



NORWEGIAN PROPERTY



Sale of Norgani Hotels AS

Oslo, 24 August 2010

Norwegian Property in process of selling Norgani Hotels AS

Preliminary Agreement with Pandox and its owners

- Sale of Norgani delivers the most effective solution for separation of the hotel and office businesses
- Leaves Norwegian Property and the office business in a solid financial position, and with an industrial and focused competitive edge
- Strengthens the financial position
 - Based on current plans removes the need for another equity issue
 - Reduces Net Loan to Value including seller credit to 64.1 per cent
 - Total cash release of NOK 1.6 bn, of which NOK 1.0 bn will be immediate
 - OPAS acquisition financing will be repaid with NOK 0.7 bn
 - NOK 0.6 bn will remain as seller credit for a period of up to 5 years
- Norwegian Property finally emerges as well positioned to proactively explore value creating opportunities, with NOK 0.9 bn available (including Private Placement in 1Q2010).



Key terms

- **Buyer** Pandex AB and the owners of Pandex AB (Eiendomsspar AS and Sundt AS)
- **Commercial terms** Property Values: NOK 8,300 million
Seller credit: Approximately NOK 600 million
Market standard treatment of tax and other items
- **Timing** Closing in November 2010 (tentatively)
- **Major conditions** Buyer bank financing
Sales and Purchase agreement
Competition Authority approval





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BACKGROUND



Norwegian Property in transformation

Process initiated in January 2010

Strategy for value creation Norwegian Property today

- **Offices**
 - Norway, Oslo and Stavanger
 - Prime properties
 - Portfolio value: NOK 15.0 billion
 - Market in recovery
- **Hotels**
 - Norway, Denmark, Sweden and Finland
 - Mid segment hotels
 - Portfolio value: NOK 8.9 billion
 - Market recovery expected late 2010 / 2011
- **Limited synergies** realised between office and hotel operations
- Office and hotel business **separately operated** with dedicated organisations
- **Lag in recovery** (cycle) between office and hotel
- **Focused operations** enhance value creation



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Strategy for value creation Targets separation during 2010



- **Businesses more effectively developed under separate structures and ownership**
 - Enhanced focus believed to benefit operations
 - Strategic opportunities available may be more efficiently realised with two separate companies
- **Both operations are self-contained and with critical mass, including in relation to the capital market**
- **ABG Sundal Collier engaged as financial advisor for the separation process**

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Key targets

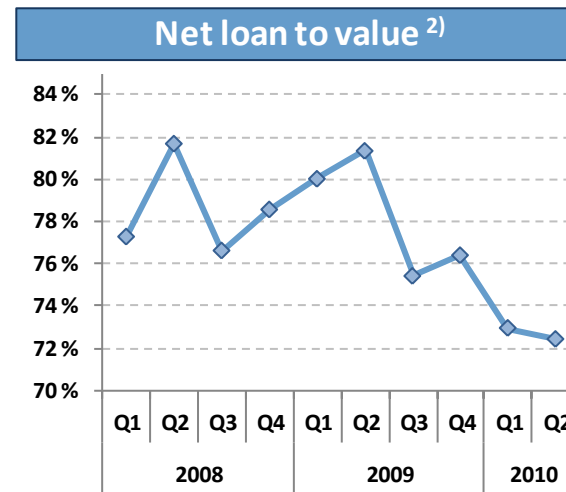
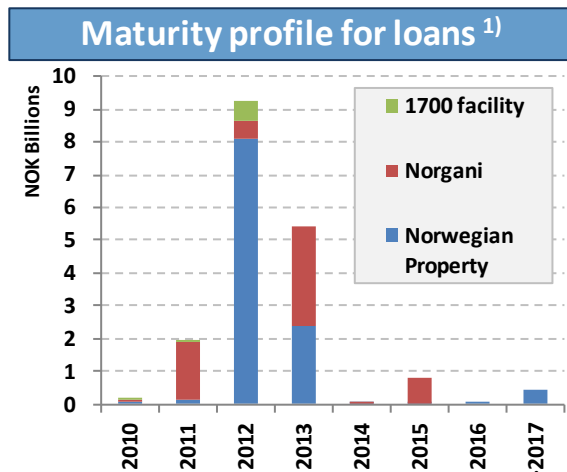
- **Separate Offices and Hotels to create focused businesses**
- **Transform both businesses into fully integrated property companies**
 - Focus on value drivers, Letting, Property Management, Development and Transactions and Financing
- **Reduce financial risk**
 - **Long term target** of Loan to Value in range 60 to 65 per cent



Norwegian Property in transformation

Refinancing

- Norwegian Property has high gearing and short duration on debt



- **Uncertainty in financial markets**

- Macro sentiment uncertain, multiple scenarios are possible, including “double dip”
- Banks still hesitant to assume risk, which impacts bank margins, duration on new debt and requirements to covenants including Loan To Value
- Hesitant property investor markets for other assets than Long Term Leases



Norwegian Property in transformation

Potential in office portfolio

Investments needed to capture full potential;

Aker Brygge, Kaibygning I (DnB headoffice)

- Lease expiring 2013 and DnB NOR relocating
- Total office area appr. 25 000 sqm



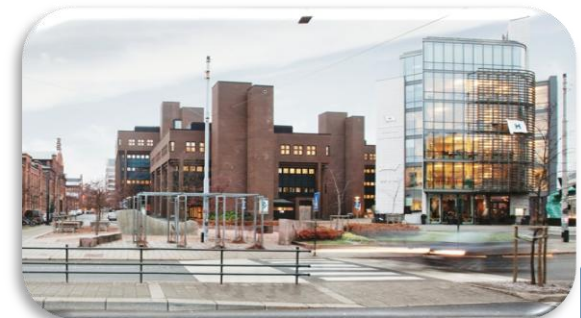
Middelthunsgate 17, Nordea Headoffice, Oslo

- Lease expiring 2014
- Total area appr. 33 000 sqm
- Nordea evaluating possible relocation
- NPRO in process with Nordea to extend lease, but must commit to upgrade



Drammensveien 134

- Vacant office areas appr. 7 000 sqm
- Upgrade needed to let premises on market rent

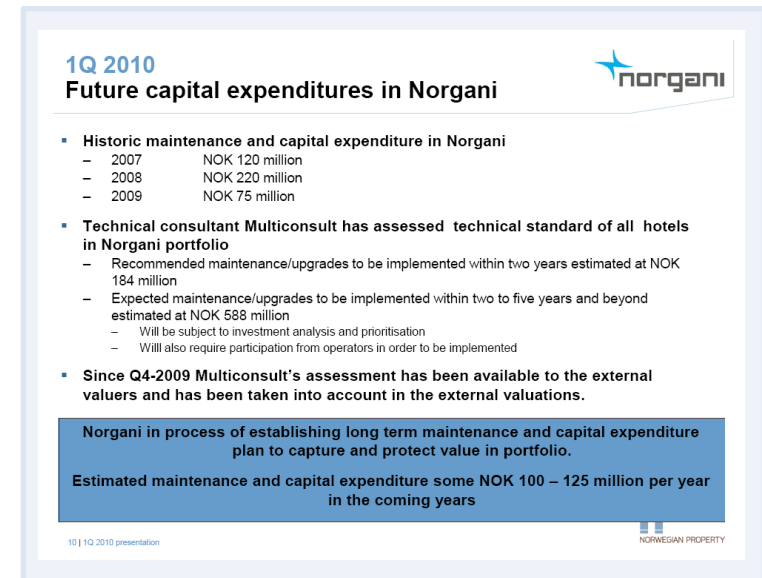


Norwegian Property in transformation

Investment needs

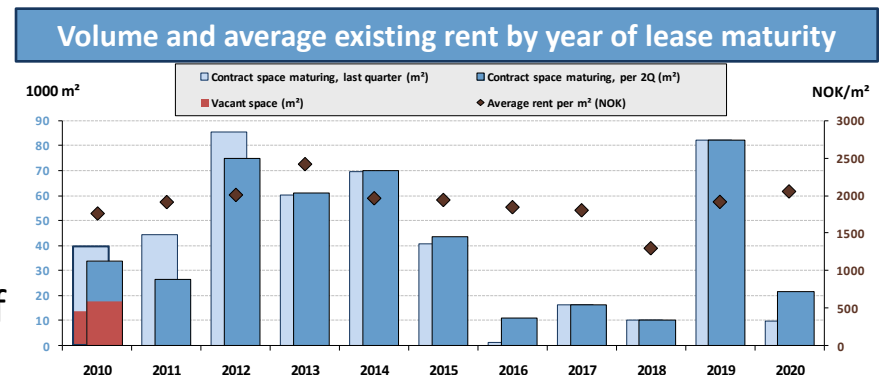
Hotels

- Investment need assessed by Multiconsult to NOK 772 million over the next 5 to 7 years
- Expansion and profitable investments will further increase investments
- Market leading position requires proactive investments and even more capital



Offices

- So far – priority to renew “as is”
- Significant potential in portfolio, but reviews performed confirm that “As is”-renewals not viable for large part of remaining renewals in the period 2012-2015



Alternatives evaluated

■ **Stop or delay current processes**

- Meaningful costs to status quo
 - continued lack of operational focus
 - capital constraints for both business areas
 - speculation about our financial position
 - continued uncertainty of Norgani's ownership

■ **Separation**

- demerger/IPO
 - provide less proceeds to NPRO
 - if markets remain volatile or even deteriorate, valuation would be less favourable
- sale
 - the better alternative in view of our investment opportunities and needs
 - speedily establish the required balance sheet strength and operational focus
 - avoid accessing the equity market, which we believe would have a cost for our shareholders

■ **Pandox**

- Transaction market tested thoroughly
- Satisfactory price and other commercial terms





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THE TRANSACTION



Sale of Norgani– transaction structure – summary:

- **Sales object:** - 100% of Norgani Hotels AS including all group subsidiaries
- **Buyer:** - Padox AB / the owners of Padox AB (Eiendomsspar AS and Sundt AS)
- **Due Diligence** (technical, legal, financial, environmental):
 - Completed
- **Mutual reservations:**
 - Bank financing (primarily change of control)
 - Sales and Purchase Agreement
 - Competition law authorities approval
- **Seller guarantees** for future rental income: - None
- **Signing date:** - End of October 2010 (tentative)
- **Closing date:** - Beginning of November 2010 (tentative)



Sale of Norgani– commercial and financial terms:

- **Gross property value:** - NOK 8,300 million (book value NOK 8,911 million)
- **Other assets & liabilities:** -Market standard treatment of settlement
- **Tax assets & liabilities:** - Market standard treatment of settlement
- **Derivatives portfolio:** - 'Marked-to-market' –market standard treatment.
- **Vendor financing:**
 - Subject to bank financing (change of control):
 - Approximately NOK 600 million
 - Up to five years tenor.
- **Transaction type:**
 - 'As-is' sale with no future income guarantees.
 - 'Fearnley' portfolio (4 Danish hotels) included.



Summary of financial effects for remaining Norwegian Property

■ Cash release

- Appr. NOK 1.0 bn. before repayment of acquisition financing (OPAS)
- Appr. NOK 0.6 bn in addition will be released when seller credit is repaid

■ Equity effect

- Appr. NOK -0.8 bn*)
- Corresponding to appr. NOK – 1.60 per share

■ Loan to Value effect

- | | | |
|---|--------|----------------------|
| • Gross LTV | 74.0 % | (NOK 11 108 million) |
| • Net LTV (gross debt less cash) | 68.1% | (NOK 10 224 million) |
| • Net LTV (net debt less seller credit) | 64.1% | (NOK 9 624 million) |

*) Will be subject to adjustments (including exchange rate, performance Q3 and changes in values of financial derivatives)





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APPENDIX



Effects of sale – estimated balance sheet “post” sale

Interest bearing debt and hedging as of 30 Jun 2010		New Group	NPRO	OPAS ¹⁾
Total interest bearing debt	NOK mill.	11 108	11 108	0
Hedging ratio	%	88.7%	88.7%	-
Cash and cash equivalents	NOK mill.	884	568 + 300 ²⁾	16
“Seller credit” ³⁾	NOK mill.	600	-	-
Unused committed credit facilities (short and long term)	NOK mill.	310	310	-
Average remaining duration, hedging	years	4.6	4.6	-
Average interest rate (including margin)	%	5.05	5.05	-
Average margin	%	0.75	0.75	-
Average remaining duration, borrowing	Years	2.3	2.3	-
Property value (gross of deferred tax at acquisition)	NOK mill.	15 018	15 018	-
Loan to value (LTV)	%	74.0%	74.0%	-
Net Loan to value (LTV less cash)	%	68.1%	-	-
Net Loan to value ¹ (LTV less cash and “seller credit”)	%	64.1%	-	-
Book equity per share	NOK	appr. 9.40	-	-

1) OPAS acquisition assumed repaid with cash proceeds

2) Net cash released after repayment of acquisition financing (and excluding “Seller Credit”)

3) Seller Credit running at 5% interest



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



Disclaimer

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