

## NORTH BRIDGE NORDIC PROPERTY AS STATUS REPORT 4TH QUARTER 2010

### PRELIMINARY NET ASSET VALUE AS AT 31.12.2010

Preliminary net asset value of the North Bridge Nordic Property AS share (Company/NBNP) is put at NOK 1,794 as of 31.12.2010, an increase of 12.4% over the course of the second half of 2010. Net asset value per share (NAV) is 67.8% higher than at the company's start-up in June 2006. It should be noted that the accounts for the respective companies in the group have not been finalised and that the preliminary net asset value is determined on the basis of preliminary financial statements and estimates. The preliminary NAV is accordingly an estimate from the Manager and the determination of net asset value has not been considered by the Board.

Date	NAV/share (NOK)	Yield in the most recent period	Yield since start-up
01.08.2006	1 069	n.a.	n.a.
31.12.2006	1 267	18.5 %	18.5 %
30.06.2007	1 556	22.8 %	45.5 %
31.12.2007	1 665	7.0 %	55.7 %
30.06.2008	1 664	0.0 %	55.7 %
31.12.2008	1 344	- 19.2 %	25.7%
30.06.2009	1 369	1.9 %	28.1 %
31.12.2009	1 465	7.0 %	37.0 %
30.06.2010	1 595	8.9 %	49,2 %
31.12.2010*	1 794	12.4 %	67.8 %

\* Provisional estimated VEK.

The main factors behind the increase in NAV in the second half of 2010 are the following:

- NOK 156.1m gross increase in property values of which NOK 72.3m is net value increases and NOK 83.8m refers to investments in new construction and refurbishment (Klostergata and Lund Business Park). The sale of Aktern is accounted for by including the actual amount of the sale
- NOK 14.5m in positive exchange rate movements for the portfolio
- NOK 8.7m increase in latent tax
- NOK 77.1m increase in long-term debt
- NOK 6.2m positive value change on financial instruments
- NOK 12.2m increase in minority interests

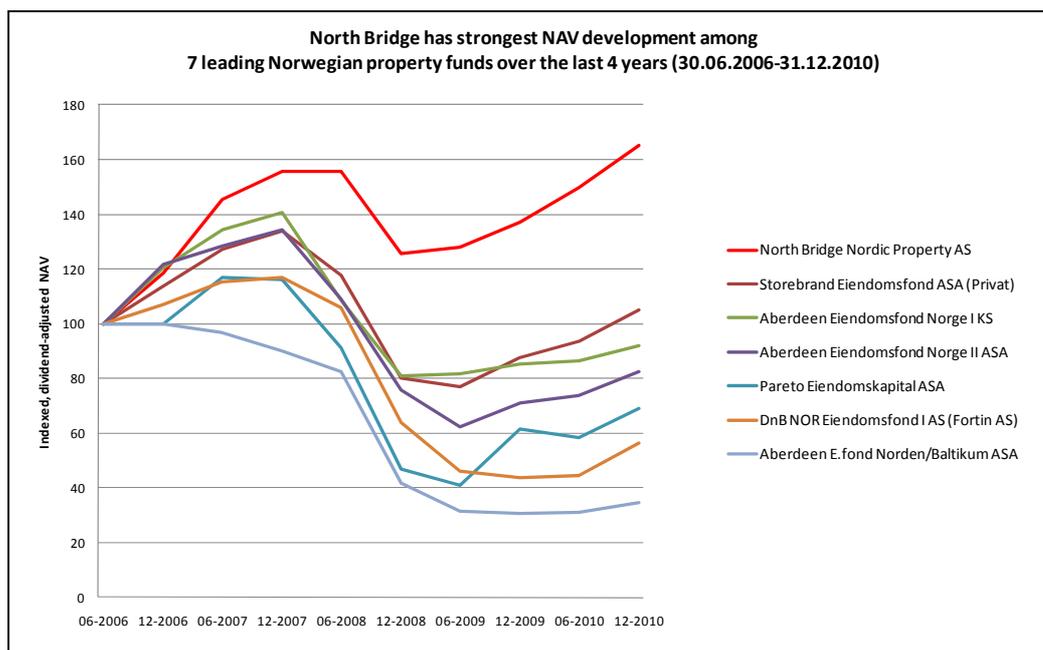
The NAV calculation as of 31.12.2010 is based on external, independent valuations of the Company's properties undertaken by Newsec in Norway and Sweden. NAV is computed by deducting debt from the valuation-based property values and correcting the result for net working capital in the group, latent tax and market value of financial instruments. NAV is accordingly an expression of the shareholders' ownership of the Company's underlying assets.

### NBNP SHOWS A STRONG NAV TREND AMONG PROPERTY FUNDS

The graph on next page shows the trend in net asset value (NAV) per share for "property funds" with a Norwegian or Nordic mandate. Any dividends are added to the reported NAV figures to reflect the return to an investor with continuous ownership in the period 30.06.2006 to 31.12.2010.

The analysis shows that the six other property funds have on average incurred a value fall of 24% as of 31.12.2010, whereas NBNP can point to a value increase of 68% in the same period. NBNP's strategy has diverged from that of most other funds in the analysis, having to a greater degree sought "supplementary return", for example through expansion opportunities, rental increases over and

above index, and other potentials capable of being realised through refinement and property development.



In addition, the investments are undertaken over a long period, and an attempt has to some extent been made to “time” the market. Loan-to-value ratios and the scope of interest rate swap agreements are presumed to have been lower than in the case of the other property funds in the analysis. There may otherwise be wide variations in investment structure, for example in borrowing and/or investment mandate, so that the graph does not necessarily represent a “benchmarking” on level terms.

### Financing

Below follows a summary of debt financing as at 31 December 2010 for the individual companies owned by NBNP. The loan portfolio in the table is adjusted for the Company’s equity interests and includes the Company’s share of debt in associates. Key figures and total loans will therefore diverge from those in the consolidated accounts.

Summary of loans, rate swaps and caps		
<b>Loan portfolio per 31.12.2010</b>		
Loans	MNOK	601.4
Loans expiring 2011	MNOK	-
Weighted duration	Years	11.1
of which NOK		57 %
of which SEK		43 %
<b>Rate swaps per 31.12.2010</b>		
Amount	MNOK	273.3
Average duration	Years	4.7
Part of loans secured		45.4
part of NOK loans secured		49 %
part of SEK loans secured		39 %
Average fixed rate NOK ex. margin		4.83 %
Average fixed rate SEK ex. margin		4.08 %
Interest cap	MSEK	60
Strike		5.50 %
Duration	Years	2.1

## PROPERTY UPDATE

### NORWAY

#### **Klostergata (70.98%)**

Construction of the new building in Klostergata, Trondheim, was completed on time and to budget. The property comprises 6,873 m<sup>2</sup> of lettable floorage, breaking down to 6,221 m<sup>2</sup> of office space and 652 m<sup>2</sup> of commercial space. The two tenants, Helse Midt-Norge and Coop, moved in at the start of December 2010. Long-term debt financing (15 years) has been established on favourable terms. Borrowing on the property increased upon conversion from a construction loan to long-term debt financing and, in consequence, NBNP stands to be repaid the bulk of its investment in 2011. See the theme article on the next page.

#### **Trollåsveien (100%)**

A new tenant (125 m<sup>2</sup>) moved in on a five year lease in the first quarter. In the fourth quarter of 2010 serviced office facilities were established on the property to meet the demand for single offices in the local market. Three tenants moved into the premises in mid-February 2011. At the middle of the first quarter the property has an occupancy rate of 92%, which is the highest since NBNP took over the property.

#### **Innherredsveien (100%)**

In the first quarter the largest tenant signed a new lease for 7,249 m<sup>2</sup> (39.1% of the total floorage). The new lease runs to 01.09.2022, but has a mutual 24 month period of written notice as from 01.09.2017. The tenant paid particularly low rent per m<sup>2</sup> under the old contract, and the new contract entails an increase of NOK 2.4m in total rental income when the new terms take effect on 01.01.2012.

### SWEDEN

#### **Lund Business Park (100%)**

A substantial international supplier to the printing and packaging industry, Flint Group Ltd., with an annual turnover of NOK 16bn, acquired one of the largest tenants (Torda) in June 2010. After the acquisition Flint chose to close a factory in Denmark and relocate further production to Lund Business Park. The tenant has since that point invested an estimated SEK 15m in the leased areas. Flint has in addition leased further warehouse space, both for raw materials and finished goods. Currently about 4,500 m<sup>2</sup> of some 76,000 m<sup>2</sup> are vacant at Lund Business Park, equivalent to a vacancy rate of about 5.9%. The vacant floorage comprises about 1,400 m<sup>2</sup> of office space and 3,100 m<sup>2</sup> of warehouse and production premises. This is the lowest vacancy figure since NBNP's takeover of the property.

#### **Mejselgatan (100%)**

Mejselgatan is a single-user property whose tenant will take over occupancy of a new extension (office) of 480 m<sup>2</sup> at the beginning of March 2011. With rental earnings from the extension, total annual rental income will increase by around 13%.

#### **Aktern**

On 3 February 2011 NBNP sold 100% of the shares of W & N i Västra Hamnen AB, which owns the property Aktern 3 in Malmö, to Midroc Property Development AB. The fixed portion of the property's selling price comes to SEK 34.0m which is SEK 2.0m higher than the valuation conducted on 31.12.2010. Beyond this, a variable additional price has been agreed, computed on the basis of the size of the residential area on which the buyer is permitted to build. The maximum additional payment is estimated at SEK 4.0m.

#### **Other properties**

Changes in the period with regard to the other properties are either small or non-existent.

## KLOSTERGATA – A SUCCESSFUL DEVELOPMENT PROJECT

### Project start in 2007

In December 2007 North Bridge Nordic Property AS purchased a 67% stake in the development property Klostergata 46/48 and Schwachs gt. 3 in Trondheim together with a local development partner, Eriksen Eiendom AS (33%). The owner distribution subsequently changed to 70.98% (NBNP) and 29.02% (Eriksen Eiendom) as a result of the strengthening of the company's equity. The property is centrally located on "the island", adjacent to St. Olav's Hospital and the Nidelven river. On the acquisition date the property comprised a commercial building of 1,000 m<sup>2</sup> and a site of 2,800 m<sup>2</sup>, with annual rental income of around NOK 700,000.



*February 2011. The building upon completion.*

### From site to new commercial building

At the time of acquisition the building was zoned for commercial, office and public sector usage, with an overall development potential of up to 6,000 m<sup>2</sup>. Trondos (Coop) leased space for a grocery shop

in the existing building, and desired a further tenancy agreement in any new building erected. Shortly after acquisition a dialogue was established with Rusbehandling Midt-Norge HF which needed 6,000 m<sup>2</sup> of new premises. On 21 January 2008 Rusbehandling Midt-Norge signed a 15-year lease agreement for 6,221 m<sup>2</sup> as from December 2010. On 20 June 2009 Coop signed a 15-year lease agreement for 672 m<sup>2</sup> of shop floorage as from December 2010.

The planning, development and management of the project were carried out in collaboration with co-owner and local developer, Eriksen Eiendom AS. The process leading from site acquisition in December 2007 to a building ready for occupancy in December 2010 has been challenging and demanding. The manager and project supervisor have however succeeded in uniting the tenants' requirements as to space and design, the authorities' requirements as to location/area utilisation and the owners' objectives in this project. The building meets the desires and expectations for the project of owners and tenants alike. ARC architects have attended to the architectonic design, and Veidekke Entreprenør was engaged as property developer following a tender competition.

SpareBank 1 SMN has provided both construction loans and long-term financing. The building has been brought to completion, taken over and occupied, and is now in the operational phase with all floorage in use. North Bridge Eiendomsforvaltning AS, based in Trondheim, is engaged as manager of the property.



*The property at the time of acquisition in December 2007.*



*September 2009. Demolition and sitework completed. Basement under construction.*

### **Trondheimsklinikken**

When it moved into the new building at the turn of 2011, Rusbehandling Midt-Norge HF (a health trust in the field of substance abuse) in Trondheim brought its "Trondheim clinic" to fruition. The clinic houses a substantial specialist unit, including a new youth facility and a learning-and-coping centre. The new substance abuse clinic aspires to bring research, education and treatment closer together, and is located near St. Olav's Hospital. For the patient the ambition is to offer enhanced specialist quality, more effective and centralised resource utilisation and greater coordination with other public agencies in modern, efficient surroundings.



August 2010. Frontages approaching completion, decoration and furnishing in full swing.



The map shows the property's location in Trondheim.

### In time and to budget

The project also had its challenges, including a strike in the construction period, a poorly functioning banking market when construction loans were sought, and some zoning issues. In spite of this the project was completed as scheduled and as budgeted. Rent is invoiced as from 14 December 2010 with gross annual rental revenues close to NOK 17m.

Development process - Klostergata, Trondheim				
Property purchased	15-year lease agreement with Rusbehandling Midt-Norge	15-year lease agreement with Coop	Construction start	Tenants move in
December 2007	January 2008	June 2009	July 2009	December 2010

### Value creation

With a presumed property value of for example NOK 250-270m (6.5-6.0% net yield), and an overall construction cost of around NOK 187m including the site, Klostergata has made a substantial contribution to NBNP's positive value trend.

### MARKET UPDATE

#### Property market - Norway

- According to rental price statistics from Eiendomsverdi Næring, the average rental (in nominal Norwegian kroner) for offices in Oslo has risen from NOK 1,550 per m<sup>2</sup> in the third quarter to NOK 1,570 per m<sup>2</sup> in the fourth quarter of 2010. This compares with the previous "peak quotation" of NOK 1,680 per m<sup>2</sup> in autumn 2008.
- The volume of commercial property transactions in Norway in 2010 was about NOK 40bn.
- The valuer Newsec's estimates show that Prime Yield<sup>1</sup> for offices in Oslo CBD was down 0.25 percentage points to 5.75% in the course of the fourth quarter 2010. Prime Yield in Bergen was down 0.25 percentage points to 6.00%, and Prime Yield in Stavanger and Trondheim was unchanged at 6.25% and 6.5% respectively in the same period.

<sup>1</sup> Prime yield property: Centrally located property of good technical standard with long-term rental contracts and solid tenants.

## Macro – Norway

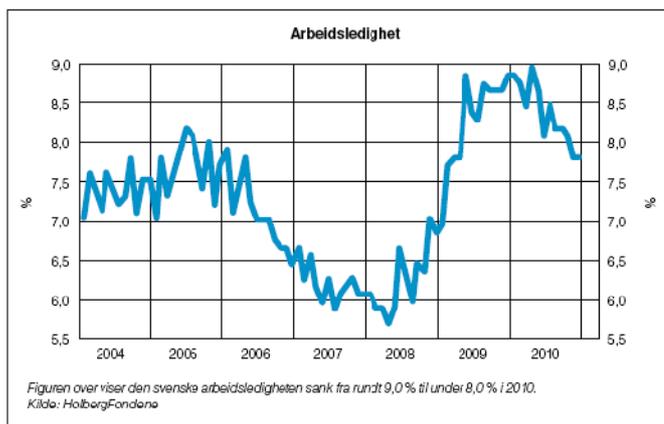
- Nordea Markets expects overall reasonably good growth in the Norwegian economy in the period 2010-2012 with growth in GDP estimated at 2.0%, 3.0% and 3.1% in the years 2010–2012.
- Nordea Markets' forecasts show that unemployment is expected to remain unchanged at 3.5% from 2010 to 2011 and to fall to 3.4% in 2012.
- Nordea Markets see no signs of pressure in the economy at present, and view inflation as relatively low. Nordea's estimates show an estimated inflation of 2.4% in 2010, 1.8% in 2011 and 2.0% in 2012.
- Norges Bank has kept its key rate unchanged at 2.00% in the period May 2010 to February 2011 (the last six interest rate meetings). Nordea Markets estimates that the key rate will begin to rise in 2011, peaking at 4.5% in 2013.

## Property market – Sweden

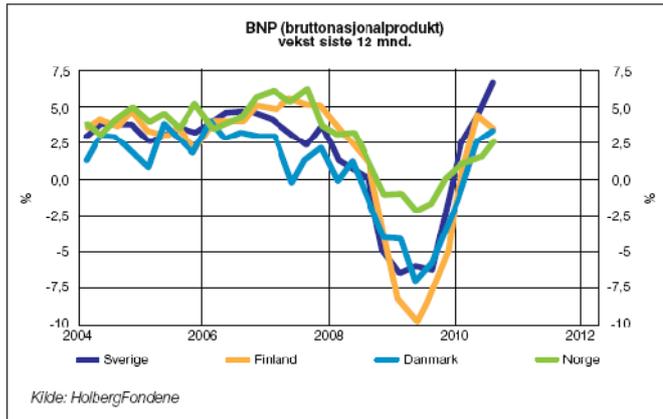
Forecasts from Newsec show that Prime Yield in Stockholm is expected to be reduced by 0.25 percentage points from 5.00% in 2010 to 4.75% in 2011. In Gothenburg Prime Yield is expected to fall 0.25 percentage points from 5.50% to 5.25% from 2010 to 2011. In Malmö a decline of 0.15 percentage points is expected from 5.75% in 2010 to 5.60% in 2011.

## Macro – Sweden

- The Swedish economy normalised according to Nordea Markets over the course of 2010. Both GDP growth (estimated at 5.5% in 2010, 4.5% in 2011 and 2.8% in 2012) and unemployment declined to what were normal levels prior to the financial crisis, and public budgets regained balance.
- Nordea Markets puts inflation in Sweden at 1.2% in 2010, 2.7% in 2011 and 3.0% in 2012.
- Nordea Markets expects the key rate to be 2.50% at the end of 2011 and 3.50% at the end of 2012.



The above chart shows that unemployment in Sweden fell from around 9.0% to below 8.0% in 2010.



The above chart shows the development of Gross Domestic Product over the past 12 months.

## CORPORATE INFORMATION

### Reporting

In addition to quarterly status reports that are sent to all shareholders with a VPS-registered address, significant corporate news is posted on the internet at [www.nfmf.no](http://www.nfmf.no) (Norwegian Securities Dealers Association's information service) and at [www.northbridge.no](http://www.northbridge.no).

### Stock issue at North Bridge Opportunity AS

The Board of NBNP's "sister company", NBO, has decided to carry out a private placing. The order period is 28 February to 29 April 2011. The lead manager is North Bridge Capital AS (dag.arnesen@northbridge.no). Further information on NBO is available at: [http://www.northbridge.no/en/INVESTOR\\_RELATIONS/](http://www.northbridge.no/en/INVESTOR_RELATIONS/)

Sincerely yours  
 North Bridge Nordic Property AS/  
 North Bridge Management AS

(Sign.)  
 Eivind Devold  
 CEO  
 Oslo, 16 March 2011

