



NORWEGIAN PROPERTY

2nd quarter 2010

Oslo, 18 August 2010



Agenda

Highlights and key figures

Olav Line

Financial update

Svein Hov Skjelle

Markets and operations: Office and hotel portfolio

Olav Line

Strategy for long-term value creation

Olav Line

Closing remarks

Olav Line

Q&A session





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2nd quarter 2010 results presentation

HIGHLIGHTS AND KEY FIGURES



Stable operations

- Gross rental income; NOK 443.4 million
- Profit before tax and fair value adjustments; NOK 142.2 million (+23.9% from 2Q 2009)
- Improved financial position; Net LTV down from 72.9% to 72.4%
- Renewal of 14 contracts with annual rent of NOK 58.7 million with 11% uplift
- Positive value adjustments of 0.4% for total group portfolio
- Pursuing new strategic direction





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FINANCIAL UPDATE



Income statement

NOK million	2Q 2010	2Q 2009	1H 2010	1H 2009	2009
Gross rental income	443.4	446.8	871.7	892.5	1 767.7
Maintenance and property related cost	-48.0	-35.6	-89.4	-70.9	-147.0
Administrative and group expenses	-34.1	-38.7	-61.1	-72.1	-165.9
Operating result before value adjustment	361.3	372.5	721.1	749.5	1 454.7
Net financial items excluding derivatives	-206.5	-237.6	-431.0	-458.7	-971.3
Profit before value adjustments and acquisition financing	154.8	134.9	290.1	290.8	483.4
Net financial items, acquisition financing	-12.8	-22.3	-21.4	-47.8	-84.7
Profit before value adjustments	142.0	112.6	268.7	243.0	398.7
Net gain on disposals	-4.1	-	11.8	10.0	-7.1
Net gain/loss on value adjustments, investment properties	115.3	-557.6	162.5	-1 205.0	-1 517.4
Impairment of goodwill	-43.7	-74.5	-43.7	-212.3	-308.8
Change in market value of financial derivatives	-150.1	80.0	-285.5	-209.0	35.5
Profit before income tax	59.4	-439.5	113.8	-1 373.3	-1 399.0
Income tax	1.1	45.5	-12.7	179.8	230.1
Profit for the period	60.5	-394.0	101.1	1 193.5	-1 168.9
Earnings per share (NOK)	0.12	-1.95	0.21	-5.92	-4.17



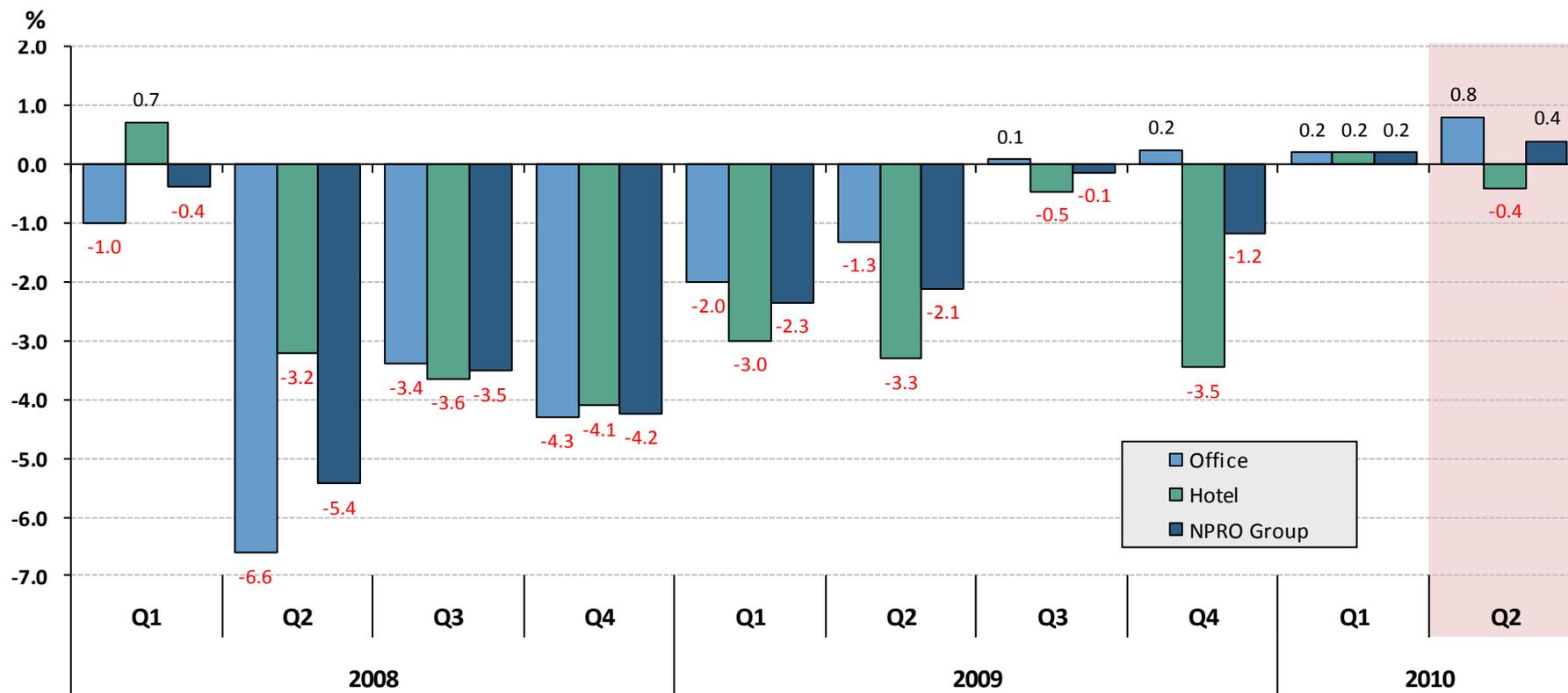
Income statement by business segment

NOK million	Office		Hotel		OP		Group total	
	2Q10	2Q09	2Q10	2Q09	2Q10	2Q09	2Q10	2Q09
Gross rental income	261.4	259.1	181.9	187.7	0.0	0.0	443.4	446.8
Maintenance and property related cost	-27.8	-15.7	-20.1	-19.8	0.0	0.0	-43.0	-35.6
Administrative expenses	-18.7	-19.5	-15.4	-19.1	0.0	-0.1	-34.1	-38.7
Operating result before value adjustment	214.9	223.9	146.4	148.7	0.0	-0.1	361.3	372.5
Net financial items excluding derivatives and currency	-138.1	-153.7	-68.5	-83.9	0.0	0.0	-206.5	-237.6
Net financial items, acquisition financing	0.0	0.0	0.0	0.0	-12.8	-22.3	-12.8	-22.3
Profit before value adjustments, gains and tax	76.8	70.2	77.9	64.8	-12.8	-22.4	142.0	112.6
Net gain on disposals	-4.1	0.0	0.0	0.0	0.0	0.0	-4.1	0.0
Net gain/loss on value adjustments, investment properties	152.5	-199.5	-37.2	-358.1	0.0	0.0	115.3	-557.6
Impairment of goodwill	0.0	0.0	-43.7	-74.5	0.0	0.0	-43.7	-74.5
Change in market value of financial derivatives	-82.7	59.2	-67.4	20.8	0.0	0.0	-150.1	80.0
Profit before income tax	142.5	-70.1	-70.4	-346.9	-12.8	-22.4	59.4	-439.5



Positive value adjustments on group level

- Fair value adjustment of 0.8% for the office portfolio and -0.4% for the hotel portfolio
- Positive fair value adjustment of 0.4% on group level



Note: Figures up until 4Q 2009 has not been adjusted for investments



Portfolio valuation by area

- External valuation by DTZ Realkapital and Akershus Eiendom
 - Average market rent estimated to be 4.7% (1Q: 3.5%) higher than current payable rents (“uplift potential”)
- Positive fair value adjustment of NOK 126 million (+0.8%)
 - Positive adjustments due to renegotiations and increased market rent assumptions
 - Potential of marina at Aker Brygge included (+NOK 75 million)
 - Tax effect of NOK 22 million

Area	Total space (m ²)	Valuation		Gross rent		Net yield ¹⁾
		NOK mill.	NOK/m ²	NOK mill.	NOK/m ²	
Oslo – CBD	148 459	5 403	36 394	340	2 288	5.9%
Oslo – Skøyen	108 360	2 860	26 390	187	1 728	6.2%
Oslo – Fornebu / Lysaker / Majorstuen	114 532	2 514	21 947	171	1 491	6.4%
Oslo – Nydalen	109 693	1 879	17 131	134	1 223	6.7%
Oslo – Tøyen / Gardermoen	26 455	330	12 478	34	1 303	9.8%
Stavanger	114 703	2 033	17 720	150	1 309	6.9%
Total office portfolio	622 201	15 018	24 137	1 016	1 634	6.4%

¹⁾ Based on gross rent and estimated operating expenses of 6 %



Portfolio valuation by area

- External valuation by DTZ Realkapital and Akershus Eiendom
- Negative fair value adjustment of NOK 37 million (-0.4%)
 - Fair value adjustment was mainly due to reduced value for some Norwegian hotels
 - Other changes relating to portfolio
 - Investments NOK 17 million
 - Currency effects NOK 10 million

Country	Properties	Rooms	Valuation (NOK mill.)			Net yield ¹⁾
			Total	Per property	Per room (kNOK)	
Norway	14	2 410	2 114	151	877	8.2 %
Sweden	41	6 916	4 013	98	580	7.3 %
Finland	16	3 124	2 378	149	761	5.9 %
Denmark	3	434	405	135	934	5.3 %
Total hotel portfolio	74	12 884	8 911	120	692	7.1 %

¹⁾ Based on rental income and expenses in 2009, and valuation as of 30 June 2010 in local currency



Financial position by business segment

Interest bearing debt and hedging as of 30 June 2010		Group total	NPRO	Norgani	OP
Total interest bearing debt	NOK mill.	17 961	11 108	6 160	694
Hedging ratio	%	82.7	88.7	81.2	-
Cash and cash equivalents	NOK mill.	635	568	50	16
Unused committed credit facilities (short and long term)	NOK mill.	365	310	55	-
Average remaining duration, hedging	years	4.8	4.6	5.2	-
Average interest rate (including margin)	%	4.83	5.05	4.35	5.47
Average margin	%	1.01	0.75	1.26	3.00
Average remaining duration, borrowing	years	2.4	2.3	2.6	2.0
Property value (gross of deferred tax at acquisition)	NOK mill.	23 929	15 018	8 911	-
Loan to value	%	75.1	74.0	69.1	-
Net Loan to value ¹⁾	%	72.4	-	-	-



Managing debt and hedging portfolio

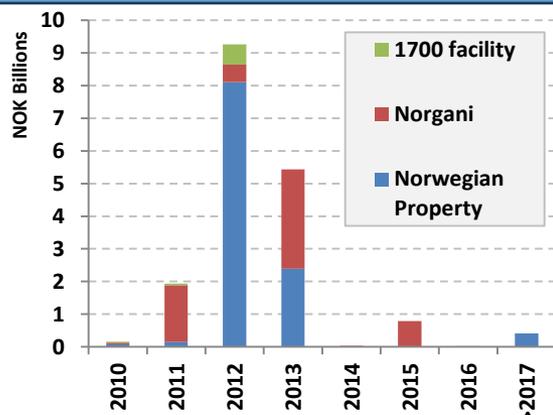
Duration of debt

- Debt expiring in 2010 renewed (new bond issue in January)
- Process relating to Norgani debt post demerger ongoing
- Office debt discussions awaiting final solution on Norgani

Financial key ratios

- Average interest expense now 4.83% (5.33% at beginning of year)
- Net loan to value now 72.4% (76.4% at beginning of year)

Maturity profile for loans ¹⁾



Net loan to value ²⁾



Average interest rate



¹⁾ Maturities in 2010 relate to ordinary amortisations

²⁾ Net LTV is gross interest bearing debt less cash divided by gross property values



Balance sheet

NOK million	2Q 2010	2Q 2009	2009
Investment properties ¹⁾	23 730.4	24 442.6	23 732.7
Goodwill	527.3	704.0	580.2
Market value financial derivatives (net)	-723.8	-700.1	-462.5
Cash and cash equivalents	634.6	231.2	248.2
Equity	5 500.8	3 647.2	4 918.0
Long term interest bearing debt	17 727.3	19 644.2	17 781.3
Short term interest bearing debt	233.9	647.6	597.5
Deferred tax liability	381.6	413.4	365.5
Net other debt	324.9	325.3	436.3
Equity ratio	21.8 %	14.2%	19.9 %
Net asset value per share (NOK) ²⁾	11.03	18.09	10.85
Net asset value per share (NOK), EPRA ²⁾	13.55	23.26	12.84

¹⁾ Net of deferred tax at acquisition

²⁾ Number of shares as of 30 Jun 2009: 201 635 416
 Number of shares as of 30 Dec 2009: 453 270 832
 Number of shares as of 30 Jun 2010: 498 596 832



Cash flow

NOK million	2Q 2010	2Q 2009	1H 2010	1H 2009	2009
Cash flow from operating activities	219.4	368.9	503.8	676.3	1 480.0
Net financial items (excl. value adj. and currency gains/loss)	-154.3	-257.7	-412.9	-529.5	-1 056.0
Adjusted cash flow from operating activities	65.1	111.1	90.9	146.8	424.0
Cash received from sale of assets	0.0	0.0	169.3	1 052.4	1 052.4
Purchase of tangible assets and subsidiaries	-7.2	-21.9	-17.7	-55.3	-77.4
Cash flow from investment activities	-7.2	-21.9	151.6	997.1	975.0
Net change in interest bearing debt	-79.1	-84.5	-382.4	-1 059.4	-2 730.8
Capital increases	0.0	0.0	526.2	0.0	1 450.6
Other financing activities	0.0	0.0	0.0	-20.0	-35.1
Adjusted cash flow from financing activities	-79.1	-84.5	143.8	-1 079.4	-1 315.3
Net change in cash	-21.2	4.7	386.4	64.4	83.7
Net cash at end of period	634.6	231.2	634.6	231.2	248.2





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MARKETS AND OPERATIONS

- OFFICE AND HOTEL PORTFOLIO



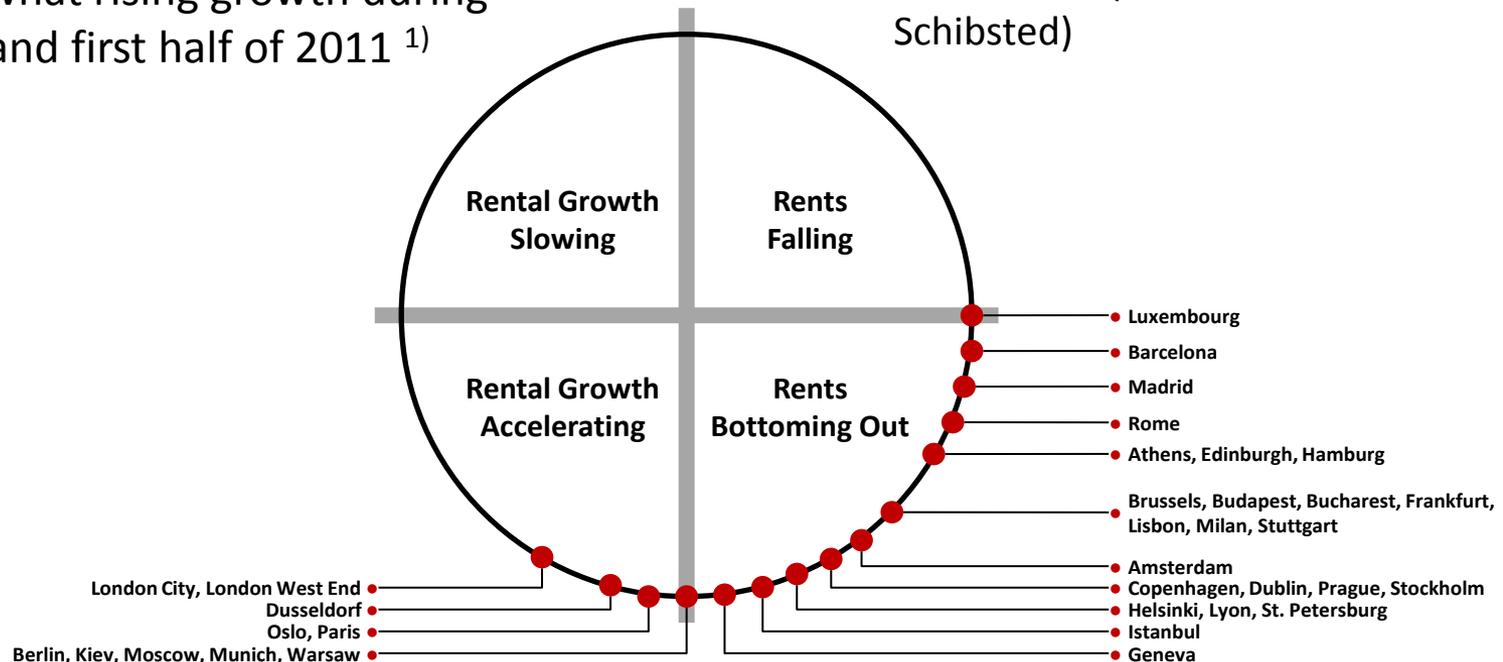
Highlights 2Q 2010

- Rental market has turned
- Positive uplift of 11% on the renegotiated contracts
 - 14 contracts of approx. 34 000 m²
- Vacancy increasing from 2.7 to 3.6% in the last quarter
- Continued focus on renegotiating contracts expiring during 2010-2012
- Trend of positive value adjustment of office portfolio maintained



Highlights 2Q 2010

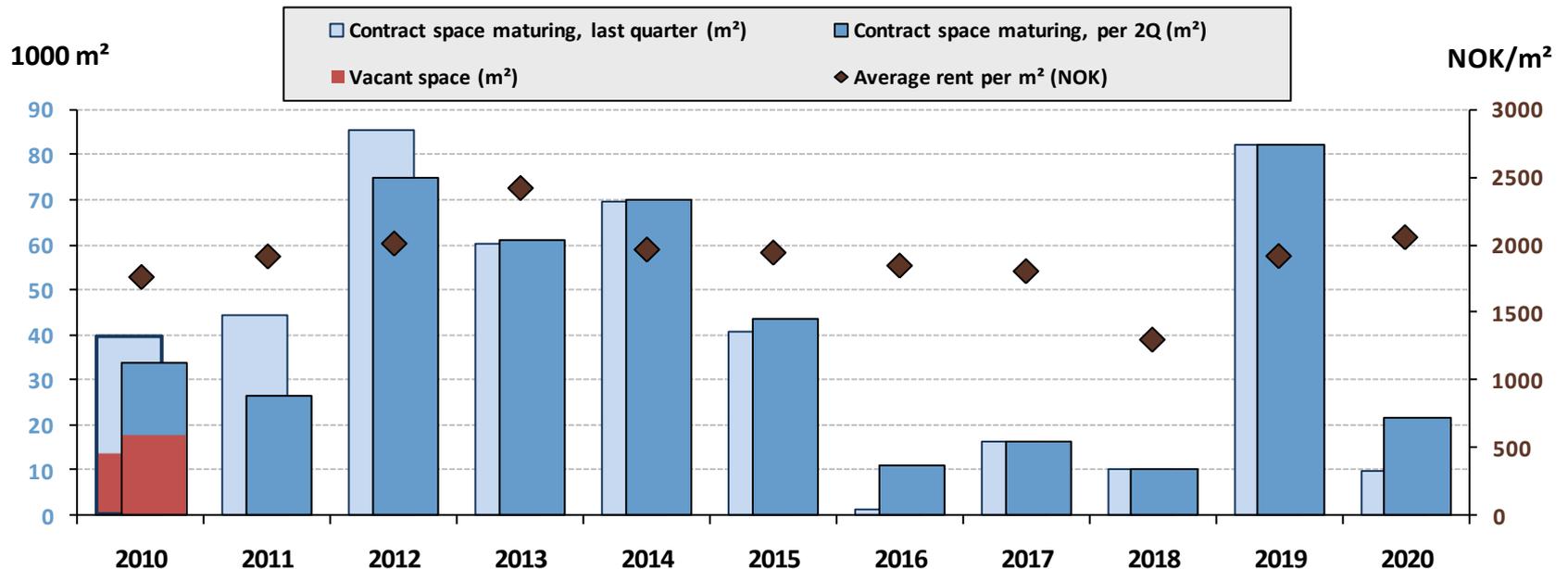
- Oslo is one of the few European cities where rents have bottomed out according to *The Jones Lang LaSalle Office Property Clock*
- Rents are expected to have a flat to somewhat rising growth during 2010 and first half of 2011 ¹⁾
- Transaction market rather volatile, but
 - Availability of financing
 - Improvement in underlying rental markets
 - Some larger transactions at the end of the Quarter (Skatt Øst, Værste and Schibsted)



Portfolio maturity – potential for value creation

- 5.3 years duration of leases (1Q: 5.0 years)
- Vacancy at 3.6% (1Q: 2.7%)
- Average current yearly rent of NOK 1 634 per m² (1Q: NOK 1 647 per m²) ¹⁾
- 97% of lease volume is CPI adjusted (cash flow inflation hedge)

Volume and average existing rent by year of lease maturity ²⁾



¹⁾ Entire portfolio, includes all types of spaces

²⁾ Office space only



Major renewals in 2Q (and primo 3Q)

- NAV (Ibsenkvartalet, CBD)
 - Approximately 9 200 m²
 - Lease extended to Oct 2016
 - 14% rental uplift
 - No investments
- Netcom (Gullhaugveien 9-13, Nydalen)
 - Approximately 16 000 m²
 - Lease extended to Dec 2020
 - 4% rental uplift
 - Investments of NOK 1 100 per m²
- Esso (Drammensveien 149, Skøyen)
 - Approximately 4 000m²
 - Lease extended to Dec 2015
 - 30% rental uplift
 - No investments
- TDC (Sandakerveien 130, Nydalen)
 - Approximately 5 500 m²
 - Lease extended to Jun 2017
 - Negative 10% rental change
 - Approx. NOK 1 million committed investment



- Omena Hotel, Copenhagen
 - Opened 1 June
 - Satisfactory occupancy in summer months
 - Additional lease agreements for restaurant areas, the whole building is now fully let

- Scandic Malmen, Stockholm
 - 100 rooms upgraded

- Continued signs of market improvement

- Value adjustment of -0.4% in 2Q

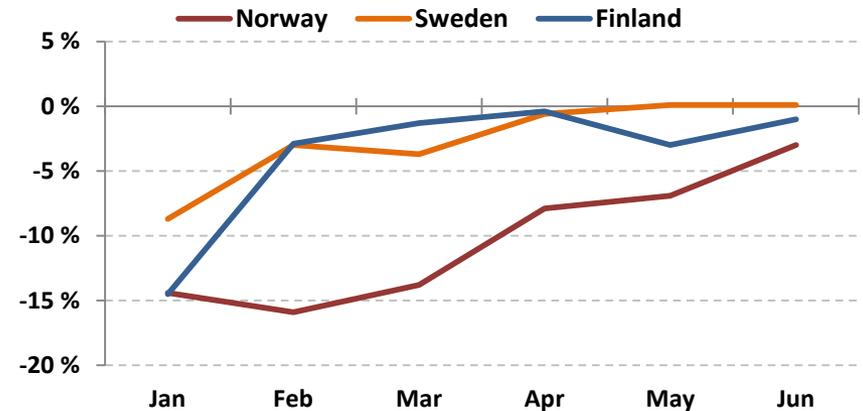


RevPAR – Norgani vs. market

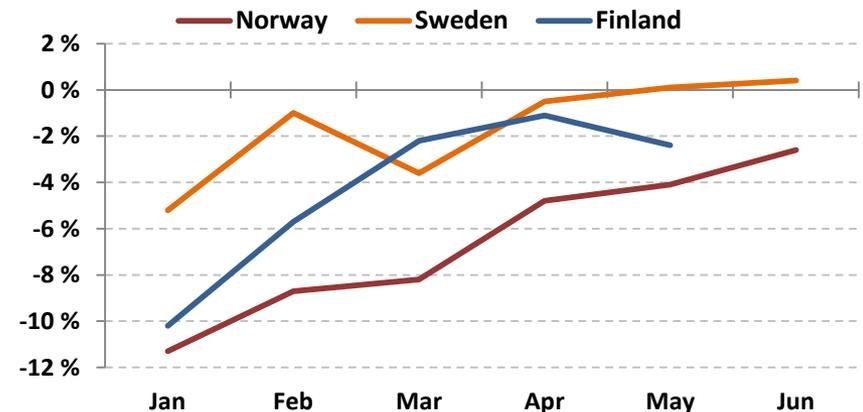
- Market cycle seems to have bottomed out
 - Slight positive growth in RevPAR for all countries in 2Q
 - Both Average Room Rate and Occupancy shows positive development
 - In general, the growth is mainly due to the leisure market

- The overall performance of Norgani is in line with the market by end of 2Q
 - Norgani hotels in Norway developed better than the market in 2Q

Norgani (YTD figures)



Market (YTD figures)



Comfort Hotel Børsparken, Oslo

- Comfort Hotel Børsparken
 - Centrally located, close to the Central Station and the new Opera House
 - 198 rooms (before new project)
 - 7 900 m²
- New project in neighbouring vacant building (Tollbugata 6) owned by Norgani
 - Add 50 rooms
 - Develop 500 m² retail areas on ground floor
 - Evaluating possible sale of retail area
- Extending lease contract with Choice Hotels to May 2026 on market terms including minimum rent clause (subject to board approval)
- Investment estimated to NOK 56 million (Reduced to NOK 37 million if retail areas are sold)





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STRATEGY FOR LONG-TERM VALUE CREATION



Separation process

Separation of Office and Hotel

- Process preparing for a demerger with separate listings of the hotel and office businesses ongoing
 - Key considerations include
 - Finalisation of bank processes to secure long term financing
 - Capital structure in the two new companies that secure the ability to capture the long term value in the portfolios
 - Strengthening Norgani with resources in key positions (Finance, Transactions and Board of Directors)
- Continuing investigations of possible sale of hotel business based on interest from potential buyers
- Update on processes will not be given before a final decision on structure is made

HOTEL



Nordic no. 1 hotel
property owner

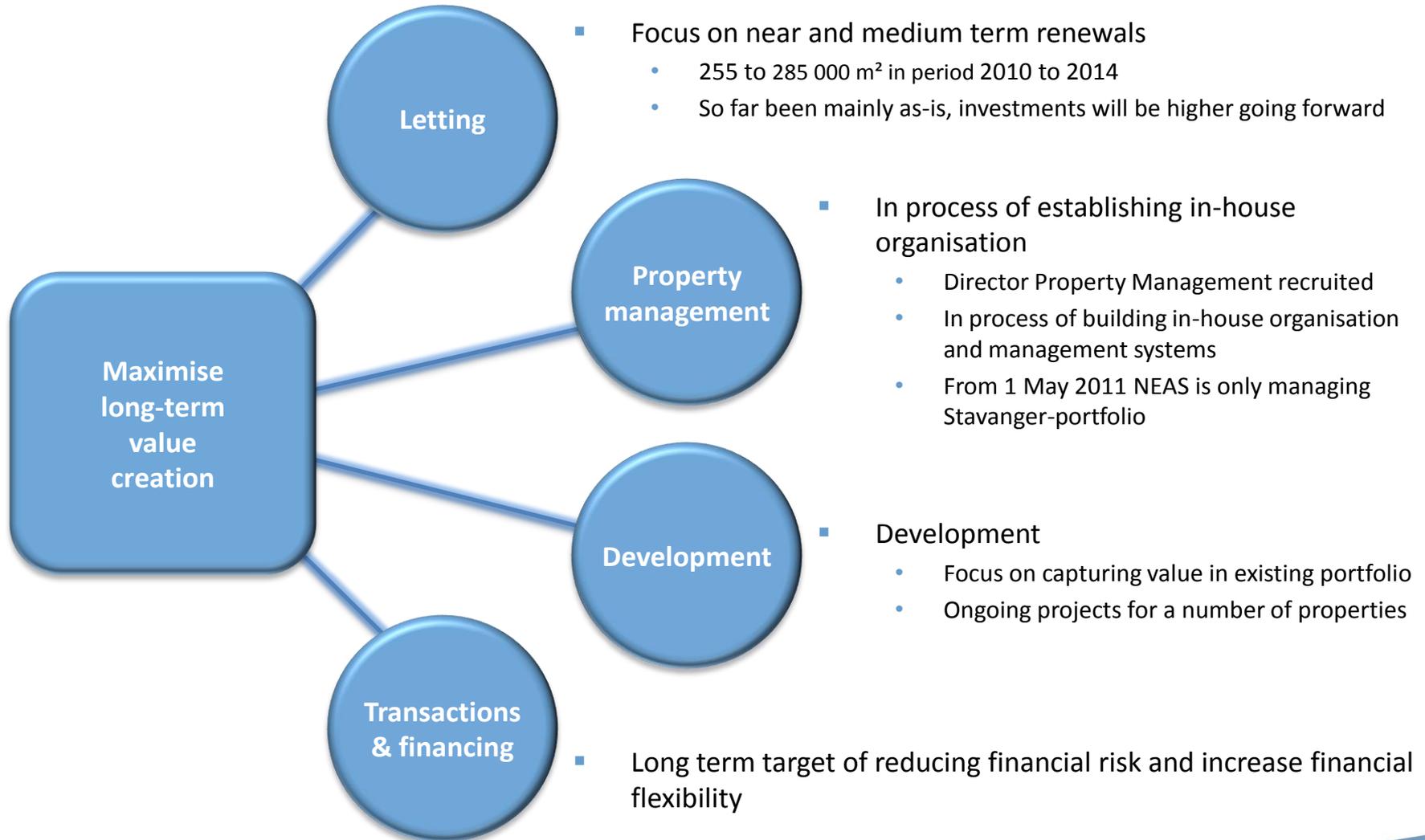
OFFICE



Pure prime office company –
fully integrated



Fully integrated - insourcing and focus on development



Reducing financial risk

- **Long term target of reducing LTV to 60 – 65%**
 - Net LTV December 2009 76.4%
 - Net LTV March 2010 72.9%
 - Net LTV June 2010 72.4%

- **Continued operational improvement**
 - Average annual amortisation on debt 1.8%
 - Value increase from investments in portfolio and market recovery; but investments needed to capture value potential in portfolio

- **Asset rotation**
 - Sell "mature properties" if market conditions are good - proceeds to be used for investments in current portfolio and reduction of debt
 - Aker Hus withdrawn from market in July due to market uncertainty





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CLOSING REMARKS



Focus on transforming Norwegian Property

- Stable and improving operations
- Market recovery in sight
- Separation process ongoing
- Industrialisation ongoing
 - Building competence and organisation for Operation and Development
- Continual focus on improving financial flexibility





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Q&A SESSION





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APPENDIX



Office portfolio

Overview and key figures



Key figures as of 30 June 2010		
Properties	#	47
Portfolio size	m ²	622 201
Average size per property	m ²	13 238
Gross rent per year (run rate)	NOK mill.	1 016.5
Operational expenses per year	NOK mill.	56.9
Net rent per year (run rate)	NOK mill.	959.6
Average gross rent per m ² per year	NOK	1 634
Gross market value	NOK mill.	15 018
Average value per property	NOK mill.	320
Average value per m ²	NOK	24 137
Gross yield, actual	%	6.8
Net yield, actual	%	6.4
Gross yield, market rent ¹⁾	%	7.1
Net yield, market rent ¹⁾	%	6.7
Duration	years	5.3
CPI adjustment per 1 Jan 2011	%	97.0
Vacancy	%	3.6



¹⁾ Total portfolio's market rent has been assessed by DTZ RealKapital and Akershus Eiendom to be 4.7% (weighted average) above current contractual rents



Office portfolio

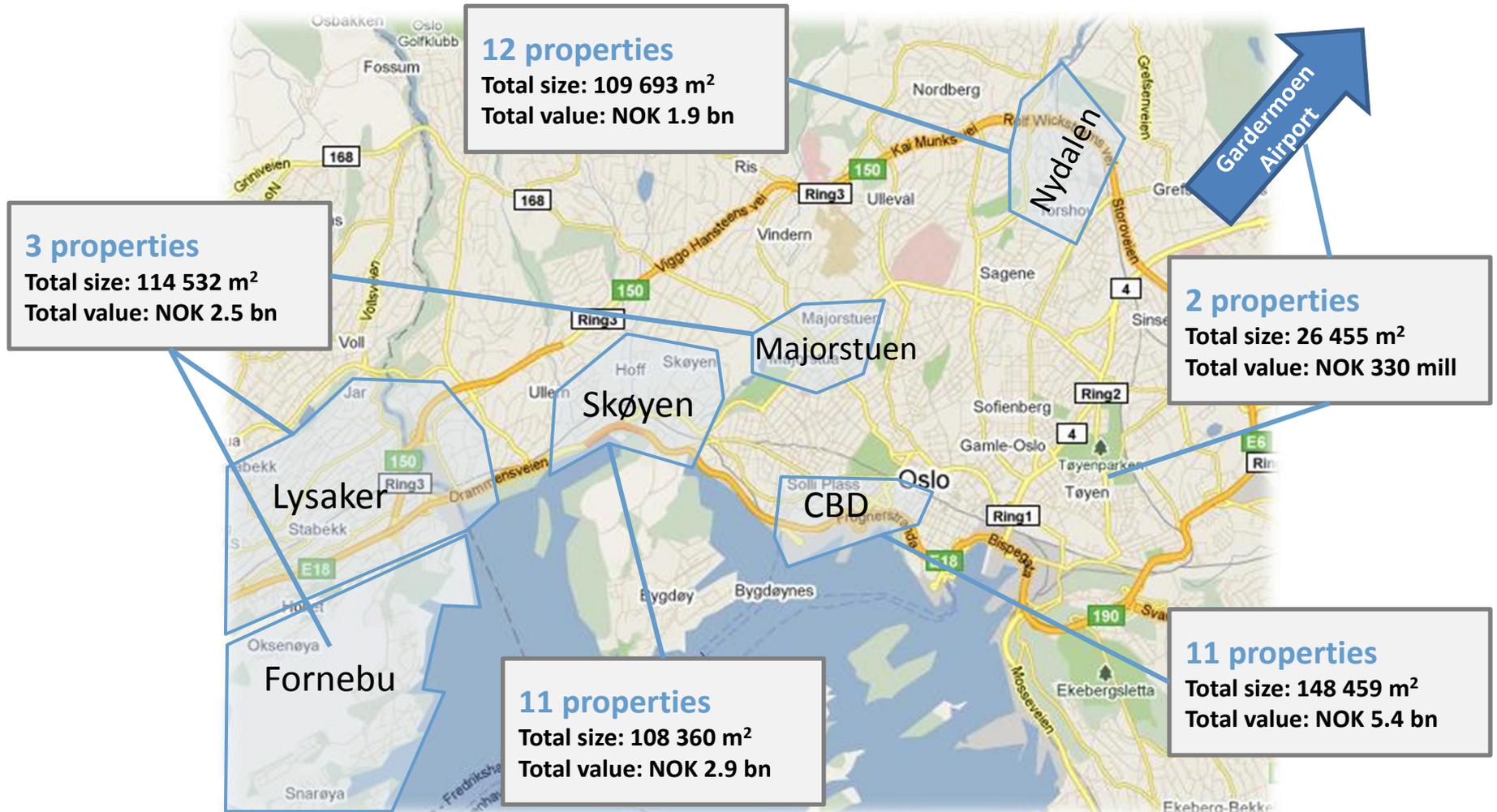
Largest tenants

Tenant	Rent (NOK mill.)	Duration (years)	Share of total portfolio	Public sector participation	Listed at group level
EDB Business Partner ASA	84.2	8.7	8.3 %	√	√
Aker Solutions ASA	83.4	8.8	8.2 %	√	√
DnB NOR ASA	72.7	2.8	7.2 %	√	√
Nordea	46.4	3.6	4.6 %	√	√
StatoilHydro ASA	43.2	2.6	4.3 %	√	√
If Skadeforsikring	40.9	2.3	4.0 %		√
Aker Offshore Partner AS	34.1	4.5	3.4 %	√	√
Total E&P Norway AS	31.2	11.5	3.1 %		√
Höegh Autoliners Management AS	28.2	9.7	2.8 %		
Get AS	27.8	8.5	2.7 %		
Telenor Eiendom Holding AS	27.4	5.3	2.7 %	√	√
NetCom AS	25.9	10.0	2.6 %	√	√
SAS Scandinavian Airlines Norge AS	25.5	9.5	2.5 %	√	√
Skanska Norge AS	22.3	4.8	2.2 %		√
Fokus Bank	20.3	2.6	2.0 %	√	√
Atea ASA	18.8	2.2	1.9 %		√
NAV	16.6	5.9	1.6 %	√	
TDC AS	16.3	1.0	1.6 %		√
Tieto Norway AS	13.9	2.1	1.4 %		√
BW Offshore AS	11.8	3.4	1.2 %		√
Simonsen Advokatfirma DA	11.7	2.5	1.1 %		
Økokrim	11.5	16.1	1.1 %	√	
Uno-X Energi AS	10.9	5.2	1.1 %		√
Schibsted Eiendom AS	9.6	3.5	0.9 %		√
Bugge, Arentz-Hansen & Rasmussen	9.1	1.8	0.9 %		
Total 25 largest tenants	743.6	5.9	73.2 %	12 / 25	19 / 25
Total other tenants	272.9	3.6	26.8 %		
TOTAL ALL TENANTS	1 016.5	5.3	100.0 %		



Office portfolio

Exposure to prime locations in Oslo



Office portfolio

Strategic locations in Stavanger, the oil and gas cluster of Norway

Finnestadveien 44

- Office: 22 032 m²
- Total: 22 032 m²



Maskinveien 32

- Office: 4 561 m²
- Total: 5 086 m²



Svanholmen 2

- Office: 2 883 m²
- Retail: 6 580 m²



Grenseveien 21

- Office: 27 721 m²
- Total: 27 721 m²



Badehusgaten 33-39

- Office: 16 673 m²
- Total: 21 528 m²



Strandsvingen 10

- Office: 2 059 m²
- Total: 2 059 m²



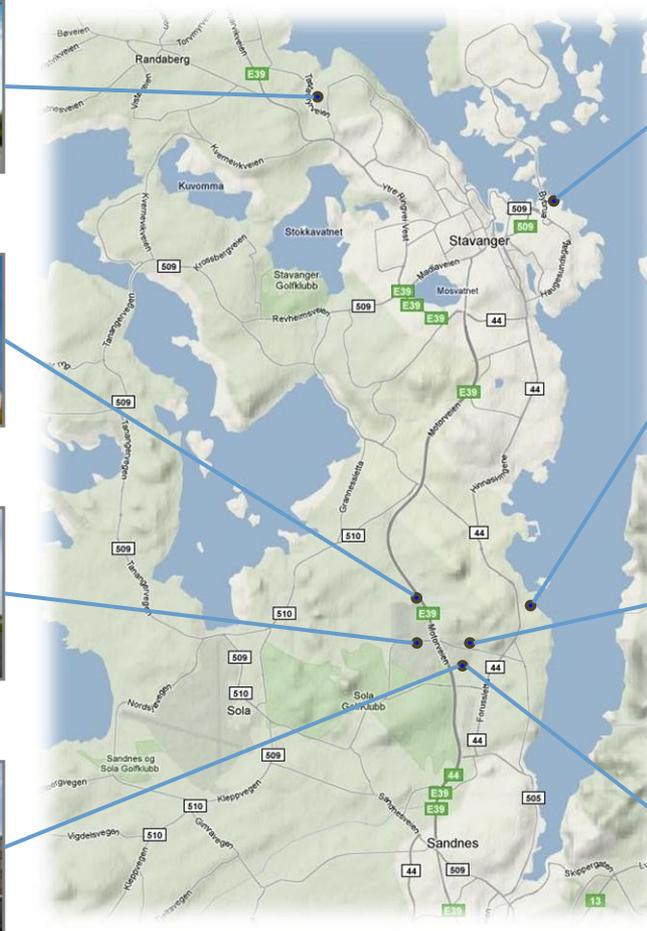
Forusbein 35

- Office: 17 674 m²
- Total: 21 424 m²



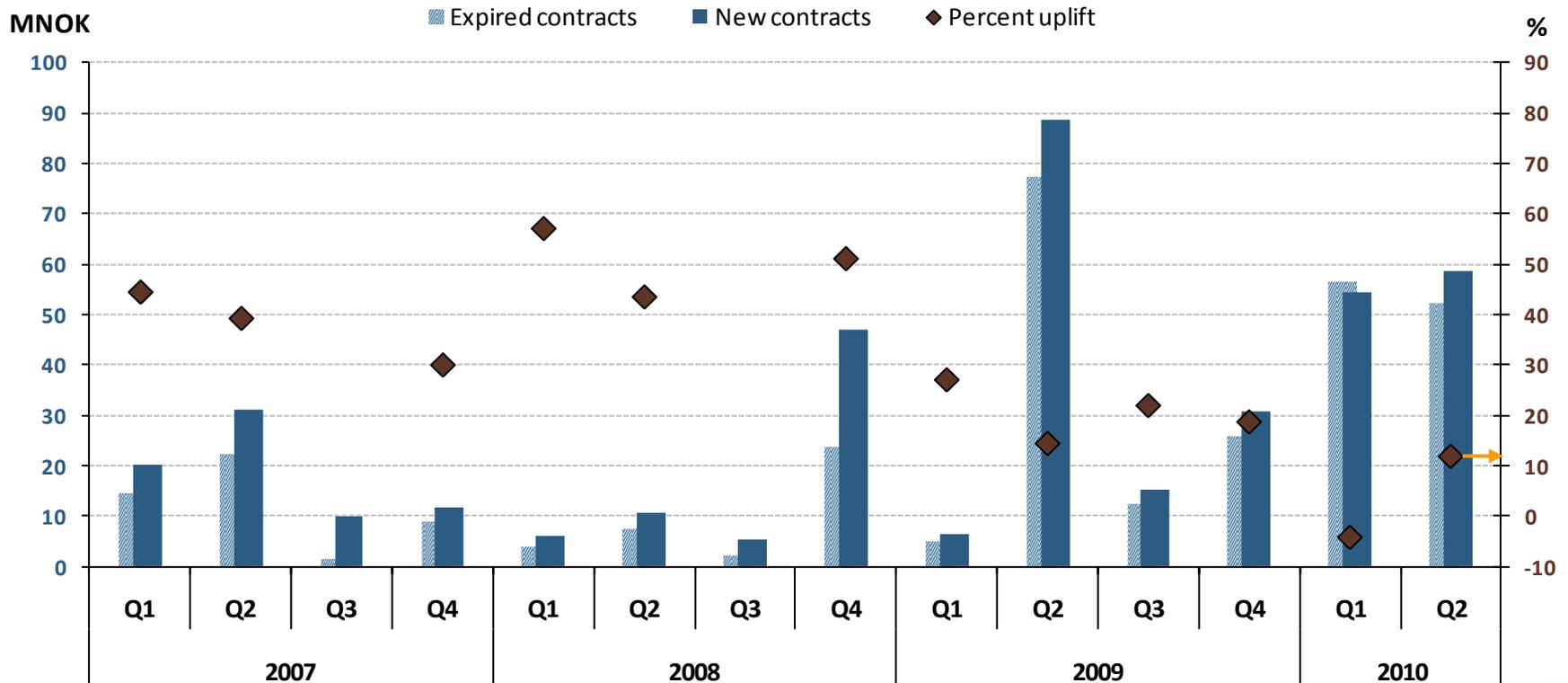
Grenseveien 19

- Office: 5 390 m²
- Total: 5 390 m²



Historical rental uplift in portfolio

- 14 new lease agreements resulted in an uplift of 12.0% over existing rent level
- Estimated uplift potential of 4.7% according to external appraisers



Overview and key figures



Key figures as of 30 June 2010		
Properties	#	74
Rooms	#	12 884
Portfolio size	m ²	671 480
Average number of rooms per property	#	174
Average size per property	m ²	9 074
Gross rent 2009	NOK mill.	724
Average gross rent per room per year	NOK	56 194
Average gross rent per m ² per year	NOK	1 078
Gross market value ¹⁾	NOK mill.	8 911
Average value per property	NOK mill.	120
Average value per room	NOK	691 634
Average value per m ²	NOK	13 271
Net yield ²⁾	%	7.1
Duration ¹⁾	years	9.3
Minimum rent and guarantees 2010 ¹⁾	NOK mill.	555

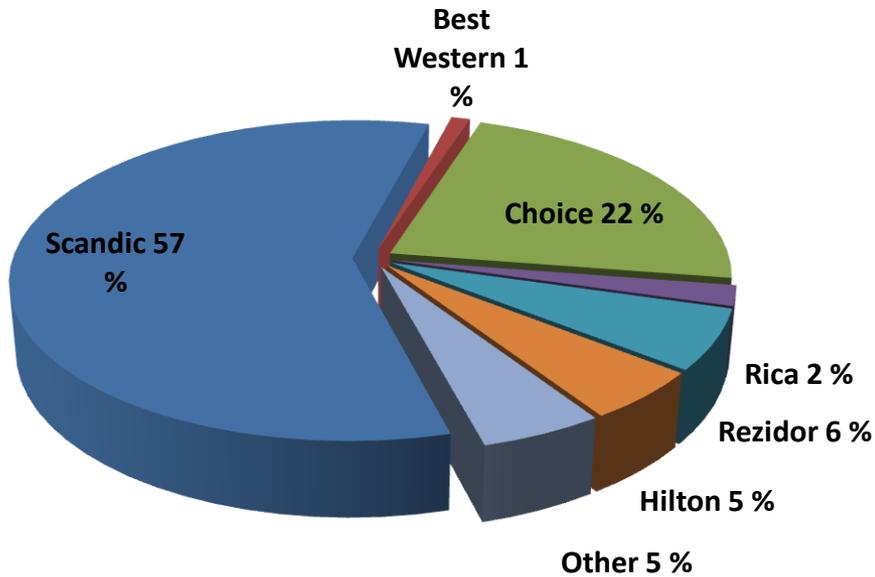
¹⁾ Based on exchange rents as of 30 June 2010: EURNOK 7.91, SEKNOK 0.83, DKKNOK 1.06

²⁾ Based on result 2009 (average exchange rate 2009) and valuation as of 30 June 2010

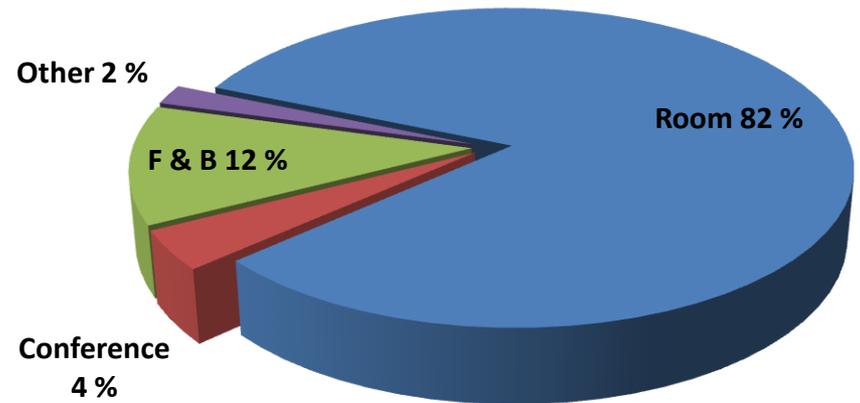


Distribution of rent (budget 2010)

By brand

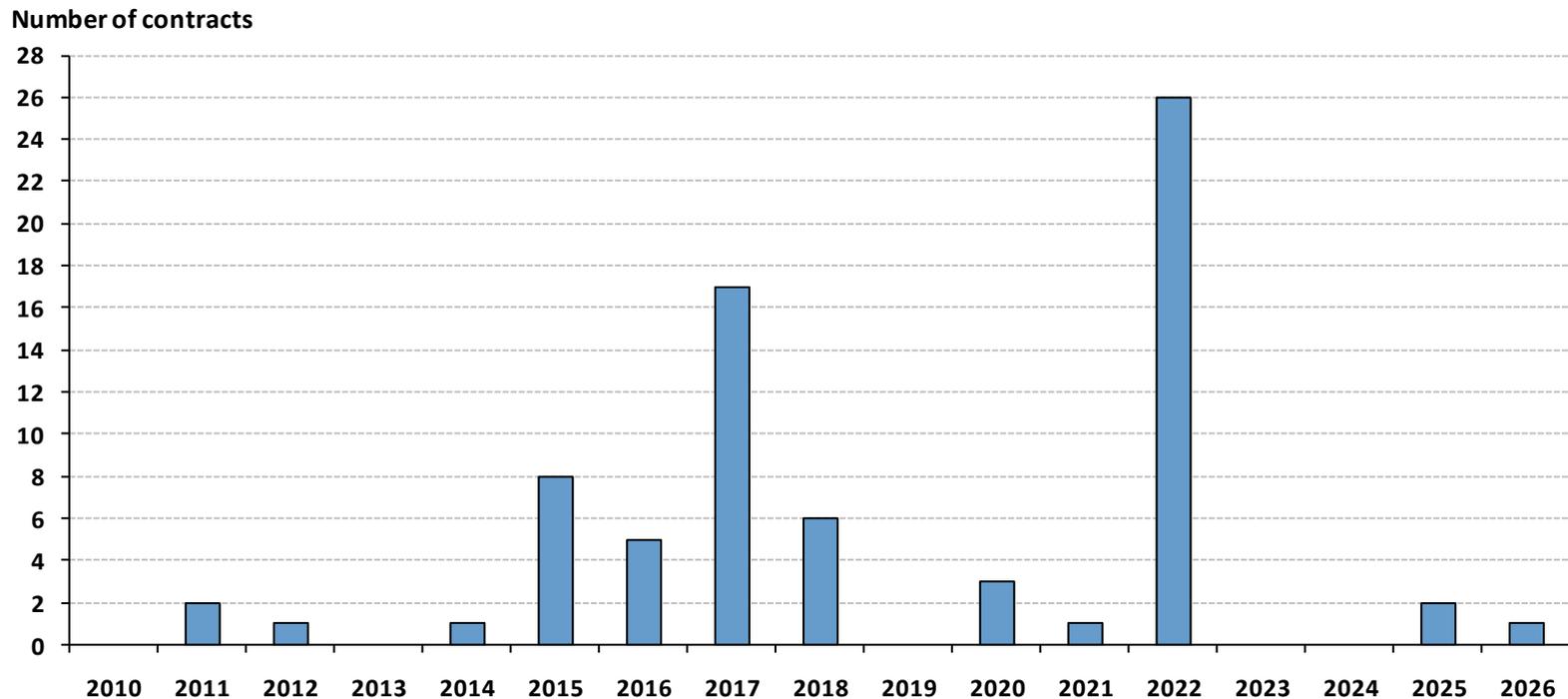


By type of rent



Hotel lease maturity profile

- Average weighted duration of 9.3 years



Fearnley hotels

- Background
 - In 2006 Norgani Hotels sold **4 Danish hotels** to a Fearnley syndicate
 - The Fearnley syndicate have rights to sell (split into two options) the hotels back to Norgani Hotels
 - The aggregate purchase price for all four hotels should both of the put options be exercised is about DKK 578 million (about 10% below original nominal sales price)
 - The put options during a period starting from 1 March 2011 and ending 31 December 2012 with a three month settlement period from call of the option
 - Norwegian Property has guaranteed the rightful fulfilment of Norgani Hotels' obligations
- Portfolio 1 – **Clarion Copenhagen (option 1)**
 - 215 rooms operated by Choice Hotels
 - Fixed rent contract with inflation adjustment, contract expiring in 2024
 - Option price, DKK 305.7 million
- Portfolio 2 – **Scandic Glostrup, Hvidovre and Kolding (option 2)**
 - 513 rooms operated by Scandic Hotels
 - Variable lease contracts with average duration of 3.4 years
 - Option price, DKK 272.2 million

Disclaimer

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