

STATUS  
**REPORT**

Q4 2007



**North Bridge Nordic Property AS**

Karenslyst allé 4  
P.O. Box 211 Skøyen  
0213 Oslo - Norway

**[www.northbridge.no](http://www.northbridge.no)**

t: + 47 22 54 03 80  
f: + 47 22 54 03 81

## **NORTH BRIDGE GROUP**

### **North Bridge Management AS**

North Bridge Management AS, also referred to as 'Manager', was founded on 12 June 2006, and its main business is as Manager for North Bridge Nordic Property AS (NBNP or the Company) and its 'sister company' North Bridge Opportunity AS. The latter company was founded in autumn 2007, after NBNP was fully capitalised, and is an investment company with a corresponding investment mandate.

The Manager has undergone significant growth and is now an integral part of the North Bridge Group, which offers a full-scale range of asset management services, development, project financing and real estate management. We will consequently give an update on the Manager and the North Bridge Group in this status report.

In accordance with the Management Agreement, the Company has transferred the management of the Company to the Manager. The Manager shall, give the Company assistance with identification of investment objects, implementation of private placements in the Company, and provide services related to the operation, management and development of the properties.

North Bridge Management AS purchases services from a number of subcontractors. This could include purchase of services from sister companies and associated companies where appropriate, at market conditions.

### **Employees**

Eivind Devold (42) is the managing director of North Bridge Management AS. Mr Devold will also take on the role of managing director of the Company. In addition, the management group also includes Morten Lindvik (56) (consultant,

finance/administration), Halfdan Th. Wennevold (45) (development director) and Erik Kristiansen (36) (controller). The Manager plans to expand the management group with two additional members within finance and asset management during 2008.

The Manager has signed a consultancy agreement with North Bridge Capital Partners Ltd., with particular emphasis on asset management. The agreement gives access to senior property expertise from a team with a historically very strong track record in terms of capital raising, acquisition, operation and development of residential and commercial property.

In particular, Jon Gausen, Kjetil Grønskog and Ulf Lund from NBCP will undertake work for the Company.

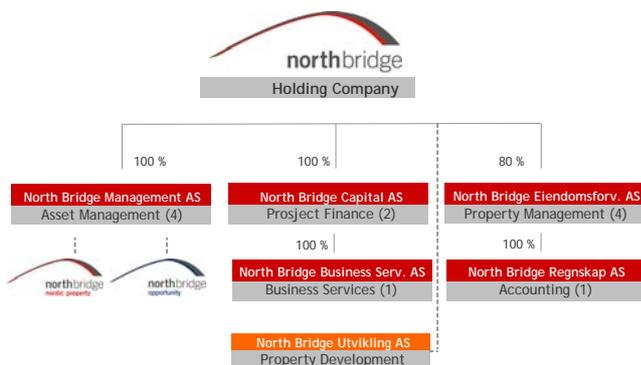
### **North Bridge Group**

The North Bridge Group offers a full-scale range of asset management services, development, project financing and management within the area of real estate.

The shareholders in Schøyen Prosjekt & Finans AS, North Bridge Management AS and North Bridge Eiendomsforvaltning AS have, through a merger, formed a joint platform for five operative units with a total of 12 employees.

The total gross property value under management/business management in the North Bridge Group is NOK 3.7 billion as of today.

The partners in North Bridge Capital Partners Limited in London control 50.3% of the shares in the parent company North Bridge AS, while the remaining shares will be controlled by Eivind Devold (managing director of North Bridge Management AS), Dag E. Arnesen (managing director of North Bridge Capital AS) and Jørn H.



Hynne (chairman of the board of North Bridge Business Services AS). The companies in Norway will, from the time of the merger, comprise 12 employees.

North Bridge Capital Partners Limited has its head office in London and is a partner-owned company involved in asset management and corporate finance with focus on real estate. The company has a licence from the Financial Services Authority in the UK, equivalent to Norway's "Kredittilsynet" (Financial Supervisory Authority of Norway).

The establishing of North Bridge AS and the incorporation of the above-mentioned businesses into the new structure has been implemented with the aim of forming the basis for a further positive development, including a broader range of services, and increased capacity to handle large and complex transactions and processes.

## YIELD, CAPITAL AND INVESTORS

### Yield as of 31 December, 2007

The value of NBNP's property portfolio increased by 1.9%, in the second half of 2007, measured in Norwegian kroner. This increase includes an adjustment for a decline in the NOK/SEK rate of 3.8 percentage points and a reduction in the value of interest rate swap agreements as a result of a fall in the long-term interest rate level after 30 June, 2007.

The effect of a 1.9% increase in the portfolio's real estate value in the second half of 2007 on value-adjusted equity (VEK) per share will not be disclosed before the change in net working capital during the period has been established, in March/April 2008, when the group accounts for 2007 are finalized.

The previous calculation of value-adjusted equity (VEK) was done as of 30 June, 2007, and showed a VEK per share of NOK 1,556, an increase of 45.5% in total since the start-up in August 2006.

## Capital and investors

At the end of the fourth quarter of 2007, the Company had acquired NOK 400 million in total share capital from 52 shareholders.

The Company has a satisfactory capital situation, and still has the opportunity to undertake new investments in addition to following up the existing portfolio.

Mortgage financing of the investments has been established with satisfactory conditions

## MANDATE AND INVESTMENT STRATEGY

NBNP is a so-called closed-end investment company with a defined lifetime up until 31 December, 2012. Geographically, the focus will be on acquisitions of Nordic properties, especially in Norway and Sweden.

With a position halfway between a passive real estate fund manager and a 'proactive developer', our mandate is to establish an attractive portfolio that combines good cash flow properties with development projects with a high return potential.

Properties and development projects are handpicked across segments and locations

Overview of properties North Bridge Nordic Property AS - 1 March, 2008						
Property	Location	Country	Segment	Constructed area BRA (m2)	Development area* BRA (m2)	Plot, gross area (m2)
Avtjerna*	Bærum	Norway	Development residential	-	-	480 000
Ole Bulls gt.	Sandnes	Norway	Development commercial/residential - cash flow	6 200	20-24,000	4 870
Sveberg	Malvik	Norway	Development shopping mall	-	15 000	35 000
Innherredsveien	Trondheim	Norway	Cash flow - commercial	18 533	-	3 670
Trollåsveien 34-36	Oppegård (Oslo)	Norway	Cash flow - commercial	10 263	-	10 424
Klostergaten 46/48	Trondheim	Norway	Development office/trade	-	6 000	2 800
Lyckebacken 3 and 5	Lund	Sweden	Cash flow - commercial/development	77 165	-	237 741
Mejselgatan	Vellinge	Sweden	Cash flow - commercial	3 012	-	3 700
Aktern 3	Malmö	Sweden	Development residential/commercial	-	6 800	2 712
<b>Total</b>				<b>115 173</b>		<b>780 917</b>

\* projected, planned or potential development area  
\*\* incl. option, around one-third of the space

within the mandate (analogous to a stock-picking strategy). In addition to the risk reduction achieved by diversifying the portfolio, the requirement for pre development sales or rental, as well as a conservative interest rate strategy, contributes to a moderate risk level.

## PROPERTY PORTFOLIO

NBNP has invested in a portfolio of nine properties, as shown in the table above. Klostergaten was acquired early in January 2008 and Aktern in February 2008.

*Avtjerna, Bærum:* Close to the site at Avtjerna, the first part of the new E16 motorway from Sandvika over Sollihøgda will open in spring 2009. This includes a 5 km section from Vøyenenga (Wøyen) to Bjørum. For more information about the new E16, please refer to the National Highways Authority's website.

*Ole Bulls gt., Sandnes:* The present building benefits from a satisfying tenant situation. This is due to the property's very central location in one of Norway's most dynamic towns.

The Company is working on developing the property, including the construction of around 21,000 m<sup>2</sup>. The existing building will then be demolished. "Link Signatur" has been employed to seek municipal acceptance and carry out the architectural work for the new buildings. A start-up

meeting with Sandnes municipality was held on 19 December, 2007 concerning the development. The actual start-up of the planning was announced to the public at the end of January and work is fully under way to submit it for initial consideration. Construction can start, if there are no unexpected obstacles, in roughly 18 months' time, provided that rental contracts of satisfactory duration and size have been signed.

*Sveberg, Malvik:* The shopping centre site at Sveberg (35,000 m<sup>2</sup>), in the Malvik municipality north of Trondheim along the E6, has already been approved by the local authorities and planned. An area of around 5,000 m<sup>2</sup> has already been signed for hire, including central tenants such as groceries and clothes shops. In addition, there are many potential tenants who are



close to a decision.

Documentation relating to tenders is planned to be sent out during the first half of March and building is planned to start in August-September 2008, conditional on a

continued positive trend in the rental situation.

*Innherredsveien, Trondheim:* The Sparebank1 group has moved into newly renovated premises of 1,375 m<sup>2</sup> in total.



There is around 1,900 m<sup>2</sup> of vacant space after Næringsakademiet moved out before the end of the contract due to its own financial situation. A new rental agreement is expected for this space, which has a very attractive location in the building, at a substantially higher rent than on the previous contract.

ARC architects in Trondheim have been employed to 'lift' the lower part of the facade on Innherredsveien, and make the entrance more attractive to existing and potential tenants.

*Trollåsveien, Oppegård:* The latest statistics from analyst company Eiendomsverdi show a marked rise of around 20% (up to NOK 1,100-1,200 per m<sup>2</sup>) in office rental prices in outer southern Oslo in the period since the Company acquired the property. With vacant space of around 2,000 m<sup>2</sup>, this gives the Company interesting potential, and there is a strong focus on filling the vacant premises from the Manager's side.

The property has been upgraded with new air-conditioning and heating pumps, installed in January 2008. These are linked to the building's central control unit for energy usage. This is so far working very satisfactorily, and we are already seeing a



reduction in electricity usage. The reduction will level off somewhat if we have a warm summer which necessitates more air-conditioning, but the air-quality of the offices will be considerably better. In addition, the entrances have been spruced up and the property is now very presentable.

*Klostergata, Trondheim (NEW):* At the end of December 2007 an agreement was signed to purchase the property Klostergata 46/48 and Schwachs gt. 3 in Trondheim, by the newly established company Klostergata Holding AS, of which North Bridge Nordic Property AS owns 67%. The property consists of a commercial building of 1,000 m<sup>2</sup> and a site of 2,800 m<sup>2</sup>. The location is very central on the Øya peninsula, in close proximity to the St. Olavs Hospital.

During February 2008 Klostergata Holding AS entered into a long rental contract with Rusmiddel Midt-Norge AS in Trondheim. The agreement includes the rental of around 6,000 m<sup>2</sup> in a planned building, where the new 'Trondheim clinic' will be located. The clinic will contain a large medical center including a new clinic for drug and alcohol treatment aiming to link research, training and treatment closer together and is located near St. Olavs Hospital.

Project development and management will be carried out under the direction of the company North Bridge Utvikling AS. Building notice is planned to be submitted to Trondheim municipality by 1 April,

2008. In parallel, planning, in cooperation with Rusmiddel Midt-Norge AS, scheduled to be completed by 1 July 2008. The new building is planned to be completed in 2010.

*Lyckebacken 3 and 5, Lund:* A new rental contract is being negotiated with the main tenant Amcor, which at the turn of the year rented around 42,000 m<sup>2</sup>. From 1 July, 2008, Amcor will rent 25,000 m<sup>2</sup>, while 17,000 m<sup>2</sup> will be freed. Amcor has paid compensation that represents five



years' rental and three years' estimated overhead costs for the released space. Rental income when the 17,000 m<sup>2</sup> is relet is a 100 % upside for the Company', and parts of the vacant premises are already attracting interest. The other tenants are expanding and in some cases significant investments are being made in fixed installations paid by the tenants. We expect some of the rental agreements to be extended during the course of this year. A new concept has also been worked on to launch the area as a business/retail park. Within the property's limits we can now offer offices and storage/manufacturing space, both in existing vacant premises and new, planned buildings.

*Västra Hamnen, Malmö (NY):* Since the turn of the year, the Company has, in cooperation with Wikeborg och Sander Fastighetsutveckling AB, purchased a site of around 2,800 m<sup>2</sup> in Västra Hamnen in Malmö for SEK 32 million. The site is adjacent to Turning Torso, a Malmö

landmark and Scandinavia's tallest building.



Vestra Hamnen is perhaps Malmö's most dynamic neighbourhood, with a high level of activity both in terms of housing and commercial buildings. At the moment high prices are being achieved both for housing and commercial buildings in the area.



NBNP's share of the project is 50%. The plan is to construct around 5,000 m<sup>2</sup> of housing and some 1,000 m<sup>2</sup> of commercial buildings. Wikeborg och Sander is an architect and property development company highly experienced in property development in Malmö and in Vestra Hamnen.

#### **OTC LISTING AND BUY-BACK OF OWN SHARES**

NBNP is listed on the Oslo OTC list with NBNP as its ticker. The share can be traded through all authorised stock brokers. The stock broker Dag Sønderland at First Securities ASA, phone number

(+47) 23 23 82 18 can put orders into the OTC system, but it should be stressed that the Company has not entered into any agreement concerning market-making.

A proposal will be submitted to the Company's general meeting in 2008 to utilise buy-back plan of own shares as an instrument for continuously adjusting the Company's capital structure.

### **ANNUAL ACCOUNTS 2007**

The annual accounts for 2007 will be published together with the invitation to the ordinary general assembly around the end of March/beginning of April.

### **FUTURE OUTLOOK<sup>1)</sup>**

The Norwegian economy is still seeing the strongest boom for 20 years. Even though domestic demand is driving growth in the Norwegian economy, the country is, as usual, heavily dependent on international growth. A market slow-down internationally will affect growth and employment – and thereby demand for commercial property in Norway. A more expansive financial policy will help keep growth up in 2008, and no doubt also in 2009.

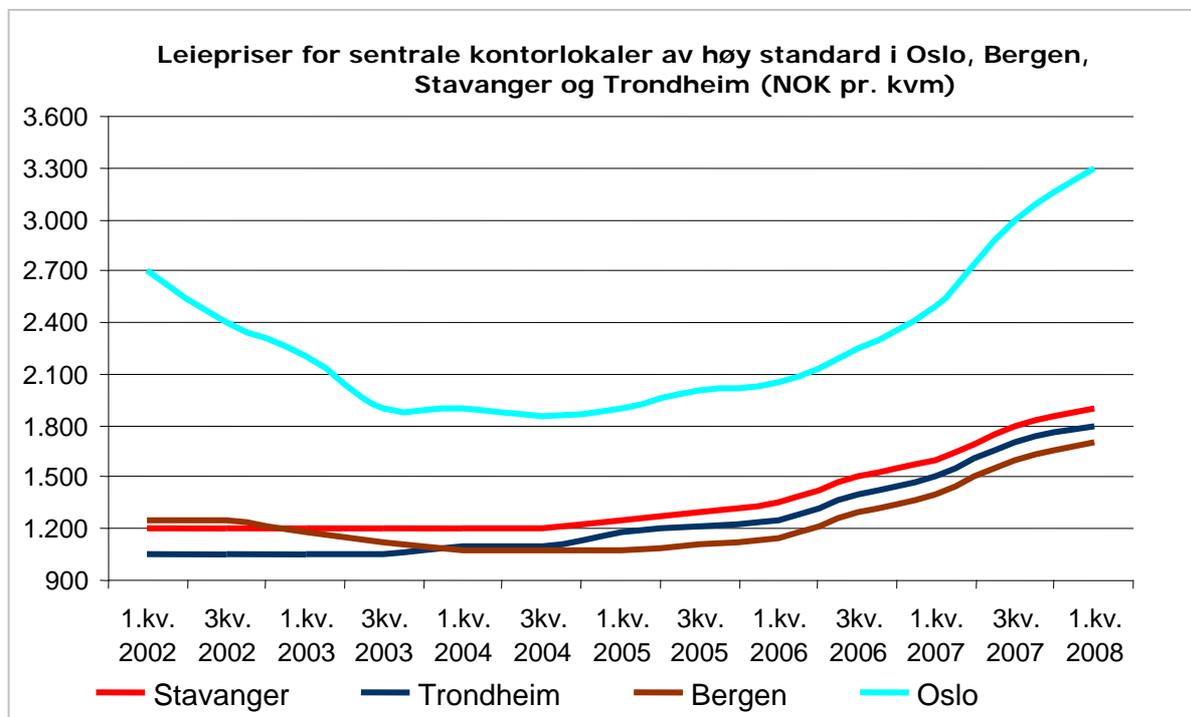
Overall, we expect growth in employment to fall towards 2% this year, from 3.5% in 2007. But even growth of 2% would be far higher than normal.

Businesses' demand for space is also affected by earnings and evaluation of future prospects. Earnings are generally very good, and today many businesses are looking for more space considering future expansion. The outlook of weaker growth internationally will normally reduce earnings expectations, and businesses normally become less risk-willing, also when it comes to the need for increased space. However, we see no sign of this in the Norwegian office market currently.

Overall, this leads us towards further growth in demand for commercial space in the coming years, but the downside risk has risen in recent months. Increased demand for office premises/other premises and a sharp fall in vacancy rates have already raised rental levels across the whole country, especially in large towns. The rental level in real terms is still not high in relation to previous peak levels and even lower in relation to current wage levels. We assume that the peak for rentals has not yet been reached for central office premises.

Conditions in the credit market, both the increased financing costs and somewhat narrower access to credits, indicate pressure on yields. On the other hand, the tight rental market indicates that rents will increase in most segments. The effect of the increase in the required yield will probably proportionally be somewhat lower than the increase in rents. In the event of this, the yield will be positive also in 2008, but is expected to be somewhat lower than in previous years.

Source: DnB NOR Næringsmegling AS



Given the uncertain conditions in the credit markets – and in stock markets – however, there is a risk that the required yield could rise faster than rents.

The stock market has already priced in such a development and prices of listed property shares have fallen sharply in Norway, as they have in other European markets and in the US.

It is expected that interest rate rises as a result of the high activity level in both the Swedish and Norwegian economies will gradually result in a somewhat higher required yield. General uncertainty in international financial markets as a result of the sub-prime crisis could also cause investors' required yield to increase.

The market outlook for the Nordic countries is still positive. Economic activity is high, and growth in GDP is 3.7% (Sweden), 3.2% (Denmark) and 4.0%

(Finland). Rental levels are still on their way up, while the decline in vacancy rates is being maintained.

A market climate as described above will make the choice of investment projects very important, and mean that active management of the investment portfolio will be even more central in the endeavour to create a good yield.

1) Source: Information memorandum for North Bridge Opportunity AS drawn up by the Company in cooperation with Organiser First Securities ASA

Best regards  
North Bridge Nordic Property AS and  
North Bridge Management AS

(Sign.)  
Eivind Devold  
Managing Director