

# 3rd quarter 2015

Oslo, 29<sup>th</sup> October 2015



# Agenda



- **Highlights in the quarter**
- Operations and market
- Financial update
- Closing remarks
- Q&A

# Highlights in the quarter

- Rental income of 459 NOKm (448 NOKm)\*
- Net income from property management of 378 NOKm (366 NOKm)\*
- Positive value changes of 522 NOKm (365 NOKm)
- High letting activity in the quarter
  - Net letting of 19 NOKm
- Forward sale of Gullfaks project at Hinna Park to Wintershall



Oslo Solar, under planning, Oslo

\* The Q3 14 numbers are restated as a result of changed accounting principle for three properties from IFRIC12 to IAS 40

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# Letting and occupancy

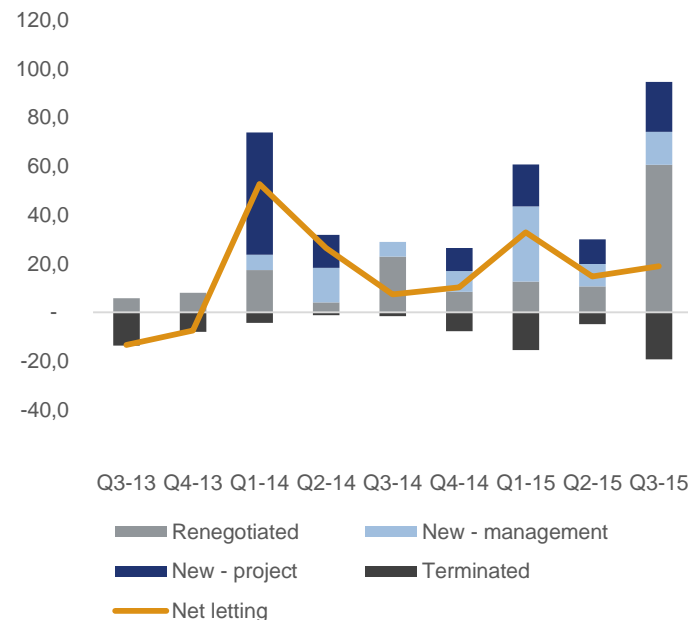


- New and renewed leases, 94 NOKm (45,300 sqm)
- Net letting of 19 NOKm
- Lease-up on renegotiated contracts of 7.4 %
- Terminated contracts, 19 NOKm (11,500 sqm)
  - Berner gruppen; 7,400 sqm in Langkaia, NOK 30 mill in compensation
- Occupancy at 94.5 %, WAULT at 7.4 yrs

## Largest new and renegotiated contracts

Property:	Tenant:	Sqm:	Contract:
Grønland 51 and 58, Drammen	Buskerud and Vestfold University College	16,700	Renegotiated
Biskop Gunnerus gate 14, Oslo	Sopra Steria AS	5,850	Renegotiated
Valkendorfgate 6, Bergen	Norconsult AS	5,200	Renegotiated
Sundtkvartalet (project), Oslo	ManpowerGroup	4,200	New

## Quarterly net letting\* (Annual rent, NOKm)



\*Net letting = new contracts + uplift on renegotiations – terminated contracts

# Forward sale of Gullfaks project at Hinna Park



- Wintershall has called option to buy Gullfaks when finalised
  - New office building under construction
  - 17,900 sqm
  - 50 % owned by Entra
- Estimated transaction price: NOKm 711
- Estimated total project cost: NOKm 539
- Estimated total gain NOKm 125
  - NOKm 67 as value gain in the quarter,
  - Remaining to be booked in Q3 2016 (other income/other property cost)



Gullfaks, Hinna Park, Stavanger

# Finalised Akersgaten 34-36 in Oslo



- Renovation and new-build
- Total of 6,200 sqm
- Occupancy: 87%
- Total project cost: NOKm 245
- Yield on cost: 6.8%
- BREEAM Very Good
  
- Amedia moved into 5,300 sqm in September
- Ongoing letting processes for remaining vacant space (4th floor)



Akersgaten 34-36, Oslo

# Oslo Solar won design contest for Lilletorget 1

Planning and zoning initiated



Lilletorget 1 today



Oslo Solar - under planning at Lilletorget 1 in Oslo



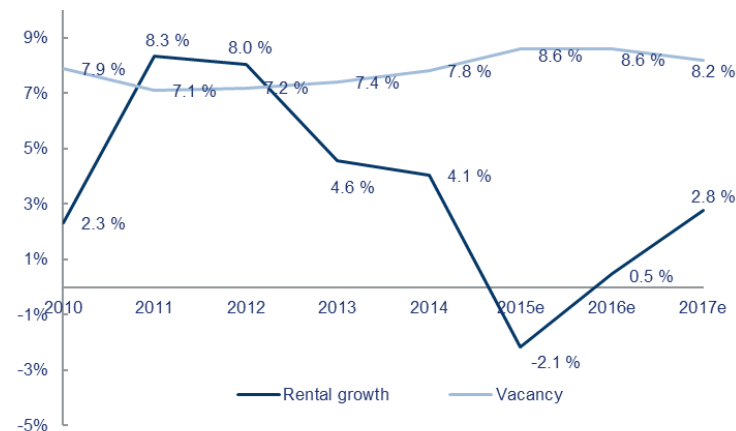
# Market development

## Rent and vacancy



- Office vacancy expected to level out at 8.6 % in Oslo
- Slightly negative overall rental growth in 2015
- Major differences between micro markets in all cities
- Quality buildings in central office areas are holding up well
- Limited new supply and high level of office-to-residential conversion is expected to contribute to rental growth from 2016

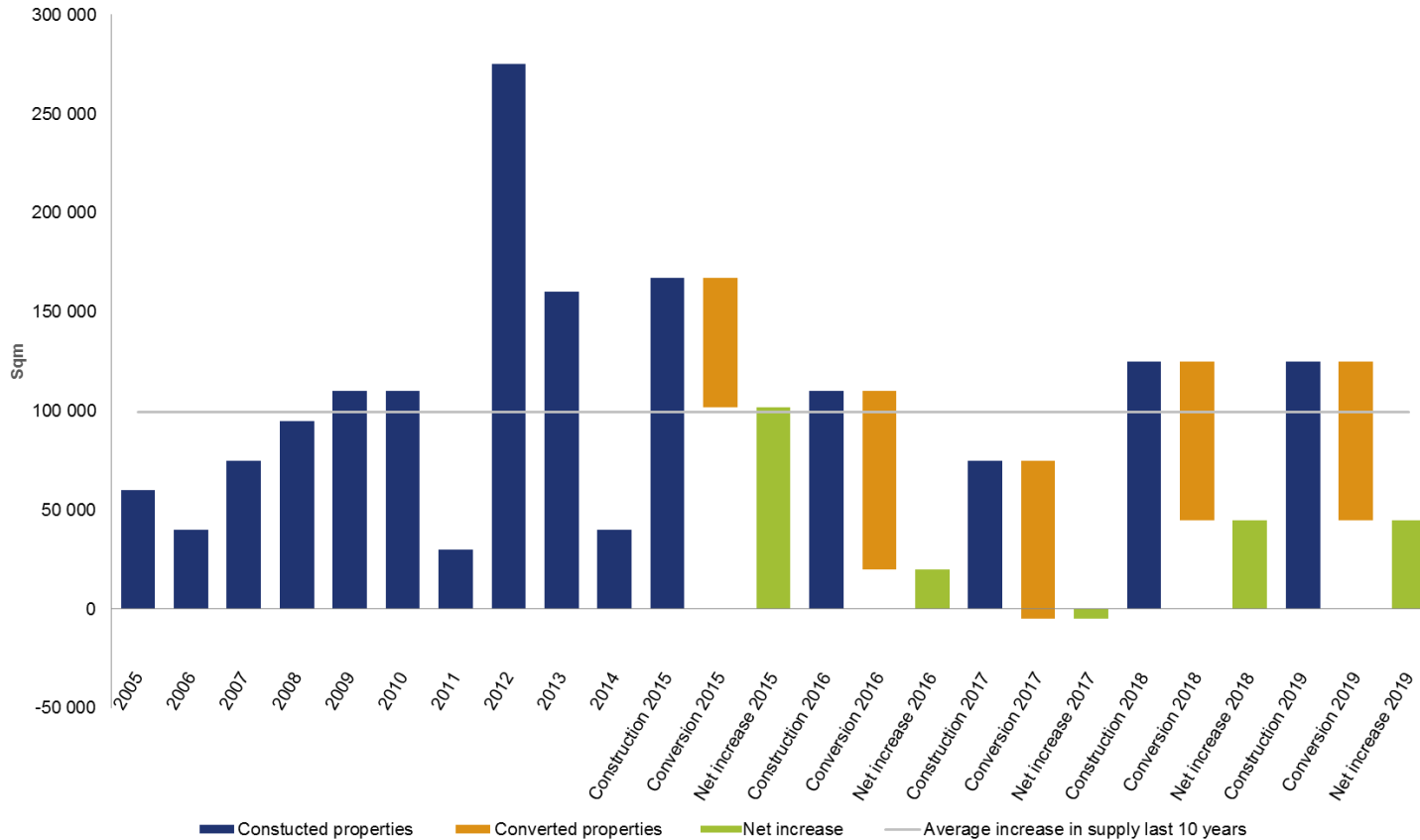
### Rental growth and vacancy Oslo



Source: Entra consensus report, average of estimates from leading market specialists in Norwegian market.

# Supply and demand balance

## Limited net supply of new office space expected in Oslo



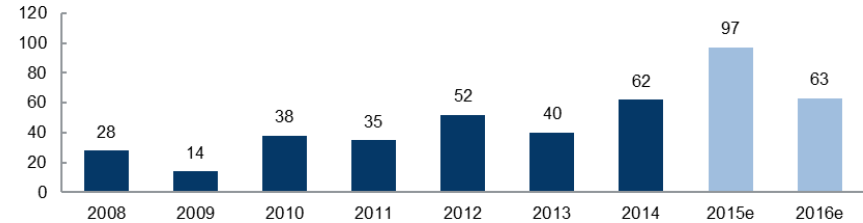
# Market development

## Transactions and yields

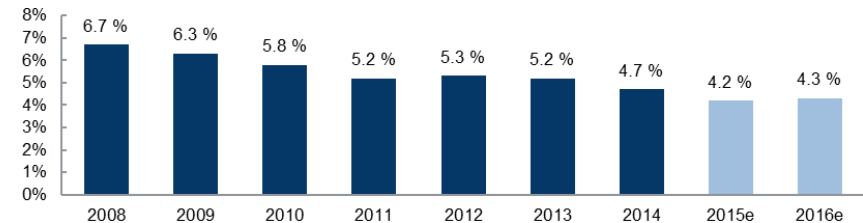


- Record high transaction volumes in the Norwegian property market
- Broad interest from international and domestic financial investors
- Yield levels contracting further,
  - Expected to level out in Oslo CBD
  - Further potential in other cities/fringe areas

### Total transaction volume (NOKbn)



### Prime yield Oslo



Source: Entra consensus report, estimates from leading market specialists in Norwegian market

# Introduction of property tax in Oslo

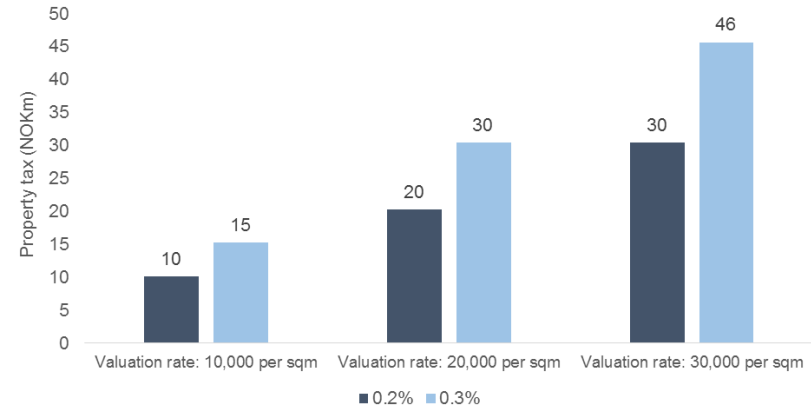


- New city council in Oslo has stated that property tax will be introduced from 2017
  - 0.2 % of commercial property value in 2017
  - 0.3 % thereafter
- Entra/industry standard has been that property owners carry the risk for introduction of property tax
- Valuation methodology as basis for property tax is not decided
- Standard rates used as basis in other Norwegian cities\*:

	Valuation (NOK per sqm)	Property tax (NOK per sqm)
Stavanger	7500-8000	28-34
Bergen	8400	42
Trondheim	8400	27

\* Source: DTZ

## Illustration of potential impact on Entra



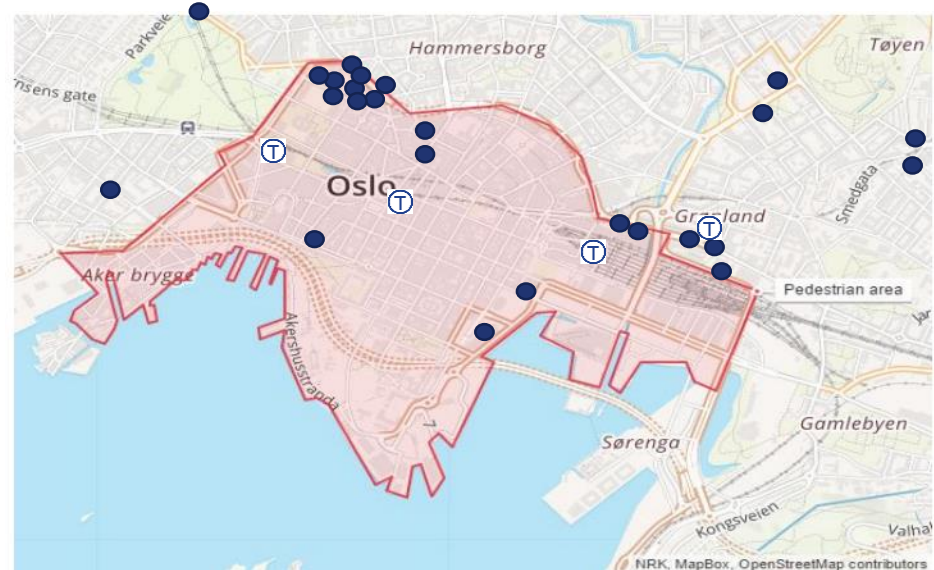
- Key assumptions:

- Current Oslo portfolio: 507,600 sqm (Central Oslo + Bryn/Helsfyr)
- Average value per sqm of NOK 33,500 per 30.09.15
- Base valuation rate for calculation of property tax on commercial properties in Oslo of 10,000 - 30,000 per sqm

# Proposal for car free city centre in Oslo



- New city council propose to ban cars in the city centre of Oslo by 2019
- Entra's properties are centrally located close to main public transportation hubs
- Most properties will also have access to parking within walking distance



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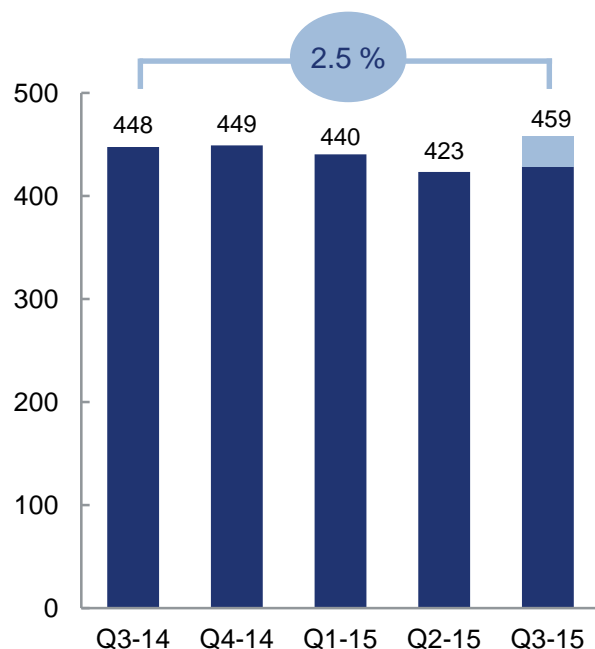


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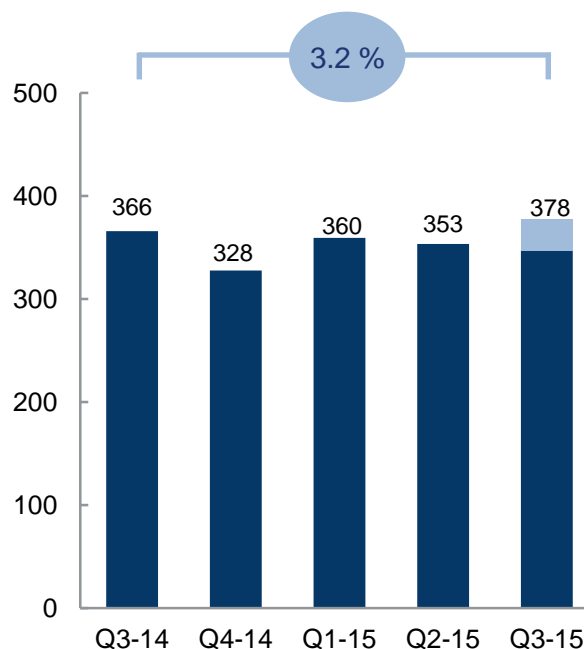
# Key financials\*



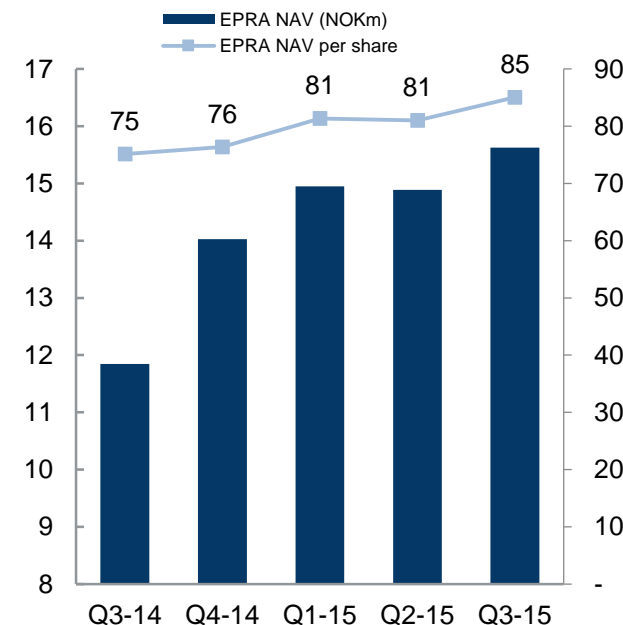
## Rental income (NOKm)



## Net income from property management (NOKm)



## EPRA NAV (NOKbn / NOK per share)



\* Q1-14 to Q3-14 numbers are restated as a result of changed accounting principle for three properties from IFRIC 12 to IAS 40

Q3 14 post IPO pro forma EPRA NAV = 13,8 NOKbn / 75 NOK per share

# Results\*

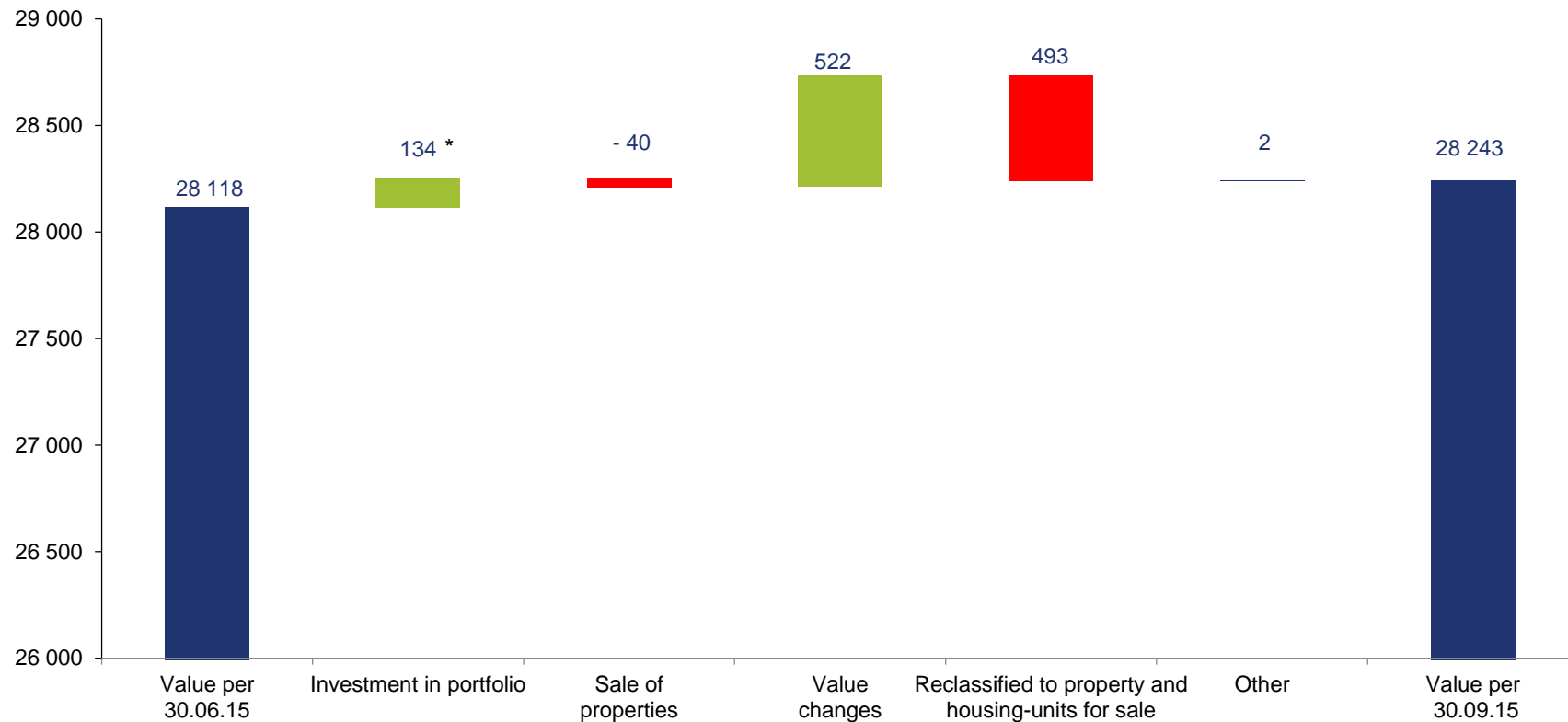


All figures in NOKm	Q3-15	Q3-14	YTD Q3-15	YTD Q3-14
Rental income	459	448	1,322	1,323
Other operating revenue	20	40	212	112
<b>Total operating revenue</b>	<b>478</b>	<b>488</b>	<b>1,535</b>	<b>1,435</b>
Repairs and maintenance	17	12	33	31
Operating costs	31	29	91	71
Other property costs	17	33	197	99
Administrative owner costs	36	48	123	163
<b>Total operating costs</b>	<b>101</b>	<b>122</b>	<b>444</b>	<b>364</b>
<b>Net income from property management</b>	<b>378</b>	<b>366</b>	<b>1,091</b>	<b>1,072</b>
Changes in value from investment properties	522	365	1,415	635
Share of profit from associates and jointly controlled entities	-13	14	29	41
<b>Operating profit</b>	<b>886</b>	<b>745</b>	<b>2,534</b>	<b>1,748</b>
Net realised financials	-120	-173	-514	-490
Unrealised changes in value of financial instruments	-86	-44	337	-315
<b>Net financials</b>	<b>-205</b>	<b>-217</b>	<b>-176</b>	<b>-805</b>
<b>Profit before tax</b>	<b>681</b>	<b>528</b>	<b>2,358</b>	<b>942</b>
Tax payable	0	0	0	0
<b>Profit after tax</b>	<b>492</b>	<b>385</b>	<b>1,947</b>	<b>700</b>

\* The Q3 14 numbers are restated as a result of changed accounting principle for three properties from IFRIC 12 to IAS 40



# Investment property value development



\* In addition Entra has invested NOK 160 mill through its non-consolidated J/Vs

# Project Portfolio



Property	Ownership (%)	Location	Expected Completion	Project area ('000 sqm)	Occupancy (%)	Est. total project cost* (NOKm)	Of which accrued* (NOKm)	Yield on cost** (%)
<b>Group:</b>								
Papirbredden 3		60 Drammen	Oct-15	11,400	59	266	230	8.1
Fredrik Selmers vei 4 (phase 2)		100 Helsfyr	Jan-16	7,400	52	212	166	6.7
Strømsveien 96		100 Helsfyr	Dec-16	18,100	46	433	139	6.6
<b>Total Group</b>				<b>36,900</b>		<b>911</b>	<b>535</b>	
<b>Jointly controlled companies:</b>								
Sundtkvartalet		50 Oslo	Dec-16	31,300	45 ↑	1,055	562	6.7
MediaCity Bergen		50 Bergen	Aug-17	45,000	61	1,677	824	6.1
<b>Total Jointly controlled companies</b>				<b>76,300</b>		<b>2,733</b>	<b>1,386</b>	
<b>Forward sold property projects:</b>								
Gullfaks***		50 Stavanger	Aug-16	17,900	100	539	420	6.7
<b>Total Forward sold projects</b>				<b>17,900</b>		<b>539</b>	<b>420</b>	

\* Total project cost (Including book value at date of investment decision/cost of land)

\*\* Estimated net rent (fully let) at completion/total project cost (including cost of land)

\*\*\* Gullfaks; Occupancy is reported as 100 % let due to a rental guarantee included in the purchase transaction of Hinna Park AS

# Balance sheet\*



All figures in NOKm	30.09.2015	30.09.14	31.12.2014
Intangible assets	194	176	180
Book value of property portfolio	28,806	27,834	28,434
Associated companies	1,122	1,076	1,137
Financial derivatives	532	376	550
Other current assets	215	342	350
Cash and cash equivalents	158	141	198
<b>Total assets</b>	<b>31,027</b>	<b>29,944</b>	<b>30,850</b>
Equity	12,553	8,828	11,064
Interest bearing debt	13,421	16,344	14,647
Deferred tax	3,363	2,897	2,984
Financial derivatives	1,136	1,053	1,353
Other liabilities	553	821	802
<b>Total equity and liabilities</b>	<b>31,027</b>	<b>29,944</b>	<b>30,850</b>

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# Financial update

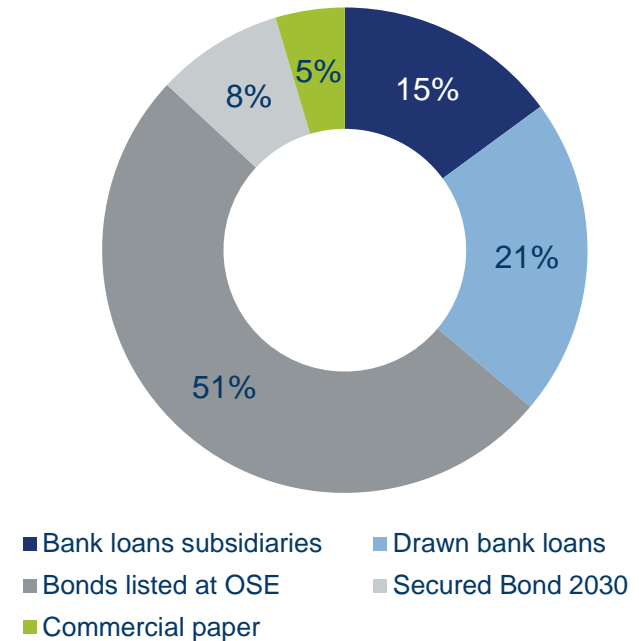


## Key debt metrics as of 30.09.15

Interest bearing nominal debt	13,001 NOKm
Unutilised credit facilities	3,690 NOKm
Loan-to-value	43.9 %
Weighted average maturity	4.6 yrs
Average interest rate	3.9 %
Share at fixed rate	62 %
Average duration of interest rate hedges	3.4 yrs

## Composition of interest bearing debt

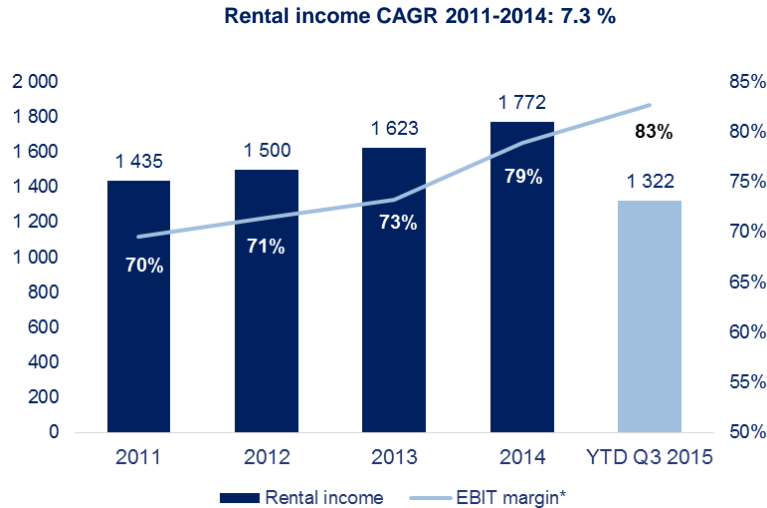
100% = 13,001 NOKm



# Efficiency and cost focus improving results



## Income growth and improving operating margins



- EBIT margin defined as Net income from property management / Rental Income

## Reduced average interest rates



- Development in average interest rate 2009-2018(e) as reported per 30.09.15
- Changes in average interest rate is caused by expiration of interest rate swaps and start of forward swaps already entered into.
- Assumptions (2015-2018):
  - Stable debt level
  - All debt re-financed at existing terms
  - NIBOR forward curve

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# Closing remarks

- High letting activity in the quarter
  - New and renegotiated contracts for NOKm 94
- Significant margin and cash flow improvement since 2013
- Demand/supply balance expected to fuel rental growth from 2016
- Ongoing and future projects continue to add portfolio growth



Schweigaardsgate 16

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