NORWEGIAN PROPERTY

REPORT FOR THE THIRD QUARTER OF 2010

Q3 2010
– SALE OF THE HOTEL BUSINESS AND FOCUS ON LONG-TERM VALUE CREATION

Stable and positive operations

Norwegian Property ASA posted a profit from continuing operations before tax and fair value adjustments of NOK 86.1 million in the third quarter of 2010, compared with NOK 33.8 million in the corresponding prior-year period. Gross rental income in the third quarter amounted to NOK 250.7 million, compared with NOK 258.0 million in the third quarter of 2009. Profit before financial items and fair value adjustments was NOK 217.3 million, compared with NOK 208.5 million in the same prior-year period. Total fair value adjustments for the property portfolio in the quarter were 0.2 per cent, which equates to NOK 28.6 million. Pre-tax profit from continuing operations amounted to NOK 140.7 million in the third quarter of 2010, compared with NOK 241.5 million in the corresponding prior-year period. After the result for discontinued operations and tax, the loss for the third quarter of 2010 amounted to NOK 868.5 million, compared with a profit of NOK 182.8 million for the third quarter of 2009.

Streamlining of the group completed

Norwegian Property has since the start of 2010 been working to streamline the group’s activities with focus on the company’s office property business. In August 2010 Norwegian Property entered into an agreement with Pandox AB and a joint venture owned by Eiendomsspar AS and Sundt AS regarding the sale of the company’s hotel business, Norgani Hotels AS. In October 2010 a binding agreement was entered into for the sale of the hotel business, and in accordance with the agreement the closing date will be before the end of November 2010. The agreement will free up approximately NOK 1,620 million in liquidity after costs for Norwegian Property, of which NOK 600 million will go to the purchaser as vendor financing and NOK 681.4 million will go to pay off the OPAS acquisition financing relating to the hotel business.

Transformation from a financial to an industrial real estate company is continuing

Initiatives regarding the industrialisation of the business are continuing. Further recruitment activities were carried out during the third quarter and work to establish administrative systems is in full swing, to ensure that the company is fully prepared to assume operational management responsibility in 2011. Development projects have been established for several of the Group’s major office properties, aimed at securing and creating significant added value by offering optimal office solutions for existing and new tenants.

Positive market development

The office rental market in Norwegian Property’s market areas has passed its bottom. During the quarter, Norwegian Property entered into 13 new leases with a total annual rent of NOK 19.2 million and a comparable rental growth of 12.5 per cent.

Reduced financial risk

The consolidated net loan-to-value ratio fell from 72.4 per cent in the second quarter to 69.6 per cent at the end of the third quarter. On a pro forma basis, following completion of the sale of Norgani Hotels AS in the third quarter, the net loan-to-value ratio will fall yet again to 67.4 per cent, and to 63.4 per cent if the effect of the vendor financing is taken into account.

KEY FIGURES

		3rd Quarter		Year to date		Last year
		2010	2009	2010	2009	2009
Profit and loss continuing business						
Gross income	NOK million	250,7	258,0	774,7	782,0	1 043,9
Operating profit	NOK million	229,6	240,0	706,4	731,5	980,2
Operat. prof. ex. fair value adj.	NOK million	217,3	208,5	661,4	663,0	877,6
Profit before tax and fair value adj,		86,1	33,8	241,2	201,7	244,5
Profit before tax	NOK million	140,7	241,5	288,3	(232,9)	(168,3)
Net profit	NOK million	75,4	173,9	205,7	(167,7)	(121,2)
Balance sheet		Continuing	Total			Total
Market value of investment portfolio	NOK million	14 848,0	24 290,1			23 732,7
Equity	NOK million	4 635,4	5 290,3			4 918,0
Interest bearing debt	NOK million	10 628,9	18 667,4			18 378,8
Equity	%	19,5 %	20,8 %			19,9 %
Pre tax return on equity (annualised)	%	13,6 %	21,6 %	12,1 %	-17,6 %	-3,4 %
Cash flow						
Cash flow from operating activities	NOK million	236,2	308,2	779,5	984,5	1 480,0
Cash position	NOK million	218,1	190,5			248,2
Key numbers, shares						
No. of shares issued	Million	498 596 832	453 270 832	498 596 832	453 270 832	453 270 832
Average number of shares in period	Million	498 596 832	291 388 020	475 933 832	231 771 327	280 100 370
Pre tax profit per share continued business	NOK	0,28	0,83	0,61	(1,01)	(0,60)
Basic earnings per share (EPS - Continuing operations) 1)	NOK	0,15	0,60	0,43	(0,72)	(0,43)
Operating cash flow per share	NOK	0,47	1,83	1,64	4,25	5,28
Interest bearing debt per share	NOK	21,32	41,18			40,55
Book value per share	NOK	9,30	11,67			10,85
Deferred property tax per share	NOK	0,65	2,71			2,53
Goodwill per share	NOK	-	(1,53)			(1,28)
Financial derivative instr. per share	NOK	0,58	0,75			0,73
Net asset value per share (EPRA) 2)	NOK	10,52	13,60 -	-		12,83

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

2) Ordinary book value of equity (excl. minority interests) per share adjusted for deferred property tax-, goodwill- and financial derivatives 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 derivatives 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.

FINANCIAL RESULTS

THIRD QUARTER PERFORMANCE

The profit and loss account (income statement) for continuing operations for the third quarter comprises Norwegian Property's office property business. An agreement for the sale of the Group's hotel property business has been entered into, and this business is therefore reported as discontinued operations.

Norwegian Property posted total gross rental income of NOK 250.7 million in the third quarter of 2010, compared with NOK 258.0 million in the third quarter of 2009. Adjusted for the sale of property, this is a decrease in gross rental income of NOK 2.9 million compared with the third quarter the previous year. The decrease is attributable to the final settlement of rental guarantees for Aker Brygge (NOK -0.6 million), a discount to a tenant in connection with renewal of contract (NOK -1.2 million), and a slight increase in vacancy rate compared with the corresponding prior-year period.

Maintenance and property-related expenses for the quarter totalled NOK 21.1 million (NOK 17.9 million). Administrative costs totalled NOK 12.3 million (NOK 31.5 million). For the next few periods, both these items are expected to be slightly higher than normal owing to the transfer of property management to the internal operational organisation and significant work connected with developing and establishing development plans for the various properties. Profit before financial items and fair value adjustments totalled NOK 217.3 million (NOK 208.5 million).

Net financial expenses for the third quarter totalled NOK 131.2 million (NOK 174.8 million), which is a decrease of NOK 43.6 million. This is attributable to a decrease in interest-bearing debt, lower market interest rates and a lower average interest rate caused by the reduced hedging ratio. Fair value adjustments of the property portfolio totalled NOK 28.6 million (NOK 12.7 million). The income element related to financial derivatives increased in value in the third quarter by NOK 26.1 million (NOK 195.0 million).

The pre-tax profit for continuing operations in the third quarter was NOK 140.7 million, compared with NOK 241.5 million in the third quarter of 2009. The calculated tax expense for the quarter was NOK 65.4 million, compared with NOK 67.6 million in the corresponding prior-year period. The net profit for the period was NOK 75.4 million (NOK 173.9 million).

The pre-tax result for discontinued operations was a loss of NOK 1,283.7 million (loss of NOK 0.7 million). After tax income of NOK 339.8 million (NOK 9.7 million) related to discontinued operations, the loss for the period was NOK 868.5 million (profit of NOK 182.8 million).

PERFORMANCE IN FIRST NINE MONTHS

Norwegian Property posted total gross rental income for continuing operations in the first nine months of 2010 amounting to NOK 774.7 million, compared with NOK 782.0 million in the corresponding period in 2009. Adjusted for the sale of property, this is an increase in gross rental income of NOK 4.3 million compared with the first nine months of 2009.

Maintenance and property-related expenses for the year to 30 September totalled NOK 68.4 million (NOK 50.5 million). Administrative expenses amounted to NOK 45.0 million (NOK 68.5 million). Profit before financial items and fair value adjustments was NOK 661.4 million (NOK 663.0 million).

Net financial expenses amounted to NOK 420.2 million (NOK 461.3 million) for the year to 30 September. The decrease is attributable to lower interest-bearing debt, lower market interest rates and a lower average interest rate caused by the reduced hedging ratio. Fair value adjustments of the property portfolio totalled NOK 206.6 million (NOK -502.2 million). The income element related to financial derivatives decreased in value in the first nine months of 2010 by NOK 171.4 million (increase of NOK 57.7 million).

The pre-tax profit for continuing operations in the year to 30 September was NOK 288.3 million, compared with a pre-tax loss of NOK 232.9 million in the corresponding period in 2009. The calculated tax expense for the period was NOK -82.6 million, compared with NOK 65.2 million in the corresponding prior-year period. The net profit for continuing operations for the period was NOK 205.7 million (NOK -167.7 million).

The pre-tax result for discontinued operations was a loss of NOK 1,358.4 million (loss of NOK 1,144.5 million). After tax income of NOK 344.3 million (NOK 56.7 million) related to discontinued operations, the loss for the period was NOK 808.4 million (loss of NOK 1,255.5 million).

VALUATION OF PROPERTIES

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

As of 30 September 2010 the Group's portfolio of commercial properties was valued at NOK 15,046 million before adjustment for deferred tax. A positive value adjustment of NOK 28.6 million was recognised for the office portfolio during the third quarter (NOK 206.6 million for the first nine months of the year). Overall there have been minor adjustments to the valuations of the individual properties or in the assumptions on which the valuations are based.

In view of the agreement made for the sale of the hotel portfolio, the hotels were not valued by external appraisers at the end of the third quarter of 2010. The hotel portfolio has been valued in the accounts at NOK 8,439 million, which is equal to the valuation set out in the sale agreement taking into account exchange rate fluctuations since the agreement was closed.

CASH FLOW

The net cash flow from operating activities before net financial items amounted to NOK 236.2 million (NOK 308.2 million) in the third quarter. The net cash flow from operating activities in the nine months to 30 September was NOK 779.5 million (NOK 984.5 million). The net cash flow from investing activities for the third quarter came in at NOK -7.3 million (NOK -5.3 million). For the first nine months the net cash flow from investing activities totalled NOK 144.3 million (NOK 991.8 million). The net cash flow from financing activities in the third quarter was NOK -645.1 million (NOK -341.3 million). During the quarter some of the excess liquidity was used to pay down the revolving credit facility, although the funds are available for drawdown if required. For the first nine months of the year the net cash flow from financing activities amounted to NOK -953.6 million (NOK -1,950.3 million). Of this, net proceeds from the equity issue in March totalled NOK 526.2 million and the net reduction of interest-bearing debt amounted to NOK 814.0 million. There was a net negative change in cash and cash equivalents in the first nine months of the year of NOK -29.8 million (NOK 26.0 million).

BALANCE SHEET

Cash and cash equivalents for the continuing operations as of 30 September 2010 totalled NOK 150.1 million (NOK 190.5 million as of 30 September 2009). The continuing operations also had NOK 760 million in undrawn credit facilities. Total equity amounted to NOK 4,635.4 million (NOK 5,290.3 million), which corresponds to an equity ratio of 19.5 per cent (20.8 per cent). The recognised net asset value per share was NOK 9.30 (NOK 11.67). The net asset value per share based on the EPRA standard was NOK 10.52 (NOK 13.60). The number of shares at the end of the second quarter was 498,596,832 (201,635,416).

FINANCING

Total interest-bearing debt after costs recognised in the balance sheet as of 30 September 2010 amounted to NOK 10,629 million (NOK 18,667 million).

Interest-bearing debt and hedging as of 30 Sept. 2010	**Norwegian Property**	**Adjusted for the sale of Norgani Hotels AS (*)**
Total interest-bearing debt	10 629	10 629
Interest hedging ratio (%)	92.5 %	92.5 %
Cash and cash equivalents	150	490
Seller's credit	-	600
Unused credit facilities	760	760
Average time to maturity, hedging (years)	4.4	4.4
Average interest rate (incl. margin)	5.12 %	5.12 %
Average margin	0.75 %	0.75 %
Average residual term, borrowing (years)	2.2	2.2

Property value	15 046	15 046
Interest-bearing debt relative to property value (LTV)	70.6 %	70.6 %
Net interest-bearing debt rel. to prop. value (net LTV)	69.6 %	67.4 %
Net interest-bearing debt less seller's credit relative to property value (net LTV)	-	63.4 %

(*) The figures as of 30 September 2010 have been adjusted as if the transaction was completed as of 30 September 2010.

The table below shows the maturity profile of the office business's interest hedges as of 30 September 2010:

Maturity structure interest hedges	NOK million	Average interest rate %	Percentage of total liabilities
Within 1 year	2 013	3.9%	19%
2–3 years	2 356	3.6%	22%
4–5 years	2 907	4.5%	27%
6–7 years	1 800	4.8%	17%
More than 7 years	1 552	4.8%	15%

Total interest-bearing debt in Norgani Hotels AS was NOK 6,259.8 million, and the residual acquisition financing in Oslo Properties AS was NOK 681.4 million as of 30 September 2010. Both the debt in Norgani Hotels AS and the acquisition financing will be redeemed with the completion of the sale of Norgani Hotels AS. Apart from ordinary instalments, this leaves Norwegian Property with no debt due to mature before 2012.

NORGANI HOTELS AS

AGREEMENT FOR SALE OF THE HOTEL BUSINESS

In August 2010 Oslo Properties AS, a wholly owned subsidiary of Norwegian Property, entered into a preliminary agreement with Pandox AB and a joint venture owned by Eiendomsspar AS and Sundt AS for the sale of 100 per cent of the shares in Norgani Hotels AS based on a property value of NOK 8.3 billion. The transaction was among other things contingent on the approval of the Norwegian competition authorities and the establishment of purchaser financing.

In October 2010 Oslo Properties AS and the purchase group entered into a final agreement for the sale of Norgani Hotels AS, and the purchase group lifted all provisos relating to the transaction, including the financing proviso. The transaction itself will be closed in November 2010.

Under the terms of the agreement, the purchase group will pay the gross sum of NOK 1,620 million to acquire the shares and net working capital from Norwegian Property. Of this sum, NOK 600 million is vendor financing, of which NOK 200 million falls due for payment no later than two years after the transaction and NOK 400 million after five years. The vendor financing has a fixed annual interest rate of 5 per cent. The vendor financing is secured by a first priority mortgage in Norgani Hotels' shares and a guarantee from the purchaser company. Of the remaining amount, NOK 681.4 million will be used to redeem the OPAS acquisition financing. After deduction of estimated transaction costs, this will immediately free up about NOK 340 million for Norwegian Property. Up until 31 December 2010 Norwegian Property has an option to buy back up to 9.9 per cent of the shares in Norgani Hotels AS on the same terms plus buyer's costs.

THE HOTEL BUSINESS IN THE THIRD QUARTER OF 2010

In view of the agreement entered into to sell the hotel business, the third-quarter results have been reported as discontinued operations. Based on the sale agreement, in the third quarter the hotel business posted a loss after tax, amortisation of goodwill and write-down of property values of NOK 943.9 million. The profit and loss account (income statement) and balance sheet details are provided in Note 1 to the financial statements.

COMMERCIAL PROPERTIES RENTAL MARKET

Positive, but relatively weak, GDP growth has been characteristic of the Norwegian economy in the most recent period. Statistics Norway (SSB) has downwardly revised its forecast for future growth slightly, but expects to see annual GDP growth of about 3 per cent in the period 2011 to 2013. According to Statistics Norway, registered unemployment is now 3.3 per cent, and the future expectation is for employment to increase again.

Akershus Eiendom estimates the vacancy rate in the Oslo office market to be around 8.5 per cent as of September, based on revised estimates of the total office space in Oslo of just under 8 million square metres. Based on Statistics Norway's employment forecasts and Akershus Eiendom's own analyses of supply of new space, vacancies are expected to fall gradually towards 2013. On the basis of major projects due for completion in 2013 and 2014, the vacancy rate is expected to approach 8.5 per cent again in 2014.

The cautiously positive trend in market rents for prime properties and properties in the most attractive areas continues. In less attractive office areas, developments are still relatively flat. Activity levels remain high among tenants and estate agents, and a number of large tenants are looking for new premises.

In Stavanger the vacancy rate is estimated by Akershus Eiendom at about 6 per cent. As relatively few new leases were signed in Stavanger in the most recent period, only limited new information is available with regard to rent developments.

Akershus Eiendom estimates a total transaction volume for the first nine months of the year amounting to NOK 22 billion. Foreign investors make up the largest group of purchasers, representing 32 per cent of the volume. The main focus of investors is still on property with long, secure leases, and Akershus Eiendom concludes that the yield for prime property with long and sound leases has now fallen to 5.75 per cent.

THE PROPERTY PORTFOLIO

At the end of the third 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 per cent of gross rental income) and in Stavanger (15 per cent of gross rental income). The Group's properties chiefly comprise office premises with associated warehousing and parking, and commercial and restaurant space.

Total gross contractual rental income for the office portfolio amounts to NOK 1,007 million. This slightly trails the level at the end of the second quarter (NOK 1,017 million) as a result of slightly higher vacancy rates. The average CPI adjustment factor for the portfolio is 97.3 per cent. As of 30 September 2010, total vacancies in the portfolio amounted to 4.7 per cent, which is an increase from 3.6 per cent in the second quarter of 2010, but significantly lower than the general vacancy rate in the Oslo market. Vacancies are increasing as a consequence of the Directorate of Education and Training having relocated from 5,479 sqm at Kolstadgata 1 in Tøyen, at the expiry of their rental contract. Norwegian Property has relatively few leases due for renewal in the next 15 months. The average residual lease term is 5.2 years. Valuations of the property portfolio assume an uplift potential of approximately 4.9 per cent if rents were adjusted to the average market level.

During the second quarter, 13 new leases with a total value of NOK 15.6 million were entered into or renegotiated, resulting in an overall comparable rental increase for these leases of 12.5 per cent. The largest new lease was signed with TDC in Nydalen, where the lease has been renewed for six years.

SHAREHOLDER INFORMATION

At the end of the third quarter, the company had a total of 2,742 registered shareholders, which is 100 shareholders fewer than at the end of the previous quarter and 478 shareholders fewer than at the end of the third quarter of 2009. Non-Norwegian shareholdings accounted for 49.4 per cent of the share capital at the end of the third quarter, as against 53.3 per cent at the end of the previous quarter. With around 1 million shares traded each day, compared with 2 million in the second quarter, liquidity was somewhat lower in the third quarter. As of 30 September 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 4 October 2010 are presented below:

Name	Ownership (%)	Shares held	Acc Type	Nationality
CANICA AS	5.59	27 895 467		NOR
AWILHELMSEN CAPITAL OMLØP	4.66	23 254 334		NOR
FOLKETRYGDFONDET JP MORGAN CHASE BANK	3.98	19 824 000		NOR
BNP PARIBAS SECS SER S/A BP2S LUX/FIM/LUX	3.31	16 480 113	NOM	LUX
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	3.27	16 322 506	NOM	SWE
STATE STREET BANK AN A/C CLIENT OMNIBUS F	2.84	14 151 765	NOM	USA
SKAGEN VEKST	2.54	12 655 000		NOR
BANK OF NEW YORK MEL S/A BNYM AS EMEA ASI	2.34	11 679 472	NOM	USA
STATE STREET BANK & A/C CLIENT FUND NUMB	2.21	10 996 111	NOM	USA
CITIBANK N.A. (LONDO A/C STICHTING PGGM D	1.56	7 759 000	NOM	NLD
BANK OF NEW YORK MEL S/A MELLON NOMINEE 1	1.49	7 450 459	NOM	USA
AWILHELMSEN CAPITAL	1.39	6 934 000		NOR
BANK OF NEW YORK MEL S/A ING GLOBAL REAL	1.34	6 660 557		USA
ABN AMRO N.V RE TREA ABN AMRO GLOBAL CUST	1.30	6 463 140	NOM	NLD
TRONDHEIM KOMMUNALE	1.28	6 363 700		NOR
VITAL FORSIKRING ASA OMLØPSMIDLER	1.23	6 111 087		NOR
FRAM HOLDING AS	1.20	6 000 000		NOR
Reka AS	1.20	6 000 000		NOR
HOLBERG NORGE V/HOLBERG FONDSFORVA	1.16	5 801 000		NOR
JPMORGAN CHASE BANK NORDEA TREATY ACCOUN	1.16	5 791 578	NOM	GBR
Total top 20 shareholders	**45.05**	**224 593 289**		
Other shareholders	54.95	274 003 543		
Total all shareholders	**100.00**	**498 596 832**		

NEW STRATEGIC DIRECTION

Streamlining

In the beginning of 2010, Norwegian Property announced its ambition to streamline the company's business during 2010 in order to secure an adequate financial and operational focus on the Group's commercial property portfolio. The completion of the sale of Norgani Hotels AS in the fourth quarter of 2010 is therefore the most important foundation for focussing all the Group's organisational and financial resources on long-term value creation in the commercial property portfolio.

Industrialisation

Parallel with the work done to streamline the business, Norwegian Property is pursuing the initiative to transform the company from a financial player into an industrial player. The work of establishing an internal operational organisation has high priority, and during the period more key staff were appointed. When the company takes over the management responsibility from NEAS in 2011, the operational organisation will number about 20 staff. Since the New Year, development plans have also been established for many of the Group's most central and important properties. The aim is to establish long-term development plans for these properties, which will secure long-term value creation for the company.

Reduced financial risk

In the past year the Group has significantly reduced its loan-to-value ratio, which it aims in the long term to reduce to between 60 and 65 per cent. Through the sale of Norgani Hotels, Norwegian Property will have a pro forma net LTV of 63.4 per cent (also taking into account the seller's credit provided to the purchasers of Norgani Hotels). Norwegian Property will continue to maintain its focus on increasing the company's financial flexibility in order to secure the financial manoeuvrability needed to realise the Group's industrial plans.

Norwegian Property has no official credit rating from international rating agencies. However, a number of Nordic investment banks (including DnB Markets and SEB) prepare their own credit analyses based on the company's listed bond loans. Following the announcement of the sale of Norgani Hotels, several investment banks (including SEB and DnB) have upgraded Norwegian Property's credit rating from BB+ to Investment Grade (BBB- or BBB). This is a clear indication that Norwegian Property's creditworthiness is regarded as significantly better following the moves to streamline the Group.

Based on a short residual term for the Group's borrowings and the improved credit position, the administration has commenced a process with the Group's most important banking connections, with the aim of completely refinancing the company during the first half year of 2011. This will ensure a balanced solution between the need to secure long-term financing and the desire to take advantage of the favourable borrowing terms currently available in the market.

DIVIDEND POLICY

The Board of Directors aims over time to be able to distribute a significant share of Norwegian Property's value creation to shareholders in the form of dividend. The long-term aim is for the dividend to comprise 30-50 per cent of the operating result (before value changes) after calculated tax expense.

At the ordinary general meeting in 2011, the Board plans to recommend a dividend of minimum NOK 0.10 per share providing that the refinancing of the Group's debt proceeds as planned. This is slightly lower than the Board's long-term aim for the dividend, but should be viewed in light of the Board's aims to strengthen the company's financial manoeuvrability and the company's ambitious plans for investment in the existing portfolio.

OUTLOOK

The Norwegian economy continues to display cautious growth, although most players are expecting an increasing growth rate in the next few years. The balance of supply and demand in the commercial property market is satisfactory, particularly in several of the most attractive office areas where vacancy rates are in the process of flattening out and showing signs of falling. Positive developments are therefore expected in rental prices and in demand for good-quality office space in Oslo. While location is an important criterion for tenants, they have also become considerably more concerned with the quality of the property. The effective use of space, technical and architectonic qualities, environment, overall economy and operational quality, are all important parameters to take into account when tenants choose to sign new leases.

Norwegian Property has one of Norway's best localised property portfolios in relation to proximity to major traffic hubs and central areas of Oslo and Stavanger. A focus on the rental business, development and operations will also enable Norwegian Property to satisfy tenants' increasing demands for quality and efficiency. The Board is therefore of the opinion that Norwegian Property's operations have a solid base and focus from which to continue as a key player in the commercial property market. The Group's improved financial position will enable Norwegian Property to develop and exploit the portfolio to its full potential.

Norwegian Property ASA
The Board of Directors, 26 October 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 POLICIES AND CONSOLIDATED ENTITIES

This quarterly report has been prepared in accordance with IAS 34 – Interim Financial Reporting. The results for the period have been prepared in line with applicable IFRS standards and interpretations. Norwegian Property has changed its reporting layout, in line with recommendations from the Norwegian Society of Financial Analysts ('NFF'). Norwegian Property has entered into a binding agreement for the sale of its hotel business. The result of the hotel business in the period is hence accounted for as discontinued operations, together with new measurement of assets and liabilities held for sale. Assets and liabilities in Norgani Hotels AS has been classified as held for sale. Apart from this, the accounting policies applied in the preparation of these interim financial statements are the same as those applied in the preparation of the 2009 financial statements. Sold properties are derecognised in the financial statements only when the relevant transactions have been completed. This report has not been audited.

CONSOLIDATED INCOME STATEMENT

		Quartely 01.07 - 30.09		Year to date 01.01 - 30.09		Last year 01.01 - 31.12
Figures in NOK 1.000	***Note***	**2010**	**2009**	**2010**	**2009**	**2009**
Gross income		**250 696**	**257 970**	**774 722**	**782 002**	**1 043 861**
Maintenance and property related costs		(18 193)	(17 932)	(57 288)	(50 485)	(57 830)
Other operating expenses		(2 861)	-	(11 072)	-	(5 845)
Total operating cost		**(21 054)**	**(17 932)**	**(68 360)**	**(50 485)**	**(63 675)**
Gross profit/loss		**229 641**	**240 038**	**706 362**	**731 517**	**980 186**
Administrative expenses		(12 320)	(31 493)	(44 945)	(68 522)	(102 611)
Profit/loss before net financials		**217 321**	**208 545**	**661 418**	**662 995**	**877 575**
Financial income		6 981	215	25 274	30 717	38 010
Financial costs		(138 230)	(174 978)	(445 447)	(492 053)	(671 073)
Earnings before value adjustment and tax		**86 072**	**33 782**	**241 245**	**201 659**	**244 512**
Change in market value of investment property		28 596	12 720	206 632	(502 224)	(474 032)
Change in market value of financial derivative instruments		26 081	194 983	(171 373)	57 667	68 329
Unrealised gains and losses		**54 677**	**207 703**	**35 259**	**(444 557)**	**(405 703)**
Property sales		-	-	11 770	9 954 -	(7 104)
Realised gains and losses		**-**	**-**	**11 770**	**9 954**	**(7 104)**
Profit before income tax continued business		**140 749**	**241 485**	**288 274**	**(232 944)**	**(168 294)**
Income tax expenses continued business		(65 370)	(67 616)	(82 553)	65 224	47 122
Profit after income tax continued business		**75 379**	**173 869**	**205 721**	**(167 720)**	**(121 172)**
Profit before income tax discontinued business	1)	(1 283 699)	(743)	(1 358 436)	(1 144 517)	(1 596 048)
Income tax expenses discontinued business	1)	339 848	9 705	344 317	56 706	182 954
Profit after income tax		**(868 472)**	**182 831**	**(808 398)**	**(1 255 532)**	**(1 534 265)**
Comprehensive income						
Financial derivatives		4 371	2 495	(555)	(12 739)	(25 143)
Tax expense related to comprehensive income		(1 224)	(699)	155	3 567	7 040
Currency translation differences						
Total comprehensive income		**3 147**	**1 796**	**(400)**	**(9 172)**	**(18 103)**
Total profit after tax		**(865 325)**	**184 627**	**(808 798)**	**(1 264 704)**	**(1 552 368)**

CONSOLIDATED BALANCE SHEET

Figures in NOK 1.000		30.09.2010	30.09.2009	31.12.2009
ASSETS				
Non-current assets				
Financial derivative instruments		11 635	12 619	12 190
Goodwill		-	691 734	580 230
Deferred tax asset		60 092	-	0
Investment property		14 847 992	24 290 081	23 732 704
Fixtures and equipment		1 458	7 914	6 997
Shares and interests		-	1 741	1 691
Receivables	1)	600 016	9 716	8 883
Total non-current assets		**15 521 193**	**25 013 806**	**24 342 695**
Current assets				
Financial derivative instruments		24 999	49 218	24 273
Accounts receivable		88 191	178 656	93 037
Other receivables		2 745	26 773	4 825
Cash and cash equivalents		150 094	190 540	248 216
Assets held for sale	1)	7 978 975		
Total current assets		**8 245 004**	**445 187**	**370 351**
Total assets		**23 766 198**	**25 458 993**	**24 713 046**
EQUITY				
Paid in equity		9 732 592	9 206 069	9 206 357
Other reserves		(134 788)	212 653	8 282
Retained earnings		(4 962 371)	(4 128 458)	(4 296 643)
Total equity		**4 635 433**	**5 290 264**	**4 917 996**
LIABILITIES				
Non-current liabilities				
Deferred tax liability		-	442 241	365 497
Financial derivative instruments		-	-	-
Interest bearing liabilities		10 479 050	17 987 239	17 781 348
Total non-current liabilities		**10 479 050**	**18 429 480**	**18 146 845**
Current liabilities				
Financial derivative instruments		437 211	534 901	498 959
Interest bearing liabilities		149 837	680 202	597 492
Accounts payable		9 229	9 373	15 486
Other liabilities		480 457	514 772	536 268
Liabilities held for sale	1)	7 574 981		
Total current liabilities		**8 651 715**	**1 739 248**	**1 648 205**
Total liabilities		**19 130 764**	**20 168 728**	**19 795 050**
Total equity and liabilities		**23 766 198**	**25 458 993**	**24 713 046**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in NOK 1.000	30.09.2010	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	(808 798)	(1 552 368)
Share issue, net of cost and after tax	526 235	1 469 204
Dividend payments		-
Changes of minority interests		-
Total equity including minority interests, end of period	**4 635 433**	**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				(18 103)			(18 103)
Currency translation differences							-
Profit for the period					(1 534 265)		(1 534 265)
Total equity 31.12.2009	**226 635**	**2 539 654**	**6 440 068**	**373 605**	**(4 661 966)**	**-**	**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				(400)			(400)
Currency translation differences							-
Profit for the period					(808 398)		(808 398)
Total equity 30.09.2010	**249 268**	**3 043 256**	**6 440 068**	**373 205**	**(5 470 364)**	**-**	**4 635 433**

NORWEGIAN PROPERTY

CONSOLIDATED CASH FLOW STATEMENT

	3rd Quarter		Year to date		Last year
	01.07 - 30.09		01.01 - 30.09		01.01 - 31.12
Figures in NOK 1.000	**2010**	**2009**	**2010**	**2009**	**2009**
Profit before income tax	(1 041 310)	250 651	(927 493)	(1 122 687)	(1 399 018)
Paid taxes in the period	1 900	4	1 900	(355)	(24 862)
Depreciation of tangible assets	166	731	1 430	2 239	3 976
Gain from sale of investment property	-	-	(11 770)	(9 954)	7 104
Gain from fair value adjustment of investment property	668 350	31 302	505 860	1 236 563	1 517 369
Gain from fair value adjustment of financial derivative instruments	17 041	(212 827)	302 545	(42 129)	(35 518)
Impairment of goodwill	527 253	12 253	570 928	224 498	308 832
Net financial items ex. market value adj. of financial derivative instruments	213 452	281 343	665 830	787 938	1 055 965
Change in short-term items	(150 676)	(55 217)	(329 727)	(91 609)	46 185
Net cash flow from operating activities	**236 176**	**308 240**	**779 503**	**984 504**	**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	(7 305)	(5 318)	(24 982)	(60 587)	(77 439)
Net cash flow from investing activities	**(7 304)**	**(5 318)**	**144 292**	**991 800**	**974 948**
Net change in interest bearing debt	(431 621)	(1 524 896)	(813 984)	(2 584 320)	(2 730 818)
Net financial items ex. market value adj. and currency gain/loss	(213 452)	(258 432)	(665 830)	(787 964)	(1 055 965)
Capital increase	-	1 450 638	526 235	1 450 638	1 450 638
Payments related to other financing activities	-	(8 612)	-	(28 612)	(35 109)
Net cash flow from financial activities	**(645 073)**	**(341 302)**	**(953 579)**	**(1 950 258)**	**(2 371 254)**
Net change in cash and cash equivalents	**(416 202)**	**(38 380)**	**(29 785)**	**26 046**	**83 727**
Cash and cash equivalents at the beginning of the period	634 641	231 197	248 216	174 220	174 220
Exchange rates	(288)	(2 276)	(280)	(9 726)	(9 731)
Cash and cash equivalents at the end of the period	**218 150**	**190 540**	**218 150**	**190 540**	**248 216**
Of this continued business	150 094		150 094		
Of this discontinued business	68 056		68 056		

NORWEGIAN PROPERTY

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Classification of "discontinued business"

Assets and liabilities related to Norgani are classified as held for sale based on signed agreement of the sale of the hotel business.

Assets classified as held for sale.

Amounts in NOK 1.000	30.09.2010
Hotel properties	8 439 084
Sellers credit	(600 000)
Other non current assets	10 876
Current assets	129 015
Total	**7 978 975**

Liabilities classified as held for sale

Amounts in NOK 1.000	30.09.2010
Interest bearing liabilities	6 259 771
Interest bearing liabilities aquisition finacing OPAS	681 354
Deferred tax liability	146 295
Financial derivative instruments	351 153
Other liabilities	136 408
Total	**7 574 981**

P&L from discontinued operations and the effects of new measurement of assets and liabilities held for sale.
Previous periods' comparable figures have been amended accordingly.

	3rd. Quarter 01.07 - 30.09		Year to date 01.01 - 30.09		Last year 01.01 - 31.12
Amounts in NOK 1.000	2010	2009	2010	2009	2009
Gross rental income	**192 452**	**187 101**	**540 092**	**555 573**	**723 804**
Maintenance and property related costs	(17 781)	(19 557)	(59 910)	(57 891)	(81 664)
Other operating expenses	(14 511)	(13 025)	(43 004)	(48 133)	(64 983)
Operating profit before fair value adjustments and gains	**160 160**	**154 519**	**437 178**	**449 549**	**577 157**
Gain from fair value adjustment of hotel properties	(689 641)	(44 359)	(705 187)	(734 339)	(1 043 337)
Impairment of goodwill	(527 253)	(12 253)	(570 928)	(224 498)	(308 832)
Operating profit	**(1 056 734)**	**97 907**	**(838 937)**	**(509 288)**	**(775 011)**
Net financial items for hotel properties	(72 010)	(79 961)	(213 537)	(252 171)	(338 169)
Net financial items for Oslo Properties	(10 193)	(26 609)	(32 120)	(74 457)	(84 734)
Currency translation differences	(101 641)	(9 924)	(142 670)	(254 774)	(433 824)
Financial derivative instruments for hotel properties	(43 122)	17 844	(131 172)	(53 827)	35 690
Net financial items	**(226 966)**	**(98 650)**	**(519 499)**	**(635 229)**	**(821 037)**
Profit before income tax	**(1 283 699)**	**(743)**	**(1 358 436)**	**(1 144 517)**	**(1 596 048)**
Income tax expense	339 848	9 705	344 317	56 706	182 954
Profit after income tax	**(943 851)**	**8 962**	**(1 014 119)**	**(1 087 811)**	**(1 413 094)**

The company presents the cash flow as if no business had been discontinued.

CONTACT INFORMATION

NORWEGIAN PROPERTY ASA

Postal address:
PO Box 1657 Vika, NO-0120 Oslo, Norway

Visiting address:
Stranden 3A (5th floor), Aker Brygge

Tel.: +47 22 83 40 20
Fax: +47 22 83 40 21
Internet: http://www.norwegianproperty.no

IR & PRESS CONTACT

CEO Olav Line
Tel.: +47 48 25 41 49
E-mail: olav.line@norwegianproperty.no

CFO Svein Hov Skjelle
Tel.: +47 93 05 55 66
E-mail: svein.hov.skjelle@norwegianproperty.no

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