



QUARTERLY UPDATE

SJÆLSØ GRUPPEN A/S - 29 APRIL 2010
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CHALLENGING CONDITIONS PERSIST – BUT MODERATE OPTIMISM

After 2009, in which the property markets came under pressure globally due to the crisis in the financial sector and the declining demand for new projects, optimism is back in all of Sjælsø's markets, despite persisting challenges.

DANISH RESIDENTIAL MARKET SENSES THE DAWN OF BETTER THINGS

The residential market was marked by positive trends and growing optimism in the first quarter of 2010. This has resulted in growing sales at higher prices, not least in the Copenhagen area, and the general perception among leading economists seems to be that the market will continue to show positive trends.

The increased optimism in the residential market is a result of, among other factors, the effect of the Danish tax reform and the low levels of interest rates on home buyers' amounts available for consumption, and less concern about the consequences of the financial crisis combined with easier access to mortgage loans.

GROWING POPULATION IN COPENHAGEN SUPPORTS THE RESIDENTIAL MARKET

The positive trend in the Copenhagen residential market is supported by the growing population in Copenhagen.

During the past five years, the population in Copenhagen has increased by more than 26,000 people. In 2009, alone, it grew by some 10,000 people. In Copenhagen, each residential unit is occupied by 1.8 persons on average. The population inflow during the past five years has spurred a need for about 14,000 new residential units. The increase in new residential constructions in Copenhagen in recent years has enabled many more people to move to Copenhagen.

The trend is expected to continue. According to the City of Copenhagen, the population is expected to grow by about 25,000 over the next five years. This will create a need for approximately 14,000 additional residential units in the city.

Thus, acquiring new residential projects in Copenhagen is attractive right now, especially for long-term investors. Due to the current market conditions and the opportunities for sourcing construction contracts at low prices, new projects can be acquired at highly competitive prices seen in a historical perspective. These projects offer investors good returns on letting as well as on reselling.

Therefore Sjælsø is optimistic about the long-term potential for developing and selling new residential units on the Group's sites in Copenhagen.

SWEDISH MARKET REMAINS STRONG

In Sweden, Sjælsø continues to see reasonable demand for new retail properties from tenants and investors alike. Sjælsø expects this trend to continue in 2010 along with growing market activity.

Currently, the Swedish residential market is also favourable, driven by a low level of interest rates and other factors. Sjælsø is seeing growth in the sales of the Group's projects in Gustavsberg and Malmö. The Swedish residential market has not been subject to the kind of speculative trend seen in Denmark, and the Swedish market is expected to see stable developments with a continuous increase in and completion of new residential projects, due to factors such as the net population growth in large urban areas.

PROJECT SALES IN DENMARK AND SWEDEN

During the first quarter of 2010, Sjælsø sold projects in Denmark and Sweden for more than DKK 500 million, including the following:

- A new head office for UL International Demko in Ballerup, Denmark, of 4,150 sqm was sold to Dansk Ejendomsfond I, which is owned by a group of pension companies.
- A residential project with 49 apartments in Ørestad South was sold to the Danish residential association Lejerbo. The sale is subject to a final agreement being executed in accordance with the rules on subsidised residential construction.
- A retail project in Horsens, Denmark, let to Harald Nyborg a.o. was sold to local investors.
- A retail project in Helsingborg, Sweden, of 9,100 sqm, let to Coop and sold to Alecta Pensionsförsäkring.
- A retail project in Åkersberga, Sweden, of 13,000 sqm, let to Coop a.o. and sold to Alecta Pensionsförsäkring. The sale is subject to a final detailed drawing and building permit being obtained.
- A retail project in Borås, Sweden, of 10,000 sqm, let to City Groos and sold to Alecta Pensionsförsäkring. The sale is subject to a final detailed drawing and building permit being obtained.

Furthermore, a number of completed residential units were sold in several of Sjælsø's projects in Copenhagen, Lyngby and Skanderborg, Denmark, in the first quarter of 2010.

LOCAL DEVELOPMENT PLAN IN PLACE IN ELBLAG, POLAND

In Elblag in northern Poland, Sjælsø is developing a 20,500 sqm shopping centre with a projected sales value of approximately DKK 420 million.

A district plan for the project has recently been approved. The commencement of the construction awaits satisfactory letting and sale of the project.

NEW PROJECT IN ODENSE

Sjælsø has signed an agreement to acquire a distressed residential project at Odense Harbour, Denmark. The project covers 34,500 sqm and represents a project value of approximately DKK 800 million.

The first two phases have been completed and partially sold. The completion of the third phase is ongoing, and the construction of additional phases/blocks will be initiated as the apartments are sold.

The project is taken over in collaboration with Aareal Bank, which will finance the project on non-course terms.

Sjælsø sees a number of interesting opportunities in the project and looks forward to completing the project over the next few years. The project is an excellent example of how Sjælsø's skills can be put to use in ensuring completion of projects that, one way or the other, are unfinished due to changed market conditions.

EXPECTATIONS OF PROFIT FOR 2010 UNCHANGED

Sjælsø's profit expectations for 2010 are unchanged a loss in the range of DKK 0-250 million before tax and any potential write-downs and provisions.

ANNUAL GENERAL MEETING 2010



The Annual General Meeting of Sjælsø Gruppen A/S was held on 20 April 2010 at Sjælsø's head office at Ny Allerødgård, Allerød, Denmark. More than 150 shareholders attended the general meeting, and just over 50% of the company's capital was represented. The company's Board of Directors and Management Board greatly appreciate the shareholders' active stance on the company's performance.

CHAIRMAN'S REPORT PRESENTED AT THE GENERAL MEETING

At the general meeting, John R. Frederiksen, Chairman of the Board of Directors, reported on the company's performance during the past year and the expectations for the future. The chairman's report is provided in the following:

"2009 was one of the worst years in the history of Sjælsø, as the company was hit hard by the abrupt slowdown in the property market and the banking sector. We reported a highly unsatisfactory loss of DKK 537 million for 2009.

The slowdown in the property sector brought the letting and sales of new properties to an almost complete stop due to reluctance among tenants, investors, home buyers and, not least, in the banking sector.

The reduced property turnover led to impaired marketability of Sjælsø's project portfolio and land portfolio as well as higher borrowing costs because projects remained unsold. Furthermore, in 2008 and 2009, even customers who were good 'on paper' and who had documented financing of the properties they had bought, were unable to finalise transactions as agreed. As a result, Sjælsø was forced to participate in the completion of these property transactions by allowing part of the purchase price to remain in the properties. This significantly drained Sjælsø's cash resources during the second half of 2008 and the beginning of 2009.

The abrupt negative developments witnessed in 2009, which not only threatened the existence of Sjælsø, but also many of our business partners, have of course given rise to self-scrutiny. Admittedly, we did not expect such a strong financial setback with the ensuing panic in the financial sector and the property sector.

As early as in 2007, that is, well before the major downturn, we began adjusting for a period of subdued growth and reduced turnover in the market. Consequently, the number of new projects acquired, especially in Denmark, was reduced significantly, although we did of course have to carry out the purchases that we had previously committed to at earlier stages when the local development plans etc. had come into place.

Our former risk management models, which focused on limits for gearing of equity (to ensure gearing at a significantly lower level than what was typical for the sector), proved inadequate in the case of the sudden market changes which offered limited possibilities for adjusting rapidly by disposing of projects. Moreover, we never imagined having to make risk assessments of banks and the quality of their loan commitments. With the experience we have now, we have further tightened our risk management processes. In future, we intend to place even stricter requirements on the quality of the projects and collaborative partners we focus on.

As we did not expect the difficult conditions in the property market to improve in the short term, it was necessary to strengthen Sjælsø's capital resources through a DKK 505 million rights issue with pre-emptive rights to our existing shareholders. One existing share entitled the holder to subscribe for two new shares of DKK 10 nominal value at DKK 10 per share.

The rights issue was underwritten by Sjælsø's principal banks, and Sjælsø's major shareholder, SG Nord Holding, made an advance undertaking to subscribe shares for an amount of DKK 130 million, corre-

sponding to approximately 26% of the rights issue. I would like to thank Sjælsø's shareholders and banks for helping strengthen our capital base. It was necessary in order to protect Sjælsø's assets.

As a precondition for the completion of the rights issue, an agreement was signed with the company's bankers prior to completion to extend the company's loans until July 2011. This solution was backed by banks representing just under 100% of the company's bank debt.

As part of the overall solution, an agreement was also signed to dissolve the joint venture between Sjælsø and SG Nord Holding concerning Copenhagen Towers. Under the agreement, SG Nord Holding took over phase 2 of Copenhagen Towers, comprising Norman Foster's office tower, while Sjælsø took over the unoccupied sites of phases 3-5, which Sjælsø intends to develop for office purposes over the next few years. SG Nord Holding already owned the hotel tower of phase 1.

As part of the agreement, and as part of Sjælsø being released from the guarantees of DKK 130 million provided in respect of the project, SG Nord Holding received warrants giving the right to subscribe for 8.1 million shares in Sjælsø at a price of 11.99. The warrant has a term of five years and, if it is fully exercised, Sjælsø will receive fresh capital of just under DKK 100 million.

In connection with the subsequent division of the ownership of the investments in SG Nord Holding, the Rønje brothers chose to focus on the investment in Copenhagen Towers. Accordingly, Ib Henrik Rønje and Torben Rønje resigned from Sjælsø's Board of Directors in the autumn of 2009. Once again, I would like to thank Ib Henrik Rønje and Torben Rønje for their long-standing and unremitting efforts in the development of Sjælsø. At the same time, I would like to take the opportunity to express a warm thank you to COO Jørgen Junker for his excellent and always dedicated efforts during his more than 25 years with Sjælsø. As you will know, Jørgen will leave Sjælsø in the late summer of this year, in connection with his 65th birthday, so this is the last Annual General Meeting with Jørgen as a member of our Management Board.

OUTLOOK

A new year brings new opportunities. We believe and hope that 2010 will be a better year than 2009. We are seeing signs of renewed optimism among tenants, investors and home buyers. It is too early to say anything for certain about developments in 2010, but our performance in the first quarter was reasonable, and Sjælsø signed agreements for sales of projects and residential units for about DKK 500 million in the first quarter of the year.

One of Sjælsø's challenges in 2010 is the continued pressure on selling prices. Accordingly, we generally expect projects to be sold at lower margins than previously. Since a major part of the margins are recognised as income when the projects are delivered, or as construction is gradually completed (that is, accrued over the construction period), only a minor part of the margins on new project sales can be recognised as income in 2010. Hence, Sjælsø expects a full-year loss for 2010 of DKK 0-250 million before tax and any potential write-downs and provisions.

The completion of the projects in Sjælsø's pipeline and hence the conversion of our land portfolio of more than DKK 2 billion into new profitable residential and commercial properties, is crucial for Sjælsø's success in 2010 and going forward. Only through the successful development of our land portfolio can we reduce our debt and project running costs and once again become a profitable company with healthy earnings, an improved cash position and increased versatility.

The crisis has also put its mark on the contracting market. It is now possible to source building contracts at considerably lower prices than in previous years. This eases the pressure on project margins significantly and provides ample opportunity for completing the projects in our pipeline at prices that are attractive to financially strong investors, including pension funds.



Difficult financial conditions also lead to a big change in the competitive environment in our sector. This applies to the investor side, where major, financially strong investors find new attractive investment opportunities, and it applies to the developer segment, where only the largest and strongest players are able to create a platform for project completion, including obtaining the necessary financing. As a result, the number of players in the developer segment has been reduced considerably. However, for some time still to come, the number of new project sales is expected to remain significantly below the level we saw a few years ago.

At 1 January 2010, the Danish tax reform came into force, significantly reducing tax rates. Sjælsø expects the tax cut to have a positive impact on the market for owner-occupied homes, especially in the major towns where Sjælsø is developing residential units. However, the tax reform was not all good news for the property sector, as sites for residential construction will be subject to VAT as from 2011. Seen in isolation, this will impede the development of new residential projects with satisfactory proceeds, especially projects for which sites were acquired under the old rules. We would have preferred a somewhat longer transition period, which would have made it possible to adapt to the new rules, especially with the sector already having been hit hard by the economic conditions.

At the same time, the banking sector has increased its prices in the wake of the crisis. This makes it difficult for many types of businesses, including Sjælsø, to restore normal earnings conditions. We hope that the banking and mortgage credit sectors in time will reach the conclusion that the chances of renewed progress are slim, if the banks raise their margins and are reluctant to provide new loans at a time when many businesses are experiencing difficulties. This was surely not the intention with the government support provided to the banks.

The generally low interest rate level, disregarding the banks' interest margins, of course eases the situation somewhat. Historically, declines in interest rates have led to increased activity and higher prices in the property market. However, this time, markets have been frozen to the extent that even low interest rates for the strongest investors and low returns on alternative investments have not been able to fully thaw out the property market.

In 2010, Sjælsø will continue to focus on optimising operations and to secure the company's assets to the benefit of the company's shareholders. Accordingly, Sjælsø continually focuses on finding new solutions for the company's projects and land portfolio, including alternative ways of project financing in collaboration with our banks and investors, for example by means of forward funding models.

In a situation with a significant decrease in business activities and revenue, we must of course adjust our capacity and costs to the new conditions. As a result, we have regrettably been forced to say goodbye to about half of Sjælsø's employees over the past 18 months. Regrettably, because it meant laying off skilled and devoted employees, but the slowdown in project sales unfortunately made it necessary. The adjustments were made as projects were gradually completed and the level of activity slowed down.

I would like to thank the employees of Sjælsø for their good and devoted efforts in 2009 in highly difficult and uncertain conditions. Without our employees' devoted and unremitting efforts to tackle the company's challenges, 2009 would have been a far worse year.

In the midst of a difficult period, we can be pleased that Sjælsø continues to be seen as a competent business with skilled and reliable employees, which means that we have maintained good relations with all of our business partners. We have acted appropriately, also during difficult conditions. We believe that this will pay off in the long term and ensure that Sjælsø's brand and network remain intact and that it will pave the way for future business.

Yes, 2009 was undeniably an awful year for Sjælsø. The best that can be said of 2009 is that it is over. The outlook for 2010 seems more promising, although uncertain and dependent on the continued stabilisation of market conditions and conditions in the financial sector: a normally-functioning financial sector is a prerequisite for a well-functioning property market."

RE-ELECTION OF BOARD OF DIRECTORS AND RE-APPOINTMENT OF AUDITORS

All members of the company's Board of Directors were up for election, and all members offered themselves for re-election. There were no other candidates for the Board of Directors, and all members of the Board of Directors were re-elected.

The company's auditors were also up for re-appointment and were re-appointed by the shareholders in general meeting.

FINANCIAL CALENDAR

Interim report for the first half of 2010	31 August 2010
Quarterly update, third quarter of 2010	29 October 2010

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