NORWEGIAN PROPERTY

REPORT FOR THE FIRST QUARTER OF 2010

FIRST QUARTER 2010 – SEPARATION, INDUSTRIALISATION AND REDUCED FINANCIAL RISK

Norwegian Property ASA posted a profit before tax and fair value adjustments of NOK 125.5 million in the first quarter of 2010, compared with a profit of NOK 133.1 million in the corresponding prior-year period. Gross rental income amounted to NOK 428.3 million, which, adjusted for the sale of property, corresponds to a decrease of 2.6 per cent from the first quarter of 2009. Operating profit before fair value adjustments totalled NOK 359.8 million, compared with NOK 376.9 million in the three months ending 31 March 2009. Total value adjustments for the property portfolio amounted to 0.2 per cent in the quarter, which equates to NOK 47.2 million. Both the hotel and commercial property portfolio recorded value increases during the quarter. The profit before tax for the first quarter of 2010 amounted to NOK 54.4 million, compared with NOK -933.9 million in the corresponding period in 2009.

Work to hive off the company into two separate independent companies for the respective office and hotel businesses is in full swing. The company aims to conclude this process in 2010. Spinning the hotel business off into a separate stock-market-listed company represents a key focus. Also, based on expressed interest from a number of potential purchasers, the company has initiated investigations as to a possible sale of the hotel business. Any sale would have to reflect the fact that an upturn in the hotel market is expected in the next few years.

Work on the industrialisation of the company is also well advanced. Norwegian Property has entered into a revised agreement with NEAS implying that Norwegian Property from 1 May 2011 insources the property management of the office properties in Oslo. The company is actively endeavouring to reinforce its expertise within property management and development, including by recruiting new staff. Several major master plan processes regarding the development of individual properties and major property clusters have been started.

In January 2010, Norwegian Property issued a new bond loan in the amount of NOK 235 million in order to refinance the bond loan that was due to mature in March 2010.In March the company conducted a private placement at a share price of NOK 12, generating gross proceeds of NOK 543.9 million. The Group's Loan-to-Value ratio was reduced from 77.5 per cent in the fourth quarter of 2009 to 73.5 per cent (proforma) in the first quarter of 2010.

During the first quarter, the company initiated and concluded the sale of the property Oksenøyveien 3 in Bærum at a property value of NOK 175 million, which was on a par with the company's valuation. In line with its more active portfolio management policy, the company is in the process to enter into a mandate agreement with one broker for the sale of the property Aker Hus at Fornebu in Bærum.

KEY FIGURES

		Quarterly results		Annual results
		Q1 2010	**Q1 2009**	**2009**
Profit and loss				
Gross rent	*NOK million*	**428.3**	**445.7**	**1 767.7**
Operating profit/loss	*NOK million*	**422.8**	**-398.2**	**-378.6**
Operating profit before fair value adjustments	*NOK million*	**359.8**	**376.9**	**1 454.7**
Profit before tax and fair value adjustments	*NOK million*	**125.5**	**133.1**	**373.0**
Profit/loss before tax	*NOK million*	**54.4**	**-933.9**	**-1 399.0**
Net profit/loss	*NOK million*	**40.6**	**-799.5**	**-1 168.9**
Balance sheet				
Book value of investment portfolio	*NOK million*	**23 612.4**	**24 872.8**	**23 732.7**
Equity	*NOK million*	**5 496.2**	**4 001.2**	**4 918.0**
Interest-bearing debt	*NOK million*	**18 038.4**	**20 310.8**	**18 378.8**
Equity ratio	*Percent*	**21.9%**	**15.3%**	**19.9%**
Pre-tax return on equity (annualised)	*Percent*	**4.8%**	**-83.0%**	**-28.2%**
Cash flow				
Net cash flow from operating activities	*NOK million*	**281.0**	**307.4**	**1 480.0**
Cash and cash equivalents	*NOK million*	**655.9**	**230.7**	**248.2**
Key figures, shares				
No. of shares issued	*Number*	**498 596 832**	**201 635 407**	**453 270 832**
Average number of shares in period	*Number*	**475 933 832**	**201 635 407**	**280 100 370**
Pre-tax profit per share	*NOK*	**0.11**	**-4.63**	**-4.99**
Basic earnings per share (EPS)[1)]	*NOK*	**0.09**	**-3.96**	**-4.17**
Operating cash flow per share	*NOK*	**0.59**	**1.52**	**5.28**
Interest-bearing debt per share	*NOK*	**36.18**	**100.73**	**40.55**
Book value per share	*NOK*	**11.02**	**19.84**	**10.85**
Deferred property tax per share	*NOK*	**2.30**	**6.68**	**2.53**
Goodwill per share	*NOK*	**-1.16**	**-3.83**	**-1.28**
Financial derivative instruments per share	*NOK*	**0.83**	**2.91**	**0.73**
Net asset value per share (EPRA)[2)]	*NOK*	**12.99**	**25.60**	**12.84**

[1)] Diluted earnings per share are the same as the basic earnings per share.

[2)] Book value of equity (excl. minority interests) per share adjusted for deferred property tax, goodwill and financial derivative instruments per share. Deferred property tax per share includes both ordinary deferred tax related to properties and tax compensation on the purchase of properties (recognised as a reduction in investment properties). Goodwill per share is calculated based on the amount recognised in the balance sheet, while the financial derivative instruments per share ratio is calculated based on the post-tax asset and liability items in the balance sheet (market values of interest/exchange rate swap contracts and similar).

FINANCIAL RESULTS

FIRST QUARTER PERFORMANCE

Norwegian Property posted total gross rental income of NOK 428.3 million in the first quarter of 2010, compared with NOK 445.7 million in the corresponding period in 2009. Adjusted for the sale of properties, this corresponds to a decrease in gross rental income of NOK 11.6 million compared with the first quarter of 2009. Rental income from the office portfolio increased by NOK 3.5 million, while the corresponding figure for the hotel portfolio fell by NOK 15.1 million compared with the first quarter of 2009.

Maintenance and property-related expenses for the quarter totalled NOK 41.5 million (NOK 35.4 million)[3]. Other operating expenses

[3] Figures in brackets show figures for the corresponding prior-year period

amounted to NOK 27.0 million (NOK 33.4 million).

Operating profit before fair value adjustments of investment properties totalled NOK 359.8 million (NOK 376.9 million). Fair value adjustments in the property portfolio came in at NOK 47.2 million (NOK -647.3 million). A net amount of NOK 15.8 million was recognised in the income statement for reversals of provisions relating to previously sold properties.

Net financial expenses were slashed to NOK 368.4 million during the first quarter (NOK 535.7 million). Financial expenses in the quarter amounted to NOK 241.0 million, which represents a decrease of NOK 7.5 million compared with the figure of NOK 248.4million for the corresponding prior-year period. The decrease is attributable to reduced debt levels, which in turn were partially offset by higher average interest rates. The income element related to financial derivatives decreased in value by NOK 135.4 million in the first quarter (decrease of NOK 289.0 million) on the back of falling long-term market interest rates.

The pre-tax loss for the first quarter was NOK 54.4 million, compared with a loss of NOK 933.9 million in the first quarter of 2009. The calculated tax expense for the quarter totalled NOK 13.8 million, compared with tax income of NOK 134.4 million in the corresponding prior-year period. The net profit for the period was NOK 40.6 million (loss of NOK 799.5 million).

VALUATION OF PROPERTIES

Two independent external valuers have valued each of the properties in the Group's office and hotel portfolio. The valuations are based on the same methods and principles applied in previous periods.

An overall reduction in yield requirements, partially offset by reduced expectations with regard to inflation levels, contributed to a continued positive value adjustment of the office portfolio in the first quarter of 0.2 per cent, compared with a negative adjustment of 2.0 per cent in the first quarter of 2009. As of 31 March 2010, the Group's portfolio of commercial properties before adjustment for deferred tax was valued at NOK 14,892 million. A value adjustment of NOK 25.5 million was recognised for the commercial portfolio during the first quarter. While the commercial properties with long-term leases saw a positive development, properties with shorter leases and some upgrading requirements have not experienced a corresponding increase in value.

The hotel portfolio (Norgani Hotels AS) recorded a value increase of 0.2 per cent in the first quarter, compared with a decrease of 3.0 per cent in the corresponding prior-year period. As of 31 March 2010, the Group's portfolio of hotel properties was valued at NOK 8,941 million, and NOK 21.7 million was credited to the income statement in respect of value changes during the quarter. Overall RevPAR performance in the first quarter was in line with the assumptions at the end of the previous quarter and thus had a limited impact on the valuations. The positive change in value was thus attributable to selective decreases in yield requirements for some of the hotel properties. Foreign exchange rate developments negatively impacted values in the relatively small amount of NOK 12 million.

The overall value of the portfolio properties was adjusted upwards by 0.2 per cent in the quarter, compared with a downward adjustment of 2.3 per cent in the corresponding prior-year period. Consequently, the property values for the Group's portfolio were adjusted upwards in the amount of NOK 47.2 million to NOK 14,892 million during the quarter. In the first quarter of 2009, total value adjustments were negative in the amount of NOK 647.3 million.

CASH FLOW

The net cash flow from operating activities before net financial items amounted to NOK 281.0 million (NOK 307.4 million) in the first quarter. The net cash flow from investing activities for the quarter came in at NOK 156.2 million (NOK 1,019.0 million). At NOK 13.1 million, investment-related spending during the first quarter of 2010 was primarily made in connection with ordinary operating investments, where NOK 9.0 million related to hotels. The net cash flow from financing activities amounted to NOK -35.6 million (NOK -1,266.7 million). Of this, net proceeds from the issue in March totalled NOK 526.2 million and the net reduction in interest-bearing debt amounted to NOK 303.3 million. The net change in cash and cash equivalents during the first quarter was NOK 401.7 million (NOK 59.7 million).

BALANCE SHEET

Cash and cash equivalents as of 31 March 2010 totalled NOK 649.9 million (NOK 230.7 million). The Group also had NOK 365 million in undrawn credit facilities. Total equity amounted to NOK 5,496.2 million (NOK 4,001.2 million), which corresponds to an equity ratio of 20.9 per cent (15.3 per cent). The recognised net asset value per share was NOK 11.02 (NOK 19.84). The net asset value per share pursuant to the EPRA standard was NOK 12.99 (NOK 25.60). The number of shares at the end of the first quarter was 498,596,832 (453,270,832).

FINANCING

Total interest-bearing debt after capitalised costs as of 31 March 2010 amounted to NOK 18,038 million (NOK 20,311 million). In January 2010, Norwegian Property completed the placement of a new bond issue of NOK 235 million to refinance the previous bond loan due to mature in March 2010. Following this placement, the company has refinanced all debt with principal maturity in 2010.

Interest-bearing debt and hedging as of 31 March 2010	**TOTAL**	**NPRO ASA**	**NORGANI**	**OPAS**
Total interest-bearing debt	18 038	11 138	6 194	706
Interest hedging ratio (%)	84.7%	89.6%	86.1%	-
Cash and cash equivalents	656	629	45	5
Effective hedging ratio, including cash and cash equivalents (%)	88.1%	94.9%	86.7%	-
Unused credit facilities	365	310	55	-
Average time to maturity, hedging (years)	3.9	3.9	3.8	-
Average interest rate (incl. margin)	4.92%	4.99%	4.73%	5.33%
Average margin	1.04%	0.78%	1.28%	3.03%
Average remaining term, borrowing (years)	2.9	2.7	3.5	2.2
Property value	23 833	14 892	8 941	-
Interest-bearing debt relative to property value	75.7%	74.8%	69.3%	-
Interest-bearing debt relative to property value, proforma(*)	73.5%	-	-	-

(*) Interest-bearing debt relative to property value (LTV), proforma, represents the LTV assuming that net issue proceeds (NOK 526 million) are used to reduce the value of debt.

MARKET CONDITIONS

OFFICE RENTAL MARKET

The Norwegian economy has continued to perform robustly. The increase in the Norwegian unemployment rate is currently stabilising at significantly lower levels than in other countries. Norwegian GDP is also showing signs of tentative growth. However, major elements of uncertainty continue in relation to the international arena, and financial performance in the times ahead is expected to be volatile and hence result in relatively moderate growth.

According to Akershus Eiendom, vacancies in Oslo amount to around 7.0 per cent, which represents an increase of 6.5 per cent from the previous report. Based on Statistics Norway's employment forecasts and Akershus Eiendom's own analyses of supply of new space, vacancies are expected to increase to around 8.5 per cent in 2010 and 2011.

The downwards movement in market rents is in the process of levelling out, and there are signs that the market has already bottomed out in some areas. Higher activity levels are generally being experienced among tenants and estate agents. Several significant leases have been entered into on the Oslo market, including in Bjørvika, at Skøyen, in Nydalen and at Fornebu.

In Stavanger, vacancies are continuing to rise and are currently estimated at around 6 per cent by Akershus Eiendom. Rents are also in the process of stabilising in Stavanger, particularly in central areas.

In the transaction market, the total year-to-date transaction volume for 2010 is already approaching the total transaction volume for 2009, partly due to NIAM's acquisition of Sektor Eiendomsutvikling. Signals from market players and analysts suggest that activity levels are continuing to rise, including as a result of improved terms for external capital financing and an increased willingness to allocate equity to property among different investor groups. Heightened activity levels and investor interest are also being reflected in a gradual reduction in the net yield requirement, in particular for attractive properties with long-term, secure leases.

HOTEL MARKET

Following a demanding period for the hotel industry, primarily in the wake of the financial crisis, the market downturn has levelled out and the trends appear to be on the up again. In particular, the Swedish and Finnish markets, which also constitute Norgani's most important markets, are developing more positively. The Norwegian market returned a slightly weaker performance. Although the year got off to a slow start in January, RevPAR improved significantly in all countries in February. Historically, the hotel market fluctuations are strongly correlated to macro-economic developments, and occupation rates normally recover more quickly than the room rates. In light of the renewed positive outlook in many countries, a number of market players are now predicting a potential upturn in the hotel market in the second half of 2010 or early in 2011. Any moderate upturn in the first six months of the year would therefore be earlier than expected. The Icelandic volcano eruption in April and its knock-on effects on air travel could have a temporary negative impact in the second quarter.

The outbreak of swine flu impacted holiday and leisure traffic in 2009, with many holidaymakers electing to spend their holidays closer to home. The financial crisis exacerbated the effect on holiday traffic and resulted in a reduction in business travel due to lower activity levels. These effects are expected to gradually reverse in 2010. Significant relative changes in exchange rates could have some impact on traffic patterns. Any continued depreciation of the euro against the Swedish krona and Norwegian krone could have a minor negative impact in 2010.

PROPERTY PORTFOLIOS

THE COMMERCIAL PORTFOLIO

At the end of the quarter, Norwegian Property owned 47 office and commercial properties. These are primarily located in central areas of Oslo and Bærum (82 per cent of gross rental income), Gardermoen (3.4 per cent of gross rental income) and Stavanger (14.6 per cent of gross rental income). The Group's properties primarily comprise office premises with associated warehousing and parking, and commercial and restaurant space.

Total gross contractual rental income for the office portfolio amounted to NOK 1,025 million (following the sale of Oksenøyveien). The average CPI adjustment factor for the portfolio is 97.1 per cent. As of 31 March 2010 total vacancy in the portfolio was 2.7 per cent, which represents an increase from 2.0 per cent in the fourth quarter of 2009 and significantly trails the market vacancy rate in the Oslo area. Norwegian Property has relatively few leases that are due for renewal in the next 15 months. The average residual lease term is 5.0 years. Valuations of the property portfolio assume an uplift potential of approximately 3.5 per cent if rents were adjusted to the average market level.

During the first quarter, 37 new leases with a total value of NOK 54.3 million were renegotiated, resulting in an overall rental reduction for these leases of 4 per cent. One major individual contract in Nydalen contributed to the negative rent development.

HOTELS

Norgani's portfolio comprises 73 hotels and one congress centre with a total of 12,884 rooms. The total area of the hotel portfolio is 671,480 square metres.

The leases for all but one of Norgani's hotels are revenue-based, with rates differentiated for accommodation income and other revenues. Most leases specify minimum rents, which are adjusted annually in line with the consumer price index, and to reflect any major property upgrades. Some of the hotels have vendor guarantees, under the terms of which the vendor has agreed to compensate Norgani for any shortfall between guaranteed and actual revenue-based rents. In total, vendor guarantees and minimum rents accounted for about 80 per cent of gross rents paid in 2009. The average residual term of the leases is 9.5 years.

There were no material changes in the portfolio or contractual conditions for the hotel portfolio during the period under review. The Omena chain started upgrading work for Hotel Europa in Copenhagen on 1 April in line with the previously signed lease. In the case of hotel Korpilampi in Finland, whose former operator has filed for bankruptcy, work on a potential sale or the signing of a contract with a new hotel operator is ongoing.

SHAREHOLDER INFORMATION

At the end of the first quarter, the company had a total of 3,111 registered shareholders, which equates to a decrease of 185 shareholders compared with at the end of the previous quarter, and an increase of 1,133 shareholders compared with 12 months previously. Non-Norwegian shareholdings accounted for 51.6 per cent of the share capital at the end of the quarter, compared with 44.9 per cent at the end of the previous quarter. Liquidity in the share is good. The average number of shares traded per day in the first quarter amounted to around 2.6 million. As of 31 March 2010, the company's total share capital amounted to NOK 249,298,416 allocated to 498,596,832 shares with a par value per share of NOK 0.50.

The largest shareholders registered with the Norwegian Central Securities Depository (VPS) as of 26 April 2010 are presented below:

Name	Shareholding	No. Of shares	Account type	Nationality
CANICA AS	5.0 %	24 945 467		NORWAY
AWILHELMSEN CAPITAL AS	4.7 %	23 254 334		NORWAY
FOLKETRYGDFONDET	3.9 %	19 424 000		NORWAY
SKAGEN VEKST	3,0 %	14 851 000		NORWAY
STATE STREET BANK	2.7 %	13 390 100	NOM	U.S.A
STATE STREET BANK.	2.5 %	12 201 955	NOM	U.S.A.
BGL BNP PARIBAS S/A.	2.3 %	11 257 871	NOM	LUXEMBOURG
BNP PARIBAS SEC SERVICE	2.0 %	10 086 942	NOM	AUSTRALIA
SKANDINAVISKA ENSKILDA A/C	2.0%	9 757 753	NOM	SWEDEN
BANK OF NEW YORK MEL S/A ING GLOBAL REAL	1.9 %	9 464 813		U.S.A.
BANK OF NEW YORK MEL S/A MELLON NOMINEE	1.7 %	8 633 807	NOM	U.S.A.
BANK OF NEW YORK MEL S/A BNYM AS	1.4 %	7 047 057	NOM	U.S.A
AWILHELMSEN CAPITAL	1.4 %	6 934 000		NORWAY
TRONDHEIM KOMMUNALE PENSJONSKASSE	1.3 %	6 247 700		NORWAY
VITAL FORSIKRING AS	1.2 %	6 111 087		NORWAY
MORGAN STANLEY & CO S/A	1.2 %	6 046 898	NOM	U.S.A
BANK OF NEW YORK MEL S/A ALPINE GLOBAL	1.2 %	6 006 031		U.S.A
REKA AS	1.2 %	6 000 000		NORWAY
HOLBERG NORGE	1.2 %	5 801 000		NORWAY
FGCS NV RE TREATY FORTIS	1.2 %	5 760 785	NOM	NETHERLANDS
Total 20 largest	**42.8 %**	**213 222 600**		
Remaining shareholders	57.2 %	285 374 232		
Total	**100.0 %**	**498 596 832**		

ORGANISATION

On 1 January 2010, Olav Line took up his position as company CEO. Svein Hov Skjelle joined the company as CFO later the same month.

EVENTS AFTER THE REPORTING PERIOD

The annual general meeting will be held on 4 May 2010. Board chairman Tormod Hermansen and board member Harald Grimsrud have announced that they will not be standing for re-election. The company's Nomination Committee has proposed that Arvid Grundekjøn be elected as new board chair and Jon Erik Brøndmo be appointed to the board. The board also proposes that the other board members be re-elected.

At the end of April, Norwegian Property terminated its management agreement for the Group's commercial properties with NEAS. Norwegian Property has entered into a revised agreement with NEAS implying that Norwegian Property from 1 May 2011 insources the property management of the office properties in Oslo.

NEW STRATEGIC DIRECTION

Separation

In February the board resolved to initiate a process primarily intended to streamline the businesses into two independent companies during 2010.

- The administration is preparing a separate stock-market listing of Norgani Hotels in the form of the spin-off of the hotel business from Norwegian Property. Work on the structuring of the new company, including the establishment of standalone financing without guarantees from Norwegian Property, is ongoing.

- At the same time talks have been initiated with a limited number of potential purchasers of Norgani Hotels. The talks have been based on extensive due diligence work and a descriptive information memorandum.

The Nordic corporate finance brokerage firm ABGSC has been mandated as adviser to both processes. The board believes that any sale would have to factor in the potential upside offered by the hotel market's expected forthcoming recovery.

From financial player to fully integrated property company

Norwegian Property aims to be a fully integrated property company characterised by professionalism along the entire length of the value chain; leasing, property management, transactions and development. Moving forward much of the Group's value creation connected to the commercial properties will depend on the extent to which leases that are due to mature are replaced by new long-term leases on favourable terms. Proximity to customers, in the form of in-house operations, and sound expertise in property development, with a view to being able to offer optimal, future-oriented office solutions are all critical success factors.

Norwegian Property has therefore decided to terminate its operating agreement with NEAS, and intends to establish its own facility management body. Recruitment processes for key personnel are ongoing, and talks have been initiated with NEAS on transitional arrangements in connection with the termination. The financial effects of the termination are deemed to be limited.

In a parallel development, Norwegian Property is working to establish an in-house development expertise body, including by collaborating with expert external players. Overarching master plans for long-term development and value growth are being established for several of the Group's commercial properties, such as Aker Brygge and Skøyen.

Reduced financial risk

In March, Norwegian Property conducted a private placement generating net issue proceeds of NOK 526 million. The main aim of the placement was to strengthen the company's balance sheet and boost the flexibility of the ongoing Separation process.

The Group's focus on developing into a fully integrated property company will mean that future investments in the property portfolio will be higher than in the past. These types of investments will safeguard balance sheet values whilst offering significant potential for value creation over and above the effects of market fluctuations.

The Group continues to have a high loan-to-value ratio, which it aims to reduce in the long term to between 60 and 65 per cent. As an integrated part of future strategy, the company will therefore increasingly consider the sale of individual properties with limited potential for value creation in excess of market fluctuations in order to improve its ability to implement other projects.

OUTLOOK

After a weak performance in 2009, GDP is expected to rise again in most countries. However, considerable uncertainty is still attached to macroeconomic prospects, and most people expect the global economy to post relatively low growth in the immediate future on the back of high unemployment and government debt levels in many countries. The Norwegian economy has remained robust throughout the economic downturn and been less exposed to international conditions than many other countries. Vacancy levels have increased, but are expected to level out during the year. Office rent levels are in the process of stabilising and showing signs of rising in some areas.

With a portfolio of attractive properties, low portfolio vacancies and a large percentage of long-term leases, Norwegian Property is well positioned in the commercial property market. Only a moderate share of the company's lease portfolio expires in 2010, while an increasing number of rental agreements mature in 2011 and 2012. Renegotiating leases at improved terms represents a highly prioritised area for the company. Offering future-oriented solutions to the customers is one of Norwegian Property's important value drivers, as this will result in an improved performance and higher investment levels in the times ahead.

Following a lengthy period of weak performance from the hotel market, there are signs that the RevPAR development is in the process of levelling out. Sweden reported positive RevPAR development in February. Norwegian Property continues to expect the Nordic hotel market to start picking up at the end of the year. The disruptive effect of the Icelandic volcano eruption on air traffic and thus the hotel market is expected to be temporary. Thanks to its revenue-based rental agreements, Norgani Hotels will also be well positioned when the hotel market starts to pick up again. Norgani Hotels has also significantly hedged its future revenues by entering into leases with minimum rents and with the largest hotel operators.

The company has further reinforced its balance sheet through its recent equity issue. The company will now focus on prolonging the maturity of the Group's other borrowing facilities. The company will further refine its portfolio by implementing a number of transactions.

With market-leading portfolios of hotel and office properties, combined with a renewed focus on value drivers within the property market value chain, Norwegian Property's operations have a solid base from which to develop into a key player within both the hotel and office markets.

Norwegian Property ASA
Board of Directors, 3 May 2010

For further information on Norwegian Property, including presentation material relating to this quarterly report, and the company's financial calendar, please visit www.npro.no

FINANCIAL INFORMATION

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 2009. Properties sold are included in the accounts until the closing of the transaction[4]. The report has not been audited.

CONSOLIDATED INCOME STATEMENT

	Quarterly results		Last year
	First Quarter		Full Year
Figures in NOK 1.000	2010	2009	2009
Rental income from properties	428,298	445,721	1,767,665
Gross rental income	**428,298**	**445,721**	**1,767,665**
Maintenance and property related costs	(41,482)	(35,355)	(181,370)
Other operating expenses	(27,041)	(33,447)	(131,562)
Total operating cost	**(68,524)**	**(68,802)**	**(312,932)**
Operating profit before fair value adjustments and gains	**359,774**	**376,919**	**1,454,733**
Gain from fair value adjustment of investment property	47,189	(647,279)	(1,517,369)
Gain from sales of investment property	15,829	9,954	(7,104)
Impairment of goodwill	-	(137,774)	(308,832)
Operating profit	**422,792**	**(398,180)**	**(378,572)**
Financial income	8,025	1,695	42,233
Financial costs	(241,026)	(248,376)	(1,098,198)
Change in market value of financial derivative instruments	(135,382)	(289,011)	35,518
Net financial items	**(368,383)**	**(535,692)**	**(1,020,447)**
Profit before income tax	**54,410**	**(933,873)**	**(1,399,019)**
Income tax expense	(13,804)	134,400	230,076
Profit after income tax	**40,605**	**(799,472)**	**(1,168,942)**
Comprehensive income			
Financial derivatives	19,056	65,838	69,997
Tax expense related to comprehensive income	(5,336)	(18,435)	(19,599)
Currency translation differences	(2,311)	(291,899)	(433,824)
Total comprehensive income	**11,409**	**(244,495)**	**(383,426)**
Total profit after tax	**52,014**	**(1,043,968)**	**(1,552,369)**

[4] The sale of the Grev Wedels plass 9 property was agreed in September 2008 and the transaction was closed on 15 January 2009. The sale of the Drammensveien 144 property was agreed in February 2009, 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 2009.

FINANCIAL RESULTS BY BUSINESS SEGMENT

	Quarterly results First Quarter		Last year Full Year
Figures in NOK 1.000	2010	2009	2009
Commercial properties	262,598	264,917	1,043,861
Hotel properties	165,700	180,804	723,804
Gross rental income	**428,298**	**445,721**	**1,767,665**
Commercial properties	(19,491)	(16,828)	(63,675)
Hotel properties	(21,991)	(18,527)	(81,664)
Maintenance and property related costs	**(41,923)**	**(35,355)**	**(145,339)**
Commercial properties	(13,951)	(17,513)	(102,611)
Hotel properties	(13,073)	(15,870)	(64,941)
Oslo Properties	(18)	(64)	(42)
Other operating cost	**(27,041)**	**(33,447)**	**(167,594)**
Commercial properties	**229,156**	**230,576**	**877,575**
Hotel properties	**130,636**	**146,407**	**577,199**
Oslo Properties	**(18)**	**(64)**	**(42)**
Operating profit before fair value adjustments and gains	**359,334**	**376,919**	**1,454,732**
Gain from fair value adjustment of commercial properties	25,522	(315,448)	(474,032)
Gain from fair value adjustment of hotel properties	21,667	(331,831)	(1,043,337)
Gain from sales of commercial properties	15,829	9,954	(7,104)
Gain from sales of hotel properties	-	-	-
Impairment of goodwill	-	(137,774)	(308,832)
Commercial properties	**270,507**	**(74,918)**	**396,440**
Hotel properties	**152,303**	**(323,198)**	**(774,969)**
Oslo Properties	**(18)**	**(64)**	**(42)**
Operating profit after fair value adjustments and gains	**422,792**	**(398,180)**	**(378,571)**
Net financial items for commercial properties	(151,307)	(134,079)	(633,063)
Net financial items for hotel properties	(71,303)	(87,100)	(338,169)
Net financial items for Oslo Properties/acquisition financing	(10,391)	(25,501)	(84,734)
Financial derivative instruments for commercial properties	(114,711)	(196,529)	68,329
Financial derivative instruments for hotel properties	(20,671)	(92,482)	(32,811)
Net financial items	**(368,383)**	**(535,691)**	**(1,020,448)**
Commercial properties	**4,489**	**(405,526)**	**(168,294)**
Hotel properties	**60,329**	**(502,780)**	**(1,145,949)**
Oslo Properties/acquisition financing	**(10,409)**	**(25,565)**	**(84,776)**
Profit before income tax	**54,410**	**(933,871)**	**(1,399,019)**
Income tax expense	(13,804)	134,401	230,076
Profit after income tax	**40,605**	**(799,470)**	**(1,168,943)**

CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000	**31.03.2010**	**31.03.2009**	**31.12.2009**
ASSETS			
Non-current assets			
Financial derivative instruments	13,720	22,099	12,190
Goodwill	580,230	772,547	580,230
Investment property	23,612,370	24,872,789	23,732,704
Fixtures and equipment	7,375	8,959	6,997
Shares and interests	1,637	1,830	1,691
Receivables	8,728	10,158	8,883
Total non-current assets	**24,224,060**	**25,688,382**	**24,342,695**
Current assets			
Financial derivative instruments	26,581	49,266	24,273
Accounts receivable	79,643	185,195	93,037
Other receivables	94,878	60,774	4,825
Cash and cash equivalents	655,873	230,735	248,216
Total current assets	**856,974**	**525,970**	**370,351**
Total assets	**25,081,034**	**26,214,350**	**24,713,046**
EQUITY			
Paid in equity	9,732,592	7,737,153	9,206,357
Other reserves	19,691	191,251	8,282
Retained earnings	(4,256,037)	(3,927,172)	(4,296,643)
Total equity	**5,496,245**	**4,001,233**	**4,917,996**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	325,571	459,164	365,497
Financial derivative instruments	-	12,948	-
Interest bearing liabilities	17,838,528	19,201,179	17,781,348
Total non-current liabilities	**18,164,099**	**19,673,291**	**18,146,845**
Current liabilities			
Financial derivative instruments	615,777	873,750	498,959
Interest bearing liabilities	199,904	1,109,640	597,492
Accounts payable	15,031	15,567	15,486
Other liabilities	589,979	540,868	536,268
Total current liabilities	**1,420,690**	**2,539,826**	**1,648,205**
Total liabilities	**19,584,789**	**22,213,117**	**19,795,050**
Total equity and liabilities	**25,081,034**	**26,214,350**	**24,713,046**

NORWEGIAN PROPERTY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK 1.000	31.03.2010	31.12.2009
Total equity including minority interests, beginning of year	**4,917,996**	**5,001,160**
Total profit after tax according to the comprehensive income statement	52,014	(1,552,368)
Share issue, net of cost and after tax	526,235	1,469,204
Total equity including minority interests, end of period	**5,496,245**	**4,917,996**

	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 31.12.2008	**5,040,885**	**1,196,268**	**1,500,000**	**391,708**	**(3,127,701)**	**-**	**5,001,160**
Equity decrease	(4,940,068)		4,940,068				-
Equity increase	125,818	1,383,995					1,509,813
Total cost related to share issues, net of tax		(40,609)					(40,609)
Financial derivatives accounted to equity				50,398			50,398
Currency translation differences				(433,824)			(433,824)
Profit for the period					(1,168,942)		(1,168,942)
Total equity 31.12.2009	**226,635**	**2,539,654**	**6,440,068**	**8,282**	**(4,296,643)**	**-**	**4,917,996**
	-		-				-
Equity increase	22,633	521,279					543,912
Total cost related to share issues, net of tax		(17,677)		-			(17,677)
Financial derivatives accounted to equity				13,720			13,720
Currency translation differences				(2,311)	-		(2,311)
Profit for the period				-	40,605		40,605
Total equity 31.03.2010	**249,268**	**3,043,256**	**6,440,068**	**19,691**	**(4,256,037)**	**-**	**5,496,246**

CONSOLIDATED CASH FLOW STATEMENT

		Quarterly results		
		First Quarter		Annual results
		01.01 - 31.03		01.01 - 31.12
	Figures in NOK 1.000	2010	2009	2009
	Profit before income tax	54,409	(933,872)	(1,399,018)
-	Paid taxes in the period	-	(182)	(24,862)
+	Depreciation of tangible assets	425	753	3,976
+/-	Gain from sale of investment property	(5,626)	(9,954)	7,104
-/+	Gain from fair value adjustment of investment property	(47,189)	647,280	1,517,369
-/+	Gain from fair value adjustment of financial derivative instruments	135,382	289,011	(35,518)
+	Impairment of goodwill	-	137,774	308,832
+/-	Net financial items ex. market value adj. of financial derivative instruments	233,001	246,680	1,055,965
+/-	Change in short-term items	(89,374)	(70,110)	46,185
=	**Net cash flow from operating activities**	**281,028**	**307,380**	**1,480,033**
+	Received cash from sale of tangible fixed assets and single purpose entities	169,274	1,052,387	1,052,387
-	Payments for purchase of tangible fixed assets and single purpose entities	(13,083)	(33,346)	(77,439)
-	Payments for purchase of subsidiaries		-	-
=	**Net cash flow from investing activities**	**156,191**	**1,019,041**	**974,948**
+	Net change in interest bearing debt	(303,274)	(974,891)	(2,730,818)
-	Net financial items ex. market value adj. and currency gain/loss	(258,530)	(271,796)	(1,055,965)
+	Capital increase	526,235	-	1,450,638
-	Dividend payments	-	-	-
+/-	Payments related to other financing activities	-	(20,000)	(35,109)
=	**Net cash flow from financial activities**	**(35,569)**	**(1,266,687)**	**(2,371,254)**
=	**Net change in cash and cash equivalents**	**401,650**	**59,734**	**83,727**
+	Cash and cash equivalents at the beginning of the period	248,216	174,220	174,220
+/-	Exchange rates	8	(3,219)	(9,731)
	Cash and cash equivalents at the end of the period	**649,874**	**230,735**	**248,216**

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