

Q1

Quarterly report 2017



PROPERTY

Table of contents

Financial highlights.....	3
Other highlights.....	4
Financial development.....	5
Balance sheet.....	6
The Property Portfolio.....	7
Investments and divestments.....	8
Other information.....	9
Financial statements.....	10
Definitions.....	16
Contact.....	17

Financial highlights

- Rental income of NOK 14 million
- Net income from property management NOK 11.9 million
- Positive portfolio value changes of NOK 28 million
- Profit before tax of NOK 29.7 million

All amounts in NOK thousand	Q1-17	2016
Rental income	14 048	52 130
Net income from property management	11 943	40 675
Profit before tax	29 704	71 271
Profit after tax	22 575	58 759
Equity	254 042	231 467
Market value of the property portfolio	916 500	888 500
Net nominal interest-bearing debt	604 179	606 611
Loan to value	65.9 %	68.3 %
Interest coverage ratio	2.3	1.6
Number of shares	1 000	1 000

All amounts in NOK per share	Q1-17	2016
EPRA Earnings	5.3	17.4
EPRA NAV	300.2	272.3
EPRA NNNNAV	264.2	237.9
Cash Earnings	11.9	40.7

Other highlights

- The announcement of Powerhouse Telemark, a pioneer office building in sustainable energy use in January 2017
- The official opening of the new office building Nordre Fokserød 14 in Sandefjord in March 2017
- 0 expiring contracts, 2 tenant renewals and 2 new tenants

Financial development

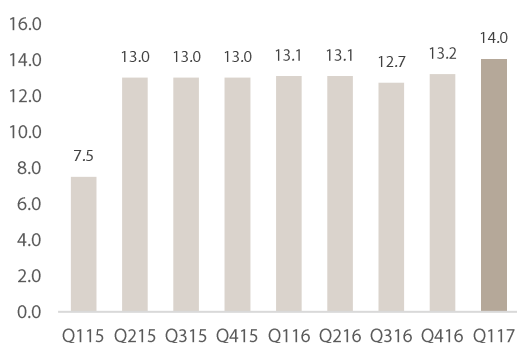
Results in the first quarter

Net income from property management

In financial terms the first quarter of 2017 has been business as usual for R8 Property with daily operations running as expected.

The Group's rental income was NOK 14 million in the first quarter. The total management portfolio has been stable at 42 250 square meters during the quarter. The average rental income per square meter was 1 367 as of 31 March 2017.

Rental income



*Estimated quarterly rental income Q115-Q416

There have been no major transactions in the first quarter. The increase in portfolio value is mainly a result of positive developments in projects and market changes in the first quarter of 2017.

Total operating costs amounted to NOK 2.4 million.

Net operating income from property management came in at NOK 11.9 million in the first quarter of 2017.

Net realized financials

Interest and other finance expenses amounted to NOK 5.3 million while interest and other finance income amounted to NOK 0,3 million. The average interest for financing in the first quarter was 3.95 %.

Value changes

The valuation of the property portfolio resulted in a net positive value change of NOK 22.5 million. NOK 14.2 million is explained by further yield compression, primarily in the Vestfold portfolio. In addition NOK 7.3 million is attributable to value changes in the project portfolio, mainly explained by increased occupancy and reduced risk as the projects is moving towards completion. The last net NOK 1 million of the value changes relates to new, renegotiated and terminated lease contracts in the quarter.

Fair value of investment properties

Each quarter, all the properties are valued by independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The valuations at 31 March 2017 were obtained from Newsec AS. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period.

Tax

Tax expenses for the quarter amounted to NOK 7.1 million. The current tax rate is 24 % (25 % in 2016).

Profit

Profit before tax was NOK 29.7 million in the quarter, while profit after tax was 22.6 million which also equals the comprehensive income for the period.

EPRA Earnings

EPRA Earnings is a measure of the underlying development in the property portfolio and is calculated as net income after tax excluding value changes on investment properties, unrealized changes in the market value of financial derivatives and gains/losses on the sale of properties and their associated tax effects. EPRA Earnings amounted to NOK 5.2 million in the first quarter of 2017.

Balance sheet

The company's assets amounted to NOK 943.8 million as of 31 March 2017. Investment property amounted to NOK 916.5 million of this and loans to associates 16.1 million.

Trade receivables and other receivables totaled 9.6 million as of 3 March 2017.

The company had interest bearing debt of NOK 604.2 million, a decrease of 2.4 million compared to year-end 2016.

Book equity totaled NOK 254 million as of 31 March 2017, representing an equity ratio 27 per cent. Book equity per share was 254. Equity per share was 300 based on the EPRA NAV standard and 264 based on EPRA NNAV.

Outstanding shares at 31.03.2017 totaled 1 million.

Cash flow

Net cash flow from operating activities in the first quarter amounted to NOK 4.9 million.

The net cash flow from investment activities was NOK -5.6 million and is mainly related to construction of project properties.

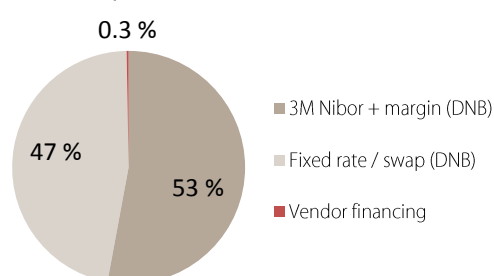
Net cash flow from financing activities was NOK 0.6 million in the quarter.

The net change in cash and cash equivalents was NOK -0.1 million as of 31 March 2017 compared to 31 December 2016.

Financing

The main financing source in new projects and large transactions are bank loans.

Finance composition



The company has a LTV target at maximum 70 per cent. As of 31 March the debt ratio shows a decrease in the debt ratio to 65.9 per cent from 68.3 per cent by 31 December 2016. The decrease is mainly a result of an increase in market value of the property portfolio, but also a slight decrease in interest-bearing debt.

	Q1-17	2016
Net nominal interest-bearing debt	604 179	606 611
Total market value of the property portfolio	916 500	888 500
Debt ratio (LTV) %	65.9	68.3

Interest bearing debt, interest rates and maturity structure

The total debt has decreased with approximately NOK 2.4 million in the first quarter. The average interest rate was at 3.95 per cent as of 31 March 2017

Debt and interest rate	Q1-17
The Group's total debt	604 179
The Group's average interest rate	3,95 %

The maturity is varying and 5 years or less for all loans. 51 per cent matures within the upcoming year and 45 per cent within 3-5 years. The refinancing risk related to the renewals of these loans is considered low.

Maturity profile	0-1 yrs	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	310 529	23 893	269 757	-	604 179
	51 %	4 %	45 %	0 %	100 %

The Property Portfolio

R8 Property's portfolio as of 31 March 2017 consists of 11 buildings (42 250 square meters) and 2 projects (8 625 square meters). The portfolio is divided into 4 geographical operating units: Porsgrunn, Skien, Sandefjord og Tønsberg. The units do not have profit responsibility. Financial results are reported as economical and non-economical key figures ("key performance indicators").

R8 Property tenant base comprises primarily of private sector tenants with leases up to 10 years. Public sector tenants upheld 41 per cent of the portfolio by the end of the first quarter. R8 Property's public sector tenants are governmental, county or municipal bodies. As of 31 March, the occupancy is at 93.8 per cent. The rental value of the vacancy is estimated to NOK 3.1 million per year based on the average market rent in the portfolio. However, approximately 35 per cent of the vacancy connects to strategic vacancy. In Tønsberg the low occupancy is a result of the need for upgrades in Sentralbygget. The vacancy in Skien is mainly explained by vacancy at Grønlikroken 5. The properties in the center of Skien has close to 100 per cent occupancy.

The average wault in the portfolio is 4.8 years. The long wault in Sandefjord is a result of the new office building at Nordre Fokserød where all tenants are new and signed the past year.

Average 12 months rolling rent per square meter was 1 367 as of 31 March 2017.

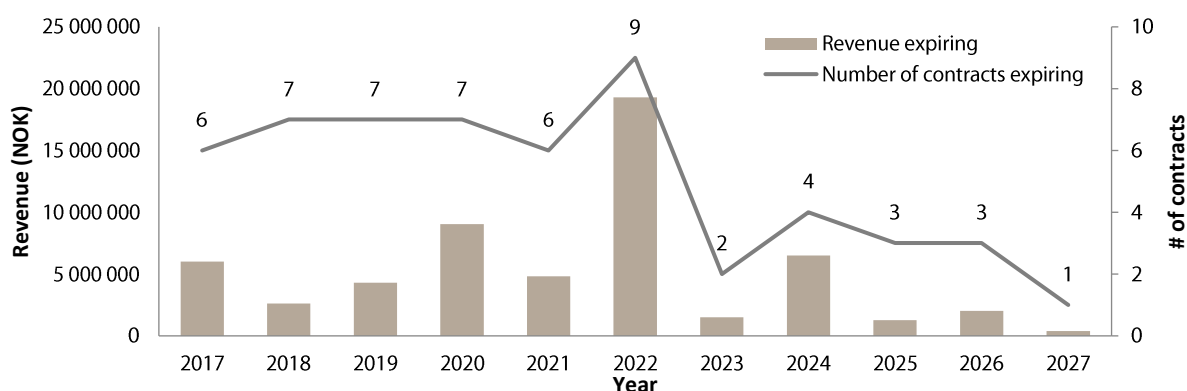
The net yield is at 6.2 based on gross rent as of 31 March 2017 and estimated operating expenses of 6.6 per cent.

Letting activity

In existing portfolio there were 0 expired contracts, 1 new contract and 2 renewals signed in the first quarter. Apla AS came in as a new tenant, while Asplan Viak and Caverion renewed their contracts. In addition there were two large signed contracts in the project Powerhouse Telemark; Norner AS at 2 479 square meters and R8 Group at approximately 2 500 square meters.

	Area	Occupancy	No. Of properties	Wault	Market value	12 month rolling rent	Net yield	Market rent
31.03.2017	(sqm)	(%)	(#)	(yrs)	(tNOK)	(tNOK)	(%)	(tNOK)
Porsgrunn	14 782	98.8	4	4.5	275 500	19 575	6.7	19 674
Skien	8 228	91.0	3	3.0	125 500	8 310	6.2	10 116
Tønsberg	16 446	90.6	3	4.4	418 000	26 201	5.9	29 604
Sandefjord	2 794	94.7	1	7.5	60 000	3 670	5.8	4 556
Total management portfolio	42 250	93.8	11	4.8	879 000	57 757	6.2	63 950

Maturity profile management portfolio



Investments and divestments

There have been no major investments in the first quarter. However, a major decision was made with the planned investment in Powerhouse Telemark.

Project development

The project portfolio is presented below. This includes all projects with total investment over NOK 10 million. As of 31 March 2017, the project portfolio includes Powerhouse Telemark and Nordre Fokserød 14, building 2.

	Ownership (%)	Location	Expected completion	Project area (sqm)	Est. total project cost ¹⁾ (tNOK)	Of which accrued (tNOK)
Powerhouse Telemark	100	Porsgrunn	Feb-17	6 322	173 000	10 633
Nordre Fokserød, building 2	100	Sandefjord	Mar-17	2 303	46 373	12 243
Total				8 625	219 373	22 876

¹⁾Total project cost (Including book value at date of investment decision/cost of land)

²⁾Estimated net rent (fully let) at completion/total project cost (including cost of land)

Powerhouse Telemark

R8 Property is building what is expected to be the first newly built Powerhouse in Norway. Powerhouse Telemark in Porsgrunn is aiming for BREEAM Excellent or Outstanding classification. During an estimated lifecycle of 60 years a Powerhouse produces more renewable energy than it uses for materials, production, operation, renovation and demolition.

The property is estimated to 6 322 square meters. On 16 February 2017 the city council adopted a new zoning plan for Porsgrunn Næringspark where Powerhouse Telemark is included.

Powerhouse Telemark will be the future head office for Norner and R8 Group. Norner has signed a 20 years lease contract, and R8 Group a 15 years lease contract. Powerhouse Telemark will be a 11-floor office building with a roof terrace also open for the public. Estimated completion of the construction phase is first quarter 2019.

The building will utilize an extensive use of solar panels to produce more than 200 000 kWh per year. The building will also use thermal energy from energy wells or sea water.

Currently the activities in the projects relates to planning and engineering.

Nordre Fokserød 14, building 2

In Sandefjord, close to the highway, the airport and well connected with other public communication, the second block at Nordre Fokserød 14 is soon under construction. The project has high environmental ambitions and has qualified for ENOVA support related to new technology.

The second block is a 3-floor office building with 2 303 square meters. The energy class A building designed for very low energy consumption is expected to be completed in the first quarter of 2018.

Transactions

There were no major transactions in the first quarter of 2017.

Other information

Organization

There has been no changes in number of employees in the first quarter.

The company buys most services needed from other companies, either within the R8 group or in the open market.

Risk and risk management

Through its activities, the R8 Property Group has earned substantial financial assets exposed to several risk factors including financial risk, market risk, and operational risk.

There is a constant valuation of the underlying risk for the company. Risk and risk management considerations are constantly ongoing. The board annually reviews the most significant risks.

A financial strategy draft will be proposed in 2017. This strategy will determine how the R8 Property Group will work to reduce the financial risk. Furthermore systematic risk considerations will be made quarterly starting Q2 2017.

Share and shareholder information

R8 Property's share capital is NOK 2,500,000 divided into 1,000,000 shares, with each share having a par

value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

As of 15 May 2017, there were 13 shareholders in R8 Property. Norwegian investors held 100 per cent of the share capital.

Shareholder	% holding
R8 Group AS	82.0
Runar Eriksrød	5.0
Thovsland Holding AS	2.0
Sundvall Invest AS	1.0
Lucky-Holding AS	1.0
Gambetta AS	1.0
Vegard Stensrød	1.0
Dynam AS	1.0
CABA Holding AS	1.0
Kabbe Holding AS	1.0
RF Dialog Eiendom AS	2.0
Hushovd Utvikling AS	1.0
RP Holding AS	1.0
Total	100.0

Financial statements

Statement of total comprehensive income

All amounts in NOK thousand

	Q1-17	2016
Rental income	14 048	52 130
Other operating revenue	260	1 176
Total operating income	14 308	53 306
Maintenance and other operating expenses	1 553	8 217
Other property-related expenses	438	2 315
Administrative expenses	375	2 098
Total operating costs	2 365	12 630
Net income from property management	11 943	40 675
Changes in value from investment properties	22 476	48 446
Operating profit	34 419	89 121
Interest and other finance income	292	1 812
Interest and other finance expense	-5 314	-24 149
Net realised financials	-5 022	-22 337
Unrealised changes in value of financial instruments	306	4 487
Net financial items	-4 715	-17 850
Profit before tax	29 704	71 271
Tax expense	-7 129	-12 512
Profit for period/year	22 575	58 759
Change in deferred tax on comprehensive income	-	-
Total comprehensive income for the period/year	22 575	58 759
Profit attributable to:		
Equity holders of the company	22 575	58 759
Non-controlling interest	-	-
Total comprehensive income attributable to:		
Equity holders of the company	22 575	58 759
Non-controlling interest	-	-

Balance sheet

All amounts in NOK thousand

	31.03.2017	31.12.2016
Intangible assets	168	98
Investment property	916 500	888 500
Other operating assets	1 180	1 029
Loans to associates	16 109	26 308
Total non-current assets	933 956	915 935
Trade receivables	2 043	1 607
Other receivables	7 609	1 367
Cash and bank deposits	233	345
Total current assets	9 884	3 319
TOTAL ASSETS	943 840	919 254
Shareholders equity	254 042	231 467
Total equity	254 042	231 467
Interest-bearing debt	293 650	286 650
Deferred tax liability	46 308	39 224
Financial derivatives	19 255	19 561
Debt to group companies	865	850
Total non-current liabilities	360 079	346 285
Interest-bearing debt	310 529	319 961
Trade payables and other payables	19 191	21 541
Total current liabilities	329 720	341 502
Total liabilities	689 799	687 787
TOTAL EQUITY AND LIABILITIES	943 840	919 254

Changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Total equity
Equity at 01.01.2016	2 500	3 500	6 858	159 850	172 707
Profit for period	-	-	-	58 759	58 759
Equity at 31.12.2016	2 500	3 500	6 858	218 609	231 467
Profit for period	-	-	-	22 575	22 575
Equity at 31.03.2017	2 500	3 500	6 858	241 184	254 042

Statement of cash flows

All amounts in NOK thousand

	Q1-17	2016
Profit before tax	29 704	71 271
Expensed interest and fees on loans from financial institutions	5 314	24 149
Interest and fees paid on loans from financial institutions	-5 509	-24 119
Depreciation and amortisation	-	113
Change in market value investment properties	-22 476	-48 446
Change in market value financial instruments	-306	-4 487
Change in working capital	-1 855	-1 234
Net cash flow from operating activities	4 872	17 248
Proceeds from sales of investment properties and companies	-	18 392
Upgrades and construction of investment properties	-5 524	-87 539
Purchase of intangible assets and other plant and equipment	-70	-147
Net cash flow from investment activities	-5 593	-69 294
Proceeds interest-bearing debt	5 158	85 781
Repayment interest-bearing debt	-7 591	-35 596
Net payment of loans to associates and jointly controlled entities	3 042	-1 132
Net cash flow from financing activities	609	49 052
Change in cash and cash equivalents	-112	-2 994
Cash and cash equivalents at beginning of period	345	3 339
Cash and cash equivalents at end of period	233	345

NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting principles that have been used in the preparation of the interim financial statements are in conformity with the principles used in preparation of the annual financial statements for 2016. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2016. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2016.

The interim financial statements report of R8 Property AS was approved at a Board meeting on 15 May 2017 and have not been audited. The financial reporting covers R8 Property AS and subsidiaries.

NOTE 2 SEGMENT INFORMATION

All amounts in NOK thousand

The Group is organised into four geographic units: Porsgrunn, Skien, Sandefjord og Tønsberg.

The geographic units do not have their own profit responsibility. Financial results are reported as economical and non-economical key figures ("key performance indicators"). These key performance indicators are reported and analysed by geographic area to the chief operating decision maker, who is the executive board and the CEO, which are the highest decision-making authority of the Group, for the purpose of resource allocation and assessment of segment performance. The Group reports the segment information based upon these four geographic areas.

OPERATING SEGMENTS Q1-17

31.03.2017	Area (sqm)	Occupancy (%)	No. Of	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
			properties (#)		(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Porsgrunn	14 782	98.8	4	4.5	275 500	18 638	19 575	1 324	6.7	19 674	1 331
Skien	8 228	91.0	3	3.0	125 500	15 253	8 310	1 233	6.2	10 116	1 229
Tønsberg	16 446	90.6	3	4.4	418 000	25 417	26 201	1 758	5.9	29 604	1 800
Sandefjord	2 794	94.7	1	7.5	60 000	21 475	3 670	1 388	5.8	4 556	1 631
Total management portfolio	42 250	93.8	11	4.8	879 000	20 805	57 757	1 479	6.2	63 950	1 514
Project portfolio	8 625		2		37 500	4 348					
Total property portfolio	50 875		13	4.8	916 500	25 153					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.03.17 corresponds to 6.6 per cent of market rent.

R8 Property has in 2016 two on-going projects, one new building at Nordre Fokserød in Sandefjord and one new building (Powerhouse Telemark) in Porsgrunn.

NOTE 3 INVESTMENT PROPERTIES

All amounts in NOK thousand

	Q1-17	2016
VALUE OF INVESTMENT PROPERTIES		
Closing balance previous period	888 500	778 853
Other movements		
Investment and upgrades in the property portfolio	5 524	93 148
Capitalised borrowing costs	-	1 553
Sale of investment property	-	-33 500
Change in value from investment properties	22 476	48 446
Closing balance	916 500	888 500

Investment properties are valued at fair value based on independent external valuations. The valuation method is included at level 3 in the valuation hierarchy.

NOTE 4 INFORMATION ON THE FAIR VALUE OF ASSETS AND LIABILITIES

All amounts in NOK thousand

The valuation methods and principles are unchanged in the quarter. See the annual financial statements for 2016 for further information. Set out below is a summary of assets and liabilities measured at fair value divided between the different valuation hierarchies set out in IFRS 7.

	31.03.2017	31.12.2016
Assets measured at fair value with change over the result		
- Investment properties (Level 3)	916 500	888 500
Total	916 500	888 500
Financial liabilities measured at fair value with change over the result		
- Derivatives (Level 2)	19 255	19 561
Total	19 255	19 561

KEY FIGURES

All amounts in NOK thousand

DEBT RATIO (LTV)

	Q1-17	2016
Net nominal interest-bearing debt	604 179	606 611
Total market value of the property portfolio	916 500	888 500
Debt ratio (LTV) %	65.9	68.3

INTEREST COVERAGE RATIO (ICR)

	Q1-17	2016
Net income from property management	11 943	40 675
Depreciation	-	113
EBITDA adjusted	11 943	40 788
Interest cost	5 256	25 334
Other finance expense	32	11
Applicable net interest cost	5 288	25 345
Interest Coverage Ratio (ICR)	2.3	1.6

EPRA REPORTING

The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide.

EPRA Reporting - summary	Unit	Q1-17 / 31.03.2017	2016 / 31.12.2016
EPRA Earnings per share (EPS)	NOK	5.3	17.4
EPRA NAV per share	NOK	300.2	272.3
EPRA NNNAV per share	NOK	264.2	237.9

The details for the calculation of the key figures are shown in the following tables:

EPRA EARNINGS

EPRA Earnings is a measure of the underlying development in the property portfolio and is calculated as net income after tax excluding value changes on investment properties, unrealised changes in the market value of financial derivatives and gains/losses on the sale of properties and their associated tax effects.

All amounts in NOK thousand

	Q1-17	2016
Profit for period/year	22 575	58 759
Add:		
Changes in value of investment properties	-22 476	-48 446
Tax on changes in value of investment properties ¹⁾	5 394	12 111
Changes in value of financial instruments	-306	-4 487
Tax on changes in value of financial instruments ¹⁾	73	1 122
Change in tax rate ¹⁾	-	-1 634
EPRA Earnings	5 260	17 425

¹⁾ 24 per cent from Q1 2017 and 25 per cent for 2016.

EPRA NAV AND EPRA NNNAV - NET ASSET VALUE

The objective with EPRA NAV is to demonstrate the fair value of net assets given a long-term investment horizon. EPRA NAV is calculated as net asset value adjusted to include market value of all properties in the portfolio and interest-bearing debt, and to exclude certain items not expected to crystallise in a long-term investment property business model such as e.g. financial derivatives and deferred tax on the market value of investment properties.

The objective with EPRA NNNAV is to report the fair value of net assets in the Group on the basis that these are immediately realised. EPRA NNNAV is EPRA NAV adjusted to reflect the fair value of debt and derivatives and in order to include deferred tax on value changes.

All amounts in NOK thousand

	Q1-17	2016
NAV - book value of equity	254 042	231 467
Deferred property tax	31 524	26 130
Fair value of financial derivative instruments	14 634	14 671
EPRA NAV	300 200	272 267
Market value on property portfolio	916 500	888 500
Tax value on property portfolio	490 162	493 899
Basis for calculation of tax on gain on sale	426 338	394 601
Less: Market value of tax on gain on sale (5 per cent tax rate)	21 317	19 730
Net market value on financial derivatives	19 255	19 561
Tax expense on realised financial derivatives ¹⁾	-4 621	-4 890
Less: net result from realisation of financial derivatives	14 634	14 671
Book value of interest bearing debt	604 179	606 611
Nominal value of interest bearing debt	604 179	606 611
Basis for calculation of tax on realisation of interest bearing debt	-	-
Less: Market value of tax on realisation	-	-
EPRA NNNAV	264 249	237 867

¹⁾ 24 per cent from Q1 2017 and 25 per cent for 2016.

Definitions

12 months rolling rent	The contractual rent of the management properties of the Group for the next 12 months as of a certain date, adjusted for signed new contracts and contracts expiring during such period.
Cash earnings	Result from property management less payable tax.
Contractual rent	Annual cash rental income being received as of relevant date.
Interest Coverage Ratio ("ICR")	Net income from property management excluding depreciation and amortisation for the Group, divided by net interest on interest-bearing nominal debt and fees and commitment fees related to investment activities.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities divided by the market value of the property portfolio.
Management properties	Properties that are actively managed by the company.
Market rent	The annualised market rent of the management properties, fully let as of the relevant date, expressed as the average of market rents estimated by the independent professionally qualified valuers.
Market value of property portfolio	The market value of all the properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes.
Net yield	Net rent divided by the market value of the management properties of the Group.
Project properties	Properties where it has been decided to start construction of a new building and/or renovation.
Interest Coverage Ratio ("ICR")	Net income from property management excluding depreciation and amortisation for the Group, divided by net interest on interest-bearing nominal debt and fees and commitment fees related to investment activities.
Total area	Total area including the area of management properties, project properties and land / development properties.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the management properties of the Group.

Contact

Contact info

Trine Riis Groven
CEO
Phone: +47 918 73 286
trine@r8property.no

Stian Lande Iversen
CFO
Phone: +47 989 04 409
stian@r8property.no

Emil Eriksrød
Chair
Phone: +47 415 22 463
emil@r8property.no

Financial calendar

Second quarter 2017: 29.08.2017

Third quarter 2017: 26.10.2017

Fourth quarter 2017: TBA

R8 Property

Head office and postal address

Dokkvegen 10
3920 Porsgrunn

www.r8property.no