



# Positive results, strengthened financial platform

Oslo, 3 November 2009

**3rd quarter 2009 financial results**



# Agenda

## Headlines

### and financial update

Mari Thjørnøe

#### Markets & operations:

- Office portfolio
- Hotel portfolio

Aili Klami

Anders Vatne

#### Closing remarks

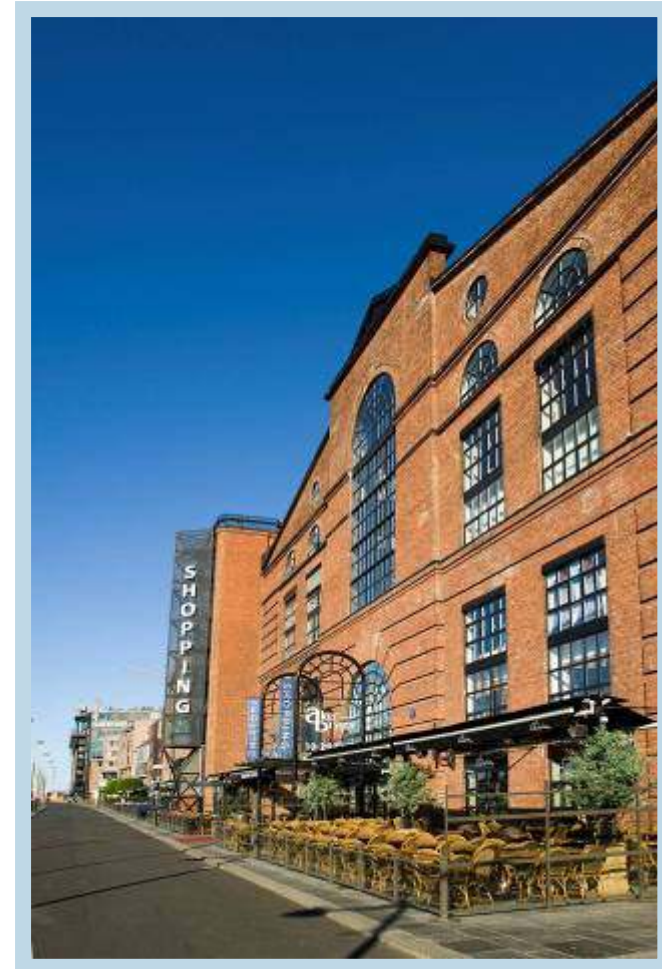
Mari Thjørnøe

#### Q&A session

3Q 2009

## Positive results, strengthened financial platform

- **Strengthened financial platform through successful completion of NOK 1.5 billion equity issue**
  - Proceeds used in its entirety to reduce debt
- **Trend of less negative value adjustments continues**
  - Mild upward adjustment of commercial portfolio value
  - Less negative value adjustment of hotel portfolio
- **Satisfactory operations and stable revenues**
- **Positive share development**
  - Average turnover of 4.4 million shares daily
  - Increased shareholder base and higher share of foreign investors
- **Renegotiated rental office agreements with an aggregate increase in rent of 22 per cent**
- **Olav Line appointed as new CEO, effective as from 1 January 2010**

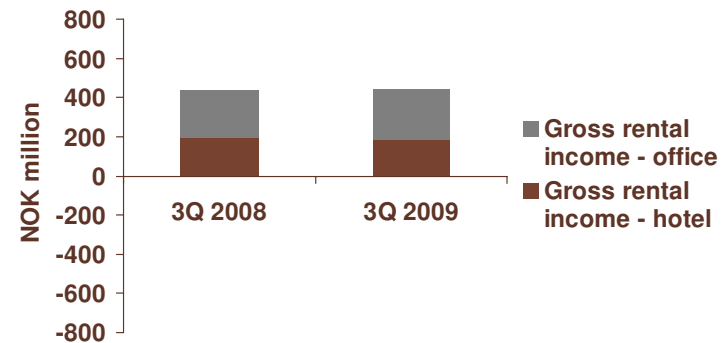


3Q 2009

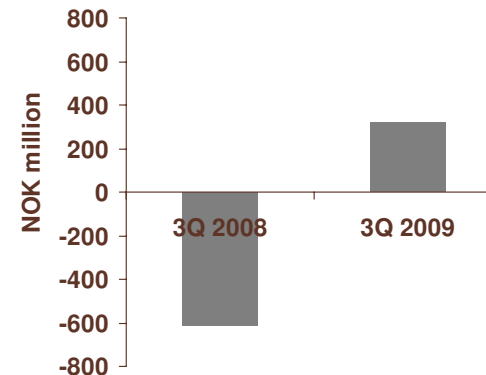
# Strong operational performance, good cost control

- **Strong operational performance**
  - Gross rental income adjusted for sales slightly up from last year
  - Operating profit of NOK 319 million, up from NOK -615 million from 3Q 08
- **Good cost control**
  - Operational costs on plan
  - Ordinary group costs on plan, one-offs primarily related to personnel changes take costs up
  - Finance costs down NOK 36.4 million due to reduced debt levels
- **Positive development for the company's portfolio of interest rate hedging instruments**
- **Valuation of investment properties maintained**
  - Aggregate value adjustments of -0.1 per cent in the quarter
  - Hotel portfolio adjusted down by 0.5 per cent
  - Office portfolio adjusted up by 0.1 per cent
  - Few real estate transactions, but increased underlying activity

Gross rental income – adjusted for sales



Operating profit



## 3Q 2009

# Income statement

NOK million	3Q 2009	3Q 2008	Full year 2008
<b>Gross rental income</b>	<b>445.1</b>	<b>454.6</b>	<b>1 866.8</b>
Maintenance and property related cost	-37.5	-38.8	-152.2
Group expenses	-44.5	-28.2	-131.6
<b>Operating result before value adjustment</b>	<b>363.1</b>	<b>387.6</b>	<b>1 583.1</b>
Net financial items excluding derivatives and currency effects	-256.0	-271.9	-1 063.4
<b>Profit before value adjustments and acquisition financing</b>	<b>107.0</b>	<b>115.7</b>	<b>519.6</b>
Net financial items, acquisition financing	-26.6	-46.2	-207.4
<b>Profit before value adjustments</b>	<b>80.4</b>	<b>69.4</b>	<b>312.2</b>
Net gain on disposals	-	-	34.4
Currency gains / loss (unrealized)	1.3	-2.9	-55.6
Net gain/loss on value adjustments, investment properties	-31.6	-1 002.8	-3 987.5
Impairment of goodwill	-12.3	-	-221.0
Change in market value of financial derivatives	212.8	-435.7	-1 201.4
<b>Profit before income tax</b>	<b>250.7</b>	<b>-1 371.9</b>	<b>-5 118.9</b>
Income tax	-57.9	381.4	928.2
<b>Profit for the period</b>	<b>192.8</b>	<b>-990.6</b>	<b>-4 190.7</b>
Earnings per share (NOK)	0.66	-4.91	-26.65

3Q 2009

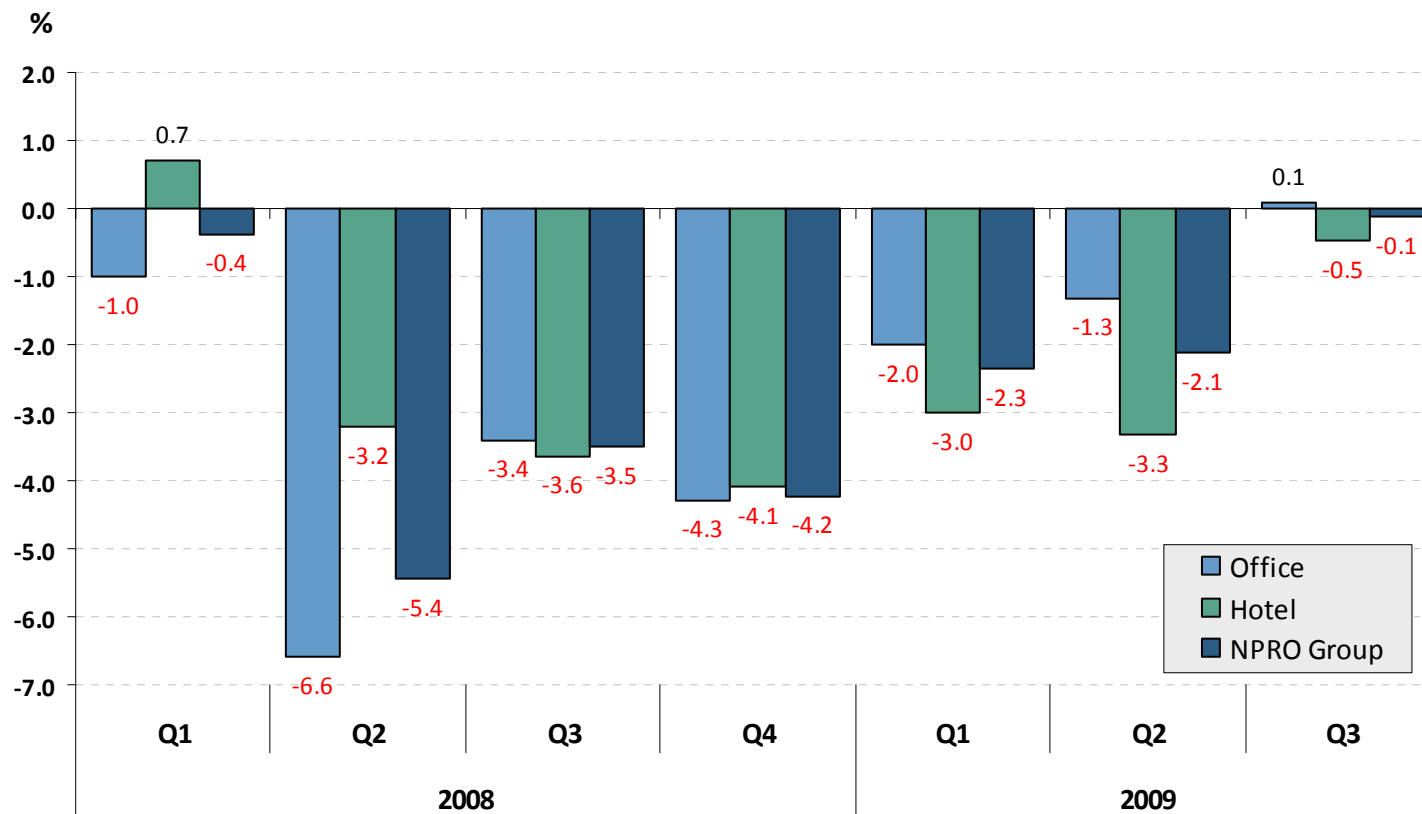
## Income statement by business segment

	Office		Hotel		OP	Total	
NOK million	3Q 2009	3Q 2008	3Q 2009	3Q 2008	3Q 2009	3Q 2009	3Q 2008
<b>Gross rental income</b>	<b>258.0</b>	<b>264.1</b>	<b>187.1</b>	<b>190.5</b>	-	<b>445.1</b>	<b>454.6</b>
Maintenance and property related cost	-17.9	-19.2	-19.6	-19.6	-	-37.5	-38.8
Group expenses	-31.5	-15.8	-13.0	-12.4	-	-44.5	-28.2
<b>Operating result before value adjustment</b>	<b>208.5</b>	<b>229.1</b>	<b>154.5</b>	<b>158.5</b>	-	<b>363.1</b>	<b>387.6</b>
Net financial items excl. derivatives and currency	-174.8	-185.4	-81.3	-86.5	-	-256.0	-271.9
Net financial items, acquisition financing	-	-	-	-	-26.6	-26.6	-46.2
<b>Profit before value adjustments, gains and tax</b>	<b>33.8</b>	<b>43.7</b>	<b>73.3</b>	<b>72.0</b>	<b>-26.6</b>	<b>80.4</b>	<b>69.4</b>
Net gain on disposals	-	-	-	-	-	-	-
Net gain/loss value adj. investment properties	12.7	-619.4	-44.4	-383.4	-	-31.6	-1 002.8
Currency gain / loss	-	-2.9	1.3	-	-	1.3	-2.9
Impairment of goodwill	-	-	-12.3	-	-	-12.3	-
Change in market value of financial derivatives	195.0	-275.4	17.8	-160.3	-	212.8	-435.7
<b>Profit before income tax</b>	<b>241.5</b>	<b>-854.0</b>	<b>35.8</b>	<b>-471.6</b>	<b>-26.6</b>	<b>250.7</b>	<b>-1 371.9</b>

## 3Q 2009

# Trend of less negative value adjustments maintained

- Negative fair value adjustment in 3Q of 0.1 per cent on group level
- Accumulated -4.4 per cent by 3Q in 2009 compared to -13.3 per cent in 2008



## 3Q 2009

# Cash flow

NOK million	3Q 2009	3Q 2008	Full year 2008
Profit before income tax and interest	250.7	-1 371.9	-5 118.9
Non cash items and reclassification	112.8	1 759.9	6 695.2
Changes in short term items	-55.2	-82.5	139.4
<b>Cash flow from operating activities</b>	<b>308.2</b>	<b>305.5</b>	<b>1 715.7</b>
Net financial items (ex. market value adjustments and currency gain/loss)	-258.4	-321.0	-1 270.8
<b>Adjusted cash flow from operating activities</b>	<b>49.8</b>	<b>-15.6</b>	<b>444.9</b>
Cash received from sale of assets	-	-	1 311.0
Purchase of tangible assets	-5.3	-60.8	-308.3
Purchase of subsidiaries	-	-148.8	-155.5
<b>Cash flow from investment activities</b>	<b>-5.3</b>	<b>-209.7</b>	<b>847.2</b>
Net change in interest bearing debt	-1 524.9	-2 370.1	-3 843.5
Capital increases	1 450.6	2 340.0	2 345.9
Dividend payments	-	-	-263.7
Other financing activities	-8.6	-	-
<b>Adjusted cash flow from financing activities</b>	<b>-82.9</b>	<b>-30.1</b>	<b>-1 761.3</b>
<b>Net change in cash</b>	<b>-38.4</b>	<b>-255.4</b>	<b>-469.3</b>
<b>Net cash at end of period</b>	<b>190.5</b>	<b>68.6</b>	<b>174.2</b>



## 3Q 2009

# Balance sheet

NOK million	30.09.2009	30.09.2008	31.12.2008
Investment properties <sup>1)</sup>	24 290.1	27 379.7	27 312.6
Goodwill	691.7	1 099.9	885.6
Market value financial derivatives (net)	-473.1	591.7	-631.3
Unpaid capital	-	-	-
<b>Cash and cash equivalents</b>	<b>190.5</b>	<b>68.6</b>	<b>174.2</b>
Equity	5 290.3	6 973.0	5 001.2
<b>Long term interest bearing debt</b>	<b>17 987.2</b>	<b>20 580.1</b>	<b>21 022.0</b>
<b>Short term interest bearing debt</b>	<b>680.2</b>	<b>745.0</b>	<b>818.6</b>
Deferred tax liability	442.2	763.1	565.5
Net other assets	299.3	78.7	333.9
Equity ratio	20.8 %	23.6 %	17.3 %
Net asset value per share (NOK)	11.67	34.58	24.80
Net asset value per share (NOK), EPRA	13.61	34.71	30.14

<sup>1)</sup> Net of deferred tax at acquisition

# Financial platform strengthened during the quarter

## Equity increased by NOK 1 643 million in the period

*Amounts in NOK million*

	<b>Equity as per 30.06.2009:</b>	<b>3 647</b>
+	<b>Proceeds from share issues</b>	<b>1 469</b>
+	<b>Net profit in the period</b>	<b>193</b>
-	<b>Derivatives</b>	<b>9</b>
-	<b>Currency effects</b>	<b>10</b>
=	<b>Equity as per 30.09.2009</b>	<b>5 290</b>

## Debt reduced by NOK 1 625 million during the period

*Amounts in NOK million*

	<b>Interest bearing debt as per 30.06.2009:</b>	<b>20 292</b>
-	<b>Debt repayment during the period</b>	<b>1 525</b>
-	<b>Currency effects</b>	<b>89</b>
-	<b>Charges</b>	<b>11</b>
=	<b>Interest bearing debt as per 30.09.2009</b>	<b>18 667</b>

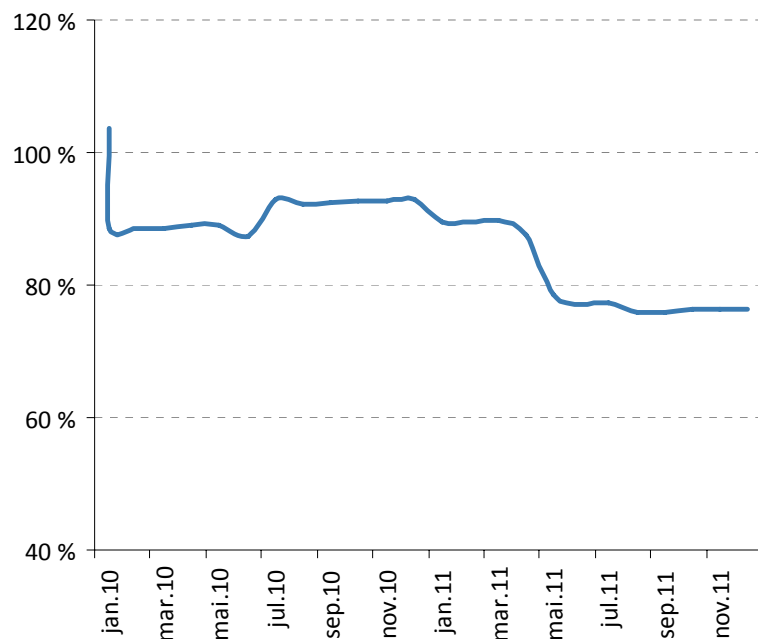
# A sound financial position

Interest bearing debt and hedging	30.09.2009
Net external debt (NOK million)	18 712
Hedging ratio	105.1 %
Unused committed credit facilities (NOK million)	336
Average time to maturity, hedging (years)	3.3
Average interest rate (incl. margin)	5.2 %
Average margin	1.0 %
Average remaining duration, borrowing (years)	3.2
Property value (gross of deferred tax at acquisition) (NOK million)	24 502
Interest bearing debt relative to property value	76.4 %

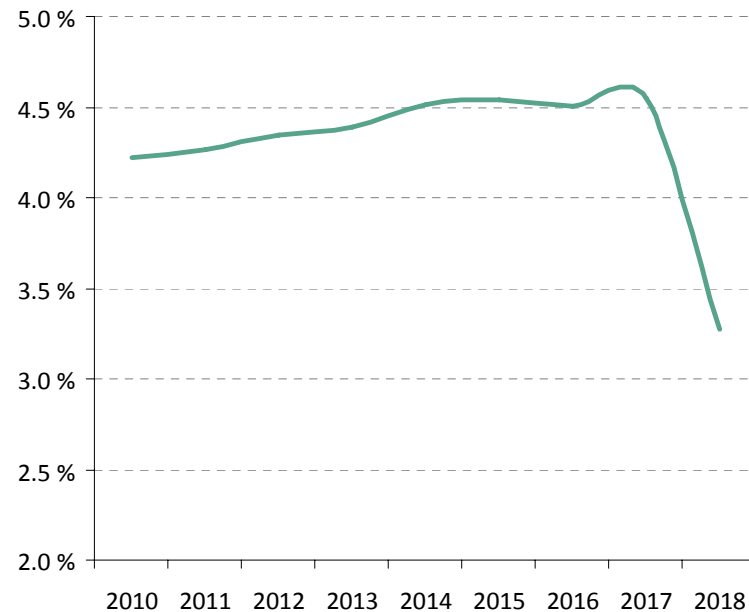
# Robust interest rate hedging policy

- Policy to hedge interest rate exposure and ensure stable financial expenses
- A slight over hedge position in 4Q 09 after debt down payment
- Hedging ratio to be reduced to 88 per cent in January 2010
  - this is likely to reduce overall interest expenses as floating interest rates are expected to be lower than the average rate in hedge portfolio

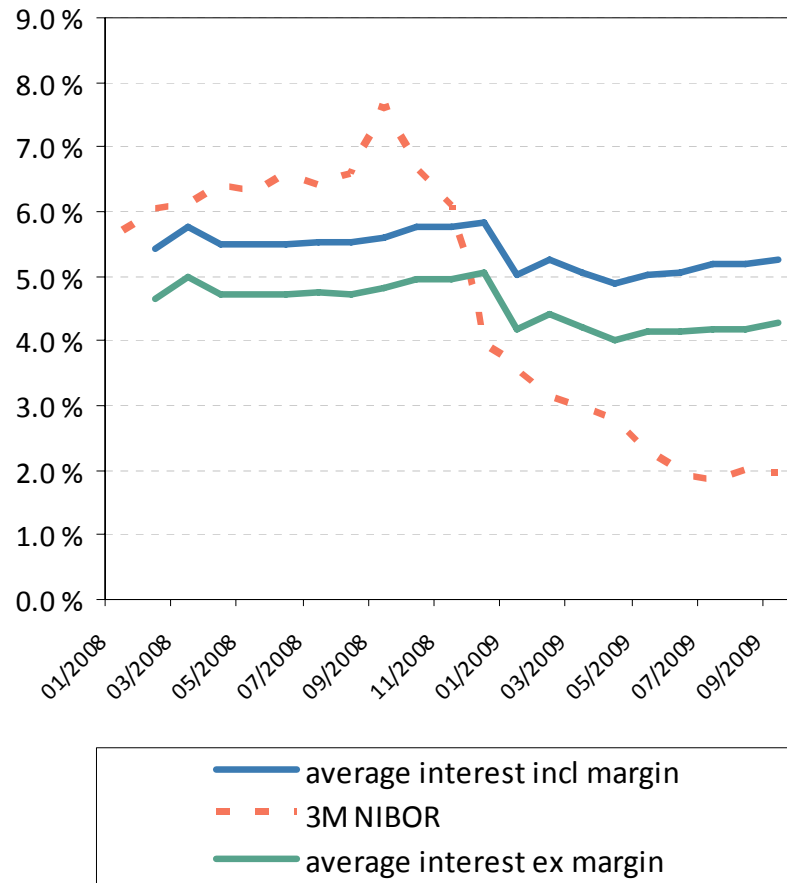
Hedging ratio 2009-2011



Average interest rate – swap portfolio per 3Q09



# Stable interest rate and credit margin through the financial cycle



- Norwegian Property's average interest rate on debt (including margin) has been stable through the financial turbulence the last year, and considerably more stable than market interest rates
- Average credit margin after the negotiation of new terms on more than 50 % of the total debt portfolio has only increased with 10bp to 1.00 % per Q3-2009

# Agenda

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and financial update

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## Markets & operations:

▪ **Office portfolio**

**Aili Klami**

▪ Hotel portfolio

Anders Vatne

Closing remarks

Mari Thjømøe

Q&A session

# Office portfolio

## Overview of portfolio of commercial properties



Run rate as of 30 September 2009

### Portfolio

Number of properties	48
Total size (m <sup>2</sup> )	634 620
Average size per property (m <sup>2</sup> )	13 221
Average value per m <sup>2</sup> (NOK)	23 625
Average value per property (MNOK)	312
Average rent per m <sup>2</sup> (NOK)	1 648

### Valuation

Market value (MNOK)	14 993
Gross rent (MNOK)	1 045.9
Opex (MNOK)	58.6
Net rent (MNOK)	987.4
Gross yield, contractual rent	7.0 %
Net yield, contractual rent	6.6 %
Gross yield, market rent <sup>*)</sup>	7.4 %
Net yield, market rent <sup>*)</sup>	7.0 %
Duration (years)	5.1
CPI adjustment (2009)	97.1 %
Vacancy (excl. warehouse and parking)	1.8 %



<sup>\*)</sup> Market rent is assessed by DTZ Realkapital and Akershus Eiendom to be 6.4 % (weighted average) above current contractual rents

# Office portfolio

## Exposure to prime locations in Oslo



<ul style="list-style-type: none"> <li>▪ 3 properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ 11 properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1 property</li> </ul>	<ul style="list-style-type: none"> <li>▪ 11 properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ 12 properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1 property at Gardermoen and 1 at Tøyen</li> </ul>
<ul style="list-style-type: none"> <li>▪ Office: 64 876 m<sup>2</sup></li> <li>▪ Indoor Parking: 28 825 m<sup>2</sup></li> <li>▪ Total: 94 113 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Office: 75 349 m<sup>2</sup></li> <li>▪ Indoor Parking: 18 080 m<sup>2</sup></li> <li>▪ Total: 108 314 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Office: 26 847 m<sup>2</sup></li> <li>▪ Indoor Parking: 3 000 m<sup>2</sup></li> <li>▪ Total: 33 319 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Office: 96 275 m<sup>2</sup></li> <li>▪ Retail: 27 416 m<sup>2</sup></li> <li>▪ Total: 148 025 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Office: 67 757 m<sup>2</sup></li> <li>▪ Indoor Parking: 26 289 m<sup>2</sup></li> <li>▪ Total: 109 693 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Office 5 479 m<sup>2</sup></li> <li>▪ Warehouse: 20 976 m<sup>2</sup></li> </ul>



# Office portfolio

## Strategic locations in Stavanger; the oil and gas cluster



## Office portfolio

# Concentrated high quality customer base

Tenant	Rent (MNOK)	Duration (years)	Share of total	Public sector participation	Listed at group level
EDB Business Partner ASA	83.6	9.4	8.0 %	✓	✓
Aker Solutions ASA	82.7	9.5	7.9 %	✓	✓
DnB NOR ASA	73.4	3.5	7.0 %	✓	✓
Nordea	46.1	4.3	4.4 %	✓	✓
StatoilHydro ASA	43.2	3.3	4.1 %	✓	✓
SAS Scandinavian Airlines Norge AS	42.4	7.2	4.1 %	✓	✓
If Skadeforsikring	40.6	3.1	3.9 %		✓
Aker Offshore Partner AS	33.9	5.2	3.2 %	✓	✓
Total E&P Norway AS	30.4	8.1	2.9 %		✓
Höegh Autoliners Management AS	28.0	10.5	2.7 %		
Get AS	27.3	1.7	2.6 %		
Telenor Eiendom Holding AS	27.2	6.0	2.6 %	✓	✓
NetCom AS	24.1	3.1	2.3 %	✓	✓
Skanska Norge AS	22.0	5.6	2.1 %		✓
Fokus Bank	21.0	3.3	2.0 %	✓	✓
Atea ASA	18.7	3.0	1.8 %		✓
TDC AS	16.1	1.8	1.5 %		✓
NAV	15.4	2.0	1.5 %	✓	
YX Energi Norge AS	14.8	1.9	1.4 %		✓
Tieto Norway AS	13.8	2.8	1.3 %		✓
BW Offshore AS	11.7	4.2	1.1 %		✓
Simonsen Advokatfirma DA	11.6	3.2	1.1 %		
Økokrim	11.4	17.0	1.1 %	✓	
ErgoGroup AS	10.6	2.0	1.0 %	✓	
Schibsted Eiendom AS	9.5	4.3	0.9 %		✓
<b>Total 25 largest tenants</b>	<b>759.5</b>	<b>5.7</b>	<b>72.6 %</b>	<b>13 / 25</b>	<b>19 / 25</b>
<b>Total other tenants</b>	<b>286.4</b>	<b>3.5</b>	<b>27.4 %</b>		
<b>TOTAL ALL TENANTS</b>	<b>1 045.9</b>	<b>5.1</b>	<b>100.0 %</b>		

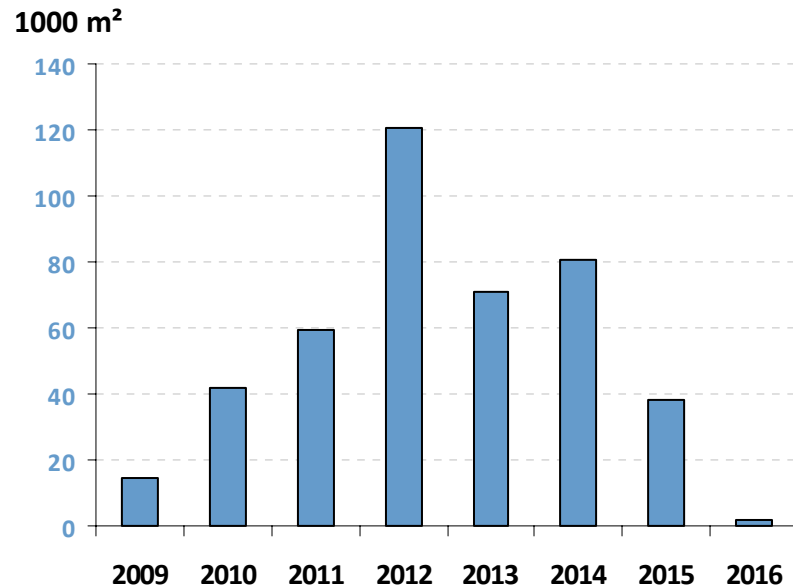
- Close customer follow-up
- Regular credit assessments of tenants
- Limited risk related to tenant defaults and renewals
- Top 25 tenants' average lease duration 5.7 years

# Office portfolio

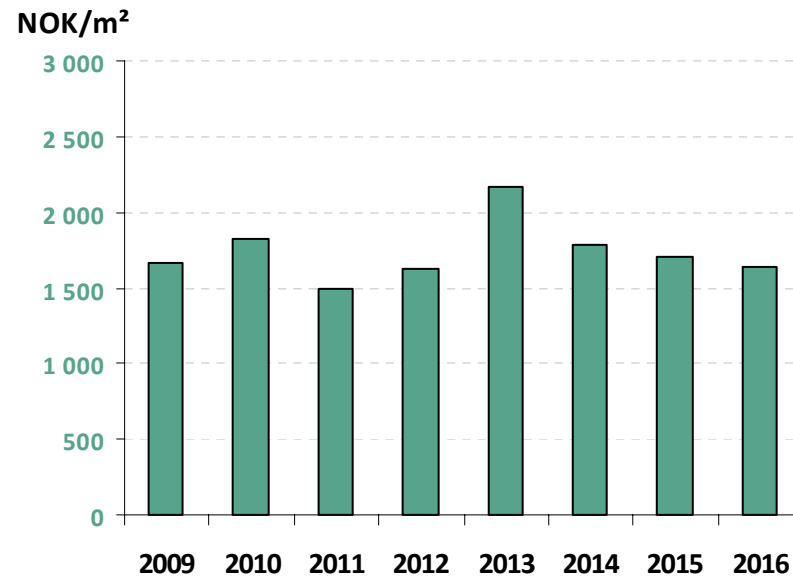
## Lease maturity profile

- 5.1 year duration of leases
- Vacancy at 1.8 per cent
- Average current rent of NOK 1 648 per m<sup>2</sup>
- 97.1 per cent of lease volume is CPI adjusted (cash flow inflation hedge)

Volume expiring per year



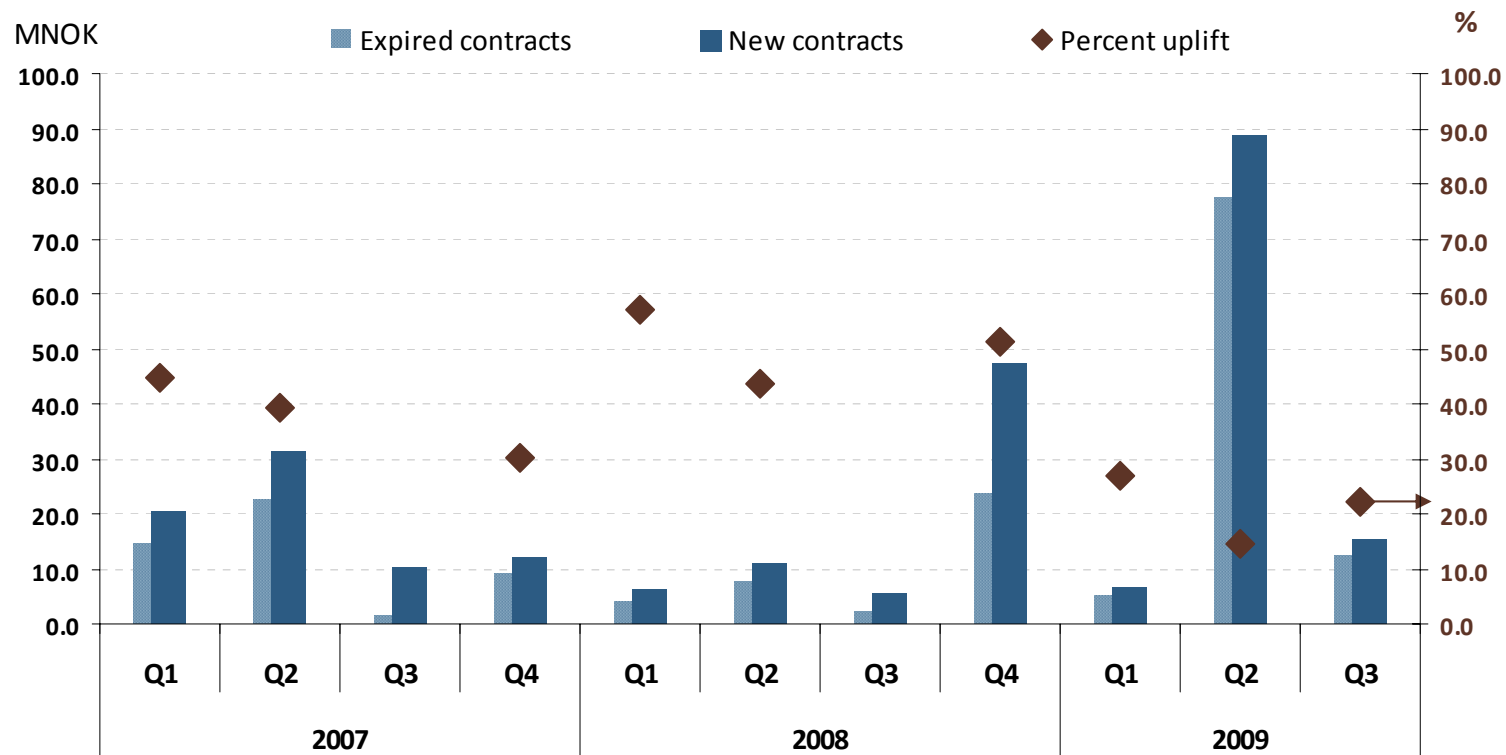
Average existing rent by year of lease maturity



## Office portfolio

# Positive net leasing - uplift potential delivered

- 21 new lease agreements gives an uplift of 22 per cent over existing rent level
- Estimated uplift potential of 6.4 per cent



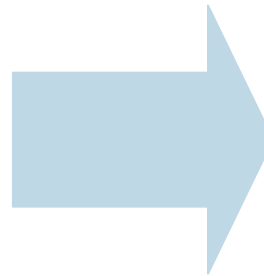
## Office portfolio

# High standards for property operations and maintenance

Close customer contact to **identify customer needs**

Well-established **control mechanisms** to ensure **quality standards** are met

Ensure maintenance needs are identified and **measures executed as planned**



**High property standards maintained over time**

# Office portfolio

## Operational highlights

- **Over 20 new lease agreements, 22 per cent uplift**
- **Examples of recent lease agreements:**
  - Skøyen: approx. 4 200 m<sup>2</sup> office space at NOK 2 100 / m<sup>2</sup> per annum
  - Aker Brygge: approx. 250 m<sup>2</sup> office space at NOK 3 800 / m<sup>2</sup> per annum
- **Negotiated rental agreements at Aker Brygge at approx. NOK 5 million annual rent**
- **Slightly positive value adjustment of portfolio from previous quarter**
- **Small share of contract portfolio up for renegotiation in 2010**
- **Well positioned for letting opportunities in 2011-2012**



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▪ **Hotel portfolio**

**Anders Vatne**

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Q&A session

# Hotel portfolio

## Highlights 3Q 2009



- **Value adjustments of minus 0.5 per cent**
- **Satisfactory tourist season, hotel market in general still weak**
- **New management structure in place with increased local presence**
  - New country manager appointed in Sweden
- **Good control of property costs**
  - Capital discipline and management attention on capex program
- **New attractive operator agreement in Copenhagen**



# The leading Scandinavian hotel company



## Management focus

- **Strong position**
  - The leading Scandinavian hotel portfolio
- **Local organization**
  - Country-based management
- **Close cooperation with hotel chains**
- **Unique competence within hotel and real estate**
- **Negotiation skills**

## Capacity development

- **Capacity growth primarily in some major cities**
- **Limited effect on Norgani revenues**

# Hotel portfolio

## Overview of hotel portfolio



As of 30 September 2009	
<b>Portfolio</b>	
Number of properties	74
Number of rooms	12 884
Total size (m <sup>2</sup> )	671 480
Average size per property (m <sup>2</sup> )	9 074
Average value per m <sup>2</sup> (NOK)	14 162
Average value per property (MNOK)	129
Average value per room (NOK)	738 099
<b>Valuation</b>	
Market value (MNOK)	9 510
Net yield*	7.0 %
Remaining duration. contracts (years)	9.8
Minimum rent and seller guarantee. 2009 (MNOK)**	632



*\*) Based on forecast and market value as of 30 September*

*\*\*) Based on budget currency rates. EURNOK (8.40). SEKNOK (0.86) and DKKNOK (1.13)*

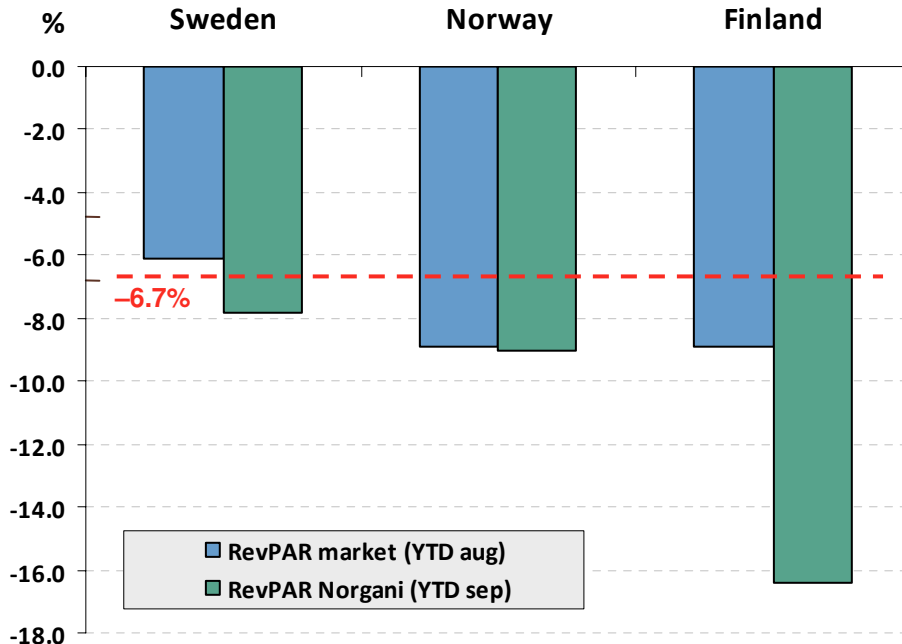
# Hotel portfolio

## RevPAR development

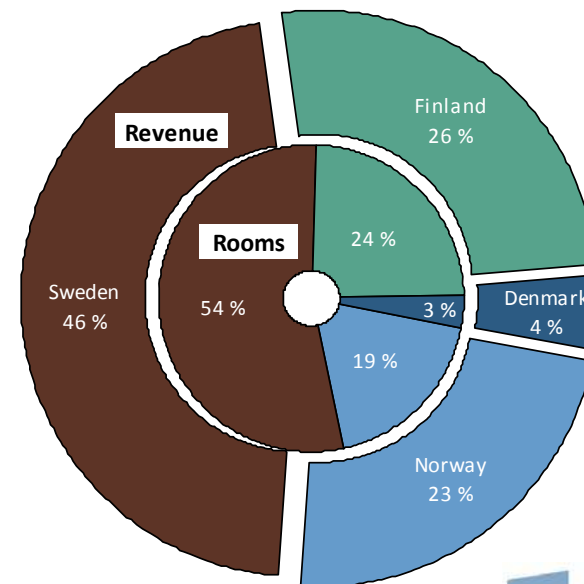


- Norgani YTD 2009 revenues are 6.7 per cent below 2008, minimum rents and seller guarantees limits income reductions
- **Occupancy**
  - Summer season better than expected, especially in Sweden
  - Current downturn similar to previous downturns in terms of who are hit the hardest;
    - International business, conference and tourism market
    - Capital areas
  - Business market in September was somewhat below expectations
- **Room rates**
  - Capital cities have dropped somewhat more than expected, particularly in the upper range (suites etc.)
  - Regional areas are fairly stable

RevPAR development in the Nordic market vs. Norgani

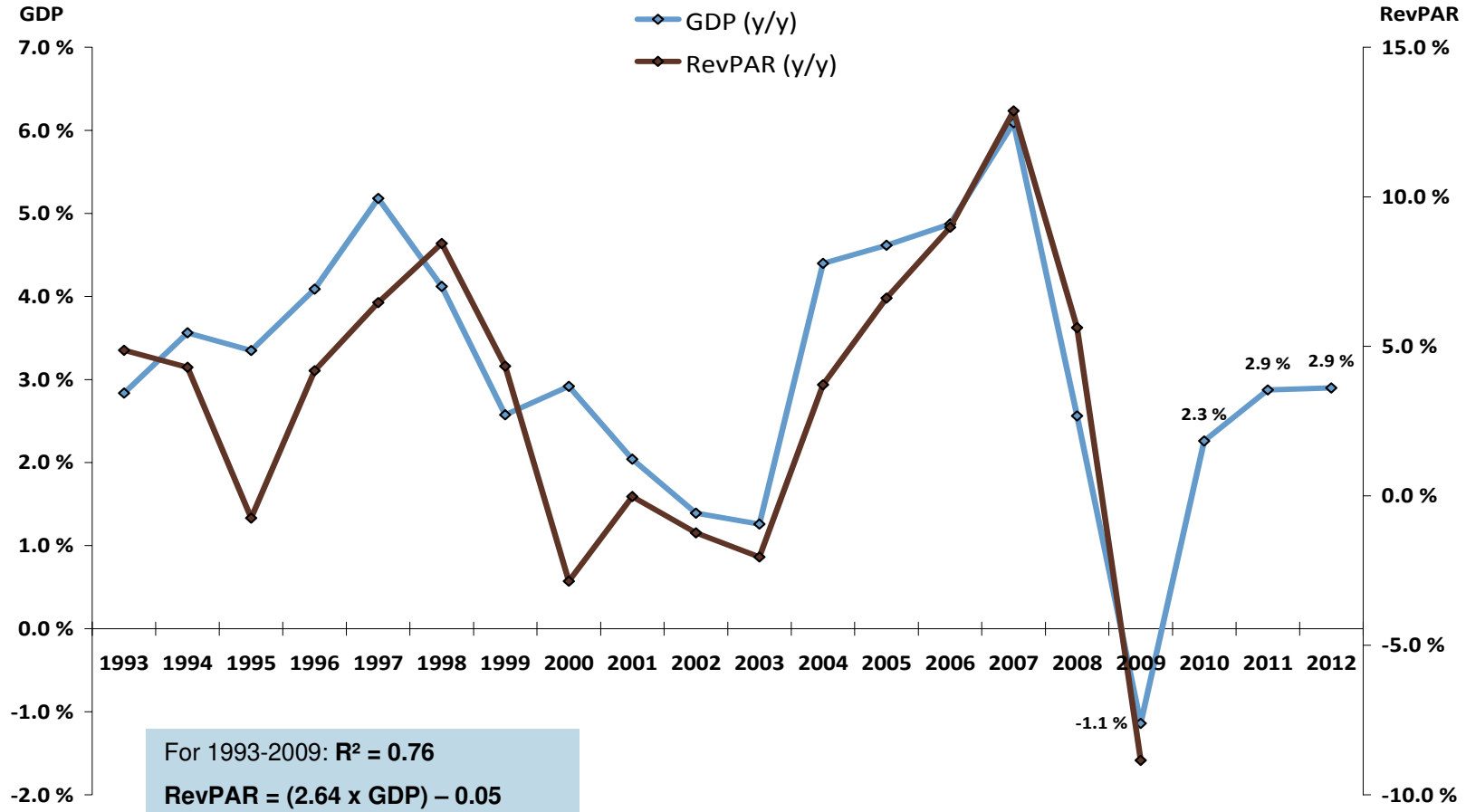


Norgani geographical split by rooms and revenue



# Hotel portfolio

## Norway: RevPAR development and GDP growth



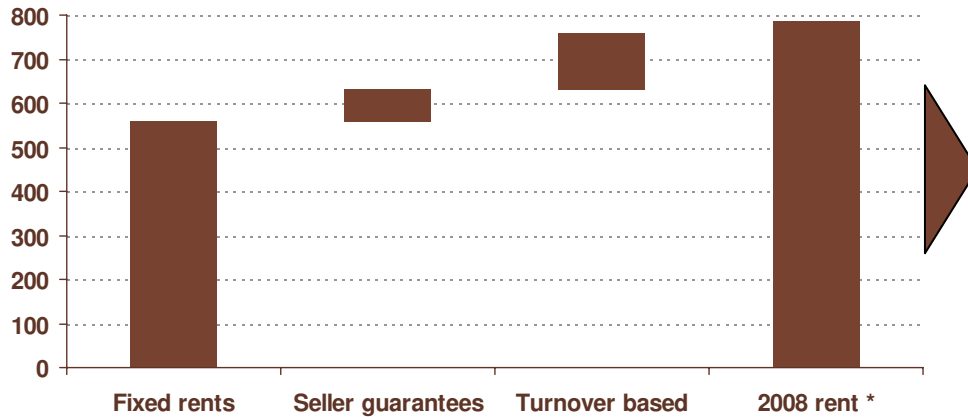
\* Both GDP and RevPAR historical data are SSB official numbers  
 \* GDP estimates 2009-12 is the average of latest estimates from: SSB, DnB NOR, N-B, SEB, Fin

## Hotel portfolio

# Revenue is protected through credit-worthy operators and a high degree of minimum rents

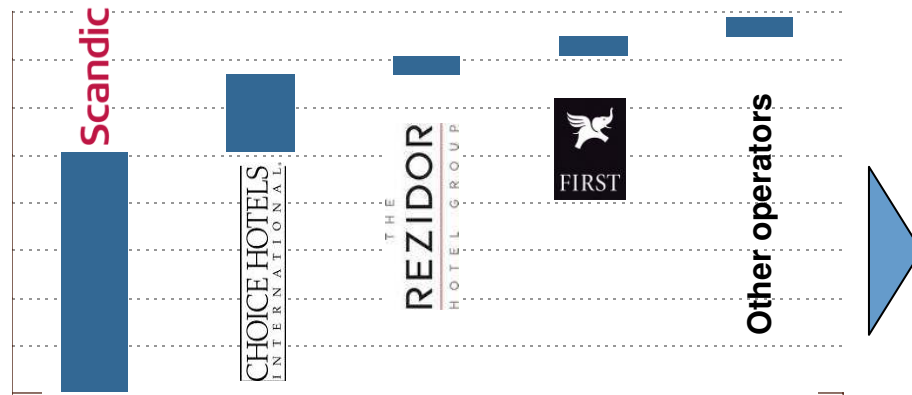


Revenue composition protects cash flow (MNOK)



- 80 per cent of forecasted income is fixed and not affected by market conditions
- Majority of minimum rent contracts are CPI adjusted
- As of 30 September, ten hotels are on minimum rent

Close customer follow-up



- Solid tenants
- Close follow-up
- No default of payments

\* Gross rent as reported based on average exchange rate in 2008

## Hotel portfolio

# New contract in 4Q - Hotel Europa



- **Lease agreement at attractive terms with Omenahotelli**
  - 15 years' duration
  - Fixed rent with 100 per cent CPI adjustment, in addition a turnover based element based on occupancy
  - Satisfactory bank guarantees
- **Hotel to open June 1st 2010**
- **New hotel concept in the Copenhagen market**

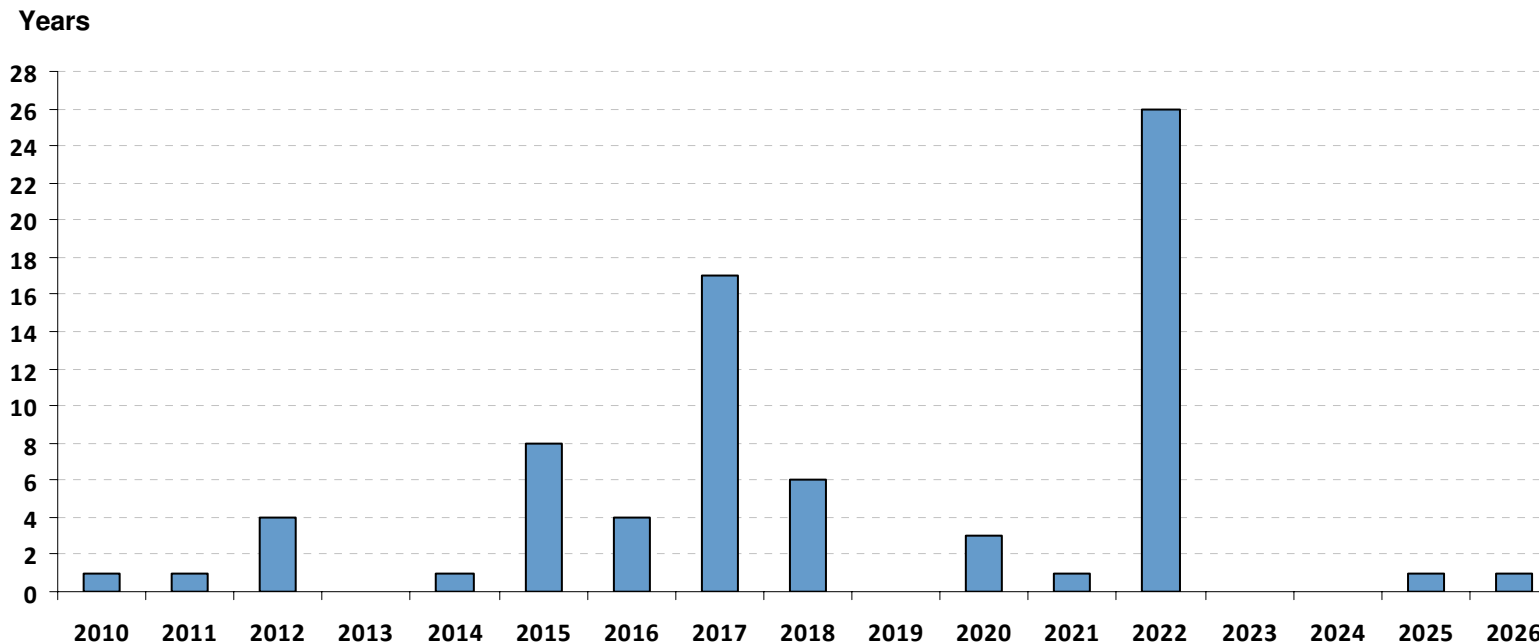


# Hotel portfolio

## Hotel lease maturity profile



- **Average weighted duration of 9.8 years**
  - 10.2 years including new Hotel Europa agreement
- **Of the six leases maturing in 2011-2014, three are with smaller private operators**



# Agenda

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Headlines

and financial update

Mari Thjømøe

Markets & operations:

- Office portfolio
- Hotel portfolio

Aili Klami

Anders Vatne

**Closing remarks**

**Mari Thjømøe**

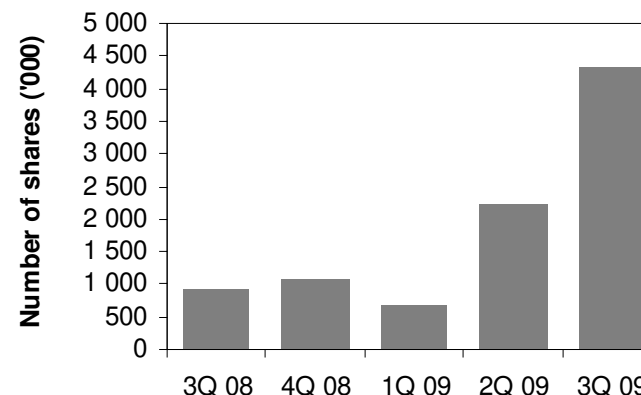
Q&A session



# Among the 50 most liquid property stocks in Europe

- Historically high NPRO trading volumes**
  - Average of 4.4 million shares per day in 3Q
- NPRO is among the 50 most liquid property stocks in Europe**
  - Number 39 on Global Property Research 250 Index as per 30 August 2009
- Non-Norwegian shareholder base increased from 24.9 per cent to 34.4 per cent during the quarter**
- Shareholder base increased to 3 241 shareholders as per 30 September 2009**
  - Increase of 32 per cent compared with end of 2Q 09
  - Increase of 165 per cent compared with end of 3Q 08
- Considerable shareholder value created**

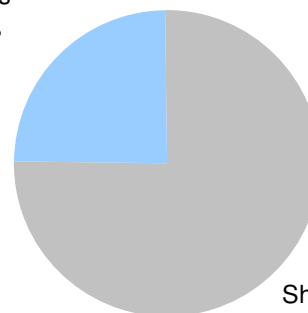
Average volume traded daily



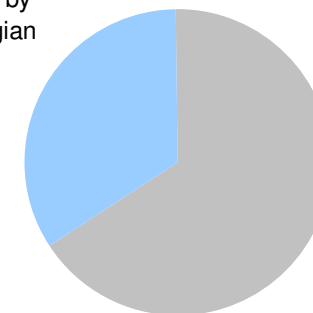
As per end of 2Q 09

As per end of 3Q 09

Share held by non-Norwegian owners 25 %



Share held by non-Norwegian owners 34 %



Share held by Norwegian owners 66 %



# Summary

**Strengthened financial position**

**Satisfactory operations, positive results**

**Valuation of investment properties maintained**

**Improved market outlook**



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