



The financial crisis has still a negative impact on the property industry.

In view of the market situation, Sjælsø expects very limited sales of new projects for the rest of 2008.

Profit before tax is expected to be in the region of DKK 250-350 million before any value adjustments.

Continuing focus on risk management and optimising of operations.

The share buy-back programme is suspended.

THE FINANCIAL CRISIS IS IMPACTING NEGATIVELY ON THE PROPERTY MARKET

The third quarter of 2008 saw a significant deterioration in financial market conditions. As the banking sector is reducing its exposure to the property market, property finance is becoming more difficult to obtain.

Conditions in financial markets have a serious impact on the property market, making it harder for some investors to undertake and carry through new property investments. Substantial equity is now required for property investments.

Rising financing costs and reduced demand for property have resulted in increased yield requirements for investment properties, especially those at secondary locations. Properties in prime locations with good tenants continue to be traded at yields that offer satisfactory returns from project development.

THE SIGNIFICANCE OF THE CRISIS FOR SJÆLSØ

Regardless of the fact that the banking sector has been provided with substantial liquidity and guarantees by the Government, Sjælsø expects the current situation to continue for some time.

Sjælsø has a good and trustful cooperation with a range of banks and has secured satisfactory financing of projects in progress although the demand for equity has risen with regard to the most recent projects.

Sjælsø has, however, noted that buyers for some of the company's projects are facing problems obtaining finance and paying punctually. In certain cases, Sjælsø has had to accept delays to the takeover date. This has resulted in extended liquidity tie-up in respect of these projects.

Sjælsø continues to negotiate with potential tenants concerning several projects in both Denmark and abroad. The fact, however, remains that decision-making processes have been significantly prolonged. Consequently, some projects are not expected to be completed by the end of the year, but will be deferred until 2009 resulting in postponement of earnings.

By contrast, Sjælsø has noted that the competitive situation in the current market is changing significantly in favour of major players including Sjælsø. Equally, the possibilities of purchase improve.

FOCUS ON RISK MANAGEMENT AND OPERATIONS

In the current market situation, Sjælsø maintains strong focus on the company's balance and cash management in order to be able to exploit the longer-term opportunities in the market.

Sjælsø, therefore, continues strong focus on reducing the company's balance sheet as well as its exposure to the market, such as focus on the completion of the projects and release of liquidity.

Recent years' exposure to a variety of markets has reduced Sjælsø's risk profile significantly. In line with the property industry's other players, Sjælsø is, however, sensitive to the general trends in the current market and current financial conditions as well as to the banks' and customers' behaviour in the market, including customers' ability to fulfil signed contracts.

Changes in market conditions and expectations for the future make it necessary to optimise and adjust the company's operations and organisation. As a result, Sjælsø has initiated a number of measures aimed at adapting and supporting the company's long-term capacity, operations and competitiveness.

CHANGED EXPECTATION FOR 2008

As mentioned above, the financial turbulence has spread to the property market resulting in a worsening of market conditions in the property industry.

Regardless of continuing fair demand from tenants for new property projects within the commercial and retail sectors, decision-making processes have slowed down significantly and some buyers are finding it difficult to obtain the necessary financing.

Consequently, Sjælsø expects some projects will be postponed from 2008 to next year resulting in a sizeable reduction in sales as well as earnings for the current year. In addition, Sjælsø expects the earnings margin on the company's projects to be reduced, i.e. as a result of the company's decision to realise certain projects with lower earnings in order to reduce the balance sheet and release financial resources. Releasing resources also allows Sjælsø to exploit business opportunities arising from the market situation.

Consequently, profit before tax for 2008 is expected to be in the region of DKK 250-350 million against previously expected 500-700 million, before any value adjustments.

Sjælsø expects sound demand from both tenants and investors once the financial and market conditions are normalised – and at satisfactory terms which procure long term, good earnings from new property projects. Moreover, following the current adjustments in the market, Sjælsø expects to be in a favourable competitive situation which will strengthen its potential for implementing projects under difficult market conditions.

SHARE BUY-BACK SUSPENDED

In connection with the publication of the preliminary statement of annual accounts for 2007, Sjælsø initiated a share buy-back programme of up to 10% of the company's shares up to a ceiling of DKK 200 million.

As of today, Sjælsø has repurchased approximately 1.8 million shares at a value of approximately DKK 152 million. Of the repurchased shares, 675,000 shares have been used in connection with the final settlement of the IBI purchase, c.f. the company's half-year report for 2008. In the settlement with the IBI sellers, the shares were valued at a price of 93.

On the backdrop of the deteriorating market conditions for both the property and financial markets, Sjælsø Gruppen A/S' Board of Directors has decided to suspend the current share buy back programme. Carnegies authorization to buy-back shares is terminated. The last day of trading is today.

DENMARK

The change in market conditions has, in particular, affected the Danish market, not least the owner/occupied market where sales of new build residential units have been extremely limited.

A declined demand from investors, especially those with limited financial strength is noticed. At the same time, however, financially stronger investors are, once again, taking an interest in the property market and in the opportunities for acquiring attractive properties.

COMMERCIAL

The market for commercial property has seen a particularly positive development in recent years with good demand owing to favourable commercial trends and high employment.

The financial crisis and the fear of recession, however, have created greater caution and reluctance in the market. Concern about economic trends is reflected, for instance, in decisions being deferred with regard to new office facilities with a consequent delay in the signing of agreements and construction start-ups. As a result of the restraints and lack of relocation to new modern office premises, vacancies in the metropolitan area is showing a modest rise and now amounts to 5%. This can be considered normal taking into consideration the usual removal frequencies.

In a market with increasing availability, it is crucial to offer tenants attractive projects in good locations. Sjælsø, therefore, maintains focus on offering projects at locations which tenants demand in the current market. Regardless of current conditions, Sjælsø expects to enter into agreements for new office projects for some time to come.

COPENHAGEN TOWERS

The construction of Copenhagen Towers began in 2007 and proceeds according to plan. The first phase comprises among other things a four star Crowne Plaza Hotel with 366 rooms and was sold to SG Nord Holding in 2007.



Visualisation: Mokotow, Warsaw in Poland

Totalling approx. 27,000 m², the second phase of Copenhagen Towers is being undertaken in a 50:50 joint venture between Sjælsø and SG Nord Holding. Preliminary construction work has commenced. The construction of the office buildings, including the office tower designed by Foster + Partners, will be adjusted in accordance with developments in the commercial property market, including requirement for satisfactory pre-letting.

RETAIL

Planning legislation imposes a number of restrictions on the development of new trading areas.

Rising financing costs for investors have, in general, adversely affected sales values of retail projects, especially projects in secondary locations.

Nevertheless, there are still good opportunities for developing retail projects in selected areas and Sjælsø has noted continuing sound demand for new, well-located projects from tenants.

Consequently, Sjælsø is continuously investigating possibilities for entering new retail projects.

RESIDENTIAL

The owner/occupied market continues to experience a slowdown, with very limited sales of new build.

The uncertainties and the slowdown in the owner/occupied market have created rising interest in rentals. New rental concepts where tenants are given options to buy their homes have proved highly successful in the current market. At the same time, Sjælsø has noted that, owing to the rising demand and yields, institutional investors are, once again, interested in investing in residential rental property.

As a result, Sjælsø continues to evaluate the opportunities for developing new residential rental projects for both institutional and private investors.



Visualisation: Postepu, Warsaw in Poland

POLAND

The financial crisis is not affecting the Polish property market to the same extent as in Denmark. Sound international demand for tenancies and investment projects is, however, reducing the effect of the crisis.

Sjælsø, of course, expects that Poland will be affected by the international financial crisis. The country is substantially better prepared to cope with the effects than most of the other Eastern European countries because of Poland's EU membership, its stable and robust economic and societal development and growth in recent years. Further the market is characterised by good demand from international tenants and investors wishing to position themselves in Poland.

The Polish residential market has declined as a result of the banking sector's reduced willingness to offer loans for residential property. Sjælsø works actively to solve the situation. Sjælsø expects the Polish residential market to show positive development after the current adjustments.

The office market in Warsaw continues to show positive development with sound demand from both tenants and investors. At present, the financial crisis has only affected the market for well located office projects in Warsaw to a limited extent.

On the retail market fewer players are seen, but there is a continuing sound tenant and investor interest. Sjælsø still has positive expectations to the retail market in Poland.

Sjælsø notes that there continues to be access to the financing of projects at satisfactory conditions in the Polish market.

NEW OFFICE PROJECT IN WARSAW

Sjælsø has secured yet another attractive office project of 17,000 m² at Postepu in Warsaw's Mokotow district. The project comprises construction of up to 12 levels with the option of tenancies per floor or one overall tenant.

Along with the Mokotow project of 28,000 m², which was acquired in the spring of 2008, Sjælsø has a pipeline of attractive office projects in good locations in Warsaw.

Development and marketing of the projects are in progress and Sjælsø expects to start the first office project in 2009.



Photo: Solna-Pampas in Sweden



SWEDEN

Sjælsø is now focusing on all types of property projects in the Swedish market.

The retail market continues to show a fair demand from tenants for well-located projects, and rentals are ongoing in several projects. On the investor side, demand is weakening and demand for yields rising. A significant proportion of Sjælsø's retail projects in the other Nordic countries have traditionally been sold to Danish investors, including K/S providers. Sjælsø realises that difficulties with regard to financing have reduced demand from such investors. Consequently, focus is now on sales of these projects to a broader circle of investors, including foreign funds.

The Swedish residential market is also experiencing reduced demand at weakening prices. The decline, however, is not as widespread as, for instance, in Denmark. This is largely owing to the fact that the Swedish market has not seen the same degree of speculation in rising prices. Currently, Sjælsø is only offering a few minor projects in Sweden. As a consequence, the decline has not impacted notably on the company's earnings.

NEW LARGE-SCALE COMMERCIAL AND RESIDENTIAL PROJECT IN STOCKHOLM

Sjælsø has acquired an office property of 25,000 m² in Solna municipality in Stockholm from Vasakronan for approx. DKK 230 million. The office property is partly let on terms which cover a significant part of its financing costs. Rental of the remaining part of the property is ongoing.

The property was taken over in October 2008 and, besides the office block, comprises a major plot which, following project development in partnership with Solna municipality, is expected to offer opportunities for further residential and office premises totalling approx. 60,000 m². A new local plan is expected to be approved in 2010.

The project is attractively located a few minutes from the centre of Stockholm close to Karolinska Hospital overlooking Pampas Marina and Ulvsunda Lake as well as easy access to the tunnel line and the road network.

FINLAND

In Finland Sjælsø primarily focuses on development of retail projects.

In general, the Finnish property market is seeing stable development, in part owing to the stable Finnish economy. Sjælsø registers continued demand for new retail projects and locations from potential tenants. Demand for yields from retail projects in Finland is showing a modest increase due to weakening demand from investors and rising financing costs.

The letting of projects in the company's pipeline is ongoing and Sjælsø expects to be able to let or sell several retail projects in progress in Finland for some time to come.

NORWAY

In Norway, Sjælsø primarily focuses on the development of new retail projects in the southern part of the country where population density is largest and the need for retail projects greatest.

The Norwegian market for retail projects has seen growth in recent years, supported by a healthy Norwegian economy.

In the current market, however, Sjælsø has noted an increasing reluctance among tenants and investors. As a result, Sjælsø has taken steps to adapt the company's Norwegian activities to the new market situation.

FURTHER INFORMATION

Flemming Joseph Jensen, CEO
Tlf.: +45 4810 0000

Mikkel Faurholdt, Communication Manager
Tel.: +45 2055 1177

SJÆLSØ GRUPPEN A/S

HEAD OFFICE:

Ny Allerødgård
Sortemosevej 15
DK-3450 Allerød
Tel.: +45 4810 0000

WESTERN DENMARK:

Olof Palmes Allé 44
DK-8200 Århus N
Tel.: +45 8730 9999

SJÆLSÖ SVERIGE AB

Söder Mälarstrand 29
Box 38121
SE-100 64 Stockholm
Tel.: +46 8 429 19 00

SJÆLSØ POLAND Sp. z o.o.

ul. Żłota 59, 11th floor
PL-00-120 Warszawa
Tel.: +48 22 222 32 22

SJÆLSØ NORGE AS

Karenslyst Ålle 55
N-0279 Oslo
Tel.: +47 2299 3270

SJÆLSØ FINLAND Oy

Eteläesplanadi 22A, 2. krs
FIN-00130 Helsinki
Tel.: +358 201 55 33 99

sjaelsoe@sjaelsoe.dk
www.sjaelsoe.dk
CBR no. 89 80 19 15

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