

Report to bondholders in Hilleren Tomteselskap AS

Progress and status in the project

The bondholders' made their decision in late December 2018, so that the Issuer's work on the project commenced just before Christmas.

In accordance with the bondholders' decision, the Issuer has focused its work on the following:

1. Rent out areas in the commercial section (A1)
2. Worked with buyer to the commercial section (A1)
3. Worked with keeping the time limit for commencing the construction, expiring 1 April 2019
4. Worked with the agreement for sale of the plot for the medical centre.
5. Worked with the construction loan financing.

The representatives for the Bondholders' Committee has prepared a proposal for conversion of debt to shares to be recommended to the Bondholders.

Status:

1. The Issuer has negotiated with several potential tenants and has made good progress with an agreement with Vitus Apoteker (pharmacies). We are having dialogues with other potential tenants regarding rents, and both the Issuer and Leif Ove Olaisen, the rental broker, is working on it.
2. The issuer has found a buyer for the commercial section (A1). The buyer is a solid and good buyer, already owning and operating similar centres in Hordaland county. The buyer wants to participate in renting out the remaining areas. An agreement with Addington Eiendom AS is in its concluding phase but will have to be approved by the Bondholders' Committee. Rossy Addington will work together with the Issuer on strategy for rental and sale of the project. The Wikborg Rein law firm will take care of contracts and agreements for the Issuer.
3. The Issuer has successfully worked with the construction company to start and to report start of construction by 1 April 2019. Consequently, the time pressure on the Issuer is no longer a critical factor.
4. An option agreement with the medical centre for the Issuer's sale of the plot has been worked out and agreed. It is a requirement in the agreement that the Issuer actually realizes the construction project. We have been informed that the medical centre has been able to negotiate an extension of the rental agreement in their existing premises, relieving some of the time pressure on completing the building.
5. The Issuer has met with DNB Bank last week. The major challenge is the find an ownership structure acceptable to the bank. The bank requires conversion of the debt in a way that secures that the owners work towards completing the construction. The conversion model must be known to the bank. The bank clearly prefers a strong industrial owner, in order to secure that the construction is completed also in the case that the construction runs into operational, financial or other problems hampering the progress. At this time we don't have a solution to this issue. We are working on a solution to this issue, also involving the prospective buyer.

Comments:

The Issuer has a buyer to the commercial section (A1) and consequently an exit for the construction financing. The issuer has addressed and solved the critical time factors for the start of the

construction, and the date when the medical centre needs to be moving in. Consequently, the time pressure towards starting no later than 1 April, as the construction will commence in time.

The Issuer will need two months to formalise and put in place the agreement for sale of the commercial section, rental agreements and the construction financing. For the construction financing, the ownership structure and the terms of conversion must be in place/approved in advance. The Bondholders will have to approve the conversion model prior to the bank's processing of the application for construction financing.

Together with Rossy Addington, the Issuer will prepare the sales agreement and the rental agreements, so that the bank has satisfactory basis for their decision. Both the Issuer and the Bondholders will need the time until mid-May to get everything in place.

14 March 2019

for Hilleren Tomteselskap AS

Knut-Jørgen Hauge
Chairman