1997
Gross built-up area:	12 900 sq.m
- of which offices:	10 200 sq.m
- of which shops/restaurants:	-
- of which other:	2 700 sq.m
Parking spaces:	177
- of which indoor:	110
- of which outdoor:	67
Site area:	7 845 sq.m
Gross rental income 2009:	NOK 17.4 million
Annual CPI adjustment:	100%
Biggest tenants:	SAS Consortium

Oslo and Akershus
Nydalen

Maridalsveien 323

Location:	Oslo, Nydalen
Built/rehabilitated:	2001 / n/a
Gross built-up area:	20 915 sq.m
- of which offices:	11 646 sq.m
- of which shops/restaurants:	-
- of which other:	9 269 sq.m
Parking spaces:	181
- of which indoor:	176
- of which outdoor:	5
Site area:	9 601 sq.m
Gross rental income 2009:	NOK 27.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Get AS

Gjerdumsvei 8

Location:	Oslo, Nydalen
Built/rehabilitated:	1988/1996 / 2005
Gross built-up area:	10 656 sq.m
- of which offices:	8 245 sq.m
- of which shops/restaurants:	-
- of which other:	2 411 sq.m
Parking spaces:	205
- of which indoor:	188
- of which outdoor:	17
Site area:	7 286 sq.m
Gross rental income 2009:	NOK 13.7 million
Annual CPI adjustment:	96%
Biggest tenants:	Océ-Norge AS

Gjerdumsvei 10D

Location:	Oslo, Nydalen
Built/rehabilitated:	1845 / 1987/2004
Gross built-up area:	2 052 sq.m
- of which offices:	2 027 sq.m
- of which shops/restaurants:	-
- of which other:	25
Parking spaces:	42
- of which indoor:	-
- of which outdoor:	42
Site area:	10 487 sq.m
Gross rental income 2009:	NOK 3.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Velux-Norge AS

Gjerdumsvei 14

Location:	Oslo, Nydalen
Built/rehabilitated:	1878 / 1986
Gross built-up area:	1 446 sq.m
- of which offices:	712 sq.m
- of which shops/restaurants:	-
- of which other:	734 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	10 211 sq.m
Gross rental income 2009:	NOK 1.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Trox Auranor Norge AS

Gjerdumsvei 16

Location:	Oslo, Nydalen
Built/rehabilitated:	1920 / 2003
Gross built-up area:	7 120 sq.m
- of which offices:	3 976 sq.m
- of which shops/restaurants:	-
- of which other:	3 144 sq.m
Parking spaces:	136
- of which indoor:	91
- of which outdoor:	45
Site area:	10 211 sq.m
Gross rental income 2009:	NOK 7.8 million
Annual CPI adjustment:	97.5%
Biggest tenants:	Ullevål University Hospital

Gjerdumsvei 17

Location:	Oslo, Nydalen
Built/rehabilitated:	1867 / 1987
Gross built-up area:	803 sq.m
- of which offices:	796 sq.m
- of which shops/restaurants:	-
- of which other:	7 sq.m
Parking spaces:	18
- of which indoor:	-
- of which outdoor:	18
Site area:	3 157 sq.m
Gross rental income 2009:	NOK 1.3 million
Annual CPI adjustment:	100%
Biggest tenants:	Kilden Helse AS

Gullhaug Torg 3

Location:	Oslo, Nydalen
Built/rehabilitated:	1993 / n/a
Gross built-up area:	7 868 sq.m
- of which offices:	7 868 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	8
- of which indoor:	-
- of which outdoor:	8
Site area:	4 103 sq.m
Gross rental income 2009:	NOK 9.5 million
Annual CPI adjustment:	2009 = 1%
Biggest tenants:	Schibsted Eiendom AS

Gullhaugveien 9-13

Location:	Oslo, Nydalen
Built/rehabilitated:	1996 / n/a
Gross built-up area:	43 357 sq.m
- of which offices:	23 031 sq.m
- of which shops/restaurants:	-
- of which other:	20 326 sq.m
Parking spaces:	476
- of which indoor:	401
- of which outdoor:	75
Site area:	10 852 sq.m
Gross rental income 2009:	NOK 46.9 million
Annual CPI adjustment:	100%
Biggest tenants:	NetCom AS

Nydalsveien 15

Location:	Oslo, Nydalen
Built/rehabilitated:	1857 / 1988/2005
Gross built-up area:	3 836 sq.m
- of which offices:	3 038 sq.m
- of which shops/restaurants:	750 sq.m
- of which other:	48 sq.m
Parking spaces:	66
- of which indoor:	-
- of which outdoor:	66
Site area:	6 845 sq.m
Gross rental income 2009:	NOK 6.5 million
Annual CPI adjustment:	100%
Biggest tenants:	Studentenes Hus AS

Nydalsveien 17

Location:	Oslo, Nydalen
Built/rehabilitated:	1968 / 2005
Gross built-up area:	1 560 sq.m
- of which offices:	-
- of which shops/restaurants:	1 560 sq.m
- of which other:	-
Parking spaces:	5
- of which indoor:	-
- of which outdoor:	5
Site area:	6 845 sq.m
Gross rental income 2009:	NOK 3.6 million
Annual CPI adjustment:	100%
Biggest tenants:	Studentenes Hus AS

Sandakerveien 130

Location:	Oslo, Nydalen
Built/rehabilitated:	2001 / n/a
Gross built-up area:	10 023 sq.m
- of which offices:	6 520 sq.m
- of which shops/restaurants:	-
- of which other:	3 503 sq.m
Parking spaces:	134
- of which indoor:	113
- of which outdoor:	21
Site area:	3 240 sq.m
Gross rental income 2009:	NOK 15.4 million
Annual CPI adjustment:	100%
Biggest tenants:	TDC Norge AS

Kolstadgata 1

Location:	Oslo, North/East
Built/rehabilitated:	1979 / 2004
Gross built-up area:	5 479 sq.m
- of which offices:	5 479 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	1 023 sq.m
Gross rental income 2009:	NOK 8.9 million
Annual CPI adjustment:	75%
Biggest tenants:	Utdanningsdirektoratet

Gardermoen Næringseiendom

Location:	Oslo, North/East
Built/rehabilitated:	1979/1985/1998 / 2005
Gross built-up area:	20 976 sq.m
- of which offices:	-
- of which shops/restaurants:	-
- of which other:	20 976 sq.m
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	-
Gross rental income 2009:	NOK 25.1 million
Annual CPI adjustment:	100%
Biggest tenants:	SAS Consortium

Stavanger
CDB, Forus

Badehusgaten 33-39

Location:	Stavanger, CBD
Built/rehabilitated:	1985 / 1999
Gross built-up area:	21 528 sq.m
- of which offices:	16 673 sq.m
- of which shops/restaurants:	-
- of which other:	4 855 sq.m
Parking spaces:	240
- of which indoor:	90
- of which outdoor:	150
Site area:	9 772 sq.m
Gross rental income 2009:	NOK 33.9 million
Annual CPI adjustment:	100%
Biggest tenants:	Aker Offshore Partner AS

Forusbeen 35

Location:	Stavanger, Forus
Built/rehabilitated:	1986/1990
Gross built-up area:	21 424 sq.m
- of which offices:	17 674 sq.m
- of which shops/restaurants:	-
- of which other:	3 750 sq.m
Parking spaces:	400
- of which indoor:	150
- of which outdoor:	250
Site area:	23 074 sq.m
Gross rental income 2009:	NOK 27 million
Annual CPI adjustment:	100%
Biggest tenants:	Telenor Eiendom Holding AS

Grenseveien 19

Location:	Stavanger, Forus
Built/rehabilitated:	1984 / 2008
Gross built-up area:	5 390 sq.m
- of which offices:	5 390 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	100
- of which indoor:	-
- of which outdoor:	100
Site area:	5 603 sq.m
Gross rental income 2009:	NOK 9.9 million
Annual CPI adjustment:	100%
Biggest tenants:	StatoilHydro ASA

Grenseveien 21

Location:	Stavanger, Forus
Built/rehabilitated:	1987/1997
Gross built-up area:	27 721 sq.m
- of which offices:	27 721 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	450
- of which indoor:	-
- of which outdoor:	450
Site area:	23 537 sq.m
Gross rental income 2009:	NOK 29.7 million
Annual CPI adjustment:	50%
Biggest tenants:	StatoilHydro ASA

Maskinveien 32

Location:	Stavanger, Forus
Built/rehabilitated:	2003 / n/a
Gross built-up area:	5 086 sq.m
- of which offices:	4 561 sq.m
- of which shops/restaurants:	-
- of which other:	525 sq.m
Parking spaces:	58
- of which indoor:	21
- of which outdoor:	37
Site area:	3 829 sq.m
Gross rental income 2009:	NOK 5.4 million
Annual CPI adjustment:	100%
Biggest tenants:	ErgoGroup AS

Strandsvingen 10

Location:	Stavanger, Forus
Built/rehabilitated:	2004 / n/a
Gross built-up area:	2 059 sq.m
- of which offices:	2 059 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	38
- of which indoor:	-
- of which outdoor:	38
Site area:	5 075 sq.m
Gross rental income 2009:	NOK 3 million
Annual CPI adjustment:	80%
Biggest tenants:	Norsk Kontantservice AS

Svanholmen 2

Location:	Stavanger, Forus
Built/rehabilitated:	1987/1989 / 2003/1991
Gross built-up area:	9 463 sq.m
- of which offices:	2 883 sq.m
- of which shops/restaurants:	6 580 sq.m
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	NOK 11 746 sq.m
Gross rental income 2009:	9.2 million
Annual CPI adjustment:	100%
Biggest tenants:	Elkjøp ASA

Finnestadveien 44

Location:	Stavanger - other
Built/rehabilitated:	1975/1983 / 2007/2008
Gross built-up area:	22 032 sq.m
- of which offices:	22 032 sq.m
- of which shops/restaurants:	-
- of which other:	-
Parking spaces:	-
- of which indoor:	-
- of which outdoor:	-
Site area:	21 049 sq.m
Gross rental income 2009:	NOK 30.4 million
Annual CPI adjustment:	Fixed 2.5%
Biggest tenants:	Total E&P


Dior

CORPORATE GOVERNANCE

A clear division of responsibilities and roles between shareholders, the board of directors and the executive management helps to strengthen external confidence in the company. In that way, good corporate governance principles can contribute to long-term value creation.

The board of Norwegian Property has drawn up the presentation of corporate governance in the company, which is based on the prevailing Norwegian code of practice for corporate governance (the code) 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 object clause states that "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 articles of association are available at www.norwegianproperty.no. Within the framework of its articles, the company has presented goals and strategies for its business on page 7 of this report and on the company's website.
Compliance with section 2 of the code: full.

3. Equity and dividends

Group equity at 31 December 2008 totalled NOK 5 001 million, representing an equity ratio of 17.3 per cent. The board regards this as satisfactory from an operational perspective, but will seek to strengthen the company's balance sheet and to create more head room to certain covenants in key credit agreements.

The group has a loan-to-value target of borrowing 60-65 per cent of the value of the company's properties. This debt ratio could be higher at times. The capital structure is kept under continuous review in light of market developments and the group's goals, strategy and development.

Norwegian Property's goal is to pay an annual dividend which is competitive for the property sector. The dividend policy is described in note 23 to the consolidated financial statements.

At 31 December 2008, the board held two mandates to increase the share capital, as settlement for property acquisitions and in return for cash payment respectively. The number of shares which can be issued under each mandate is 10.4 million. The mandates have been granted for a year and expire on 30 June 2009.

The board is also mandated to buy 10.4 million 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. Its articles impose no voting restrictions.

The board and the executive management are committed to ensuring equal treatment of all shareholders and that transactions with close associates (related parties) 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. The capital increase in 2008 was conducted as a preferential share issue.

Note 24 to the group accounts details transactions with close associates (related parties), including management agreements with companies controlled by shareholders in Norwegian Property and agreements on leasing premises to companies controlled by shareholders in Norwegian Property.

The company has drawn up an overview which identifies the various roles of its directors, the offices they hold and so forth. This is intended to serve as a source of information for the company's administration in order to avoid unintended conflicts of interest.
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 tradable 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 relevant and required documentation including the recommendations and reasoning of 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. Three extraordinary general meetings were held in 2008, including two at the request of shareholders representing more than 1/20th of the share capital to make changes to the board and one to approve a preferential share issue. Partly because of the need for swift clarification of the issues submitted to the extraordinary general meetings and to ensure that they were held before the holiday season, the notice and background documents for these meetings were not issued at least 21 days in advance, but were made available within the deadlines specified by the Public Limited Companies Act.

At the general meetings held to elect

> "The board and management are committed to ensuring equal treatment of all shareholders."

new directors, the recommendations of the nomination committee were not available early enough for the company to be able to publish them at least 21 days in advance.

The notices provided information on the procedures to be observed for attendance and voting, including the use of proxies, and a proxy form was included with the notices. The notices included information on the right to have issues considered at the general meeting and the relevant deadlines related to raising such matters. The notices with appendices were made available on the company's website immediately after they had been issued as a stock exchange announcement. 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 encourage to appoint a proxy. Instructing how the proxy should vote on each item on the agenda will be facilitated. The general meeting elects its own chair.

The board and executive management have been represented at general meetings. The same has applied to the nomination committee at those meetings which have considered the election and remuneration of the board and the nomination committee, and to the auditor at the annual general meeting.

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

Compliance with section 6 of the code: With the exception of the 21 days notice of the recommendation of the nomination committee.

7. Nomination committee

Pursuant to the company's articles of association, Norwegian Property has a nomination committee comprising two or three members. These are selected to safeguard the interests of shareholders in general, and the committee is independent of the board and the executive management and otherwise composed pursuant to the code. Members of the nomination committee and its chair are elected by the general meeting for two-year terms, and their remuneration has also been determined by the general meeting.

The nomination committee has nominated directors and recommended their remuneration. Its recommendations with reasons will be made available via the company's website before the election and as soon as they are available. The committee has been represented at the general meetings to present and justify its recommendations and answer questions.

Elected most recently by the extraordinary general meeting on 16 July 2008, the nomination committee comprises: Tom Furulund (chair), Lise Lindbäck and Einar J Greve. Relevant deadlines for submitting nominations to the committee are published on the company's website.

Compliance with section 7 of the code: full.

8. Corporate assembly and 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.

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 secure the interests of the owners and representation of key shareholders. The directors also collectively possess a broad business and management background and an in-depth understanding of the property market, merger and acquisition activities, financing and capital markets. The background and experience of directors are presented elsewhere in this report and on the company's website.

The board has been composed in such a way that it can act independently of special interests. Although generally present at board meetings, no member of the company's executive management is also a director. All the directors are independent of the company's executive management

or significant commercial partners. Four 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).

Director Harald Grimsrud represents shareholders who controlled about 15 per cent of the company's shares at 31 December 2008.

Information on shares owned by directors is 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, and elects its own deputy chair.

Instructions which describe the rules of procedure for the board's duties and consideration of matters have been adopted by the board. The board has drawn up instructions for the chief executive which establish a clear division of labour 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 considered it appropriate to appoint sub-committees as advisory bodies to the board. An audit committee of three directors has been established to support the board in the exercise of its responsibility for accounts reporting, internal control, audit and overall risk management. Its work is governed by a standing instruction. A compensation committee of two directors has also been established to assist the board over the employment terms of the chief executive and the strategy and main principles for remunerating the company's senior executives. This committee is also governed by a standing instruction.

The board has established an annual plan for its meetings, and evaluates its work and expertise once a year. The present board was elected by the general meeting in December 2008 and intends to carry out a self-assessment in connection with the presentation of results in 2009. The outcome 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 value base and the ethical guidelines, instructions have been established for the board as well as policies for the important areas. An authority matrix has also been prepared for delegation of responsibility to defined roles in the organisation. Norwegian Property has established a set of internal procedures and systems to ensure unified and reliable financial reporting. The various departments/units in the organisation are required to evaluate their internal control systems related to financial reporting on an annual basis. In addition, regular audits are carried out on the way the company's systems are performing and procedures are being observed. 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. Directors' fees have not been related to results. Nor have options been awarded to directors.

Widar Salbuvik, the former chair, received a special compensation up to his departure in December 2008 for extra

duties as executive chair, based on a proposal from the nomination committee. None of the present directors have undertaken special assignments for the company other than their work on the board, and are unable to accept such assignments without approval from the board in each case.

Further details on the remuneration paid to individual directors are provided in note 19 to the annual accounts.

Compliance with section 11 of the code: With the exception of special duties and compensation to the former chair.

12. Remuneration of senior executives

As mentioned above, a compensation committee of two directors has been established to assist the board with the employment terms of the chief executive as well as with the strategy and main principles for remunerating the company's senior executives. The group's guidelines for remuneration of senior executives are reported in note 19 to the group annual accounts. Note 19 also provides further details about remuneration in 2008 for certain senior executives. The guidelines are presented annually to the general meeting in connection with its consideration of the annual accounts. No options have been issued to employees or elected officers of the company.

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 published through all channels 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 and published via Hugin and the Oslo Stock Exchange's company disclosure system. Immediately after publication, such information will 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.

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

The instructions for the company's

board provide more detailed guidelines on information and communication, and the company's approved investor relations policy is available on its website.
Compliance with section 13 of the code: full.

14. Takeovers

No takeover bids were made for the company's shares or the most significant part of its operations in 2008. 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 attempt to ensure that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares. 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.
Compliance with section 14 of the code: Full.

15. Auditor

As mentioned above, an audit committee of three directors has been established to support the board in the exercise of its responsibility for accounts reporting, internal control, audit and overall risk management. Its work is governed by an instruction.

During 2008, the auditor conducted the following work in relation to fiscal 2007:

- presented the main features of the audit work
- attended board meetings considering the annual report and when significant changes in accounting principles, assessments of significant accounting estimates and possible disagreements between auditor and executive management were considered
- conducted a review together with the board of the company's internal control systems
- held a meeting with the board without the presence of the executive management
- confirmed that the requirements for the auditor's independence were fulfilled, and provided an overview of services other than auditing which have been rendered to the company.

Pursuant to the instruction for the board's audit committee, the use of the auditor for substantial assignments other than ordinary auditing services must be considered and approved by the board.
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 good management of its assets and maintaining a leading position in the property market. The company pursues an open information policy and an active dialogue with the investor market to ensure good liquidity and a broad shareholder base.

Norwegian Property was founded in May 2006 and listed on the Oslo Stock Exchange on 15 November 2006. Its shares are traded on the Oslo Stock Exchange's main list under the ticker NPRO, and registered in the Norwegian Central Securities Depository with Nordea Securities as registrar. The share has the securities number ISIN NO 001 0317811.

Share price development

The company's share price experienced a significant negative development in 2008. It was priced at NOK 6.08 at 31 December 2008, compared with NOK 65.78 a year earlier. Corrected for the dividend of NOK 2.50 per share paid in May 2008, this represents a negative return of 87 per cent. The Oslo Stock Exchange's benchmark index (OSEBX) fell by a little more than 54 per cent over the same period, after a weak market performance during 2008 characterised by price declines in every industry sector.

The share attained its highest price of NOK 66.03 at 2 January, while the lowest price was NOK 5.50 on 10 October. Property shares both in Norway and internationally found 2008 a challenging year, with financial turbulence and weakened economic prospects contributing to a decline in valuations and a crisis in the global banking and financial industry imposing higher risk premiums on all shares with a financing requirement or a substantial element of debt in the balance sheet. Developments for the leading international property indices are shown on page 41.

Trading in the NPRO share is considered good, with liquidity measured by turnover rate (turnover in relation to issued shares) for Norwegian Property in 2008 no less than 3.6 times higher than the average for the Oslo Stock Exchange as a whole.

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. Norwegian Property aims to distribute a dividend that is competitive for the property sector. The dividend policy is described in note 23 to the consolidated financial statements.The AGM will take place on 30 April 2009.

Share and share capital

Norwegian Property has 201 635 416 ordinary shares with a nominal value of NOK 25. See note 4 to the annual accounts for the company.

The company has one share class. Each share carries one vote. Norwegian Property held none of its own shares at 31 December 2008.

Capital changes in 2008

The number of shares at 1 January 2008 was 105 481 570. A rights issue of 96 153 846 shares was made in June/July 2008 at a price of NOK 26 per share. This accordingly raised the number of shares at 31 December to 201 635 416.

Shareholder structure

Norwegian Property had 1 395 registered shareholders at 31 December, an increase of 470 from a year earlier. The shareholder register is dominated by institutional investors and professional players in the Nordic and international commercial property and hotel sectors. At 31 December, 155 of the shareholders were foreign nationals compared with 195 at the same time in 2007. Foreigners owned 39 per cent of the shares issued at 31 December, compared with 61 per cent a year earlier. The company's largest shareholders at 31 December are presented in a separate table.

Nomination committee

Members of the company's nomination committee are:
Tom Furulund (chair)
Lise Lindbäck
Einar J Greve

Shareholders wishing to contact the nomination committee can use the following e-mail address: info@norwegianproperty.no.

Annual general meeting
The AGM normally takes place in March/April. Written notice is sent to all shareholders individually or to their custodian bank. To be able to vote at the AGM, the shareholder must be physically present in person or by proxy.

Investor relations

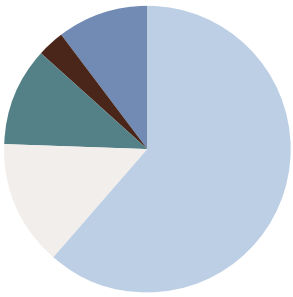
Norwegian Property has a goal of ensuring a broad shareholder base and good liquidity for the share. The company accordingly places great emphasis on making all price-relevant information available to the market at the right time, and the management works to ensure an open and active dialogue with investors 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.
- Nine investment banks and brokerage firms had established analytical coverage of Norwegian Property at 31 December, with published investment recommendations. The executive management works systematically to secure a high degree of analyst coverage by leading banks and brokers.
- www.norwegianproperty.no is updated continuously with information relevant to investors. People can also use the website to subscribe to stock exchange announcements and press releases by e-mail.

Investor contact

Truls Birkeland
Vice president investor relations
truls.birkeland@norwegianproperty.no
Tel: +47 41 04 62 09

Shareholders at 31 December 2008 by geographic distribution



Norway	61% (39%)
UK	14% (22%)
USA	11% (22%)
Benelux	3% (6%)
Other countries	11% (11%)

Share price developments

Index	Change in 2008
Norwegian Property (incl dividend)	- 87%
Global Property Research 250, European Index	- 46%
Global Property Research 250, Global Index	- 45%
FTSE EPRA/NAREIT, Global Real Estate	- 45%
FTSE EPRA/NARETI, Europe Real Estate	- 49%

20 largest shareholders at 31 Dec 2008

Largest shareholder	Country	No of shares	Percentage
Awilhelmsen Capital AS	NO	23 254 334	11.5%
Canica AS	NO	9 246 467	4.6%
Deutsche Bank Ag London	UK	9 026 994	4.5%
Bgl S/A Opcvm	LUX	8 796 924	4.4%
Credit Suisse Securities	UK	7 955 885	3.9%
Fram Realinvest AS	NO	7 250 700	3.6%
Fram Holding AS	NO	7 250 700	3.6%
Trondheim Kommunale Pensjonskass	NO	6 199 700	3.1%
Vital Forsikring ASA	NO	6 089 907	3.0%
Alpine Intl Real Estate Eq Fnd	NO	5 805 945	2.9%
Aweco Invest AS	NO	5 486 765	2.7%
Seb Enskilda ASA	NO	4 839 699	2.4%
Bank Of New York Mellon	US	4 475 027	2.2%
Fortis Global Custody Service	NL	3 954 666	2.0%
Alpine Global Prem Prop Fund	BE	3 950 150	2.0%
Bank Of New York, Brussels Branch	BE	3 934 381	2.0%
Wenaasgruppen AS	NO	3 683 219	1.8%
Opplysningsvesenets Fond	NO	2 962 731	1.5%
Skagen Vekst	NO	2 893 000	1.4%
Goldman Sachs Int.	UK	2 695 048	1.3%
Total top 20		**129 752 242**	**64.3%**
Other shareholders		71 883 174	35.7%
Total		**201 635 416**	**100.0%**

Financial calendar 2009

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

Updates will be published on the company's website and via the Oslo Stock Exchange

Key figures

Share	2008	2007	2006 [1]
Share price 31 Dec (Oslo Stock Exchange, *NOK*)	**6.08**	65.78	65.00
Highest price (Oslo Stock Exchange, *NOK*)	**66.03**	91.00	66.00
Lowest price (Oslo Stock Exchange, *NOK*)	**5.50**	60.25	55.50
Shares traded (Oslo Stock Exchange)	**185 250 456**	122 939 000	34 811 000
Outstanding shares at 31 Dec	**201 635 416**	105 481 570	98 513 000
Stock market value at 31 Dec *(NOK mill)*	**1 226**	7 015	6 403
Book equity per share *(NOK)*	**24.80**	63.20	54.09
Net value per share, EPRA *(NOK)*	**30.14**	70.84	56.53

1) Norwegian Property was founded in May 2006

ANALYTICAL INFORMATION

Norwegian Property seeks to maintain a high degree of openness and credibility concerning its results, asset values and financial accounts. External valuations which take account of such factors as interest rates, required market returns and reduced expectations for future rental income underpin the substantial downward adjustment of fair value in 2008.

Properties – key figures for the portfolio

Norwegian Property owned 50 properties, including one covered by a sales agreement, 73 hotels and one congress centre at 31 December. The table below 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 tested quarterly for fair value. At 31 December, all the properties had been valued by two external valuers.

DTZ Realkapital has valued the company's properties (both hotels and commercial buildings) in Norway, Sweden and Denmark. The group's Finnish portfolio of hotel properties has been valued by Maakanta. Furthermore, Akershus Eiendom has also prepared valuations of all the company's properties (both hotel and commercial). Based on these external valuations, supplemented with an in-house review and analysis, the management makes an assessment and determines whether the external valuations provide an accurate picture of the fair value of the investment properties. An average of the two sets of valuations provides the basis for determining fair value.

The fair value of the investment properties is determined by discounting cash flows related to 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. Changes to estimated fair value thereby incorporate changes in the outlook, and the adjustments recognised in the year-end balance sheet accordingly represent the estimated commercial value of the properties in light of both a weaker market and poorer prospects in general.

Financial risk

Norwegian Property operates in a capital-intensive sector, where financial risks relate primarily to changes in equity caused by adjustments to the fair 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. At 31 December, 84 per cent of the company's interest-bearing debt had been interest hedged.

A summary of the company's interest-bearing debt and interest hedge profile is provided in note 16 to the annual accounts.

The high hedging ratio means that the group's financial expenses are robust in relation to changes in short-term money market interest rates. A rise of one per cent in three-month floating interest rates would boost financial expenses by NOK 4.2 million, corresponding to an increase in the group's average payable interest rate from 4.22 to 4.24 per cent, including interest rate margin.

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

Financing sources

The group's principal banks are Nordea, SEB, DnB Nor, Danske Bank, Swedbank and Nykredit. One syndicated facility on the office side and two on the hotel side still represent a large proportion of the company's total borrowing. The group has also used the Norwegian bond market for a portfolio of four properties. To ensure competitive terms and optimum loan financing, the company implemented several financial restructurings in both 2007 and 2008. In addition, the company has refinanced individual properties or small portfolios in other financial institutions. The net reduction in interest-bearing debt during 2008 was NOK 3.84 billion.

Liquidity and capital adequacy

The company's ambition is to have a debt structure which ensures an optimum combination of flexibility and price. Its long-term goal is a debt ratio(interest-bearing debt in relation to company assets) of 60-65 per cent of the fair value of the properties, but

Commercial properties – valuations

		Valuation		Gross rents	
Location	**No of sq.m**	**NOK mill**	**per sq.m**	**NOK mill**	**per sq.m**
Oslo – CBD	170 871	6 319	36 980	394.9	2 311
Oslo – Skøyen	119 924	3 191	26 605	218.3	1 821
Oslo – West/Lysaker/Fornebu	127 432	2 751	21 590	186.9	1 467
Oslo – Nydalen	110 185	1 885	17 109	136.9	1 243
Oslo – North/East	26 445	341	12 892	34.0	1 284
Stavanger	114 703	2 062	17 975	148.6	1 296
Total value	**669 569**	**16 549**	**24 715**	**1 119.7**	**1 672**

this proportion is continuously reviewed in the light of market developments, portfolio development and level of interest rates. The debt ratio was 79.3 per cent at 31 December.

The group has implemented and is still working on measures to strengthen its balance sheet. It conducted a share issue of NOK 2.5 billion in July 2008, and eight properties were sold during the year.

Group liquidity totalled NOK 174 million at 31 December. In addition came NOK 521 million in available credits. The group's available liquidity is sufficient to cover on-going operational requirements.

Properties – key figures for the portfolio

	Hotell	Commercial properties	Total
No of properties	74	50	124
Market value in NOK mill	11 025	16 549	27 574
Gross rents 2009[1] in NOK mill	760	1 120	1 880
Net rents 2009[2] in NOK mill	685	1 057	1 742
Rental income by country			
Norway	23%	100%	
Sweden	45%		
Denmark	4%		
Finland	28%		
Key figures			
Total area in square metres	671 480	669 569	1 341 049
Market value per square metre, NOK	9 074	24 716	33 790
Average lease term, years	10.1	5.6	
Gross yield[4]	7.70%	6.80%	
Net yield[4]	7.00%	6.40%	

[1] *Estimated 2009 gross rent based for commercial properties on the run rate at 1 January, for the hotel portfolio on actual 2008 figures.*
[2] *Net rents = estimated 2008 gross rents adjusted for property costs (six per cent for commercial properties and 10 per cent for hotels).*
[3] *DTZ has estimated that the market rent for commercial properties is about 13 per cent higher than today's level.*
[4] *The run rate at 31 December is used for commercial property, and actual 2008 figures for hotels.*

Sensitivity analysis for the investment property portfolio

Variables	Variable change	Commercial property[1]	Hotels[1]
Net market yield	+ 0.25 %-point	(303)	(175)
Market interest rates	+ 0.25 per cent	(286)	(202)
Inflation	+1 %-point	122	50
Market rents	+10 per cent	1 218	741

[1] *The calculations have been made by DTZ Realkapital and Maakanta in connection with their valuations at 31 December 2008, and exclude the Grev Wedels plass 9 property contracted for sale in 2008.*

Hotel properties – valuations

	No of properties	Rooms	Sq.m	Value NOK mill Total	Per room	Net yield[1]
Norge	14	2 412	140 720	2 365	980 514	7.1%
Sverige	41	6 896	321 763	4 752	689 095	7.3%
Danmark	3	436	15 405	529	1 213 303	5.5%
Finland	16	3 078	195 592	3 379	1 097 791	6.6%
Totalt	**74**	**12 822**	**673 480**	**11 026**	**859 928**	**7.0%**

[1] *Based on 2008 rental income in local currencies at the exchange rate on 31 Dec 08.*

Interest-rate risk

(Amounts in NOK million)	31 Dec 08	31 Dec 07
Total interest-bearing debt	21 879	24 865
- of which hedged	18 487	16 343
Hedging ratio	84%	66%
Average term, interest hedges *(years)*	4.5	5.1
Average term, loans *(years)*	3.9	4.6
Average interest rate	5.84%	5.76%
Average borrowing margin	0.81%	0.76%

Foto: Jiri Havran

PRESENTATION OF THE BOARD

Tormod Hermansen
Chair

Mr Hermansen (born 1940) has held a number of top jobs in public administration and the business sector, as secretary general in the Ministries of Local Government and the Regions and of Finance, and most recently as chief executive of Telenor. He chairs a number of companies – including IT Fornebu AS, Bouvet ASA, the Broadband Alliance and Hødnebø Møbler AS. Mr Hermansen holds an economics degree from the University of Oslo. He has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

Nils K Selte
Director

Mr Selte (born 1965) is chief financial officer of Canica AS, an investment company owned by Stein Erik Hagen and his family. He has previously held senior positions in such companies as Hakon Gruppen, ICA Ahold and Canica AS. He is a director of Jernia AS and several companies in the Canica group. Mr Selte has an MSc in business economics from the Norwegian School of Economics and Business Administration (NHH). He has been elected for the 2008-2010 period. Shareholding in NPRO: 250 000.

Harald Grimsrud
Deputy chair

Mr Grimsrud (born 1961) is chief executive of A Wilhelmsen Capital AS – a company owned by A Wilhelmsen AS. He has previously been a partner in and analysis manager of ABG Sundal Collier and Fondsfinans. He is a director of Telenor Venture AS and Expert AS. Mr Grimsrud has an MSc in business economics from the Norwegian School of Economics and Business Administration (NHH). He has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

Synne Syrrist
Director

Ms Syrrist (born 1972) has a number of boardroom appointments related to investment companies affiliated to DnB Nor. She chairs DnB Nor Shippinginvest I ASA, Lpg Ships I AS and 11 other ship investment companies affiliated to DnB Nor, and is a director of Nordisk Industriutvikling and Camposol AS as well as a number of public limited companies. Ms Syrrist holds an MSc from the Norwegian University of Science and Technology, and qualified as an authorised financial analyst at the Norwegian School of Economics and Business Administration (NHH). She has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

Gry Mølleskog
Director

Ms Mølleskog (born 1962) is senior client partner at Korn Ferry International. She was previously chief of staff at the Royal Palace in Oslo, and has held a number of positions with SAS – most recently as senior vice president in Stockholm. Ms Mølleskog studied at the Norwegian School of Marketing. She has been elected for the 2008-2010 period. Shareholding in NPRO: 0.

PRESENTATION OF THE MANAGEMENT

Petter Jansen

President and CEO

Telephone: +47 90 09 87 28
E-mail: petter.jansen@norwegianproperty.no
Shareholding: 75 000
Options: 0

Mr Jansen was president of SAS Braathens until July 2006, and previously executive vice president for personal customers at DnB and a vice president at Postbanken from 1996 to 2004. He was also head of Oslo's former Fornebu airport in 1993-96, and has held a number of leading position in the Norwegian defence forces. Mr 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.

Mari Thjømøe

Vice president and chief financial officer

Telephone: +47 90 77 78 24
E-mail: mari.thjomoe@norwegianproperty.no
Shareholding: 20 000
Options: 0

Ms Thjømøe was executive vice president and CFO in KLP from 2005 to 2008, where she was also responsible for the group's investments – including a substantial property portfolio. She was senior vice president for investor relations at Statoil ASA in 2000-2005, and with Hydro from 1988-2000. Ms Thjømøe is a director of Oslo Børs VPS ASA and Petoro AS. She took an MBA at the Norwegian School of Management in 1987 and qualified as an chartered financial analyst (CFA) at the Norwegian School of Economics and Business Administration (NHH) in 1992.

Dag Fladby

Vice president and chief investment officer

Telephone: +47 90 89 19 35
E-mail: dag.fladby@norwegianproperty.no
Shareholding: 4 000
Options: 0

Mr 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). Mr 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.

Aili Klami

Vice president commercial property

Telephone: +47 95 26 45 55
E-mail: aili.klami@norwegianproperty.no
Shareholding: 0
Options: 0

Ms Klami was previously vice president sales for the Avantor property company, and has substantial experience from the property sector. She was at Avantor in 1996-2006, and before that with Nydalens Compagnie from 1986. In addition to her extensive experience of the property business, Ms Klami has studied at the Norwegian School of Management and has taken a number of courses on property administration, management and sales.

Anders Vatne

President, Norgani Hotels (hotel property)

Telephone: +47 92 69 77 00
E-mail: anders.vatne@norgani.no
Shareholding: 0
Options: 0

Mr Vatne has broad experience of management, distribution, sales and marketing in the hotel and travel industries. He has worked for such companies as Inter Nor Hotels, Choice Hotels, Rainbow Hotels/ Thon Hotels and Horwath Consulting. Mr Vatne has an MBE from the Norwegian School of Management and a qualification from the Norwegian School of Hotel Management.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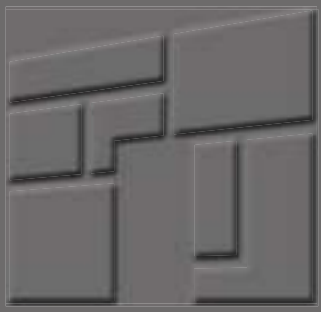

NORWEGIAN PROPERTY

ANNUAL REPORT 2008
PART II – DIRECTORS' REPORT AND ANNUAL ACCOUNTS

Contents

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

Financial calendar 2009

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

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

Directors' report

2008 – RATIONALISATION OF OPERATIONS AND BALANCE SHEET CONSOLIDATION

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

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

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

Commercial property

Norwegian Property ranked at 31 December 2008 as a leading manager of commercial property in Norway, and owned 50 attractive office and commercial properties in Oslo and Stavanger with a total gross fair value of NOK 16.6 billion. The group worked systematically during 2008 to establish itself as a leading player in this sector, and key measures included the following:

- strengthening the organisation through the recruitment of key resources in all parts of the business
- divesting eight properties[1] for a total of NOK 2.1 billion in property value, with agreement reached in 2009 on the sale of one commercial property and a hotel under construction
- establishing costs at a competitive and predictable level by outsourcing facility services to external partners

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

Hotel property

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

Norwegian Property regards the Nordic hotel market as interesting in a region with relatively robust national economies, where intra-Nordic traffic accounts for the bulk of business travel and associated hotel turnover. Turnover-based leases mean that the group shares in the rise in turnover when this is high, while the risk of declining turnover in periods of weaker economic growth is reduced by minimum-rent clauses in the leases. Seller guarantees and minimum rents account for more than 80 per cent of budgeted turnover for Norgani Hotels in 2009.

Group accounts

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

Income statement 2008

The consolidated income statement for 2008 embraces Norgani Hotels ASA, with 74 properties, and the Norwegian Property office portfolio of 50 properties. Gross rental income totalled NOK 1 866.8 million (NOK 1 195.7 million[2]).

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

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

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

[2] *Figures in brackets are for 2007.*

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

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

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

Cash flow

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

Financial position and capital structure

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

Interest-bearing debt at 31 December was NOK 21 840 million (NOK 23 232 million). At 31 December, the average interest rate on the company's loans was 5.84 per cent (5.76 per cent). The average loan margin was 0.81 per cent (0.76 per cent). The average remaining term to maturity for the loans was 3.9 years (4.6 years).

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

Going concern assumption

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

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

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

Coverage of net loss in the parent company

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

Properties

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

Commercial property

Norwegian Property's commercial property sector focuses on assets located in central areas of Oslo and Stavanger. The properties primarily comprise office premises as well as warehouses, retail premises and parking space in association with the offices. At Aker Brygge, the company owns the shopping centre with retail premises and restaurants.

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

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

Hotel property

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

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

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

Valuation of the properties

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

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

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

Risks and risk management

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

Financial risks

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

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

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

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

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

Market conditions

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

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

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

Employees and organisation

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

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

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

Health, safety and the working environment

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

Natural environment

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

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

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

Corporate governance

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

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

Share and shareholders

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

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

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

A rights issue of 96 153 846 shares was implemented in July 2008 at a price of NOK 26 per share. The proceeds from this issue were used to implement the final phase in the acquisition of Norgani Hotels and to strengthen the group's balance sheet.

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

Outlook

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

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

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

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

Tormod Hermansen
Chair

Harald Grimsrud
Deputy chair

Gry Mølleskog
Director

Nils K. Selte
Director

Synne Syrrist
Director

Petter Jansen
President and CEO

INCOME STATEMENT 1 JAN - 31 DEC

Consolidated

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

BALANCE SHEET AT 31 DECEMBER

Consolidated

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

BALANCE SHEET AT 31 DECEMBER

Consolidated

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

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

Tormod Hermansen
Chair

Harald Grimsrud
Deputy chair

Gry Mølleskog
Director

Nils K. Selte
Director

Synne Syrrist
Director

Petter Jansen
President and CEO

STATEMENT OF CHANGES IN EQUITY

Consolidated

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

[1] *Other reserves include exchange rate effects and hedging reserves.*

CASH FLOW STATEMENT 1 JAN - 31 DEC

Consolidated

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

NOTES TO THE ANNUAL ACCONUNTS

Consolidated

NOTE 1 GENERAL INFORMATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

(b) Transactions and minority interests

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

2.5 Investment property

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

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

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

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

2.6 Property, plant and equipment

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

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

2.7 Goodwill

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

2.8 Impairment of non-financial assets

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

2.9 Financial assets

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

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

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

(b) Loans and receivables

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

2.10 Derivative financial instruments and hedging activities

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

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

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

(a) Derivatives not included as hedge accounting

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

2.11 Trade receivables

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

2.12 Cash and cash equivalents

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

2.13 Share capital

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

2.14 Trade payables

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

2.15 Borrowings

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

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

2.16 Deferred income tax

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

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

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

2.17 Revenue recognition

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

(a) Rental income
Rental income is recognised over the life of the rental period.

(b) Other income
Other income is recognised as it is earned.

2.18 Dividend distribution

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

2.19 Interest expense

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

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

2.20 Pensions

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

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

NOTE 3 FINANCIAL RISK MANAGEMENT

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

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

3.1 Market risk

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

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

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

Of Norwegian Property's (commercial property) rental income, 3.7 per cent (NOK 41 million annually) is in foreign currency (EUR) and practically all operational expenses are denominated in NOK (2007: 4.1 per cent, NOK 39 million). This exposes the segment to limited foreign exchange risk. Norwegian Property has enterred into hedging agreements to limit the risk related to foreign currencies.

Gains and losses on the group's hedging contracts are classified as 'changes in market value of financial derivatives' in the income statement. Notional pricipal amounts and the maturity for the group's total portfolio of forward exchange contracts at the end of 2008 are specified in local currencies in the table below (see also note 12).

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

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

Price risk

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

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

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

Interest rate risk

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

In order to mitigate interest risk, the group had entered into interest rate swap agreements totalling NOK 18.5 billion at 31 December (2007: NOK 16.3 billion). At 31 December, the average credit margin on floating rate borrowings was 81 basis points (2007: 76 basis points). The average basis rate of the loan portfolio was 5.84 per cent at 31 December (2007: 5.4 per cent). The average remaining term to maturity for hedging agreements was 4.5 years (2007: 4.6 years). Notional principal amounts and the term to maturity for the group's total portfolio of interest rate hedges at 31 December2008 are specified in local currencies in the table below (see also note 12).

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

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

3.2 Credit risk

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

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

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

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

3.3 Liquidity risk

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

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

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

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

3.4 Capital risk management

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

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

NOTE 4 DETERMINATION OF FAIR VALUE

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

Investment property

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

Financial instruments and derivatives

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

Cash and cash equivalents
Fair value is assumed to be equal to the carried amount.

Interest-bearing liabilities
The group recognise interest-bearing liabilities at amortised cost.

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

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

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

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

NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Fair value of investment properties

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

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

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

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

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

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

Fair value of financial derivatives

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

NOTE 6 SEGMENT INFORMATION

Business segments

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

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

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

Geographical markets

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

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

NOTE 7 INVESTMENT PROPERTY

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

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

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

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

Restrictions related to investment properties

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

Agreement to sell investment property

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

Obligation to acquire investment properties

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

NOTE 8 OTHER TANGIBLE ASSETS

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

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

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

NOTE 9 GOODWILL

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

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

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

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

NOTE 10 OPERATING LEASES

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

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

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

NOTE 11 FINANCIAL INSTRUMENTS

(Amounts in NOK 1 000)

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

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

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

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

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

NOTE 12 DERIVATIVES

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

Specification of derivatives in the financial statement

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

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

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

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

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

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

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

Interest rate derivatives

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

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

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

Foreign exchange derivatives

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

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

NOTE 13 CURRENT RECEIVABLES

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

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

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

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

NOTE 14 SHARE CAPITAL AND SHAREHOLDERS

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

Changes in share capital and average number of shares

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

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

Principal shareholders at 31 December 2008

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

Shares held by directors and senior executives at 31 December 2008

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

[1] *Vice president and CFO until 28 February 2009.*

NOTE 15 OTHER CURRENT LIABILITIES

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

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

NOTE 16 INTEREST-BEARING DEBT

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

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

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

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

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

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

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

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

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

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

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

Interest-bearing debt for commercial properties

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

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

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

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

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

Interest-bearing debt for hotels

The financing of Norgani Hotels was taken over with the acquisition. Two syndicated borrowing facilities were in place at 31 December 2008 – an EUR 239 million facility and a multiple currency credit facility originally totalling EUR 13 million, DKK 677 million, NOK 1 435 million and SEK 1 840 million. The group has also entered into a SEK 1 150 million financing agreement with Svenska Handelsbanken AB, and a SEK 565 million bilateral loan agreement.

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

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

Interest-bearing debt for Oslo Properties

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

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

NOTE 17 DEFERRED TAX

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

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

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

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

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

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

Change in deferred tax assets and deferred tax liabilities:

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

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

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

NOTE 18 OTHER OPERATING EXPENSES

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

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

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

(Amounts in NOK 1 000)

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

Payroll expenses

Payroll expenses for the year are specified as follows:

	2008	2007
Pay and other remuneration	**40 230**	24 122
Social security costs	**6 765**	4 036
Pension costs	**5 538**	5 389
Other payroll expenses	**4 236**	460
Total payroll expenses	**56 769**	34 008
Employees at 31 December	**37**	33
Number of full-time equivalent positions at 31 December	**37**	33
Average number of employees	**35**	16

Pension cost and pension obligation

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

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

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

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

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

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

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

Financial assumptions for defined benefit plans:

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

Remuneration of senior executives for 2008

Executive management:

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

[1] *Paid in 2008 after deducting bonuses earned for 2007, included in the amounts for 2007 as follows: 1 500 for Jansen, 345 for Skjelle, 516 for Fladby and 236 for Klami.*
[2] *Bonuses for 2008 to be paid in 2009, confirmed before the preparation of the annual accounts for 2008.*
[3] *In the event that their employment with Norwegian Property ASA is terminated, these employees are entitled six months salary as severance pay.*
[4] *Vice president and CFO until the end of February 2009.*

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

Board of directors:

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

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

Declaration on management remuneration

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

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

2. Principles for bonus payments
Senior executives can also receive variable bonus payments. These are determined by the individual's own performance in achieving key targets for the group as a whole, for a specific function or for a subsidiary in which the individual is employed. These targets may comprise the attainment of various performance improvements or financial criteria, including the development of the group's share price. Such criteria can be set by the board for the chief executive, and by the chief executive for other senior executives. Targets should as far as possible be measurable. Bonus payment will not exceed 50 per cent of the chief executive's annual salary or 30 per cent of annual base salary for other senior executives.

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

The group currently has no option programmes for employees.

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

5. Information on preparatory and decision-making processes
The board determines the annual pay terms for the chief executive at a meeting.

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

Auditor's fee for 2008

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

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

The auditor's fee is net of VAT.

NOTE 20 NET FINANCIAL EXPENSES

Net financial expenses are specified in the table below.

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

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

NOTE 21 INCOME TAX EXPENSE

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

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

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

NOTE 22 EARNINGS PER SHARE

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

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

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

NOTE 23 DIVIDEND PER SHARE AND DIVIDEND POLICY

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

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

NOTE 24 RELATED-PARTIES

General

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

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

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

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

Property transactions

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

2008

No shares were issued as consideration for property transactions.

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

2007

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

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

Facility management agreements (property management contracts)

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

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

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

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

Leases

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

Charging of interest and management fees to subsidiaries

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

NOTE 25 BUSINESS COMBINATIONS AND ACQUISITION OF MINORITIES

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

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

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

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

NOTE 26 CONTINGENT LIABILITIES

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

Contingent share purchase and guarantee agreement

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

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

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

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

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

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

Contingent investment obligation

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

NOTE 27 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

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

DIRECTORS' STATEMENT OF RESPONSIBILITY

The board of directors and the chief executive have today reviewed and approved the directors' report and the annual consolidated and parent company[1] financial statements for Norwegian Property ASA at 31 December 2008.

The consolidated financial statements have been prepared in accordance with the IFRS and IFRIC as adopted by the European Union and additional Norwegian disclosure requirements in the Norwegian Accounting Act in force at 31 December 2008. The parent company's financial statements[1] have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles at 31 December 2008. The directors' report for the group and the parent company complies with the requirements of the Norwegian Accounting Act and Norwegian Accounting Standard no 16 at 31 December 2008.

To the best of our knowledge:

- the annual parent company[1] and consolidated financial statements for 2008 have been prepared in accordance with applicable accounting standards
- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss as a whole at 31 December 2008 for the group and the parent company
- the directors' report for the group and the parent company includes a true and fair review of:
    - the development and performance of the business and the position of the group and the parent company
    - the principal risks and uncertainties facing the group and the parent company.

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

Tormod Hermansen
Chair

Harald Grimsrud
Deputy chair

Gry Mølleskog
Director

Nils K. Selte
Director

Synne Syrrist
Director

Petter Jansen
President and CEO

[1] *Not translated. Available in the Norwegian report only.*

AUDITOR'S REPORT

Deloitte.

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0213 Oslo

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Norwegian Property ASA

AUDITOR'S REPORT FOR 2008

We have audited the annual financial statements of Norwegian Property ASA as of 31 December 2008, showing a loss of NOK 4.190.711.000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements and the going concern assumption. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske 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 31December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements and the going concern assumption, is consistent with the financial statements and complies with law and regulations.

Oslo, 18 March 2009
Deloitte AS

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

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