

# **Norwegian Property AS**

Presentation

18 May 2006

**Chairman Knut Brundtland**

# Contents



- Norwegian Property AS - Company status
- Background
- Case and portfolio details
- Financing, organisation and development

## Key property facts

- The largest Nordic new property offering ever!
- About to acquire properties valued at NOK +10bn
- Initial portfolio:
  - 32 high quality buildings (421,515 sqm)
  - EDB, Fokus Bank, Nordea, Total, If etc headquarters
  - Aker Kværner, SAS, Statoil, Telenor, Rikshospitalet and Nera amongst tenants
  - Aker Brygge - premium premises
  - Attractive net yield of approximately **6% on 12m net rent**
  - Average duration of **8 years**

# Strategy and financing

- **Strategy:**

- Targets Oslo, Stavanger, Bergen and Trondheim (85-90% exposure)

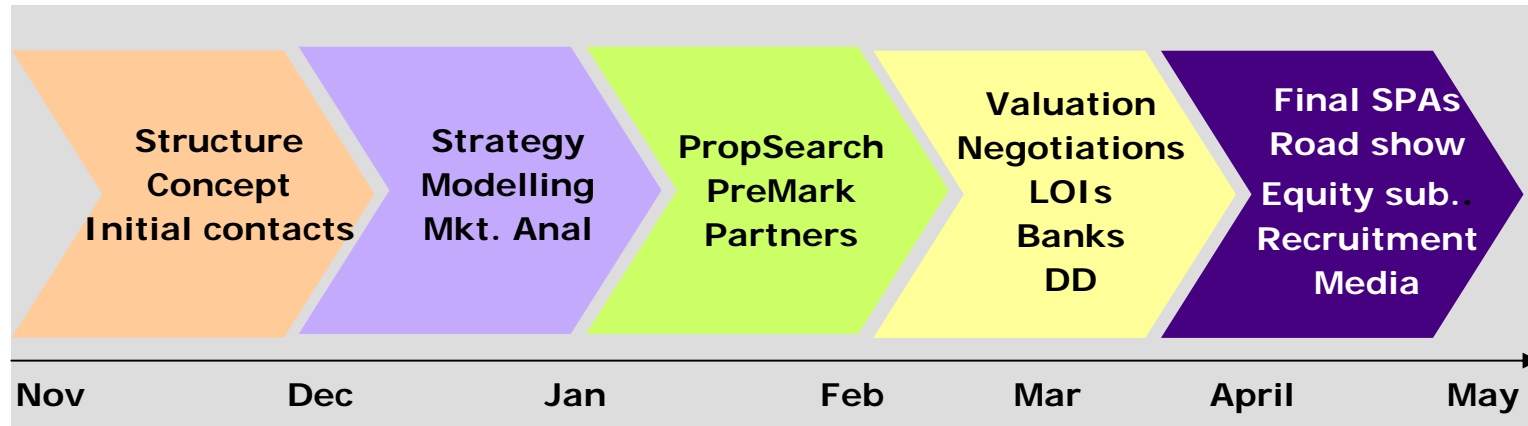
- **Further acquisitions planned:**

- On-going discussions with several potential sellers

- **Financing:**

- Equity of NOK 3.2bn - private placement of **NOK 1.8bn** + equity from sellers of **NOK 1.4bn**
- Debt facility from bank syndicate (DnB NOR, Nordea, Danske/Fokus, SEB) of **4x3bn = NOK 12bn**

# Approach and process



Partners

**SEB** ENSKILDA  
Pareto Securities

Lawyers  
**THOMMESSEN**  
Financial  
PRICEWATERHOUSECOOPERS

Technical  
**BER**  
**OPAK**

Recruitment  
**BACKER SKEIE**  
EXECUTIVE SEARCH & SELECTION

External valuation  
**DTZ** Realkapital

# Contents



- Company status
- Background
- Case and portfolio details
- Financing, organisation and development

# Norwegian Property AS

Presentation, 18 May 2006

**Project Initiator and Financial Advisor to the Company**



Director Bård Bjølgerud

Private Placement Joint Lead and Bookrunners

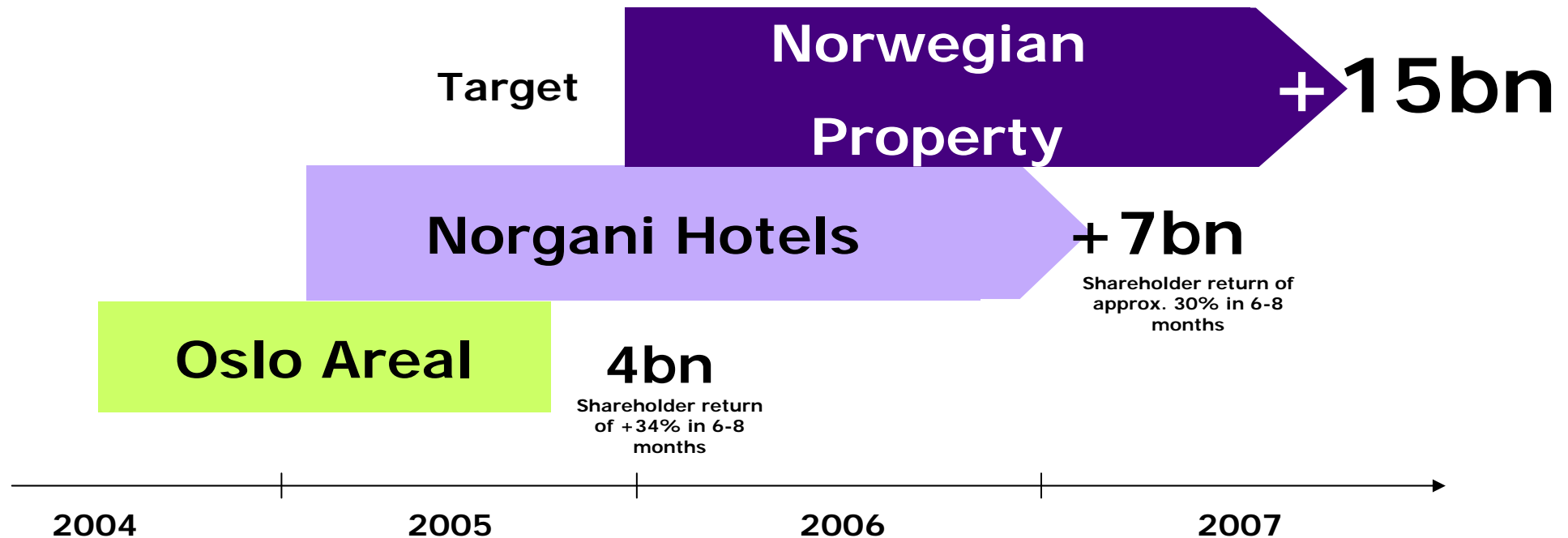


# Third new Norwegian property player

## Key company characteristics:

- IPO-target of NOK 15bn blue-chip exposure to commercial property (offices, parking and retail)
  - Unique play on the attractive Norwegian macro and property economics
  - Portfolio of prime/CBD properties and quality tenants with 8y average duration
- Entry yields at 6%+ vs market range of 5-7%
- ~75% leverage – initial market cap of NOK 3-4bn
- 5%+ dividend yield & pre-tax IRR of 13-15%

} **Target**



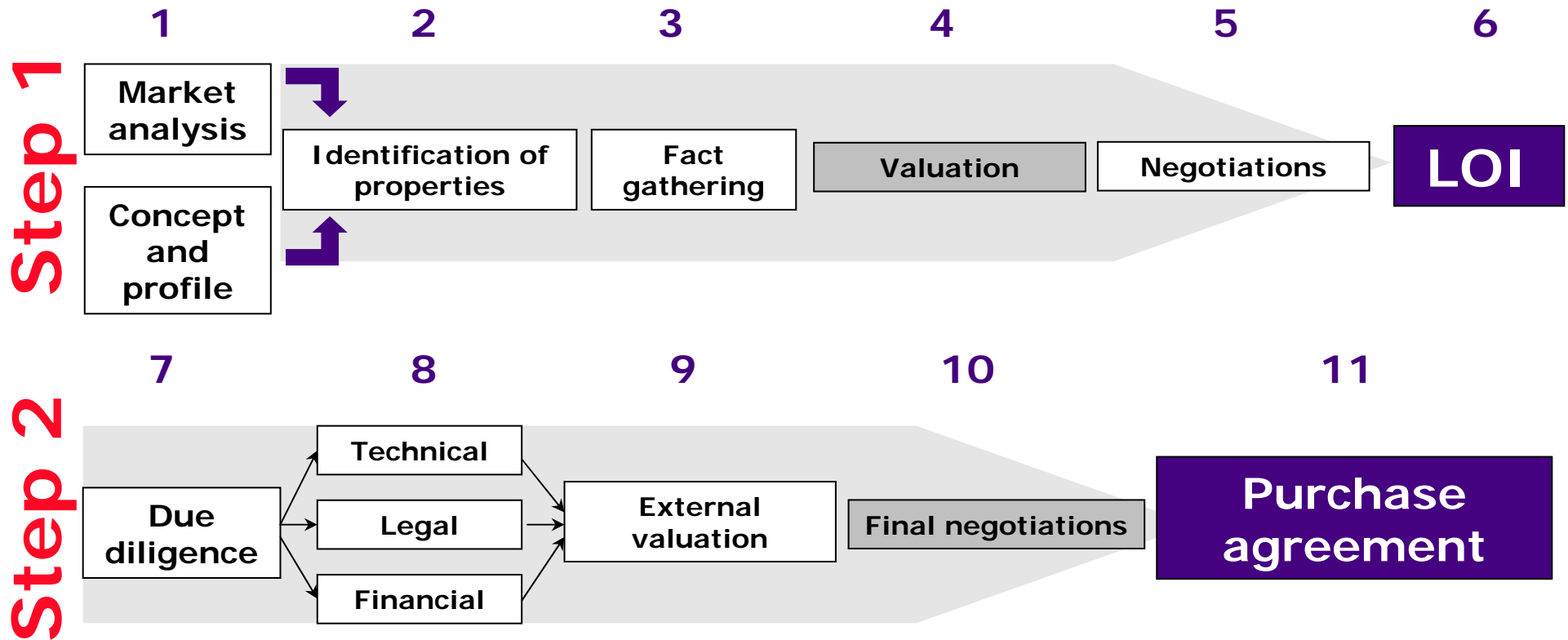


# Background for establishing Norwegian Property

---

- During 2004-2005, SEB Enskilda has successfully established two Norwegian-based property companies (Oslo Areal and Norgani Hotels) which both have been listed on the Oslo Stock Exchange and generated annualised shareholder returns of some 40-45%
- There is room for the creation of yet another listed Norwegian company with focus on office and retail properties due to
  - Impressively strong domestic economy and attractive yield gaps
  - **On-going** improvement in both office and retail property segments (rent rise, vacancy drop, further yield compression and low new building activity)
  - Very promising and well documented **outlook** for the property markets (significant rent rise and lower vacancies expected)
  - A continued strong flow-of-funds and momentum in the stock market
  - Few listed and liquid property investment vehicles available

# Norwegian Property – acquisition process (6 months)



# Investment and return strategy - targets

## Investment framework

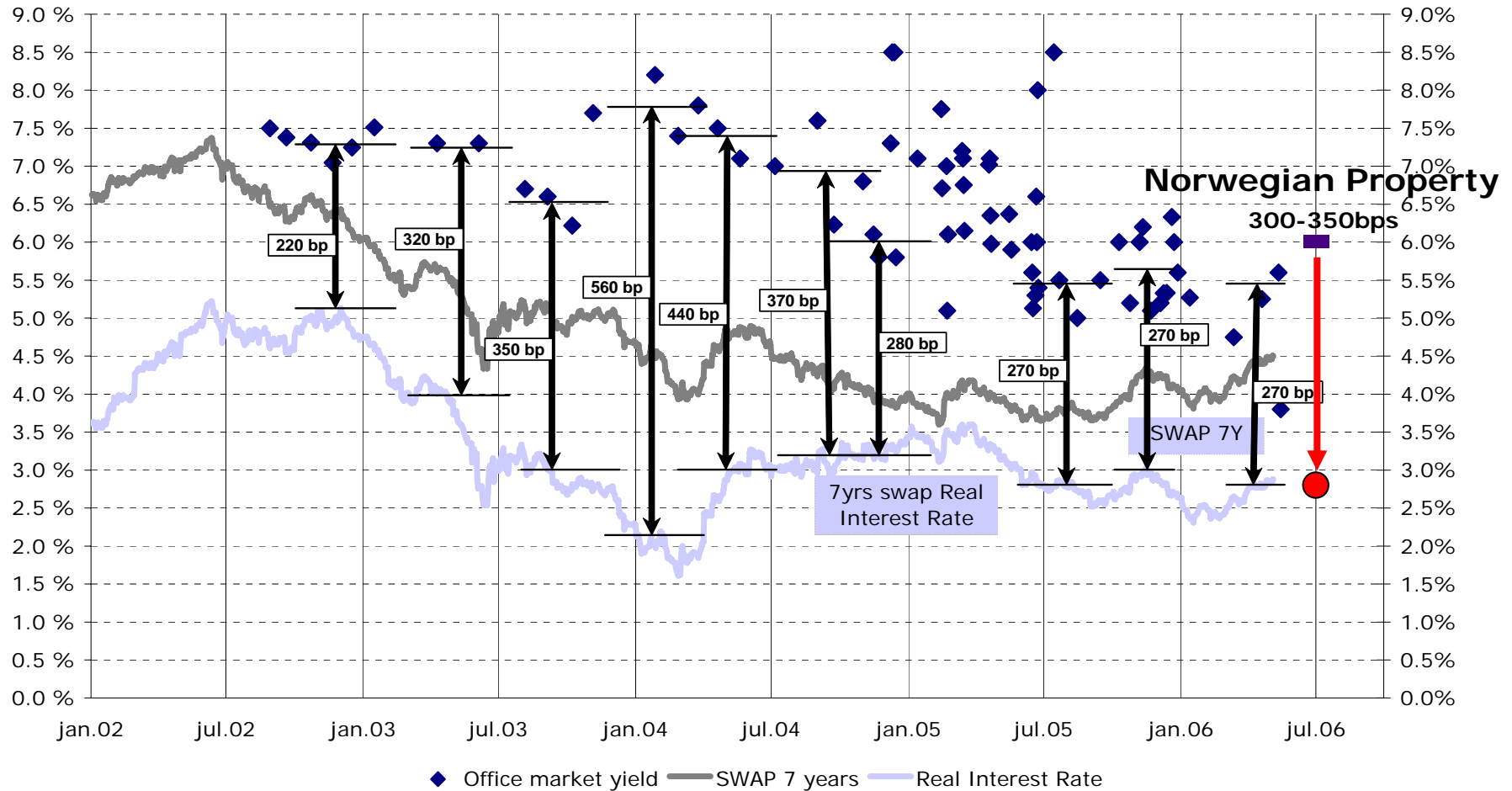
- Pre IPO investment of NOK 15bn
- Entry yield at +/- 6.0%
- Focus on property in CBD and prime locations in Norway's largest cities
- Primarily office/parking/retail
- Average value per property of NOK +200m
- Quality tenants with average contract duration of 7 years or more
- 90-100% annual CPI adjusted lease contracts
- Value added, but limited development basket
- Nordic strategy to be considered as expansion potential
- Opportunistic approach to assets after IPO

## Return and financing strategy

- Initial market cap NOK 3-4bn
- Target pretax IRR 13-15%
- Annual dividend yield 5-7%
- Disposals will either be reinvested or paid as dividend, triggered by best return for shareholders
- Target free float of 65-75% at IPO
- Initial leverage of 75%
  - 4 major banks have soft committed an underwriting of NOK 12bn (senior debt)
  - Additional subordinated debt of 5-10% will be considered closer to IPO
- Targets listing on OSE in H2 2006

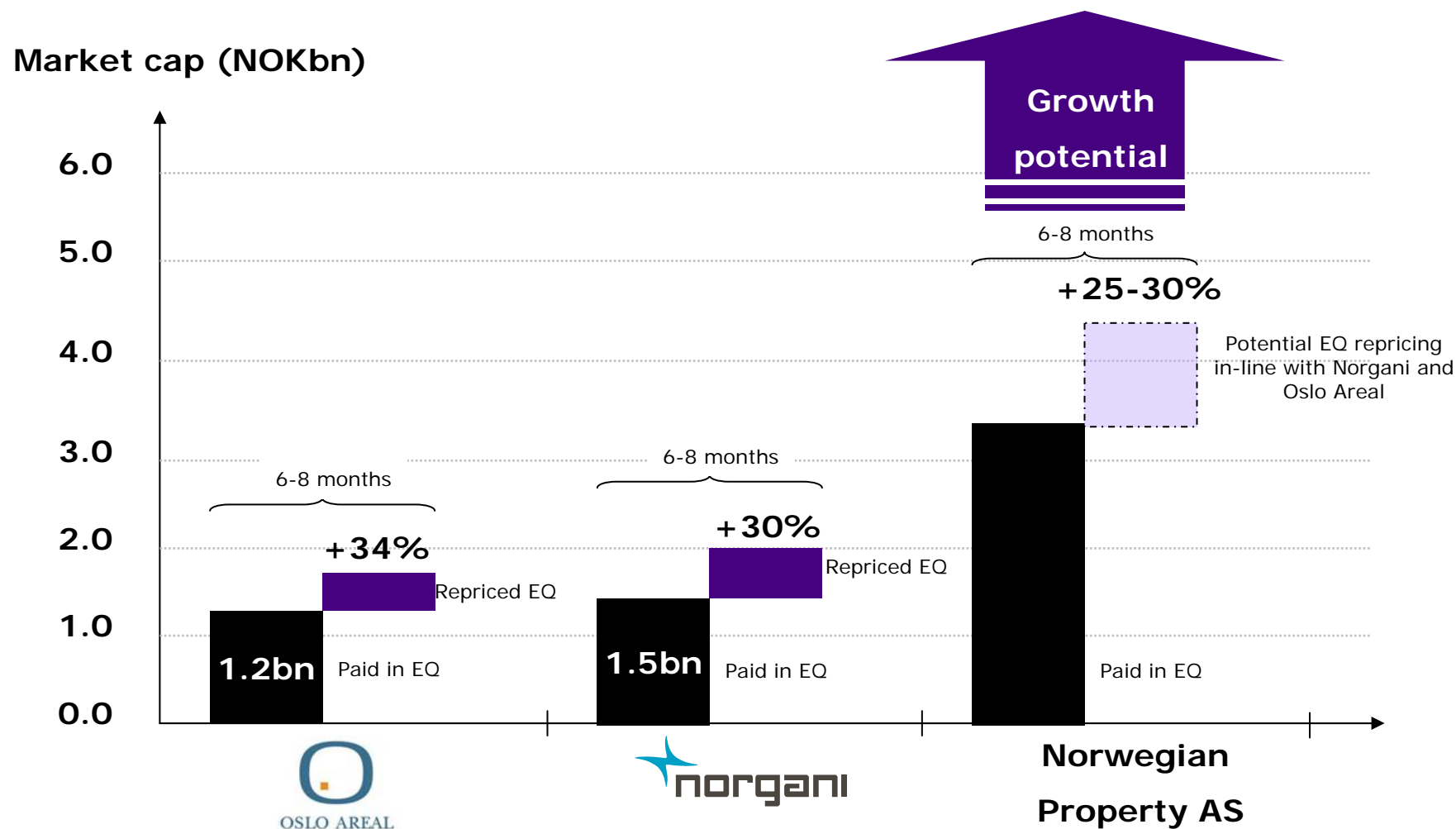
# Even more attractive real yield gap!

Norwegian office market net yields vs interest rates – 2002-2006 yield gap (%)



Source: Enskilda, Datastream, Union Næringsmegling, DnB NOR Næringsmegling

# Equity base and repricing

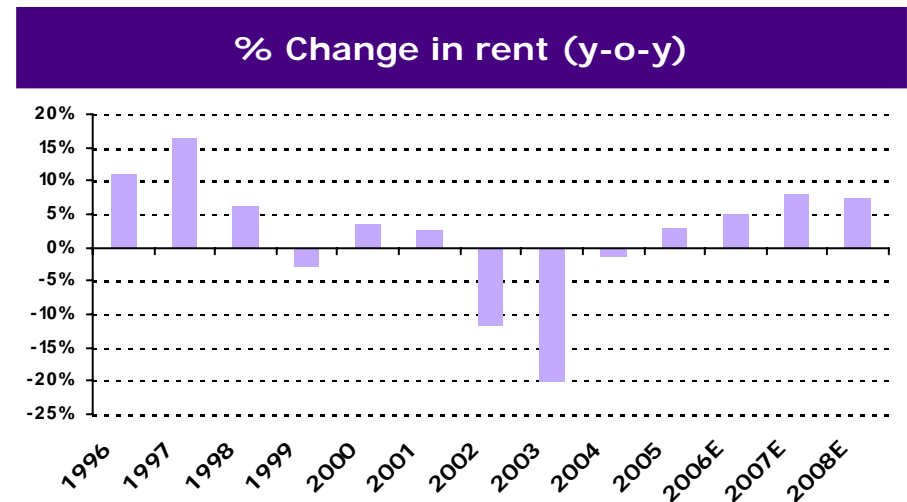
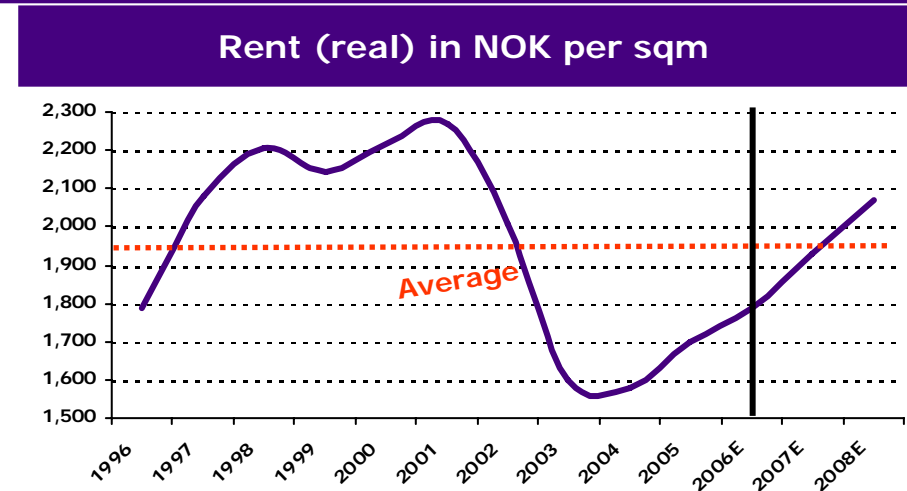


Source: Enskilda

# Office rent levels Oslo

## - Fornebu/Lysaker/Skøyen/Vika

- Real rent was at its lowest in 2004, but increased through 2005
- Record low newbuilding activity
- Estimated future growth in real rent is appealing
- Q1 2006, rental situation:
  - Great demand for office rental objects in 1-tier and 2-tier segment
  - Increased acceptance for higher rents
  - Quicker tenant decisions
  - Rent level some 20%-25% below top in Q3 2001
  - Expected growth 2006-2008: +20%
  - Record low newbuilding



Source: Union Næringsmegling, Enskilda Research

# Contents

---

- Company status
- Background
- Case and portfolio details
- Financing, organisation and development



# Focus on Norway's largest cities



- **85-90 % located in Norway's four biggest cities (40% \*)**
  - Oslo-area: 1,024' citizens (22%\*)
  - Bergen-area: 349' citizens (8%\*)
  - Stavanger-area: 267' citizens (6%\*)
  - Trondheim-area: 213' citizens (5%\*)
- **10-15 % located in other larger cities/areas (6% \*)**

*\* In percentage of Norway's total population*

Source: Statistics Norway 2005; <http://statbank.ssb.no/statistikkbanken>



# Details for portfolios



## NewCo Areal - Portfolios

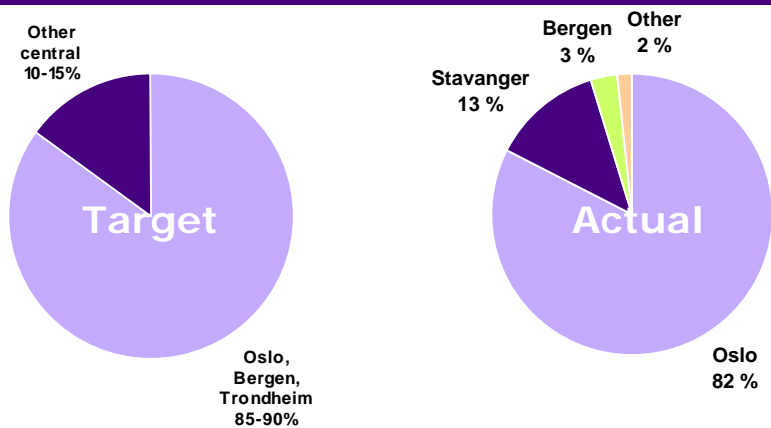
Portfolio	A	B	C	D	E	F	Other I	Total	Other II	Grand Total
Num properties	4	1	8	5	1	11	2	32	18	50
Sqm	41,604	12,761	65,990	57,496	33,319	166,379	43,966	421,515	248,485	700,000
Avrg sqm size	10,401	12,761	8,249	11,499	33,319	15,125	21,983	13,172	13,805	14,000
<b>Valuation</b>										
EV (NOKbn)	1.3	0.3	1.0	2.3	0.7	3.3	1.1	9.8	5.2	15.0
Gross rent (NOKm)	74.4	16.7	70.3	145.9	43.1	219.3	64.7	634.5	351.1	985.6
Opex (NOKm)								-31.4	-35.1	-66.5
Net rent (NOKm)								603.1	316.0	919.1
Gross yield (2H06/1H07)								6.5%	6.8%	6.6%
Net yield (2H06/1H07)								6.1%	6.1%	6.1%
Duration	13.4	9.5	7.2	3.7	8.2	9.3	8.7	8.1	5.0	7.0
CPI adj	100%	100%	74%	100%	100%	91%	100%	94%	100%	96%
Vacancy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	5.0%	1.8 %



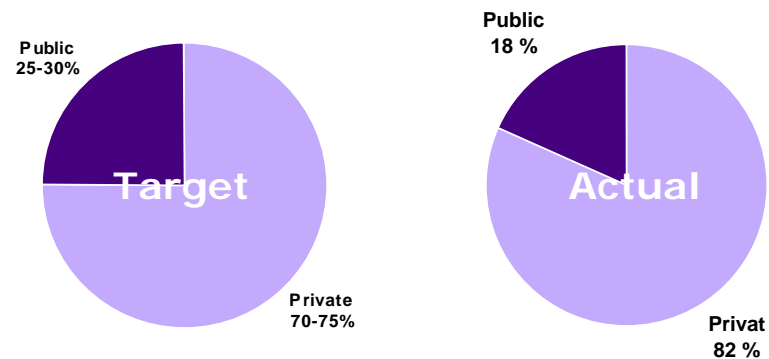
Source: Enskilda

# Targets and actual positions

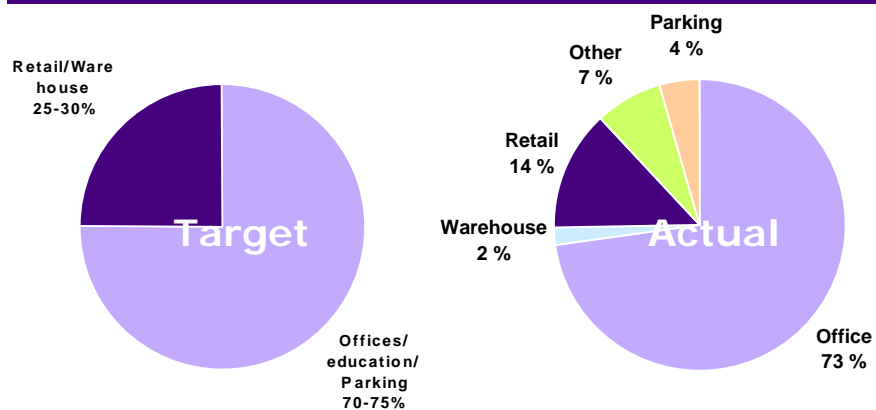
## Geographic focus\* – target & actual



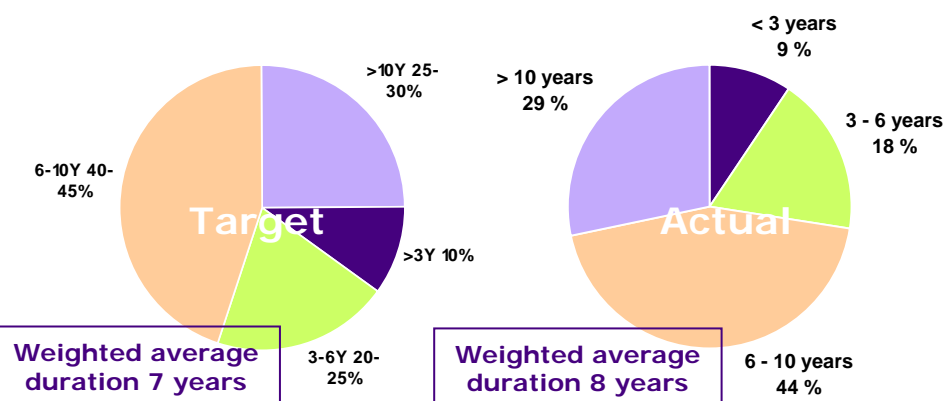
## Tenant mix\* – target & actual



## Property mix\* – target & actual



## Lease duration mix (Y) – target & actual

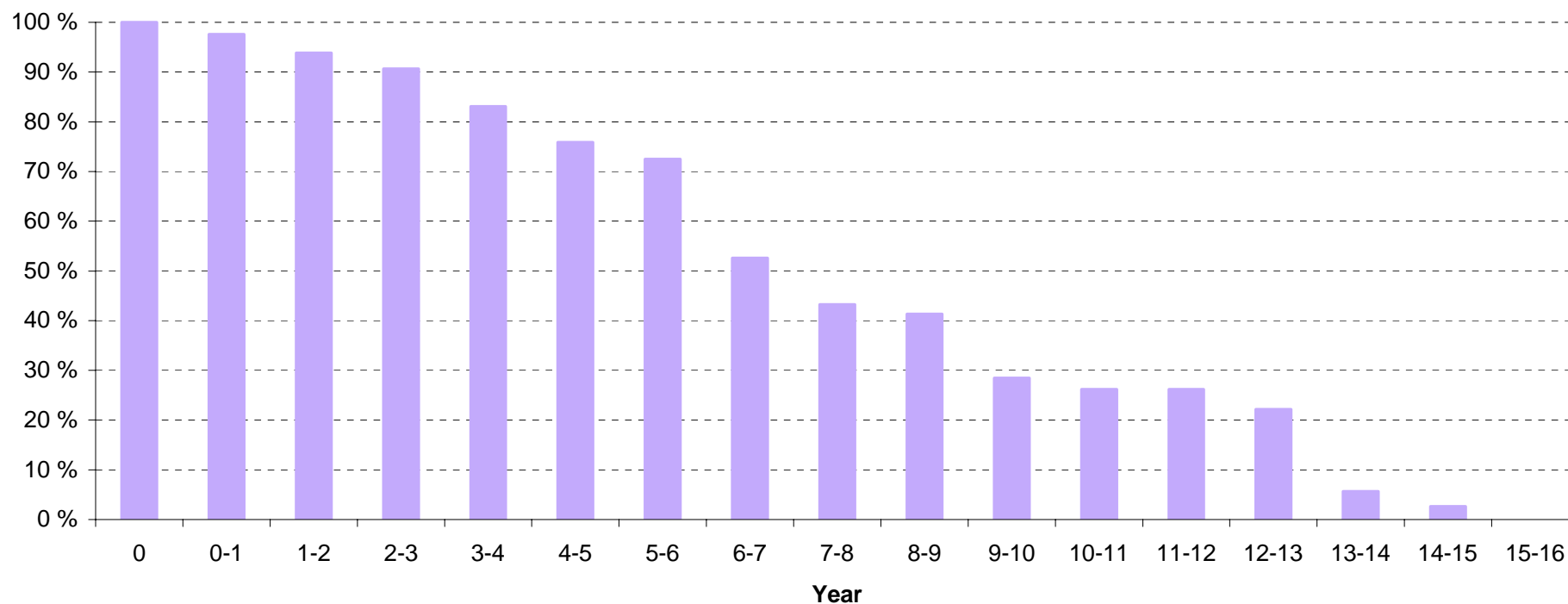


Source: Enskilda

\* By rent NOKm

# Expiration profile

Expiration profile in % (Non inflation adjusted rental income 2006)



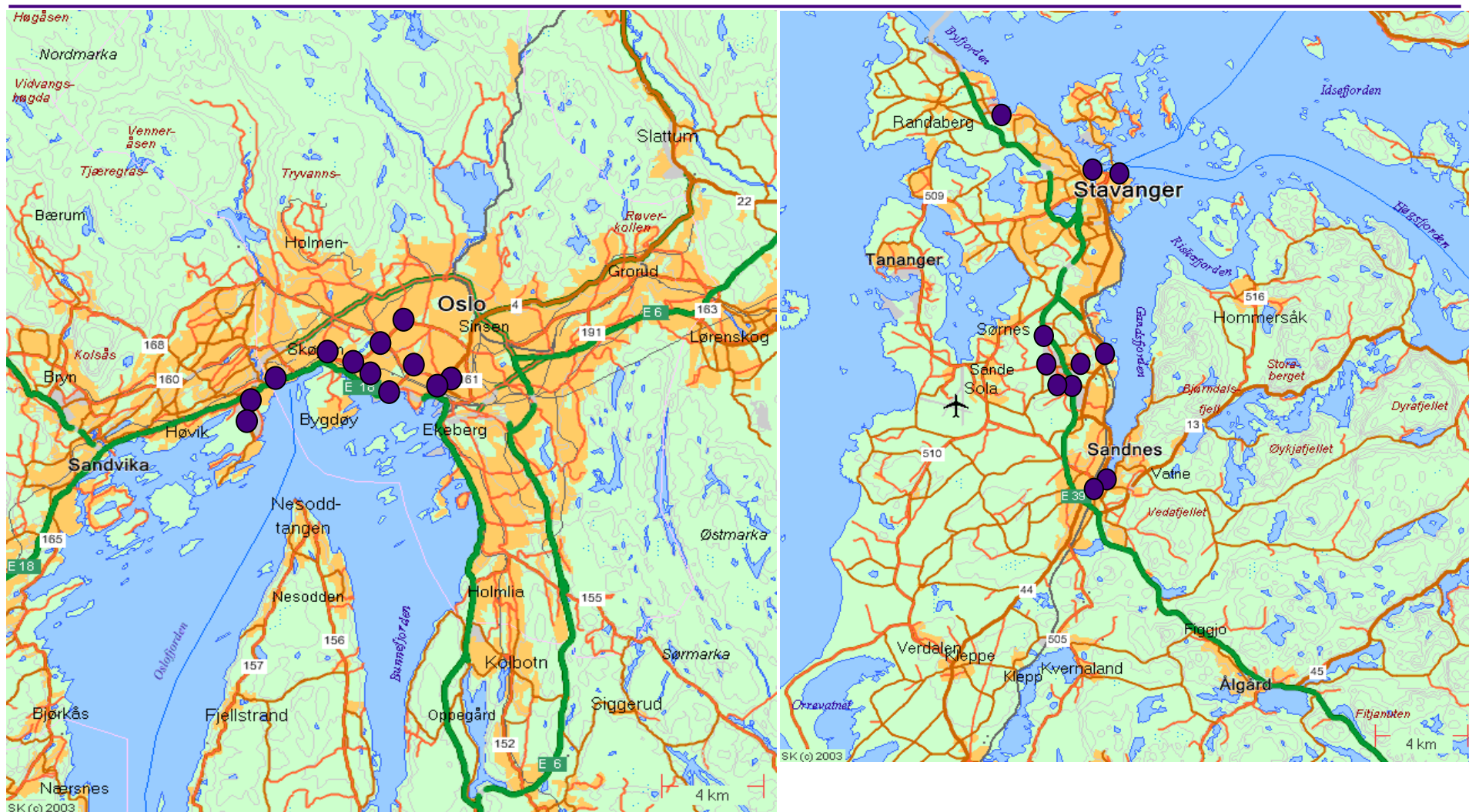
Source: Enskilda

## 20 largest tenants

	Tenant	Privat/Public	Listed	Rent '06/'07 (NOKm)	%	Duration (years)
1	EDB Business Partner ASA	Pr	Y	73.7	11.6 %	13.1
2	Nordea	Pr	Y	42.7	6.7 %	7.9
3	SAS	Pr	Y	39.5	6.2 %	10.8
4	If Skadeforsikring	Pr		37.5	5.9 %	6.7
5	Statoil	Publ	Y	34.4	5.4 %	5.6
6	Total E&P	Pr	Y	26.8	4.2 %	11.5
7	Telenor	Pr	Y	25.2	4.0 %	9.6
8	Skanska Norge AS	Pr	Y	20.6	3.3 %	9.2
9	Aker Kværner Offshore Partner	Pr	Y	20.1	3.2 %	3.8
10	Rikshospitalet	Publ		15.8	2.5 %	16.0
11	Fokus bank	Pr	Y	19.6	3.1 %	6.9
12	Leif Høegh	Pr		18.9	3.0 %	14.0
13	GlaxoSmithKlein	Pr	Y	13.9	2.2 %	10.9
14	Nera ASA	Pr	Y	17.4	2.7 %	5.6
15	Oslo Sporveier	Publ		16.6	2.6 %	9.4
16	TietoEnator	Pr	Y	9.1	1.4 %	7.0
17	Aker restaurantene	Pr		7.8	1.2 %	6.9
18	Politistasjonen i Sandnes	Publ		7.4	1.2 %	1.8
19	Norwegian Claims Link	Pr		7.0	1.1 %	9.4
20	BAHR	Pr		6.4	1.0 %	0.8
<b>TOTAL 20 LARGEST TENANTS</b>				<b>460</b>	<b>73 %</b>	<b>9.2</b>
Other tenants				174	27 %	5.1
<b>TOTAL ALL TENANTS*</b>				<b>634</b>	<b>100 %</b>	<b>8.1</b>

Source: Enskilda

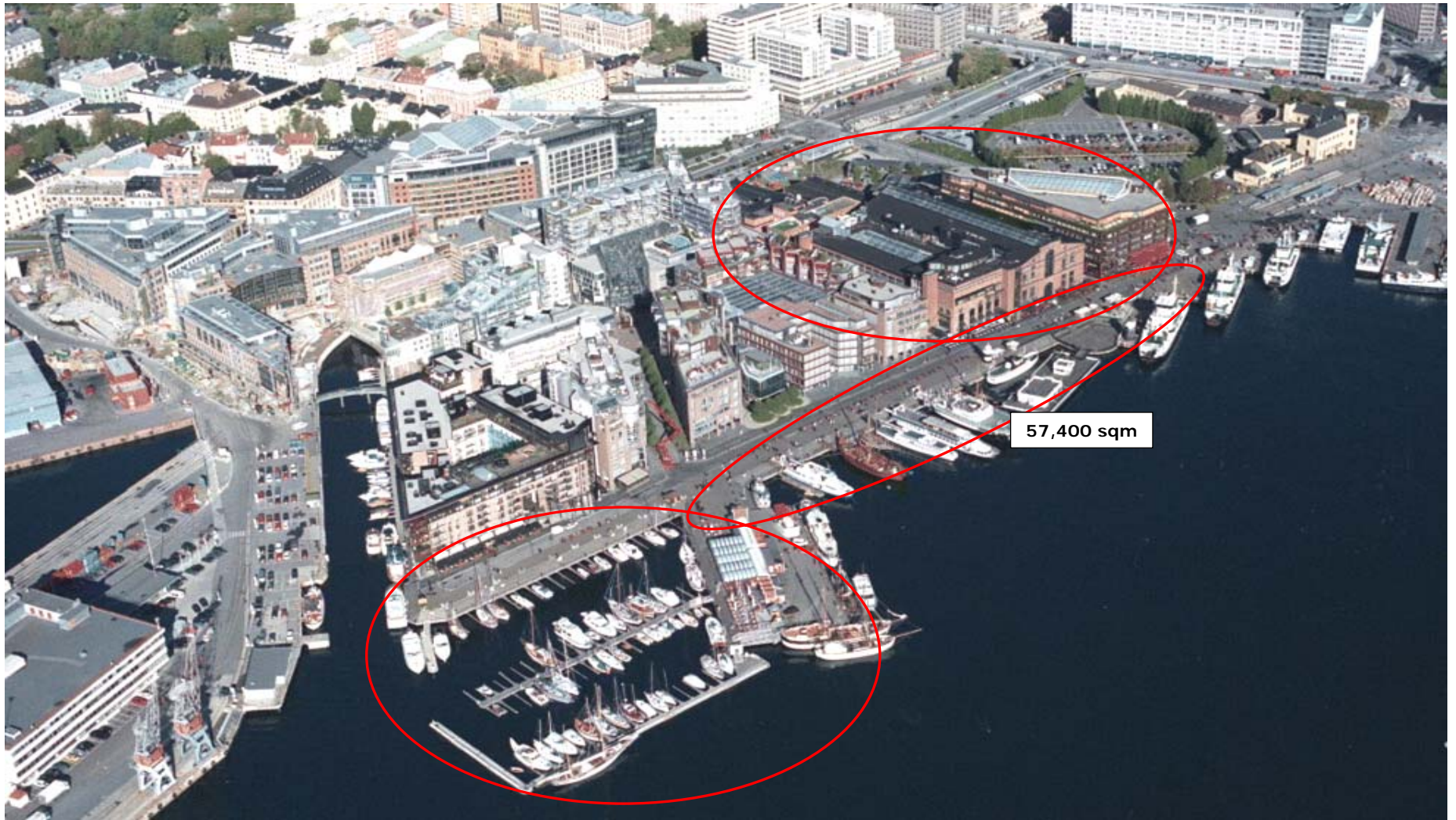
# Properties in Oslo and Stavanger area



Source: Enskilda



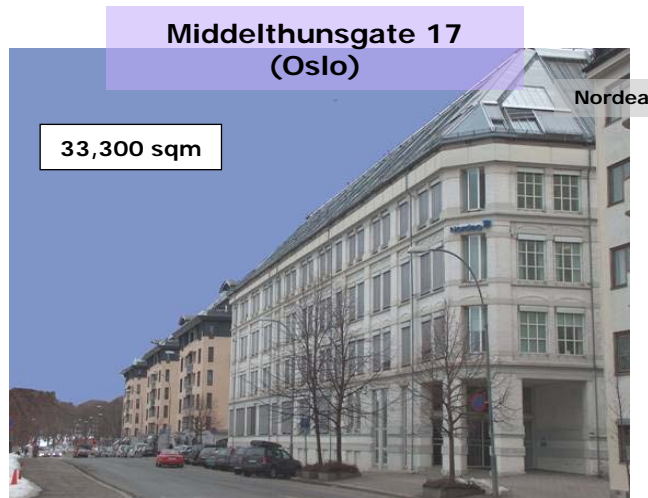
# Portfolio– Oslo CBD



Source: Enskilda



# Portfolio – Oslo



Source: Enskilda



# Portfolio – Oslo and Stavanger

Badehusgaten 33-39  
(Stavanger)

21,500 sqm



Aker Kværner

Kolstadgata 1  
(Oslo)

5,500 sqm

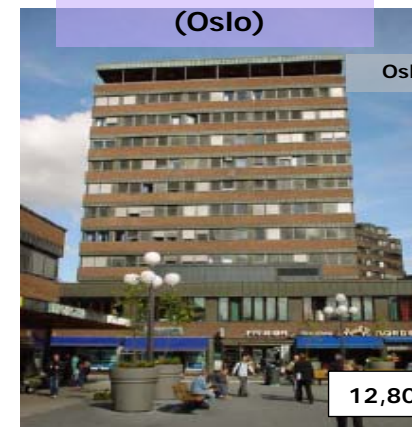


Norwegian Directorate  
for Education and Training

Økernveien 9  
(Oslo)

Oslo Sporveier

12,800 sqm



Forusbeen 35  
(Stavanger)

21,400 sqm



Telenor

Finnestadveien 44  
(Stavanger)

22,000 sqm



Total E&P

Grenseveien 19  
(Forus)

5,400 sqm



StatOil  
DnB NOR

Source: Enskilda

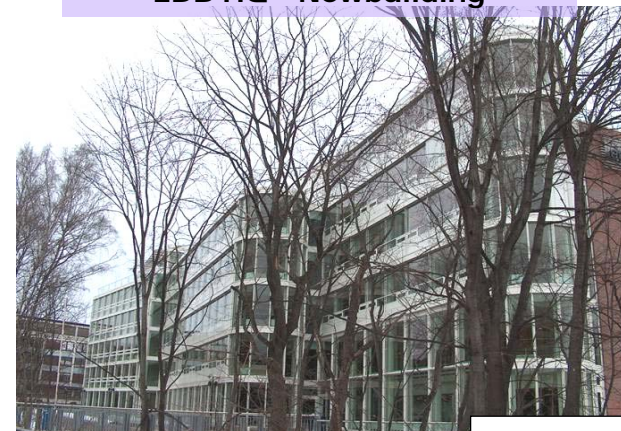


# Portfolio – Oslo and Lysaker

EDB Business Partner HQ



EDB HQ - Newbuilding

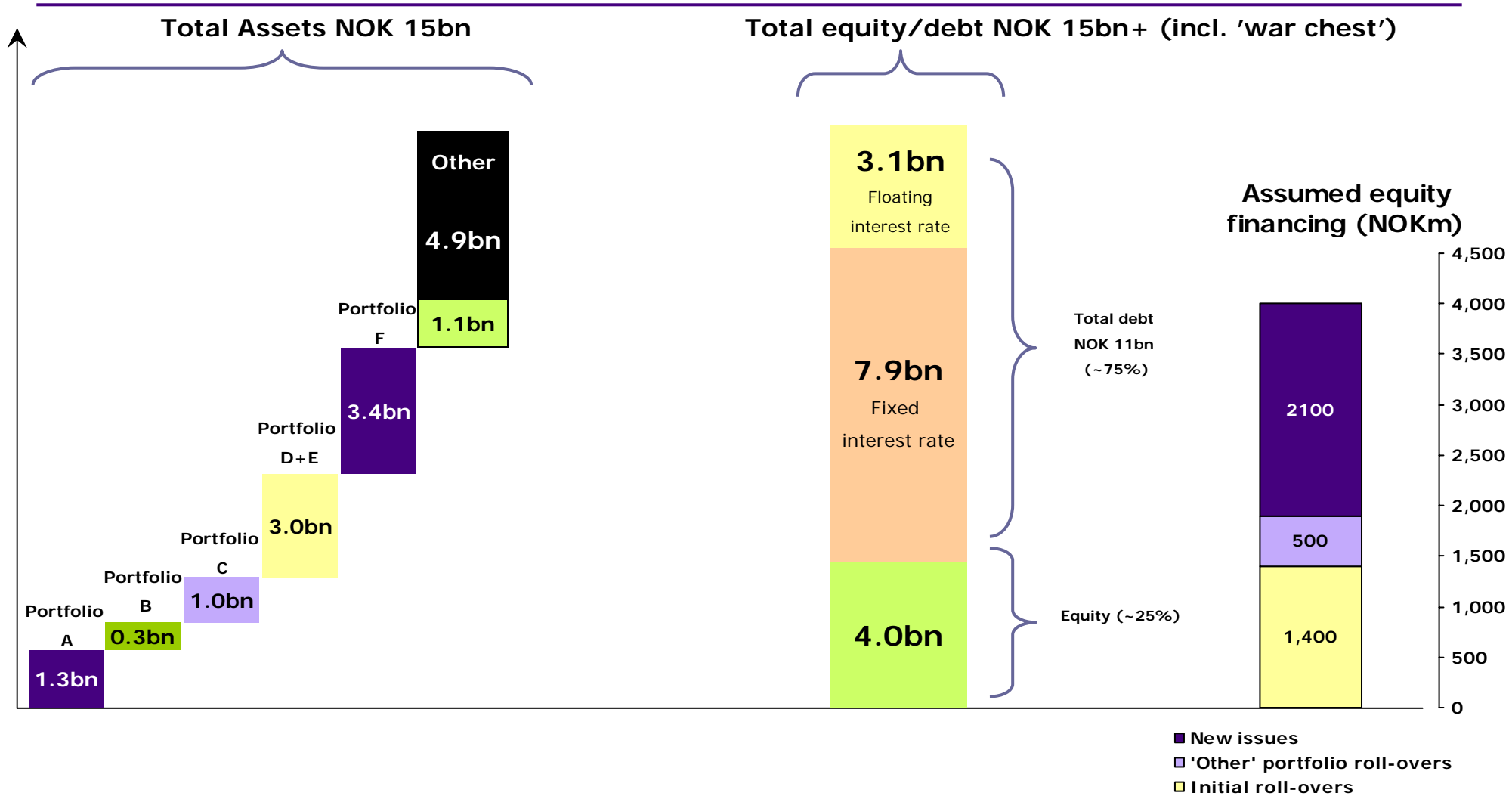


If-bygget  
Lysaker Torg 35



Source: Enskilda

# Structure and balance sheet



Source: Enskilda

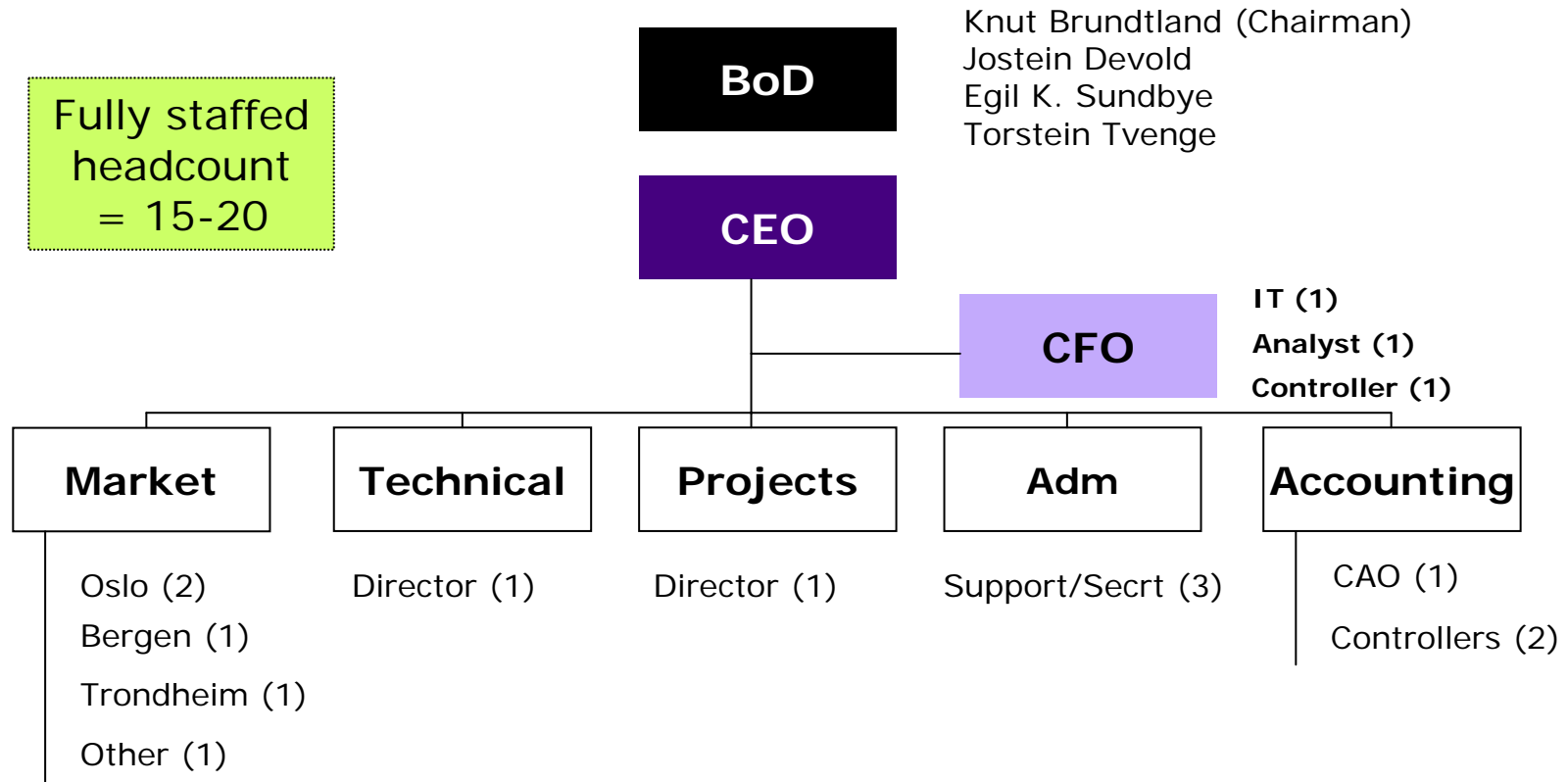
# Contents

---

- Company status
- Background
- Case and portfolio details
- Financing, organisation and development



# Planned organisation

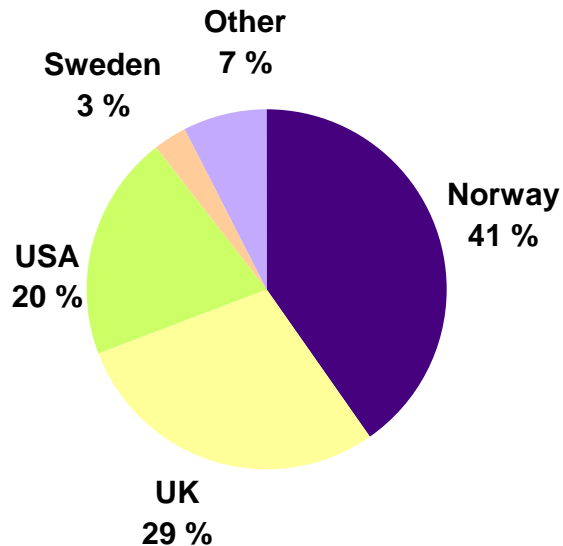


- PwC acting as management for hire during establishment phase
  - Will establish IT-systems, accounting, reporting etc.
- Intermediate property management to be handled by sellers

# Private placement

- Private Placing demand, NOK 9.3bn
- Offering of NOK 1.8bn
- 57% foreign shareholders
- Share price NOK 50 per share
- Subscribers = 63

Private placing demand by country



5.3x over-subscription

Private placement subscribers

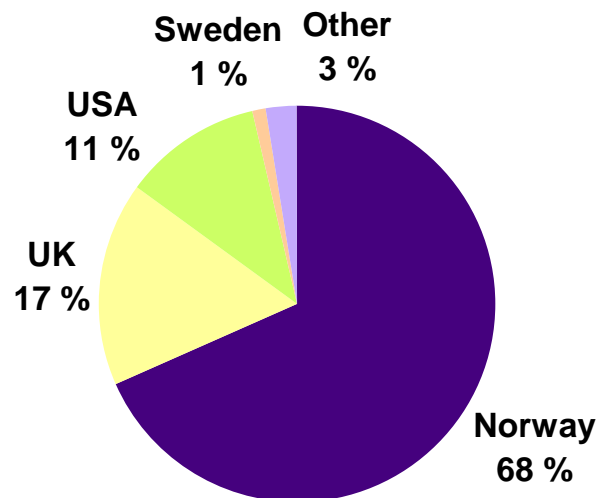
Name	Country	% stake
Alpine	US	4.2 %
CSFB PS	UK	4.2 %
Eton Park	UK	4.2 %
Mercury	US	4.2 %
Odin	NO	4.2 %
QVT	US	4.2 %
Range Capital	UK	4.2 %
Vital Forsikring	NO	4.2 %
Millennium Global	UK	3.5 %
Opplysningsvesenets Fond	NO	3.1 %
Mason Street Advisors (NWML)	US	2.6 %
Orkla ASA	NO	2.1 %
AG Invest	NO	2.0 %
Catella	SE	2.0 %
Lani Invest	NO	2.0 %
Ventor	NO	2.0 %
Trond Mohn	NO	1.9 %
Lehman	UK	1.7 %
Reach	US	1.7 %
Regal Fund Management	UK	1.7 %
<b>Others</b>		<b>40.1 %</b>
<b>TOTAL</b>		<b>100.0 %</b>

\* Sellers of properties

# Shareholder structure – post NOK 3.2bn equity issues

- Initial Market Cap of NOK 3.2bn
  - Offering of NOK 1.8bn
  - Roll over from Sellers of NOK 1.4bn
- 32% foreign shareholders
- Share price NOK 50 per share
- Number of shares: 63m

Shareholders by country







Shareholders

Name	Country	% stake
A. Wilhelmsen*	NO	24.6 %
Fram Mgmt *	NO	11.2 %
Alpine	US	2.3 %
CSFB PS	UK	2.3 %
Eton Park	UK	2.3 %
Mercury	US	2.3 %
Odin	NO	2.3 %
QVT	US	2.3 %
Range Capital	UK	2.3 %
Vital Forsikring	NO	2.3 %
Millennium Global	UK	1.9 %
Opplysningsvesenets Fond	NO	1.8 %
Mason Street Advisors (NWML)	US	1.4 %
Orkla ASA	NO	1.2 %
AG Invest	NO	1.1 %
Catella	SE	1.1 %
Lani Invest	NO	1.1 %
Ventor	NO	1.1 %
Trond Mohn	NO	1.0 %
Lehman	UK	1.0 %
<b>Others</b>		<b>32.7 %</b>
<b>TOTAL</b>		<b>100.0 %</b>

\* Sellers of properties

# Debt financing – NOK 12bn loan facility committed

Mandated lead arrangers		Indicative loan terms	
		Loan amount	<ul style="list-style-type: none"><li>• Total loan facility of NOK 12bn (4x3bn)</li><li>• Total leverage of 75% of property values</li><li>• More aggressive leverage available</li></ul>
		Tenor	<ul style="list-style-type: none"><li>• 6 years</li></ul>

# Planned process going forward





# Closing remarks

## Case highlights

- Largest Nordic property offering ever available at 1x P/Book
- OTC listing to take place shortly and IPO H206
- NOK ~10bn of prime located office and retail properties in Oslo and Stavanger already signed in at attractive terms, and pre-IPO size of NOK 15bn within reach
- Highly interesting yield gap and financing terms to drive equity return to some 13-15%.
- Focused recruitment process ongoing
- Pre-IPO market cap of ~4bn and free float of +70% regarded as unique. Dividend yield targets 5-7%
- Significant growth potential

## Norwegian Property & Managers contacts

### **Chairman Norwegian Property**

#### **Knut Brundtland**

([knut@brundtland.com](mailto:knut@brundtland.com))

Mobile: +47 92 22 48 34

### **Director SEB Enskilda**

#### **Bård Bjølgerud**

([bard.bjolgerud@enskilda.no](mailto:bard.bjolgerud@enskilda.no))

Telephone: +47 21 00 85 24

Mobile: +47 98 22 85 24

### **Press Contact**

#### **Jørgen Christiansen**

([jorgen.christiansen@jchristiansen.no](mailto:jorgen.christiansen@jchristiansen.no))

Telephone: +47 21 00 86 41

Mobile: +47 91 31 31 99

# Board of Directors - CVs

- **Knut Brundtland (born 1961), Chairman;**

- Knut Brundtland has a law degree and has practiced as a lawyer (partner) in the lawfirm BAHR specializing in corporate finance. From January 2005 professional board member: Chairman of Bluewater Insurance ASA, Contopronto AS, Youngstorvet Eiendom AS, Creditsafe Business Information, Contextvision AB, VANN as, VOSS of Norway AS, Try as and Futuris Asset Management AB. Board member of Bergesen Worldwide Gas, Revus ASA and LeasePlan Norway as. Chairman of the financial committee for Norway`s Labour Party.

- **Jostein Devold (born 1960), Board member;**

- Jostein Devold has a MSc degree in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH) and is currently Investment Director in Aweco Invest AS, an Investment Company affiliated with the Anders Wilhelmsen Group. He has formerly worked for Rasmussengruppen AS (Investment Director), Saga Securities AS (Partner Corporate Finance) and the Norwegian Ministry of Finance. He is a board member of Expert ASA, Leif Huberth Stål AS and NOAH AS and is a member of the corporate assembly of Telenor ASA. Formerly, he was a board member of the real estate companies Avantor ASA and Industrifinans Næringseiendom ASA.

- **Egil K. Sundbye (born 1945), Board member;**

- MSc degree in economics and business, University of California Los Angeles (UCLA) 1969. 37 years of professional experience mostly from leading positions in public and private sector. Working experience primarily related to investments in and management of property and financial assets. Since 2001 CEO of Opplysningsvesenets fond (The Norwegian Church Endowment Fund)

- **Torstein I. Tvenge (born 1952), Board member;**

- Torstein Tvenge has a Bachelor degree in Marketing from Norges Markedshøyskole (NMH) 1976. He is currently CEO of Fram Management. He has over the last 30 years developed numerous real estate projects, and is currently among Norway's biggest private real estate owners. In addition, he has experience from the IT, wine import, fish farming and tourism industries. He is a board member of Avishuset Dagbladet, Norsk Chokolade Import, Solera AS and several privately owned and partially owned companies.