



*R8 Property AS*

*Quarterly Report Q1 2018*

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# *Key Figures*

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# Key figures

All amounts in NOK thousand	Q1-18	Q1-17	2017
Rental income	14 151	14 048	55 574
Net income from property management	10 117	11 943	41 090
Profit before tax	10 657	29 704	60 048
Profit after tax	8 206	22 575	47 944
Equity	282 615	254 042	231 467
Market value of the property portfolio	986 550	916 500	888 500
Net nominal interest-bearing debt	622 064	604 179	618 564
Loan to value	63,1 %	65,9 %	69,6 %
Interest coverage ratio	1,8	2,3	1,7
Number of shares (in thousand)	1 000	1 000	1 000
All amounts in NOK per share	Q1-18	Q1-17	2017
EPRA Earnings	3,4	5,3	13,5
EPRA NAV	327,0	300,2	324,1
EPRA NNAV	294,5	264,2	287,7
Cash Earnings	10,1	11,9	41,1



# Financial results

## Results

### Net income from property management

R8 Property's financial results in the first quarter was as expected.

The Group's rental income was NOK 14,2 million in the first quarter 2018, approximately 0,1 million up from the same period in 2017.

Total operating costs amounted to NOK 7,8 million in the first quarter.

Net operating income from property management came in at NOK 10.4 million in the first quarter, NOK 0,8 million down from first quarter 2017.

There has been one transactions in the first quarter. The transaction relates to the buying of the property management company R8 Management

### Net realized financials

Net realized financials amounted to NOK -5,7 million in the first quarter.

The average interest for financing in the third quarter was 3.83 %.

### Value changes

The valuation of the property portfolio resulted in a net positive value change for the first quarter of NOK 13.2 million. This relates mainly to investments and upgrades and yield changes in the market.

### Fair value of investment properties

Each quarter, 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 2018 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.

## **Profit**

Profit before tax was NOK 10.7 million in the quarter. Profit after tax for the first quarter was NOK 8.2 million.

## **EPRAs Earnings**

EPRAs 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. EPRAs Earnings amounted to NOK 3.4 million in the first quarter of 2018.

## **Balance sheet**

The company's assets passed the one billion mark in the first quarter of 2018 and amounted to NOK 1000 million as of 31 March 2018. Investment property increased to NOK 986.6, up from 916.5 million in the first quarter of 2017. Loans to associates was down to 11.4 million compared to 16.1 million by 31 March 2017.

Trade receivables and other receivables totaled 10.9 million as of 31 March 2018.

The company had interest bearing debt of NOK 562.4 million as of 31 March 2018. NOK 59.6 million was classified as a current liability. The total interest-bearing debt equaled NOK 622 million, up from 604 million by the end of the first quarter in 2017.

Book equity totaled NOK 282.6 million as of 31 March 2018, representing an equity ratio of 27.9 per cent. Book equity per share was 282.6. Equity per share was NOK 327 based on the EPRAs NAV standard and NOK 294.5 based on EPRAs NNNAV.

Outstanding shares at 31.03.2018 totaled 1 million.

## **Cash flow statement**

Net cash flow from operating activities in the first quarter amounted to NOK 1.5 million.

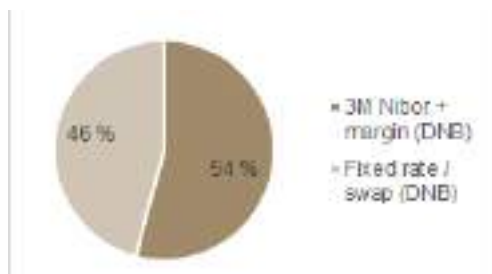
The net cash flow from investment activities in the first quarter was NOK -9.1 million. This is mainly related to development and construction of project properties.

Net cash flow from financing activities was NOK 8.2 million in the quarter, up by 0.6 million compared to the first quarter of 2017.

The net change in cash and cash equivalents was NOK 0.5 million in the first quarter. The cash and cash equivalents at the end of the first quarter 2018 was 1.9 million higher than at the end of the first quarter in 2017.

## Financing

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



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 63.1 per cent from 65.9 per cent by 31 March 2017. The decrease is mainly a result of an increase in market value of the property portfolio.

DEBT RATIO (LTV)			
	Q1-18	Q1-17	2017
Net nominal interest-bearing debt	622 064	604 179	618 564
Total market value of the property portfolio	986 550	916 500	978 550
<b>Debt ratio (LTV) %</b>	<b>63,1</b>	<b>65,9</b>	<b>63,2</b>

### Interest bearing debt, interest rates and maturity structure

The total debt was NOK 606.2 million as of September 30 2017. The average interest rate was at the same date 3.87 per cent.

Interest rates and maturity structure			
<i>All amounts in NOK thousand</i>			
Debt and interest rate	Q1-18	Amount	Interest rate (%)
The Group's total debt	562 433	50 000	1,54
The Group's average interest rate	3,83 %	87 500	3,27
		6 750	3,44
		15 750	4,05
		80 000	2,73
		43 125	2,10
		<b>283 125</b>	<b>2,68</b>

The maturity is varying and is 5 years or less for all loans. 6 per cent matures within the upcoming year 3,84 per cent within 1-3 years and 11 per cent within 3 or more years. The refinancing risk related to the renewals of these loans is considered low.

Maturity profile	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	500 933	61 500	-	562 433
	89 %	11 %	0 %	100 %



# *The Property portfolio*



R8 Property's portfolio as of 31 March 2018 consists of 11 buildings (42 917 square meters) and 2 projects (10 616 square meters). The portfolio is divided into 4 geographical operating units: Porsgrunn, Skien, Sandefjord and Tønsberg. Results are reported as economical and non-economical key figures.

R8 Property tenant base comprises primarily of tenants with leases from 3 - 10 years. Public sector tenants upheld approximately 40 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 2018, the occupancy is at 89.1 per cent. 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 low occupancy in Sandefjord is a result of one tenant moving from building 1 to building 2 and the space is not yet signed by a new tenant. The occupancy is expected to be higher by the end of the second quarter.

The average vault in the portfolio is 4.8 years. The long vault 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 1 349 as of 31 March.

The net yield is at 5.9 based on gross rent as of 31 March 2018 and estimated operating expenses of 7.1 per cent. The low net yield is influenced by the current low occupancy in certain buildings. This makes the net yield as of 31 March 2018 less representative than normal.

OPERATING SEGMENTS Q1-18											
31.03.2018	Area (sqm)	Occupancy (%)	No. of properties (#)	Vault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
					(BOKK)	(NOK/sqm)	(BOKK)	(NOK/sqm)		(BOKK)	(NOK/sqm)
Porsgrunn	14 687	98.8	4	4.1	274 500	18 890	19 899	1 353	8.7	19 745	1 344
Skien	8 618	87.2	3	3.6	126 500	14 679	8 128	1 014	5.8	10 535	1 222
Tønsberg	18 743	92.3	3	3.9	428 500	25 593	26 178	1 580	5.6	31 243	1 888
Sandefjord	2 889	78.4	1	8.9	60 500	21 087	2 872	931	3.9	4 896	1 637
<b>Total management portfolio</b>	<b>42 917</b>	<b>89.1</b>	<b>11</b>	<b>4.6</b>	<b>890 000</b>	<b>20 738</b>	<b>56 677</b>	<b>1 349</b>	<b>6.9</b>	<b>66 219</b>	<b>1 643</b>
Project portfolio	10 616		2		86 550	0 095					
<b>Total property portfolio</b>	<b>53 533</b>		<b>13</b>	<b>4.6</b>	<b>976 550</b>	<b>20 832</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.03.18 corresponds to 7.1 per cent of market rent. R8 Property has one on-going project, one new building (Powerhouse Telemark) in Porsgrunn.

# Investments and divestments

## Project development

The project portfolio is presented below. This includes all projects with total investment over NOK 10 million. As of 31 March 2018, the project portfolio includes Powerhouse Telemark and Nordre Fokserød 14, building 2.

### Powerhouse Telemark

R8 Property is building Powerhouse Telemark in Porsgrunn. This is aiming for BREEAM Excellent 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 project is 8 313 square meters.

Currently the activities in the projects relates to planning and engineering. The occupancy is as of 31 March 2018 at 78 per cent. It is expected to increase occupancy to approximately 90 per cent in the second quarter.

### 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 now under construction.

The second block is a 3-floor office building with 2 370 square meters. The energy class A building designed for very low energy consumption is expected to be completed in the middle of April 2018. The occupancy was at 69 per cent as of 31 March 2018. The latest signed tenant is Skatt Sør, signing a total of 1 035 square meters.

Project development								
	Ownership (%)	Location	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost <sup>1)</sup> (tNOK)	Of which accrued (tNOK)	Yield on cost <sup>2)</sup>
Powerhouse Telemark	100	Porsgrunn	June-20	8 313	78	237 367	14 301	6,3
Nordre Fokserød, building 2	100	Sandefjord	April-18	2 370	69	53 026	23 710	6,0
<b>Total</b>				<b>10 683</b>		<b>290 392</b>	<b>38 011</b>	

<sup>1)</sup>Total project cost (including book value at date of investment decision/cost of land)  
<sup>2)</sup>Estimated net rent (fully let) at completion/total project cost (including cost of land)

## Transactions

There were no major property transactions in the first quarter of 2018.



# *Other information*

## **Organization**

From January 1, 2018 R8 Property AS hired one more employee related to project development and project management. There are now three employees in R8 Property AS.

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

## **Risk and risk management**

Through its activities, the 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.

A financial strategy draft was proposed in the third quarter in 2017 and is expected to be decided by the board in the second quarter of 2018. This strategy determines how the Group will work to reduce the financial risk. Furthermore, more systematic follow up and risk considerations related to finance, liquidity and development projects are made quarterly.

### 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 31 March 2018, there were 13 shareholders in R8 Property. Norwegian investors held 100 per cent of the share capital.

Shareholder	holding		Country
R8 Group AS	81.0	810 000	Norway
Runar Erikserød	2.0	20 000	Norway
Thorsland Holding AS	2.0	20 000	Norway
Sundvall Invest AS	1.0	10 000	Norway
Lucky-Holding AS	1.0	10 000	Norway
Gambetta AS	1.0	10 000	Norway
Vegard Stenrud	1.0	10 000	Norway
Dynam AS	1.0	10 000	Norway
CABA Holding AS	1.0	10 000	Norway
Kebbe Holding AS	1.0	10 000	Norway
RF Dialog Eiendom AS	2.0	20 000	Norway
Hushovd Utvikling AS	1.0	10 000	Norway
RP Holding AS	3.0	30 000	Norway
Aubert Invest AS	2.0	20 000	Norway
<b>Total</b>	<b>100.0</b>	<b>1 000 000</b>	

# Company structure



In December 2017 R8 Office became the daughter of R8 Property AS.

January 1, 2018 R8 Property bought the company R8 Management AS. As a result of this R8 Management is now the daughter of R8 Property AS. Both R8 Office and R8 Management is owned 100 per cent by R8 Property AS.

R8 Retail was established January 15 and is owned 95 per cent by R8 Property.





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# Financial statements

## Statement of total comprehensive income

All amounts in NOK thousand

	Q1-18	Q1-17	2017
Rental income	14 151	14 048	55 574
Other operating revenue	3 781	260	476
<b>Total operating income</b>	<b>17 931</b>	<b>14 308</b>	<b>56 050</b>
Maintenance and other operating expenses	2 978	1 553	10 507
Other property-related expenses	56	438	488
Administrative expenses	4 780	375	3 966
<b>Total operating costs</b>	<b>7 814</b>	<b>2 365</b>	<b>14 961</b>
<b>Net income from property management</b>	<b>10 117</b>	<b>11 943</b>	<b>41 090</b>
Changes in value from investment properties	237	22 476	40 670
<b>Operating profit</b>	<b>10 355</b>	<b>34 419</b>	<b>81 760</b>
Interest and other finance income	215	292	1 025
Interest and other finance expense	-5 895	-5 314	-24 309
<b>Net realised financials</b>	<b>-5 679</b>	<b>-5 022</b>	<b>-23 285</b>
Unrealised changes in value of financial instruments	5 982	306	1 573
<b>Net financial items</b>	<b>302</b>	<b>-4 715</b>	<b>-21 712</b>
<b>Profit before tax</b>	<b>10 657</b>	<b>29 704</b>	<b>60 048</b>
Tax expense	-2 451	-7 129	-12 105
<b>Profit for period/year</b>	<b>8 206</b>	<b>22 575</b>	<b>47 944</b>
Change in deferred tax on comprehensive income	-	-	-
<b>Total comprehensive income for the period/year</b>	<b>8 206</b>	<b>22 575</b>	<b>47 944</b>
<b>Profit attributable to:</b>			
Equity holders of the company	8 206	22 575	47 944
Non-controlling interest	-0	-	-
<b>Total comprehensive income attributable to:</b>			
Equity holders of the company	8 206	22 575	47 944
Non-controlling interest	-0	-	-

## Balance sheet

All amounts in NOK thousand

	31.03.2018	31.03.2017	31.12.2017
Intangible assets	209	168	161
Investment property	986 550	916 500	978 550
Other operating assets	2 056	1 180	1 665
Loans to associates	11 368	16 109	13 445
<b>Total non-current assets</b>	<b>1 000 184</b>	<b>933 956</b>	<b>993 821</b>
Trade receivables	5 554	2 043	2 157
Other receivables	5 349	7 609	1 570
Cash and bank deposits	2 128	233	1 564
<b>Total current assets</b>	<b>13 031</b>	<b>9 884</b>	<b>5 291</b>
<b>TOTAL ASSETS</b>	<b>1 013 215</b>	<b>943 840</b>	<b>999 112</b>
Shareholders equity	282 614	254 042	274 409
Non-controlling interest	1	-	-
<b>Total equity</b>	<b>282 615</b>	<b>254 042</b>	<b>274 409</b>
Interest-bearing debt	562 433	293 650	568 314
Deferred tax liability	52 264	46 308	51 330
Financial derivatives	12 006	19 255	17 988
Debt to group companies	22 246	865	16 318
Other liabilities	-	-	257
<b>Total non-current liabilities</b>	<b>648 949</b>	<b>360 079</b>	<b>654 207</b>
Interest-bearing debt	59 631	310 529	50 250
Trade payables and other payables	21 750	19 191	19 957
Debt to group companies	270	-	289
<b>Total current liabilities</b>	<b>81 651</b>	<b>329 720</b>	<b>70 496</b>
<b>Total liabilities</b>	<b>730 600</b>	<b>689 799</b>	<b>724 703</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 013 215</b>	<b>943 840</b>	<b>999 112</b>

## Changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Total equity
<b>Equity at 01.01.2017</b>	<b>2 500</b>	<b>3 500</b>	<b>6 858</b>	<b>218 609</b>	<b>231 467</b>
Profit for period	-	-	-	47 942	47 942
Dividend	-	-	-	-5 000	-5 000
<b>Equity at 31.12.2017</b>	<b>2 500</b>	<b>3 500</b>	<b>6 858</b>	<b>261 552</b>	<b>274 409</b>
Profit for period	-	-	-	8 206	8 206
<b>Equity at 31.03.2018</b>	<b>2 500</b>	<b>3 500</b>	<b>6 858</b>	<b>269 757</b>	<b>282 615</b>

## Statement of cash flows

All amounts in NOK thousand

	Q1-18	Q1-17	2017
Profit before tax	10 657	29 704	60 048
Expensed interest and fees on loans from financial institutions	5 895	5 314	24 309
Interest and fees paid on loans from financial institutions	-5 833	-5 509	-24 627
Depreciation and amortisation	291	-	496
Change in market value investment properties	-237	-22 476	-40 670
Change in market value financial instruments	-5 982	-306	-1 573
Change in working capital	-3 308	-1 855	-1 736
<b>Net cash flow from operating activities</b>	<b>1 482</b>	<b>4 872</b>	<b>16 246</b>
Purchase of business net of cash	-1 376	-	-
Upgrades and construction of investment properties	-7 763	-5 524	-50 425
Purchase of intangible assets and other plant and equipment	0	-70	-143
<b>Net cash flow from investment activities</b>	<b>-9 138</b>	<b>-5 593</b>	<b>-50 568</b>
Proceeds interest-bearing debt	9 325	5 158	32 734
Repayment interest-bearing debt	-5 825	-7 591	-20 813
Net payment of loans to associates and jointly controlled entities	4 720	3 042	24 170
Dividends paid	-	-	-550
<b>Net cash flow from financing activities</b>	<b>8 220</b>	<b>609</b>	<b>35 541</b>
Change in cash and cash equivalents	564	-112	1 219
Cash and cash equivalents at beginning of period	1 564	345	345
<b>Cash and cash equivalents at end of period</b>	<b>2 128</b>	<b>233</b>	<b>1 564</b>

## 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 2017. 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 2017. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2017.

The interim financial statements report of R8 Property AS was approved at a Board meeting on 28 May 2018 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 Q1-18

31.03.2018	Area		No. Of	Wault	Market value		12 month rolling rent		Net yield	Market rent	
	(sqm)	Occupancy (%)	properties (#)		(yrs)	(tNOK)	(NOK/sqm)	(tNOK)		(NOK/sqm)	(%)
Porsgrunn	14 687	98.6	4	4.1	274 500	18 690	19 699	1 353	6.7	19 745	1 344
Skien	8 618	87.2	3	3.6	126 500	14 679	8 128	1 014	5.8	10 535	1 222
Tønsberg	16 743	92.3	3	3.9	428 500	25 593	26 178	1 589	5.6	31 243	1 866
Sandefjord	2 869	78.4	1	6.9	60 500	21 087	2 672	931	3.9	4 696	1 637
<b>Total management portfolio</b>	<b>42 917</b>	<b>89.1</b>	<b>11</b>	<b>4.6</b>	<b>890 000</b>	<b>20 738</b>	<b>56 677</b>	<b>1 349</b>	<b>5.9</b>	<b>66 219</b>	<b>1 543</b>
Project portfolio	10 616		2		96 550	9 095					
<b>Total property portfolio</b>	<b>53 533</b>		<b>13</b>	<b>4.6</b>	<b>986 550</b>	<b>29 832</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.03.18 corresponds to 7.1 per cent of market rent. R8 Property has one on-going project, one new building (Powerhouse Telemark) in Porsgrunn.

### OPERATING SEGMENTS Q1-17

31.03.2017	Area		No. Of	Wault	Market value		12 month rolling rent		Net yield	Market rent	
	(sqm)	Occupancy (%)	properties (#)		(yrs)	(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	1 010	6.2	10 116	1 229
Tønsberg	16 446	90.6	3	4.4	418 000	25 417	26 201	1 593	5.9	29 604	1 800
Sandefjord	2 794	94.7	1	7.5	60 000	21 475	3 670	1 314	5.8	4 556	1 631
<b>Total management portfolio</b>	<b>42 250</b>	<b>93.8</b>	<b>11</b>	<b>4.8</b>	<b>879 000</b>	<b>20 805</b>	<b>57 757</b>	<b>1 367</b>	<b>6.2</b>	<b>63 950</b>	<b>1 514</b>
Project portfolio	8 625		2		37 500	4 348					
<b>Total property portfolio</b>	<b>50 875</b>		<b>13</b>	<b>4.8</b>	<b>916 500</b>	<b>25 153</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.03.18 corresponds to 6.6 per cent of market rent. R8 Property has 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

	Q1-18	Q1-17	2017
<b>VALUE OF INVESTMENT PROPERTIES</b>			
Closing balance previous period	978 550	888 500	888 500
<b>Other movements</b>			
Investment and upgrades in the property portfolio	7 417	5 524	47 979
Capitalised borrowing costs	345	-	1 401
Change in value from investment properties	237	22 476	40 670
<b>Investment property</b>	<b>986 550</b>	<b>916 500</b>	<b>978 550</b>

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 2017 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.

	31.03.2018	31.03.2017	31.12.2017
<b>Assets measured at fair value with change over the result</b>			
- Investment property (Level 3)	986 550	916 500	978 550
<b>Total</b>	<b>986 550</b>	<b>916 500</b>	<b>978 550</b>
<b>Financial liabilities measured at fair value with change over the result</b>			
- Derivatives (Level 2)	12 006	19 255	17 988
<b>Total</b>	<b>12 006</b>	<b>19 255</b>	<b>17 988</b>

## KEY FIGURES

All amounts in NOK thousand

### DEBT RATIO (LTV)

	Q1-18	Q1-17	2017
Net nominal interest-bearing debt	622 064	604 179	618 564
Total market value of the property portfolio	986 550	916 500	978 550
<b>Debt ratio (LTV) %</b>	<b>63.1</b>	<b>65.9</b>	<b>63.2</b>

### INTEREST COVERAGE RATIO (ICR)

	Q1-18	Q1-17	2017
Net income from property management	10 117	11 943	41 090
Depreciation	291	-	496
<b>EBITDA adjusted</b>	<b>10 408</b>	<b>11 943</b>	<b>41 585</b>
Interest cost	5 679	5 256	25 062
Other finance expense	-	32	-
<b>Applicable net interest cost</b>	<b>5 679</b>	<b>5 288</b>	<b>25 062</b>
<b>Interest Coverage Ratio (ICR)</b>	<b>1.8</b>	<b>2.3</b>	<b>1.7</b>

## 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	Q1-18 / 31.03.2018	2017 / 31.12.2017
EPRA Earnings per share (EPS)	NOK	3.4	13.5
EPRA NAV per share	NOK	327.0	324.1
EPRA NNNAV per share	NOK	294.5	287.7

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

	Q1-18	Q1-17	2017
Profit for period/year	8 206	22 575	47 942
<b>Add:</b>			
Changes in value of investment properties	-237	-22 476	-40 670
Tax on changes in value of investment properties <sup>1)</sup>	55	5 394	9 761
Changes in value of financial instruments	-5 982	-306	-1 573
Tax on changes in value of financial instruments <sup>1)</sup>	1 376	73	378
Change in tax rate <sup>1)</sup>	-	-	-2 358
<b>EPRA Earnings</b>	<b>3 417</b>	<b>5 260</b>	<b>13 480</b>

<sup>1)</sup> 23 per cent from Q1 2018 and 24 per cent for 2017.

### 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

	Q1-18	Q1-17	2017
<b>NAV - book value of equity</b>	<b>282 615</b>	<b>254 042</b>	<b>274 409</b>
Deferred property tax	35 113	31 524	36 023
Fair value of financial derivative instruments	9 245	14 634	13 671
<b>EPRA NAV</b>	<b>326 973</b>	<b>300 200</b>	<b>324 103</b>
Market value on property portfolio	986 550	916 500	978 550
Tax value on property portfolio	522 068	490 162	524 133
Basis for calculation of tax on gain on sale	464 482	426 338	454 417
<b>Less: Market value of tax on gain on sale (5 per cent tax rate)</b>	<b>23 224</b>	<b>21 317</b>	<b>22 721</b>
Net market value on financial derivatives	12 006	19 255	17 988
Tax expense on realised financial derivatives <sup>1)</sup>	-2 761	-4 621	-4 317
<b>Less: net result from realisation of financial derivatives</b>	<b>9 245</b>	<b>14 634</b>	<b>13 671</b>
Book value of interest bearing debt	622 064	604 179	618 564
Nominal value of interest bearing debt	622 064	604 179	618 564
Basis for calculation of tax on realisation of interest bearing debt	-	-	-
<b>Less: Market value of tax on realisation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EPRA NNNAV</b>	<b>294 504</b>	<b>264 249</b>	<b>287 711</b>

<sup>1)</sup> 23 per cent from Q1 2018 and 24 per cent for 2017.

## EPRA VACANCY

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

*All amounts in NOK thousand*

	Porsgrunn	Skien	Tønsberg	Sandefjord	Total
Market rent vacant areas	283	1 349	2 421	1 012	5 065
Total market rent	19 745	10 535	31 243	4 696	66 219
<b>Vacancy</b>	<b>1.44 %</b>	<b>12.81 %</b>	<b>7.75 %</b>	<b>21.55 %</b>	<b>7.65 %</b>



# 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 (excluding debt to group companies) 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.
Occupancy	Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio.
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.

