

Norwegian Property :: 2012



User guide

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Navigation

You can click on menus, buttons or the table of contents.
Click on the logo to go to the front cover.

-  **Left-hand arrow:** flip one page backward (or use arrow keys or scroll wheel)
-  **Right-hand arrow:** flip one page forward (or use arrow keys or scroll wheel)
-  **Previous view:** back to previously viewed pages
-  **Next view:** forward to previously viewed pages
-  **Find text:** simple search for text (not available in full-screen view)
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Print

The document is configured for printing on a horizontal A4 sheet in full size without margins.
A printer friendly version without buttons panel or hyperlinks can be downloaded here:
www.npro.no/presentations-reports

Tablet

The document is optimised for iBooks, but the navigation should function in all PDF readers for tablets which support hyperlinks.



«Creating meeting places which engage people.»



«Ambitious on the customer's behalf.»

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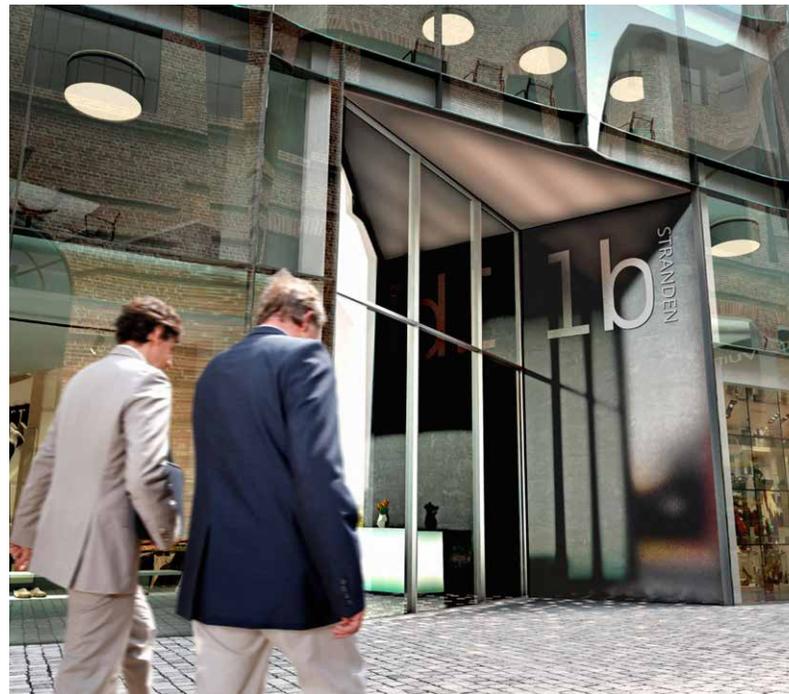
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Business model and strategy



«Dialogue and understanding of customer needs are crucial for delivering first-class quality.»

Business concept

Norwegian Property will create value growth through owning, developing and managing first-class commercial properties located in the most attractive clusters in Oslo and other central growth regions. The lease portfolio will comprise large, solid private and public tenants.

Strategic goals and priorities

Competitive return on equity

Norwegian Property has a long-term goal of delivering a return on equity before tax of at least 12 per cent, including on-going operational results and the rise in value. In order to deliver a good return, the company's attention is focused on all the long-term value drivers for property players:

- :: marketing and letting
- :: property management
- :: property development
- :: transactions and financing.

The company's ambition is that 30–50 per cent of its ordinary profit after tax, but before value adjustments, will be paid as dividend to the shareholders.

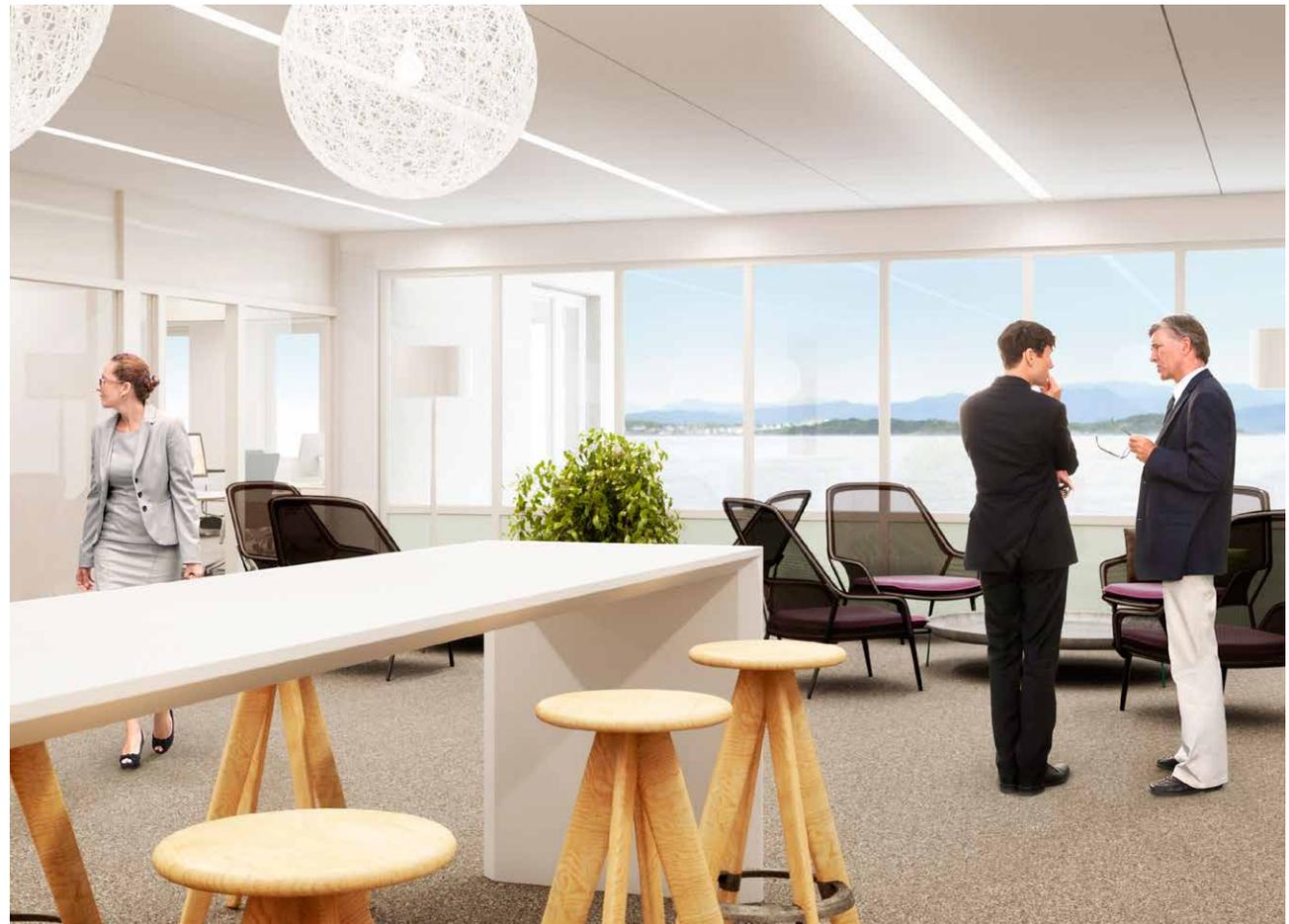
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The long-term goal is to be Norway's most customer-oriented property company.

Norway's most customer-oriented property company
Norwegian Property's philosophy is that the property profession first and foremost involves creating meeting places which encourage engagement and provide favourable conditions for developing relationships between people and with the world at large. This philosophy pervades the whole of the company's property business, which embraces development, administration, day-to-day management and maintenance. The long-term aim is to be regarded as Norway's most customer-oriented property company.

Recruit, retain and develop staff

Norwegian Property is an expertise-driven organisation. It wants to be an attractive employer, where staff thrive. Active efforts will be made to facilitate the development of employees and their expertise in order collectively to form a leading professional team in the Norwegian property sector.



Finance and investment strategy

Investment strategy

Norwegian Property has a strategy for investment which gives a key place to the following main parameters:

- :: attractive properties in office clusters close to traffic hubs in the largest Norwegian cities
- :: office properties and possible commercial premises associated with these
- :: high-quality tenants, a diversified lease-term structure and a high level of inflation adjustment
- :: environment-friendly properties.

Financing strategy

Norwegian Property's ambition is to deliver a competitive financial return over time with a balanced financial risk profile. The main parameters of its financial strategy are:

- :: a goal that the loan-to-value ratio will lie between 55 and 65 per cent over time
- :: borrowing will be based on long-term relationships with banks which have a long-term strategy in the Norwegian property market
- :: the company's ambition is to achieve a stable development in cash flow which requires a relatively high level of interest rate hedging, at 50–80 per cent of total borrowing over time.



«A commitment to attractive premises in office clusters close to traffic hubs.»

Vision and values



«Lessee needs are changing fast.
The answer is more collaboration.»



Zinc/Foto: Kjetil Jacobsen



Zinc/Foto: Kjetil Jacobsen

Vision

We will create meeting places and relationships which encourage engagement.

Values

The company's business culture is based on four core values.

Reliable

- :: We will create and maintain relationships
- :: We will do what we promise
- :: We will ensure quality at every level

Proactive

- :: We will always seek to solve problems before they arise
- :: We will seek and see new opportunities
- :: We will present new ideas

Innovative

- :: We will be innovative
- :: We will be ambitious
- :: We will challenge established truths

Collaborative

- :: We will be open and inclusive
- :: We will be generous and make ourselves available
- :: We will have a personal commitment

Key figures

Profit and loss account

		2011	2010	2009
Gross rental income	NOK million	1 021	1 025	1 768
Operating profit before finance and value adjustments	NOK million	854	870	1 455
Value adjustment investment properties	NOK million	282	171	(1 517)
Profit before tax	NOK million	284	438	(1 399)

Balance sheet

		2011	2010	2009
Market value of property portfolio	NOK million	15 655	15 062	23 733
Equity	NOK million	5 164	4 989	4 918
Interest-bearing debt	NOK million	10 165	10 295	18 379
Equity ratio	Per cent	31.8	31.4	19.9

Cash flow

		2011	2010	2009
Net cash flow from operating activities	NOK million	245	364	424
Cash and cash equivalents	NOK million	16	248	248

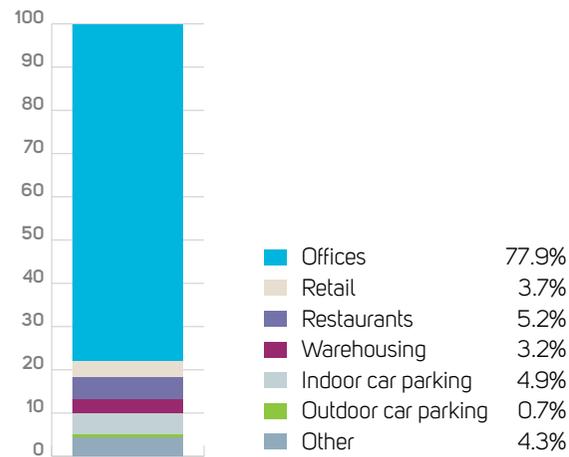
Key figures share

		2011	2010	2009
Issued shares at 31 December	Number	498 596 832	498 596 832	453 270 832
Ordinary earnings per share for continued business (EPS)	NOK per share	0.45	0.72	(0.87)
Ordinary earnings per share for whole business (EPS)	NOK per share	0.46	(0.94)	(4.17)
Carried amount of equity per share	NOK per share	10.36	10.01	10.85
Net assets per share (Epra)	NOK per share	11.67	10.84	12.84
Dividend per share	NOK per share	0.20	0.10	-

Rental income by location and type of area

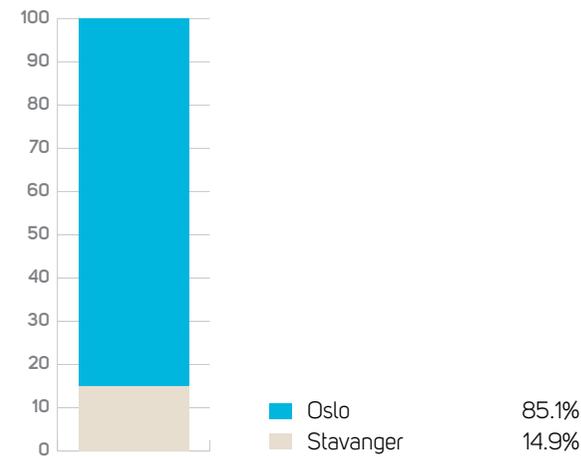
Gross rental income by category

at 31 Dec 11



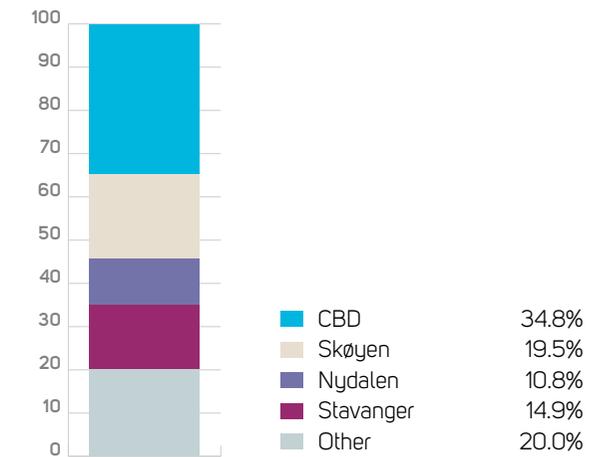
Gross rental income by location

at 31 Dec 11



Gross rental income by city district

at 31 Dec 11



Employees

Norwegian Property has 49 employees with market-leading expertise in marketing and letting, property management and development, and transactions and financing.

Ambitious on the customer's behalf

In Norwegian Property, we want above all to create meeting places which generate engagement and thereby encourage the development of relationships between people and with the world at large. That characterises the whole of our business, from property development and management to day-to-day operation and maintenance. Our long-term goal is to be Norway's most customer-oriented property company.



«We also have aggressive targets for the environment and for social responsibility.»



We have been concerned during 2011 to continue developing our accessibility to customers by facilitating good dialogue and achieving a better understanding of their needs. The latter is particularly important, since we see a tendency for requirements to change more rapidly than before. These changes demand a completely different dynamism, both in interaction with customers and in our internal collaboration. We have taken account of this in our organisation.

We commissioned a survey of our tenants in 2011, and the results show a substantial improvement in customer satisfaction compared with a similar poll in 2009. It is gratifying that our commitment to customer service has already yielded measurable results.

My thanks go to all employees and partners who contribute to improvement every day. That inspires continued efforts to reach our long-term goals.

We also have aggressive targets for the environment and for social responsibility. Our aim is to be the leading Norwegian property company for sustainable solutions and lower use of resources. In line with our strategy, we are building up an infrastructure for reporting key figures in accordance with the recommendations of the European Public Real Estate Association (EPRA). Full reporting and follow-up will begin in 2012. A measurement infrastructure will be installed in properties as part of a full rehabilitation.

[Continues >>](#)

Certain of our properties have an unrealised potential for value growth. Priority will now be given to development and upgrading.

Our commitment to local measures with a global effect has been concentrated in the Glocal – global thinking, local action – initiative. This is based on the international Breeam standard, energy certification by the Norwegian Water Resources and Energy Directorate (NVE) and our own self-imposed actions and goals. One measure in this category is the construction of a seawater pump to reduce energy consumption and carbon emissions by 75 per cent at Oslo's Aker Brygge.

We have changed from being a financial player in the property market to become a fully integrated industrial office property company. We have succeeded in establishing an expertise-driven organisation rooted in the four value drivers of letting, property management, development, and transactions and finance. At the beginning of 2012, we had a total of 49 staff – 12 more than a year earlier. Employee and expertise development will be important areas for attention in the time to come.

We established new loan frameworks totalling NOK 10 billion during 2011. That secures freedom of action and investment capacity, and thereby the ability to implement planned capital spending projects in the property portfolio.

One of these ventures involves revitalising Aker Brygge as a city quarter. Starting in 2012, conversion work will give the area a clearer unity, a solid aura of quality and a good local atmosphere. This project will run for four years.

We possess attractive properties with first-class locations

in central growth areas. Rents for office properties with a good standard and a central location in Oslo are rising, while older buildings and secondary locations have experienced a weak or negative trend. The differential between more and less attractive properties is growing, and modern, environment-friendly and space-efficient offices close to public transport are in increasing demand. Transport, culture and service provision in walking distance from the workplace is highly valued. That is reflected in our core business and priority geographical areas.

At the same time, certain of our properties have an unrealised potential for value growth. Priority will now be given to the necessary development and upgrading.

We are looking forward to a high level of activity in 2012 and the years beyond. Further development of our company will make us even better equipped to continue delivering good and stable financial results in the time to come.



Olav Line
President and CEO of Norwegian Property



«We are looking forward to a high level of activity in 2012 and the years beyond.»

Premises which create engagement

Norwegian Property is one of Norway's largest office property companies, and wants to create meeting places for its tenants which create engagement. Such premises provides fertile soil for positive relationships between people and with the world at large. This philosophy pervades the whole of the company's property business, which embraces development, administration, day-to-day management and maintenance. A number of large and solid tenants in both private and public sectors are the beneficiaries.

Norwegian Property at 31 December 2011

- :: A fully integrated office property company with operations along the whole value chain for such enterprises
- :: The properties consist mainly of office premises with associated car parking, warehousing, retail outlets and catering space
- :: Has 47 properties centrally located in the Oslo area and Stavanger
- :: Characterised by attractive properties and solid tenants
- :: Property portfolio totals more than 600 000 sq.m
- :: Total property vale of NOK 15.7 billion
- :: On-going annual rental income of NOK 1 020 million
- :: Vacant space in the portfolio was 5.5 per cent, with strategic vacancy related to forthcoming conversion projects accounting for 2.1 per cent
- :: Portfolio of leases of varying durations
- :: Average remaining term of the leases was 5.1 years
- :: The 25 largest tenants accounted for 79 per cent of rental income

Norwegian Property can offer outstanding properties tailored for different requirements. View vacant premises at www.npro.no/ledige-lokaler

[Continues >>](#)



«Transport, culture and service provision in walking distance is highly valued.»

Modern, environment-friendly and space-efficient offices close to public transport are in increasing demand.



Key figures – commercial property

		2011	2010	2009
Properties	Number	47	47	48
Total area	sq.m	614 656	623 849	633 864
Average size of properties	sq.m	13 078	13 273	13 205
Average value per square metre	NOK	25 470	24 144	23 710
Market value	NOK million	15 655	15 062	15 029
Gross rental income ¹	NOK million	1 020	1 015	1 049
Estimated average property costs ¹	NOK million	61	61	59
Net rental income ¹	NOK million	959	964	990
Gross yield	%	6.5	6.7	7.0
Net yield	%	6.1	6.3	6.6
Average remaining lease term	Years	5.1	5.2	5.0
Average consumer price index adjustment	%	98.1	97.4	97.1
Vacancy (as percentage of area)	%	5.5	5.8	2.0

¹ Level at 1 January 2012 after adjusting for inflation

«Norwegian Property is an expertise-driven organisation.»

Oslo

See NPRO's properties in Oslo:
www.npro.no/oslo

Stavanger

See NPRO's properties in Stavanger:
www.npro.no/stavanger

Projects

See NPRO's projects:
www.npro.no/prosjekter

Large-scale modernisation of Aker Brygge



Aker Brygge in brief

- :: Oslo's best-known meeting place for business, shopping, eating out and entertainment
- :: Part of Norway's most attractive office district
- :: First construction phase of today's Aker Brygge was completed in 1986 (25 years ago in 2011)
- :: Former Akers Mekaniske Verksted shipyard, established 1854 and closed 1982
- :: Has about 70 shops and roughly 40 cafes, restaurants and bars
- :: Almost 12 million visitors a year
- :: About 6 000 people work there

Being revitalised as a quarter

- :: Norwegian Property owns the majority of the buildings in Aker Brygge
- :: Extensive upgrading of the area is under way, due for completion in 2015
- :: The goal is to revitalise Aker Brygge as a quarter, with a clearer unity, a solid aura of quality and a good local atmosphere.
- :: NOK 1-1.5 billion to be invested over four years

Enhancing energy efficiency

- :: Aker Brygge will become more environment-friendly
- :: A new seawater-based facility will deliver energy to all the large buildings
- :: Annual energy consumption will be reduced from 4 000 000 kWh to 1 400 000 kWh
- :: Carbon emissions will be cut by 75 per cent compared with traditional solutions

[Continues >>](#)

A new seawater-based facility will deliver energy to all the large buildings.

Clearer interaction between past and future

- :: Clearer contrasts between former industrial buildings and modern architecture
- :: The brick buildings will be returned more closely to their original form
- :: Buildings from the 1980s will be given new, modern facades and more space-efficient and attractive layouts
- :: The building at the main entrance to the quarter will be given a new and more distinctive facade

Stronger office profile

- :: Cross-street with its own office entrances and lobbies
- :: Simpler for people to find their way around
- :: Retail outlets which support office functions
- :: Large, open office spaces for bigger companies (over one or more floors)
- :: Will strengthen both company identity and Aker Brygge's position
- :: Work areas will have more light, a better interior climate, more efficient use of energy and space, and a fresher design
- :: Own employee restaurant for tenant personnel

Lively shopping streets

- :: The shopping centre model will be replaced by outward-looking, lively shopping streets
- :: Shop entrances exclusively at street level, with facades mainly over two stories
- :: New and exciting shops, some new to Norway
- :: High-quality image with leading clothing, sports and leisure brands
- :: Niche shops with the focus on delicatessens and fresh food

Binding downtown Oslo more closely together

- :: New street with two-storey ceiling height will be established diagonally between the buildings, from the main entrance by City Hall to Bryggetorget
- :: Holmens gate will be established as a longitudinal shopping street with shops and eating places on both sides
- :: These streets will bind the Vika, Tjuvholmen and Filipstad quarters more closely together

Lively streets and pulsating squares

- :: Quality of outdoor spaces will be greatly enhanced
- :: Clearly defined quayside squares
- :: Special provision for cultural events and activities
- :: Art, plants and outdoor activities year-round
- :: Dedicated project for exciting lighting – in every season
- :: Norway's nicest and finest Christmas street will be created at Aker Brygge

Closer contact with the sea

- :: The height difference between quay and water will be reduced
- :: The quayside promenade will be widened and repaved
- :: The marina will be upgraded

For more information on the new Aker Brygge (in Norwegian only), see: www.bydelakerbrygge.no



Developing a signature building in the heart of Skøyen



Right by public transport

- :: Drammensveien 134 is very centrally placed at Skøyen, in the immediate vicinity of public transport
- :: The property comprises a total of six buildings, all owned by Norwegian Property
- :: Buildings 1–4 date from 1986, and are to be converted before the Norwegian Public Service Pension Fund moves in during 2014

Lease with the Norwegian Public Service Pension Fund

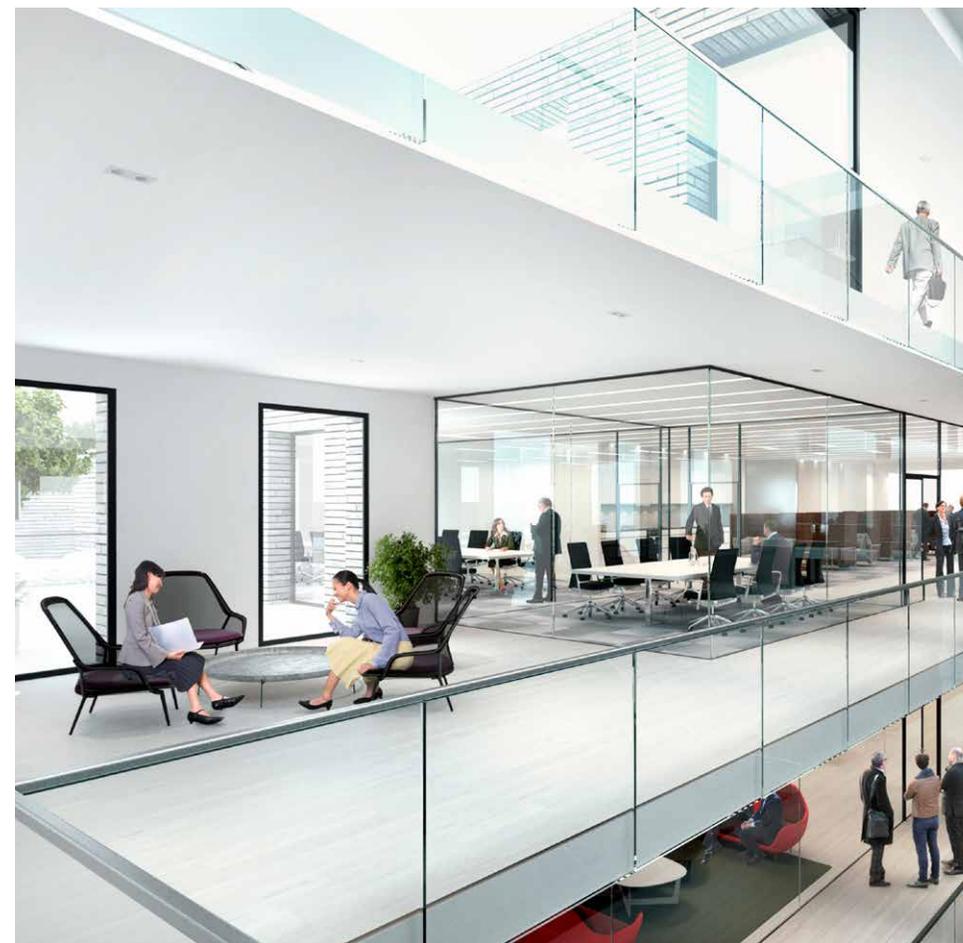
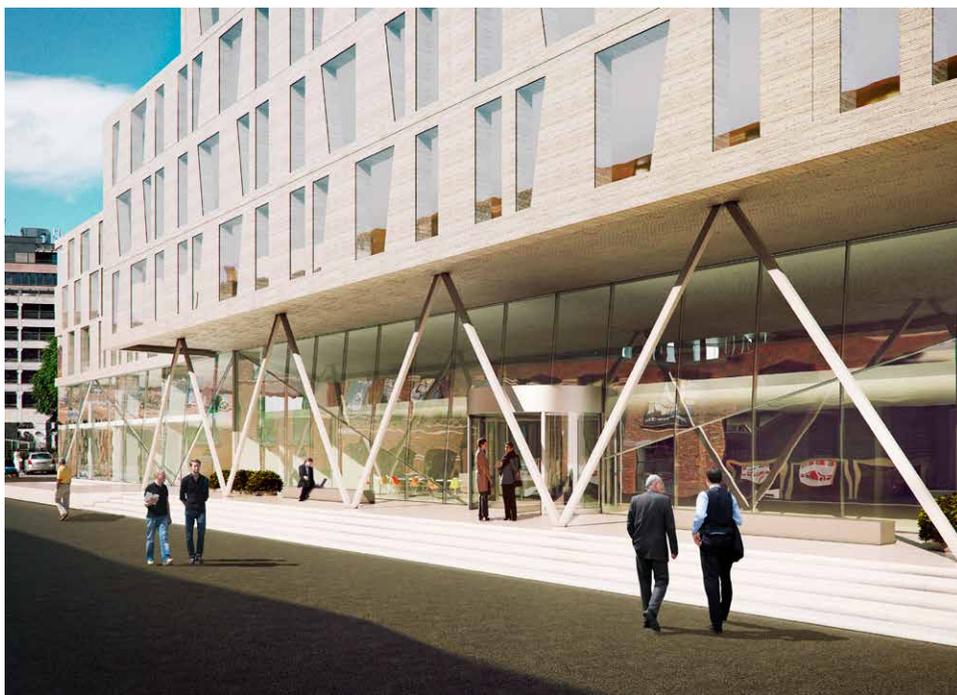
- :: The pension fund will become the tenant of Drammensveien 134
- :: The lease runs for 12 years from the expected date of occupation in the fourth quarter of 2014
- :: It covers 9 200 square metres of office space on the first and second floors of the integrated building, and 450 square metres of storage/records and computer space in the cellar
- :: Annual rent for the offices is NOK 2 775 per square metre, regulated annually in relation to the consumer price index

Four buildings to be tied together

- :: The four existing buildings will be combined into a larger and more space-efficient unit

[Continues >>](#)

The facades will be modernised, with good light conditions for the workplaces.



- :: This building will be made more environment-friendly, with the goal of achieving a "very good" Breeam classification and energy class B
- :: The office space will be flexible, with areas of roughly 4 000 square metres

- :: Combining the four buildings will increase the overall area by 10 000 square metres
- :: The facades will be modernised, with good light conditions for the workplaces

Customer in the centre

Norwegian Property's long-term goal is that customers will regard it as Norway's most customer-oriented property company. This goal colours everything it does.



«A 24-hour customer centre has been established.»

Norwegian Property wants to offer its customers meeting places which create engagement. That means modern premises tailored to contemporary activities. In addition to comfortable, simple and appropriate premises for tenants, pursuing the best possible dialogue with customer is a top priority. That includes the creation of a 24-hour customer centre. A single point of contact for all enquiries concerning a tenancy is intended to make the tenant's life simpler – whether it has technical questions about its building, invoices or lease, wants to order new access cards or needs caretaker assistance. No enquiry is too small, none too large. Norwegian Property's goal is quite simply to help its customers have a fine day at the office.

Good maintenance routines for follow-up of buildings, technical facilities and infrastructure, combined with a positive dialogue with each customer, ensures that virtually all issues are resolved before they develop into genuine problems. When needed, help is always readily available, quick and reliable. Customers themselves confirm that.

Contact the NPRO customer centre:

Tel: +47 480 50 300

E-mail: kundesenter@npro.no

internet: www.npro.no/kundesenter (in Norwegian only)

More satisfied customers

A wide-ranging tenant survey has been conducted on behalf of Norwegian Property by the Norwegian Lessee Index (NLI). The results show a substantial improvement in the overall customer satisfaction index (CSI) compared with a similar poll in 2009.

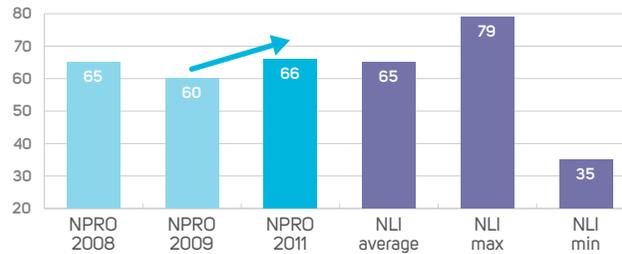
Customers have experienced the biggest improvement in reputation and in dealing with fault reports and complaints. At the same time, they confirm that parts of the portfolio need upgrading and modernising. Norwegian Property's long-term goal is a CSI of more than 70.

The fact that the commitment to customer service has already yielded measurable results is gratifying. It inspires an intensified commitment to reaching the long-term goal – being regarded as Norway's most customer-oriented property company.

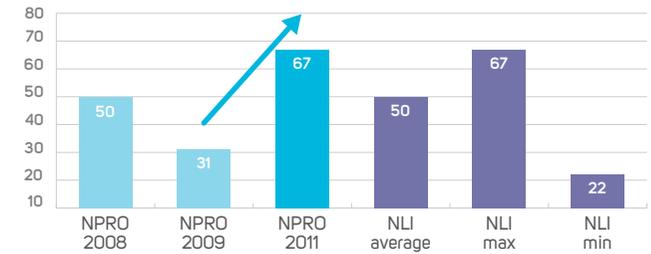
Customer goals for 2012–2025

- :: Strengthen the company's reputation with customers
- :: A CSI of more than 70
- :: Increase the environmental awareness, knowledge and performance of customers through collaboration

Overall customer satisfaction



Handling of complaints



«Everyone I've been in contact with at Norwegian Property has shown the ability and willingness to listen to our views and to contribute to our sense of being well looked-after as a tenant. Norwegian Property is concerned with quality, and sets high standards both for maintenance and the building's facade and for functionality. That helps to increase the satisfaction of those of us who spend every day here.»

Bjørn Grov, Get

«We're very satisfied that Norwegian Property contributes to investing in future growth at Aker Brygge. It means a lot for the area, and for us as the client, that the principal owner has such visions and the weight which Norwegian Property possesses.»

Espen Holm, TGI Fridays

Generous with aesthetics. Stingy with energy

Local measures with a global effect are Norwegian Property's contribution to the environment. Its environmental commitment has been dubbed **GLOCAL**.

The company's definition of environmental and social responsibility spans widely. It includes clearly defined goals for energy-saving measures as well as high standards for the aesthetic design of buildings and outdoor spaces in the local environment.

Norwegian Property sets strict standards for its partners and suppliers. It will be a good facilitator for its customers. The basis for Glocal is the international Breeam standard, energy certification by the NVE and the company's own self-imposed measures and goals.

These include the following.

- :: Energy class A buildings where possible. Minimum class B
- :: Construction with environment-friendly materials
- :: Waste sorting
- :: Measures to reduce water consumption
- :: Use of materials and technical solutions which cut energy consumption
- :: Pursue local developments which create added value for society
- :: Create good accessibility to public transport
- :: A seawater pump to reduce energy consumption and carbon emissions by 75 per cent at Oslo's Aker Brygge



«Pursue local developments which create added value for society.»





Environmental goals 2012–2015

Ambition

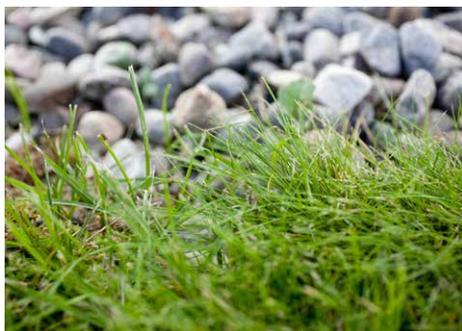
Norwegian Property is one of Norway's leading property companies for creating sustainable growth, a better society and reduced resource consumption through paying attention to integrated solutions and the forward-looking use of architecture, aesthetics, technology and materials.

Existing buildings

- :: 30 per cent reduction in energy consumption
- :: More than 30 per cent cut in carbon emissions
- :: Over 80 per cent waste sorting in the buildings
- :: Five per cent reduction in water consumption
- :: The CSI for the company's environmental image and social responsibility to exceed 70 by 2015

New buildings

- :: More than 80 per cent waste sorting on building sites
- :: Only water-borne heating, for flexibility in using alternative energy sources
- :: 30 per cent reduction in energy consumption by construction projects
- :: Minimum Breeam "very good" and class B buildings, if possible "excellent" and class A
- :: Lost-time injury (LTI) frequency per million working hours of less than five in all construction and rehabilitation projects



«Priority is given to integrated solutions.»



Sporting pleasure which creates engagement

Cross-country skiing races are a subject which generates engagement today, and classic events such as Norway's Birkebeiner and Italy's Marcialonga have become social reference points and interesting conversational topics. A great many of Norwegian Property's customers use long-distance ski racing as motivation for keeping fit, an arena for recharging batteries and not least as a means of pitting oneself against both colleagues and competitors. Such events require energy and vigour – entirely in line with Norwegian Property's ambitions for its day-to-day work with customers.

NPRO
TEAM NORWEGIAN PROPERTY



From left:
Børre Næss,
Svein Tore
Sinnes,
Haavard
Hansen and
Geir Ludvig
Aasen Ouren

What is **Team NPRO**?

- :: Team NPRO is an elite Norwegian team in cross-country ski racing
- :: Norwegian Property is its general sponsor

Who are the members of Team NPRO?

The team members are Børre Næss, Geir Ludvig Aasen Ouren and Svein Tore Sinnes. They are skiers with experience from the national cross-country skiing team and a number of world championship medals. Their ambition is to compete right at the top in Birkebeineren, Marcialonga and the other Ski Classic races. Their coach is Daniel Holm.

Why the sponsorship?

The purpose of the collaboration is first and foremost to increase knowledge about Norwegian Property and the core values which underpin its corporate culture and commercial activities.

A long-term commitment to Team NPRO generates exposure and dialogue in an arena in which a growing number of clients have a strong engagement. Cross-country skiing requires energy and vigour – entirely in line with Norwegian Property's ambitions for its day-to-day work with customers.

[Continues >>](#)

The best possible provision will be made for customers to perform at their best – both in the office and in the ski track.

Norwegian Property will draw on the expertise and experience of these athletes, and organise courses in cross-country skiing techniques, racing tactics and preparing to compete. The best possible provision will be made for customers to perform at their best – both in the office and in the ski track.

The competitors in Team NPRO have a beautiful, clean and inspiring workplace – the Norwegian countryside. This is a good reference for the way workplaces provided by Norwegian Property will be created and offered to the customer. And the ambition is the same for both the team and the company – to be the best in class.

The Team NPRO initiative has definitely contributed to generating new inspiration and engagement among Norwegian Property's employees.

Read more about Team NPRO (in Norwegian only):
www.teamnpro.no



Address, customer centre and contacts

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