



VOLUNTARY TENDER OFFER TO THE SHAREHOLDERS OF

**KEOPS A/S**

(CVR-NO 36850019)

SUBMITTED BY

**FASTEIGNAFÉLAGIÐ STODIR HF.**

(REGISTRATION NO 450599-3529)

27 JULY 2007



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# 1 IMPORTANT NOTICE

## Background

This Offer Document and the acceptance form contain important information, which should be read carefully before making any decision with respect to accepting the Tender Offer.

No person has been authorised to disclose information on behalf of the Offeror, Glitnir Banki hf (“Glitnir”), Keops A/S (“Keops”) or any other party other than as contained in this Offer Document. If information, other than disclosed in this Offer Document, is given or made, such information cannot be relied upon as having been put forward or authorised by the Offeror.

## Choice of Law

This Tender Offer as well as acceptance hereof is governed by Danish law.

This Tender Offer is not being made to shareholders whose participation in the Tender Offer requires an offer document, registration or measures other than those required by Danish law. This Tender Offer is not intended for and thus not being made directly or indirectly in USA, Canada, Australia or Japan or any other jurisdictions in which the making of this Tender Offer or the acceptance thereof would be contrary to the laws of the relevant jurisdiction, and this Offer Document may not be distributed to Keops shareholders resident in such jurisdictions. Persons into whose possession this document may come are required to obtain all necessary information about any restrictions and to observe such restrictions.

## Language

This Offer Document has been prepared in Danish and English. In case of inconsistencies between the two versions the Danish text shall prevail.

## Changes to the Tender Offer

Any changes to the terms and conditions of the Tender Offer will be announced through the OMX Nordic Exchanges A/S (“OMX”), the Danish FSA (“Finanstilsynet”) and by means of a press release, if and to the extent required under applicable laws, rules and regulations.

## Forward-looking Statements

This Offer Document may contain forward-looking statements with respect to certain of the Offeror’s plans and their current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Offeror and/or Keops, including amongst other things, Danish and Icelandic domestic and global economic business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Offeror and the Keops Group operate. As a result, the actual future financial condition, performance and results of the Offeror and/or Keops may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Neither the Offeror and/or Keops undertake any obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation.

### **Purchases Outside Tender Offer**

Keops shareholders should be aware that the Offeror or its affiliates, advisors or any broker or other financial institution acting as the Offeror's agent may, subject to applicable rules and regulations, from time to time purchase or make arrangements to purchase shares in Keops outside of the Tender Offer, from Keops shareholders who are willing to sell outside of the Tender Offer, including purchases in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchase will in such case be made in accordance with applicable rules. Any information about such potential purchases will be disclosed in accordance with applicable rules.

### **Currency Conversion**

Figures in Icelandic krona ("ISK") have been converted in this Tender Offer to Danish kroner ("DKK") at the following rates: 0.08914 (DKK/ISK) or 11.2183 (ISK/DKK).

## 2 INTRODUCTION

### 2.1 Tender Offer

Fasteignafélagið Stoðir hf. ("Stoðir" or the "Offeror") hereby makes a voluntary conditional public tender offer (the "Tender Offer"), to the shareholders of:

**Keops A/S**  
(CVR No. 36850019)  
Scandigade 8  
DK-2450 Copenhagen SV

to acquire all of the share capital ("the Share Capital", each individual share being a "Keops Share") and appurtenant voting rights in Keops for a consideration of:

- DKK 24.00 in cash for each Keops Share of a nominal value of DKK 1.00 ("Cash Offer Price"); or
- 19.23139 New Stoðir Shares<sup>1</sup> of a nominal value of ISK 1.00 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment, will be rounded up to the nearest integer ("Share Payment")

on the terms and conditions specified in this Tender Offer. In this Offer Document, Keops A/S is referred to as "Keops" or the "Company", and Keops including its subsidiaries is collectively referred to as the "Keops Group".

The Tender Offer contained in this Offer Document is subject to the takeover provisions of the Danish Securities Trading Act (Consolidated Act No. 479 of 1 June 2006, as subsequently amended) and the Executive Order on Tender Offers (the Executive Order No. 416 of 8 May 2006 on Tender Offers and Shareholder Disclosure Requirements as amended).

The Offer Document has been reviewed by the Danish Financial Supervisory Authority in order to ensure that the requirements applicable to the Offer Document are met.

Pursuant to the Executive Order on prospectuses for securities, being listed or traded on a regulated market and first public offering of securities for more than 2,500,000 Euro (No. 306 of 28 April 2005), section 12(2), the offering of shares in Stoðir in connection with the Tender Offer is exempted from the obligation in the Danish Securities Trading Act, sections 23 and 24 to publish a prospectus.

The Tender Offer as well as acceptance thereof shall be subject to Danish law.

### 2.2 Offer Period

The offer period commences on 27 July 2007 and expires on 31 August 2007, at 20.00 CET or at the expiration of any extension of the Offer Period as described in section 4 below (the "Offer Period"). Acceptances of the Tender Offer must be received by Glitnir through the tendering Keops shareholders' own custodian bank or stockbroker prior to the expiry of the Offer Period.

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<sup>1</sup> The ratio of 19.23139 has been determined by using a price per new Stoðir shares of ISK 14.00, an DKK/ISK exchange rate of 0.08914 and a cash price per Keops Share of DKK 24.00. The price per Stoðir share is supported by a valuation carried out by Glitnir estimating the market value of Stoðir at ISK 38,136 million (DKK 3,399million).

## 2.3 Offer Price

The Keops shareholders are offered a choice between:

- a cash consideration of DKK 24.00 for each Keops Share of a nominal value of DKK 1.00 ("Cash Offer Price"); or
- 19.23139 New Stoðir Shares of a nominal value of ISK 1,00 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment, will be rounded up to the nearest integer.

Stoðir has, on behalf of Keops shareholders tax resident in Denmark, received permission from the Danish tax authorities for the new Stoðir shares to be treated in accordance with the rules on tax exempt share-for-share exchanges. See further details below in section 4.

In the table below the conversion ratio for Keops shareholders who accept the Tender Offer depending on the number of Keops Shares owned is illustrated:

*Table 1. Conversion of Keops Shares to New Stoðir's Shares*

	NUMBER OF KEOPS SHARES OWNED BY A SINGLE SHAREHOLDER					
	1	10	100	1,000	10,000	100,000

If the Tender offer is accepted,

the shareholder can elect to

receive either Cash Offer Price in

the amount of (DKK):

24	240	2,400	24,000	240,000	2,400,000
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Or

Payment in the form of New

Stoðir Shares (rounded up):

20	193	1,924	19,232	192,314	1,923,139
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### **Assumptions:**

DKK/ISK exchange rate 0.08914

Price per Stoðir share (ISK) 14.0

Price per Stoðir Share (DKK) 1.24796

The Keops Shares are listed on the OMX. On 28 June, the last Stock Exchange Day before the announcement of the Tender Offer, the closing share price quoted on the OMX was DKK 22.0 per Keops Share. The Offer Price represents a premium of approximately 9.1% over the closing share price of the Keops Shares on 28 June 2007. The table below shows the volume weighted average prices ("VWAP") for Keops Shares on the OMX for certain periods together with the premium represented by the Offer Price.

Table 2. Premiums in Connection with the Tender Offer for Selected Time Periods

PERIOD	KEOPS SHARE PRICE <sup>2</sup> (DKK)	OFFER PREMIUM
28 June 2007 <sup>1</sup>	22.0	9.1%
30 days up to and including 28 June 2007 <sup>1</sup>	21.2	13.2%
3 months up to and including 28 June 2007 <sup>1</sup>	20.5	17.1%
6 months up to and including 28 June 2007 <sup>1</sup>	20.3	18.2%
12 months up to and including 28 June 2007 <sup>1</sup>	20.7	15.9%

<sup>1</sup> The last Stock Exchange Day before the publication of the Offeror's intention to put forward the Tender Offer.

<sup>2</sup> Volume Weighted Average Price (except for 28 June 2007 where the closing share price is used).

## 2.4 Stoðir

Stoðir is the largest real estate company in Iceland with substantial activities in Denmark. Stoðir was founded in 1999 by Baugur Group hf ("Baugur") and specialises in sale and leaseback of real estate property to public and established corporate customers.

Stoðir owns 169 properties, 132 of which are located in Iceland and 37 located in Denmark. As of 1 July 2007 approximately 97% of these properties are being leased out to clients. Stoðir's properties comprise in total of 648,000 m<sup>2</sup>, whereof 44% are retail properties, 38% are office buildings, 9% are warehouses, 8% are hotels and 2% are residential properties.

Stoðir's revenues in 2006 amounted to DKK 552 million and net profit amounted to DKK 1,016 million. Stoðir has grown significantly during the first 6 months of 2007 notably due to the take-over of the second largest real estate company in Iceland, Landsafl ehf. At 30 April 2007 Stoðir had total assets of DKK 15,222 million and equity of DKK 2,783 million.

Stoðir is an unlisted public limited liability company whose largest shareholders are Baugur (39%), Ingibjörg S. Pálmadóttir (32%) and Landsbanki Islands hf. (11%). See section 7.12 for a detailed list of the largest shareholders in Stoðir.

## 2.5 Existing Holdings of Keops Shares

As at the date of publication of the Offer Document, the Offeror does not hold any Keops Shares. Except as described below under "Agreements with major Keops shareholders" and "Warrants", Stoðir is not party to any agreements of any nature pursuant to which Stoðir is entitled to receive shares in Keops.

The Offeror has not (directly or indirectly) bought Keops shares at a higher price than the Offer Price within the last 12 months or acquired any rights to do so.

## 2.6 Agreements with major Keops Shareholders

Baugur and Fons Eignarhaldsfélag hf. ("Fons") have both announced that they have committed themselves to accept the Tender Offer in exchange for New Stoðir Shares. Baugur and Fons each holds 54,717,110 and 57,448,442 shares respectively, corresponding to nominally DKK 54,717,110 and 57,448,442, which represents 30.28% and 31.79% of the Share Capital of Keops, excluding the Treasury Shares, but including the Warrants. On 25 May 2007 Keops announced that it held 3,604,016 Keops Shares in treasury, corresponding to nominally DKK 3,604,016 which represents 1.99% of the Share Capital (the "Treasury Shares"). Some of these Treasury



Shares may be used by Keops to settle its obligations under the Warrant Programme. From the 2005/06 Keops' annual report (note 4) and the stock exchange announcements dated 9 November 2006 and 16 April 2007 it can be seen that Keops has issued Warrants equal to 2,900,000 Keops Shares corresponding to nominally DKK 2,900,000. Keops has informed that currently only Warrants corresponding to 2,800,000 Keops Shares are in effect corresponding to nominally DKK 2,800,000.

Baugur's and Fons' combined holding of Keops Shares represents 62.07% of the Share Capital, excluding the Treasury Shares, but including the Warrants.

Stoðir has entered into an agreement with Baugur and Fons, whereby Keops has been granted an option to put Keops' shares in Keops Development A/S on Baugur and Fons, or a joint venture company owned more than 50% by Baugur and Fons, at a cash price of DKK 225 million. The option expires on 31st of December 2007 and is conditional upon the completion of the Tender Offer. Further, this put option will only be exercised if the price corresponds to a market price, which is supported by a valuation report.

Keops' proceeds from this divestment may be used to pay back interest bearing debt in Keops or for dividend payments, which by Stoðir may be used to pay back interest bearing debt taken up by Stoðir in connection with this Tender Offer.

## **2.7 Conditions**

The Tender Offer is subject to the following conditions:

- That the Offeror will receive and hold valid acceptance corresponding to more than 90% of the Share Capital (the Warrants added) and votes in Keops;
- That completion of the Tender Offer has not been precluded or materially obstructed by new legislation (actual or proposed), court decisions, or decisions by Danish or Icelandic public authorities;
- That Keops does not declare and pay dividends or make or decide to make any other distribution to its shareholders prior to the expiration of the Offer Period; and
- That all necessary regulatory approvals have been obtained from the Danish FSA.

During the Offer Period, the Offeror reserves the right to waive in whole or in part one or more of the conditions of the Tender Offer.

Stoðir's shareholders have authorised its Board of Directors to issue New Stoðir Shares as consideration to those Keops shareholders who choose to receive such shares as payment for their shares in Keops. The condition regarding this matter included in the Tender Offer Announcement of 29 June 2007 is thus fulfilled.

## **2.8 Other Important Information**

The Offeror is submitting the Tender Offer in order to acquire all of the Share Capital and all votes in Keops.

If, upon settlement of the Tender Offer, the Offeror owns more than 90% of the Share Capital and votes in Keops, the Offeror intends to:

- Request that an extraordinary General Meeting of Keops is convened to elect new members of the Board of Directors of Keops;
- Request an authorisation from the shareholders at a General Meeting of Keops to apply for a delisting of the Keops Shares from the OMX;

- Request an authorisation from the shareholders at a General Meeting of Keops to the Boards of Directors to declare and pay out extraordinary dividends pursuant to the Danish Companies Act; and
- Initiate a Compulsory Redemption procedure pursuant to the Danish Companies Act, with a view to acquire the remaining Keops Shares not owned by the Offeror.

The Offeror will not, directly or indirectly, provide any remuneration or any other kind of compensation to the management or to the Board of Directors of Keops in connection with the Tender Offer and confirms that no agreements have otherwise been entered into with the management or the Board of Directors in Keops except the agreements described below in section 2.9 that relate to the Tender Offer and are of significance to the assessment of the Tender Offer.

Prior to the publication of the Offer Document, Stoðir has at a board meeting in Keops presented the background and rationale behind the Tender Offer. In addition hereto, Stoðir and Keops have discussed the Warrant Programme of Keops as described in Section 2.9.

## **2.9 Warrants**

Stoðir notes that some of the Warrants issued by Keops as part of the Warrant Programme, entitling the holder(s) to subscribe for a total of DKK 500,000 Keops Shares are fully vested, and are available for exercise. The Tender Offer applies to such Keops Shares, which the holder(s) will acquire pursuant to an exercise, and any exercise of such warrants should be made in due time for the Keops Shares to be delivered to the holder(s), which would allow the holder(s) to tender their Keops Shares under this Tender Offer and deliver the Keops Shares to Stoðir at completion thereof.

In respect of 2,300,000 Warrants Stoðir has been informed that the terms of these Warrants do not include their exercise prior to the expiry of the Offer Period. As the Warrants are not transferable, the holders of these Warrants could not accept the Tender Offer, even if the Tender Offer itself was extended to include the Warrants.

Stoðir has been informed that Keops' Board of Directors in accordance with the terms of the warrant agreements will issue a Change of Control Notice to the warrant holders subject to and with effect from Stoðir's completion and settlement of the Tender Offer to the Warrant holders. Such Change of Control Notice will allow the Warrant holders to exercise their Warrants immediately following Stoðir's completion of the Tender Offer.

Stoðir has offered to these warrant holders – subject to completion of the Tender Offer and subject to the Warrant holders exercising their Warrants – to acquire their Keops Shares on the same terms as otherwise applicable in the Tender Offer, with settlement 6 Danish business days after the settlement of the Tender Offer. The majority of the Warrant holders have indicated – subject to the Change of Control Notice becoming effective to exercise said Warrants and sell all of their Keops Shares acquired upon exercise of such Warrants to Stoðir following Stoðir's completion of the Tender Offer. Stoðir will continue to seek to obtain acceptance from the Warrant holders who at the time of the publication of the Tender Offer have not accepted Stoðir's offer.

## **2.10 Public Information**

Except as disclosed in section 2.8 and 2.9, the information on Keops, the Keops Group and Keops Shares contained in this Tender Offer has been obtained from public sources and previous published information from the Keops Group.

This introduction should be read in conjunction with the detailed terms and conditions set forth in Section 4 below.

### 3 RATIONALE BEHIND THE TENDER OFFER

The strategic rationale behind the Tender Offer is to create one of the largest real estate companies in the Nordic region by combining Stoðir, the largest real estate group in Iceland with Keops, Denmark's largest listed property group. Total assets of the combined Group will amount to approximately DKK 34.5 billion<sup>2</sup>.

Together, Stoðir and Keops will form a strong and focused property group with critical mass and a solid platform for further consolidation within the industry in the Nordic region.

Both companies have a portfolio of high quality properties and Stoðir believes that combining the companies will present several attractive operational synergies and advantages of scale.

The combined group will have a diversified portfolio which is balanced between office, retail and residential assets spread mainly across Denmark, Iceland and Sweden.

Table 3. Keops and Stoðir's Rental Space

M <sup>2</sup>	DENMARK	ICELAND	SWEDEN	FINLAND	OTHER	TOTAL
<b>Keops*</b>						
- Office	128,488	-	1,163,700	38,494	62,000	1,392,682
- Retail	21,382	-	278,672	2,170	0	302,224
- Residential	4,538	-	178,032	877	180	183,627
- Other	35,942	-	611,657	1,409	0	649,008
- <b>Total</b>	<b>190,350</b>	-	<b>2,232,061</b>	<b>42,950</b>	<b>62,180</b>	<b>2,527,541</b>
<b>Stoðir</b>						
- Office	124,610	102,614	-	-	-	227,224
- Retail	128,018	196,890	-	-	-	324,908
- Residential	3,039	5,067	-	-	-	8,106
- Other	15,196	72,774	-	-	-	87,970
- <b>Total</b>	<b>270,863</b>	<b>377,345</b>	-	-	-	<b>648,208</b>
<b>Total</b>						
- Office	253,098	102,614	1,163,700	38,494	62,000	1,619,906
- Retail	149,400	196,890	278,672	2,170	0	627,132
- Residential	7,577	5,067	178,032	877	180	191,733
- Other	51,138	72,774	611,657	1,409	0	736,978
- <b>Total</b>	<b>461,213</b>	<b>377,345</b>	<b>2,232,061</b>	<b>42,950</b>	<b>62,180</b>	<b>3,175,749</b>

Source: Keops 2006/07 interim report, and Stoðir

\*Figures for Keops are per 31.03.2007 from Keops latest interim report. The figures for Keops do not include the changes after 31.03.2007. In the interim report, it is stated that Malmstaden, Börlänge, Terminalen, Denmark and China have been sold after 31/3 2007, ie. 389,793 m<sup>2</sup>. In the Stock exchange release dated 28 June 2007 it is furthermore announced that the Norwegian part of Nordic Light has been sold, i.e. 62.000 m<sup>2</sup>. In the making of this table it has been assumed that the Norwegian part of Nordic Light were solely office properties.

Following the completion of the Tender Offer, Stoðir plans to divest certain activities of Keops. To this affect, as mentioned earlier in section 2.6 Keops has been granted an irrevocable put option to sell Keops Development A/S for DKK 225 million to Fons and Baugur or a joint venture company owned by at least 50% by Baugur and Fons. This put option may be exercised before 31 December 2007 and is conditional upon the completion of the Tender Offer. Further, this put option will only be exercised if the price corresponds to a market price which is supported by a valuation report. Stoðir may also consider decreasing Keops' 19.12% stake in Capinordic A/S which is in line with the strategy of Keops' management to increase the focus on the Company's core business, which Stoðir fully supports.

<sup>2</sup> The sum of Stoðir's total assets as of 30 April 2007 and Keops' total assets as 31 March 2007. Further, Keops' assets have been adjusted for the sale of Malmstaden, Terminalen, Börlänge and the Norwegian part of the Nordic Lights Portfolio

Stoðir intends to continue Keops' development in the Nordic region within the Company's focus areas, and Stoðir will support the Company in its future growth. Furthermore, Stoðir envisages setting up an incentive programme for employees in Keops, which it regards as key for the future growth and success of the Company.

Stoðir believes these measures are best carried out within a private company structure and therefore aims to delist Keops from the OMX following a Compulsory Redemption of any remaining Keops Shares.

Stoðir aims to list its shares on a stock exchange before 10 months from the publishing date of this Offer Document, and is currently making preliminary inquiries in this respect. However no guarantees can be made to Keops shareholders, accepting this Tender Offer for a consideration in New Stoðir shares, that Stoðir will be listed.

Stoðir believes that the current management team of Keops has performed an outstanding job of developing and running the Company. Stoðir places great importance on the continuity of the Keops' team, which it feels is central to its investment strategy. Stoðir will look to empower and support Keops' management as much as possible in its efforts to grow and drive the business forward.

Furthermore, Stoðir believes that one of the most valuable assets of Keops is its employees and Stoðir has no plans to reduce the number of employees as a consequence of a completion of the Tender Offer.

## 4 TERMS AND CONDITIONS OF THE TENDER OFFER

Keops	Keops A/S (CVR No. 36850019) Scandiagade 8 DK-2450 Copenhagen SV Denmark
Offeror	Fasteignafélagið Stoðir hf. (Registration No. 450599-3529) Kringlan 4-12 103 Reykjavik Iceland
Offer Price	The Keops shareholders are offered: <ul style="list-style-type: none"> <li>a cash consideration of DKK 24.00 for each Keops Share of a nominal value of DKK 1.00 each; or.</li> <li>19.23139 New Stoðir Shares of a nominal value of ISK 1.00 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment will be rounded up to the nearest integer.</li> </ul>

Stoðir has, on behalf of Keops shareholders tax resident in Denmark, received permission from the Danish tax authorities for the new Stoðir shares to be treated in accordance with the rules on tax exempt share-for-share exchanges. See further details below in section 4.

In the table below the conversion ratio for Keops shareholders who accepts the Tender Offer depending on different number of Keops Shares owned is illustrated:

	NUMBER OF KEOPS SHARES OWNED BY A SINGLE SHAREHOLDER					
	1	10	100	1,000	10,000	100,000
If the Tender offer is accepted, the shareholder can elect to receive either Cash Offer Price in the amount of (DKK):	24	240	2,400	24,000	240,000	2,400,000
or						
Payment in the form of New Stoðir Shares (rounded up):	20	193	1,924	19,232	192,314	1,923,139
<b>Assumptions:</b>						
DKK/ISK exchange rate	0.08914					
Price per Stoðir share (ISK)	14.0					
Price per Stoðir Share (DKK)	1.24796					

The New Stoðir Shares will have the same rights and be subject to the same regulation as

existing shares in Stoðir. Please see section 7.3 of the Tender Offer.

Any brokerage fees and other selling expenses shall be paid by the tendering Keops shareholders.

Compensation to Keops shareholders	The Offeror is not obliged, and does not offer any compensation, to Keops shareholders pursuant to Section 81h(2) of the Danish Companies Act, since Keops' articles of association do not provide for any special rights or limitations that may be suspended in the case of a takeover, see Section 81d of the Danish Companies Act.
Offer Period	The offer period commences on 27 July 2007 and expires on 31 August 2007, at 20.00 CET or at the expiration of any extension of the offer period as described in the section "Other Terms" below (the "Offer Period"). Acceptances of the Tender Offer must be received by Glitnir Banki hf., Copenhagen Branch ("Glitnir") through the tendering Keops shareholders' own custodian bank or stockbroker prior to the expiry of the Offer Period.
Acceptance Procedure	<p>Keops shareholders wishing to accept the Tender Offer subject to the terms and conditions of the Offer Document are encouraged to contact either their own custodian bank or stockbroker, requesting that acceptance of the Tender Offer to be communicated to Glitnir.</p> <p>Shareholders must choose to accept either cash consideration in full or New Stoðir Shares in full.</p> <p>Shareholders wishing to accept the Tender Offer are requested to use the acceptance form attached to this Offer Document.</p> <p>Keops shareholders should note that acceptance must be notified to their own custodian bank or stockbroker in due time in order to allow the custodian bank or stockbroker to process and communicate the acceptance to Glitnir before the Offer Period expires.</p>
Announcement of the result of the Tender Offer	<p>The Offeror will announce the result of the Tender Offer, including the total number of New Stoðir Shares subscribed for in connection with the Tender Offer, through the OMX no later than three Stock Exchange Days after expiry of the Offer Period. If the Offer Period is not extended, the Offeror expects that this announcement will be made on or before 3 September 2007.</p> <p>Any such announcement will state that either all conditions to the Tender Offer have been satisfied or waived and that the Tender Offer will therefore be completed or, alternatively, that certain conditions have not been satisfied or waived, and therefore that the Tender Offer has lapsed.</p>
Conditions	<p>The Tender Offer is subject to the following conditions:</p> <ul style="list-style-type: none"><li>▪ That the Offeror will receive and hold valid acceptance corresponding to not less than 90% of the Share Capital (the Warrants added) and votes in Keops;</li><li>▪ That completion of the Tender Offer has not been precluded or materially obstructed by new legislation (actual or proposed), court decisions, or decisions by Danish or Icelandic public authorities;</li><li>▪ That Keops does not declare and pay dividends or make or decides to make any other distribution to its shareholders prior to the expiration of the Offer Period; and</li></ul>

- That all necessary regulatory approvals have been obtained from the Danish FSA.

It is specified that any cancellation of the Treasury Shares by way of a capital decrease shall not be deemed to constitute a distribution by Keops.

Stoðir's shareholders have authorised its Board of Directors to issue New Stoðir Shares as consideration to those Keops shareholders who choose to receive Share Payment. The condition regarding this matter included in the announcement regarding the Tender Offer of 29 June 2007 is thus fulfilled. Please see section 7.5 for additional information concerning this issue.

The Offeror intends to acquire 100% of the shares and the votes in Keops, but is entitled to withdraw the Tender Offer if one or more of the abovementioned conditions have not been satisfied at the expiry of the Offer Period. Any withdrawal of the Tender Offer will be announced through the OMX, the Danish FSA and by means of a press release, if and to the extent required under applicable laws, rules and regulations.

The Offeror has no obligation to acquire any Keops Shares and shall not be deemed to have acquired any Keops Shares pursuant to this Tender Offer unless and until the Offeror has published a notification to the effect that all of the preceding conditions have been satisfied or waived by the Offeror.

During the Offer Period, the Offeror reserves the right in its sole discretion to waive in whole or in part one or more of the conditions set forth above, purchase the Keops Shares tendered and complete the Tender Offer even though one or more of the above conditions is not satisfied, in whole or in part. Any such action will be announced through the OMX, the Danish FSA and by means of a press release, if and to the extent required under applicable laws, rules and regulations.

If the Tender Offer is completed, the Offeror is not obligated subsequently to submit a mandatory tender offer for the shares in Keops, even if the Offeror obtains a controlling position in Keops, cf. the Danish Securities Trading Act Section 31(2).

#### Other Terms

The Offeror reserves the right to extend the Offer Period on one or more occasion in accordance with applicable rules. Notification of any such extension will be announced by the Offeror through the OMX prior to the expiry of the Offer Period. The announcement will specify the number of Keops Shares that the Offeror has received acceptances in respect of, together with the duration of the revised Offer Period, which will then be referred to as the "Offer Period". Any extension of the Offer Period and/or any increase of the Offer Price will not constitute a new Tender Offer. Shareholders who have accepted the Tender Offer will continue to be bound by their acceptances if the Offer Period is extended and/or the Offer Price is increased. If the Offer Price is increased, shareholders who have accepted the Tender Offer at a lower Offer Price will automatically be entitled to such increased Offer Price if the Tender Offer is completed. Irrespective hereof The Offer Period cannot exceed a maximum of 10 weeks.

The Offeror reserves the right to purchase Keops Shares during the Offer Period outside the Tender Offer in the open market at prevailing prices or in private transactions at negotiated prices, as described above. Any such purchase will be made in accordance with applicable rules.

Acceptances of the Tender Offer are binding and irrevocable unless the Offeror announces through the OMX that the Tender Offer has lapsed due to the conditions not being satisfied. However, if a competing tender offer at a higher price than the Offer Price is published during the Offer Period on terms and conditions that are not less favourable to the selling shareholders than the terms and conditions set forth in this Offer Document, all acceptances will be cancelled automatically unless the Offeror matches or exceeds such higher offer price within 10 calendar days of publication of the competing offer(s). If the Offeror matches or exceeds such higher Offer Price on terms and conditions that are not less favourable to the selling shareholders, the Offeror will extend the Tender Offer for a period of not less than 14 calendar days and Keops shareholder acceptances will not be cancelled.

Shareholders accepting this Tender Offer will be eligible to vote at any General Meeting Keops may hold during the Offer Period, and such shareholders will retain their right to any dividends or other distributions with respect to the shares in Keops until settlement of the Tender Offer.

All Keops shares sold to the Offeror according to this Tender Offer shall be free and clear of any lien, claim, charge, option, encumbrances and any other third party rights.

Special terms for Tied-Up Employee Shares As to Employee Shares issued by Keops pursuant to Section 7A of the Danish Tax Assessment Act for which the tie-up or lock-up period expires at a later date than the last date of the Offer Period ("Employee Shares" held by "Employee Shareholders"), the Employee Shareholders' acceptance of the Tender Offer shall be subject to the condition that a Compulsory Redemption of Keops' minority shareholders is effected (as described in 2.e) below) if the Employee Shareholder chooses to receive the Cash Offer Price. No such condition shall apply if the Employee Shareholder chooses to receive Share Payment, as such New Stodir Shares shall succeed to the same terms of tie-up as applied to the Employee Shares immediately prior to their transfer to Stoðir. The rules for Employee Shareholders to participate are set out below.

1. Title and voting rights and other shareholder rights attributable to the Employee Shares will be transferred to the Offeror at the completion of the Tender Offer upon the Offeror's deposit of the purchase price for the Employee Shares as described below under "Special Settlement Terms for Tied-Up Employee Shares".
2. The Employee Shares shall be registered in the VP Securities Services A/S in the name of the Offeror and the account shall be registered as pledged to Glitnir. As pledgee Glitnir, by this Offer Document and any acceptance hereby, is irrevocably authorized and instructed by the Offeror, and those Employee Shareholders from whose deposits the Employee Shares have been transferred, to do the following:
  - a) If a Compulsory Redemption shall not have been effected on or prior to 3 March 2008, (see item e) below), Glitnir, on behalf of the Offeror, shall transfer title and voting rights and other shareholder rights attributable to the Employee Shares registered in the account with the VP Securities Services A/S to those Employee Shareholders from whom the Offeror acquires the shares upon release of the deposited amount and any interest thereon, to the Offeror as described below under "Special



Settlement Terms for Tied-Up Employee Shares". In the event of such transfer from the Offeror by Glitnir to the Employee Shareholders, the Employee Shares shall succeed to the same terms of tie-up as applied to the Employee Shares immediately prior to their transfer to the pledged account with the VP Securities Services A/S.

- b) Any dividends paid out through the VP Securities Services A/S with respect to Employee Shares registered in the account with the VP Securities Services A/S shall be deposited in an account with Glitnir, and such account shall be registered as pledged to Glitnir on behalf of the Employee Shareholders from whose deposits the Employee Shares have been transferred. This account will be opened in the name of the Offeror, and the credit balance and any interest thereon will be paid out to the Offeror against documentation confirming that a Compulsory Redemption has been effected no later than 3 March 2008, (see item e) below). If Glitnir has not received such documentation on or prior to 10 March 2008, the credit balance and any interest thereon will be paid to those Employee Shareholders from whose deposits the Employee Shares were transferred to the account in the same proportion as these Employee Shareholders have accepted the Tender Offer.
- c) Bonus shares and new shares that are subscribed on the basis of subscription rights attached to Employee Shares in the account with the VP Securities Services A/S, as well as any dividend there from, shall remain subject to the same terms as apply to the other shares in the account with the VP Securities Services A/S and any dividend there from.
- d) Glitnir shall, according to the irrevocable authorization, cause the pledge in favor of those Employee Shareholders from whose deposits the Employee Shares have been transferred to the account to be terminated and deregistered in the VP Securities Services A/S against documentation confirming that a Compulsory Redemption has been effected no later than on or prior to 3 March 2008 (see item e) below); provided such documentation is received by Glitnir on or prior to 10 March 2008.
- e) The term "Compulsory Redemption" shall mean a Compulsory Redemption pursuant to Sections 20b or 20e of the Danish Companies Act. A Compulsory Redemption shall be deemed to have been effected immediately upon the Offeror submitting documentation to the effect that Keops' minority shareholders have been invited, pursuant to the rules governing notices to convene a General Meeting, to transfer their shares to the Offeror within a period of four weeks, see Sections 20b (1) and 20e (1) of the Danish Companies Act.

Special settlement terms for tied-up      Upon settlement of the Tender Offer, (A) Offeror's title to any tendered Employee Shares against payment of the Cash Offer Price will be registered in the VP Securities Services A/S in accordance with "Special Terms for Tied-Up Employee Shares" above and (B) the Cash Offer Price for such tendered Employee Shares will be deposited in the name of each

Employee Shares individual Employee Shareholder in an account with the custodian bank holding such tied-up Employee Shares. Such account shall be suspended and subject to the following terms:

1. If a Compulsory Redemption has been effected no later than on 3 March 2008, the deposited amount and any interest on the deposited amount shall be paid out to the Employee Shareholder at the time of the Compulsory Redemption.
2. If a Compulsory Redemption has not been effected on or prior to 3 March 2008, the deposited amount and any interest thereon shall be paid out to the Offeror on 10 March 2008.

See 2a) under "Special Terms for Tied-Up Employee Shares".

By accepting the Tender Offer, the Employee Shareholder simultaneously confirms and instructs its custodian bank to set up such account on the terms described above if such account does not already exist.

The Term "Compulsory Redemption" shall have the meaning as described in e) under "Special Terms for Tied-Up Employee Shares".

For Employee Shares which are tendered against Share Payment, such received new Stoðir shares shall succeed to the same terms of tie-up as applied to the Employee Shares immediately prior to their transfer to Stodir, and the settlement will take place as described in the section "Terms and Conditions of the Tender Offer - Settlement".

Agreement with major Keops shareholders

Baugur and Fons have both announced that they have committed themselves to accept the Tender Offer in exchange for New Stoðir Shares. Baugur and Fons each holds 54,717,110 and 57,448,442 Keops Shares respectively, corresponding to nominally DKK 54,717,110 and 57,448,442, which represents 30.28% and 31.79% of the Share Capital of Keops excluding the Treasury Shares but including the Warrants. On 25 May 2007 Keops announced that it held 3,604,016 Keops Shares in treasury, corresponding to nominally DKK 3,604,016 which represents 1.99% of the Share Capital (the "Treasury Shares"). Some of these Treasury Shares may be used by Keops to settle the Company's obligations under the Warrant Programme. From the 2005/06 Keops' annual report (note 4) and the stock exchange announcements dated 9 November 2006 and 16 April 2007 it can be seen that Keops has issued warrants equal to 2,900,000 Keops Shares corresponding to nominally DKK 2,900,000. Keops has informed that currently only Warrants corresponding to 2,800,000 Keops Shares are in effect corresponding to nominally DKK 2,800,000

Baugur's and Fons' combined holding of Keops Shares represents 62.07% of the Share Capital (excluding the Treasury Shares but including the Warrants).

Stoðir has entered into an agreement with Baugur and Fons, whereby Keops has been granted an option to put Keops' shares in Keops Development A/S on Baugur and Fons, or a joint venture company owned more than 50% by Baugur and Fons, at a cash price of DKK 225 million. The option expires on 31st of December 2007 and is conditional upon the completion of the Tender Offer. Further, this put option will only be exercised if the price corresponds to a market price, which is supported by a valuation report.

Financing

If all of the Keops Shares not owned by Baugur and Fons are tendered for cash in the Tender Offer, the aggregate cash consideration payable by the Offeror upon settlement of

the Tender Offer would equal approximately DKK 1.65 billion. Glitnir has agreed to make available to the Offeror, in the form of debt instruments and a commitment to subscribe for New Stoðir Shares, the cash resources necessary to complete the Tender Offer. Glitnir has entered into an agreement with Stoðir to underwrite up to DKK 550 million worth of New Stoðir Shares. The price of the Stoðir shares is the same as the Offer Price in this Tender Offer or ISK 14.00. The total number of new shares to be issued by Stoðir to Baugur and Fons in total will be 2,157,097,392 with a nominal value of ISK 2,157,097,392.

If all of the Keops Shares not owned by Baugur and Fons are tendered for New Stoðir Shares, the total number of new shares to be issued by Stoðir will be 3,475,466,867 with a nominal value of ISK 3,475,466,867.

Tax  
Considerations -  
Denmark

The tax consequences for Keops shareholders in connection with this Tender Offer will depend on the individual circumstances of each Keops shareholder. The following is a summary of certain Danish income tax consequences of the sale or exchange of Keops Shares. The summary is not exhaustive and may not apply to certain types of Keops shareholders, including traders and shareholders subject to the Act on Taxation of Pension Yield (PAL). Shareholders are encouraged to consult their own tax advisers regarding the particular tax consequences of the Tender Offer applicable to them.

#### **Taxation of capital gains and losses**

##### **Shareholders resident in Denmark for tax purposes**

In the following "shares" in relation to individuals means listed shares purchased on the 1 January 2006 or later.

Gains realized by individuals on the sale of shares are taxed as share income. In 2007, share income is taxed at the rate of 28% for the first DKK 45,500 (DKK 91,000 in total for married couples living together) and at the rate of 43% for exceeding share income. Losses can be offset against the aggregate amount of each income year of gains realised on the sale of listed shares and dividends received from listed shares. An exceeding loss can be offset against such net gains etc. of the individual's spouse and any exceeding loss can be carried forward. In the event of a sale of part of a shareholding, only, the purchase price is determined according to an average method. Transitional rules apply to individuals with respect to listed shares purchased before 1 January 2006.

As of the income year 2008 share income of more than DKK 100,000 (2007 – DKK 200,000 for married couples living together) will be taxed at a rate of 45%. Transitional rules apply to the effect that share income deriving from 2006 or earlier will not be subject to the 45% rate. The transitional rules apply to shares owned as at 1 January 2007.

Gains realized by companies on the sale of shares held for less than three years are taxed at a flat rate of 25%. To the extent losses on such shares exceed tax free dividend received from the shares, the losses can generally be offset against gains from the sale of other shares held for less than three years. Losses not set off in the income year may be carried forward to be offset against such gains. Gains realized by companies on the sale of shares held for three years or more are exempt from tax. Losses on such shares cannot be deducted and cannot be offset against any capital gains. In the event of a sale of part of a share holding, only, the purchase price is made up according to an average method. The

FIFO (first in-first out) principle applies with respect to determining the three-year holding period.

*Shareholders exchanging Keops Shares for New Stoðir Shares who are resident in Denmark for tax purposes*

The above applies also to gains and losses realised by Danish tax resident individual and corporate Keops shareholders on Keops Shares exchanged for New Stoðir Shares, unless the Keops shareholder opts for taxation under special rules providing for postponement of taxation until the New Stoðir Shares are sold (“skattefri aktieombytning”). Stoðir has, on behalf of Keops shareholders tax resident in Denmark, received permission from the Danish tax authorities for the new Stoðir shares to be treated in accordance with the rules on tax exempt share-for-share exchanges. Keops shareholders electing taxation under the special rules, will not be taxable on the exchange of Keops Shares, but the Stoðir shares are for tax purposes regarded as having been purchased by the Keops shareholders at the same time and at the same purchase price as the exchanged Keops Shares. The permission for the tax exempt share-for-share exchange is published on the internet, please see [www.skat.dk](http://www.skat.dk).

*Shareholders not resident in Denmark for tax purposes*

Shareholders not resident in Denmark for tax purposes are not subject to Danish tax on gains realised on the sale of shares. If the shares are held by the shareholder in connection with a permanent establishment in Denmark, gains and losses realized on the sale of shares are normally not included in the Danish taxable income of the permanent establishment.

*Share transfer tax*

Transfer of shares is not subject to any Danish transfer taxes or duties.

*Warrants*

According to Keops Annual Report 2005/2006 and subsequent Stock Exchange Announcements, Keops has issued Warrants equal to 2,900,000 Keops Shares. Keops has informed that currently only Warrants corresponding to 2,800,000 Keops Shares are in effect corresponding to nominally DKK 2,800,000. The tax situation concerning the warrants is specific for each individual person as are the regulations in case of a take over and the individual warrant holders are encouraged to seek own professional advise on their options, including but not limited to exercising the Warrants and the tax implications thereof and selling their shares.

Danish taxation of shares and dividends from Stoðir

**Taxation of capital gains and losses**

*Shareholders resident in Denmark for tax purposes*

Keops shareholders opting for consideration in the form of New Stoðir Shares will become shareholders in Stoðir. When selling these shares in Stoðir gains and losses will be taxable in Denmark and not in Iceland.

Gains and losses on shares in Stoðir will be taxed as described above for gains and losses on shares. However, as long as the shares in Stoðir are unlisted and if the shares in Stoðir are acquired by a taxable share for share exchange, individuals may furthermore deduct

the tax value (28%, 43% or 45%) of a loss on the shares in Stoðir in tax on other income.

If the Keops Shares have been purchased before 1 January, 2006 and if the shares in Stoðir are acquired by a tax free share for share exchange transitional rules may apply.

#### Taxation of Stoðir dividends

Keops shareholders opting for consideration in the form of New Stoðir Shares will become shareholders in Stoðir and may in the future receive dividends on their Stoðir shares.

Stoðir dividends received by Danish tax resident individuals are taxed as share income. In 2007, share income is taxed at the rate of 28% for the first DKK 45,500 (DKK 91,000 in total for married couples living together) and at the rate of 43% for exceeding share income. As of the income year 2008 share income of more than DKK 100,000 (2007 – DKK 200,000 for married couples living together) will be taxed at a rate of 45%. Transitional rules apply to the effect that dividends relating to company income, etc from 2006 or earlier will not be subject to the 45% rate. The transitional rules apply to shares owned as at 1 January 2007.

Stoðir dividends received by Danish resident companies owning at least 15% of the share capital of Stoðir is exempt from Danish tax, provided such companies hold the shares for at continuous period of at least one year and the dividend is declared during that period. The ownership percentage is lowered to 10% with respect to the calendar year 2009 and later years.

Companies owning less than 15% of the shares in Stoðir are taxed on 66% of the dividends received at a flat rate of 25%, i.e. a tax of 16.5%. The ownership percentage is lowered to 10% with respect to the calendar year 2009 and later years.

Icelandic withholding taxes on the dividends may be credited against Danish taxes.

#### Settlement

Settlement for Keops shareholders who have agreed to sell their Keops Shares pursuant to the Tender Offer for the Cash Offer Price will take place through the shareholders' own custodian bank or stockbroker (3) three Stock Exchange Days after the Offeror's announcement through the OMX that the conditions for completion of the Tender Offer have been met or waived. At the same time, the final settlement date will be announced, which is expected to take place on 6 September 2007. Settlement will be made in cash by the Offeror to the Keops shareholders who have elected to receive Cash Offer Price for their Keops Shares.

Settlement for Keops shareholders who have agreed to sell their Keops Shares pursuant to the Tender Offer for Share Payment will take place through the shareholders' own custodian bank or stockbroker (3) three Stock Exchange Days after the Offeror's announcement through the OMX that the conditions for completion of the Tender Offer have been met or waived. At the same time, the final settlement date will be announced, which is expected to take place on 6 September 2007. Settlement will be made in New Stoðir Shares which will be transferred to the tendering Keops shareholder's account to the Keops shareholders who have elected to receive Share Payment. The New Stoðir Shares shall confer on the holder the right to receive dividend, the right to vote on General Meetings and all other shareholder rights in Stoðir as from time of registration of the capital increase in Stoðir, which is expected to take place on or before the final settlement date.

All information requirements from Keops shareholders who wish to accept the Tender Offer

and receive Share Payment can be seen in the acceptance form attached to this Offer Document.

Any brokerage and other selling expenses charged by the tendering Keops shareholder's custodian banks or stockbrokers shall be paid by the tendering Keops shareholders.

Settlement Agent	Glitnir Banki hf. Frederiksgade 19, 2 <sup>nd</sup> floor. DK-1265 Copenhagen K. Denmark Telephone: +45 88 33 50 00 Facsimile: +45 88 33 50 01
Documents	<p>The Offeror will ask Keops to send by mail this Offer Document at the Offeror's expense to registered Keops shareholders, except to those Keops shareholders in such jurisdictions in which the distribution of the Offer Document would be contrary to the law or otherwise restricted, including USA, Canada, Australia and Japan.</p> <p>Additional copies of this Offer Document are available on request from Glitnir, telephone +45 88 33 50 00, and will also be available on Stoðir's website: <a href="http://www.stodir.is">www.stodir.is</a>.</p>
Governing law	<p>The Tender Offer as well as acceptance thereof is subject to Danish law.</p> <p>Any dispute arising in connection with or arising out of the Tender Offer shall be subject to the jurisdiction of the City Court in Copenhagen or any other Danish court to which the City Court may refer the dispute.</p>
Financial advisor	Glitnir Banki hf., Corporate Finance Copenhagen Frederiksgade 19, 2 <sup>nd</sup> floor. DK-1265 Copenhagen K. Denmark Telephone: +45 88 33 50 00 Facsimile: +45 88 33 50 01
Legal advisors	<p>Legal advisor to the Offeror with respect to Danish law: Kromann Reumert Sundkrogsgade 5 DK-2100 Copenhagen Ø. Denmark</p> <p>Legal advisor to the Offeror with respect to Icelandic law: Attorneys at Hofdabakki Höfðabakki 9 IS-110 Reykjavík Iceland</p>
Enquiries in connection with the Tender Offer can be made to:	<p><b>Glitnir Banki hf., Corporate Finance Copenhagen</b> Frederiksgade 19, 2. DK-1265 Copenhagen K. Denmark Telephone: +45 88 33 50 00 Facsimile: +45 88 33 50 01</p> <p><b>Fasteignafélagið Stoðir hf.</b> Kringlan 4-12 IS-103 Reykjavík Iceland Telephone: +354 575 9000 Facsimile: +354 575 9001</p>

## 5 DESCRIPTION OF KEOPS

Keops is Denmark's largest listed property group based on market capitalization focusing on property investments, mediation, management and development of properties.

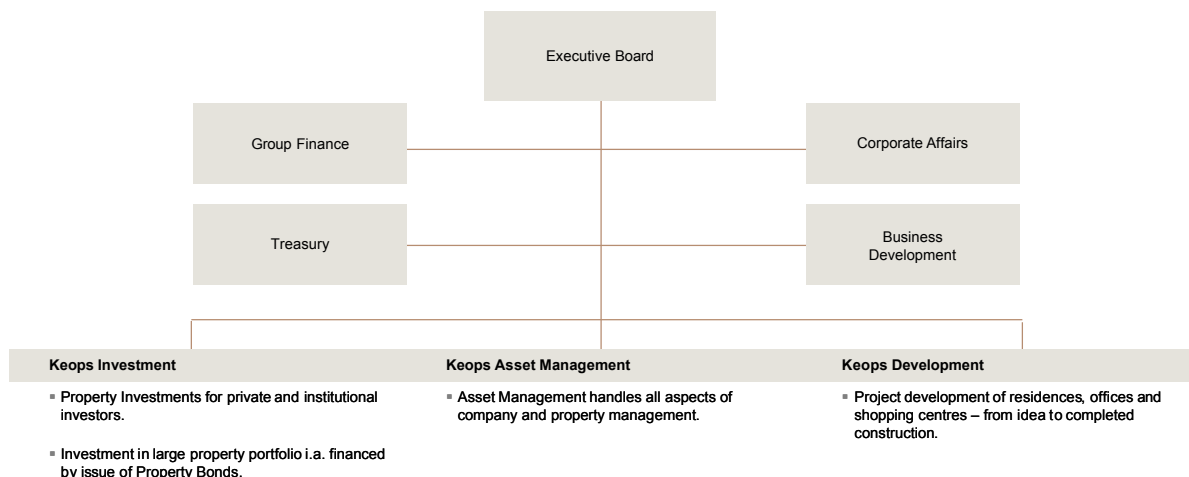
Keops particularly focuses on:

- Property investments and management of properties in the Nordic region (Asset management)
- Mediation of investment properties in Northern Europe (Investment)
- Development activities in the Nordic region (Development)

In 2005/06, the Company generated revenues of approximately DKK 2.1 billion. At 31 March 2007 the portfolio under management consisted of 435 properties at a total carrying amount of DKK 17.9 billion.

Keops A/S is parent of Keops InvestorPartner A/S, Keops Development A/S and Keops EjendomsHolding A/S. Furthermore, Keops owns 19.12% of Capinordic A/S (listed on OMX).

Figure 1. Keops Group Structure



Source: [www.keops.dk](http://www.keops.dk)

### 5.1 Keops Asset Management

Asset management handles administration, operation and optimisation of Keops' portfolio in the Nordic region. The largest part of Keops portfolio is located in Sweden. At 31 March 2007 the portfolio under management consisted of 435 properties at a total value of DKK 17.9 billion. According to Keops Interim Report 2006/07 54 properties at a total value of DKK 2.5 billion were sold after 31 March 2007. Furthermore, it was stated in the Stock exchange announcement from Keops on 28 June 2007 that 20 Norwegian properties at a value of DKK 0.6 billion have been sold. Consequently, the current portfolio consists of 361 properties at a total value of DKK 14.8 billion.

Table 4. Keops Asset Management Key Financials

DKK million	First half	First half	12m	12m	12m
	2006/07	2005/06	2005/06	2004/05	2003/04
Profit before tax	316.4	228.6	675.7	384.4	36.9
Total assets	18,612.2	13,883.6	14,368.4	8,429.7	1,041.0

Source: Company Information

## 5.2 Keops Investment

The Investment unit focuses on Northern Europe and handles acquisitions, mediation and divestment of investment properties. The target group includes wealthy customers and professional investors.

Table 5. Keops Investment Key Financials

DKK MILLION	FIRST HALF	FIRST HALF	12M	12M	12M
	2006/07	2005/06	2005/06	2004/05	2003/04
Profit before tax	80.6	87.6	45.1	9.6	4.3
Acquired to portfolio	5,600.0	5,800.0	13,700.0	6,400.0	900.0
Mediated total assets	1,724.0	1,926.0	2,015.0	2,093.0	914.0

Source: Company Information

## 5.3 Keops Development

Development is engaged in construction of residences, development of commercial properties, domiciles and large shopping projects, primarily in Denmark.

Table 6. Keops Development Key Financials

DKK MILLION	FIRST HALF	FIRST HALF	12M	12M	12M
	2006/07	2005/06	2005/06	2004/05	2003/04
Profit before tax	-193.3	6.7	-40.9	6.9	64.1
Total assets	2,871.3	1,999.9	1,996.8	2,134.9	989.6

Source: Company Information



## 5.4 Keops Key Financials

Table 7. Keops Key Financials

DKK MILLION	FIRST HALF	FIRST HALF	12M	12M	12M
	2006/07	2005/06	2005/06	2004/05	2003/04
Revenue	1,384.1	934.3	2,120.3	1,498.7	808.5
Cost of sales	-708.2	-432.6	-1,184.9	-1,067.9	-658.3
Adjustment & realised profit	413.1	248.4	675.1	485.8	30.7
<b>Gross profit</b>	<b>1,089.0</b>	<b>750.1</b>	<b>1,610.5</b>	<b>916.6</b>	<b>180.9</b>
% of revenue	78.7%	80.3%	76.0%	61.2%	22.4%
Selling and admin cost	-234.4	-122.9	-271.8	-169.9	-101.3
Other operating income	0.0	0.0	11.1	0.0	9.2
Profit from JV	22.1	7.3	56.1	-68.8	101.6
<b>Operating profit</b>	<b>876.7</b>	<b>634.5</b>	<b>1,405.9</b>	<b>677.9</b>	<b>190.4</b>
% of revenue	63.4%	68.0%	66.3%	45.3%	23.6%
Net financials	-676.4	-309.1	-532.9	-277.0	-85.1
<b>Profit before tax</b>	<b>200.3</b>	<b>325.4</b>	<b>873.0</b>	<b>400.9</b>	<b>105.3</b>
Tax	-55.9	-85.2	-90.5	-66.0	-25.3
<b>Profit</b>	<b>144.4</b>	<b>240.2</b>	<b>782.5</b>	<b>334.9</b>	<b>80.0</b>
Non current assets	14,591.4	13,350.6	12,041.6	7,926.1	963.8
Current assets	7,688.8	2,814.9	6,170.3	2,845.9	1,422.3
<b>Total assets</b>	<b>22,280.2</b>	<b>16,165.5</b>	<b>18,211.9</b>	<b>10,772.0</b>	<b>2,386.1</b>
Equity	1,879.4	1,320.5	1,722.6	573.7	274.0
Long term debt	12,884.1	12,541.9	9,997.8	7,385.3	925.3
Short term debt	7,516.7	2,303.1	6,491.5	2,813.0	1,186.8
<b>Total debt and equity</b>	<b>22,280.2</b>	<b>16,165.5</b>	<b>18,211.9</b>	<b>10,772.0</b>	<b>2,386.1</b>
Number of employees	260	228	271	187	130

Source: Company Information

Note: Comparative figures for 2003/04, 2004/05 and H1 2005/06 have been restated to reflect the change in accounting policies for recognition of on account gains on development properties as per ruling of the Danish Securities Council, while figures for 2002/03 are not restated in accordance with IFRS.

The profits before tax for the full financial year 2006/2007 is expected to be approximately. DKK 350-450 million.<sup>3</sup>

Additional financial information can be found on [www.keops.dk](http://www.keops.dk).

## 5.5 Keops Management

Stoðir believes that the current management team of Keops has performed an outstanding job of developing and running the Company. Stoðir places great importance on the continuity of the Keops' team, which they feel is central to Stoðir's investment strategy. Stoðir will look to empower and support Keops management as much as possible in its efforts to grow and drive the business forward.

Furthermore, Stoðir believes that one of the most valuable assets of Keops is its employees and Stoðir has no plans to reduce the number of employees as a consequence of a successful completion of the Tender Offer.

<sup>3</sup> Source: Interim report for the first half of 2006/2007 as announced via Company News Service on 23 May 2007.

## 6 KEOPS SHAREHOLDER INFORMATION

### 6.1 Share Capital

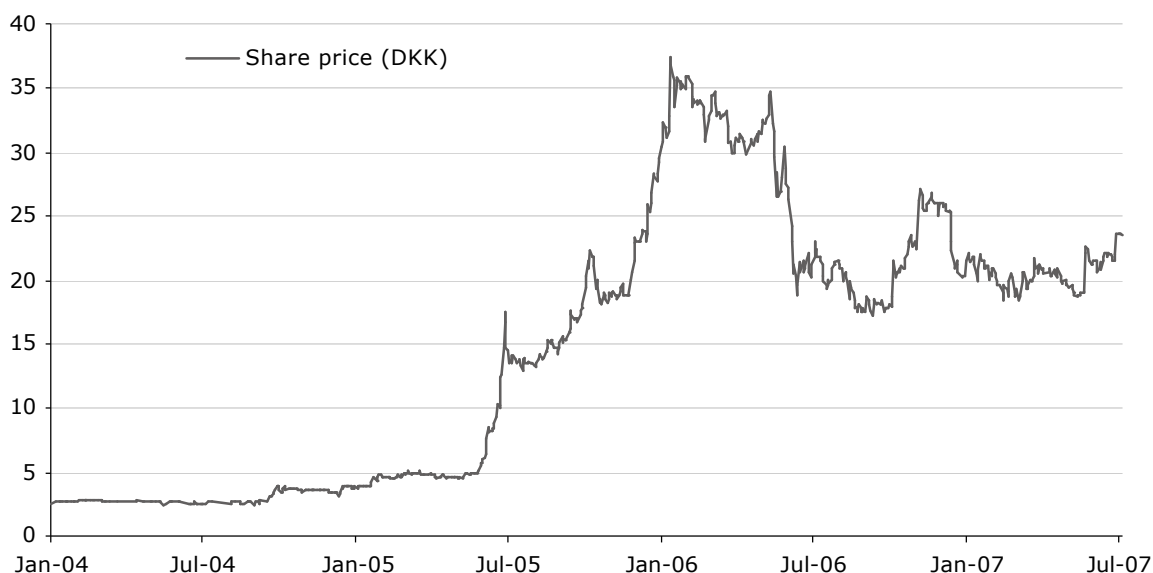
Keops has a share capital of nominally DKK 181,522,634 divided into 181,522,634 shares of a nominal value of DKK 1.00<sup>4</sup>. Keops has one share class and no shares carry special rights.

### 6.2 Shareholders

Keops has 4,815 registered shareholders as at 31 December 2006 and 11 registered holders of warrants in the Company.

### 6.3 Share Price Development

Figure 2. Keops Share Price Development 2004-2007



Source: Bloomberg

### 6.4 Stock Exchange Announcements

Table 8. Keops' Stock Exchange Announcements in 2007

DATE	ANNOUNCEMENT CONTENT
11 July	Major shareholder announcements Notification from Major Shareholder Investeringsselskabet af 11.12.1990 ApS
10 July	Company Announcement, Keops selling 9,250,000 shares in Capinordic A/S
29 June	Company Announcement, Comments from the Supervisory Board to the notice to the Stock Exchange from Fasteignafélagið Stoðir hf. published on 29 June 2007
29 June	Company Announcement, Stoðir's decision to submit a conditional voluntary offer to all shareholders in Keops A/S
28 June	Company Announcement, Keops sells properties in Norway at NOK 660 million

<sup>4</sup> Source: Keops' Articles of Association published 25 May 2007, page 2.

01 June	Company Announcement, Changes in share capital and votes Disclosure of total share capital and number of shares with voting rights
30 May	Articles of Association, Articles of Association registered with the Danish Commerce and Companies Agency
25 May	Articles of Association, Articles of association as of 25 May 2007
25 May	Company Announcement, Increase of share capital in Keops A/S and Keops Group's portfolio of own shares
25 May	Insiders' dealing Notification pursuant to Section 28A of the Danish Securities Trading Act
24 May	Major Shareholder Announcement, Major shareholder announcements (§29) from Baugur Group
23 May	Insiders' dealing Section 28A notification
23 May	Company Announcement, Half Year financial report Interim report for 1st half of 2006/07, Keops A/S
07 May	Company Announcement, Keops sells 37 Swedish commercial properties
23 April	Company Announcement, Keops sells 2 commercial properties in Sweden
16 April	Insiders' dealing Notification pursuant to Section 28A of the Danish Securities Trading Act
16 April	Company Announcement, Issue of share options
16 April	Articles of Association, Articles of association as per 16 April 2007
16 April	Company Announcement, Keops acquires the remaining shares of M2 A/S, increases the share capital in Keops A/S, wins significant development project on Aarhus Harbour and adjusts the expectations (outlook)
30 March	Company Announcement, Keops sells the 'Fatburen' office building in Stockholm
08 March	Company Announcement, Keops sells Swedish residential properties
28 February	Company Announcement Q1 News 2006/07
26 January	Company Announcement, Articles of association as per 26 January 2007
26 January	Company Announcement, Development of annual general meeting 26 January 2007
26 January	Company Announcement, Chairman Jørgen Basso Larsen's verbal review at Keops A/S' General Meeting on 26 January 2007
16 January	Company Announcement, Annual report for the financial year 2005/2006, outlook is maintained, expansion of the Executive Board
15 January	Company Announcement, Financial Calendar 2007

Source: OMX

## 6.5 Dates relating to the Tender Offer

Table 9. Announcements relating to the Tender Offer

DATE	ANNOUNCEMENT CONTENT
29 June 2007	Announcement of Stožir's intention to launch a voluntary tender offer for all shares in Keops
27 July 2007	Launch of the voluntary Tender Offer
31 August 2007	Expected expiry of the Offer Period
3 September 2007	Expected announcement of the result of the Tender Offer
6 September 2007	Expected settlement of the Tender Offer

## 7 FASTEIGNAFÉLAGIÐ STOÐIR HF

### 7.1 History

Stoðir was established by Baugur and Kaupþing banki hf. and registered as what corresponds to an Icelandic public limited liability company on 3 May 1999.

In May 2002 Thyrrping hf., a real estate investment company, was merged with Stoðir creating the largest real estate company in Iceland. Post merger Stoðir owned over 160,000 m<sup>2</sup> of rental space with total assets of DKK 1.8 billion.

Following the merger Stoðir has expanded its asset portfolio, both through organic growth and strategic acquisitions. In 2003 Stoðir acquired Klettur ehf, an Icelandic based real estate company which owned 33,500 m<sup>2</sup> of properties mostly rented out to a local community.

In October 2005, Stoðir purchased all the retail outlets of Skeljungur hf., the petrol distributor for the Shell Oil Company in Iceland.

In January 2006 Stoðir completed its largest transaction to date with the acquisition of Atlas Ejendomme A/S (“Atlas Ejendomme”), the Denmark-based investment company. Atlas Ejendomme property portfolio was comprised of approximately 150,000 m<sup>2</sup> most of which is situated in the heart of Copenhagen and 94% of which is commercial properties. Atlas Ejendomme has historically focused on investing in high-end retail and office properties in central Copenhagen. The acquisition of Atlas Ejendomme is one of the largest purchases of properties in the Danish market completed in recent years.

In May 2006 Stoðir acquired Langastétt ehf., a real estate investment company which owned over 30.000 m<sup>2</sup> of commercial properties in Central Reykjavik Region and surrounding communities.

In December 2006, Stoðir founded its second subsidiary in Denmark, named Atlas Ejendomme II A/S (“Atlas Ejendomme II”). Atlas Ejendomme II purpose is to service as a holding company for the retail and warehouse facilities of Illum and Magasin du Nord.

Furthermore in December 2006, Stoðir purchased FS6 ehf which main assets are building rights in the Kringlan area which is a very strategic location in central Reykjavík.

In March 2007 Stoðir acquired the second largest real estate company in Iceland, Landsafl hf which owned 17 properties and over 100,000 m<sup>2</sup> of rentable space. Furthermore in 2007 Stoðir sold S-Fasteignir, which included all of Skeljungur’s petrol stations in Iceland a total of 36 assets.

*Table 10. Key Milestones in Stoðir’s History*

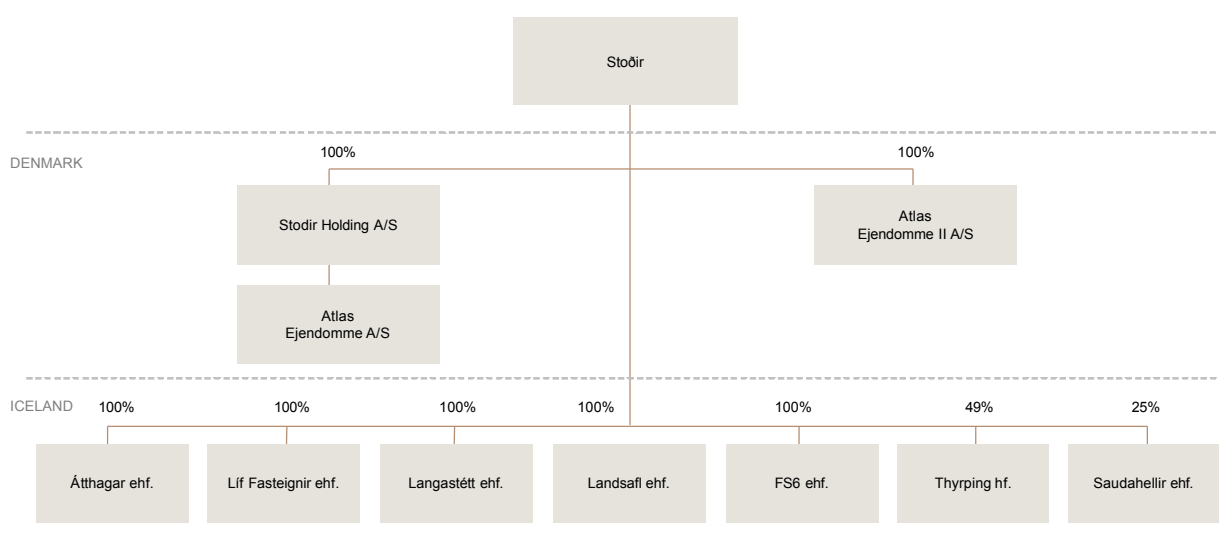
YEAR	MILESTONES
1999	Stoðir real estate company established
2002	Merged with Thyrrping hf., creating the largest real estate company in Iceland. Thyrrping hf (development company) founded
2003	Klettur ehf acquired
2005	Skeljungur hf. retail outlets acquired (S-Fasteignir)
2006	The purchase of Atlas Ejendomme A/S completed
2006	Langastétt ehf acquired

YEAR	MILESTONES
2006	Atlas Ejendomme II A/S established to hold facilities of Illum and Magasin du Nord
2006	FS6 ehf. acquired
2007	Landsafl hf., the second largest real estate company in Iceland acquired
2007	S-Fasteignir sold to Fons, the owner of Skeljungur hf.

Source: Stoðir

## 7.2 Legal Structure

Figure 3. Stoðir Group Structure



Source: Stoðir

Each subsidiary and affiliate of Stoðir is specialised in its operations. Áthagar ehf. focuses on letting residential property in Iceland. Líf Fasteignir ehf. rents out a single property in Reykjavík. Landsafl ehf and Langastétt ehf. leases commercial properties in Reykjavík. Atlas Ejendomme and Atlas Ejendomme II are commercial properties in Denmark. Thyrring hf. and FS6 ehf. are real estate development companies in Iceland, and Saudahellir ehf. is a property investment company that owns retail properties in Iceland.

## 7.3 Articles of Association

### Objective and Purpose

The objective of Stoðir, according to Article 1.3 of the company's Articles of Association, is buying and selling of real estate, rental of properties, property development, securities transactions and other related activities.

### Board of Directors and Management

Stoðir's Board of Directors shall consist of 5 members and 3 alternate members, elected at the Annual General Meeting for a term of one year. Those who intend to stand for election to the Board of Directors shall inform the Board of their intention, in writing, at least five working days before the Annual General Meeting, or Extraordinary Shareholders' Meeting at which elections are to take place. Only those who have informed the Board of their candidacy are eligible.

Stoðir's Board of Directors is the supreme authority in the company's affairs between shareholders' meetings and shall ensure that the organisation and activities of the operation are generally in correct and good order. The

Board of Directors shall appoint a CEO for Stoðir and decide the terms of his or her employment. The Board of Directors and the CEO are responsible for the management of Stoðir. The Board of Directors shall ensure that there is adequate supervision of Stoðir's accounts and its assets and shall adopt working procedures in compliance with the Companies Act. Only the Board of Directors may assign powers of procuration. The signatures of the majority of the members of the Board shall bind the company.

The Board of Directors elects a chairman from its members, and otherwise allocates its obligations among its members as needed. The chairman calls for the board meetings. However, a meeting shall also be held if requested by a member of the Board of Directors or the CEO. Meetings of the board are valid if attended by a majority of the members of the board. However, significant material decisions shall not be made unless all members of the Board have had the opportunity to discuss the matter, if possible. The outcome of issues shall be decided by force of vote. The CEO attends meetings of the Board of Directors, even though he or she is not a member of the Board, and has the right to debate and submit proposals unless otherwise decided by the Board in individual cases. A book of minutes shall be kept of proceedings at meetings and shall be signed by participants in the meeting. A board member, or the CEO, who is not in agreement with a decision by the Board of Directors is entitled to have his or her dissenting opinion entered in the book of minutes.

The CEO has charge of the day-to-day operations of Stoðir and shall observe the policy and instructions set out by the Board of Directors. Day-to-day operations do not include measures which are unusual or extraordinary. Such arrangements can only be made by the CEO in accordance with special authority from the Board, unless it is impossible to await the decision of the Board without seriously disadvantaging the operation of Stoðir. In such instances, the CEO shall consult with the chairman, if possible, after which the Board of Directors shall immediately be notified of the measures. The CEO shall ensure that the accounts and finances of Stoðir conform to the law and accepted practices. The CEO shall provide the Members of the Board of Directors and Stoðir's auditors with any information pertaining to the operations which they may request, as required by law.

### **Rights, Preferences and Restrictions of Shares**

All shares belong to the same share class and shares all carry equal rights and votes. Such rights are as follow:

- Dividends right. A shareholders' meeting decides upon the allocation of dividend. The date of maturity of dividend shall be no later than six months after a decision relating to the allocation thereof has been made.
- Voting rights. Each share have one vote.
- Pre-emption rights in offers for subscription of securities of the same class.
- Rights to share in any surplus in the event of liquidation.

No privileges are attached to any shares in Stoðir. No shareholder is obliged to let his or her shares be redeemed in full or in part, unless provided for by article 24 of the Icelandic Companies Act, no. 2/1995, which provides that if a shareholder owns more than nine-tenths of the share capital of a company - and controls the corresponding voting powers - the shareholder and the company's Board of Directors may jointly resolve that the remaining shareholders shall be obligated to let their shares be redeemed by the redeeming shareholder. Further, pursuant to article 26 of the Icelandic Companies Act, each individual minority shareholder in a company may require redemption from a shareholder owning more than nine-tenths of the share capital and controlling the corresponding voting powers. Finally, article 131 of the Icelandic Companies Act provides that shareholders in companies which have merged, and who have voted against an amalgamation or merger, are entitled to redemption of their shares provided that this is requested in writing within a month as of the time the shareholders' meeting resolving the merger..

The shares are issued in electronic form and registered with the Icelandic Securities Depository.

All the shares are freely transferable, unless otherwise provided for by Icelandic law. At the time of the publication of this Offer Document, no such provision limiting the transfer under Icelandic law exist.

### **Actions Necessary to Change Shareholders' Rights**

According to Article 6.1, the Articles of Association may only be amended at a lawful Annual General Meeting or extraordinary shareholders' meeting, provided that the notice of the meeting clearly indicates that such an amendment is proposed and outlines the main substance of the amendment. A decision is valid only if it has the support of at least 2/3 of the cast votes and the support of shareholders controlling at least 2/3 of the share capital represented at the meeting, provided that no other majority is required by these Articles of Association or statutory law. In this regard, article 93 of the Companies Act stipulates that in the following instances it is an additional condition to amend the company's Articles of Association that shareholders controlling a quarter of the share capital and the votes do not cast votes against the proposed resolution at the shareholder's meeting:

- Resolution for shareholders' meeting to be held electronically only.
- Resolution to use electronic communication of documents and electronic mail in communication between the company and its shareholders instead of sending or submitting documents written on paper.

Further, pursuant to article 94 of the Icelandic Companies Act, the approval of all shareholders is required in order to pass the following amendments to the Articles of Association:

- To abridge shareholders' rights to payment of dividend or other allocation from the company for the benefit of others than the shareholders. (Such resolution that limits the shareholders right to payment of dividend or other allocation in other instances than the aforementioned may be passed with nine-tenths of the votes.)
- To increase of shareholders' liabilities toward the company.
- To limit shareholders' transferability of their shares or to obligate shareholders to be subject to redemption of their shares in other cases than dissolution of the company.

Finally, a resolution relating to amendment to company Articles of Association which deranges the legal relationship between shareholders will be valid only provided those shareholders who are to be subject to the abridgment of rights vote in favor hereof.

### **Shareholders' Meetings**

Shareholders exercise their powers at shareholders' meetings, which hold the company's supreme powers, within the limits provided for in the Articles of Association and law. All shareholders are permitted to attend shareholders' meetings, address them and exercise their voting rights. The auditor of Stoðir and the CEO shall have full rights to address and submit motions at shareholders' meetings even if they are not shareholders. A shareholder may appoint a proxy to attend meetings on his/her behalf, in which case the proxy shall submit a written and dated letter of proxy. Also, shareholders may attend the meeting together with an advisor. The advisor, however, does not have the right to address the meeting, to submit motions or to vote. The Board of Directors may invite experts to attend individual meetings, if their opinion or assistance is required.

Shareholders' meetings shall be called at the discretion of the Board of Directors, at the request of Stoðir's auditor, or if shareholders controlling 1/10 of the shares of the company request a meeting by a written notice. The request shall include a statement to the Board of Directors explaining the reason for the request, and the Board of Directors shall notify shareholders of the business on the agenda in the notice of the meeting. When a lawful request for a meeting has been submitted, the Board of Directors shall call a meeting no later than fourteen



days from the time that the request was received. If the Board of Directors has not called a meeting within that time, shareholders may require a meeting to be called pursuant to the provisions of the Companies Act.

Shareholders' meetings, including the Annual General Meeting, shall be called by a notice to each shareholder by registered mail, telegram or by other verifiable means or, at the discretion of the Board of Directors, by a notice in the newspapers, with at least one week's notice. A shareholders' meeting is valid, regardless of attendance, if the meeting has been properly convened. Attendance shall be determined based on the number of ballots delivered.

The notice of a shareholders' meeting shall specify the business to be addressed at the meeting. If the agenda includes motions to amend the Articles of Stoðir, the substance of the motion shall be included in the notice of the meeting. An agenda, final submissions and, in the case of annual General Meetings, the annual accounts, report of the Board of Directors and the auditor's report shall be laid open for inspection by shareholders at Stoðir's offices no later than seven days before a shareholders' meeting.

Each shareholder shall be entitled to have a specific item of business included on the agenda of a shareholders' meeting, provided that such shareholder submits a written request to this effect to the Board of Directors of Stoðir with sufficient advance notice for the item to be included on the agenda in accordance with these Articles of Association.

Items of business which are not included on the agenda may not be accepted for final decision at a shareholders' meeting except with the consent of all the shareholders in Stoðir, but a resolution may be passed to provide guidance to Stoðir's Board of Directors. Lawfully submitted motions for amendments may be put to a vote at the meeting itself, even if they have not been laid open for inspection by shareholders. An Annual General Meeting is always permitted to conclude matters which it is required to address pursuant to statutory law or Stoðir's Articles.

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

#### **7.4 Dividend Policy**

Stoðir has focused on growth, both organically and through acquisitions. Therefore in order to be as flexible as possible financially, Stoðir does not have a predetermined dividend policy. Stoðir paid out dividends amounting to DKK 89 million for the year 2006, nothing for the year 2005 and DKK 29 million for the year 2004.

#### **7.5 Authorisations to Increase Stoðir's Share Capital**

The shareholders of Stoðir agreed on 12 July 2007 unanimously to authorise the Board of Directors to raise the share capital of the company by a maximum of ISK 4.000.000.000. The authorisation is valid until the next Annual General Meeting, after which time all unused share capital increase will be void. The new shares are offered exclusively to new shareholders who are currently shareholders of Keops and choose to register for shares in Stoðir. Current shareholders of the company waived their priority rights to subscription.

At the same meeting it was agreed unanimously to authorise the Board of Directors to raise the share capital of the company by a maximum of ISK 250.000.000 in relation to other acquisitions of the company, and to fulfil share option agreements. The authorisation is valid until the next Annual General Meeting, after which time all unused share capital increase will be void. Current shareholders of the company waived their priority rights to subscription.

#### **7.6 Description of Risk Factors**

Investing in Stoðir involves inherent risks as is in other companies with similar operations to Stoðir. Prospective investors should consider, among other things, the risk factors set out herein in this Tender Offer before making an investment decision. It should be noted that the potential risks highlighted below are not the only ones facing

Stođir. Additional risks not presently known to Stođir or that Stođir currently deems immaterial may also impair the company's operations and adversely affect its value. If any of the following risks actually occur, Stođir's financial position and operating results could be materially and adversely affected.

Prospective investors should consider carefully the factors set forth below, and elsewhere in this Tender Offer, and should consult their own expert advisors whether to accept shares in Stođir (the "Shares"). An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Such information is presented as of the date of the Tender Offer and is subject to change, completion or amendment without notice.

### **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 Stođir 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. Stođir will be exposed to a credit risk that arises any time Stođir's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

### **Market Risk**

Stođir market risk comprises the current or prospective risk to earnings and capital arising from adverse movements in bond, security, and commodity prices and foreign exchange rates, as well as other fluctuations.

### **Asset Portfolio Risk**

Stođir's main operation is the ownership and renting of commercial property. Therefore Stođir is affected by fluctuations in the value of real estate. A significant decrease of the value of real estate could affect Stođir'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 Stođir owns properties. The market situation when the lease contracts expire on Stođir's properties is an especially important consideration.

### **Interest Rate Risk**

Interest rate risk arises from Stođir'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. 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 impact Stođir'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 levels are 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**

Stođir tenants' financial status and strength, and thus their ability to service the rent will always be a decisive factor when evaluating the risk of property projects. The termination of leases with subsequent vacancy of the premises, or lower rent levels, will influence the rental income negatively.

### **Inflation Risk**

Inflation could have an influence on the company's asset portfolio. A rise in inflation levels can result in an increase in Stođir's debt as well as causing an increase in interest rates which can lead to an increase in Stođir's

costs. On the other hand if there is no inflation the value of real estate could decrease and the gap between Stoðir's debts and its assets will narrow.

### **Currency Risk**

Stoðir's reporting currency is the Icelandic krona. Stoðir trades currency for its own account and maintains open positions in currencies other than the Icelandic krona. Although Stoðir has taken steps to hedge a part of its foreign currency exposure, 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 Stoðir's operating results and financial position.

### **Liquidity and Refinancing Risk**

Stoðir is exposed to a liquidity risk that could materially affect Stoðir'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 Stoðir'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 Stoðir'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 an extent which would result in unacceptable losses. Stoðir is particularly exposed to liquidity risk as its holdings are in real estate and is therefore relatively 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**

Stoðir 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 Stoðir's operations will require significant investment, increased operating costs, greater allocation of management resources away from daily operations, continued development and integration of information management control systems, continued and ongoing training of management and other personnel, adequate employee supervision, and the delivery of consistent client product and service messages. The failure of Stoðir to effectively manage these issues and the 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**

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

### **Strategic Holdings**

Stoðir mainly focuses on gaining strategic holdings in real estate companies as a principal investor, 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. Stoðir'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. Stoðir's efforts to influence the operations could also have a negative impact on the investment.

## **Legal Risk**

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

Stoðir is contractually bound to honour various contracts in leasing and financing agreements. Should Stoðir become unable to fulfil the relevant covenants, the lessors and financiers may become entitled to rescind these agreements, which could have financial consequences for Stoðir. Because Stoðir'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 Stoðir's real estate. Stoðir 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 Stoðir's real estate and their immediate surroundings are not subject to these regulations today, there is no guarantee that they will remain so in the future.

## **Reputational Risk**

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

## **Internal Controls**

Operational risk relates to the inner workings of Stoðir, 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 the risk of loss resulting from failure to comply with the Icelandic laws and regulations under which Stoðir operates. Stoðir is also exposed to incorrect analyses of investment options, which can have a negative impact on its financials.

## **Tax**

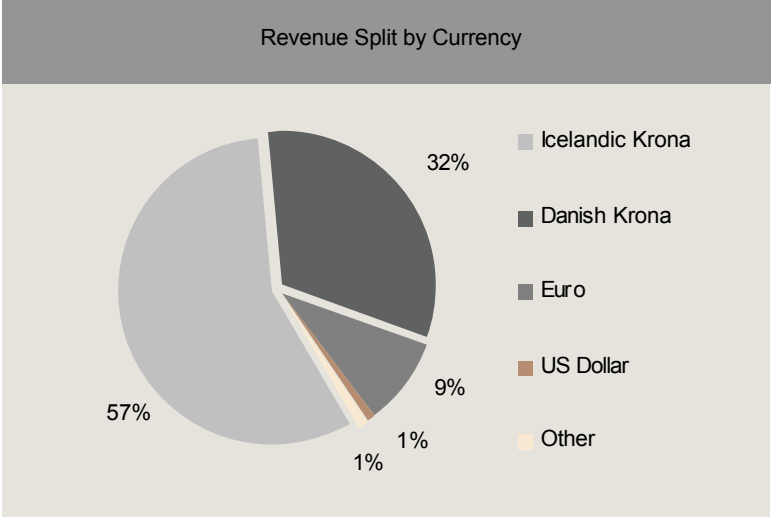
Stoðir could be affected by changes in tax legislation in any of the countries that the company operates in. Stoðir is not aware of any ongoing tax inspection concerning itself or its subsidiaries which may have a material impact on Stoðir's financials. An investigation of Stoðir's tax filings, as for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

**7.7 General Description of Stoðir**

Stoðir is the largest real estate company in Iceland based on total assets. Stoðir was founded in 1999 and has grown considerably since its establishment. Since its founding, Stoðir has worked to diversify its portfolio and improve the quality of its assets. Today Stoðir holds one of the largest real estate portfolios in the Nordic region with over 648,000 m<sup>2</sup> of rentable space and over 1,000 lease agreements.

Stoðir specialises in “sale and lease back” of real estate property to public and established corporate customers. Traditionally, Stoðir has focused on the Icelandic market but since the acquisition of Atlas Ejendomme in January 2006 (now Stoðir Holding A/S) Stoðir is increasingly shifting its focus towards the Nordic markets.

*Figure 4. Revenue Split by Currency*



*Source: Stoðir*

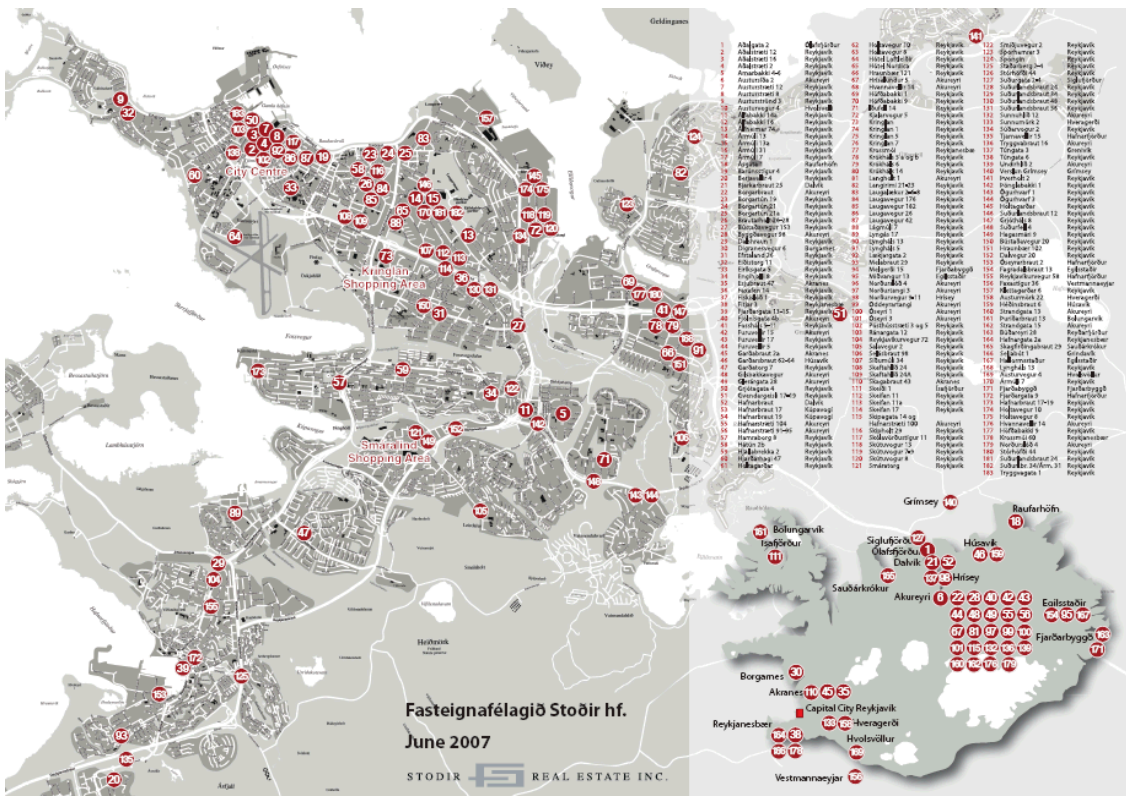
Stoðir owns 169 properties, 132 of which are located in Iceland and 37 located in Denmark. As of 1 July 2007 approximately 97% of these properties are being leased out. Currently approximately 64% of operating revenues are derived from Iceland and 36% from Denmark.

Figure 5. Properties located in Denmark



Source: Stoðir

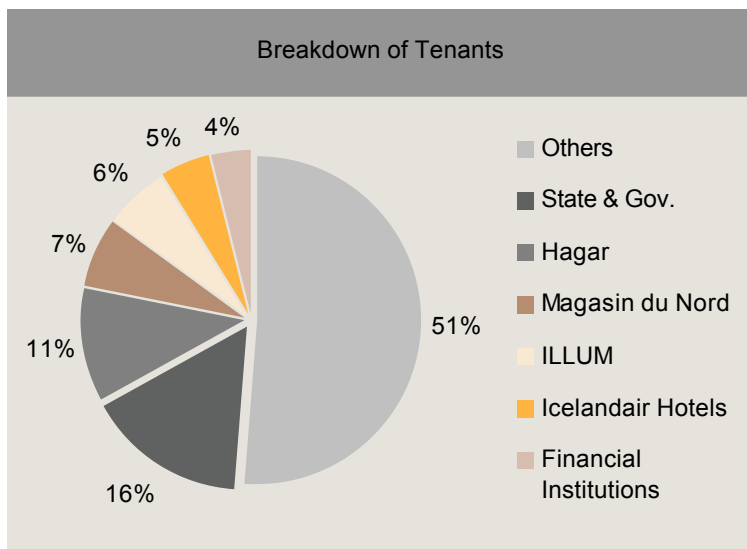
Figure 6. Properties located in Iceland



Source: Stoðir

Currently Hagar hf., a Baugur subsidiary, is Stoðir's single largest tenant, generating approximately 11% of the total rent income. State and local authorities account for 16% of revenues.

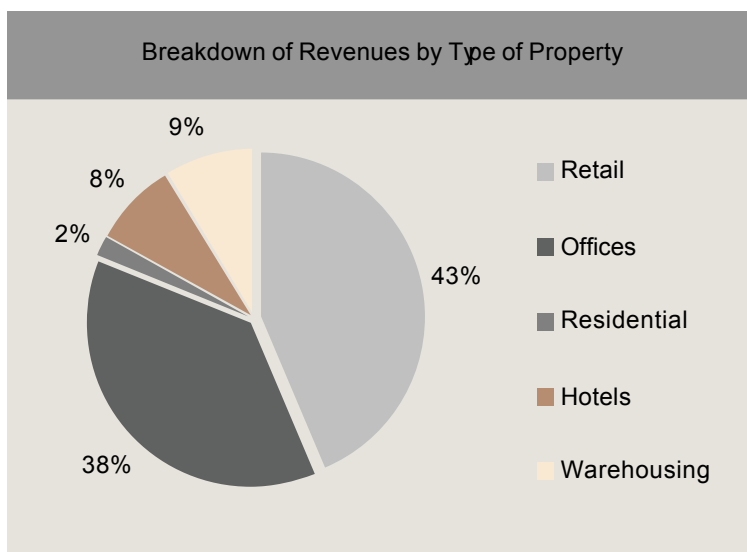
Figure 7. Revenue Split by Tenants



Source: Stoðir

Stoðir’s property portfolio is diversified with regards to location, types of business conducted and types of tenants. Stoðir’s broad risk diversification creates a strong property portfolio and in many cases the business which is conducted in the properties is heavily dependant on the location.

Figure 8. Revenue Split by Property Type



Source: Stoðir

Stoðir’s strategy is to focus on acquiring well positioned and sought-after property with lease contracts to established and reliable customers, who either wish to free up capital or avoid tying capital in operations which are not a part of their core activities. For this purpose Stoðir both buys properties and develops new properties where needed, in addition to providing extensive maintenance services.

The weighted average residual lifespan of Stoðir’s leases amounts to approximately 7 years. The leases, generally, do not contain termination clauses which may be relied on by the tenants and most of the leases for large units cannot be terminated by their tenants. All of Stoðir’s lease agreements in Icelandic krona are index linked. A large share of Stoðir’s lease agreements in Denmark has a minimum rent increase clause.

## 7.8 Market Overview

### The Danish Economy

The Danish economy is among the strongest in the European Union with high GDP growth, low inflation, little unemployment and high surplus on the trade and current account balances.

Unemployment is expected to continue to be low and many industries and companies are experiencing labour shortages, which in turn have already led to wage pressure.

Denmark has experienced considerable interest rate increases (both the short and long term interest rates) over the last 18 months as the interest rate and currency are "linked" to the Euro, but the commercial property market continues to be strong.

Table 11. Denmark / Euroland, Macroeconomic Outlook, 2006-2008

YEAR	GDP	UNEMPLOYMENT	CONSUMER SPENDING	EXPORTS	INFLATION	3M INTEREST RATES	10-YEAR INTEREST RATES
<b>Denmark</b>							
2006	3.7	4.5	4.3	12.1	1.9	3.1	3.7
2007	2.7	3.9	2.4	6.4	1.8	4.0	3.9
2008	1.6	4.0	1.9	4.4	2.2	4.3	4.1
<b>Euroland</b>							
2006	2.6	8.6	2.0	8.8	2.3	3.1	3.8
2007	1.9	8.2	1.9	6.0	2.1	3.9	3.9
2008	2.2	7.9	2.3	6.0	2.0	4.2	4.2

Source: Sadolin Albæk; Copenhagen and Malmoe Property Market Report 2007

Note: All figures in %

### The Icelandic Economy

Iceland has in general had a favourable economy in recent years with large private investments, rapid economic growth and low unemployment. Iceland is an advanced country with high quality infrastructure and GDP per capita ranks among the highest in the world and is similar to Denmark.

Inflation has been high for the past few years mainly as a result of rapid expansion of domestic demand brought about by combined effect of large investment projects and enhanced access to credit at lower interest rates. However the market research divisions of the Icelandic banks and the Central bank of Iceland assume that inflation will decrease rapidly in the near future and that the inflation goal of 2.5% will be reached in 2009.

Interest rates in Iceland have been increasing rapidly since 2004 and now stand at 13.3% which corresponds to an annual rate of return of 14.25%. Interest rates are expected to remain at high levels throughout 2007 but are likely to decrease in 2008 and 2009. Interests on a 10 year government bond (RIKB130517) currently amount to 8.9% as shown in the table below.



Table 12. Iceland Macroeconomic Outlook, 2006-2008

YEAR	GDP	UNEMPLOYMENT	CONSUMER SPENDING	EXPORTS	INFLATION	3M INTEREST RATES	10-YEAR INTEREST RATES
<b>Iceland</b>							
2006	2.6	1.3	-0.5	-5.6	6.9	12.2	8.4
2007	1.5	1.8	1.0	11.8	3.5	13.8	8.9
2008	3.5	2.7	3.0	12.9	4.8	11.3	8.5

Source: Glitnir Reaserch

Note: All figures in %, 3 month rates are interbank rates (REIBOR), the 10 year rates relate to a 10 year government bond

### The Danish Property Market

The majority of the activity in the Danish property market is in the Greater Copenhagen, Aarhus and the Triangle regions.

The majority of Stoðir's Danish properties are located in the Greater Copenhagen area. The Danish property portfolio comprises landmark buildings such as the ØK building and Tietgens hus as well as more than 30 other investment properties where majority of them are located in the centre of Copenhagen.

One of the leading Danish property experts, Sadolin & Albæk, forecast that initial yields in the Greater Copenhagen commercial property market in 2007 will remain at a historic low. Sadolin & Albæk reports that "by year end 2006, average net initial yields had declined by approximately 40 basis points to 5.1%, which is the lowest historical yield level ever recorded in the Sadolin & Albæk price index." The market level and the expected trend for selected areas in Denmark can be found below made by Colliers Hans Vestergaard.

Table 13. Market Barometer\*

MARKET BAROMETER *	RENT (DKK)	TREND	YIELD	TREND
<b>Retail</b>				
Copenhagen	16,000	→	4.00%	↘
Aarhus	5,000	↗	4.00%	↘
Odense	4,750	→	4.00%	→
Aalborg	3,750	↗	5.00%	↘
The triangle region	3,000	↗	4.50%	→
<b>Office</b>				
Copenhagen	1,900	↗	4.75%	↘
Aarhus	1,500	↗	5.25%	↘
Odense	900	→	5.75%	→
Aalborg	925	→	5.60%	→
The triangle region	975	↗	5.25%	→

The market barometer indicates the level for the best quality and location in the local area.

Source: Colliers Hans Vestergaard; 29 May 2007

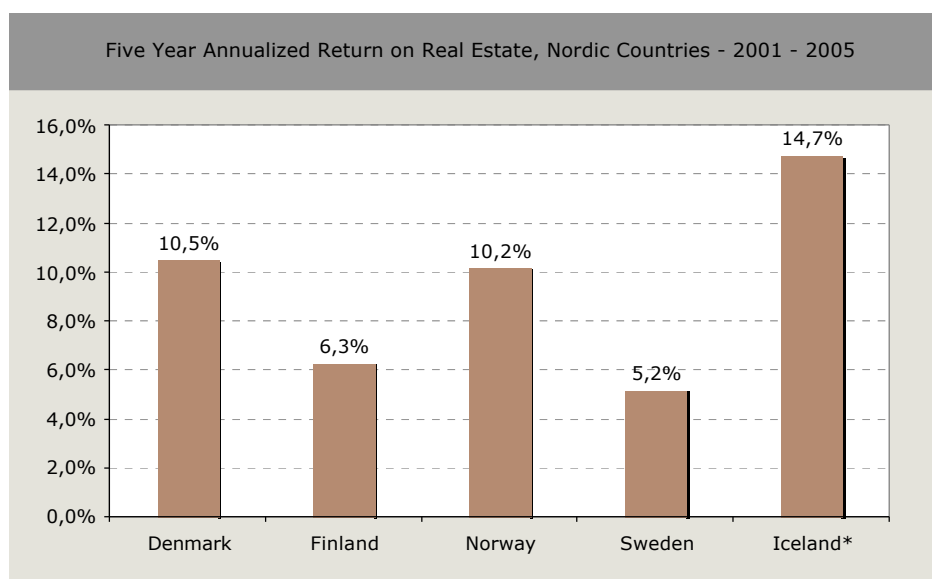
For retail properties in Copenhagen in prime location the rent level is expected to be stable whereas the expected yield levels will see a downward trend. For prime location office properties both the rent and the yield level is expected to see a downward trend compared to current levels.

### The Icelandic Property Market

According to a market analysis prepared by Reykjavik Economics<sup>5</sup> Iceland (in particular the Greater Reykjavik Area) has offered strong returns on real estate investments, especially since the autumn of 2004. This is mainly due to a changed structure in the mortgage and property loan market. Higher loan-to-value ratio, access to global capital markets, lower interest rates and increasing purchasing power (higher wages). The residential market has been growing at an annual rate of 14.7% over the past five years, which is close to the Danish Residential Apartment Market (Copenhagen), which has given annual return of 15.3% over the past five years.

The Icelandic real estate market has performed strongly in comparison with the other Nordic countries.

Figure 9. Real Estate Returns in the Nordic Countries



Source: IPD

\* Annual return in the residential housing market – Reykjavik Capital

According to statistics from the Central Bank of Iceland real price increase in all commercial property (retail, office, industry and other) has been very steep since the third quarter of 2004 and the prices in real terms have never been higher.

<sup>5</sup> Reykjavik Economics is represented by Magnús Árni Skúlason a former associate professor in real estate economics.

Figure 10. Commercial Real Estate Price Index in Iceland

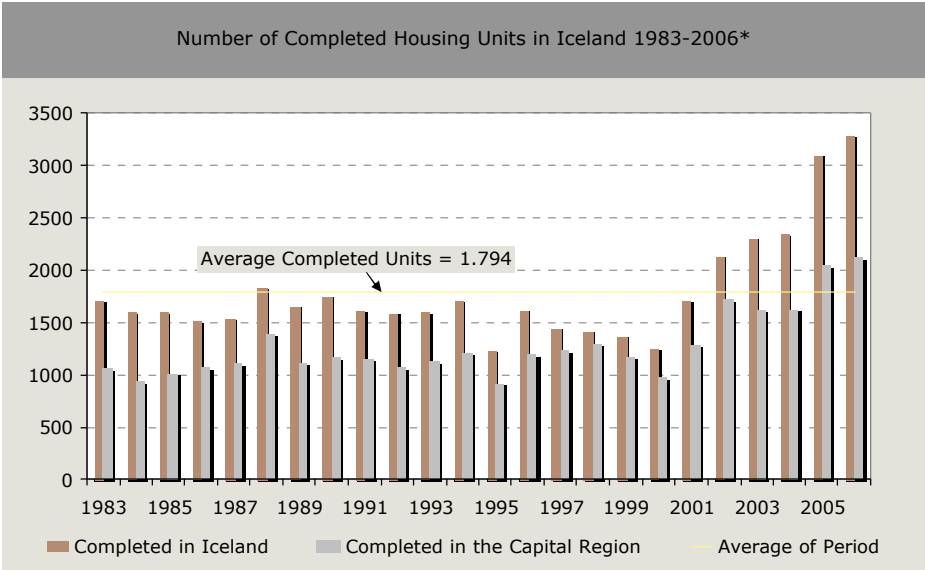


Source: Central Bank of Iceland

The highest average price for commercial property is in the capital, Reykjavik. The average price in Reykjavik in 2006, without any adjustments for location was DKK 16,015 per m<sup>2</sup> for office and retail and DKK 12,033 per m<sup>2</sup> for industrial houses and warehouses. The highest price in the office and retail category was DKK 42,293 per m<sup>2</sup> and the lowest DKK 5,043 per m<sup>2</sup>. In regards to volume Reykjavik is the far most important market area, followed by Kópavogur and Hafnarfjörður (local communities to Reykjavik).

The transaction volume in the Great Reykjavik Area Real Estate Market, excluding soft deals (deals with real estate companies), has increased substantially from DKK 15.7 billion (10,085 transactions) in 2004 to a record of DKK 19.8 billion (9,503 transactions) in 2005 to a slight decrease in 2006 of DKK 18.1 billion (7,501 transactions). The main reasons for higher transaction volume and higher prices in the real estate markets are structural changes in the Icelandic mortgage and property loan markets and a demographic change with a net immigration inflow for two years in a row. In 2006 over 5,200 individuals moved to Iceland and of these around 2,600 moved to the capital region. This is a notable increase in a country that has just over 300,000 inhabitants.

Figure 11. Number of Completed Housing Units in Iceland



Source: Statistics Iceland, \*Not adjusted for population growth

During 2006 the number of completed residential housing units was 3,294, where 2,120 were completed in the Reykjavík Capital Region. Most specialists expected that just over 2,000 units were sufficient. In the end of last year 5,144 flats were under construction compared to 4,692 the year before. Not since 1976 have more flats been under construction and this is around 1,500 more flats than the long-term average. This kind of residential building boom demands additional infrastructure like shops and offices, so the commercial property stock may grow accordingly.

The Icelandic real estate market has developed rapidly in recent years with a growing number of investors actively participating which has increased liquidity and transparency. The market is currently at a favourable stage with low vacancy levels and rent is expected to rise in key areas. Property yields are also higher in Reykjavík than in other comparable cities in Europe and a potential downward shift in yields could generate an upside for investors.

## **7.9 Related Party Transactions and Interests**

Stoðir has only entered into transactions with its subsidiaries, shareholders, employees or related parties on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

Related party transactions are as follows:

- Stoðir has a put option on Baugur regarding shares in FL Group worth DKK 325 million, which Stoðir acquired in relation with the sale of all of Stoðir's shares in S fasteignir ehf in March 2007. The option will become active in the period 22 to 29 September 2007.
- Baugur has entered into a loan agreement with Stoðir amounting to DKK 285 million in relation with Baugur's acquisition of all of Stoðir's shares in Hagar hf. in July 2006. Date of maturity is 10 July 2011.

Stoðir has made guarantees for loans to the following subsidiaries:

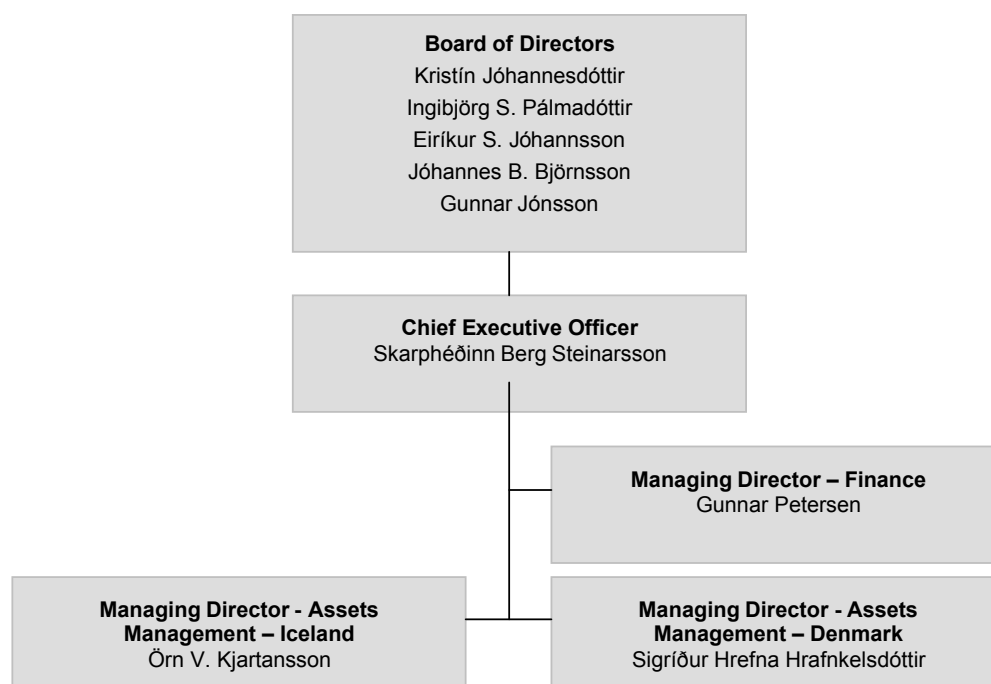
- Atlas Ejendomme A/S: DKK 1,750 million.
- Atlas Ejendomme II A/S: DKK 2,400 million.
- Langastétt ehf: DKK 378 million.
- FS6 ehf: DKK 450 million.
- Landsafl ehf: DKK 758 million.

Furthermore Stoðir has issued a loan to Stoðir Holding A/S amounting to DKK 450 million. This loan is related to Atlas Ejendomme A/S.

Stoðir has not entered into any other transactions with related parties.

## 7.10 Directors and Senior Management

Figure 12. Organisational Structure



Source: Stoðir

### Biographies

Note: In the biographies below \* indicates that this position is held currently.

#### Kristín Jóhannesdóttir (Born 1963)

Kristín is the chairman of the board of Stoðir. 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 Lögmennt Gardastræti. She studied at Aarhus University from 1996 to 1999, when she became the CEO of Gaurur Holding. She has been the chairman of the board of Fasteignafélagið Stoðir hf. since 2002. In the past five years Kristín has also been a board member of the following companies: Baugur Group hf.\*, Thyrring hf.\*, Latibær ehf.\*, Íslenski lífeyrissjóðurinn\*, Hagar hf., Femin ehf., Samtök atvinnulífsins (Confederation of Icelandic Employers)\*, Viðskiptaráð Íslands (Chamber of Commerce)\*, Goldsmiths\*, Leonard ehf.\*, Kaldbakur and Burðarás, as well as of all of Stoðir's subsidiaries in Denmark. In the same period of time she has been a manager Fjárfestingafélagið Gaurur ehf.. Kristín is not a shareholder in Stoðir,.

#### Ingibjörg S. Pálmadóttir (Born 1961)

Ingibjörg is an investor and an interior designer with a degree from Parsons School of Design in New York. She currently owns and runs the 101 Hotel in Reykjavík, and the 101 Gallery, an art gallery in Reykjavík. She is a member of the board of Stoðir. In the past five years she has also been a board member of the following companies: Baugur Group hf.\*, Á bleiku skýi ehf.\*, Thyrring hf.\*, Lýsi hf.\*, Eignarhaldsfélagið ISP ehf.\*, 101 Hótel ehf.\* and IP Studium Reykjavík ehf.\* Ingibjörg has not been a manager of any companies other than 101 Hotel and 101 Gallery in the last five years. Ingibjörg is the second largest shareholder of Stoðir, holding 32,5% of the shares (both personally and through the companies 101 Capital and Eignarhaldsfélagið ISP).

### **Eiríkur S. Jóhannesson (Born 1968)**

Eiríkur is Managing Director of Baugur Group's Property division. Eiríkur earned his Bachelor of Science degree in economics from the University of Iceland in 1991, whereupon he studied international economics and finance at Vanderbilt University from 1992 to 1994. Eiríkur is a member of the board of Stoðir. In the past five years he has also been a board member of the following companies: Glitnir banki hf.\*, Tryggingamiðstöðin hf., Goldsmiths Ltd., Icelandic Group hf., P/F Kall, Samherji hf.\*, I-Holding ehf., M-Holding ehf., Lítá ehf.\*, Futura ehf., Straumur Burðarás hf., Keops A/S\*, Capinordic A/S\* and Capinordic bank A/S\*, as well as of all of Stoðir's subsidiaries in Denmark. Eiríkur has also been a manager of the following companies in the past five years: Og Vodafone/Dagsbrún hf., Kaldbakur hf. and KEA. Eiríkur is not a shareholder in Stoðir.

### **Jóhannes B. Björnsson (Born 1967)**

Jóhannes graduated from the University of Iceland with a Cand. Jur. degree in law in 1993, and became a district court attorney in 1994 and a supreme court attorney 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 is a member of the board of Stoðir and of Fjárfestingafélagið Stapahlíð ehf., which he is the sole shareholder of. He has not been a member of board, or manager, of any other company in the last five years. Jóhannes is not a shareholder in Stoðir.

### **Gunnar Jónsson (Born 1960)**

Gunnar graduated with a Cand. Jur. degree in law from The University of Iceland in 1985. In 1992 he received an LL.M. from the Cleveland Marshall College of Law. Gunnar serves as director for a number of companies, including Icelandic subsidiaries of several multi-nationals. He has advised the government of Iceland in the drafting of several bills of legislation, mostly regarding the stock market. Gunnar worked as an associate with Logmenn from 1985-1988 before moving to the US where he did his LL.M. In 1993 Gunnar returned to Iceland and has since then been a partner at Jonsson & Hall. In the last five years Gunnar has also been a board member of the following companies: Rannsókn- og fræðslusjóðurinn ehf., Magna á Íslandi ehf., Markarmenn ehf., Quebecor á Íslandi ehf., Quebecor á Íslandi sf., MID á Íslandi ehf., MID á Íslandi sf., Frontier Energy á Íslandi ehf., Sjóklæðagerðin hf.\*, Bankaráð Íslandsbanka hf., Glitnir sjóðir\*, Dunedin ehf., Dunedin sf., Kristín Þórisdóttir ehf.\*, LMFÍ (the Icelandic Bar Association) and Mörkin lögmennsstofa hf.\* Gunnar is not a shareholder in Stoðir.

### **Senior Management and Employees**

The CEO of Stoðir is in charge of the daily operations and represents the company in all matters concerning general operations. The CEO manages the accounts of Stoðir and hires its employees. The CEO provides the Board of Directors and auditors with all necessary information regarding Stoðir's operations which they might request and should be granted according to statutory law.

The CEO of Stoðir is Skarphéðinn Berg Steinarsson.

Other senior officers of Stoðir include Gunnar Petersen, managing director of finance, Örn V. Kjartansson, managing director of asset management in Iceland, and Sigríður Hrefna Hrafnkelsdóttir, managing director of asset management in Denmark. They all report directly to the CEO. Stoðir employs 35 people in total, 17 based in Denmark and 18 based in Iceland.

Table 14. Senior Management

NAME	TITLE / RESPONSIBILITY
Skarphéðinn B Steinarsson	Chief Executive Officer
Gunnar Petersen	Managing Director - Finance
Örn V. Kjartansson	Managing Director - Asset Management - Iceland
Sigríður Hrefna Hrafnkelsdóttir	Managing Director - Asset Management - Denmark

Source: Stoðir

#### **Skarphéðinn Berg Steinarsson (Born 1963)**

Skarphéðinn 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. Skarphéðinn served as the executive director for the state privatisation committee from 1992 to 2002. Furthermore he served as a head of division at the ministry of finance from 1991 to 1998 and as head of department at the prime minister's office from 1998 to 2002. From 2002 to 2007 he was managing director for Nordic investments for Baugur. Skarphéðinn is currently CEO of Stoðir. In the past five years Skarphéðinn has also been a board member of the following companies: BGE Eignarhaldsfélag ehf., M-Invest ehf., Húsasmiðjan hf., Thyrring hf.\*, Kjalvogur ehf.\*, F-Capital ehf.\*, Milton ehf.\*, Landsafl ehf.\*, FL Group hf.\*, Glitnir banki hf.\*, Áttthagar ehf.\*, BG Holding ehf., A-Holding ehf., M-Holding ehf., Eignarhaldsfélag Húsasmiðjunnar ehf., BG Capital ehf., Kaldbakur hf., I-Holding ehf., Hrafnabjörg ehf., Storm ehf., BG Equity 1 ehf., BG Fasteignir ehf., BG Aviation ehf., Skallagrímur hf.\*, 365 hf., Minjavernd hf., Hringur eignarhaldsfélag ehf., Allianz Ísland hf., Á bleiku skýi ehf., Norðurljós hf., Keops A/S\*, BG Denmark ApS\*, Baugur DK ApS\*, Hólakot A/S\*, Glitnir Bank Branch CHP\*, Baugur SE AB\*, Baugur Holding SE AB\*, A Holding S.A.\*, Glitnir banki hf., UK Branch\* and Ice Capital. Skarphéðinn has not been a manager of any other companies than Stoðir and Baugur in the last five years. Skarphéðinn holds 2,1% shares in Stoðir.

#### **Gunnar Petersen (Born 1974)**

Gunnar is the managing director of finance at Stoðir. Gunnar earned his Bachelor of Science degree in economics from the University of Iceland in 1999. From 1999 to 2002 he was employed at Icebank hf., Treasury and Capital Markets Division. From 2002 to 2004 Gunnar was head of capital markets at VBS investment bank. From 2004 to 2006 he was employed at HSH Nordbank, Copenhagen branch. Gunnar has not been a member of board in any company, or a manager, in any other company than Stoðir in the last five years. Gunnar is not a shareholder in Stoðir.

#### **Örn V. Kjartansson (Born 1966)**

Örn is the managing director of asset management in Iceland for Stoðir. Örn graduated from the Florida Institute of Technology in 1992. From 1992 to 1997 he was a sales manager in Hagkaup, and from 1997 to 2000 he was employed at Eignarhaldsfélagið Hof hf. From the year 2000 he was the managing director of Rekstrarfélag Kringlunnar (Management of Kringlan, shopping center), until being employed at Stoðir in 2006. In the past five years Örn has been a board member of Húsasmiðjan hf., Kringlan, shopping center\*, Rekstrarfélagið Mjódd, Rekstrarfélagið Glæsibær and a member of the Board of Directors in FS6\*. He is now a directing manager in Landsafl ehf. and Áttthagar ehf. Örn is not a shareholder in Stoðir.

### **Sigríður Hrefna Hrafnkelsdóttir (Born 1977)**

Sigríður graduated from the University of Iceland with a Cand. Jur. degree in law in 2002, and became a district court attorney in 2003. She is now studying for a MBA degree at Copenhagen Business School. After graduation she was employed at Kaupthing bank hf. until she was employed at LEX Law offices in 2002. From 2004 Sigríður has been employed at Stoðir, and she holds now a managing position in Stoðir's subsidiaries in Denmark. In the past five years Sigríður has been a board member of Áttthagar, PSBP and Rekstrarfélagið Mjódd.. Sigríður is not a shareholder in Stoðir.

Annual base salary of Stoðir's CEO amounts to DKK 3,566,000 and annual salaries of the Board of Directors amounts to DKK 1,070,000. Stoðir has granted the company CEO an option to buy 1.5% of Stoðir's current share capital at the price ISK 14.00 per share. No other options have been granted.

No family relationship exists between any members of the Board of Directors or the management. During the past five years, none of the members of the Board of Directors or the management have been (i) convicted of fraudulent offences; (ii) officers in companies that have entered into bankruptcy, receivership or liquidation or (iii) subject to any public incrimination (save from Kristín Jóhannesdóttir, as further described below) and/or sanctions by statutory or regulatory authorities and have 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 November 2003 the Icelandic tax authorities searched the headquarters of Gaumur Ltd. which is a holding company of which Kristín Jóhannesdóttir is the CEO, 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 this date.

### **7.11 Share Capital**

The current share capital of Stoðir is nominal ISK 2,724 million divided into ISK 2,724 million shares of nominal ISK 1.00 each. If all shareholders in Keops choose to exchange their Keops Shares for New Stoðir Shares, the share capital of Stoðir after completion of the Tender Offer will be nominal ISK 6,199 million. If no shareholders in Keops, except for Baugur and Fons, choose to exchange their Keops Shares for New Stoðir Shares, the share capital of Stoðir after completion of the Tender Offer will be nominal ISK 5,322 million.

The main changes that have taken place in the last 3 years regarding the share capital of Stoðir were made at the annual shareholders' meeting in February 2007, when the share capital was raised by nominal value of ISK 522 million in relation to the financing of the acquisitions of Landsafl ehf. and FS6 ehf. In the period between 2004 and 2006 none of the share capital has been paid for with assets other than cash.

Today 2,897,278 shares of nominal ISK 1.00 each in Stoðir, with a total book value of DKK 1.1 million is held by Stoðir or on behalf of Stoðir by its subsidiaries.

### **7.12 Major Shareholders**

As of 1 July 2007 there were 93 shareholders in Stoðir. The four largest shareholders owned a total of 78.0% of the company's total issued share capital. The ten largest shareholders owned 95.9% of the total issued share capital.



Table 15. Top 10 Shareholders of Stoðir

SHAREHOLDER	PERCENTAGE OF SHARES HELD
Baugur Group hf.	38.5%
101 Capital ehf.	18.3%
Landsbanki Islands hf.	10.8%
Ingibjörg Stefania Pálmadóttir	10.4%
Fjárfestingafélagið Máttur ehf.	5.6%
Eignarhaldsfélagið ISP ehf.	3.8%
SJ1 ehf.	2.8%
Skarphéðinn Berg Steinarsson	2.1%
Jónas Þór Þorvaldsson	1.8%
Sparisjóður Reykjavíkur	1.8%
<b>Total:</b>	<b>95.9%</b>

Source: Stoðir

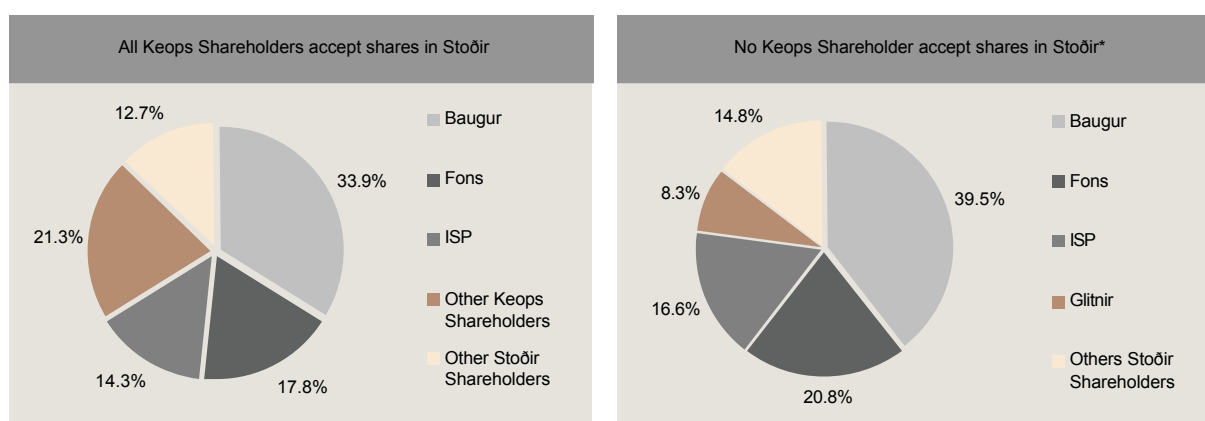
Baugur has been Stoðir's single largest shareholder since 2002 and currently holds a 38.5% stake.

101 Capital, an investment company owned by Ingibjörg S Pálmadóttir holds 18.3% in Stoðir. Ingibjörg holds further 10.4% share in her own name and 3.8% under the name Eignarhaldsfélagið ISP ehf.

Landsbanki Islands hf., one of the three largest banks in Iceland, holds 10.8% in Stoðir. Landsbanki Islands hf. became Stoðir's third largest shareholder following Stoðir's acquisition of Landsafl ehf.

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

Figure 13. Example of Stoðir's Shareholder Structure post Transaction



Source: Glitnir

\*Except Baugur and Fons

The graphs above illustrates how Stoðir's shareholding structure would look like if all current shareholders of Keops would opt for shares in Stoðir and if no current Keops's shareholders (excluding Baugur and Fons) would opt for shares in Stoðir. In both cases Baugur would remain Stoðir's largest shareholder.

### 7.13 Auditors

KPMG hf., ("KPMG") is the auditor of Stoðir. KPMG's address is Borgartún 27, 105 Reykjavík, Iceland. KPMG is an Icelandic public limited liability company and a member firm of the KPMG network.

### 7.14 Financial Overview

The summary financial information contained in this section is, where noted, extracted from annual financial accounts that have been prepared in accordance with international Financial Reporting Standards (IFRSs) as adopted by the European Union.

The summary financial statements presented below are based on Stoðir's consolidated accounts for the years 2006, 2005 and 2004, as well on an un-audited balance sheet for the first four months of 2007.

Stoðir's audited annual accounts for these years have been endorsed without remarks by Stoðir's accountants.

Stoðir's financials accounts are reported in Icelandic krona and in the tables below its figures have been converted to DKK/ISK at the exchange rate: 0.08914 (ISK/DKK 11.2183).

Table 16. Summary Financials

PROFIT & LOSS ACCOUNT	12M TO DECEMBER	12M TO DECEMBER	12M TO DECEMBER
DKK MILLION	2006	2005	2004
Operational revenues	552	369	448
Operational costs for properties	-166	-177	-253
<b>Operating profit</b>	<b>386</b>	<b>192</b>	<b>195</b>
Net financial expenses	-653	-112	-76
<b>Pre-tax profit</b>	<b>-268</b>	<b>80</b>	<b>119</b>
Investment property value adjustment	1,445	101	158
Investment property sales profit	44	19	35
Income tax	-205	-14	-58
<b>Total profit for the period</b>	<b>1,016</b>	<b>186</b>	<b>254</b>
Cash Flow			
Net cash from operating activities	191	135	40
Cash from investment activities	-3,471	-1,026	-402
Cash from financing activities	3,316	814	470

Source: Stoðir accounts

Stoðir's revenues amounted to DKK 552 million in the financial year ended 31 December 2006. Revenues in 2005 amounted to DKK 369 million and DKK 448 million in 2004. Rental income doubled from 2004 to 2006 while decrease in operational revenues in 2005 compared to 2004 was due to substantial sale of properties in 2004.

Operating profits in 2006 amounted to DKK 386 million compared to profits in 2005 of DKK 192 million and 195 million in 2004.

The value adjustment of investment properties in 2006 was mainly driven by increase in inflation, currency changes, update on future rental development performed by an independent third-party advisory firm and increase in valuation of strategic building rights in central Reykjavik.

Total profit for the year 2006 reached DKK 1,016 million, compared with DKK 186 million for the year 2005 and DKK 254 million in 2004.

*Table 17. Summary Balance Sheet*

BALANCE SHEET	APRIL	DECEMBER	DECEMBER	DECEMBER
DKK MILLION	2007	2006	2005	2004
Fixed assets	14,692	13,531	5,252	3,564
Current assets	529	431	1,214	487
<b>Total Assets</b>	<b>15,222</b>	<b>13,962</b>	<b>6,466</b>	<b>4,051</b>
Equity	2,783	2,025	966	843
Subordinated loans	0	0	150	155
Deferred tax liability	921	904	201	192
Long-term liabilities	8,523	8,784	3,734	2,341
Short-term liabilities	2,994	2,249	1,415	520
<b>Total Equity &amp; Liabilities</b>	<b>15,222</b>	<b>13,962</b>	<b>6,466</b>	<b>4,051</b>

*Source: Stoðir accounts*

Stoðir's assets have increased substantially in the last few years. Stoðir's total assets as of 30 April 2007 amounted to DKK 15,222 million compared to DKK 13,962 million at end of financial year 2006, and DKK 6,466 million at year end 2005. The growth in assets in 2007 has mainly been driven by the acquisition of Landsafl ehf.

The former major shareholders of Landsafl ehf. bought new shares in Stoðir as part of the acquisition financing of Landsafl ehf. The share price of Stoðir in this transaction was ISK 13.7.

Stoðir regards its working capital to be healthy and sufficient and in good accordance with its course of business.

Stoðir's equity as of 30 April 2007 totalled DKK 2,783 million compared to DKK 2,025 million at year end 2006.

Additional financial information can be found on Stoðir's website [www.stodir.is](http://www.stodir.is).

## 7.15 Funding

Stoðir enjoys a long term relationship with a number of financing institutions located in different countries.

Stoðir funds its operations with debt and equity. Stoðir's debt can be split into long term loans and short term loans. Stoðir's long term loans amount to DKK 8,971 million (including next years repayment of DKK 448 million) while Stoðir's short term loans amount to DKK 2,994 million as of 30 April 2007.

Stoðir's long term loans can be broken down as follows:

- Bonds amount to a total of DKK 1,763 million in three classes which are all listed. The bonds are non-convertible and further details regarding the terms and conditions can be found at Stoðir's website ([www.stodir.is](http://www.stodir.is)).
- Debt financing Eurohypo A/G amounts to DKK 2,700 million.

- Debt financing with Aareal Bank A/G amounts to DKK 1,254 million.
- Debt financing with Helaba Group amounts to DKK 1,254 million.
- Debt financing with various other financial institutions amounts to DKK 2,001 million

Stoðir's weighted average length of long term loans amounts to 8.5 years nominated in ISK and 4.0 years nominated in other currencies.

Stoðir's short term debt can be broken down as follows:

- Debt financing with Landsbanki Íslands hf. amounts to DKK 1,108 million.
- Debt financing with Kaupthing Banki hf. amounts to DKK 798 million.
- Debt financing with various other financial institutions amounts to DKK 640 million.

### **7.16 Vision and Strategy**

Stoðir has grown and prospered since its foundation, diversifying its investments and improved the quality of its real estate portfolio to the benefit of all its shareholders. Stoðir's vision is to become the leading property company in the Nordic region. To this end Stoðir intends to further establish itself in the coming years as the largest property company in the Nordic countries before turning its attention towards other markets. Stoðir will continue to focus on properties located in prime areas with well established and reliable tenants. Although further growth is integral part of Stoðir's future strategy the company places high emphasis on achieving increased profitability as economies of scale and synergies are attained. Furthermore, Stoðir aims to list its shares on an OMX stock exchange as soon as it is able to do so, possibly before the end of 2007 but no later than in 10 months from the date of this Tender Offer. However no guarantees can be made to Keops shareholders, accepting the Tender Offer for a consideration in New Stoðir shares, that Stoðir will be listed.

### **7.17 Valuation of Stoðir Shares**

Stoðir is currently an unlisted company and as such its market value is not transparent. With respect to this Tender Offer Glitnir Banki has conducted valuation of Stoðir based on historical information and future looking data provided by the management. The results of the valuation supports Stoðir's share price of DKK 1.24796 (ISK 14.00) as being fair from a financial point of view to investors considering accepting shares in Stoðir in exchange for their respective shares in Keops.

### **7.18 Financing of the Tender Offer**

Glitnir has agreed to make available to the Offeror, in the form of debt instruments and a commitment to subscribe for New Stoðir Shares, all cash resources necessary to complete the Tender Offer. Glitnir has entered into an agreement with Stoðir to underwrite up to DKK 550 million worth of New Stoðir Shares. The price of the Stoðir shares is the same as the Offer Price in this Tender Offer or ISK 14.00.

### **7.19 Material Contracts**

All material contracts which Stoðir has entered into are on market terms.

### **7.20 Litigation**

At present Stoðir is not involved in any, nor is aware of, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Stoðir is aware), the previous 12

months which may have, or have had in the recent past significant effects on Stoðir or the group's financial position or profitability.

### **7.21 Further Information**

Further information such as the memorandum and articles of association and Stoðir's historical financial information and annual accounts can be found on the company website ([www.stodir.is](http://www.stodir.is)) or at the business address of Stoðir, Kringlan 4-12, 103 Reykjavik, Iceland.

## 8 DEFINITIONS

Baugur	Baugur Group hf., an Icelandic company with limited liability (Registration No. 480798-2289) Túngata 6 101 Reykjavik Iceland
Cash Offer Price	The cash consideration of DKK 24.00 for each Keops Share of a nominal value of DKK 1.00
Compulsory Redemption	A Compulsory redemption pursuant to Sections 20b or 20e of the Danish Companies Act.
Currency Conversion:	Figures in Icelandic krona have been converted in this Tender Offer to Danish kroner at the following rate: 0.08914 (DKK/ISK) or 11.2183 (ISK/DKK)
Employee Shares	Shares issued by Keops pursuant to Section 7A of the Danish Tax Assessment Act for which the tie-up or lock-up period expires at a later date than the last date of the Offer Period.
Employee Shareholders	Keops shareholders who hold Employee Shares.
Fons	Fons Eignarhaldsfélag hf., an Icelandic company with limited liability (Registration No. 700394-3799) Sudurgata 22 101 Reykjavik Iceland
Danish FSA	The Danish Financial Supervisory Authority (Finanstilsynet)
Glitnir	Glitnir Banki hf., Copenhagen Branch Frederiksgade 19, 2. DK-1265 Copenhagen K. Denmark Telephone: +45 88 33 50 00 Facsimile: +45 88 33 50 01
Keops / the Company	Keops A/S, a Danish company with limited liability (CVR No. 36850019) Scandiagade 8 DK-2450 Copenhagen SV Denmark
Keops Share	Each of Keops' shares with a nominal value of DKK 1.
Keops Group	Keops, its subsidiaries and subsidiary undertakings
New Stoðir Shares	Shares in Stoðir which are issued as payment for shares in Keops acquired in connection with this Tender Offer. The total number of new Stoðir shares to be issued in connection with the completion of this Tender Offer will be between ISK 2,597,9816,321 and 3,475,466,867 if all of the Keops Shares not owned by Baugur and Fons are tendered for cash or for New Stoðir Shares respectively. Total nominal value of the New Stoðir Shares to be issued will be between ISK 2,597,816,321 and 3,475,466,867.
Offer Document	This document that relates to the Tender Offer including the Acceptance Form

Offer Period	The period commencing 27 July 2007 and expiring on 31 August 2007, at 20.00 CET or at the expiration of any extension
Offer Price	a cash consideration of DKK 24.00 for each Keops Share of a nominal value of <ul style="list-style-type: none"> <li>▪ DKK 1.00 ("Cash Offer Price"); or</li> <li>▪ 19.23139 New Stoðir Shares of a nominal value of ISK 1.00 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment, will be rounded up to the nearest integer ("Share Payment").</li> </ul>
Offeror / Stoðir	Fasteignafélagið Stoðir hf., an Icelandic public limited company (Registration No. 450599-3529) Kringlan 4-12 103 Reykjavik Iceland
OMX	OMX Nordic Exchange Copenhagen A/S
Share Capital	The aggregate amount of issued Keops Shares, including the voting rights attached thereto, being nominally DKK 181,522,634
Share Payment	19.23139 New Stoðir Shares of a nominal value of ISK 1.00 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment will be rounded up to the nearest integer.
Stock Exchange Days	Days on which the OMX is open for trading
Tender Offer	The voluntary conditional public tender offer that is made to the shareholders of Keops on the terms and conditions described in this Offer Document
Treasury Shares	3,604,016 Keops Shares corresponding to nominally DKK 3,604,016, held by Keops
US or United States	The United States of America, its territories and possessions, any state of the United States and the District of Columbia
VP Securities Services A/S	VP Securities Services A/S, (CVR no. 21599336), Helgeshøj Allé 61, P.O. Box 20, DK-2630 Taastrup
VWAP	Volume Weighted Average Price
Warrants	The right to subscribe for or buy Keops Shares under Keops' Warrant Programme.
Warrant Programme	A warrant programme comprising Keops' key employees (as well as former employees), under which Warrants have been issued allowing subscription or purchase of nominal DKK 2,800,000 new Keops Shares or existing Treasury Shares.

## 9 ACCEPTANCE FORM

### Acceptance of the Sale of Shares in Keops A/S

(To be submitted to the shareholders' own custodian Bank or stockbroker for endorsement and processing)

Acceptance must take place through the shareholders' custodian bank or stockbroker and must be made in due time to allow the custodian bank or stockbroker to process and communicate the acceptance to Glitnir Banki hf., Copenhagen Branch, not later than 31 August 2007 at 20.00 CET or in the case of an extended Offer Period such later date and time as communicated in the notice of extension of the Tender Offer.

The undersigned warrants and represents that the shares sold are free and clear from any and all charges, liens and other encumbrances and that no third party has been given any right whatsoever to the shares.

Subject to the terms set out in the Tender Offer made by Fasteignafélagið Stoðir hf. ("Stoðir") on 27 July 2007, I/we the undersigned hereby accepts the Tender Offer and irrevocably place an order for sale of the following number of shares of DKK 1.00 nominal value in Keops A/S ("Keops") (ISIN securities code DK0010250588):

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shares nom. DKK 1.00 each in Keops A/S

I/we elect to receive payment in the form of (please tick the box which represents your choice of payment. If no choice of payment is made the Cash Offer Price will be received. For shareholders choosing to receive New Stoðir Shares this acceptance form serves as a certificate of subscription in accordance with article 35. of the Icelandic Act on public limited Companies, no. 2/1995.). No further information/declarations than those contained in this acceptance form are required to receive the Icelandic Stoðir shares as payment:

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a cash consideration of DKK 24.00 for each Keops Share of a nominal value of DKK 1.00

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19,23139 New Stoðir Shares of a nominal value of ISK 1 for each Keops Share of a nominal value of DKK 1.00. The total number of New Stoðir Shares applicable to each Keops shareholder electing to receive New Stoðir Shares as payment will be rounded up to the nearest integer. By choosing this option I/we elect to register for new share capital in the Stoðir, in accordance with chapter V. of the Icelandic Act on public limited companies.

I/we permit the effectuation of the sale of the shares from my/our custodian account with:

Custodian bank or stockbroker:	VP-account:
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The proceeds from the shares sold must be transferred to:

Custodian bank or stockbroker:	VP-account:
Bank:	Registration No. / Account No.:

Information about the selling shareholder and signature:

Name:	
Address:	
City and postcode:	Telephone:
Date:	Signature:

The undersigned custodian bank or stockbroker agrees to transfer the above shares to Glitnir Banki hf, Copenhagen Branch, if Fasteignafélagið Stoðir hf. in its sole discretion determines that this acceptance form is in accordance with Fasteignafélagið Stoðir hf.'s Tender Offer of 27 July 2007 for the acquisition of shares in Keops A/S and that the conditions to the Tender Offer have been satisfied or waived by it:

Registration No.:	CD-identification:
company stamp and signature:	

### Decision of Stoðir's Shareholders to Increase Share Capital

The shareholders of Fasteignafélagið Stoðir hf. agreed on 12 July 2007 unanimously to authorise the Board of Directors to raise the share capital of the company by a maximum of ISK 4.000.000.000. The authorisation is valid until the next Annual General Meeting, after which time all unused share capital increase will be void. The new shares are offered exclusively to new shareholders who are currently shareholders of Keops A/S and choose to register for shares in Stoðir. Current shareholders of the company waived their priority rights to subscription.

The custodian bank shall no later than 31 August 2007 at 20.00 CET or in the case of an extended Offer Period such later date and time as communicated in the notice of extension of the offer notify the acceptance of the Tender Offer to Glitnir:

Glitnir Banki hf., Copenhagen Branch  
 Frederiksgade 19, 2.  
 DK-1265 Copenhagen K., Denmark  
 Telephone: +45 88 33 50 00, Fax: +45 88 33 50 01