



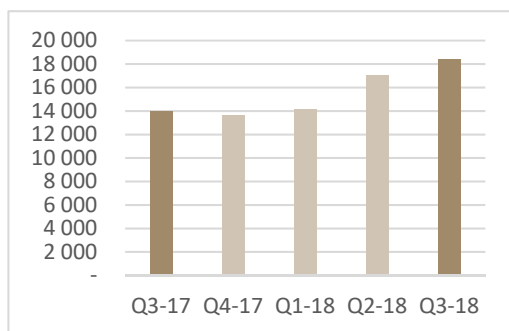
# R8 Property AS

Quarterly Report Q3 2018

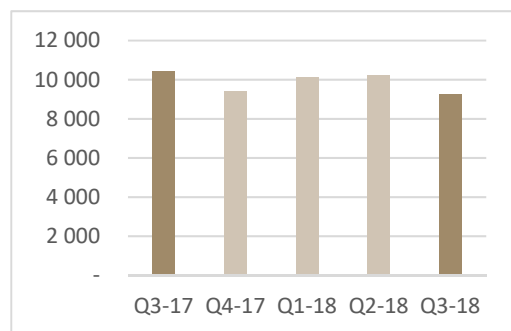
# Financial highlights

- Rental income of 18.4 million (14.0 million) in the quarter
- Net income from property management 9.3 million (10.4 million)
- Positive portfolio value changes of 0.3 million (2.0 million)
- Profit before tax of 14.2 million (6.2 million)
- EPRA NAV per share of 367.6 (309)

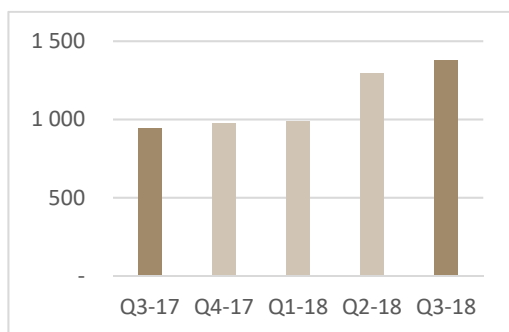
Rental income  
(tNOK)



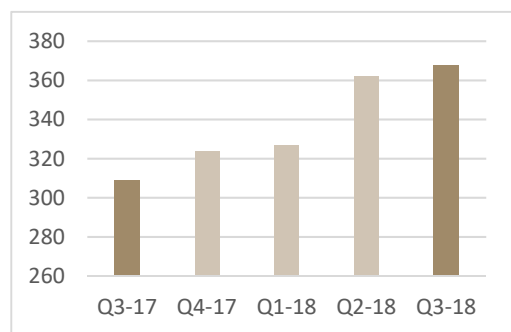
Net income property  
management  
(mNOK)



Market value of the  
property portfolio  
(mNOK)



EPRA NAV  
(NOK per share)



# Key figures

All amounts in NOK thousand	Q3-18	Q3-17	2017	2016
Rental income	18 431	13 963	55 574	52 130
Change period-on-period	32 %	na	7 %	12 %
Net income from property management	9 279	10 410	41 090	40 675
Change period-on-period	-11 %	na	1 %	na
Profit before tax	14 157	6 162	60 048	71 271
Change period-on-period	130 %	na	-16 %	na
Profit after tax	11 795	4 683	47 944	58 759
Change period-on-period	152 %	na	-18 %	na
Market value of the property portfolio	1 378 700	941 700	978 550	888 500
Net nominal interest-bearing debt	854 693	606 184	618 564	606 611
Loan to value	62.0 %	64.4 %	63.2 %	68.3 %
Interest coverage ratio	1.2	1.6	1.7	1.6
Number of shares	1 365	1 000	1 000	1 000
All amounts in NOK per share	Q3-18	Q3-17	2017	2016
EPRA NAV	367.6	309.0	324.1	272.3
Change period-on-period	19 %	na	19 %	na
EPRA NNNAV	343.4	272.1	287.7	237.9
Change period-on-period	26 %	na	21 %	na
EPRA Earnings	1.5	2.8	13.5	17.4
Change period-on-period	-47 %	na	-23 %	na







# Financial development

## Results

### **Net income from property management**

The Group's rental income was up by 31 per cent from 14.0 million in Q3-17 to 18.4 million in Q3-18, and by 18 per cent from 41.9 million to 49.6 million for the first nine months of 2018.

The increase in rental income from third quarter last year and for the first nine months is mainly driven by the acquisition of Arkaden Storsenter (Retail segment) in April 2018 and the completion of the project Nordre Fokserød Building 2 in the second quarter.

Total operating income came in at 19.9 million (14.0 million) in the quarter and 57.1 million (42.3 million) for the first nine months of 2018.

Total operating cost amounted to 10.6 million (3.6 million) in the quarter and 27.5 million (10.6 million) for the first nine months of 2018.

Net operating income from property management came in at 9.3 million (10.4 million) in the quarter and 29.6 million (31.7 million) for the first nine months of 2018.

### **Result from associates and joint ventures**

R8 Property's share of profit from associates and JVs was 10.1 million (0) in the quarter and is driven by the share of profit from the joint venture Kammerherreløkka AS. For more details regarding associates and JVs see the section on Partly owned companies.

### **Net realised financials**

Net realised financials amounted to -7.8 million (-6.7 million) in the quarter and -20.8 million (-17.4 million) for the first nine months of 2018.

### **Value changes**

The valuation of the property portfolio resulted in a net positive value change of 0.3 million (2.0 million) in the quarter and 21.8 million (28.2 million) for the first nine months of 2018. In the third quarter, almost all of the value changes relates to the ongoing project portfolio.

### **Profit**

Profit before tax was 14.2 million (6.2 million) in the quarter and 48.6 million (43.9 million) for the first nine months of 2018. Profit after tax was 11.8 million (4.7 million) in the quarter and 39.7 million (33.4 million) year to date 2018, which also equals the comprehensive income for the period.

## Balance sheet

The Group's assets amounted to 1,471 million (964 million) as of 30.09.18. Of this, investment property amounted to 1,379 million (942 million).

Investments in associates and jointly controlled entities were 21.0 million (0). The increase is attributable to the acquisition of 50 per cent of the shares in Kammerherreløkka AS and 14 per cent of the shares in Telemarksgaten 10 AS.

Intangible assets was 9.0 million (0.2 million) at the end of the third quarter of 2018. The net increase is mainly related to goodwill from the purchase of Arkaden Storsenter and R8 Management AS.

Loans to associates and jointly controlled entities was 13.4 million (10.9 million) at the end of the third quarter of 2018. The net increase is mainly related to a loan to Kammerherreløkka AS.

Other receivables was 10.5 million (6.9 million) at the end of the third quarter 2018.

Book equity totalled 450 million (260 million), representing an equity ratio of 31 per cent (27 per cent). Book equity per share was 330 (260). Equity per share was 368 (309) based on the EPRA NAV standard and 343 (272) based on EPRA NNAV. Outstanding shares at 30.09.18 totalled 1.365 million (1.000 million).

## Cash flow statement

Net cash flow from operating activities came in at 1.7 million (-2.5 million) in the quarter and 8.7 million (3.8 million) for the first nine months of 2018.

The net cash flow from investment activities was -22.7 million (-8.9 million) in the quarter and -50.7 million (-23.1 million) for the first nine months of 2018.

Net cash flow from financing activities was 16.8 million (11.8 million) in the quarter and 65.5 million (19.5 million) for the first nine months of 2018. Proceeds from the capital increase of 19.04.2018 amounted to 37.8 million.

The net change in cash and cash equivalents was -4.2 million (0.5 million) in the quarter and 23.5 million (0.3 million) for the first nine months of 2018.

## Financing

R8 Property's total interest bearing nominal debt as of 30.09.2018 was 855 million (606 million). During the third quarter the total interest bearing nominal debt increased by 25 million. The increase was mainly due to project investments.

### Interest bearing debt and maturity structure

The average remaining term for the Group's debt portfolio was 5.39 years at 30.09.2018 (2.7 years at 30.09.2017).

### Maturity structure and composition of interest bearing debt

*All amounts in NOK thousand*

Maturity profile	0-1 yrs	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	127 995	504 174	77 947	123 531	833 646
Subordinated loans	-	21 048	-	-	21 048
<b>Total</b>	<b>127 995</b>	<b>525 222</b>	<b>77 947</b>	<b>123 531</b>	<b>854 693</b>
	15 %	61 %	9 %	14 %	100 %

### Interest rates and maturity structure

The average interest rate of the debt portfolio was 4.0 per cent (3.9 per cent) as of 30.09.2018. 33 per cent (25 per cent) of the Group's financing was hedged at a fixed interest rate as of 30.09.2018 with a weighted average maturity of 4.5 years.

Fixed rate instruments	Amount	Interest rate (%)
1-3 years	50 000	1.54
3-4 years	85 714	3.27
4-5 years	6 525	3.44
5-6 years	15 250	4.05
6-7 years	121 875	2.65
<b>Total</b>	<b>279 364</b>	<b>2.68</b>

# The Property Portfolio

R8 Property's management portfolio as of 30.09.2018 consists of 15 buildings with a total area of approximately 69,903 square meters. The portfolio is divided into three operating units: Office, Retail and Hotels.

As of 30.09.2018 the occupancy is at 87.3 per cent (91.6 per cent). However, most of the vacancy connects to strategic vacancy. The occupancy in the Retail unit is increasing as the project is moving forward.

The average vault in the portfolio is 5.2 years. Average 12 months rolling rent per square meter was 1,149 (1,490) as of 30.09.2018. The decrease is mainly related to lower prices per sqm in the Retail unit.

The net yield is at 5.3 (5.9) based on gross rent as of 30.09.2018 and estimated operating expenses of 6.9 per cent. The low net yield is influenced by the current low occupancy in certain properties. This makes the net yield as of 30.09.2018 less representative than normal.

30.09.2018	Area (sqm)	Occu- pancy (%)	No. Of properties (#)	Wault (yrs)	Market value (tNOK) (NOK/sqm)		12 month rolling rent (NOK /sqm)		Net yield (%)	Market rent (tNOK) (NOK/sqm)	
Office	45 220	91.5	12	4.0	948 500	20 975	59 153	1 308	5.7	69 863	1 545
Retail	24 683	79.8	3	8.6	344 200	13 945	21 180	858	4.2	38 805	1 572
<b>Total management portfolio</b>	<b>69 903</b>	<b>87.3</b>	<b>15</b>	<b>5.2</b>	<b>1 292 700</b>	<b>34 920</b>	<b>80 333</b>	<b>1 149</b>	<b>5.3</b>	<b>108 668</b>	<b>1 555</b>
Project Office	8 358	88.0	1		86 000	10 290					
<b>Total project portfolio</b>	<b>8 358</b>	<b>88.0</b>	<b>1</b>		<b>86 000</b>	<b>10 290</b>					
<b>Total property portfolio</b>	<b>78 261</b>	<b>87.4</b>	<b>16</b>	<b>5.2</b>	<b>1 378 700</b>	<b>45 210</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.09.18 corresponds to 6.9 per cent of market rent.

R8 Property has one on-going project, the new building (Powerhouse Telemark) in Porsgrunn in the operating unit Office.

Parking areas are not included in this overview.



# Investments and divestments

R8 Property has invested 20.0 million (8.8 million) in the portfolio of investment properties in the quarter and 49.0 million (22.6 million) year to date 2018.

## Project development

The portfolio of ongoing projects with a total investment exceeding 10 million is presented below.

Project	Ownership (%)	Unit	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost (tNOK) <sup>1)</sup>	Of which accrued (tNOK)
Powerhouse Telemark	100	Office	Q2-20	8 358	88	252 504	41 854
<b>Total</b>				<b>8 358</b>		<b>252 504</b>	<b>41 854</b>

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

## Status ongoing projects

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 8,358 square meters. The occupancy is as of 30.09.2018 at 88 per cent.

## Transactions

R8 Property purchased one property in Skien in the quarter.

## Transactions YTD 2018

Purchased properties	Area	Unit	Transaction quarter	No of sqm
Henrik Ibsensgate 6	Skien	Retail	Q3-18	1 927
Arkaden Storsenter	Skien	Retail	Q2-18	22 413
Nedre Hjellegate 11	Skien	Retail	Q2-18	343
50 % of Kammerherreløkka	Porsgrunn	Hotels	Q2-18	9 049
<b>Total</b>				<b>33 732</b>

R8 Property purchased 100 % of the shares in R8 Management AS in Q1-18. R8 Management AS is R8 Property's property management unit and have 13 employees.

# Partly owned companies

## **Mulighetenes By AS (65 %)**

R8 Property and a group of investors own Mulighetenes By AS. The company owns the property known as Arkaden Storsenter (22,413 sqm) in Skien.

## **Laugstol Eiendom AS (65 %)**

R8 Property and a group of investors own Laugstol Eiendom AS. The company owns the property known as Nedre Hjellegate 11 (343 sqm) in Skien.

## **Henrik Ibsensgate 6 AS (65 %)**

R8 Property and a group of investors own Henrik Ibsensgate 6 AS. The company owns the property known as Henrik Ibsensgate 6 (1,927 sqm) in Skien.

## **Kammerherreløkka AS (50 %)**

R8 Property and Bane NOR Eiendom AS own Kammerherreløkka AS. The company owns the on-going project on Kammerherreløkka in Porsgrunn where one hotel building (6,282 sqm) and one office building (2,767 sqm) is expected to be completed in March 2019. The hotelbuilding is fully let to Choice Comfort Hotel Porsgrunn.

## **Telemarksgaten 10 AS (13 %)**

R8 Property and a group of investors own Telemarksgaten 10 AS. The company owns the property known as Telemarksgaten 10 in Skien.



# Other information

## Organization

At 30.09.18 the Group had 17 employees. During the quarter there were no injuries that caused absence from work.

## Share and shareholder information

R8 Property's share capital is NOK 3,411,215 divided into 1,364,500 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 30 September 2018, R8 Property had 28 shareholders. Norwegian investors held 100 per cent of the share capital. The 10 largest shareholders on 30.09.18 were:

Shareholder	% holding
R8 Group AS	74.0
IKAB AS	3.7
RP Holding AS	2.4
Heimberg Holding AS	1.6
Thovsland Holding AS	1.5
Kabbe Holding AS	1.5
RF Dialog Eiendom AS	1.5
Aubert Invest AS	1.5
Holta & Co AS	1.5
Freezing Point Invest AS	1.3
<b>Total</b>	<b>90.5</b>

# Financial statements

## Statement of total comprehensive income

All amounts in NOK thousand

	Q3-18	Q3-17	YTD Q3-18	YTD Q3-17	2017
Rental income	18 431	13 963	49 638	41 908	55 574
Other operating revenue	1 425	26	7 428	407	476
<b>Total operating income</b>	<b>19 856</b>	<b>13 988</b>	<b>57 067</b>	<b>42 315</b>	<b>56 050</b>
Maintenance and other operating expenses	2 814	2 292	11 940	8 072	10 507
Other property-related expenses	242	145	605	460	488
Administrative expenses	7 521	1 142	14 919	2 094	3 966
<b>Total operating costs</b>	<b>10 577</b>	<b>3 578</b>	<b>27 464</b>	<b>10 625</b>	<b>14 961</b>
<b>Net income from property management</b>	<b>9 279</b>	<b>10 410</b>	<b>29 602</b>	<b>31 690</b>	<b>41 090</b>
Changes in value from investment properties	263	2 034	21 797	28 172	40 670
Share of profit from associates and JVs	10 110	-	10 110	-	-
<b>Operating profit</b>	<b>19 653</b>	<b>12 444</b>	<b>61 510</b>	<b>59 862</b>	<b>81 760</b>
Interest and other finance income	324	236	817	820	1 025
Interest and other finance expense	-8 149	-6 920	-21 601	-18 250	-24 309
<b>Net realised financials</b>	<b>-7 825</b>	<b>-6 684</b>	<b>-20 783</b>	<b>-17 430</b>	<b>-23 285</b>
Unrealised changes in value of financial instruments	2 329	401	7 874	1 495	1 573
<b>Net financial items</b>	<b>-5 496</b>	<b>-6 283</b>	<b>-12 910</b>	<b>-15 935</b>	<b>-21 712</b>
<b>Profit before tax</b>	<b>14 157</b>	<b>6 162</b>	<b>48 600</b>	<b>43 927</b>	<b>60 048</b>
Tax expense	-2 361	-1 479	-8 853	-10 542	-12 105
<b>Profit for period/year</b>	<b>11 795</b>	<b>4 683</b>	<b>39 747</b>	<b>33 385</b>	<b>47 944</b>
Change in deferred tax on comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period/year</b>	<b>11 795</b>	<b>4 683</b>	<b>39 747</b>	<b>33 385</b>	<b>47 944</b>
<b>Profit attributable to:</b>					
Equity holders of the company	11 234	4 683	38 094	27 258	47 944
Non-controlling interest	562	-	1 653	-	-
<b>Total comprehensive income attributable to:</b>					
Equity holders of the company	11 234	4 683	38 094	27 258	47 944
Non-controlling interest	562	-	1 653	-	-



## Balance sheet

All amounts in NOK thousand

	30.09.2018	30.09.2017	31.12.2017
Intangible assets	8 986	212	161
Investment property	1 378 700	941 700	978 550
Other operating assets	6 036	2 074	1 665
Investment in jointly controlled entities, associates and shares	20 957	-	-
Loan to associates and jointly controlled entities	13 358	10 947	13 445
Other long-term receivables	2 105	-	-
<b>Total non-current assets</b>	<b>1 430 141</b>	<b>954 932</b>	<b>993 821</b>
Trade receivables	5 675	1 398	2 157
Other receivables	10 466	6 859	1 570
Cash and bank deposits	25 094	598	1 564
<b>Total current assets</b>	<b>41 235</b>	<b>8 855</b>	<b>5 291</b>
<b>TOTAL ASSETS</b>	<b>1 471 376</b>	<b>963 788</b>	<b>999 112</b>
Shareholders equity	427 321	259 851	274 409
Non-controlling interest	22 746	-	-
<b>Total equity</b>	<b>450 066</b>	<b>259 851</b>	<b>274 409</b>
Interest-bearing debt	726 699	572 308	568 314
Deferred tax liability	74 418	50 891	51 330
Financial derivatives	10 114	18 066	17 988
Debt to group companies	-	17 908	16 318
Other liabilities	-	-	257
<b>Total non-current liabilities</b>	<b>811 231</b>	<b>659 172</b>	<b>654 207</b>
Interest-bearing debt	127 995	33 876	50 250
Trade payables and other payables	82 085	10 888	19 957
Debt to group companies	-	-	289
<b>Total current liabilities</b>	<b>210 079</b>	<b>44 764</b>	<b>70 496</b>
<b>Total liabilities</b>	<b>1 021 310</b>	<b>703 937</b>	<b>724 703</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 471 376</b>	<b>963 788</b>	<b>999 112</b>

## Changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Non-controlling interest	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	-	-	-	38 094	1 653	39 747
Capital increase 19.04.2018	911	113 906	-	-	-	114 817
Change in non-controlling interest	-	-	-	-	21 093	21 093
<b>Equity at 30.09.2018</b>	<b>3 411</b>	<b>117 406</b>	<b>6 858</b>	<b>299 646</b>	<b>22 746</b>	<b>450 066</b>

## Statement of cash flows

All amounts in NOK thousand

	Q3-18	Q3-17	YTD Q3-18	YTD Q3-17	2017
Profit before tax	14 157	6 162	48 600	43 927	60 048
Expensed interest and fees on loans from financial institutions	8 149	6 920	21 601	18 250	24 309
Interest and fees paid on loans from financial institutions	-7 411	-6 149	-20 267	-18 447	-24 627
Depreciation and amortisation	171	240	1 386	240	496
Change in market value investment properties	-264	-2 034	-21 797	-28 172	-40 670
Change in market value financial instruments	-2 329	-401	-7 874	-1 495	-1 573
Change in working capital	-10 734	-7 224	-12 941	-10 532	-1 736
<b>Net cash flow from operating activities</b>	<b>1 739</b>	<b>-2 487</b>	<b>8 709</b>	<b>3 771</b>	<b>16 246</b>
Purchase of business net of cash	8 730	-	9 558	-	-
Upgrades and construction of investment properties	-20 034	-8 760	-49 000	-22 622	-50 425
Purchase of intangible assets and other plant and equipment	-11 422	-114	-11 223	-440	-143
<b>Net cash flow from investment activities</b>	<b>-22 726</b>	<b>-8 873</b>	<b>-50 664</b>	<b>-23 062</b>	<b>-50 568</b>
Proceeds interest-bearing debt	25 967	14 956	52 663	24 561	32 734
Proceeds from loan	18 900	-	18 900	-	-
Repayment interest-bearing debt	-11 122	-9 807	-17 772	-24 988	-20 813
Net payment of loans to associates and jointly controlled entities	-16 981	7 246	-26 137	20 521	24 170
Proceeds from/repayment of equity	-	-	37 832	-	-
Dividends paid	-	-550	-	-550	-550
<b>Net cash flow from financing activities</b>	<b>16 765</b>	<b>11 845</b>	<b>65 486</b>	<b>19 544</b>	<b>35 541</b>
Change in cash and cash equivalents	-4 222	484	23 531	253	1 219
Cash and cash equivalents at beginning of period	29 317	114	1 564	345	345
<b>Cash and cash equivalents at end of period</b>	<b>25 095</b>	<b>598</b>	<b>25 095</b>	<b>598</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 24 October 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 Groups investment properties is organised into three operating units: Office, Retail and Hotels. As of today the Hotels unit only consists of one project in joint venture with Bane NOR Eiendom AS.

The 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 unit 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 three units.

### OPERATING SEGMENTS Q3-18

30.09.2018	Area (sqm)	Occupancy (%)	properties (#)	Wault (yrs)	Market value (tNOK)	(NOK/sqm)	12 month rolling rent (tNOK) (NOK/sqm)		Net yield (%)	Market rent (tNOK) (NOK/sqm)	
Office	45 220	91.5	12	4.0	948 500	20 975	59 153	1 308	5.7	69 863	1 545
Retail	24 683	79.8	3	8.6	344 200	13 945	21 180	858	4.2	38 805	1 572
<b>Total management portfolio</b>	<b>69 903</b>	<b>87.3</b>	<b>15</b>	<b>5.2</b>	<b>1 292 700</b>	<b>34 920</b>	<b>80 333</b>	<b>1 149</b>	<b>5.3</b>	<b>108 668</b>	<b>1 555</b>
Project Office	8 358	88.0	1		86 000	10 290					
<b>Total project portfolio</b>	<b>8 358</b>	<b>88.0</b>	<b>1</b>		<b>86 000</b>	<b>10 290</b>					
<b>Total property portfolio</b>	<b>78 261</b>	<b>87.4</b>	<b>16</b>	<b>5.2</b>	<b>1 378 700</b>	<b>45 210</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.09.18 corresponds to 6.9 per cent of market rent. R8 Property has one on-going project, the new building (Powerhouse Telemark) in Porsgrunn in the operating unit Office.

Parking areas are not included in this overview.

### OPERATING SEGMENTS Q3-17

30.09.2017	Area (sqm)	Occupancy (%)	properties (#)	Wault (yrs)	Market value (tNOK)	(NOK/sqm)	12 month rolling rent (tNOK) (NOK/sqm)		Net yield (%)	Market rent (tNOK) (NOK/sqm)	
Office	41 915	91.6	11	4.8	881 700	21 035	56 591	1 490	5.9	64 224	1 532
<b>Total management portfolio</b>	<b>41 915</b>	<b>91.6</b>	<b>11</b>	<b>4.8</b>	<b>881 700</b>	<b>21 035</b>	<b>56 591</b>	<b>1 490</b>	<b>5.9</b>	<b>64 224</b>	<b>1 532</b>
Project portfolio	10 616		2		60 000	5 652					
<b>Total property portfolio</b>	<b>52 531</b>		<b>13</b>	<b>4.8</b>	<b>941 700</b>	<b>26 687</b>					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.09.17 corresponds to 7.1 per cent of market rent. R8 Property has in 2017 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

	Q3-18	Q3-17	2017
<b>VALUE OF INVESTMENT PROPERTIES</b>			
Closing balance previous period	1 297 050	928 500	888 500
<b>Other movements</b>			
Purchase of investment property	18 200	24 309	-
Investment and upgrades in the property portfolio	62 246	719	47 979
Capitalised borrowing costs	941	-	1 401
Change in value from investment properties	263	28 172	40 670
<b>Investment property</b>	<b>1 378 700</b>	<b>941 700</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.

	30.09.2018	30.09.2017	31.12.2017
<b>Assets measured at fair value with change over the result</b>			
- Investment property (Level 3)	1 378 700	941 700	978 550
<b>Total</b>	<b>1 378 700</b>	<b>941 700</b>	<b>978 550</b>
<b>Financial liabilities measured at fair value with change over the result</b>			
- Derivatives (Level 2)	10 114	18 066	17 988
<b>Total</b>	<b>10 114</b>	<b>18 066</b>	<b>17 988</b>

## NOTE 5 RELATED PARTIES

All amounts in NOK thousand

	30.09.2018	30.09.2017	31.12.2017
<b>Loan to associates and jointly controlled entities (non-current and current)</b>			
R8 Consulting Group AS	3 708	4 570	2 188
R8 Investment AS	5 328	10 767	11 077
Kammerherreløkka AS	4 526	-	-
Bedriftsveien 52-58 AS	-	180	180
R8 Management AS	-	1 542	-
Rødmyrlia 20 AS	-	159	-
Storgata 171-175 AS	-	4	4
Vipeveien 51 AS	-	10	10
<b>Total</b>	<b>13 562</b>	<b>17 231</b>	<b>13 459</b>
<b>Debt to group companies (non-current and current)</b>			
R8 Group AS	-	18 092	16 506
R8 Consulting Group AS	-	79	79
Valore AS	-	820	-
Tollboden AS	-	22	22
<b>Total</b>	<b>-</b>	<b>19 013</b>	<b>16 607</b>

## KEY FIGURES

All amounts in NOK thousand

### DEBT RATIO (LTV)

	Q3-18	Q3-17	2017
Net nominal interest-bearing debt	854 693	606 184	618 564
Total market value of the property portfolio	1 378 700	941 700	978 550
<b>Debt ratio (LTV) %</b>	<b>62.0</b>	<b>64.4</b>	<b>63.2</b>

### INTEREST COVERAGE RATIO (ICR)

	Q3-18	Q3-17	2017
Net income from property management	9 279	10 410	41 090
Depreciation	462	80	496
<b>EBITDA adjusted</b>	<b>9 741</b>	<b>10 490</b>	<b>41 585</b>
Interest cost	8 241	6 684	25 062
Other finance expense	-	-	-
<b>Applicable net interest cost</b>	<b>8 241</b>	<b>6 684</b>	<b>25 062</b>
<b>Interest Coverage Ratio (ICR)</b>	<b>1.2</b>	<b>1.6</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	Q3-18 / 30.09.2018	Q3-17 / 30.09.2017	2017 / 31.12.2017
EPRA Earnings per share (EPS)	NOK	1.5	2.8	13.5
EPRA NAV per share	NOK	367.6	309.0	324.1
EPRA NNNAV per share	NOK	343.4	272.1	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

	Q3-18	Q3-17	2017
Profit for period/year	11 795	4 683	47 942
<b>Add:</b>			
Changes in value of investment properties	-263	-2 034	-40 670
Tax on changes in value of investment properties <sup>1)</sup>	61	488	9 761
Changes in value of financial instruments	-2 329	-401	-1 573
Tax on changes in value of financial instruments <sup>1)</sup>	536	96	378
Share of profit from associates and JVs	-7 785	-	-
Change in tax rate <sup>1)</sup>	-	-	-2 358
<b>EPRA Earnings</b>	<b>2 015</b>	<b>2 832</b>	<b>13 480</b>

<sup>1)</sup> 23 per cent from Q3 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

	Q3-18	Q3-17	2017
<b>NAV - book value of equity</b>	<b>450 066</b>	<b>255 168</b>	<b>274 409</b>
Deferred property tax	43 735	34 397	36 023
Fair value of financial derivative instruments	7 788	14 035	13 671
<b>EPRA NAV</b>	<b>501 589</b>	<b>303 601</b>	<b>324 103</b>
Market value on property portfolio	1 378 700	928 500	978 550
Tax value on property portfolio	873 003	492 978	524 133
Basis for calculation of tax on gain on sale	505 697	435 522	454 417
<b>Less: Market value of tax on gain on sale (5 per cent tax rate)</b>	<b>25 285</b>	<b>21 776</b>	<b>22 721</b>
Net market value on financial derivatives	10 114	18 468	17 988
Tax expense on realised financial derivatives <sup>1)</sup>	-2 326	-4 432	-4 317
<b>Less: net result from realisation of financial derivatives</b>	<b>7 788</b>	<b>14 035</b>	<b>13 671</b>
Book value of interest bearing debt	854 693	601 035	618 564
Nominal value of interest bearing debt	854 693	601 035	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>468 516</b>	<b>267 790</b>	<b>287 711</b>

<sup>1)</sup> 23 per cent from Q3 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

	Office	Retail	Total
Market rent vacant areas	5 968	7 848	13 816
Total market rent	69 863	38 805	108 668
<b>Vacancy</b>	<b>8.5 %</b>	<b>20.2 %</b>	<b>12.7 %</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.
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.

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## Financial calendar

Annual report 2018 26.03.2019

Annual General Meeting 11.04.2019

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