



NORWEGIAN
PROPERTY

2nd quarter 2018

Oslo, 13 July 2018

Agenda

- Highlights
- Markets and operations
- Financial update
- Closing remarks
- Q&A session

Q2 in short:

- **Revenues NOK 198.8 million**
- **Earnings per share (EPS) NOK 0.06**
- **Dividend of NOK 0.07 per share for Q2**
- **Acquisition of 1 130 sqm in Dokkbygningen at Aker Brygge**
- **Agreement with Avinor on the cancellation of land lease at Gardermoen signed**
- **Signed two new lease contracts for Snarøyveien 36 : FORNEBU WORKS**
 - Broadnet
 - National Oilwell Varco
- **Changes in organisation**
 - Ellen Kobro new EVP Sales and Marketing



**:: SNARØYVEIN 36. FORNEBU:
FORNEBU WORKS::**

Agenda

- **Highlights**
- **Markets and operations**
- **Financial update**
- **Closing remarks**
- **Q&A session**

Rental update

Rental contracts in Q2-2018

- Entered new contracts with annual gross rent of NOK 9.7 mill
- **Fornebu WORKS (Snarøyveien 36)**
 - Broadnet AS (signed Q3)
 - 8 200 sqm, 5.5 years, starts medio 2019
 - NOV Process & Flow Technologies AS (signed Q2)
 - 3 500 sqm. 3 years, starts ultimo 2019



Retail update



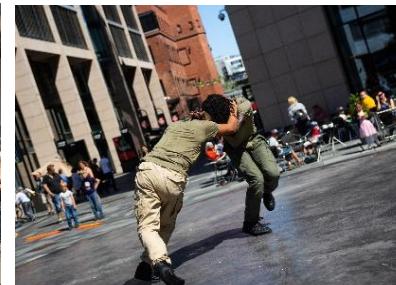
Turnover

- Q2 2018
- 1H 2018
- Growth YTD 1H 18 vs 1H 17

NOK 575 mill.
NOK 925 mill.⁽¹⁾
+ 11.3 %

Several retail focused activities during the quarter;

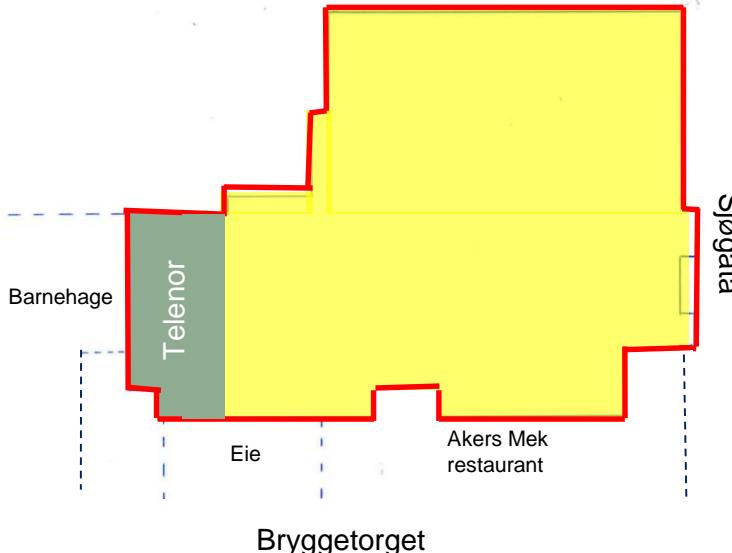
- *"KunstKræsj Pop-Up"* incl. concerts and exhibitions
- Shopping breakfast
- Outdoor cinema in Holmens gate
- Sailing week (Færder)
- Design flea market
- Indian motorcycle exhibition
- #hackaton
- Backyard Thursday (after work)



Transactions

Acquisitions

- Acquired units from Telenor Pensjonskasse Eiendom Oslo AS for NOKm 21
 - 1,130 sqm BTA
 - 110 sqm rented out to Telenor Eiendom Holding, 5Y
 - Ground floor units, with separate entrance from Sjøgata
 - We own and rent out neighbour units
- Our ambitions to own and operate properties at Aker Brygge



Disposals

- Our properties are in a strategic area (zone red) for Avinor
- Signed agreement to cancel the ground lease with Avinor at end of 2019
 - Compensation to NPRO of ~NOKm 40
 - Cancellation of NOKm ~7 in yearly ground lease
- We operate and receive cash flow from triple net lease contract with SAS until expiry (end of 2019)



Environmental and CSR update

Environmental

- Refurbishment of Fornebu **WORKS**
 - Applied for financial aid from ENOVA
 - Energy efficiency measures in connection with the transfer from single tenant building to a multi tenant building
 - Luminaire for energy efficient lighting
 - HVAC system
 - Various measures for peak shaving
 - Ambition to save up to 1m kWh a year



Corporate Social Responsibility



- Refurbishment of outdoor furniture
 - Our supplier Vestre, has a cooperation with Kirkens Bymisjon to help people with lack of work experience and no access to ordinary working life
 - During summer they upgrade and refurbish all outdoor furniture at Aker Brygge



Market trends



:: AKER BRYGGE. OSLO:

Rental market Oslo

- Limited new office supply in 2019 and 2020
- Strong rental market in CBD and Nydalen
- Fairly tough competition for larger tenants in greater Oslo

Rental market Stavanger

- Increased interest for premises in city centre
- Increased interest from oil related companies at Forus
 - Demand flexibility on both lease length and sqm

Transaction market

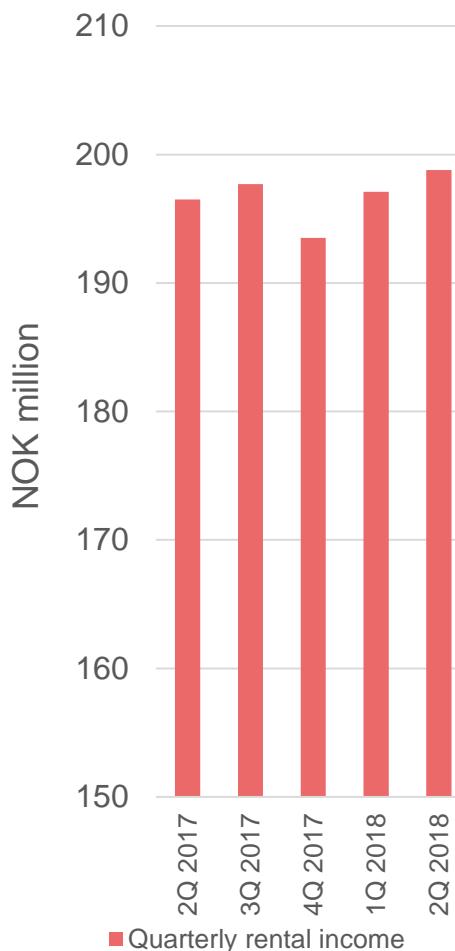
- Prime yield 3.75%
- Swap-rates lowered in Q2-2018, by 8 bps for 10Y
- Strong transaction market in all segments during the quarter
- Well functioning debt markets

Agenda

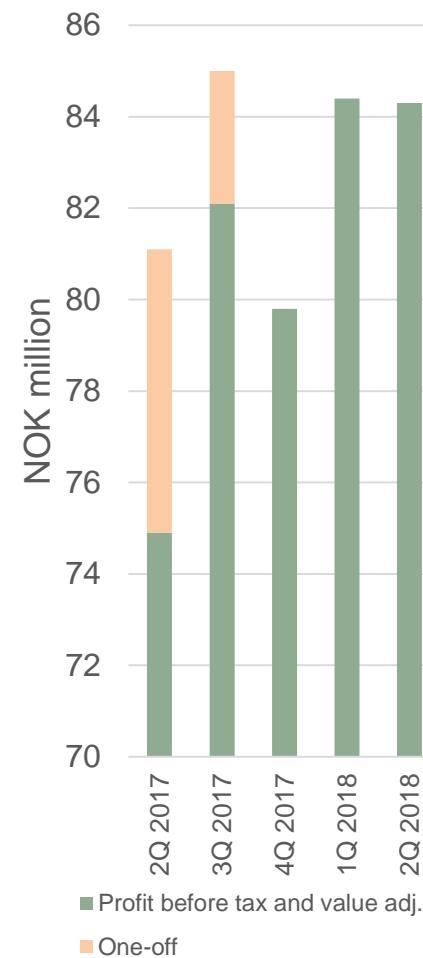
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Financial highlights

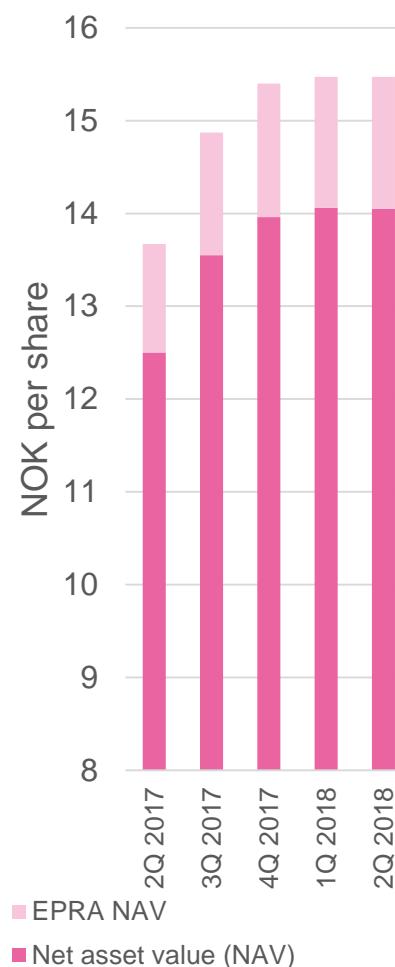
RENTAL INCOME



PROFIT BEFORE TAX AND VALUE ADJ.



VALUE PER SHARE



Income statement – Q2 and 1H 2018

NOK million	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	Year 2017
Revenue	198.8	196.5	395.9	393.1	784.3
Property-related operational expenses ¹	(18.7)	(16.0)	(36.6)	(32.8)	(66.0)
Other property-related expenses ²	(17.0)	(14.5)	(33.4)	(28.2)	(58.0)
Administrative expenses	(12.9)	(16.5)	(26.4)	(29.0)	(53.7)
Operating profit before value adjustments	150.3	149.5	299.5	303.2	606.6
Change in market value of investment property	(29.7)	243.7	(18.7)	440.4	1 046.7
Operating profit	120.6	393.2	280.8	743.6	1 653.3
Realised financial items	(66.0)	(74.6)	(130.7)	(148.4)	(289.9)
Change in market value of financial derivative instruments	2.4	7.1	48.6	17.7	43.6
Net financial items	(63.6)	(67.5)	(82.2)	(130.6)	(246.3)
Profit before income tax	57.0	325.7	198.6	612.9	1 407.0
Income tax (not payable)	(24.3)	(67.2)	(73.7)	(142.3)	(58.3)
Profit for the period	32.7	258.5	124.9	470.6	1 348.7
Earnings per share (NOK)	0.06	0.47	0.23	0.86	2.46
Profit before income tax and value adjustments	84.3	74.9	168.7	154.8	316.8

¹ Property-related operational expenses for 2018 are affected by an increase in the property tax rate in Oslo from two to three per mile.

² Other property-related expenses for 2018 include increased costs for vacant space in Snarøyveien 36.

Portfolio valuation by area Q2-2018

- External valuation conducted by Cushman & Wakefield and Akershus Eiendom
- Value of investment properties in the balance sheet increased by NOK 24.5 million

Area		Total space (m ²)	Duration (years)	Valuation		Gross rent per year		Net yield ¹ (%)	Vacancy based on market rent ² (%)
				NOK mill.	NOK/m ²	NOK mill.	NOK/m ²		
Oslo	CBD	128 729	5.3	10 964.9	85 178	430.6	3 345	3.6 (3.8) ⁴	2.7
	Nydalen	89 401	4.1	2 119.7	23 710	127.1	1 422	5,5	6.6
	Other	79 091	1.4	864.5	10 931	96.7	1 223	10.3	7.1
Total Oslo Portfolio		297 221	4.5	13 949.1	46 932	654.4	2 202	4.3	4.1
Stavanger ⁴		93 257	1.7	589.9	6 326	43.2	463	6.7	31.7
Total office portfolio excl Skøyen⁵		390 478	4.3	14 539.0	37 234	697.6	1 787	4.4	6.3
Skøyen ⁵		41 606	0.7	895.7	21 528	99.1	2 382	10.2	0.0
Total office portfolio incl Skøyen⁵		432 084	3.8	15 434.7	35 722	796.7	1 844	4.7	5.6

¹ For illustration; based on rents as of 31 March 2018 and estimated long term property expenses of 8 per cent

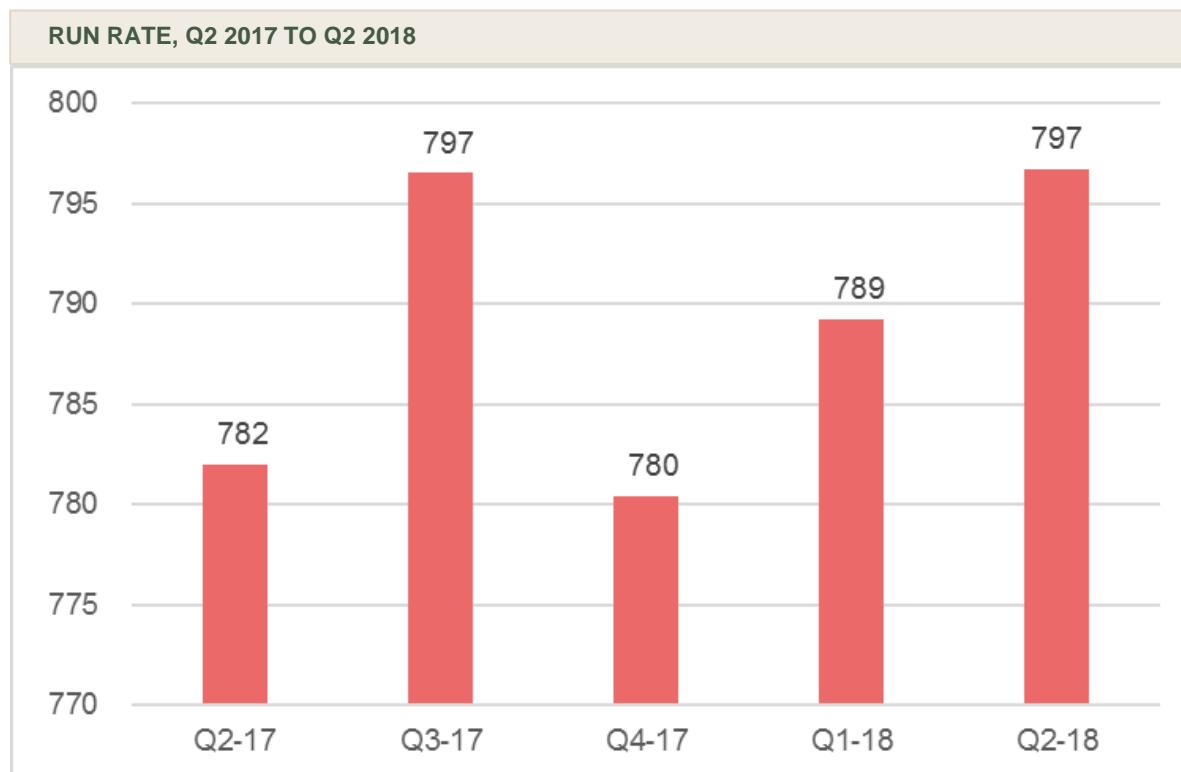
² Vacancy calculated as market rent in vacant space, using market rent estimated by Cushman & Wakefield

³ Net yield when including forward starting lease on Drammensveien 60

⁴ Vacancy is calculated excluding Forusbeen 35 where a zoning process for conversion is initiated and Grenseveien 21 awaiting intermunicipal sector plan for Forus

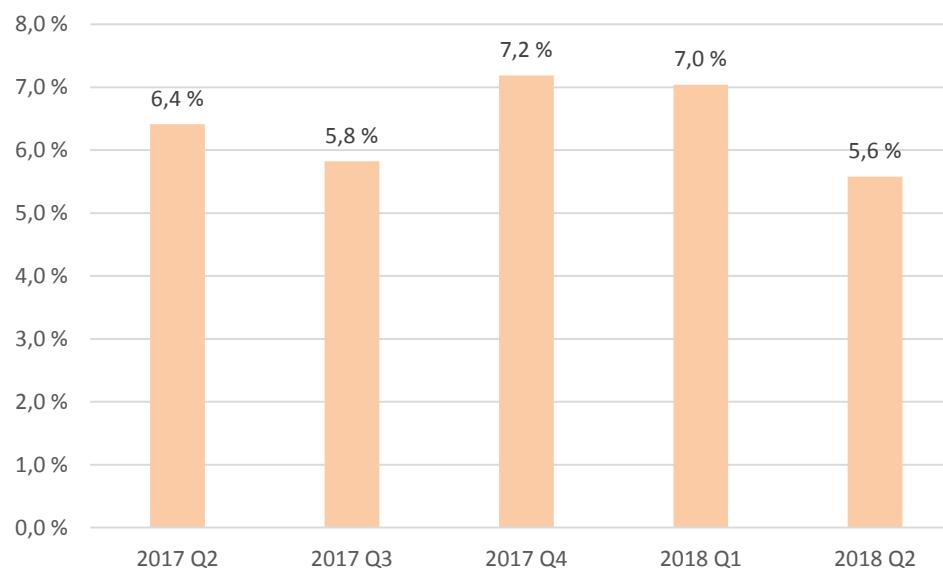
⁵ Skøyen portfolio: Hovfaret 11 and Nedre Skøyenvei 24 and 26, agreed sold with take over in March 2019

Run rate development

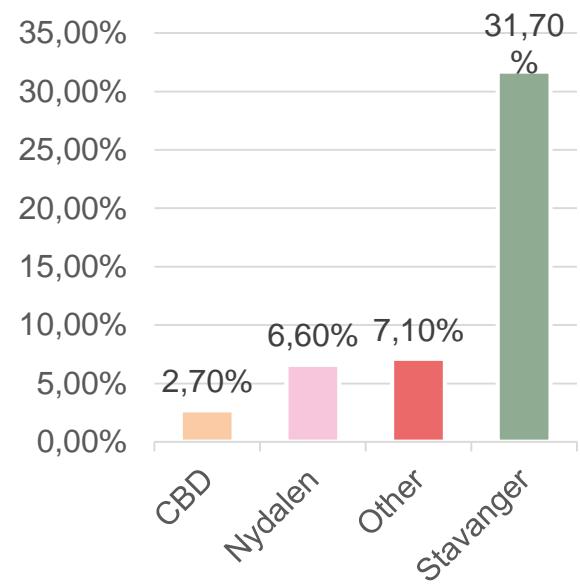


Vacancy based on market rent

VACANCY BASED ON MARKET RENT, Q1 2017 TO Q1 2018

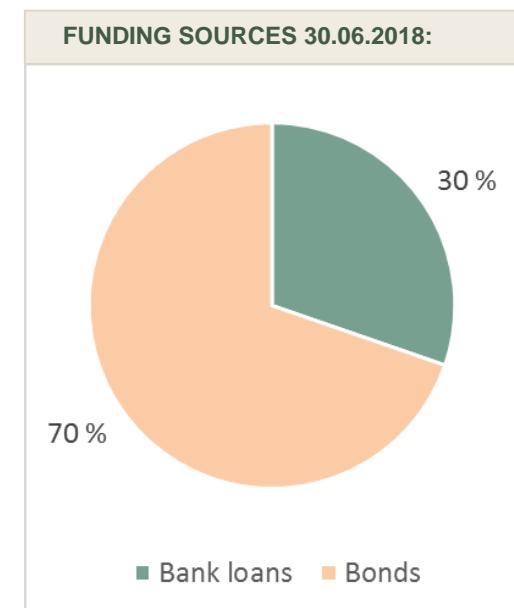


VACANCY SPLIT ON AREA



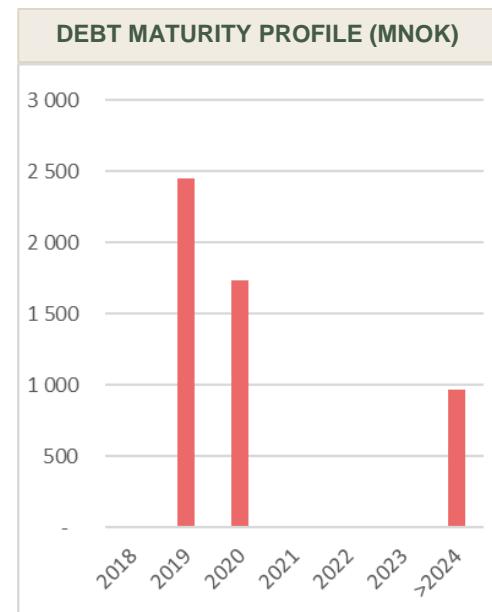
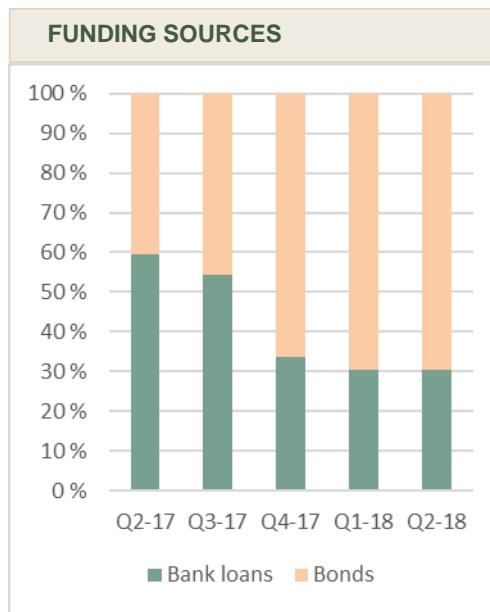
Financial position

Interest bearing debt and hedging		30.06.2018
Total interest bearing debt	NOK million	6 951.4
Property value	NOK million	15 434.6
Net Loan to value ¹	Per cent	44.3
Cash and cash equivalents	NOK million	110.5
Unused committed credit facilities	NOK million	900.0
Average remaining duration. Hedging	Years	4.2
Average interest rate (including margin)	Per cent	3.65
Average margin	Per cent	1.38
Average remaining duration. Borrowing	Years	2.9
Hedging ratio	Per cent	61.0
WAULT	Years	3.8



¹ Net loan to value = net interest bearing debt divided by gross property value

Financing



- **Diversified sources of funding**
 - 4.9 bn in bonds 2018.06.30
 - Issued NOK 2.4 bn last 12 months

- **Diversified maturity profile**
 - Average remaining time to maturity 2018.06.30 is 2.9 years

- **LTV 45-55%**
 - 44.3% at 2018.06.30
 - Approx 41% after sale of Skøyen and Gardermoen assets

(1) ICR = EBITDA / Net interest cost, rolling 4 quarters

Agenda

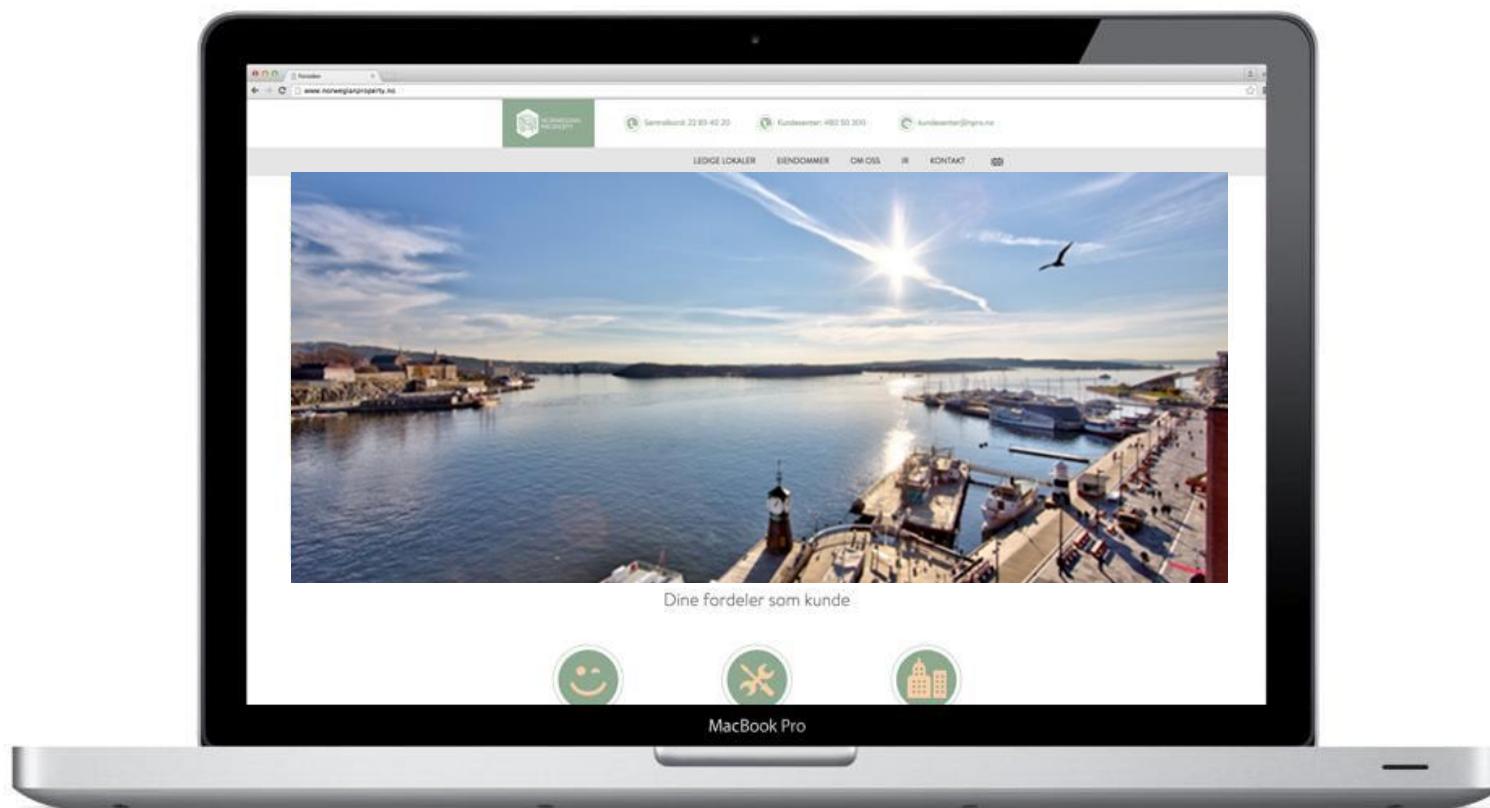
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Summary

- Dividend of NOK 0.07 for Q2–2018
 - Ex date: August 7
 - Payment date: August 13
- Two newly signed contracts in Fornebu **WORKS**
 - Important milestones in converting the building from a single tenant to multi tenant building
- Focus on execution



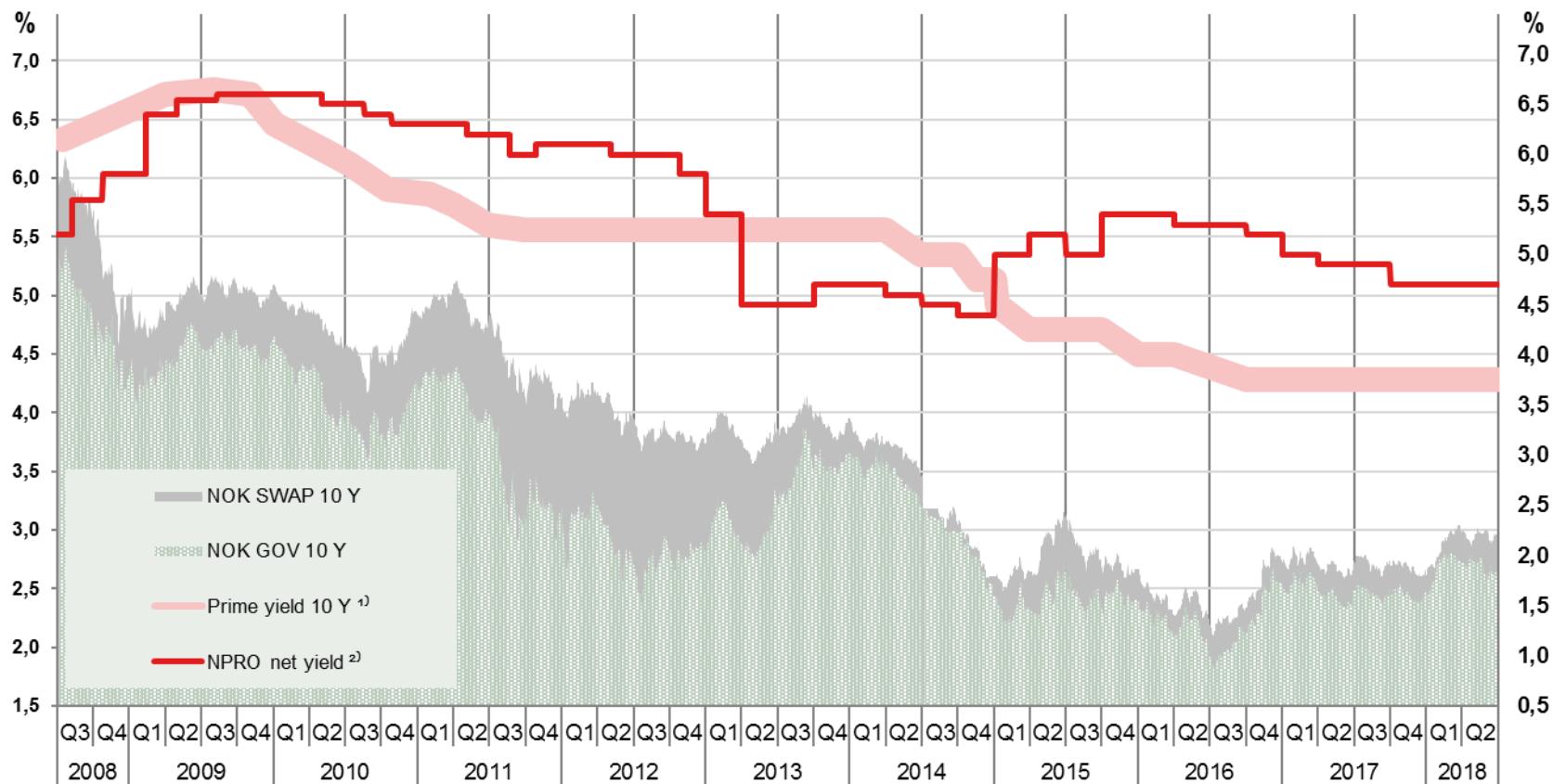
Q & A



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- Appendix

Yield spread



¹ Source: Akershus Eiendom

² NPRO net yield as summarised in slide; Portfolio valuation Q2-2018

Balance sheet

NOK million	30.06.2018	31.12.2017
Investment property	14 466.2	14 363.9
Owner-occupied property	72.7	70.9
Investment property held for sale ¹	895.7	925.9
Property, plant and equipment	45.4	42.3
Receivables	78.5	81.4
Cash and cash equivalents	110.5	89.2
Equity	7 707.8	7 654.8
Deferred tax	605.8	531.5
Long term interest bearing debt	6 344.5	6 940.5
Short term interest bearing debt	606.9	9.9
Market value financial derivatives (net)	179.0	230.9
Net other debt	225.0	205.9
Equity ratio (%)	49.2	49.1
NAV per share, book value of equity (NOK)	14.05	13.96
EPRA NAV per share (NOK)	15.47	15.40
EPRA NNNAV per share (NOK)	14.70	14.48

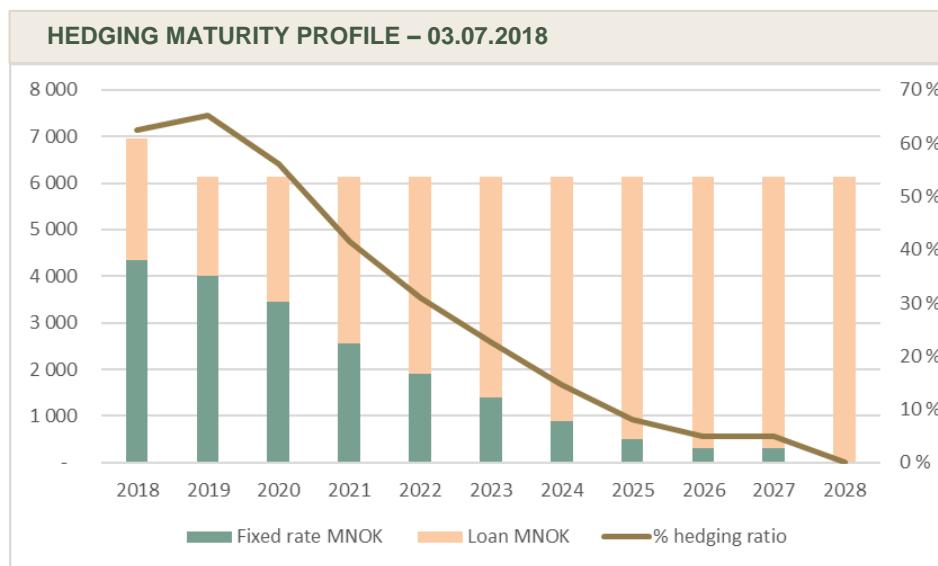
¹ Previously agreed to sell Nedre Skøyen vei 24-26 and Hovfaret 11. The takeover date is March 2019. Upon expiration of the lease contracts for the properties, Norwegian Property is entitled to rental income and has the operating responsibility for the properties until takeover.

Cash flow – Q2 2018

NOK million	Q2 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017	Year 2017
Cash flow from profit and loss before fair-value adjustments ¹	82.4	75.7	168.2	114.6	262.4
Change in short-term items	(23.1)	(28.4)	26.5	(10.7)	(27.8)
Cash flow from operating activities	59.3	47.3	194.7	103.9	234.6
Purchase of tangible assets	(54.8)	(59.7)	(91.7)	(93.2)	(187.5)
Cash flow from investment activities	(54.8)	(59.7)	(91.7)	(93.2)	(187.5)
Net change in interest bearing debt	(2.2)	(42.8)	(5.1)	164.2	182.4
Paid dividend	(38.4)	(38.4)	(76.8)	(104.2)	(186.5)
Net cash flow from financing activities	(40.6)	(81.1)	(81.8)	60.0	(4.1)
Net change in cash	(36.1)	(93.5)	21.2	70.7	43.0
Net cash at end of period	110.5	117.0	110.5	117.0	89.2

¹ Includes NOK 66 million in payments on termination of interest-rate derivatives for the full year 2017 (NOK 3.3 million and NOK 43.6 million for the first half of 2018 and 2017 respectively) .

Interest rate hedging



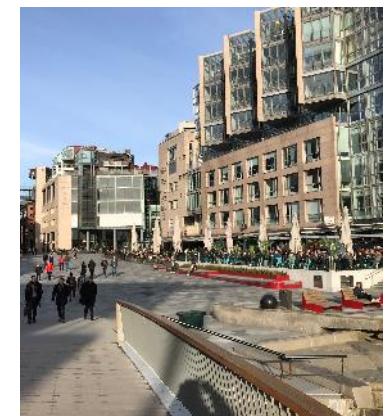
Interest rate risk:

- 50-100% of the group's debt shall be hedged.
- Average remaining time to maturity shall be 3-6 years.
- Hedging ratio 30.06.2018 was 61.0 % and remaining average time to maturity was 4.2 years.
- Diversified maturity profile to avoid exposure to interest levels.

Overview and key figures



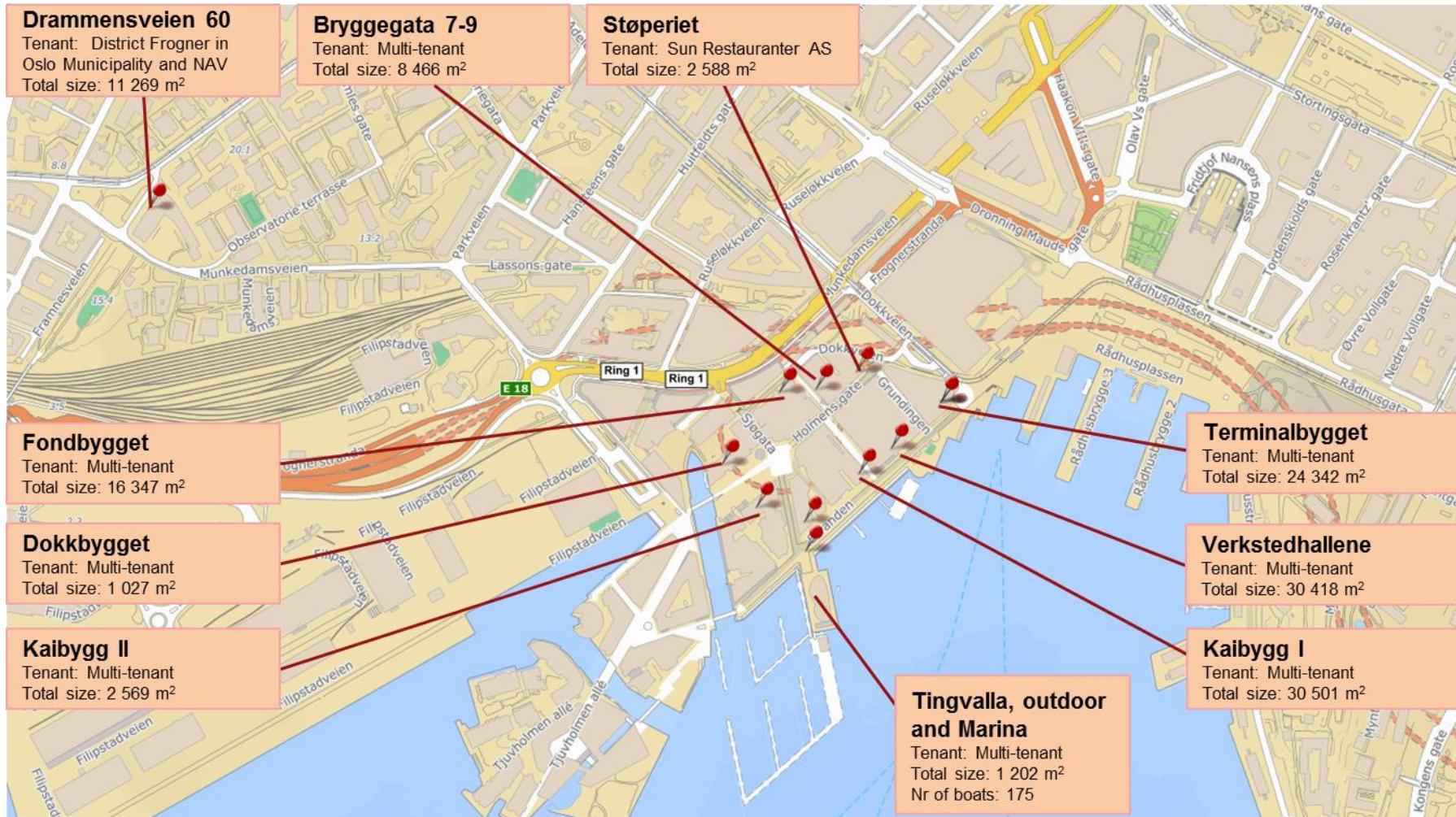
Key figures as of 30 June 2018		
Properties	no	32
Portfolio size (ex. new space in redev. Projects)	m ²	432 084
Average size per property	m ²	13 503
Gross rent per year (run rate)	NOK mill.	797
Operational expenses per year ¹⁾	NOK mill.	64
Net rent per year (run rate)	NOK mill.	733
Average gross rent per m ² per year	NOK	1 844
Gross market value	NOK mill.	15 435
Average value per property	NOK mill.	482
Average value per m ²	NOK	35 722
Gross yield, actual	%	5,2
Net yield, actual	%	4,7
WAULT	Years	3,8
CPI adjustment	%	99,7
Vacancy, calculation based on market rate ²⁾	%	5,6



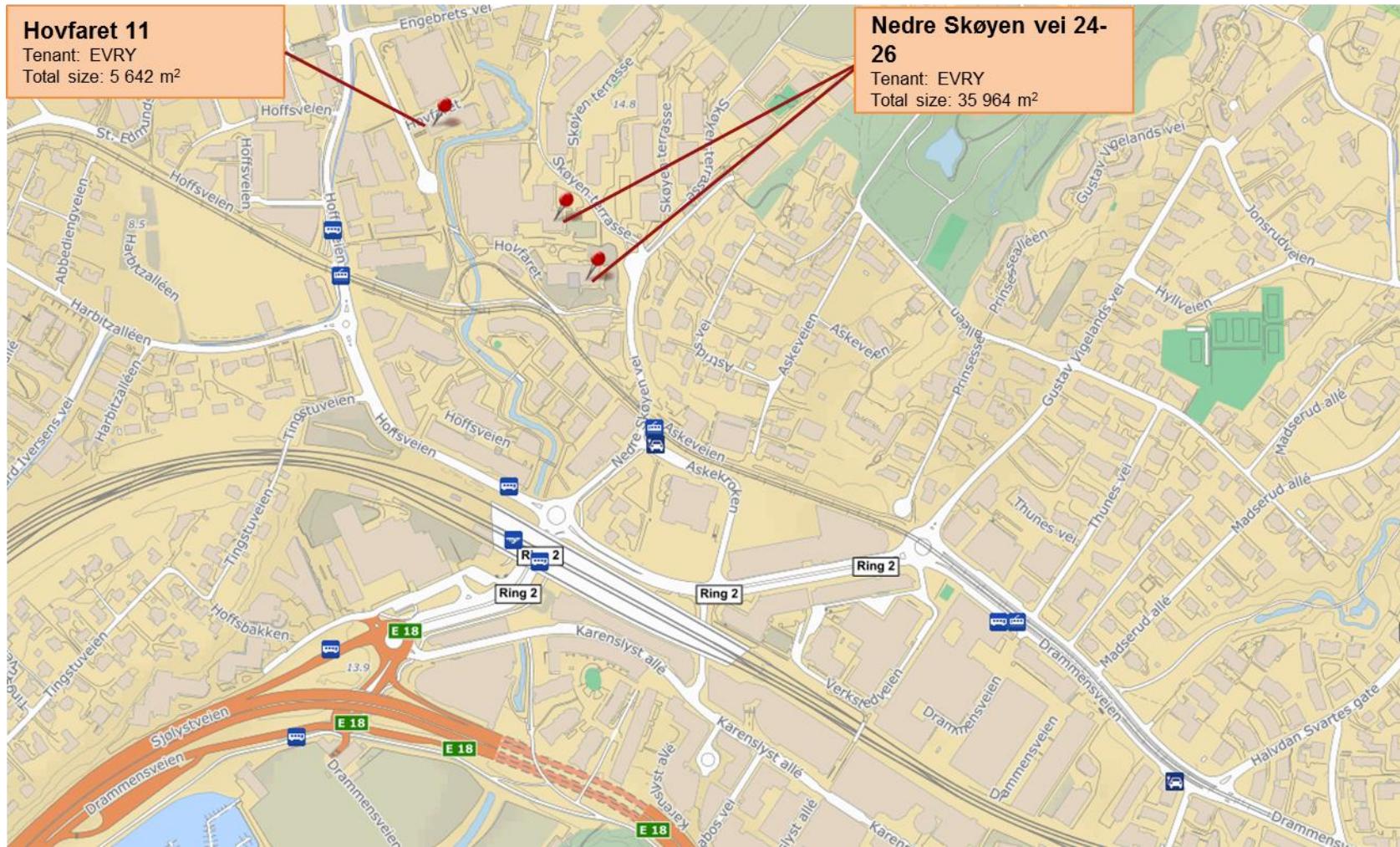
¹ For illustration; based on estimated long term property expenses of 8 per cent of gross rent

² Market rate as estimated by Cushman & Wakefield

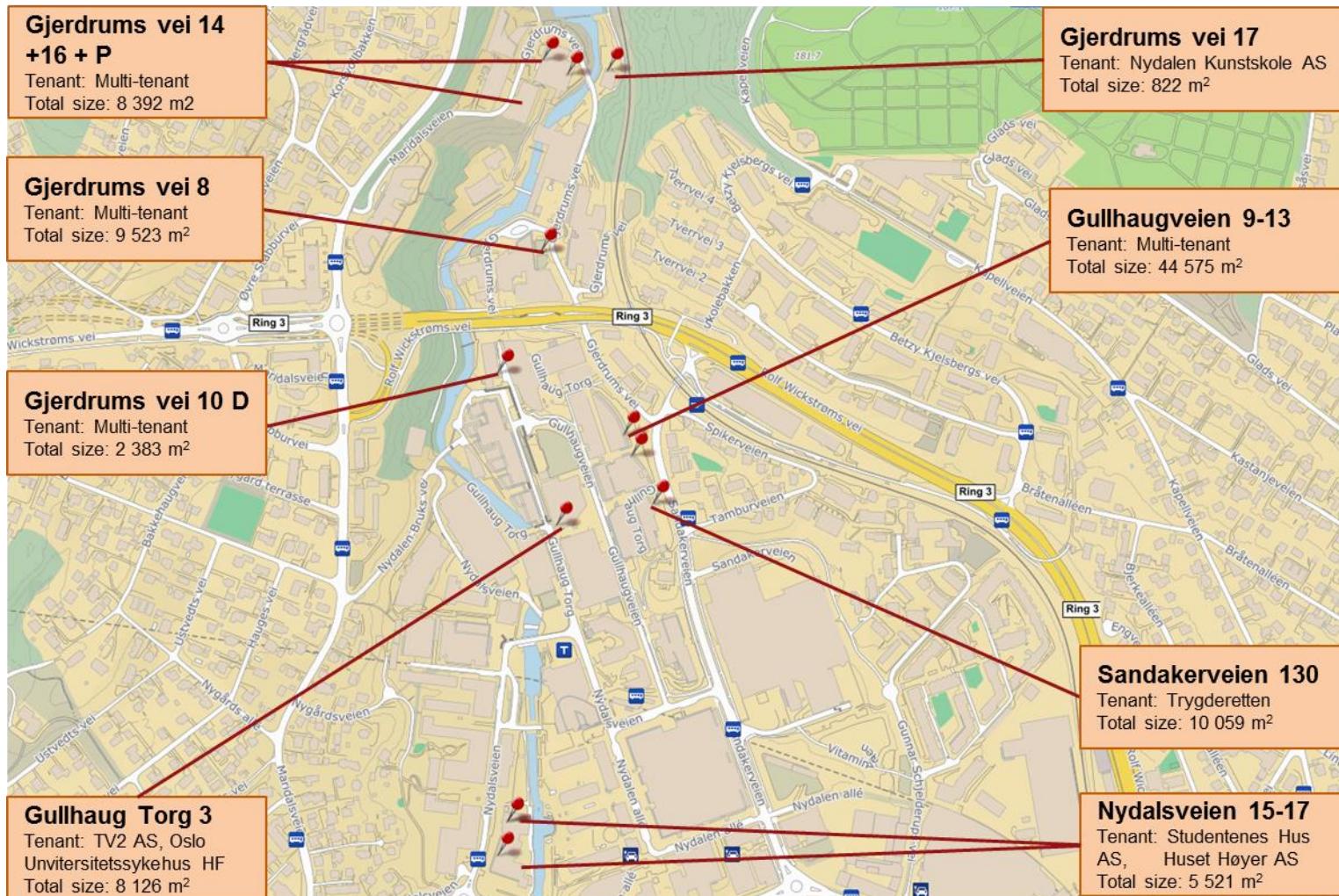
CBD



Skøyen



Nydalen



Stavanger

Maskinveien 32

- Office: 4 106 m²
- Total: 5 169 m²



Svanholmen 2

- Office: 2 840 m²
- Retail: 6 910 m²
- Total: 9 750 m²



Grenseveien 19

- Office: 5 451 m²
- Total: 5 451 m²



Badehusgaten 33-39

- Office: 19 045 m²
- Total: 21 622 m²



Projects:

Forusbeen 35

- Approx. 40 000 sqm
- 20% office
- 80% residential



Grenseveien 21

- Office: 27 966 m²
- Total: 27 966 m²



Property details Q2-2018

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Property	Property facts						Rent facts			
	Space split									
Property	Offices	Retail / restaurant	Warehouse	Indoor parking	Other	Total m2	Market rent vacancy	CPI	WAULT per Jun 2018	Run rate per Jun 2018
OSLO/AKERSHUS	m ²	m ²	m ²	m ²	m ²	m ²	%	%	Years	NOK million
CBD										
Bryggegata 7-9	6 378	2 088	0	0	0	8 466	0,7	98,0	4,9	27,8
Dokkbygningen	612	389	26	0	0	1 027	0,0	100,0	6,5	2,8
Drammensveien 60	8 089	757	1 949	463	11	11 269	0,0	100,0	10,8	0,0
Fondbygget	12 947	2 442	871	0	87	16 347	10,5	100,0	4,2	52,3
Kaibygning I (Stranden 5)	20 941	6 502	2 318	0	740	30 501	1,1	100,0	5,9	114,4
Kaibygning II	0	1 775	794	0	0	2 569	0,1	100,0	6,6	11,3
Støperiet	0	2 032	0	0	556	2 588	0,0	100,0	1,1	5,0
Terminalbygget (Stranden 1)	17 778	3 194	1 680	1 386	304	24 342	0,2	100,0	6,2	96,3
Tingvallautstikkeren, uteareal og marina ¹	0	1 202	0	0	0	1 202	0,0	96,0	3,2	19,8
Verkstedhallene (Stranden 3)	19 412	7 992	2 165	0	849	30 418	3,9	100,0	4,7	100,8
Total CBD	86 157	28 373	9 803	1 849	2 547	128 729	2,7	99,7	5,3	430,6

¹ Adjusted for normal seasonal short term contracts

Property details Q2-2018

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Property	Property facts						Rent facts			
	Space split									
	Offices	Retail / restaurant	Warehouse	Indoor parking	Other	Total m2	Market rent vacancy	CPI	WAULT per Jun 2018	Run rate per Jun 2018
OSLO/AKERSHUS	m ²	m ²	m ²	m ²	m ²	m ²	%	%	Years	NOK million
Nydalen										
Gjerdrums vei 10 D	2 205	0	178	0	0	2 383	9,7	100,0	6,1	3,8
Gjerdrums vei 14, 16 and 16 P-house	5 353	0	985	2 054	0	8 392	8,4	98,0	2,8	10,1
Gjerdrums vei 17	806	0	16	0	0	822	9,1	100,0	4,7	1,1
Gjerdrums vei 8	7 726	0	634	1 163	0	9 523	3,8	100,0	3,3	16,3
Gullhaug Torg 3	7 698	0	428	0	0	8 126	0,0	100,0	4,5	15,9
Gullhaugveien 9 - 13	24 882	0	7 517	12 176	0	44 575	1,9	100,0	2,6	59,2
Nydalsveien 15	3 427	311	64	0	28	3 830	1,3	100,0	7,1	8,0
Nydalsveien 17	0	1 691	0	0	0	1 691	0,0	100,0	6,4	4,7
Sandakerveien 130	5 514	0	1 072	3 473	0	10 059	41,1	100,0	11,2	8,0
Total Nydalen	57 611	2 002	10 894	18 866	28	89 401	6,6	99,8	4,0	127,1

Property details Q2-2018 3/4

Property	Property facts						Rent facts			
	Space split									
	Offices	Retail / restaurant	Warehouse	Indoor parking	Other	Total m2	Market rent vacancy	CPI	WAULT per Jun 2018	Run rate per Jun 2018
OSLO/AKERSHUS	m ²	m ²	m ²	m ²	m ²	m ²	%	%	Years	NOK million
Skøyen										
Hovfaret 11	4 377	0	569	0	696	5 642	0,0	100,0	0,7	13,8
Nedre Skøyen vei 24	3 630	0	1 215	0	0	4 845	0,0	100,0	0,7	14,9
Nedre Skøyen vei 26	20 211	0	696	4 631	5 581	31 119	0,0	100,0	0,7	70,4
Total Skøyen¹	28 218	0	2 480	4 631	6 277	41 606	0,0	100,0	0,7	99,1

Other

Oslo Airport Gardermoen	0	0	0	0	20 976	20 976	0,0	100,0	1,5	29,8
Snarøyveien 36 (prev. Aker Hus)	40 786	0	0	17 329	0	58 115	9,9	100,0	1,4	66,9
Total Other	40 786	0	0	17 329	20 976	79 091	7,1	100,0	1,4	96,7
TOTAL OSLO - AKERSHUS	212 772	30 375	23 177	42 675	29 828	338 827	3,6	99,8	4,0	753,5

¹ Skøyen portfolio. Hovfaret 11 and Nedre Skøyenvei 24 and 26. agreed sold with take over in March 2019

Property details Q2-2018

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Property	Property facts						Rent facts			
	Space split									
	Offices	Retail / restaurant	Warehouse	Indoor parking	Other	Total m2	Market rent vacancy	CPI	WAULT per Jun 2018	Run rate per Jun 2018
STAVANGER	m ²	m ²	m ²	m ²	m ²	m ²	%	%	Years	NOK million
Badehusgata 33-39	19 045	260	354	1 963	0	21 622	33,0	100,0	2,9	19,5
Forusbeen 35 ¹	19 075	0	0	4 224	0	23 299	NA	100,0	0,8	2,2
Grenseveien 19	5 451	0	0	0	0	5 451	100,0	NA	3,7	0,0
Grenseveien 21 ¹	27 966	0	0	0	0	27 966	NA	NA	0,3	1,0
Maskinveien 32	4 106	0	405	658	0	5 169	3,1	100,0	0,2	8,7
Svanholmen 2	2 840	6 910	0	0	0	9 750	5,7	100,0	1,1	11,8
TOTAL STAVANGER	78 483	7 170	759	6 845	-	93 257	31,7	97,6	1,7	43,2
GROSS TOTAL	291 255	37 545	23 936	49 519	29 828	432 084	5,6	99,7	3,8	796,7

¹ Forusbeen 35 and Grenseveien 21 are not included in the calculation of vacancy as zoning process is ongoing for transformation to mixed use.

Largest shareholders as of 30 June 2018

Name	Share (%)	Number of shares	Account type	Nationality
GEVERAN TRADING CO L	58,83	322 678 361		CYP
FOLKETRYGDFONDET	13,48	73 951 642		NOR
NIAM V PROSJEKT AS c/o Langham Hall UK	12,30	67 437 425		NOR
The Bank of New York STICHTING DEPOSITORY	4,22	23 131 995	NOM	NLD
State Street Bank an A/C WEST NON-TREATY	0,80	4 413 729	NOM	USA
DANSKE BANK AS	0,78	4 265 216		DNK
The Bank of New York C/O BNYMSANV RE BNYM	0,44	2 392 754	NOM	GBR
NIKI AS	0,36	2 000 000		NOR
DnB NOR MARKETS, AKS DNB Bank ASA	0,35	1 922 101		NOR
SALT VALUE AS	0,33	1 817 969		NOR
State Street Bank an A/C CLIENT OMNIBUS F	0,28	1 537 830	NOM	USA
J.P. Morgan Bank Lux JPML SA RE CLT ASSET	0,27	1 455 509	NOM	LUX
MATHIAS HOLDING AS PER MATHIAS AARSKOG	0,26	1 400 000		NOR
EIKA NORGE	0,25	1 373 905		NOR
Skandinaviska Enskil SEB AB, UCITS V - Fi	0,25	1 370 112	NOM	FIN
KAS Bank N.V. S/A CLIENT ACC TREAT	0,25	1 359 000	NOM	NLD
Espedal & Co AS	0,23	1 264 767		NOR
Nordea Bank AB NORDEA BA. SWE. AB (0,18	1 000 000	NOM	SWE
BANAN II AS	0,18	1 000 000		NOR
JAG HOLDING AS	0,18	1 000 000		NOR
Sum 20 largest share holders	94,22	512 793 443		9/20 NOR

Disclaimer

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