

NBNP 2 AS

STATUS REPORT NO. 2 / 2017

This is status report no. 10 from NBNP 2 AS since the company was established on 20 September 2012 following a demerger from North Bridge Nordic Property AS. The company's only activity is to own and develop a building site of 490.000 m² at Avtjerna in Sollihøgda in Bærum municipality.

SUMMARY

NBNP 2's goal is to develop Avtjerna for housing purposes. The site has currently not been regulated, but reserved for future housing development in Bærums municipality plan. It is therefore important for NBNP 2 to follow the political processes and other initiatives than can have an influence on the possibility of housing regulation. Today, the development of Ringerike railway and whether Avtjerna will have a railway station or not is the single issue with most premises. The Board and Manager devote considerable resources to make Avtjerna visible in the media, and ensure that the decision-makers have good and correct information. The status report aims to give insight in the relevant processes. Parts of the information from previous reports are repeated to make the picture as complete as possible.

The following is a short summary of the information described in more detail in the main section of the report:

- The process of preparing a new municipal plan for Bærum has been initiated. Avtjerna has been proposed as the fifth (and last) major development area in Bærum. After the draft had been made, the municipality board decided to move forward the development of Avtjerna if a railway station is established or to postpone the development of Avtjerna if a railway station is not established.
- A draft for a first-time passing of the zoning plan for the Ringerike railway is expected to be made public in the middle of March 2018. Bane NOR is planning a route without day zone at Avtjerna, thereby obstructing the possibility for establishing a railway station at a later date. Several parties are attempting to change the railway route to enable a railway station at Avtjerna.
- Bane NOR has indicated that they wish to use parts of Avtjerna for a mass deposit site for permanent masses, but they will not plan the execution or the work to make it possible to use the masses as building ground in the future.
- Manager is working to secure income for NBNP 2 in connection with the development of E16 and the Ringerike railway in the form of deposit sites / mass handling / rig. Lorangmyr has been included as a location in Bærum municipality plan concerning mass handling.
- The launching of Sollihøgda Plussby. Many participants came to hear the vision for an environmental-friendly development of Avtjerna, including four members of Parliament and the deputy mayor. Cf. the project's web page (www.sollihogdaplussby.no).
- NAV has declined somewhat, due to reduced cash deposits as a consequence of day-to-day operating expenses. Please note that NAV is based on valuations assuming that the residential projects are carried out. In the Board's opinion, a sale today would give lower values.

PROPERTY UPDATE

	Avtjerna	Sollihøgda, Bærum
	Stake:	100 %
	Segment:	Dev. residential site
	Plot area m2:	490.000
	Number of lessees:	-

An orientation of what the Manager regards as premise-providing general terms for the development of Avtjerna is given below.

Municipality plan and Bærum municipality's signals about development

In connection with the new municipal council, the municipal plan is also subject to review. The area part of the new municipality plan is expected to be approved in the first quarter of 2018. The Chief Administrative Officer in Oslo and Akershus, together with the Directorate of Public Roads, have raised objections to maintain Avtjerna in the municipality plan. The background is that the area is not included in the regional plan for area and transport for Oslo and Akershus, where these bodies are of the opinion that the residential building at Avtjerna will be car-based.

In the statement of case for the new municipal's area part dated October 2017, the following is proposed (extract):

GENERAL TERMS AND GUIDELINES (the Planning and Building Act section 11-9)

2. Develop the main development areas in the following order:
 - a. Fornebu/Lysaker
 - b. Sandvika
 - c. Bekkestua/Høvik
 - d. Fossum
 - e. Avtjerna
3. Develop the main development directions Fornebu, Sandvika, Bekkestua/Høvik and Fossum. Avtjerna is included as a long-term development option.

The Chief Administration Officer's proposal for adoption of the municipality plan is *"The area for new residential development at Avtjerna is exempted from legal effect, cf. the Planning and Building Act section 11-16, until objections have been clarified"*. The easiest way to explain this is that Bærum municipality makes a reservation, as a development of Avtjerna potentially assumes a railway station and is outside Bærum municipality's decision-making authority.

Bærum's municipal council has unanimously approved to speed up the development of Avtjerna in case a railway station for Avtjerna is approved. Or postpone the development of Avtjerna in case a railway station is not established.

The Ringerike railway

In the autumn of 2016, Bane NOR announced that the Ringerike railway should go in a continuous tunnel from Sandvika to Sundvollen. In practice, such a route implies that no railway station will be established at Avtjerna, not now or later. Manager disagrees with much of Bane NOR's argumentation and has worked to get the railway up on the surface to make a future railway station at Avtjerna possible.



Figur 1, Map prepared by the Norwegian National Rail Administration with a railway station at Rustan. The red field shows NBNP 2's property.

In order to collect adequate argumentation, NBNP 2 engaged the engineering company COWI to calculate the cost for a railway station against Bane NOR's alternative. COWI's work shows that a railway station will be "for free" if one should establish a day zone. The reason is that there will be no need for a burnup room (railway station for evacuation within the mountain), and shorter accessory tunnels (cross cuts) for the development of the main tunnel.

COWI also calculated the increase in energy consumption, the possibility to use goods on the railway route, change in travel time to Bergen/Hønefoss, economic public utility and environmental consequences. The increase in annual energy consumption is calculated to equal 44 households and the travel time to Bergen/Hønefoss prolonged by 13 seconds. In addition, COWI's rail-technical expertise confirms that their proposed route alternative can be used for goods transport [in variance, a term applied in the order]. The calculation is to a large extent substantiated by the National Rail Administration/Bane NOR in their report presented in October 2017. The report from Bane NOR is based on an order from the Parliament in the summer of 2017 to give an account of a railway station at Avtjerna, partly as a consequence of political work carried out by the Manager. Unfortunately, Bane NOR again concludes negatively for a station in this report, as they cannot see any economic public utility of a railway station at Avtjerna. In the Manager's opinion, the report does not give a neutral picture of the situation and is characterized by trying to substantiate Bane NOR's previous recommendation. COWI has calculated positive public utility in their calculations, and COWI is the only party that has presented environmental accounts.

The Manager is in dialogue with Bane NOR's project organization. The department is carrying on the project work with a long tunnel without any possibility for a railway station. The work has progressed with frequent dialogue with the Ministry of Local Government, being responsible for the regulation process for the State. Bane NOR announces that the proposal for a first-time discussion of the zoning

plan for the Ringerike railway is expected to be made public around March 2018. The Ringerike railway has been deferred for two years, with the physical start of the project in 2021 and the first train in service on the line in 2026.

The Manager assumes that it is the Minister of Transport and Communication, Ketil Solvik-Olsen, who has the last word and is to decide whether there will be a railway station, the possibility for a future railway station or not at Avtjerna for the coming Ringerike railway. The Manager is working for a political break-through, by informing decision-makers and apply COWI to give a technical counterweight against Bane NOR's argumentation, as some of the initiatives.

Possible income sources on the property

The area Lorangmyr (owned by NBNP 2) has previously been used as a deposit for clay mass at the previous section of the E16 development (Wøyen-Bjørum). Lorangmyr has parts of the necessary infrastructure for further deposits. At the establishment of the Ringerike railway and a new E16 section, the works will imply a large mass surplus. It would save the environment and costs significantly if the mass were to be handled as locally as possible. The property owned by NBNP 2 is very central in that respect and prepared for the use of temporary and permanent deposits of mass. The Manager has suggested the possibility for using the property to Bane NOR and the Directorate of Public Roads, and has also included that type of suggestions to the ongoing work with the municipal plan's area strategy. In a meeting, Bane NOR has indicated that large permanent stone deposits of the surplus stone from the Ringerike railway are planned to be placed at Avtjerna and on NBNP 2's property. This is basically positive, as it can constitute the topography for future building sites with the surplus mass. Regrettably, Bane NOR is of the opinion that they cannot create values for the area, and are currently planning to deposit stones without considering any other future use than outfields. If deposits of large masses are carried out without any plan, this will be very destructive for the possibility to utilize the area as a building site in the future. The Manager will work against such an unplanned procedure. External assistance will probably be required in this process.

An agreement has been made with Skanska about using NBNP 2's property for a temporary mass handling plant. Skanska has such operations at Fornebu today, but this area must be vacated for the purpose of residential development. The agreement includes certain assumptions related to matters like obtaining required permissions. Skanska is currently working on obtaining the required permissions in cooperation with the Manager. The lease amount will be volume based, but with a minimum level.

Bærum municipality has initiated a project called Bærum resource bank, where one of the objectives is to consider the possibility to use surplus mass as a resource. Among the project participants are representatives from the private sector and Bærum municipality. The Manager is taking part on behalf of NBNP 2.

Bærum municipality has prepared a draft to a mass administration plan. The plan shall be discussed a second time on 28 February 2018. The draft to a mass administration plan for Lorangmyr includes the following: *"The Chief Administration Officer proposes that the area is considered as location for processing masses with a possibility for interim storage. Utilizing uncompacted material to improve the ground for future residential development should take place when a ground analysis has been prepared."* And *"The Chief Administration Officer is requested to further investigate the concept for recycling masses localized in the Avtjerna area (Lorangmyr, Brenna). i.e., processing, recycling, storage*

of masses in the form of a resource bank. Investigations should also be made for the possibility that the resource bank can receive, sort and refine used raw materials from the building industry (asphalt, concrete etc.) and lightly polluted masses. Relevant operating models and the municipality's role in this to be investigated".

The Chief Administration Officer's proposal for resolution: "The Chief Administration Officer is requested to continue the plan work for relevant receipt and filling areas, i.e. the recreation area at Fornebu, Lakseberget, and the Sollihøgda/Avtjerna area, and to further investigate relevant smaller locations suitable for utilizing masses".

The Manager's opinion is that NBNP 2 has good opportunities to generate income from mass handling/deposits in the period until a possible start of residential development of the property.

Cooperation with other property owners

A cooperation between the property owners at Avtjerna has been established. Most property owners at Avtjerna take part in the «property owner organization». Manager is a member of the steering committee of the property owner organization. The organization is mainly involved in the development of the Avtjerna area seen as a whole, and shall appear united to the public authorities.

Sollihøgda Plussby

COWI has contributed to establish the vision for an environmental development of Avtjerna. This has been called «Sollihøgda Plussby». The goal for Sollihøgda Plussby is to show the possibilities in developing a new city created with an environmental way of thinking from the start. This autumn, Sollihøgda Plussby was launched at Sandvika cinema. Four members of Parliament, the deputy mayor and other key local politicians, relevant representatives from the private sector and other cooperation partners took part in the arrangement. In total, approximately 40 persons were present.

The web site for the project is www.sollihogdaplussby.no.



Picture from the launching of Sollihøgda Plussby. From the left the members of Parliament Åsmund Aukrust (Ap), Abid Raja (V), Hans Andreas Limi (FrP) and Hårek Elvenes (H).

In the autumn of 2017, Sollihøgda Plussby received support in the electoral campaign from Arbeiderpartiet, Fremskrittspartiet, Høyre and Venstre. The project received good press coverage during the autumn, i.e. on bygg.no, Estate Nyheter, Byggfakta, Fremtidens Bygg, Teknisk Ukeblad, Budstikka, Ringerikes Blad, Dagens Næringsliv and Finansavisen.

Innovasjon Norge invited Sollihøgda Plussby and COWI to Smart City Expo in Barcelona in November this year. NBNP 2 accepted the invitation and had a joint exhibition with COWI. Our exhibition was mentioned in a press release from Innovasjon Norge as the main attraction. We received good press coverage and had the opportunity to discuss Avtjerna and Sollihøgda Plussby with politicians and other decision-makers.

With Sollihøgda Plussby, Manager has aimed towards having a dialogue and cooperation with relevant private sectors and interest groups. We experience that the work with Sollihøgda Plussby has contributed to spin-off effects, and that the project has a number of supporters putting Sollihøgda Plussby /railway station at Avtjerna on the agenda.



Illustration for Sollihøgda Plussby

NAV calculation

Date	NAV/share (NOK)	Change NAV/share in the last period 1)	Change NAV/share since the start 1)
30.06.2012	63,4	n.a.	n.a.
31.12.2012	40,9	-7,2 %	-7,2 %
30.06.2013	40,8	0,0 %	-7,3 %
31.12.2013	40,0	-2,1 %	-8,6 %
30.06.2014	39,9	-0,4 %	-8,8 %
31.12.2014	41,9	5,2 %	-5,5 %
30.06.2015	41,8	-0,3 %	-5,7 %
31.12.2015	42,2	1,0 %	-5,1 %
30.06.2016	42,1	-0,4 %	-5,3 %
31.12.2016	44,4	5,6 %	-1,6 %
30.06.2017	44,2	-0,6 %	-2,0 %

1) NAV per share adjusted for split distribution of NOK 18,00 to the shareholders in December 2012.

Net asset value (NAV) per share is calculated to NOK 44,2 as at 30 June 2017, a marginal reduction of 0,4 % from NOK 44,4 at 31 December 2016. Total NAV at 30 June 2017 constituted MNOK 144,5 compared to MNOK 145,3 at 31 December 2016. No valuation on the property has been obtained as at 30 June 2017 (MNOK 136,8 at 31 December 2016). NAV is primarily influenced by day-to-day operating costs.

As a basis for calculating NAV, two independent valuations related to the company's property Avtjerna were obtained, as decided by the General Meeting on 26 June 2012. The most recent value of the company's property value is set as an average of the valuations carried out by Newsec and DTZ.

NAV is computed by deducting debt from total property values, based on the valuations, and adjustments are made for net working capital in the Group, deferred tax and the market value of any

financial instruments. Accordingly, NAV expresses the shareholders' ownership of the underlying values in the Company.

The valuation of properties is made on the basis of calculated project values in carrying out a housing development project. In the Board's and Manager's opinion, the property will achieve a lower sales price than indicated by the valuations in today's market, and in the Board's view, particularly at a sale with a short time-line.

There will be deviations between the NAV calculation and the companies' equity in the financial statements due to different accounting principles. The financial statements are prepared in accordance with NGAAP based on historical cost, whereas the NAV calculation is based on fair values pursuant to established principles for valuations.

COMPANY INFORMATION

The ordinary General Meeting was held on 20 June 2017.

NBNP 2 AS /North Bridge Management AS

(Sign.)
Jørn H. Hynne
CEO

(Sign.)
Hans Jacob Låhne
Asset manager

Oslo, 13 December 2017