



REGISTRATION DOCUMENT

**FASTEIGNAFÉLAGID STODIR HF.
MARCH 2007**

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1. Risk factors

The Issuer believes that the following factors may affect its ability to fulfill its obligations. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in its debt instruments, but the inability of the Issuer to pay the principal or other amounts on or in connection with any such instruments may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prior to making any investment decision, prospective investors and their financial and legal advisers should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below should be considered carefully.. The matters described below, among other factors, should be carefully considered by any prospective investor.

This document contains forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

All references to “we”, “us” and “our” under “Factors that may affect the Issuer’s ability to fulfil its obligations under the Notes issued” are references to the Issuer.

a. Risk relating to the Issuer

Below is a brief description of the main risks relating to the Issuer in general:

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor’s failure to meet the terms of any contract with Stodir or otherwise fail to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower. Stodir will be exposed to a credit risk that arises any time the Company’s funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Market risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in bond, security, and commodity prices and foreign exchange rates, amongst other fluctuations.

Asset portfolio risk

Stodir’s main operation is owning and renting commercial property. Therefore the Company is affected by fluctuations in the value of real estate. A large decrease in the value of real estate could affect the Company’s asset portfolio. There is also a risk associated with general developments of lease levels of commercial property for various sectors and the locations where the Company owns properties. The market situation when the lease contracts expire on the Company’s properties is an especially important consideration.

Interest rate risk

Interest rate risk arises from the Company's exposure, due to its financial obligations, to adverse movements in interest rates. All assets and liabilities are directly or indirectly affected by interest rates. Icelandic real estate is to a large extent financed by debt and will be exposed to interest rate fluctuations. Any period of unexpected or rapid increase in interest rates may therefore negatively affect Stodir's cash flow and profitability. The interest rate level over time will also be an important factor in the development of the value of the properties and the return which investors can obtain. The interest rate level could also indirectly affect rent levels by having a negative impact on the revenue of the tenants, but rent level is also relevant when renewing or entering into new leases. In general, if interest rates fall, the fair value of the portfolio rises and vice versa.

Tenant risk

The Tenants' financial status and strength, and thus their ability to service the rent etc. will always be a decisive factor when evaluating the risk of property projects. It would be unusual if some of the leases are terminated and new contracts are entered into. The termination of leases with subsequent vacancy of the premises, or lower rent levels, will influence the rental income negatively.

Stodir's main focus is renting commercial property to large companies and therefore the current rental revenues come from solid tenants. The ratio of Stodir's real estate which is not rented is currently 3%.

Inflation risk

Inflation could have an influence on the Company's asset portfolio. Should inflation increase it could result in an increase in the company's debt and it will also have the effect that interest rate will be higher and therefore lead to an increase in the Company's costs. On the other hand if there is no inflation the value of real estate could decrease and the gap between the Company's debts and its assets will narrow.

Currency risk

Stodir's reporting currency is the Icelandic krona. Stodir trades currency for its own account and maintains open currency positions in currencies other than the Icelandic krona. Although Stodir has taken steps to hedge a part of its foreign currency exposure, currency mismatches between assets and liabilities do exist at present. Furthermore, there is no guarantee that future mismatches will not occur. As a result, fluctuations in exchange rates may adversely affect Stodir's operating results and financial position.

Liquidity and Refinancing risk

Stodir is exposed to a liquidity risk that could materially affect Stodir's operating results and financial position. Liquidity risk can be divided into funding risk and market liquidity risk.

The definition of funding risk is the current or prospective risk to earnings and capital arising from the Company's inability to meet its liabilities when they come due without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.

Market liquidity risk is the current or prospective risk to earnings and capital arising from the Company's inability to quickly unwind its positions either at current market rates or at a rate which would not be adversely affected by the unwinding to such an extent which would result in unacceptable losses. Stodir is particularly exposed to liquidity risk as its holdings are in real estate and are therefore illiquid.

Operational risk

Operational risk is the risk of direct loss, indirect loss, or damage as a result of people's reputation, systems, inadequate or failed internal processes, or from external events.

Managing growth

Stodir intends to continue to grow its business through further expansion by means of acquisitions as well as via further penetration of markets in which it currently operates. The expansion of Stodir's operations will require significant investment, increased operating costs, the greater allocation of management resources away from daily operations, the continued development and integration of information management control systems, the continued training of management and other personnel, adequate employee supervision, and the delivery of consistent client product and service messages. The failure of Stodir to effectively manage these issues and the Company's growth, whilst at the same time maintain an adequate focus on its current operations, could have a materially adverse effect on its business, financial condition, and results of operations.

Key employees

Stodir's financial performance depends on its ability to attract, motivate, and retain highly competent managers and specialists. Stodir may be unable to attract and retain such people in the future.

Strategic holdings

Stodir mainly focuses on gaining strategic holdings in real estate companies as a principal investor in companies, securing a large enough holding to enable it to significantly influence the operations and development of these companies. This strategy requires that the investments are sufficiently large to justify resources allocated to them and to enable its management to influence the operations and decision making. Stodir's strategic holdings are therefore few in number and large, which exposes it to a liquidity risk and overall dependence on the development of the value of any individual investment. Stodir's efforts to influence the operations could also have a negative impact on the investment.

Legal risk

Stodir is a limited liability company which operates in accordance with the Limited Liability Companies Act no. 2/1995. The main rules affecting the Company are the Act on the Purchase of Real Estate no. 40/2002 (lög um fasteignarkaup) and the Rent Act, no. 36/1994 (húsaleigulög). A close watch is kept on pending changes to legislation and rules applicable to Stodir, and an assessment is made of the most suitable response in each case. The Company furthermore studies how new ventures will affect the Company from a regulatory standpoint. Changes to the applicable company laws, or if the Company becomes subject to different laws, might have an impact on how it continues to conduct its business.

The Company is contractually bound to honour various contracts in leasing and financing agreements. Should the Company become unable to fulfil the relevant covenants, or for some reason discontinue to do so, the lessors and financiers may become entitled to rescind these agreements, which might have financial consequences for the Company.

Because the Company's activities primarily concern the management and ownership of real estate, there is the inherent risk that the government may decide to change land use plans. Such changes to land use plans can affect the value of the Company's real estate. The Company may also be compelled to make changes to its real estate in order to comply with more stringent building standards and requirements, e.g. access for users with disabilities. Town planning and construction is governed by Act no. 73/1997.

In Iceland the preservation of buildings is governed by Act no. 104/2001. According to this act, it is permitted to preserve man-made constructions, buildings or parts of buildings which have cultural or artistic value and preservation may extend to the immediate area surrounding a protected construction. Even if the Company's real estate and immediate surroundings are not subject to these rules today, there is no guarantee that this will also be the case in the future

Litigation is a not a normal part of the Company's business but because its main business concerns real estate, litigation is always a possibility. Stodir is involved in litigation against the City of Reykjavík relating to the repayment of real estate tax of approximately ISK 20 million which the Company believes was excessively charged. The outcome of this litigation will not have a material adverse effect on the financial status of the Company. Stodir is not involved in any other litigation or arbitration that could substantially affect its financial position.

Reputational risk

Reputational risk is the risk that Stodir will suffer as a loss of revenue due to negative publicity regarding its business practices. This negative publicity may result from mistakes in conducting its business, from wrong decisions, or from Stodir or some related party not following general laws and regulations. If Stodir or its subsidiaries' reputation or credibility is negatively affected, owing to private or public discussion, Stodir's ability to grow may be impaired and future earnings may be adversely affected.

IT

The IT systems may be vulnerable to disruptions that are beyond Stodir's control. Possible disruptions could result from viruses, hackers, equipment failure, power failure, natural disasters or human error. Stodir has taken measures to prevent operating interruptions in case of a possible evacuation of its headquarters and has a plan of action in the possible event of such an evacuation. All IT systems are backed up at another regional location office. Should the need arise, operations may be continued at that back-up location. Stodir also has various initiatives in place to minimise the risk of failure in the IT systems, but there can be no assurance that these initiatives will adequately prevent disruption to the Company's operations.

Internal controls

Operational risk relates to the inner workings of Stodir, the competence of its employees, and the reliability of work processes and information systems. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes a risk of loss resulting from failure to comply with the Icelandic laws and regulations under which Stodir operates. Stodir is also exposed to incorrect analyses of investment options, which can have a negative impact on its financials.

Tax

Stodir could be affected by changes in tax legislation in any of the countries that influence its financial results. Stodir is not aware of any ongoing tax inspection concerning itself or its subsidiaries which may have a material impact on Stodir's financials. An investigation of Stodir's tax filings, as for any other Company, may be initiated at a later stage in accordance with relevant regulations and affect the Company's prospects. Stodir and the tax authorities may potentially have different opinions on how various financial arrangements within the company should be treated from a tax perspective. Stodir is of the opinion that it is in compliance with the relevant tax regulations and practices and should not expect claims from tax authorities relating to its treatment of income or any other financial issues.

Covenants

Stodir is contractually bound to honour various financing agreements. Should Stodir become unable to or for some reason cease to fulfil the respective covenants, the lenders and financiers may become entitled to rescind the agreements, which might have adverse financial consequences for Stodir.

2. Persons responsible

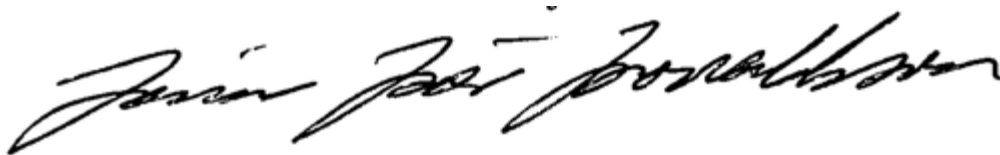
Fasteignafélagid Stodir hf., in its capacity as the Issuer, Icelandic ID-No.450599-3529, registered office at Kringlan 4 -12, 103 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavik, 30 March 2007

On behalf of the Issuer



Kristín Jóhannesdóttir,
Executive Chairman



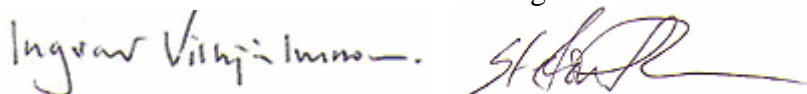
Jónas Þór Þorvaldsson
CEO

3. Manager

The Manager, Kaupthing Bank hf – Capital Markets, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Registration Document. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained or incorporated in this document or any other information provided by the Issuer in connection with the Bonds. The Manager does not accept any liability in relation to the information contained or incorporated by reference in this document or any other information provided by the Issuer in connection with the Bonds.

Reykjavik, 30 March 2007

On behalf of the Manager



Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Bond Trading

4. References and glossary of terms and abbreviations

References to the "Issuer", "Stodir" and "the Company" in this Registration Document shall be construed as referring to Fasteignafélagid Stodir hf., Icelandic ID-No.450599-3529, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. Fasteignafélagið Stoðir hf. is the legal Icelandic name of the Issuer.

References to "ICEX" in this Registration Document shall be construed as referring to the Iceland Stock Exchange, i.e. to Kauphöll Íslands hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Registration Document shall be construed as referring to the admission to trading on the bond market of the Iceland Stock Exchange, unless otherwise clear from the context.

References to "ISD" in this Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verðbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavik, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Registration Document shall be construed as referring to Kaupthing Bank hf. – Capital Markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

5. Documents incorporated by reference and for display

The following documents are incorporated herein by reference to, and form part of, this Registration Document:

- a. The Articles of Association for Fasteignafélagið Stodir hf.
- b. The annual account of Fasteignafélagið Stodir hf. for the operating year 2005.
- c. The annual account of Fasteignafélagið Stodir hf. for the operating year 2006.

Copies of documents incorporated by reference in this Registration Document and this Registration Document can be obtained from the Issuer's office and websites (www.stodir.is) and on the ICEX's News web (<http://news.icex.is>).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Registration Document which is capable of affecting the assessment of any Debt Securities, prepare a supplement to this Registration Document or publish a new Registration Document for use in connection with any subsequent issue of such Debt Securities. If a supplement is prepared, statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Registration Document or in a document which is incorporated by reference in this Registration Document. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this document

6. Notice to investors

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in any Debt Securities and carefully review the terms and conditions of the Debt Securities described in the relevant Securities Note..This Registration Document is to be read in conjunction with the documents which are deemed to be incorporated herein by reference (see “Documents incorporated by reference”). This Registration Document shall be read and construed on the basis that such documents are incorporated and form part of this Registration Document.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

This Registration Document is not (a) intended to provide the basis of any credit or other evaluation; or (b) a recommendation by the Issuer or the Manager that any recipient of this Registration Document should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Registration Document nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Debt Securities.

Neither the delivery of this Registration Document nor the sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should review, inter alia, the most recently published documents incorporated by reference into this Registration Document when deciding whether or not to purchase any Debt Securities.

ICEX has scrutinized and approved this Registration Document which is only published in English.

7. Key information

The Issuer's and the Bank's interests are connected in the following manner:

- At 31 December 2006 Kaupthing Bank was the second largest shareholder in Stodir, with holdings of 24,7% of the Company's total issued shares. There has not been significant change in Kaupthing Bank's holdings in Stodir since 31 December 2006.
- Stodir is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions.
- Kaupthing Bank is among Stodir's largest creditors.

8. Description of the Issuer

b. History

Fasteignafélagid Stodir hf., Icelandic ID-no. 450599-3529, Kringlan 4-12, 103 Reykjavík, Iceland, telephone number +354-5759000, was established and registered as an Icelandic limited liability company on 3 May 1999. Its operations are governed by Act no. 2/1995 on Private Limited Companies. Its Articles of Association state that its purpose is to buy and sell real estate and chattels, the letting of real property, property development, securities transactions and similar business. The Company regards itself as an investment company which specialises in the sale and leaseback of real property and this has remained its principal area of business ever since it was established and one which it still primarily focuses on. For a further description of the Issuer's business see 'Description of the Issuer' on page 0.

In May 2002 the real estate investment company Thyrrping hf. was merged into the issuer which made it by far the largest such company in Iceland. Prior to this, Eignarhaldsfélagid Kringlan hf., a large real estate investment company established in 1996, had merged into Thyrrping hf. which itself was established in 1991.

At the time of the merger, the total value of the assets of the two companies, Fasteignafélagid Stodir hf. and Thyrrping hf, were ISK 6 billion and ISK 14 billion respectively. Combined, the real estate owned by the two companies amounted to 160,000 sq. meters and comprised, inter alia, the offices of several governmental bodies in Borgartun 21, Reykjavik, the headquarters of Baugur hf. in Skutuvogur, Reykjavík, the former headquarters of Kaupthing Bank hf. in Ármúli, Reykjavík, and the branches and the headquarters of SPRON, the largest Icelandic S&L (Savings and Loans). More specifically the property portfolio of Thyrrping, prior to the merger, inter alia, comprised about 75% of the retail units in the shopping centre Kringlan, Hotel Esja (now Hotel Nordica), Hotel Loftleidir and retail units in both Spöngin shopping area and Holtagardar, Reykjavik.

Following the merger, Fasteignafélagid Stodir hf. has enhanced its asset portfolio, both through organic growth and strategic acquisitions, in particular in 2003 by acquiring all the outstanding shares in the real estate company Klettur ehf., which was previously owned by Kaldbakur hf. The asset portfolio of Klettur ehf. comprised many of the key real estates used by the municipality of Akureyri. In 2004 the Company acquired several other real estate investment companies whose asset portfolio, inter alia, included the offices of the National Registry of Iceland on Borgartún and the offices of Landspítali hospital in Eiríksgata. In 2005, the Company purchased all the retail outlets of Skeljungur hf., the local distributor for the Shell Oil Company.

However, the most notable acquisition which Fasteignafélagid Stodir hf. has made is the acquisition of the Danish investment company Atlas Ejendomme A/S (now Stodir Properties Holding A/S), whose property portfolio comprises almost 150,000 sq. meters, most of which is situated in the heart of Copenhagen and 85% of which is business property. Atlas Ejendomme A/S has historically focused on investing in high-end retail and office property in central Copenhagen, and the Danish state is currently the Company's largest tenant. The Company believes that the acquisition of Atlas Ejendomme A/S represents the largest single purchase of real property ever by an Icelandic entity, and it also ranks as one of the largest in the Danish property market in recent years. Atlas Ejendomme A/S has been consolidated in the Issuer's balance sheet since 6 January 2006.

In May 2006 Fasteignafélagid Stodir hf. acquired Langastétt ehf., a real estate investment company established in 1998, which owned numerous commercial properties in central Reykjavik and surrounding communities. Langastétt ehf. has been consolidated in the Issuer's balance sheet since May 1 2006.

The acquisition of Atlas Ejendomme A/S signifies the growing emphasis by Fasteignafélagid Stodir hf. on non-Icelandic property markets, where it believes there are good opportunities for it to expand its business by building on its expertise and experience attained in the Icelandic and Danish property markets, as opposed to Iceland where it finds that there are currently few areas into which it can develop its business.

In December 2006, the Company founded a second subsidiary in Denmark, named Atlas ejendomme II A/S, which was founded for the sole purpose of being a holding company for all the shares in six companies which are the current owners of the retail and warehouse facilities of Illum and Magasin in Copenhagen.

c. Description of Business

Fasteignafélagid Stodir hf. is an Icelandic investment company, founded in 1999, which specialises in the sale and leaseback of real estate property to strong corporate customers. According to the Company's articles of association the Company's object is buying and selling of real estate, rental of properties, property development, securities transactions and other related activities.

It currently has operations in two countries, Denmark and Iceland, and although it has traditionally focused its operations on the Icelandic market, which it regards as its home market, it intends, and has started to, by its acquisition of Atlas Ejendomme A/S (now Stodir Properties Holding A/S) in January 2006, to develop its business into overseas markets.

Currently the Icelandic and Danish Markets generate 100% of the operating income of Fasteignafélagid Stodir hf., with 76% being derived from its Icelandic operations and 24% from its Danish operations.

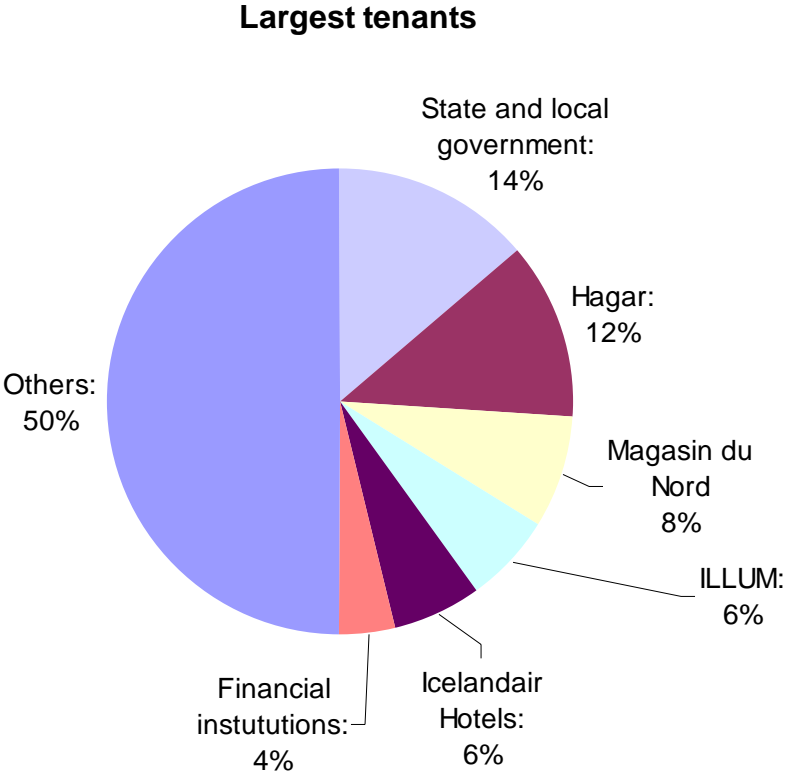
Fasteignafélagid Stodir hf.'s strategy is to buy and hold long-term leases where the properties are well located and the tenants have financial strength. It therefore focuses on acquiring well positioned and sought-after property for long-term lease to solid corporate customers, who either wish to free their capital or avoid tying capital in operations which are not a part of their core activities. For this purpose it both buys used properties and develops new properties where needed, in addition to providing extensive services for the maintenance of its properties.

Currently Fasteignafélagid Stodir hf. and its subsidiaries own 160 properties, 124 of which are located in Iceland and 36 located in Denmark. As of the date of issue of this Registration Document approximately 97% of these properties are being leased out to clients. In the Issuer's opinion this is a very strong ratio when compared to that of its principal competitors.

The Company conducts its business in such a way that it tries to ensure that its investments are well diversified with regard to their location, the types of business conducted and the type of tenant. In the Company's opinion such broad risk diversification creates a strong property portfolio and it feels that in many cases the location of the properties themselves is a fundamental basis for the business conducted within them. The Company's aim is therefore to minimise as far as possible the risks which are inherent in its business.

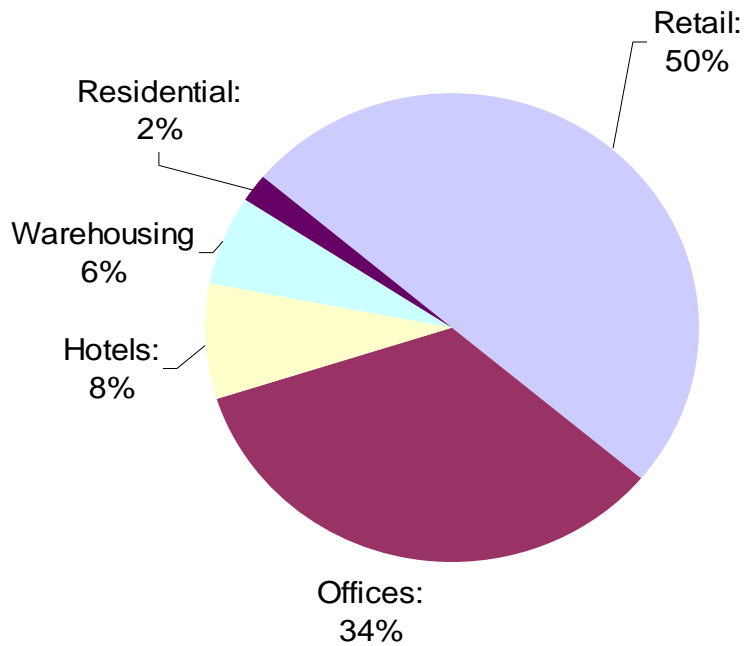
The Company has always placed great emphasis on choosing reliable tenants, both with regards to their financial strength and their competitiveness. The Company's largest corporate tenants are leaders in their respective fields of business. In addition it has increasingly let properties to state entities and local communities.

Currently, Baugur Group hf.'s subsidiary, Hagar hf., represents the Company's largest single tenant, generating approximately 12% of its rent income. This is the same proportion as its rent income from state and local authorities. A further breakdown of the rent income is provided in the following graph:



The Company considers its property portfolio to be well diversified by type of business, a factor which it believes greatly adds to the quality and the value of the portfolio. A breakdown of the diversification in this regard is provided in the following graph:

Properties by use



If the end date of the Company's current leases is weighted against the income they generate, it transpires that the weighted average residual lifespan of its leases is seven years. The leases, generally, do not contain termination clauses which may be relied on by the tenants, and, more specifically, most of the leases for large units cannot be terminated by their tenants.

d. Organisational structure

At the, Fasteignafélagid Stodir hf. is the parent company of the following legal entities, all of which are its fully owned subsidiaries and some of which are highly specialised in their operations:

Name:	Operation:
Átthagar ehf.	Letting of residential property in Reykjavík and Hafnarfjörður.
Líf fasteignir hf.	Letting of a single property in Lynghóls, Reykjavík.
S Fasteignir ehf.	Letting of all the retail outlets of the oil company Skeljungur hf., the distributor for the products of the Shell Oil company in Iceland.
Langastétt ehf.	Letting of commercial property in Reykjavík.
Atlas Ejendomme I A/S	Letting of commercial property in Copenhagen.
Atlas Ejendomme II A/S	Holding company, holding shares in six companies which own some of the retail and warehousing facilities of the Illum and Magasin department stores at different locations in Denmark.

During the course of 2006 Fasteignafélagid Stodir hf. has merged its former subsidiaries, Húsumsjón ehf., PSBP fasteignir ehf. and Krókhals 6 ehf. into the parent company. Furthermore it has sold all its holdings in Hagar ehf. and DBH Holding ehf. to Baugur Group hf., its principal shareholder.

At the date of issue of this Registration Document, Fasteignafélagid Stodir hf has holdings in the following affiliates:

Name:	Operations:
Thyrping hf.	Real estate development company in Reykjavik.
Saudahellir ehf.	Real estate investment company which owns retail properties in Reykjahlíð, Mývatnssveit.

Thyrping hf. was previously a subsidiary of the Issuer. In December 2005, Fasteignafélagid Stodir hf. sold a 29.7% stake in Thyrping hf. to Baugur Group hf., after which it retains a 49.3% share in Thyrping hf.

The Issuer believes that it is not dependent on its subsidiaries or its affiliates in performing its business.

e. Administrative, management, supervisory bodies and senior management

As an Icelandic limited liability company, the organisational structure of Fasteignafélagid Stodir hf. is governed by Act no. 2/1995 on Private Limited Companies.

Corporate governance

Corporate governance at Fasteignafélagid Stodir hf. is defined as the framework by which the Company is directed and controlled and the means by which relationships among the Company's management, its board, its shareholders and other stakeholders are conducted. This framework is largely set out in its Articles of Association and is supplemented by the relevant provisions of Act no. 2/1995 on Private Limited Companies. Furthermore, the Company has implemented and follows the corporate governance programme developed by the Icelandic Chamber of Commerce, the ICEX and the Confederation of Icelandic Employers in 2004, and which is inter alia outlined in the internal rules of the Company. The Company believes it is fully compliant with these guidelines, and intends to follow them with respect to its future structure and management.

The aim of the corporate governance programme at Fasteignafélagid Stodir hf. is to ensure disclosure and transparency, define the responsibilities of the board of directors and the management, define the rights and obligations of shareholders and stakeholders, ensure the equal treatment of shareholders, and avoid conflicts of interests between the parties. The board is ultimately responsible for the group's system of internal controls and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

Statutory bodies

The supreme authority in the affairs of Fasteignafélagid Stodir hf., within the limits established by its Articles of Association and statutory provisions, is in the hands of the Company's shareholders' meetings. Shareholders' meetings may be attended by shareholders, their representatives and advisors. Shareholders' meetings are also open to representatives of ICEX. Its annual general meeting shall be held before the end of June each year. At shareholders' meetings each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the Articles of Association or prescribed by law.

Board of directors

The board of directors of Fasteignafélagid Stodir hf. manages the Company's general affairs and endeavours to keep the organisation and operations consistent with the Company's mission and strategy. The Company's board of directors directs Company's affairs and works to ensure that the Company's organisation and activities are in good order at all times and that the accounting and the handling of the Company's funds are sufficiently supervised. The board of the Company shall be composed of five members. They are to be elected at the annual general meeting for a term of one year. The eligibility of members of the board shall be subject to statutory law.

The board of directors appoints the CEO of the Company and defines the terms of his remuneration. The board plans to assess the activity, work practices and procedures of the board annually in light of the Company's progress, with the assistance of outside parties, when appropriate. The internal rules governing the operations of the board of directors of the Company, state that board members should familiarise themselves with the provisions of law, the Company's Articles of Association, securities regulations, any rules which the Company may adopt and relate to the handling of inside information and insider trading, and other relevant rules. None of the the members of the board of directors of Fasteignafélagid Stodir hf. are employees of the Company. The following section lists the current members of the board of directors and their activities. It is not intended to be exhaustive, but details the main occupations and or other occupations that are linked to the ownership or operations of Fasteignafélagid Stodir hf. In references made to "related parties" that hold shares in the Company, related parties are linked to board members, where the board members have extensive influence over the investment activity of the related party.

Kristín Jóhannesdóttir (Born 1963), Reykjavik, Iceland.

Executive chairman of the board of Fasteignafélagid Stodir.

Kristín is a graduate from the University of Iceland with a Cand.Jur. degree in law. From 1988 to 1995 she practised law as a district court attorney at the law offices of Lögmenn Gardastræti. She attended post-graduate studies at Aarhus University from 1996 to 1999, when she became the CEO of Gaumur Holding. She has been the executive chairman of Fasteignafélagid Stodir hf. since 1999 and currently also serves as the executive chairman of Thyrring hf. Kristín's business address is at Sudurlandsbraut 48, 108 Reykjavík, Iceland.

Related Party: Baugur Group hf.

Ingibjörg S. Pálmadóttir (Born 1961)

Ingibjörg is an interior designer with a degree from Parsons School of Design in New York.

Ingibjörg currently owns and runs the 101 Gallery, an art gallery in Reykjavik. She also serves on the boards of directors of Á bleiku skýi ehf., Thyrring hf., Lýsi hf. and the Center for Icelandic Art, a government sponsored body tasked with promoting the Icelandic visual arts community with the international art network. Ingibjörg is one if the Company's four major shareholders and also has extensive ties with Baugur Group hf. Ingibjörg's business address is at 101 Hótel, Hverfisgötu 10, 101 Reykjavík, Iceland.

Skarphédinn Berg Steinarsson (Born 1963)

Skarphédinn graduated with a Cand.Oecon degree from the University of Iceland and a MBA degree from the University of Minnesota in 1990. He then undertook further post-graduate studies at Oklahoma State University between 1990 and 1991. Skarphédinn served as the secretary of the state privatisation board from 1992 to 2002. Furthermore he served as a department head at the ministry of finance from 1991 to 1998 and at the prime minister's office from 1998 to 2002. He is currently the managing director of Nordic Investments, the investment section of Baugur Group hf., the executive chairman of FL Group hf. and Húsasmidjan hf. and serves on the board of directors of Glitnir Bank hf. Furthermore he is a member of the board of directors of Keops Group, a Danish real estate investment company. Skarphédin's business address is at Túngata 6, 101 Reykjavík, Iceland.

Related Party: Baugur Group hf.

Elín Thórdardóttir (Born 1963)

Elín is a Cand.Oecon. from the Aalborg University in Denmark from where she also has an MS degree in business. She has in recent years been employed as the transformation manager of Eimskip hf. and Nyhedsavisen, the CFO of Islensk Erfðagreining and a business consultant to CCP hf. She is currently employed as a transformation manager for 365 media hf. and an employee of Dagsbrun Media Fund in Denmark. She currently serves on the board of directors of Lyfjathróun hf. and the clothing manufacturer Nikita ehf. Elín's business address is at Skaftahlíð 24, 105 Reykjavík, Iceland.

Related party: Baugur Group hf.

Jóhannes Bjarni Björnsson (Born 1967)

Jóhannes is self-employed attorney-at-law. He graduated from the University of Iceland in 1993, and became a district court advocate in 1994 and a supreme court advocate in 2005. After graduation he was employed briefly as an assistant to the Keflavík district commissioner, but has since the latter part of 1993 been employed at the legal practice at Lögmenn Skólavordustíg 12, where he has been a partner since 1998. Jóhannes is also a lecturer at Reykjavik University. Jóhannes' business address is at Skólavördustígur 12, 101 Reykjavík, Iceland.

In the Company's opinion there are no conflicts of interest between individual members of the board of directors of Fasteignafélagid Stodir hf., its managers, auditors and compliance personnel, on one hand, and the Company, on the other.

The business address of the board of directors, as well as senior management is Fasteignafélagid Stodir hf., for the attention of the relevant person, Kringlan 4-12, 103 Reykjavik, Iceland.

None of the members of the board of directors of Fasteignafélagid Stodir hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of them has in the last five years been convicted for any criminal act been subjected to sanctions by statutory or regulatory authorities. Furthermore, none of them has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

In November 2003 the Icelandic tax authorities searched the headquarters of Gaumur Ltd. which is a holding company of which Kristin Jóhannesdóttir is the manager, and seized the company's accounting files on the suspicion of tax violations. The Icelandic Directorate of Tax Investigations delivered their preliminary report to the company in July 2004. The report was then sent to the appropriate tax authorities and they restated the company's taxes for the years 1999 until 2003. The company appealed this decision to the State Internal Revenue Board where the case is still pending. The National Commissioner of the Icelandic Police has also commenced an investigation into the alleged tax violations which has not been concluded at the date of this Registration Document.

Senior Management

The CEO is in charge of the day operations of the Company and represents the Company in all matters concerning normal operations. The CEO manages the accounts of the Company and hires its employees. The CEO provides the board of directors and auditors with all necessary information on the operations of the Company which they might request and should be granted according to statutory law.

The chief executive officer of Fasteignafélagid Stodir hf. is Jónas Thór Thorvaldsson, born in 1967. Jonas graduated with a Cand. Polyt. in Mechanical Engineering from the University of Iceland in 1991 and a BFA degree in Filmmaking from the California College of Arts and Crafts in 1995. He was employed as a bond broker at Íslandsbanki hf. (now Glitnir Bank hf.) from 1996-1997 and a bond broker at Kaupthing Bank hf. from 1997-2000. He became the CEO of Fasteignafélagid Stodir hf. in 2000 and the CEO of Atlas Ejendomme A/S in 2006. Jónas Thór has also served on the board of directors of Keops Group.

Jónas Thór Thorvaldsson has received, during the course of the last five years, no convictions in relation to fraudulent offences. Furthermore he has not in the last five years been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. Jónas Thór Thorvaldsson has not, in the last five years been the subject to any official incrimination and/or sanctions by statutory or regulatory authorities and has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

The other senior officers of Fasteignafélagid Stodir hf. are Gunnar Petersen, managing director of finance, Örn V. Kjartansson, managing director of leasing and development in Iceland, and Sigríður Hrefna Hrafnskelsdóttir, managing director of leasing and development in Denmark. They all serve under the CEO of the Company.

Auditors

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Fasteignafélagid Stodir hf. for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation, and has access to all the Company's books and documents for this purpose. Auditors are not elected from among the members of the board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

The chartered accountant and registered auditor of Fasteignafélagid Stodir hf. is Anna Þórðardóttir, national ID no. 210960-5629, of KPMG Endurskodun hf., national ID no. 590975-0449 Borgartúni 27, Reykjavík, Iceland.

Compliance officer

A compliance officer is employed within the Company. The compliance officer is directly responsible to the CEO and is independent in his or her duties. The compliance officer monitors the implementation of insider rules adopted by the Company, including rules regarding securities trading by employees and primary insiders. The compliance officer is responsible for interpreting the rules, and takes decisions based on the rules. The compliance officer makes proposals for improved working procedures for various positions within the Company and helps develop and maintain the compliance monitoring system.

f. Employees

At the end of December 2006 the total number of employees at Fasteignafélagid Stodir hf. and its subsidiaries was 35. The Issuer employed on average six employees in 2003, 11 employees in 2004 and 16 employees in 2005.

The majority of the employees of Fasteignafélagid Stodir hf. are based at its headquarters in Iceland, Kringlan 4-12, Reykjavik. Fasteignafélagid Stodir hf. employs, from time to time, an insignificant number of temporary employees.

g. Major Shareholders

As of the date of this Registration Document there were 90 shareholders in Fasteignafélagid Stodir hf. The four largest shareholders owned a total of 91.64% of the Company's total issued share capital.

These shareholders are:

Baugur Group hf. with 38.94%

Kaupthing Bank hf. 18,29%, including its holdings held through an omnibus account with Arion hf.

Ingibjörg Pálmadóttir and Eignarhaldsfélagid ISP ehf with 14,18%

Baugur Group hf. is an international investment company which focuses on investments in the services, retail and real estate sectors. The majority of its investments are located in the UK, Denmark and Iceland.

Ingibjörg Pálmadóttir (along with her investment company Eignarhaldsfélagid ISP ehf.) is an experienced professional investor with widely distributed holdings in Icelandic companies. She serves on the board of Fasteignafélagid Stodir hf. For further information on Ingibjörg, see 'Board of Directors' on page 14.

Kaupthing Bank hf. is among the Nordic region's eight largest banking groups and is the largest bank in Iceland. The bank has operations in ten countries, including all the Nordic countries. Kaupthing Bank hf. is the leading player in all key areas of the Icelandic financial market.

Kaupthing Bank hf. is one of Baugur Group hf.'s largest creditors and the two companies frequently participate in investment projects, such as Fasteignafélagið Stoðir hf., together. Between them, Baugur Group hf. and Kaupthing Bank hf. own 78.86% of the Company's issued share capital.

In December 2006 Kaupthing Bank hf. and Baugur Group hf. entered into a contract whereby on 8 December 2008 Kaupthing Bank hf. has the right to sell, and Baugur Group hf. has the right to purchase 498.165.388 shares of the Company or 22.94% of the Company's total issued share capital. The option may only be exercised in whole and not in part and may not be exercised prior to 8 December 2008. Kaupthing Bank hf. retains the voting rights and the right to dividend in respect of the shares until the option is exercised.

Minority interests are safeguarded by the provisions of Act No. 2/1995, on limited liability companies and the Company's Articles of Association.

h. Related Party Transactions.

Fasteignafélagid Stodir hf. does not believe that it has entered into any transactions with its subsidiaries, shareholders, employees or related parties otherwise than on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

However, in June 2006, Fasteignafélagid Stodir hf. sold a 29.7% stake in Thyrrping hf. to Baugur Group hf. In relation to the sale, the Company provided Baugur Group hf. with a subordinated loan of EUR 33.2 million which shall be repaid in by a single payment, along with accrued interest, on 10 July 2011.

As described in the Company's annual account for year 2006, dated 16 February, it has guaranteed debt for its subsidiaries Atlas Ejendomme A/S and Atlas Ejendomme II A/S amounting to ISK 48,289 million (2005: ISK 18.430 million) at the end of 2006.

i. No material adverse change.

The Issuer submits that there has not been any material adverse change in the prospects, financial and trading position of its group since the date of its latest published financial information, i.e. the annual account of Fasteignafélagið Stodir hf. for the operating year 2006.

9. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses

Operations

The financial statements contain the consolidated accounts of Fasteignafélagid Stodir hf. and its subsidiaries. The Company's primary activity is the leasing and operation of commercial housing.

Operating profits for the year 2005 amounted to ISK. 2.159 million.

At year end 2005 the Company entered into an agreement to purchase the entire share capital of the Danish real estate company Atlas Ejendomme A/S, and the operations of this company are included in the group's consolidated accounts from the date of acquisition, 6 January 2006. In May 2006 the Company purchased the entire share capital of Langastétt ehf. and the operations of this company are included in the group's consolidated accounts as of 1 May 2006.

Operating profits for the year 2006 amounted to ISK. 4.327 million. Total assets of Fasteignafélagið Stodir hf. and its subsidiaries in the end of 2006 amounted to ISK 156.634 and have increased by ISK 84.096 million. Equity at year end 2006 was ISK 22.717 million compared to 10.832 million at year end 2005.

The subsidiaries Húsumsjón ehf., PSBP Real Estate ehf., and Krókháls 6 ehf. were merged with the company on 1 January 2006. During this time the company sold to Baugur Group ehf. its stake in Hagar ehf. and DBH Holding ehf. Through its subsidiary Atlas Ejendomme II A/S, the company acquired in December 2006 the ILLUM shopping center on the Strøget high street in Copenhagen as well the Magasin du Nord shopping centers in Lyngby, Odense, and Århus. The operation of these properties became part of the company's consolidated accounts as of year end 2006. In December 2006 the company acquired the entire share capital of FS6 ehf., whose primary assets are Kringlan 1, 3, and 5. This also includes building rights on the Kringlan premises. These operations became part of the company's consolidated accounts as of year end 2006.

Total profit for the year 2006 reached ISK 11.395 million, compared with ISK 2.085 million for the year 2005.

Key Figures – Group

(All amounts in ISK millions)

Profit & Loss Account	2006	2005
Operational revenues	6.191	4.140
Operational costs for properties	1.864	1.981
Operating profit	4.327	2.159
Net financial expenses	-7.329	-1.259
Pre-tax profit	-3.002	900
Changes to valuations of investment property and sales profit	16.212	1.133
Salesprofit derived from investment property	488	213
Income tax	-2.303	-161
Total profit for the period	11.395	2.085
Cash Flow		
Net cash from operating activities	2.144	1.513
Cash from investment activities	-38.942	-11.508
Cash from financing activities	37.202	9.135

Balance Sheet

The Company's total assets as of 31 December 2006 amounted to ISK 156.634 million, compared with ISK 72.538 at year end 2005. The company's equity as of 31 December 2006 totalled ISK 22.717 million, of which ISK 2.200 million was share capital. Equity at year end 2005 was ISK 10.832.

Balance Sheet (ISK millions)	31.12.2006	31.12.2005
Fixed assets	151.800	58.921
Current assets	4.834	13,617
Combined Assets	156.634	72,538
Equity	22.717	10,832
Subordinated loans	0	1,684
Deferred tax liability	10.136	2,250
Long-term liabilities	98.546	41,894
Short-term liabilities	25.235	15,878
Total equity, sub. loans, and liabilities	156.634	72,538

The Company's accounts for the years ending 31 December 2005 and 31 December 2006, respectively, have been audited and the annual accounts for these years have been endorsed without remarks by KPMG Endurskoðun hf., the Company's independent accountants.

Annex I

ARTICLES OF ASSOCIATION FOR

FASTEIGNAFÉLAGIÐ STOÐIR HF.

1. COMPANY NAME, DOMICILE AND OBJECT

1.1.

The Company is a Public Limited Liability Company. Its name is Fasteignafélagið Stoðir hf.

1.2.

The Company's domicile is at Kringlan 4-12, Reykjavík.

1.3.

The Company's object is buying and selling of real estate, rental of properties, property development, securities transactions and other related activities.

2. THE COMPANY'S SHARE CAPITAL

2.1.

The Company's share capital amounts to ISK 2,202,000,000 - two billion two hundred and two million Icelandic krona - and is divided into shares of one krona each. Shareholders shall have pre-emptive rights to all new shares in proportion to their registered shareholdings. Only a shareholders' meeting may decide on a reduction of share capital.

A shareholders' meeting has decided that the Company will issue six bonds, each with a nominal value of ISK 200,000,000 and one bond with a nominal value of ISK 279,757,682 or in total seven bonds with a total value of ISK 1,479,757,682 or a corresponding value in EUR as of 27 June 2002, with the option of converting them into shares with a nominal value of up to ISK 503,010,973. If the bonds are converted into shares the Board of the Company is authorised to increase the Company's share capital with the corresponding amount and to use it for redemption of the bonds.

2.2.

Share certificates shall be numbered and registered in the name of the holder. The Board of Directors of the Company shall maintain a share register as stipulated by law.

The Board of Directors of the Company is authorised to determine that the Company's share certificates be recorded electronically in conformity with the provisions of the Act on Electronic Registration of Title to Securities.

2.3.

Vis-à-vis the Company the register of shares shall be considered to constitute fully valid evidence of ownership of shares in the Company and transfer of ownership does not enter into effect until the Board has been notified thereof in writing.

2.4.

Shareholders are not responsible for the Company's liabilities in excess of their holdings in the Company.

2.5.

No privileges are attached to shares in the Company. Shareholders are not subject to redemption of their shares unless otherwise provided by law.

3. ORGANISATIONAL STRUCTURE AND SHAREHOLDERS' MEETINGS

3.1.

The supreme authority in the affairs of the Company is in the hands of valid shareholders' meetings.

3.2.

An Annual General Meeting shall be held before the end of June each year.

Extraordinary shareholder meetings shall be held at the discretion of the Board of Directors or at the request of elected Auditors or shareholders holding at least one-tenth of the Company's shares. Such a request shall be made in writing and state the business of the meeting, in which case the meeting shall be convened within fourteen days. If the Board of Directors neglects to convene a meeting following receipt of such a request, the assistance of the Minister of Commerce may be sought as provided for in article 87 of the Act respecting Public Limited Companies.

3.3.

The Board of Directors of the Company shall call shareholders' meetings by notifying each shareholder by registered mail or telegram or other equally verifiable means. The Annual General Meeting and extraordinary shareholders' meetings shall be called with notice of at least seven days. The notice shall specify the business of the meeting. If the meeting will be addressing motions for changes to the Articles of Association the principal subject of the motion shall be specified in the notice.

A shareholders' meeting is valid if legitimately convened.

The shareholders' meeting elects the Chair and Secretary for the meeting.

3.4.

Each share carries one vote. Shareholders may, by means of a written proxy, appoint proxy holders to attend a shareholders' meeting and exercise their voting right.

Decisions at shareholders' meetings shall be taken by majority vote unless otherwise provided by statutory law or these Articles of Association.

Matters which have not been specified in the agenda of an Annual General Meeting or other shareholders' meetings cannot be submitted for final resolution at the meeting except with the approval of all the Company's shareholders.

3.5.

The Agenda of the Annual General Meeting shall include the following:

1. The Board of Directors' report on the activities during the previous year of operation.
2. The Consolidated Financial Statements for the preceding year's activities together with the Auditors' Report submitted for approval.
3. A decision shall be made regarding the disposal of profits or losses and contributions to the reserve fund.
4. A decision shall be made regarding remuneration to the Directors for the preceding fiscal year.
5. Amendments to the Articles of Association.
6. The members of the Board of Directors and an Auditor or a firm of Auditors shall be elected.
7. Discussion and voting on any other business legitimately submitted.

3.6.

Minutes shall be kept of proceedings at shareholders' meetings.

4. THE COMPANY'S BOARD OF DIRECTORS AND GENERAL MANAGER

4.1.

The Board of Directors of the Company shall be composed of five members elected at an Annual General Meeting for a term of one year, and three reserves. The Board of Directors has charge of the affairs of the Company between the shareholders' meetings and guards its interests against any third party. Signatures of three members of the Board are binding for the Company. Meetings of the Board are legitimate if three members are present. The plurality of votes will decide issues. Minutes shall be kept of Board meetings.

4.2.

The Board of Directors allocates tasks among its members. The Chairman shall call Board meetings. Each member of the Board can request a meeting. The General Manager has the same right to request meetings. Meetings of the Board are legitimate if a majority of its members are present.

The Board of Directors shall set down procedures further detailing the execution of its duties.

4.3.

The Board of Directors appoints a General Manager of the Company and decides the terms of his employment. The Board also grants powers of procuration for the Company.

The General Manager has charge of the day-to-day operations of the Company and represents it in all matters pertaining to routine operations. The General Manager is responsible for accounting and the recruitment of staff. The General Manager shall provide the Directors and Auditor with all information regarding the operations of the Company that they may request and must be supplied under law.

5. ACCOUNTS AND AUDIT

5.1.

At the Annual General Meeting of the Company, a Certified Public Accountant or a firm of Auditors shall be elected for a one year term.

5.2.

The fiscal year shall be the calendar year. The annual accounts shall be completed and submitted to the Auditor no later than one month before the Annual General Meeting.

6. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

6.1.

These Articles of Association may be amended at a legitimately convened shareholders' meeting by 2/3 of votes cast and the approval of shareholders controlling at least 2/3 of the shares in the Company whose votes are represented at the meeting.

6.2.

Motions for the dissolution or winding up of the Company or its merger with other companies shall be subject to the same rules as amendments to these Articles of Association. The approval of shareholders controlling at least 2/3 of the Company's total shares is required to carry such a motion. A shareholders' meeting that has made a lawful decision to dissolve or wind up the Company shall also decide the allocation of its assets and the payment of its debts.

7. OTHER PROVISIONS

7.1.

Matters which are not regulated in these Articles shall be subject to the provisions of the Act respecting Public Limited Companies as well as any other applicable legal provisions.

Approved at the General Annual Meeting on 31 March 2005, cf. meeting of the Board 20 April 2005, meeting of the Board 10. February 2006 and meeting of the Board 16. February 2007.

