NORWEGIAN PROPERTY

INTERIM REPORT FOR THE FIRST HALF OF 2009

10 AUGUST 2009

SECOND QUARTER 2009 HIGHLIGHTS

- **The group strengthened its financial position through the current restructuring process. A private placement of NOK 1.2 billion was fully subscribed in June, and arrangements have been made for a subsequent repair issue of up to NOK 300 million in August. Agreements were also concluded with the group's banks on extensions and waivers related to existing credit facilities.**

- **An agreement with DnB NOR on extending the existing lease in the Aker Brygge area until 2013 makes cash flow more predictable, reduces the need to find new tenants in 2011 and identifies an attractive level of rent for Oslo CBD.**

- **Profit before fair value adjustments was NOK 114.8 million (NOK 70 million)[1]. The loss before tax, including fair value adjustments, was NOK 439.5 million (NOK 1 071.8 million).**

    - **Rental income for the group is NOK 446.8 million in the second quarter of 2009. Adjusted for the sale of properties is the level unchanged compared to 2008, by rent increases for office properties offsetting the reduction for hotels.**

    - **Vacancy in the office portfolio was 0.8 per cent**

    - **Cost control was good, and operational cash flow strengthened**

    - **Financial costs are reduced from NOK 343 million in the second quarter last year to NOK 260 million this year**

    - **Investment was reduced in line with the completion of several major projects in 2008**

    - **Fair value adjustments to the properties yielded a 2.1 per cent reduction over the quarter (a reduction of 1.3 per cent for the commercial properties and 3.3 per cent for the hotels)**

    - **Net asset value per share came to NOK 18.09. Net asset value pursuant to the EPRA standard was NOK 23.26 per share**

[1] *Figures in brackets refer to the same period of last year.*

MARKET CONDITIONS

OFFICE RENTAL MARKET

Uncertainties related to macroeconomic conditions and the impact of the financial crisis on the economy persisted during the second quarter of 2009. Although earlier pessimistic estimates in such areas as the decline in GDP and future levels of unemployment have been adjusted in a positive direction, uncertainty about developments continues to prevail. A further decline in demand for office space must be expected, with a consequent increase in vacant premises and associated pressure on rents. The availability of new office space capacity in the market is limited compared with earlier business cycles, even though substantially more capacity will be completed now and over the next two years than was the case two-three years ago. New project start-ups are likely to be limited by the general market and credit situation. Office vacancy rates in Oslo are expected to rise towards 2011 and reach approximately eight to nine per cent. Office rents are also displaying a negative trend, and their level has fallen in most areas. The trend for office subletting increased somewhat during the quarter, but without any substantial amounts of office space coming onto the market. This tendency is expected to increase further in various areas during the year, with a negative effect on the level of market rents. Even with a downward adjustment in expectations for market rents, Norwegian Property's contractual rental income is considered to lie somewhat below the existing level of market rents. Maturities and renegotiations in the group's lease portfolio will be limited in 2009.

Norwegian Property entered into an agreement with DnB NOR at the end of the second quarter to extend the existing lease in the Aker Brygge area to a new expiry date of 31 March 2013. This lease covers 23 015 square metres of offices and 2 428 square metres of warehousing, with contractual rents per square metre of NOK 3 300 and NOK 1 600 respectively applicable from 28 September 2011. These amounts are adjusted annually by the full increase in the consumer price index, based on the CPI at 15 June 2009. The extension has been agreed on “as is” terms, without investment by the lessor. It represents an annual increase in rental income under this lease of about NOK 10.1 million (14.5 per cent) in 2009 money, to NOK 79.8 million. In the longer term, DnB Nor will be moving from Aker Brygge to the new head office under construction in Bjørvika. By extending the lease, the group has increased the predictability of cash flow for the office portfolio at market terms and with an attractive lessee. Vacancy in the group's office portfolio is currently very low. Renegotiation of leases will remain at a low level in 2011 and 2012, and the extension agreed with DnB NOR will help to improve the maturity profile of Norwegian Property's lease portfolio.

HOTEL MARKET

Progress in the Nordic hotel market was strong for a number of years, with both occupancy/demand and room prices developing positively. However, the market has stagnated and reversed slightly since the fourth quarter of 2008. This trend continued in the second quarter, with revenues showing a further decline – particularly for the most expensive hotels and those in the big cities. Market conditions for hotels are expected to remain challenging in 2009 and 2010, with the Finnish market likely to recover somewhat later than the other markets. The supply side will also expand towards 2011, particularly in and around the capital cities of Norway, Sweden and Denmark. This could further weaken the market if demand continues to contract.

TRANSACTION MARKET

Transactions in the Norwegian commercial property market were again limited during the second quarter. Activity was somewhat higher in the market for smaller commercial properties in rather peripheral locations, particularly in the retailing and warehousing sectors, and then as high-yield transactions. Potential Norwegian and foreign buyers with access to financing have sought to position themselves for a market with very stressed sellers and/or forced sales, a market which has so far been virtually insignificant. Other potential buyers are still restricted by access to external capital financing. Even though credit margins generally declined somewhat during the quarter, this did not enhance the willingness of the banks to lend. The market continues to be affected by general uncertainty among most players (including the banks), with few transactions. No significant change is expected in this market until loan financing becomes more readily available at a rather more normal margin.

FINANCIAL RESTRUCTURING

Norwegian Property worked on a financial restructuring during the spring of 2009. An extraordinary general meeting on 24 June 2009 approved a private placement of 201.6 million subscribed shares plus a subsequent repair issue of up to 50 million shares, both at a subscription price of NOK 6.00 per share. The restructuring is expected to be completed during the third quarter, with issue proceeds of NOK 1 200-1 500 million. These issues will increase the number of shares from 201.6 million to 403.2-453.2 million.

Proceeds from the issues will be used to repay debt in order to strengthen the group's financial position. Waivers of loan covenants, minor adjustments to margins and extensions to the maturities of the group's loan facilities have also been negotiated.

The issues are conditional on reducing the share capital of Norwegian Property ASA by cutting the nominal value of each share from NOK 25 to NOK 0.50. The amount of this reduction will be transferred to other equity. Creditors have until 25 August to object to the change.

In addition to strengthening equity, the following changes to existing credit agreements have been agreed with the group's main banks:

i) An extension of Oslo Property's acquisition financing, initially NOK 1.7 billion, from the original maturity of October 2010 to a new date in June 2012. A waiver of loan-to-value (LTV) covenants until 20 June 2011, and a subsequent adjustment to the level of LTV and the interest coverage ratio (ICR) thereafter. The facility has been reduced by NOK 700 million[2].

ii) Group LTV waiver for the original NOK 11 billion loan/credit facility until 30 June 2011. The ICR covenant remains unadjusted until maturity. The facility has been reduced by NOK 400 million[3].

iii) Three-year extension until 2012 of the SEK 565 million loan originally maturing in September 2009.

iv) Financing secured to repay the bond loan maturing in March 2010.

Norwegian Property has also secured a change agreement with the Fearnley syndicate whereby the put option related to four Danish hotels can first be exercised between 1 March 2011 (instead of 1 January 2010) and running up to 31 December 2012, with a three-month settlement period (instead of 30 days).

For further information, see the issue prospectus.

FINANCIAL RESULTS

ACCOUNTING PRINCIPLES AND CONSOLIDATED ENTITIES

The interim report has been prepared in accordance with IAS 34 on interim financial reporting. Interim results have been prepared in accordance with the current IFRS standards and interpretations. The accounting policies applied in the preparation of the interim financial statements are consistent with the principles applied in the annual financial statements for 2008. Properties sold are included in the accounts until the closing of the transaction[4]. The report has not been audited.

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[2] *Redemption rises to a maximum of NOK 900 million if the repair issue yields additional proceeds of up to NOK 300 million.*

[3] *Redemption rises to a maximum of NOK 500 million if the repair issue yields additional proceeds of up to NOK 300 million.*

[4] *The sale of the Grev Wedels plass 9 property was agreed in September 2008 and the transaction was closed on 15 January. The sale of the Drammensveien 144 property was agreed in February, with the closing of the transaction on 9 March 2009. Disposal of the obligation to acquire the Park Inn hotel property (under development) was completed on 11 February.*

KEY NUMBERS

NOK million			2nd Quarter 01.04 - 30.06 2009	2008	Year to date 01.01 - 30.06 2009	2008	Last year 01.01 - 31.12 2008
Profit and loss							
Gross rent			446.8	474.1	892.5	946.2	1 866.8
Operating profit			(259.6)	(1 281.6)	(657.8)	(967.8)	(2 591.0)
Operat. prof. ex. fair value adj.			372.5	400.6	749.5	806.2	1 583.1
Profit before income tax and fair value adj.			114.8	70.0	219.9	140.3	312.2
Profit before income tax			(439.5)	(1 071.8)	(1 373.3)	(1 238.7)	(5 118.9)
Profit after income tax			(394.0)	(771.2)	(1 193.5)	(891.3)	(4 190.7)
Balance sheet							
Market value of investment portfolio			24 442.6	28 166.5			27 312.6
Equity			3 647.2	8 048.5			5 001.2
Interest bearing debt	1)		20 291.8	21 923.0			21 840.6
Equity %		%	14.2 %	24.1 %			17.3 %
Pre tax return on equity (annualised)		%	-46.0 %	-58.0 %	-63.5 %	-33.3 %	-86.5 %
Cash flow							
Cash flow from operating activities			368.9	357.9	676.3	660.4	1 715.7
Cash position			231.2	323.9			174.2
Key numbers, shares		NOK					
No. of shares issued	2)	#	201 635 407	201 635 407			201 635 407
Average number of shares in period		#	201 635 407	119 217 825	201 635 407	112 349 693	157 236 500
Pre tax profit per share			(2.18)	(8.99)	(6.81)	(11.03)	(32.56)
Basic earnings per share (EPS)	3)		(1.95)	(6.47)	(5.92)	(7.93)	(26.65)
Operating cash flow per share			1.83	3.00	3.35	5.88	10.91
Interest bearing debt per share			100.64	108.73			108.32
Book value per share			18.09	39.51			24.80
Deferred property tax per share			6.16	9.09			7.47
Goodwill per share			(3.49)	(5.28)			(4.39)
Financial derivative instr. per share			2.50	(3.66)			2.25
Net asset value per share (EPRA)	4)		23.26	39.65			30.14

1) Not including the liability to acquire shares in Oslo Properties AS at 30 June 2008 (NOK 1 647.7 million).
2) The number of shares as of 30 June 2008 include 96 153 846 shares from the fully underwritten share issue resolved in June 2008. Final subscription and registration were carried out in July 2008.
3) Diluted earnings per share are the same as the basic earnings per share.
4) Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, goodwill- and financial derivative instr. per share. Deferred property tax per share include both ordinary deferred tax related to properties and tax compensation at purchase (accounted for as a reduction of investment properties). Goodwill per share is calculated from the single item in the balance sheet, while financial derivative instr. per share is calculated based on the asset and liability items (market values of interest-/exchange rate swap contracts and similar) in the balance sheet after tax.

RESULTS FOR THE SECOND QUARTER

Gross rental income for the second quarter was NOK 446.8 million (NOK 474.1 million). NOK 8.7 million of the reduction relates to commercial properties and NOK 18.7 million to hotels. Adjusted for sold properties, gross rental income for commercial properties increased by NOK 13 million from the same period of 2008.

Maintenance and property-related expenses for the quarter declined to NOK 35.6 million (NOK 36.4 million). Group and administrative expenses increased to NOK 38.7 million (NOK 37.1 million), and were affected by the financial restructuring during the period. About NOK 6 million in one-off expenses were recognised for the second quarter. Operating profit before fair value adjustments to investment properties was NOK 372.5 million (NOK 400.6 million).

Fair value adjustments to properties were negative at NOK 557.6 million (minus NOK 1 688.0 million). See the separate section on the valuation of investment properties. NOK 74.5 million in goodwill impairment related to a reduction in deferred tax on investment properties in Norgani Hotels was recognised in the second quarter.

Net financial expenses came to NOK 179.9 million (income of NOK 209.7 million) in the second quarter. Owing to reduced debt and some reduction in average interest rates, financial expenses for the quarter were NOK 82.9 million lower than in the same period of last year at NOK 260.4 million. Financial expenses related to acquisition financing for Norgani Hotels/Oslo Properties were NOK 22.4 million. The income element related to financial derivatives showed a positive change in value corresponding to NOK 80.0 million. This gain primarily reflected an increase in long-term market interest rates during the second quarter and also offset expenses related to the agreement with the Fearnley syndicate. The group’s financial derivatives had a substantial positive effect in 2008 through a NOK 543.2 million increase in value.

The loss before tax for the second quarter was NOK 439.5 million (NOK 1 071.8 million). Calculated tax was positive by NOK 45.4 million (plus NOK 300.7 million), primarily related to changes in deferred tax with no cash flow effect. The net loss for the period was thereby NOK 394.0 million (NOK 771.2 million).

RESULTS FOR THE FIRST HALF-YEAR

Gross rental income for the first half was NOK 892.5 million (NOK 946.2 million). Adjusted for sold properties, turnover for commercial properties increased by 5.5 per cent from the same period of 2008. Turnover for the hotels correspondingly declined by 6.8 per cent.

Maintenance and property-related expenses for the first six months came to NOK 70.9 million (NOK 74 million). Group and administrative expenses were NOK 72.1 million (NOK 66.0 million). This increase is attributable to costs related to the current financial restructuring. Operating profit before fair value adjustments to investment properties was NOK 749.5 million (NOK 806.2 million). The reduction primarily reflects the sale of commercial properties and reduced turnover in the hotel segment.

Fair value adjustments to properties were negative at NOK 1 204.9 million (NOK 1 809.4 million). NOK 212.2 million in goodwill impairment related to a reduction in deferred tax on investment properties in Norgani Hotels was recognised in the first half. The Grev Wedels plass 9 and Drammensveien 144 commercial properties were sold in the first half. The group recognised NOK 10.0 million in gain from the sale of investment properties in the first half (NOK 35.3 million), as well as NOK 25 million in transaction-related currency gains as financial items.

Net financial expenses came to NOK 715.6 million (NOK 270.9 million) in the first half. This figure includes a negative change of NOK 209.0 million in the value of financial derivatives (positive at NOK 400.7 million). Financial expenses related to acquisition financing for Norgani Hotels/Oslo Properties were NOK 48.0 million.

The loss before tax for the first half was NOK 1 373.3 million (NOK 1 238.7 million). Calculated tax amounted to NOK 179.8 million (NOK 347.4 million), primarily related to changes in deferred tax with no cash flow effect. The net loss for the period was thereby NOK 1 193.5 million (NOK 891.3 million).

VALUATION OF PROPERTIES

Two independent valuers have independently valued the commercial property portfolio, based on the same methods and principles as in previous periods. Lower expectations of future market rents after the expiry of current leases and higher required rates of return had a negative impact on the valuations for the second quarter. The group’s portfolio of commercial properties, before adjustment for deferred tax, declined in value by 1.3 per cent from 31 March 2009 to NOK 14 981 million at 30 June. A loss of NOK 199.5 million was recognised in the income statement for the second quarter.

The portfolio of hotel properties has also been valued by two external advisors, who concluded that its value declined by 3.3 per cent from 31 March 2009 to a total of NOK 9 675 million. A negative fair value adjustment of NOK 358.1 million was recognised for the hotel properties in the second quarter. The value of the properties in the balance sheet increased somewhat because the Norwegian krone weakened against other currencies during the period.

In aggregate, the value of the properties was reduced by 2.1 per cent to NOK 24 443 million at 30 June 2009 (after adjusting for tax effects). The overall reduction in the value of the properties during the second quarter last year was NOK 1 688 million.

CASH FLOW

Net cash flow from operating activities before net financial items was NOK 368.9 million (NOK 357.9 million) in the second quarter. Net negative cash flow from investing activities for the quarter was NOK 21.9 million (positive at NOK 1 191.9 million). Investment-related spending during the second quarter of 2009 primarily reflected ordinary capital expenditure on the group’s properties, while the 2008 figure reflected the sale of investment property. Net negative cash flow from financing activities was NOK 342.3 million (NOK 1 738.2 million), which reflected financial expenses and debt repayment. The net change in cash and cash equivalents during the second quarter was NOK 4.7 million (negative at NOK 188.4 million).

BALANCE SHEET

Cash and cash equivalents at 30 June 2009 came to NOK 231.2 million (NOK 323.9 million). The group also had NOK 361 million in undrawn credit facilities. Total equity was NOK 3 647 million (NOK 8 048 million), corresponding to an equity ratio of 14.2 per cent (24.1 per cent). Carried net asset value per share was NOK 18.09 (NOK 39.51). Net asset value per share pursuant to the EPRA standard was NOK 23.26 (NOK 39.65).

FINANCING

Total consolidated interest-bearing debt before capitalised costs at 30 June 2009 was NOK 20 323 million (NOK 21 972 million). NOK 85 million in interest-bearing debt was repaid in the second quarter. Exchange rate changes boosted Norgani's foreign currency debt translated into NOK by NOK 61 million during the quarter. This increase had a correspondingly positive effect on the carried value of the hotel properties.

Interest bearing debt and hedging	30.06.2009	30.06.2008	31.12.2008
Interest bearing debt, ex. costs (NOK million)	20 323	21 972	21 879
Hedging ratio	101 %	72 %	84 %
Unused credit facilities (NOK million)	361	357	521
Average time to maturity, hedging (years)	3.5	4.9	4.5
Average interest rate (incl. margin)	4.99 %	5.50 %	5.84 %
Average margin	0.90 %	0.78 %	0.81 %
Average remaining duration, debt (years)	2.8	4.3	3.9
Property value (NOK million)	24 656	28 512	27 574
Debt/Value	82.4 %	77.1 %	79.3 %

Property value gross of tax related adjustments

Norwegian Property reduced its exposure to floating interest rates in 2008 and has hedged its whole interest rate exposure for 2009. Average interest expenses for the group in 2009 are expected to be lower than the year before.

PROPERTY PORTFOLIOS

THE COMMERCIAL PORTFOLIO

Norwegian Property owned 48 office and retail properties at 30 June. These are primarily located in central areas of Oslo (85.9 per cent of gross rental income) and Stavanger (14.1 per cent of gross rental income). The group's properties consist mainly of office premises with associated warehousing and parking, and retail and restaurant space.

Total gross contractual rental income for the office portfolio was NOK 1 053 million. The average CPI adjustment factor for the portfolio is 97 per cent. Average vacancy in the portfolio is 0.8 per cent. The average remaining lease duration is 5.2 years. Valuations of the property portfolio assume an uplift potential of 8.1 per cent if rents were adjusted to the average market level.

The total value of the office portfolio at 30 June was assessed to be NOK 14 981 million. Given current payable rents, this corresponds to an implicit net yield of 6.6 per cent based on the 2009 run-rate, assuming property expenses of 5.6 per cent at the property level. Assuming market rents, the implicit net yield is 7.2 per cent.

HOTEL PORTFOLIO

Norgani's portfolio comprises 73 hotels and one congress centre with a total of 12 879 rooms. Its total area is 671 480 square metres. The tables below present the hotel portfolio by country and operator:

Geographical split	Rooms	Revenues
Norway	19 %	23 %
Sweden	54 %	45 %
Finland	24 %	28 %
Denmark	3 %	4 %

Operator	Rooms	Revenue
Scandic (incl. Hilton)	60 %	63 %
Choice	21 %	22 %
Rezidor	5 %	6 %
First	3 %	2 %
Best Western	2 %	1 %
Rica	2 %	2 %
Others	7 %	5 %

The leases for all but one of Norgani's hotels are turnover-based, with rates differentiated between accommodation income and other revenues. Most leases specify guaranteed rents, which averaged totally about 80 per cent of gross rents paid in 2008. The minimum rent is adjusted annually pursuant to the CPI and to reflect possible major upgrades to the properties. Some of the hotels have seller guarantees, whereby the seller has agreed to compensate Norgani for any shortfall between guaranteed and actual turnover-based rents. The average remaining duration of the leases is 9.7 years.

RISK AND UNCERTAINTY FACTORS

General economic developments will affect the supply of and demand for office premises and hotel rooms. Norwegian Property is monitoring relevant markets and actively seeking to reduce the exposure of its portfolio to fluctuations in financial parameters and frame conditions, partly through close customer follow-up and portfolio management. On the office side, the group has i.e. entered into long-term leases with inflation-adjusted rents. The hotel properties are mainly leased with turnover-based rents, and significant changes in the demand for hotel rooms – adjusted for minimum rents and vendor guarantees – will affect rental income.

Operational risk relates to the ability of lessees to meet their commitments, Norwegian Property's ability to relet space which falls vacant, and the ability of external managers to fulfil their commitments to maintain and operate the properties. Norwegian Property's lessees largely comprise highly reputable companies and public institutions. Management and operation of the properties are handled by reputable players, and monitored closely by Norwegian Property. During the past half-year, the group intensified its direct contact with customers and instituted closer supervision of operations in order to improve its knowledge of the lessees, ensure a high level of satisfaction and improve opportunities for retaining lessees when renegotiating leases.

Financial risk affects the availability and cost of capital. Expected market developments, combined with changes in financial parameters, influence earnings and the development of the portfolio's value. Should current market conditions persist, they can weaken the group's ability to fulfil its loan covenant requirements. The group seeks to control this through good financial planning and management.

CLOSE ASSOCIATES

During the first six months, no transactions were conducted with close associates nor changes made to such transactions described in the most recent annual report which are considered to be of significant importance for the group's financial position or results.

SHAREHOLDERS

The total number of issued shares ahead of the issues due to be completed in the third quarter of 2009 is 201 635 416. After their completion in August/September, the planned issues will more than double the number of shares and change the group's shareholder structure. The group had 2 453 registered shareholders at 30 June, corresponding to a 24 per cent increase from 31 March 2009. Trading liquidity is good. At 30 June, the volume traded per day was almost 1.5 million (three-month rolling average). The largest shareholders registered with the Norwegian Central Securities Depository (VPS) are presented below[5].

[5] *The list does not reflect shareholder structure after the private placement and subsequent repair issue.*

Top 20 Shareholders

Name	Ownership %	Shares held	Acc Type	Nationality
AWILHELMSEN CAPITAL OMLØP	11.53	23 254 334		NOR
CANICA AS	4.59	9 246 467		NOR
CREDIT SUISSE SECURI (EUROPE) PRIME BROKE	3.95	7 955 885	NOM	GBR
TRONDHEIM KOMMUNALE	3.07	6 199 700		NOR
VITAL FORSIKRING ASA OMLØPSMIDLER	3.02	6 089 907		NOR
REKA AS	2.98	6 000 000		NOR
BANK OF NEW YORK MEL S/A ALPINE INTL REAL	2.78	5 604 698		USA
FRAM HOLDING AS	2.73	5 500 000		NOR
AWECO INVEST AS	2.72	5 486 765		NOR
BANK OF NEW YORK MEL S/A ALPINE GLOBAL PR	1.90	3 832 520		USA
FRAM REALINVEST AS	1.74	3 500 000		NOR
OPPLYSNINGSVESENETS JILL NORDAHL	1.47	2 962 731		NOR
SKAGEN VEKST	1.47	2 958 000		NOR
SEB ENSKILDA ASA EGENHANDELSKONTO	1.46	2 944 172		NOR
FGCS NV RE TREATY FORTIS GLOBAL CUSTOD	1.41	2 833 283	NOM	NLD
VERDIPAPIRFOND ODIN	1.26	2 539 500		NOR
CITIBANK N.A. (LONDO GENERAL IRISH RES.-T	1.16	2 344 000	NOM	IRL
MP PENSJON	1.14	2 302 819		NOR
ARCTIC SECURITIES AS MEGLERKONTO	1.02	2 053 900	MEG	NOR
WENAASGRUPPEN AS	0.96	1 932 219		NOR
	52.36	**105 540 900**		

ORGANISATION

Petter Jansen informed the board on 25 May that he wished to resign as chief executive of Norwegian Property ASA. Jansen has headed the company since its creation in the summer of 2006. When appointed, he agreed as a starting point with the then president of the board of directors on a time frame of three years for his principal job of building a new listed property company. The group is now moving into a new phase, and Jansen has found it appropriate that a new chief executive continues its development. Jansen has agreed to remain in his post until a replacement is in place.

OUTLOOK

The approved share issues and the renegotiated credit agreements will strengthen the group's balance sheet and safeguard its financial position. Attention in the time to come will be concentrated primarily on operations and on positioning the group in the market. Where the office portfolio is concerned, priority has been given to work on renegotiating leases to secure improved levels of rent and to maintain a low level of vacancy. The main focus for the hotel portfolio will be on collaboration with the operators to maximise earnings and maintain the group's strong cost control.

Uncertainty over key macroeconomic factors and the effect of the financial crisis on the economy persisted during the second quarter. RevPAR and market rents for the hotels and offices respectively continued to develop negatively. Norwegian Property has a strong position in the office segment, characterised by low vacancy, long leases and an underlying potential for rising rent levels. The extension of the agreement with DnB NOR has identified an attractive level of rents for the Oslo CBD. A downturn being experienced in the hotel sector is expected to have a limited impact on Norgani through guaranteed rents and seller guarantees. Following up customer relations is particularly important when market conditions are demanding, and the group will also continue to pay great attention to this aspect.

Norwegian Property ASA
Board of directors, 9 August 2009

For further information about Norwegian Property, including presentational material accompanying this quarterly report as well as the group's financial calendar, please see www.npro.no.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The board of directors and the chief executive have today reviewed and approved the interim report and the condensed consolidated half-year financial statements for Norwegian Property ASA at 30 June 2009 and for the first half of 2009, including condensed consolidated comparative figures at 30 June 2008 and for the first half of 2008.

The interim report has been prepared in accordance with the requirements of IAS 34 on interim financial reporting as adopted by the European Union and additional Norwegian disclosure requirements in the Securities Act.

To the best of our knowledge, the half-year financial statements for 2009 have been prepared in accordance with applicable accounting standards, and the information in these statements provides a true and fair view of the group's assets, liabilities, financial position and profit or loss as a whole at 30 June 2009 and 30 June 2008. To the best of our knowledge the interim report gives a true and fair overview of important events in the accounting period and their influence on the half-year financial statements. To the best of our knowledge, the description of the principal risks and uncertainties facing the business in the next accounting period and the description of significant transactions with close associates provide a true and fair review.

Oslo, 9 August 2009

Tormod Hermansen	Harald Grimsrud	Gry Mølleskog	Nils K. Selte	Synne Syrrist
Chair	Deputy chair	Director	Director	Director

Petter Jansen
President and CEO

CONSOLIDATED INCOME STATEMENT

	2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
Figures in NOK 1.000	2009	2008	2009	2008	2008
Rental income	446 783	474 134	892 504	946 193	1 866 774
Gross rental income	**446 783**	**474 134**	**892 504**	**946 193**	**1 866 774**
Maintenance and property related costs	(35 552)	(36 391)	(70 907)	(74 012)	(152 151)
Other operating expenses	(38 690)	(37 139)	(72 137)	(65 966)	(131 562)
Total operating cost	**(74 242)**	**(73 530)**	**(143 045)**	**(139 978)**	**(283 713)**
Operating profit before fair value adjustments	**372 541**	**400 604**	**749 459**	**806 215**	**1 583 062**
Change in market value of investment property	(557 645)	(1 687 960)	(1 204 924)	(1 809 380)	(3 987 503)
Gain from sales of investment property	-	5 768	9 954	35 323	34 362
Impairment of goodwill	(74 471)	-	(212 245)	-	(220 968)
Operating profit	**(259 576)**	**(1 281 588)**	**(657 756)**	**(967 842)**	**(2 591 047)**
Financial income	517	9 942	30 603	16 024	26 627
Financial costs	(260 432)	(343 370)	(537 199)	(687 630)	(1 353 046)
Change in market value of financial derivative instruments	80 024	543 176	(208 987)	400 705	(1 201 439)
Net financial items	**(179 891)**	**209 748**	**(715 582)**	**(270 901)**	**(2 527 858)**
Profit before income tax	**(439 466)**	**(1 071 840)**	**(1 373 338)**	**(1 238 743)**	**(5 118 905)**
Income tax expense	45 441	300 668	179 841	347 402	928 194
Profit after income tax	**(394 026)**	**(771 172)**	**(1 193 497)**	**(891 342)**	**(4 190 711)**
Comprehensive income					
Financial derivatives	(9 847)	(7 343)	117 156	(22 038)	(81 118)
Tax expense related to comprehensive income	2 757	2 056	(32 804)	6 171	22 713
Currency translation differences	47 049	(27 718)	(244 850)	3 675	442 295
Total comprehensive income	**39 959**	**(33 005)**	**(160 498)**	**(12 192)**	**383 890**
Total profit after tax	**(354 067)**	**(804 177)**	**(1 353 995)**	**(903 534)**	**(3 806 822)**
Whereof minority interests	-	(90 002)	-	(46 744)	(132 322)

BUSINESS SEGMENTS

	2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
Figures in NOK 1.000	**2009**	**2008**	**2009**	**2008**	**2008**
Commercial properties	259 115	267 783	524 032	550 993	1 079 420
Hotel properties	187 668	206 351	368 472	395 200	787 354
Gross rental income	**446 783**	**474 134**	**892 504**	**946 193**	**1 866 774**
Commercial properties	(15 746)	(19 774)	(32 573)	(37 178)	(70 985)
Hotel properties	(19 807)	(16 617)	(38 334)	(36 834)	(81 165)
Maintenance and property related costs	**(35 552)**	**(36 391)**	**(70 907)**	**(74 012)**	**(152 151)**
Commercial properties	(19 516)	(16 918)	(37 028)	(30 931)	(60 728)
Hotel properties	(19 114)	(19 864)	(34 984)	(34 617)	(69 766)
Oslo Properties	(60)	(358)	(124)	(418)	(1 067)
Other operating cost	**(38 690)**	**(37 139)**	**(72 137)**	**(65 966)**	**(131 562)**
Commercial properties	**223 854**	**231 091**	**454 430**	**482 884**	**947 707**
Hotel properties	**148 747**	**169 871**	**295 154**	**323 749**	**636 423**
Oslo Properties	**(60)**	**(358)**	**(124)**	**(418)**	**(1 067)**
Operating profit before fair value adjustments	**372 541**	**400 604**	**749 459**	**806 215**	**1 583 062**
Gain from fair value adjustment of commercial properties	(199 496)	(1 337 792)	(514 944)	(1 534 810)	(2 905 192)
Gain from fair value adjustment of hotel properties	(358 149)	(350 168)	(689 980)	(274 570)	(1 082 311)
Gain from sales of commercial properties	-	6 969	9 954	7 174	7 174
Gain from sales of hotel properties	-	(1 201)	-	28 149	27 188
Impairment of goodwill	(74 471)	-	(212 245)	-	(220 968)
Commercial properties	**24 358**	**(1 099 732)**	**(50 560)**	**(1 044 752)**	**(1 950 312)**
Hotel properties	**(283 873)**	**(181 498)**	**(607 072)**	**77 327**	**(639 668)**
Oslo Properties	**(60)**	**(358)**	**(124)**	**(418)**	**(1 067)**
Operating profit	**(259 575)**	**(1 281 588)**	**(657 756)**	**(967 842)**	**(2 591 048)**
Net financial items for commercial properties	(153 701)	(187 163)	(287 781)	(381 455)	(767 453)
Net financial items for hotel properties	(83 867)	(84 830)	(170 967)	(171 001)	(351 595)
Net financial items for Oslo Properties/acquisition financing	(22 347)	(61 435)	(47 848)	(119 150)	(207 370)
Financial derivative instruments for commercial properties	59 213	369 854	(137 316)	302 566	(763 635)
Financial derivative instruments for hotel properties	20 812	173 322	(71 671)	98 139	(437 804)
Net financial items	**(179 890)**	**209 748**	**(715 582)**	**(270 901)**	**(2 527 858)**
Commercial properties	**(70 131)**	**(917 041)**	**(475 657)**	**(1 123 641)**	**(3 481 400)**
Hotel properties	**(346 928)**	**(93 006)**	**(849 709)**	**4 466**	**(1 429 068)**
Oslo Properties/acquisition financing	**(22 407)**	**(61 793)**	**(47 972)**	**(119 568)**	**(208 437)**
Profit before income tax	**(439 466)**	**(1 071 840)**	**(1 373 338)**	**(1 238 744)**	**(5 118 905)**
Income tax expense	45 441	300 668	179 841	347 402	928 194
Profit after income tax	**(394 026)**	**(771 172)**	**(1 193 497)**	**(891 342)**	**(4 190 711)**

CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000	30.06.2009	30.06.2008	31.12.2008
ASSETS			
Non-current assets			
Financial derivative instruments	24 594	-	37 333
Goodwill	703 987	1 064 987	885 642
Investment property	24 442 558	28 166 509	27 312 567
Fixtures and equipment	8 641	10 665	9 858
Shares and interests	1 837	1 626	2 014
Receivables	10 201	9 119	11 192
Total non-current assets	**25 191 818**	**29 252 906**	**28 258 607**
Current assets			
Financial derivative instruments	60 835	1 058 250	127 475
Seller guarantee for future rent	-	3 233	-
Accounts receivable	178 216	291 910	172 125
Other receivables	83 531	138 052	193 896
Unpaid capital, net of issue cost	-	2 340 000	-
Cash and cash equivalents	231 197	323 915	174 220
Total current assets	**553 779**	**4 155 361**	**667 716**
Total assets	**25 745 597**	**33 408 267**	**28 926 323**
EQUITY			
Paid in equity	7 737 153	7 733 861	7 738 094
Other reserves	231 210	(5 316)	390 766
Retained earnings	(4 321 198)	237 742	(3 127 701)
Minority interests	-	1 607 041	-
- Liability to acquire shares in subsidiaries	-	(1 524 863)	-
Total equity	**3 647 165**	**8 048 466**	**5 001 160**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	413 422	1 110 400	565 496
Financial derivative instruments	18 532	12 488	106 272
Interest bearing liabilities	19 644 173	21 161 393	21 021 975
Total non-current liabilities	**20 076 127**	**22 284 281**	**21 693 743**
Current liabilities			
Financial derivative instruments	767 009	19 563	689 854
Interest bearing liabilities	647 631	761 593	818 611
Liability to acquire shares in subsidiaries	-	1 647 700	-
Accounts payable	26 149	29 866	29 432
Other liabilities	581 517	616 799	693 523
Total current liabilities	**2 022 306**	**3 075 520**	**2 231 420**
Total liabilities	**22 098 433**	**25 359 802**	**23 925 163**
Total equity and liabilities	**25 745 597**	**33 408 267**	**28 926 323**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK 1.000	30.06.2009	30.06.2008	31.12.2008
Total equity including minority interests, beginning of year	**5 001 160**	**6 830 904**	**6 830 904**
Total profit after tax	(1 353 995)	(903 534)	(3 806 822)
Share issue, net of cost and after tax		2 384 800	2 389 033
Dividend payments		(263 704)	(263 704)
Changes of minority interests			(148 251)
Total equity including minority interests, end of period	**3 647 165**	**8 048 466**	**5 001 160**

	Equity attributable to shareholders of the company						
Figures in NOK 1.000	Share capital	Share premium	Other paid in equity	Other reserves	Retained earnings	Minority interests	Total Equity
Total equity 31.12.2007	**2 637 039**	**1 211 081**	**1 500 000**	**7 818**	**1 310 962**	**164 003**	**6 830 904**
Share issue, June 2008	2 403 846	96 154					2 500 000
Total cost related to share issues, net of tax		(110 967)					(110 967)
Financial derivatives				(58 405)			(58 405)
Dividend payments					(263 704)		(263 704)
Currency translation differences				442 295			442 295
Profit after income tax					(4 058 389)	(132 322)	(4 190 711)
Changes of minority interests					(116 570)	(31 681)	(148 251)
Total equity 31.12.2008	**5 040 885**	**1 196 268**	**1 500 000**	**391 708**	**(3 127 701)**	**-**	**5 001 160**
Financial derivatives accounted to equity				84 352			84 352
Currency translation differences				(244 850)			(244 850)
Profit after income tax					(1 193 497)		(1 193 497)
Total equity 30.06.2009	**5 040 885**	**1 196 268**	**1 500 000**	**231 210**	**(4 321 198)**	**-**	**3 647 165**

CONSOLIDATED CASH FLOW STATEMENT

		2nd Quarter 01.04 - 30.06		Year to date 01.01 - 30.06		Last year 01.01 - 31.12
	Figures in NOK 1.000	2009	2008	2009	2008	2008
	Profit before income tax	(439 466)	(1 071 839)	(1 373 338)	(1 238 743)	(5 118 905)
-	Paid taxes in the period	(177)	-	(359)	-	(8 894)
+	Depreciation of tangible assets	755	630	1 508	1 130	2 141
+/-	Gain from sale of investment property	-	(5 768)	(9 954)	(35 323)	(34 362)
-/+	Fair value adjustment of investment property	557 982	1 687 960	1 205 261	1 809 380	3 987 504
-/+	Fair value adjustment of financial derivative instruments	(118 313)	(543 176)	170 698	(400 705)	1 201 439
+	Impairment of goodwill	74 471	-	212 245	-	220 968
+/-	Net financial items ex. market value adj. of financial derivative instruments	259 915	333 427	506 595	671 606	1 326 419
+/-	Change in short-term items	33 718	(43 298)	(36 392)	(146 971)	139 368
=	**Net cash flow from operating activities**	**368 885**	**357 936**	**676 265**	**660 374**	**1 715 677**
+	Received cash from sale of tangible fixed assets (investment properties)	-	1 267 545	1 052 387	1 346 849	1 311 029
-	Payments for purchase of tangible fixed assets (investment properties)	(21 923)	(75 680)	(55 269)	(127 046)	(308 302)
-	Payments for purchase of subsidiaries	0	-	0	-	(155 521)
=	**Net cash flow from investing activities**	**(21 923)**	**1 191 865**	**997 119**	**1 219 803**	**847 206**
+	Net change in interest bearing debt	(84 533)	(1 141 042)	(1 059 424)	(1 256 509)	(3 843 536)
-	Net financial items ex. market value adj. and currency gain/loss	(257 736)	(333 427)	(529 532)	(671 606)	(1 270 799)
+	Capital increase	-	-	(0)	(0)	2 345 879
-	Dividend payments	-	(263 704)	-	(263 704)	(263 704)
+/-	Payments related to other financing activities	-	-	(20 000)	-	-
=	**Net cash flow from financial activities**	**(342 269)**	**(1 738 174)**	**(1 608 956)**	**(2 191 819)**	**(3 032 159)**
=	**Net change in cash and cash equivalents**	**4 693**	**(188 372)**	**64 427**	**(311 642)**	**(469 276)**
+	Cash and cash equivalents at the beginning of the period	230 735	512 477	174 220	635 476	635 476
+/-	Exchange rates	(4 231)	(189)	(7 450)	82	8 020
	Cash and cash equivalents at the end of the period	**231 197**	**323 915**	**231 197**	**323 915**	**174 220**