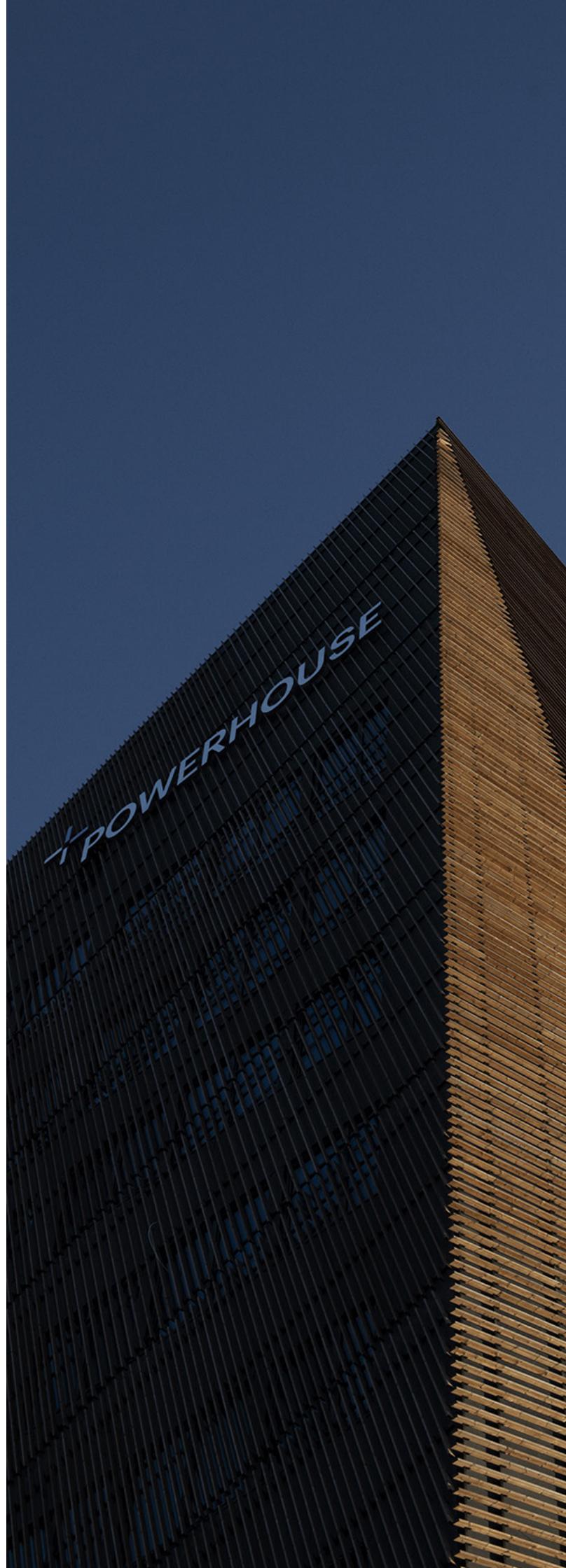




Annual report

R8 Property
2020

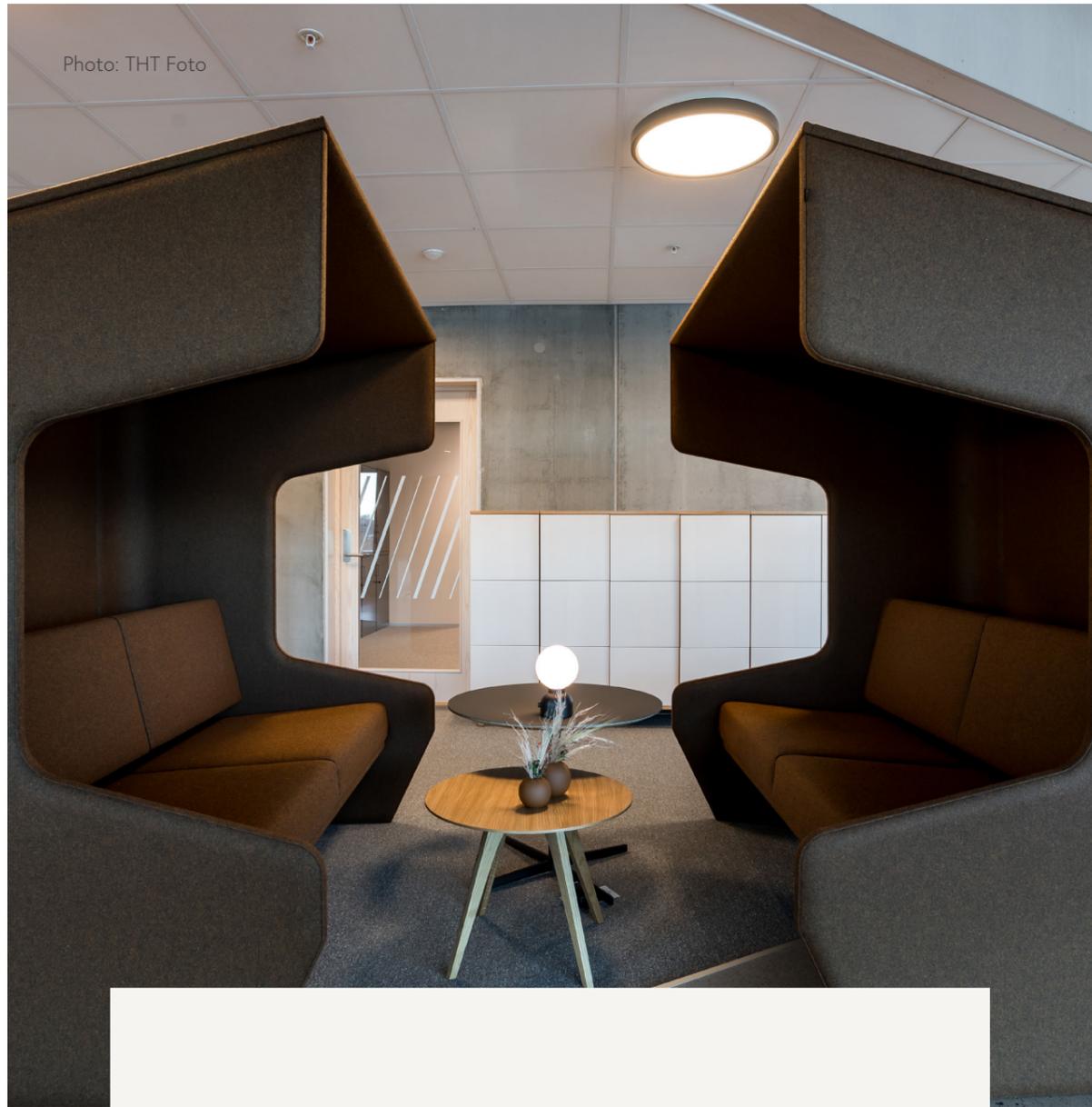


R8 Property ASA Annual Report 2020

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Photo: THT Foto



THIS IS R8 PROPERTY

R8 Property ASA ("the Group") is organized with R8 Property ASA ("the Company") as the mother company which has 36 daughter companies. The headquarter is located in Porsgrunn, Telemark. Since the company was established in 2010, R8 Property has built a solid property portfolio in Skien, Porsgrunn, Tønsberg and Oslo. The properties are owned by R8 Property through single-purpose companies.

During the first and second quarter of 2020, R8 Property developed the company's new business strategy in collaboration with Accenture.

Through the last decade, the most obvious word to describe R8 Property is GROWTH. We have experienced tremendous growth and developed into new ventures. We have changed our focus from building and management of traditional commercial property, towards a strong ambition of being a pioneer within technology and sustainable solutions in the property markets. The fast growth has resulted in higher complexity and new challenges.

Smart and sustainable properties will still be the center of our offerings, combined with intelligent new services. Sustainability and technology will be key elements in the differentiation of all our services and products.

The flagship of our portfolio is Powerhouse Telemark, and we have an ambition of building more powerhouses in other cities in the years to come. "The green diamond" Powerhouse Telemark is a great example of how we want to use sustainability and technology to offer our customers extraordinary value.

We're dedicated to the development of modern and future-oriented commercial property, and this focus is at the heart of the strategy set towards 2025. We want to be a driving force when it comes to sustainable buildings. Through the use of technology and passion, we aim to inspire and enlighten collaborators, politicians, other property developers, tenants and people of how we can change the way we build and manage property. With this as a backdrop, we've developed a new vision for R8 Property:

We create a sustainable future, by leveraging technology and passion in the way we build and manage property - always keeping the customer in the center

To take a further step with our technology commitment, R8 Property hired Wasim Rashid and Daniel Bentes in January 2020. They came from DNB where they respectively worked as EVP Head of Platforms and Platform Strategy Lead. Throughout the year they've established and developed Orbit Technology, a game changer for the property business.

Orbit revolutionizes how people work with breakthrough technology that enables office sharing at scale. Orbit turns unused office space into satellite workspaces, available and affordable for anyone.

R8 Property is an industry leader when it comes to customer satisfaction. 2020 was the sixth consecutive year with first place in the national survey, Norwegian Tenant Index. The company is evolving every year to sustain and increase the customer satisfaction. This year R8 Property came in with a score of 88 out of 100. To adapt to the customer needs regarding flexibility and services, we have a strong focus on Orbit Technology and Evolve Business Space, the coworking concept with 27 locations in Oslo, Drammen, Tønsberg, Fredrikstad and Porsgrunn.

In the coming year, we'll continue developing R8 Home, with special emphasis on the Skien Brygge project, a new neighborhood in Skien with approximately 400 apartments and around 20.000 sqm of commercial space.

We look forward to operationalizing our business strategy in all of our divisions and in everything we do.

KEY FIGURES

OPERATIONAL	2020	2019
Market value of property portfolio (tNOK)	2 445 360	2 416 805
Market value of property portfolio including other investments (tNOK) *	2 569 952	2 417 302
Total area (gross sqm)	108 093	112 850
Occupancy rate of management portfolio (%)	87.5	85.3
WAULT (years)	7.2	7.3
FINANCIAL		
Rental income (tNOK)	114 153	99 755
Profit before unrealised value adjustments and tax (tNOK)	-25 011	-2 539
Profit before tax (tNOK)	-45 109	76 635
Profit after tax (tNOK)	-26 771	59 177
EPRA Earnings (tNOK)	-15 485	7 832
Net cash flow from investment activities (tNOK)	-218 182	-378 985
Net nominal interest-bearing debt (tNOK)	1 724 414	1 576 757
Debt ratio of property portfolio (LTV) (%)	70.5	65.2
Debt ratio (LTV) of property portfolio including other investments (%) *	67.1	65.2
Interest coverage ratio (ICR) (%)	0.6	0.6
Equity ratio (%)	28.0	30.4
NUMBERS PER SHARE		
Earnings (NOK)	-1.4	2.9
EPRA Earnings (NOK)	-0.8	0.4
Cash earnings (NOK)	-0.9	-0.1
Net asset value - EPRA NAV (NOK)	42.6	40.7
EPRA NNNNAV (NOK)	40.8	37.8
Number of shares **	19 720 640	19 720 640

* Investments in jointly controlled entities, associates and shares.

** The number of outstanding shares increased from 1 972 064 31.12.19 to 19 720 640 31.12.20 due to a share split in Q4 2020.

KEY FIGURES



7.2 years
*Unexpired lease terms
 (weighted average)*

1-3.2 mNOK
*Gross rent per year
 (run rate)*

87.5%
Occupancy

108 093 m²
*Total area in
 portfolio*

HIGHLIGHTS



From left:
Emil Eriksrød and Wasim Rashid

JANUARY

Wasim Rashid and Daniel Bentes entered R8 Property to develop the company's technology department. Both came from DNB, where Rashid held the position as EVP Head of Platforms, and Bentes worked as Platform Strategy Lead. In R8 Property Wasim Rashid is Chief Digital Officer (CDO), while Daniel Bentes is Chief Digital Architect. Together they've established and developed Orbit Technology, which is the company's biggest investment this year.

MARCH

Overnight, Covid-19 turned everyday life upside down for all of us. All employees were encouraged to work from home, and unfortunately we had to partly lay off many employees for a couple of months. Throughout the year we've kept on going strong by maintaining high activity in digital meetings.

MAY

R8 Property delivered a historic result with 76,6 mNOK in annual profit before tax. The company invested 300 mNOK in large and extensive projects in 2019, e.g. Eeks gård and Arkaden in Skien, as well as Powerhouse Telemark, Comfort Hotel Porsgrunn and the commercial property at Kammerherreløkka, Porsgrunn. "Now, when the economic outlook is uncertain, it's good to have a solid year behind us", said Emil Eriksrød in the press release.

As a result of the corona pandemic, Orbit Technology launched a new service for all of those who weren't satisfied with working from home. With Safe Orbit, R8 Property could adapt the technology and network to make available and optimize corona-secured workspaces. We could also offer associated services for companies and tenants who couldn't have employees in their own premises. Safe Orbit made it safe for teams to work physically together.

HIGHLIGHTS



JUNE

R8 Property's new business strategy was completed. The strategy will be our most important tool to continuous and sustainable growth. R8 Property acquired 16,5% of the beautiful property Inkognito Park in Oslo. The historic building from 1874 is 3300 sqm, and has a perfect location at Solli Plass, next to the Royal Castle and Nationaltheatret. The building is set to be one of the most stunning coworking locations in Norway.

EY (Ernst & Young) published that they're going to be a tenant in Powerhouse Telemark. They have 42 employees, and have been in their present premises at Bjørnstad for 25 years.

AUGUST

Emil Eriksrød got the keys to Powerhouse Telemark Monday 3rd of August. The first tenants started moving into "the green diamond", which is one of the world's most energy efficient and environmental buildings.

OCTOBER

29th of October Powerhouse Telemark was officially opened. In cooperation with Snøhetta, Skanska and Asplan Viak we held two press conferences; one regional/national and one international via YouTube. The opening gained worldwide attention, especially within design and architectural websites and magazines. Unfortunately we had to cancel the grand opening of Powerhouse Telemark where 100 guests were invited, due to the Covid-19 situation.

HIGHLIGHTS



From left: Morten Olaisen and Emil Eriksrød

NOVEMBER

For the 6th time in a row, R8 Property won the Norwegian Tenant Index as the most preferred landlord among tenants. We got 88 points out of 100, which was one point more than the runners up, Entra and Aspelin Ramm. "We are very proud of this award, and we promise that we will do our very best to meet our tenants' expectations also in the years to come. We will continue to make everyday life better and more seamless for both tenants and users, by using new technologies and new solutions", said Emil Eriksrød in the press release.

R8 Property transformed the company from AS to ASA, and established a new Board with an increased proportion of women. The new Board consists of 7 members, of which 3 are women: George Emil Aubert (Chair), Leif Oddvin Jensen, Christina Sundby, Runar Rønningen, Knut Bråthen, Marianne Lie and Elin Tufte Johansen.

R8 Property divested 75% of Nordre Fokserød 14 and sold the shares to a group of investors set up by Njord Securities. After years of developing and optimizing this great property the timing for partial exit was good, giving us an opportunity to focus on new projects.



From left: Emil Eriksrød and Anders Rambekk

DECEMBER

Powerhouse Telemark won Porsgrunn municipality's Building Practice Award 2020. Anders Rambekk (leader of the committee for children, young people and culture) surprised Emil Eriksrød in a meeting. He brought beautiful flowers, a money check and a sign, as well as a greeting from the mayor Robin Kåss filmed in advance. "This year's Building Practice Award goes to a business who is innovative, conscious of the environment, and brave. Environmentally friendly material choices and innovative form describe the building, which the committee emphasizes in the justification", said the municipality in their press release.

A YEAR FOR THE HISTORY BOOKS



When we entered 2020, no one could have foreseen that it was going to be a worldwide annus horribilis. Covid-19 turned our world upside down, and we got challenges we weren't prepared for. Looking back, one year after the lockdown 12th of March 2020, I'm relieved and proud of what our company has accomplished.

...Always keeping the customer in the center

When the circumstances made it impossible to keep up with the daily visits to our tenants, it was even more important to maintain the dialogue in other ways. Our employees have done an excellent job in these challenging times. Even though everyone mainly has been working from home, they've done their utmost to maintain good relationships with the tenants. As a result, we did what many would've thought was impossible: We won the Norwegian Tenant Index for the 6th time in a row. I can't express how proud and thankful I am for the enormous effort all employees have made through this period.

"Always keeping the customer in the center" is a part of our vision, and is a crucial reason for our being. It's an essential part of our DNA, it's in our blood. But with the tremendous growth R8 Property has had, and with our developments into new ventures, we experienced the need for a new and solid business strategy. In collaboration with Accenture, we used the two first quarters of 2020 to establish a new business strategy towards 2025.

Sustainability and technology will be key elements

- Within 5 years, R8 Property has three main measurable goals:
- We will increase our portfolio size to 12-15 BNOK. We will increase our yearly revenues to 0,6 - 0,8 BNOK.
- We will operate in 1-2 new countries.

Smart and sustainable properties will be at the center of our offerings, combined with intelligent new services. Sustainability and technology will be key elements of differentiation in all our services and products.

I strongly believe that we, by being faithful to our superpowers (i.g. execution power, passion and leadership), customers, skills, partnerships and sub-strategies, will be able to fulfill our growth ambition.

Our vision is our guiding star:

We create a sustainable future, by leveraging technology and passion in the way we build and manage property - always keeping the customer in the center

Letter from CEO

The new workplace

One thing is for sure, the general workplace as we knew it, will never be the same again. Post pandemic it will be far more common with remote offices, and/or working from home.

Orbit Technology was just "born" when the pandemic hit. In an extremely short amount of time, they established the product Safe Orbit, to offer a safe workplace environment for those who couldn't work from home. The Orbit team has used a tremendous number of days and nights during the last year to get Orbit up and running. The effort paid off: In February 2021, they launched the new concept Obos Nærkontor with Obos, and other large companies have already signalled that they want to invest. There is no doubt that proptech will be even more essential in the future.

Evolve has also had an exciting year, they now consist of 27 centres at central hubs in Southeast Norway. Øivind Gundersen, former board member of R8 Property, entered as a temporary Managing Director of the company in December. He focuses on cooperation, sales and structure (i.g), and I'm convinced that we will see continued growth throughout 2021.

Because of the synergy effects between Orbit and Evolve, they are able to create more business opportunities for each other. I'm very excited about the possibilities their collaboration may give.

More investments in Oslo

Two of our latest investments are great examples of how Evolve, Orbit and R8 Property can work together for mutual gain.

We finished the refurbishment of Henrik Ibsens gate 40-42 in March, and a few months later we bought 16% of Inkognito Park, a beautiful property with an extremely attractive location at Solli Plass. Henrik Ibsens gate has turned into a great Evolve center, where Orbit also has had their offices. Inkognito Park will be an Evolve center, Powered by Orbit. All members and tenants will have a seamless and technologically experience, where all they'll need is the Orbit app to access the building, buy lunch etc.

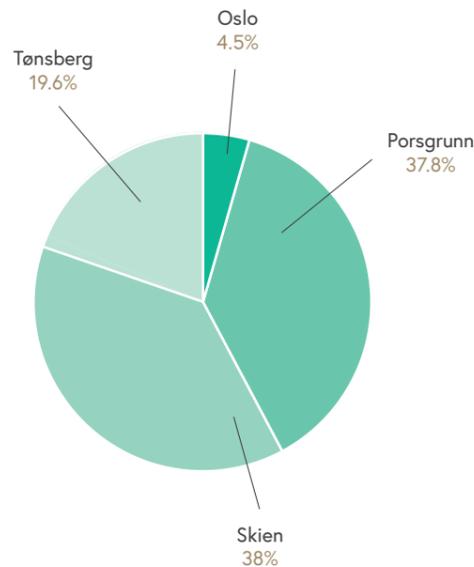
As I am writing this, the final annual accounts aren't finished. We made it through "annus horribilis", and at the end of the day it was a year we learned a lot from. The results from Q3 are our best result ever, and I'm positive that we have even better results in the quarters ahead of us.



Emil Eriksrød, CEO and founder

Key figures

Geographic exposure (area)



27

Management properties

1 589 NOK

Average rent per sqm (management portfolio)

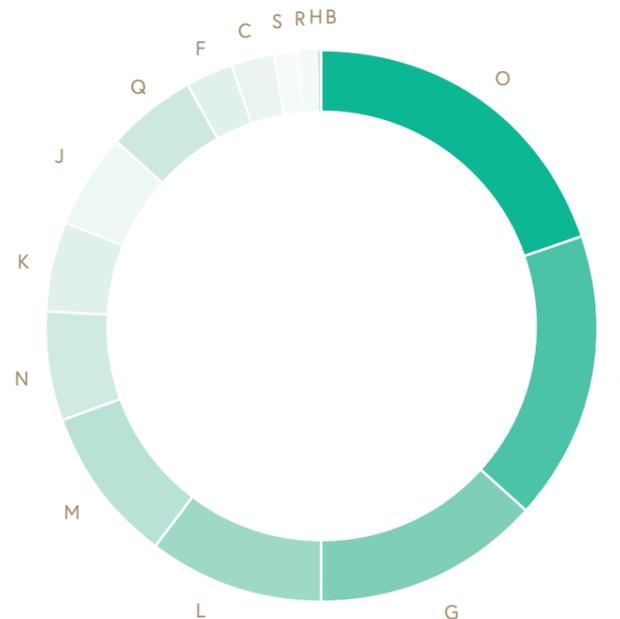
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Project properties

7.2 years

Average wault

O - Public administration and defence; compulsory social security	20%
I - Accommodation and food service activities	16.9%
G - Wholesale and retail trade and repair of motor vehicles and motorcycles	13.2%
L - Real estate activities	10.2%
M - Other professional, scientific and technical activities	9.3%
N - Administrative and support service activities;	6.3%
K - Financial and insurance activities	5.5%
J - Information and communication	5.5%
Q - Human health and social work activities	5.3%
F - Construction of buildings	2.8%
C - Manufacturing	2.6%
S - Other personal service activities	1.3%
R - Arts, entertainment and recreation	1.2%
H - Transportation and storage	0.1%
B - Mining and extraction	0%



Property portfolio

The Group's management portfolio consists of 27 (25) properties with a total of 103 593 (95 062) square meters. 9 of the properties are situated in Porsgrunn, 13 in Skien, 4 in Tønsberg and 1 in Oslo. As of 31 December 2020, this portfolio had a market value of 2 281.5 (1 881.0) millions. The occupancy was at 87.0 (84.7) per cent and the average rolling rent was 1 589 (1 508) kroners per square meters. The average duration of the existing lease agreements was 6.8 (6.1) years. The Group's project portfolio consists of 5 projects. 4 in Porsgrunn and 1 in Tønsberg. The Group uses Newsec for property valuations on a quarterly basis and all market values used in the balance sheet are based on valuations from Newsec. Valuation of the management portfolio is performed on a property-by-property basis, using individual DCF models and taking into account the property's current characteristics combined with the external appraiser's estimated return requirements and expectations as to future market development.

	Area (sqm)	Occupancy sqm	Occupancy %	No. of properties	Market value (tNOK)	Market value (NOK/sqm)	Wault ¹⁾ (yrs)	Annual rent (tNOK)	Annual rent (NOK/sqm)	Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾ (tNOK)	Market rent ³⁾ (NOK/sqm)
31.12.2020														
Green Office	32 918	28 228	85.8	5	950 000	28 860	5.5	53 909	1 910	5.1	4.6	5.7	62 548	1 900
City Office	37 659	33 604	89.2	15	663 500	17 619	5.8	40 274	1 198	5.1	5.4	5.9	49 569	1 316
Commercial Prop.	33 016	28 294	85.7	7	668 000	20 233	9.8	49 055	1 734	10.1	5.4	7.1	61 406	1 860
Total management portfolio	103 593	90 126	87	27	2 281 500	22 024	6.8	143 238	1 589	6.8	5.1	6.2	173 523	1 675
Project Office	4 500	4 500	100	5	154 500	34 333	12.9							
Total project portfolio	4 500	4 500	100	5	154 500	34 333	12.9							
Total property portfolio	108 093	94 626	87.5	32	2 436 000	22 536	7.2							

¹⁾ Wault weighted on property market value

²⁾ Wault weighted on annual rent

³⁾ includes market rent from available areas

Project portfolio

An important part of the Groups value creation is through property and development projects. Through several years we have built a strong development team that handles projects in all phases. There is considerable effort to use new technologies like BIM, VR, AR and automation to create further value in the development process.

PROJECTS COMPLETED IN 2020

Powerhouse Telemark

R8 finalized the greenfield project Powerhouse Telemark in Q3-20. This is a lighthouse project which is considered one of the world's most sustainable office buildings. The building is 8,403 sqm and is 11 floors high. In this project the focus has been on producing renewable electrical energy from solar panels and from thermal energy from deep energy wells. The solar panel is estimated to produce 256 000 KWh annually. This means that the building will produce considerably more than it needs to account for embodied energy in materials, transportation and demolition. The building is classified as BREEAM-NOR Excellent. The project has a tremendous media attention as this one of the first buildings which is built according to goals set in the Paris agreement.



Photo: Ivar Kvaal

Project portfolio

ONGOING PROJECTS

Polymer Exploration Centre

Polymer Exploration Centre is a development project adjacent to Powerhouse Telemark in Porsgrunn. The project (4,450 sqm) is customized for single tenant Norner AS, a Norwegian subsidiary of global giant SCG Chemicals, and one of the leading entities within plastic R&D in the world. The project started in May 2020, and is set to be finalized during 2021. The project aims for energy class A.

Inkognitogaten 33

This brownfield development project is located near Solli plass in Oslo adjacent to the Sommerro project that is expected to finish around year-end 2021. This venerable office building is under refurbishment and is expected to finish Jan-22 with a total size of 3.266 sqm. The project is striving to reuse materials and be as sustainable as possible. The project aims for BREEAM-NOR Very Good or better. There is an underground parking that contributed to the overall attractiveness of the project.

Skien Brygge

Skien Brygge is a collaboration project between Bane NOR Eiendom AS, Skien Boligbyggelag and R8 Property ASA.

This new urban city development is one of the greatest in the history of Skien. The project is located in the city centre with a waterfront, and is facing west with premium light conditions. It is estimated to be 58.000 sqm and will contain residential areas, commercial buildings and underground parking areas. In addition there will be developed several attractive green parks and public spaces. The construction is estimated to start Q1-22.

Utsikten 1

Utsikten is a small housing project in Skien, which consists of nine units of detached and semi-detached houses. The project is drawn by internationally recognized Reiulf Ramstad Architects with locally produced materials and low energy consumption in focus. Sales is expected to take place in Q2 2021, and construction is estimated to hopefully start in Q3 2021.

Vestsiden Terrasse

In collaboration with Mynd Entreprenør AS (50/50) R8 Home is planning to develop 42 units (4500 sqm) in a combined project of high-rise apartments and townhouses close to the city centre of Porsgrunn. The project is in the final stage of regulation, and sales is expected to start in Q4 2021.



Polymer Exploration Centre



Inkognitogaten 33



Skien Brygge



Utsikten 1



Vestsiden Terrasse

Tenant lease overview

R8 Property tenant base in the management portfolio comprises both private and public sector tenants with leases up to 20 years. Public sector tenants upheld 24.7% of the management portfolio by the end of December 2020. The 10 largest tenant's share of R8 Property's rental income represents 39.5% of revenues.

Tenant	in % of rent	Sector
HELFO	10.5%	Public
Evolve	10.0%	Private
Comfort Hotel Porsgrunn	8.2%	Private
Skien Kommune	3.5%	Public
Kriminalomsorgen Region Sør	2.9%	Public
Skien Sportsbar AS (O'Learys)	2.7%	Private
Telenor Norge AS	2.3%	Public
Gjensidige Forsikring ASA	2.0%	Private
Gassnova SF	2.0%	Public
DNB Bank ASA	1.9%	Private

Maturity profile in the management portfolio

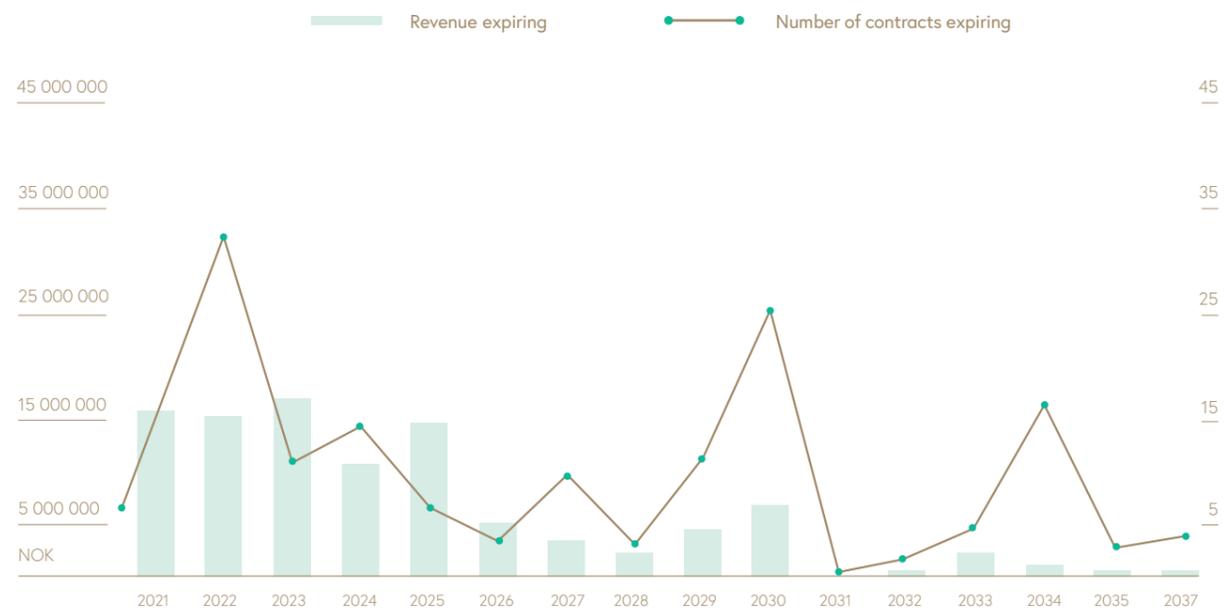
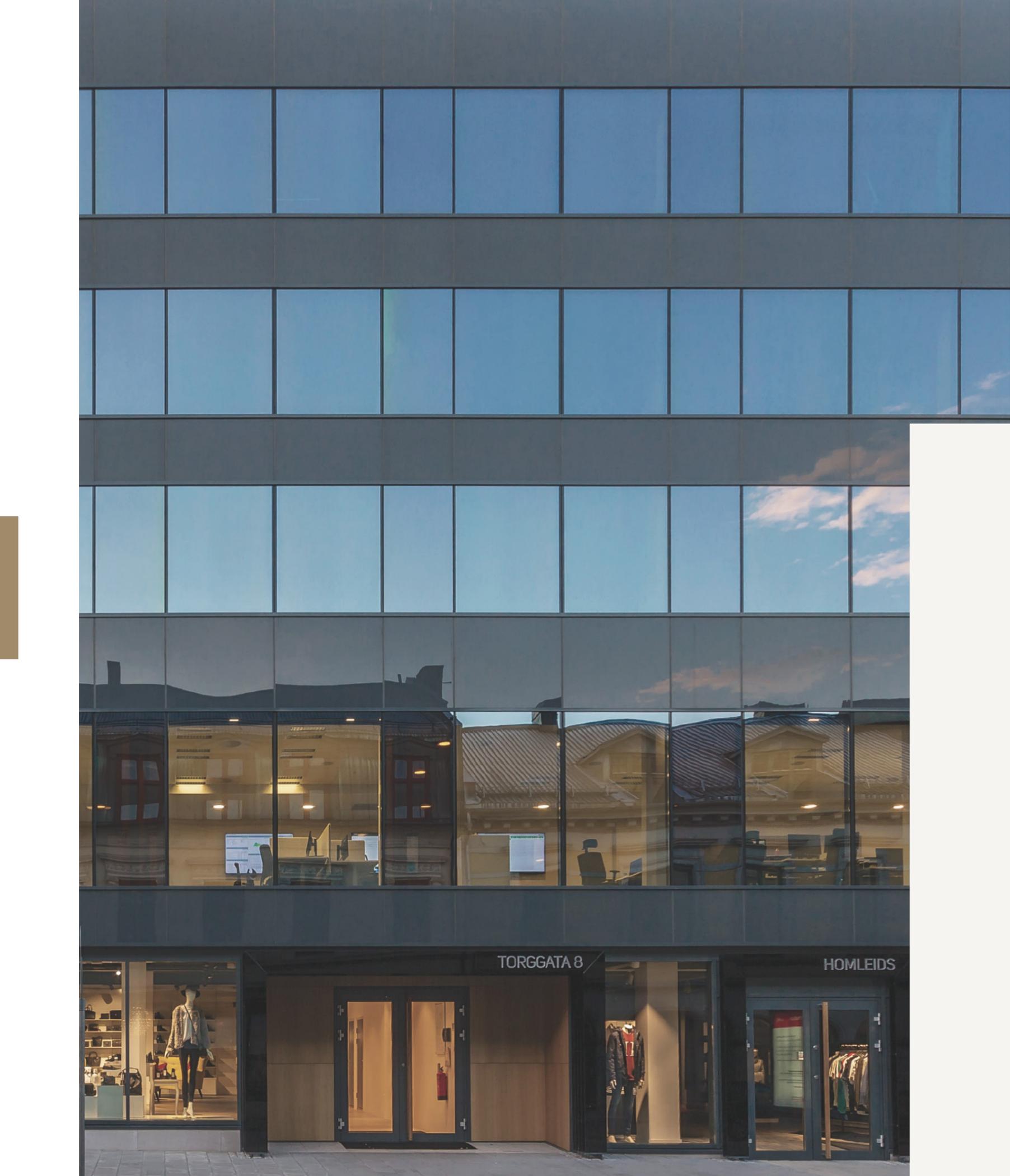


Photo: Ivar Kvaal





COMPANY STRUCTURE

R8 Property ASA has four operating sub-units with yielding properties in R8 Office AS, R8 Hotels AS, R8 Urban Estate AS and Valore AS. In addition the Groups development projects are organized within R8 Home AS and R8 Projects AS.

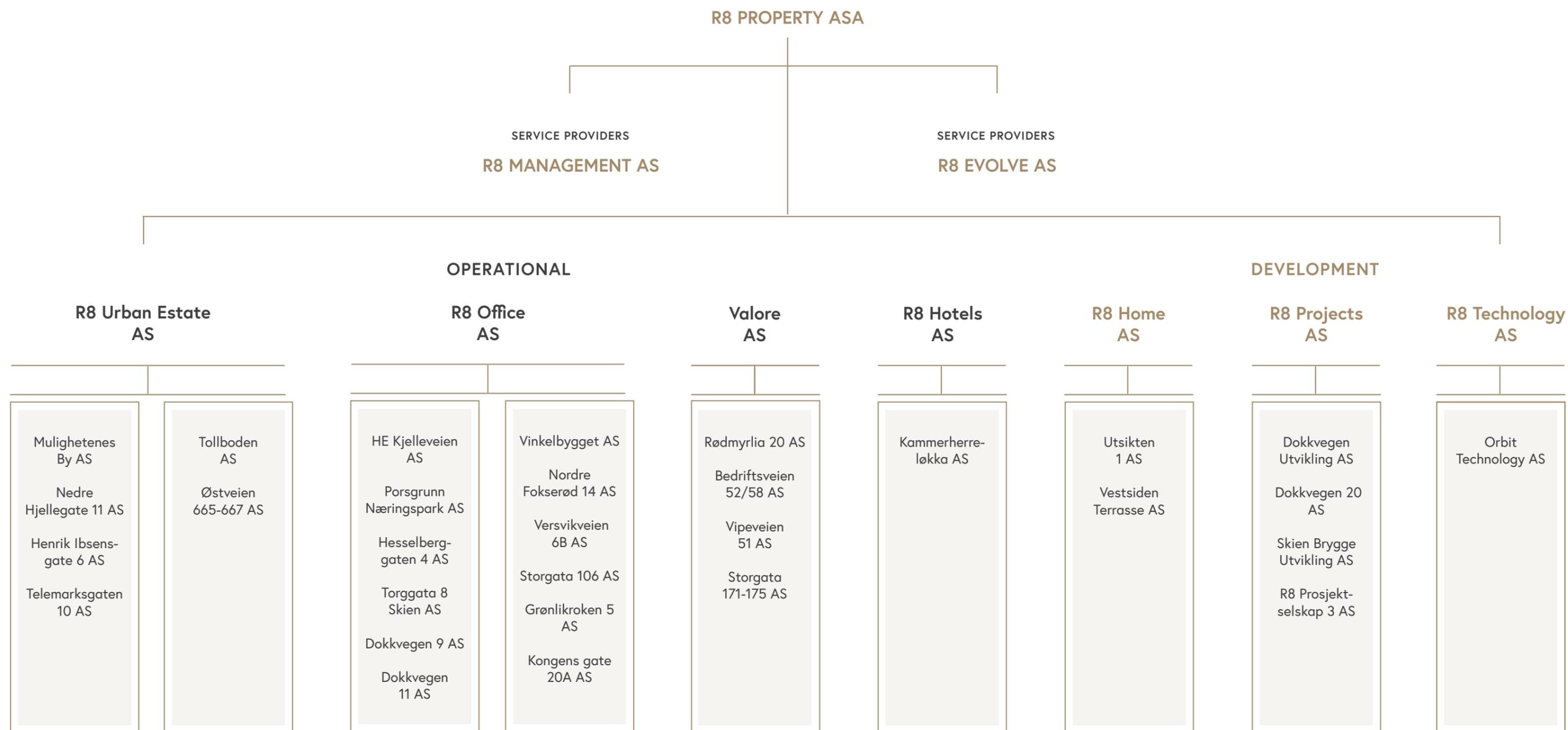
R8 Property's operational activities and management across property owning sub-groups is organized in R8 Management AS and our coworking business under R8 Evolve AS. R8 Technology AS is the Group's corporate leg leading our commitments and investment in technology and proptech.

R8 Property ASA holds 100 percent of the shares in each sub-group, with the exception of R8 Evolve in which the Company holds 75 per cent ownership.

Company structure

The main purpose of the Group's structure is to have flexibility in the future when the Group is aiming to expand the portfolio and include other related businesses. The company structure will continually be optimized to have flexibility with regard to funding, ownership and key partners going forward.

*The company structure is updated 31st of December 2020.



The companies Rådhusgt 2 AS and HIG 40-42 Prosjekt AS have a temporary placement as direct subsidiaries of R8 Property. The Groups investment in Inkognitogaten 33A AS is also placed as a direct subsidiary of R8 Property ASA. It is expected that these three companies are placed under the right segment no later than 2022.

The Management



Emil Eriksrød

CEO/FOUNDER

Emil Eriksrød founded R8 in 2010, and has raised the company through a tremendous growth. He's CEO in R8 Property, and is also Chair/Board member in multiple companies. He's specialized in investment, development and management of commercial property, and has a Master in Accounting from the Norwegian School of Economics. Emil has previously worked as Chief Financial Officer for the real estate group Hathon Holding, and has four years experience as auditor in EY. He also has extensive experience as an entrepreneur, a career he started in parallel with the studies.

Eirik Engaas

CFO

Eirik Engaas became CFO in R8 Property in March 2019. Eirik has an MBA with a major in finance. His long and broad experience within financial instruments, financial statement analysis, real estate, management and project execution is very important for R8 Property. He plays a crucial part of the company's operational and growth strategies.

Eirik previously worked at the international company ISS Facility Services AS for five years, where he was Nordic Head of Property for the Telenor portfolio.



Wasim Rashid

CDO

R8 Property's strong focus on technology resulted in the hiring of Wasim Rashid as Chief Digital Officer in January 2020. Wasim is Chief Digital Officer in R8 Property, as well as CEO/Founder of the company's technology investment, Orbit Technology. Wasim is specialized within new business models and technology, and has a broad experience with change management in big companies. Before he started in R8 Property he was Division Director of platform economy in DNB. He has also broad experience from Telia and Schibsted. Wasim is a board member of UNICEF.





Erik Ryttervoll Kvamshagen

DEVELOPMENT DIRECTOR

Erik Ryttervoll Kvamshagen became Development Director in R8 Property in January 2021. He has a Master of Science in civil engineering from NTNU, with specialization in construction and environmental engineering. He also has an MBA degree in Financial management and leadership from the Norwegian School of Economics in Bergen. Erik has broad experience from consulting, contractor and real estate companies, most recently Aker Property Group and Höegh Eiendom. Erik is in charge of R8 Property's existing project portfolio, as well as the implementation of new development projects.

Ronny Sundvall

HEAD OF MANAGEMENT DIVISION

Ronny Sundvall is specialized within marketing and business growth. When he became the Managing Director of R8 Management in 2016, he had 8 years experience as Managing Director at the biggest shopping center in Telemark, Herkules. Together with the employees in R8 Management, Ronny is the lead for the Group's professional responsibility and care of tenants.



Øivind Gundersen

HEAD OF EVOLVE DIVISION

Øivind Gundersen became MD of Evolve on the 15th of December. This is a constituted position until further notice. Øivind has a long and broad experience in leadership and ownership from different industries and companies, e.g. Autostrada and Made for Movement. He has also in-depth experience from the real estate industry, and has been a board member of R8 Property for several years. Øivind was in charge of Evolve's strategy process, and so he already has in-depth knowledge of the company.





Magnus Watvedt

HEAD OF HOME DIVISION

Magnus Watvedt has more than 15 years experience from real estate, mainly as a Real Estate Agent in Oslo, where he also owned and managed Privatmegleren Allé Eiendomsmegling. Magnus is in charge of our residential commitment and upcoming housing projects, among others what is going to be our biggest development project - Skien Brygge. He's also a part of Orbit Technology's commercial team.

Tommy Thovsland

COO

Tommy Thovsland has been with R8 since 2015, and has had different top positions in the Group management. Tommy is a graduated chemical engineer, and is specialized in business development with experience in strategic transformation. As a COO Tommy is a crucial part of all strategic decisions, and works mainly with early phase project development in our biggest projects.



Elin Tufte Johansen

CHO

Elin Tufte Johansen graduated from BI with Exec. Master of Management, and has more than 15 years of experience within organizational development, change processes and leadership. Elin is involved in several projects, especially within recruitment and strategic development of R8 Property, and offers important support for our managing directors and the management team. Elin became a board member of R8 Property in October 2020.



CORPORATE GOVERNANCE



R8 Property has ambitions to exercise good corporate governance at a level similar to listed companies. Through these ambitions we aim to strengthen confidence in the company and contribute to the greatest possible value creation over time. The objective is to professionalize the whole company; its shareholders, the Board and the executive management through a clear division of roles and responsibilities. R8 Property is continuously aligning to comply with the applicable Norwegian code of practice for corporate governance of 17 October 2018. The code of practice is available on the Norwegian Committee for Corporate Governance homepage: www.nues.no.

The following report on corporate governance is done in alignment with how listed companies report on corporate governance. Below is a description of how the company has complied with the recommendation given by NUES. The report covers each section of the code, and possible variances from the code are specified under the relevant section.

Implementation and reporting on corporate governance

The Board wishes to apply good corporate governance to contribute to a strong trust-based relationship between R8 Property and the company's shareholders, the capital market, and other stakeholders. The administration has during 2020 completed several tasks regarding role clarity, resource allocation and the division of authorization and responsibilities both within the Company and between the companies in the R8 Property. These tasks are described in each relevant section.

Business

The Group's business is stated in §3 of the statutes: "The company's purpose is owning, operating and rental of real estate, owning shares in other companies, investing in stocks and other securities, and other activities that are naturally associated with this." Main strategy and objectives within this framework are stated in the Board's annual report.

Capital and dividends

EQUITY

The Group's equity as of 31 December 2020 was 761.3 (778.1) million and gives an equity ratio of 28.0 (30.4) per cent. The Board considers the equity situation as satisfactory and in line with the company's objectives, strategies, and risk profile. R8 Property is dependent on a satisfactory financial flexibility, and the Board has therefore set the ambition that the relationship between net interest bearing debt and gross fair value will be in the range of 60–70 per cent.

DIVIDEND

The Group has long-term growth objectives and the growth rate is high. To ensure the financial flexibility to sustain the high growth rate, the main short-term principle is not to distribute large dividends to shareholders. Nevertheless, when results are strong, moderate dividends are accepted. It is considered essential that the level of dividend does not set significant limits to planned investment projects.

Authorization

The Articles of Association do not contain provisions allowing the Board to decide that the company will buy back or issue shares.

The Board of Directors were in 2020 given power of attorney to increase the share capital by up to NOK 2 486 032. The authorizations were distributed at the ordinary general assembly in May and the extraordinary general assembly in October. The objective for the proposal was the Board's wish to be able to issue new shares to support the company's growth, and strengthen the capital reserve. It was also decided that the preferential right of the existing shareholders pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be deviated from if new shares are issued within the frame described. The power of attorney also included share capital increase against contribution in kind, cf Section 10-2 of the Norwegian Public Limited Companies Act, and allows share capital increase regarding mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.

The Board of Directors was also given the power of attorney to acquire its own shares at a total nominal value of NOK 496 016, however the company's holding of own shares shall not amount to more than 10 percent of the outstanding shares at any time. The shares can be acquired at respectively NOK 1 at the lowest and NOK 1000 at the highest. It is up to the Board of Directors to acquire and sell shares in the way the Board finds most appropriate, as long as the general principles for equal treatment of shareholders are complied with.

The described powers of attorney are valid for one year until the company's Annual General Meeting in 2021.

Equal treatment of shareholders and transactions with related parties

There is only one class of shares in R8 Property and all shares have equal rights. There are no voting rights restrictions in the statutes. R8 Property performed a stock split in 2020 with the objective to facilitate good liquidity, increasing the number of shares from 1 972 064 to 19 720 640 and reducing the nominal value per share from NOK 2,5 to NOK 0,25. There have been several transactions of shares in 2020, both between existing shareholders while also introducing new investors. The change in shareholder composition demands increased professionalism in the company's communication with shareholders to ensure equal treatment of the shareholders. As part of this professionalization and to offer flexibility and value to our investors, the company and the company's shares are registered in the Norwegian VPS Security Center (Verdipapirsentralen - VPS). The company presented all its quarterly reports in 2020 to the public (through r8property.no) to provide the same information to all its shareholders and stakeholders. In the event of a share issue in the future, existing shareholders in R8 Property have preferential rights to the capital increase.

The preferential rights are safeguarded by sharing information in good time for the existing shareholders. All transactions with related parties are subject to an independent valuation from a chartered accountant or other expert. This is to ensure that transactions with close associates and intercompany agreements are carried out correctly on an arm's length basis.

Guidelines on conflicts of interest have been developed and included in the instructions for the company's Board of Directors, and to ensure that directors inform the Board if they have a significant direct or indirect interest in an agreement being entered by the company. To avoid unintentional conflicts of interest, the company will present an overview which identifies the various roles of its directors, the offices they hold and so forth.

Transferability

There are no restrictions on share transferability. The shares are considered liquid with a shareholder base of 51 investors as of 31.12.2020. In 2019 the company entered into an agreement with Arctic Securities to provide a marketplace for buyers and sellers. The Board considers good liquidity of the share to be positive for the company to be regarded as an attractive investment. The company also works actively to attract interest from the investor market. The executive management holds information meetings with existing shareholders, and meets with potential new shareholders and investors.

General meetings

The Board encourages as many as possible of its shareholders to exercise their rights by attending the General meeting. The 2021 Annual General Meeting is scheduled to take place on April 15th, 2021 with the possibility for online attendance' (is to take place on April 15th 2021 with possibility for online attendance). The company's financial calendar is decided by the Board. Notice of the general meeting, with comprehensive documentation, is made available to shareholders no later than 7 days before the meeting takes place.

All relevant documents relating to the general assembly will be available so that all shareholders can decide on the issues presented to the Annual General Meeting.

The chair will ensure a thorough and fair conduct of the general assembly. A chairperson opens the meeting and the general assembly elects the chair of the meeting. The directors and senior executives are present at the general assembly together with the auditor.

Shareholders who are unable to attend are encouraged to appoint a proxy. The attached summons to the general assembly should be enclosed to related documents and a form of proxy. This form has been prepared so that it will allow voting on each case to be presented, and candidates for election. In the general assembly summons, the procedures relating to participation and voting, as well as use of proxy, are explained.

Minutes from the general meeting are sent to the shareholders at the latest 14 days after the meeting.

Nomination committee

The NUES recommendations call for the appointment of a Nomination Committee. The committee's mandate is independent of the Board and the executive management. Members of the Nomination Committee and its chair is elected by the General Meeting and their remuneration is determined by the General Meeting. R8 Property has in 2020 appointed a Nomination Committee. The committee was appointed by the Extraordinary General Meeting in October 2020, and consists of Øivind Gundersen, Erik Gudbrandsen and Tommy Thovsland.



Photo: Ivar Kvaal

Corporate assembly, board of directors and independence

The company does not have a corporate assembly due to its small number of employees. Board members and the Chair of the Board are elected by the Annual General Meeting each year. In October 2020, an Extraordinary General Meeting was held and it was decided to change the legal structure of R8 Property from a private limited company (AS) to a public limited company (ASA). One of the requirements to enable this conversion was a balanced gender composition of the Board, and thus the Board was changed and expanded by one member. The current Board has seven shareholder-elected members. The Board's composition is intended to secure the interests of the shareholders in general. The background and experience of the board members are presented on the company's website and in this annual report.

However, six of the seven board members are independent of R8 Property's executive management and significant commercial partners. According to the NUES' principles, the majority of the shareholder-elected members of the Board should be independent of the company's executive personnel and material business contacts. It is recommended that "at least two of the members of the Board elected by shareholders should be independent of the company's main shareholder(s)". This is the case in today's Board. The six independent shareholders are Runar Rønningen, Leif Oddvin Jensen, Christina Sundby, George Emil Aubert, Knut Bråthen and Marianne Lie.



One board member is a part of the executive management of R8 Property.
This is:

- Elin Tufte Johansen is the CHO of R8 Property

To counteract independence issues the administration has developed routines and guidelines that ensures equal treatment of shareholders and transactions with related parties. There has been consistently good attendance at the Board meetings in 2020. The Board's expertise is considered substantial with regards to economy, market understanding, and business operations.

The Board currently consists of four men and three women.

The work of the board of directors

The Board has the overall responsibility for managing the company and for supervising the chief executive officer and the company's activities. Its principal tasks include determining the company's strategy and monitoring its operational implementation. It also holds a control function to ensure acceptable management of the company's assets. The Board appoints the CEO.

Instructions which describe the rules of procedure for the Board's work and its consideration of matters have been adopted by the Board. The division of labour between the Board and the CEO is specified in greater detail in standing instructions for the CEO. Instructions for the management clarifies the duties, powers, and responsibilities of the CEO. The CEO is responsible for the company's executive management. Responsibility for ensuring that the Board conducts its work in an efficient and correct manner rests with the Chair.

The Board establishes an annual plan for its meetings, and evaluates its work and expertise at the end of each meeting. Also, once a year, the Board evaluates its own work and that of the CEO. As of 31 December 2020, R8 Property has not established an audit committee or remuneration committee. It is considered as part of the Board's evaluation whether it is appropriate to establish these committees in 2021.

Risk management and internal control

RISK AREAS AND GENERAL RISK MANAGEMENT

Through its activities, the company has earned substantial financial assets that are exposed to several risk factors. Most of these factors are directly or indirectly affected by macroeconomic situations such as interest rates, the letting market, the property development market and so on. The financial risk has been revised and presented to the Board through a financial strategy.



The strategy has been discussed by the Board in 2020 and the administration reports to the Board in each meeting with regards to relevant KPIs within the following risk areas: overall funding, operations and liquidity, interest rate risk, and financial leverage. The target level of each KPI is revised yearly. In addition to the contents in the financial strategy the following measurements are made in addition to others:

LEGAL RISK

During 2020 the company has hired legal assistance when considering agreements with substantial obligations such as large rental agreements, turnkey contracts in development projects and so on. Although there is a cost associated with buying legal services, it is considered important to reduce the risk in agreements with potentially high financial consequences.

MARKET (PROPERTY VALUE) RISK

Each quarter the company obtains professional third-party valuations of its properties to ensure that the values presented in the reports are as accurate as possible, and to become aware of market changes as early as possible. Also, the company considers the property value market risk when setting the target levels in the financial strategy.

MARKET (INCOME) RISK

The company's income is mainly based on leases and the average duration is continuously monitored. R8 Property seeks to diversify the different maturities on the different leases to spread risk. Also, the portfolio is diversified when it comes to both industry and geographical segments. To counteract on the market risk related to the letting activity the company has a high degree of service to its tenants. For the sixth consecutive year the company won the Norwegian Tenant Index, a research survey measuring the degree of content and satisfaction for the tenants.

The company believes that providing good services to its tenants help reduce the letting risk.

Guidelines are made to ensure that all tenants with expiring contracts the next year are contacted. Also, when new lease agreements are negotiated, gaining long term contracts is a main objective. The focus on development projects with high environmental and energy standards, such as Powerhouse Telemark, has proven important to be able to sign long-term lease agreements and to diversify the risk over many years.

INTEREST RATE RISK

The financial strategy contains several KPIs set up to reduce the interest rate risk. For instance, interest coverage ratio, average time to maturity (hedges) and percentage of fixed interest rate. The setup of the company's debt structure is considered continually, to obtain the desired diversification and financial flexibility.

OPERATIONAL RISK

The debt coverage ratio (DCR) (net income from property management/total debt service) is a measure of the cash flow available to pay current debt obligations. The ratio states net income from property management as a multiple of debt obligations due within the period, including interest and principal. The DCR is an important KPI and will be closely monitored and reported to the Board in each meeting. The target for the debt coverage ratio is set in the company's financial strategy.

The operational risk in R8 Property also relates to human error or system failure associated with daily operations. During 2020 the company expanded its workforce considerably to ensure adequate resources for all tasks and mitigate the risk and vulnerability connected to key employees. Further, the board members have very significant knowledge and experience within property and do contribute with their expertise when needed.

GENERAL RISK MANAGEMENT AND REPORTING TO THE BOARD

The Board is briefed on developments on the risks facing the company on a continuous basis through the operating reports. The administration prepares periodic operating reports which are considered at the board meetings. These reports are based on management reviews of the various parts of the business, and contain an update of the status concerning important operational conditions, financial conditions, project development and a description of the status in risk areas. In addition, quarterly financial reports are prepared and reviewed by the Board and presented to the public through the company website.

The financial KPIs are followed up through periodic reports along with updates of forecasts for the year. Reporting also includes non-financial key figures related to the various business areas.

Balance sheet items are reconciled and documented on a continuous basis throughout the year. Significant profit and loss accounts and accounts related to direct and indirect taxation are also reconciled on a continuous basis.

INTERNAL CONTROL

Risk management and internal control is addressed by the Board. The Board also reviews the external auditor's findings and assessments after the interim and annual financial audits. The auditor's report is presented by the auditor in board meetings and reviewed by the Board. There are eleven employees in the Company as of 31st of December 2020 (total for the Group - including subsidiaries - is 27 employees - with another three employees closely connected to the Company through R8 Consulting Group).

Because of significant agreements with related companies, many of the authorizations involve key employees in related companies such as Aider and R8 Management. The authorizations are given through contractual agreements and follow recognized principles of authorization. The Board performs an annual review of risk areas and the internal control system. The review will seek to pay attention to the recommendation set by NUES, such as:

- changes relative to previous years' reports in respect of material risks and the company's ability to cope with changes in its business and external changes
- the extent and quality of management's routine monitoring of risks and the internal control system
- the extent and frequency of management's reporting to the Board on the results of such monitoring
- whether reporting makes it possible for the Board to carry out an overall evaluation of the internal control situation in the company and how risks are being managed
- instances of material shortcomings or weaknesses in internal
- how well the company's external reporting process functions

Remuneration of the board of directors

Directors' fees are determined by the General Meeting. These fees are based on the Board's responsibility, expertise and time taken as well as the complexity of the business, and are not related to results. The board members are not awarded options. For 2020 the remuneration was NOK 75 000 for the ordinary board members. The Chair had an active role in the company in 2020 and the remuneration was NOK 200 000. Further information on the various board members' remuneration is provided in note 11 of the financial statements.

Remuneration of executive personnel

The current remuneration for the company CEO has been settled by the Chair in consultation with other board members. In October 2020 a stock option program for senior executives was introduced. Each executive is offered a set number of shares with a duration of up to three years. Senior executives' remuneration is further described in note 11 in the financial statement.

Information and communication

The Board has decided that the company seeks transparency to secure the general interest and shareholders' interests in the company. An annual financial calendar is set which includes the dates of any quarterly report and the dates for the presentation of the annual report. All quarterly and annual reports are published on the company's website: r8property.no. The annual report and the minutes of the General Meeting are presented in English. This is to prepare information that will be relevant and beneficial in the future in terms of attracting foreign investors and capital markets. The company also uses the press, social media and the website to inform the public about milestones and news regarding the company. Transactions of a significant nature and those of public interest will be made public through the media or press releases. Through the company's established principles for investor communication, the Board has determined guidelines for financial reporting and other information.

Company takeovers

The Board has not issued guidelines related to the receipt of bids for the company's shares. In 2021 the offer will be managed within the confines of the law and in terms of equal treatment of shareholders and their interests. Ordinary operations will as far as possible be shielded from such transactions. The Board does not intend to prevent or obstruct any takeover bid for the company or its shares, but will ensure that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

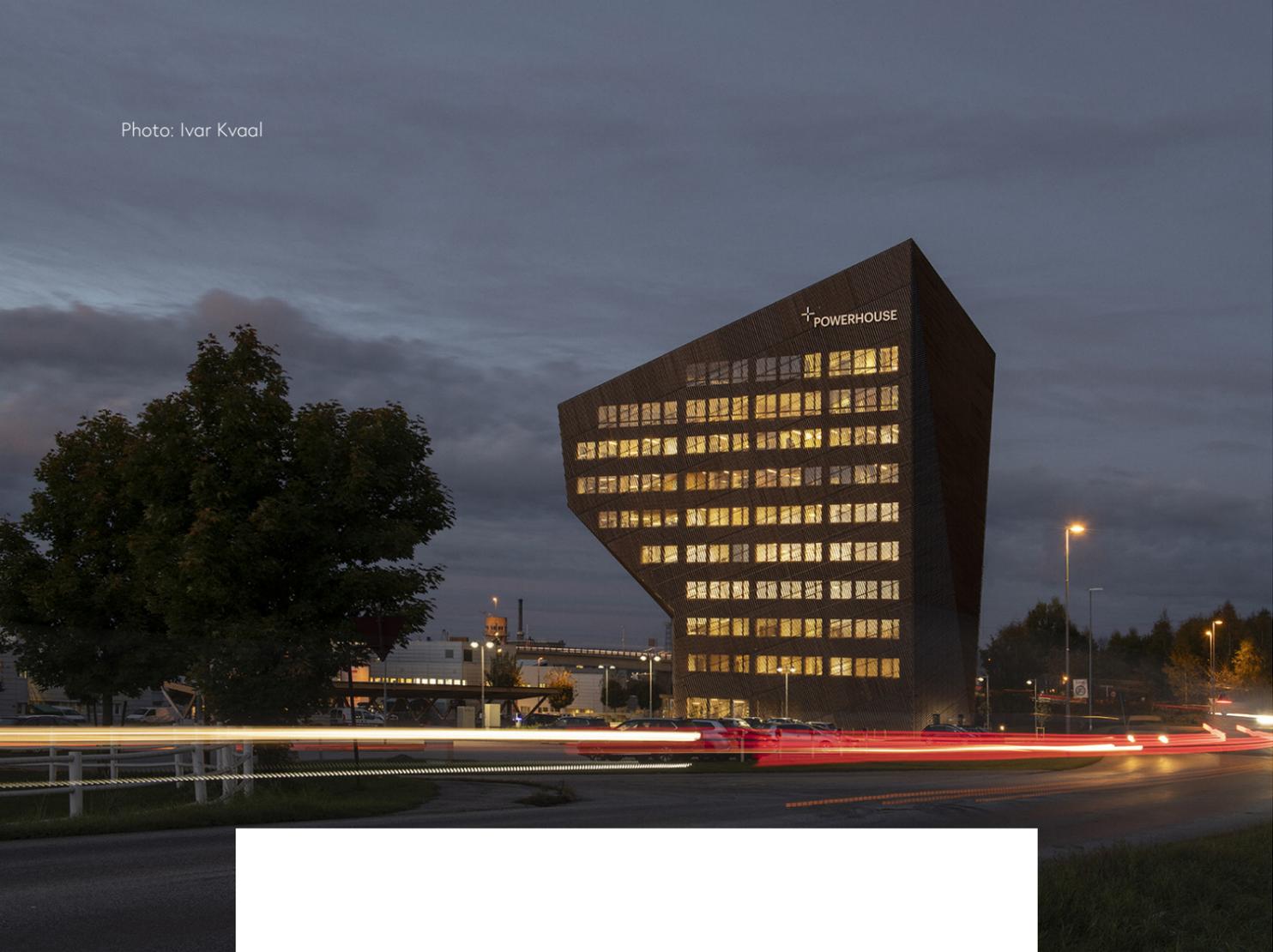
The Board will always ensure that the shareholders' common interests are safe-guarded.

Auditor

The company has no audit committee, and the Board itself oversees self-evaluation of the Board's work. In 2020, the Group's auditor, EY, has undergone the following tasks related to fiscal year 2020:

- Presented the main features of the audit work to the Board
- Participated in the board meeting related to the 2020 annual financial statements
- Confirmed that the requirements for auditor independence are met
- Sent an overview of services other than audit services that are provided to the company

The Board reports on the auditor's total remuneration between auditing and other services at the Company's Annual General Meeting. The Meeting approves the choice of auditor and the auditor's fee each year.



R8 PROPERTY

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is a central part of our vision and strategy and is incorporated in all our business activities. We plan and build to sustain local communities where people and businesses flourish together. We focus on people, the user, to create new concepts that help them achieve more, and use technology to create better experiences for people and reduce our ecological footprint. Through technology, we explore and invent new sustainable solutions.

ENVIRONMENT

Both R8 Property and R8 Management are recently re-certified Eco-lighthouse businesses, and work proactively to reduce the environmental impact of the business. The Group seeks to reduce the carbon footprint and set an example of how to develop sustainable projects for the future: Buildings that contribute to local energy collection and production, reuse of water and sustainable use of local materials and suppliers. When establishing new buildings or when renovating existing buildings, R8 Property focuses on measures giving positive effects to the environment. Measures may include replacement of ventilation, better heat recirculation, energy-saving lighting, and organizing electric vehicle parking. This year we will introduce emission totals/ emission accounting as a part of our standard operations, and further seek to employ this to both our property portfolio and tenants.

POWERHOUSE TELEMARK

In January, CNN Style published the article "The most anticipated buildings set to shape the world in 2020". Amongst 10 global buildings, Powerhouse Telemark was the only one in Europe to be mentioned, next to Berlin Brandenburg Airport. There is no doubt that to greet the future in a sustainable way, energyplus buildings will be part of the solution.

Powerhouse Telemark was completed in August 2020 and has become a signature building for all of Telemark. Powerhouse Telemark is designed to ensure the best possible light entry, sun protection and harvesting of energy. The building produces approximately 256,000 kWh of electricity per year via solar cells on roofs, facades, carports and bicycle sheds. This means that the building through a life cycle of 60 years will cover the energy that has been used to produce, deliver, operate and dispose of the building, including all the building's materials used. Estimated, this means that Powerhouse Telemark will provide approximately 50-60% lower energy consumption than an office building with energy label A. The yearly energy consumption of Powerhouse Telemark is estimated to be approximately 132,600 kWh.

Powerhouse Telemark is BREEAM-NOR certified with a classification as a BREEAM Excellent building. Throughout the building process, sustainable and robust materials with low-bound energy have been used. A major part of the building's facade is clad with wooden arrows that act as sun protection in the most sun-exposed areas. The facade otherwise consists of Cembrit facade panels which give the building a uniform design. The low-carbon elements are exposed in the interior and act as a thermal mass, which helps the building to naturally heat up and cool down. With its three-layer insulating glass and super-insulated building shells, the building works as a "passive house".

Powerhouse Telemark is a world class eco-building that challenges traditional property culture and architecture. We aim to build more powerhouses in the years to come.

INKOGNITO PARK

Inkognito Park is centrally located by Solli Plass in Oslo and is now being upgraded to become one of the capital's most inviting coworking premises. The ongoing rehabilitation project has a great focus on re-utilization of materials. Prior to project start, an extensive mapping related to reuse was performed, and all materials and equipment with a potential for re-utilization was mapped and registered in the database of Rehub (www.rehub.no). By doing this, any material and equipment that are not reused in the rehabilitation project become available to the entire industry. The rehabilitation project also has a focus on reducing emissions from fossil fuels and waste, and thus the project has set the requirements of a fossil-free construction site and a sorting degree of at least 90%. The building will at a minimum satisfy the requirements for a BREEAM-NOR Very Good certification when the rehabilitation is completed. For all new future projects, the goal is to get a BREEAM-NOR certification for both new construction projects and rehabilitation projects, with the classification of respectively BREEAM-NOR Excellence and BREEAM-NOR Very Good.



Fotograf Ivar Kvaal

ARKADEN

Arkaden is our largest property in Skien and is located in the heart of the city centre. As a forward-looking company and landlord, we are constantly looking for new solutions and measures that support sustainability and our environmental responsibility. In 2020 Arkaden bought electricity with guarantees of origin (GOs) from Skagerak Energi, ensuring that the electricity consumption of Arkaden can be documented as renewable. Arkaden receives power from a local producer, Eidet Power Plant, which generates renewable energy from the cold and clear water at the top of Telemark. Power producers that sell GOs to electricity suppliers are compensated with an additional income from their renewable power production. By exclusively buying electricity with GOs, Arkaden contributes to renewable energy production.



EDUCATION AND EMPLOYMENT

One of the most important tasks associated with a better community is to create and contribute to increased employment. Through its business and activities R8 Property contributes positively to employment in the operating regions. Several major construction projects contribute to significant employment with subcontractors. The Group also invests heavily in urban development with the desire to contribute to city centers in terms of new jobs, activities and quality of life.

During the last years we've donated money to build a school in Sierra Leone. Sami Town School is a secondary school with 386 pupils and 15 teachers, and one of the employees in R8 Management has been on site to help out with the building process. The school is completed and is working on becoming a public school.

Our partnership with Lyk-Z & daughters has been helpful to several youths with personal challenges, and we'll continue our collaboration with this great organization. Frog Online Identity works to empower adolescents and young adults to participate in social venues, basic educational programs, and employment. The goal is to improve the individuals' quality of life so they find the motivation to go back to school or work and through this contribute to positive development for the individual and the local society.

We have recently entered a partnership with the University of South-Eastern Norway and the program master in applied society analysis. Master students in their final year get the opportunity to combine studies and work. In the autumn 2021, a student will enter a position as a sustainability coordinator. Through this partnership we encourage education, and students get the opportunity to practice their studies and provide their expertise.



SUSTAINABLE FOOTBALL

R8 is one of Odds Ballklubb's major sponsors. Odds Ballklubb is the most environmental and sustainable football club in Norway. Odd was the first Norwegian football club to provide energy to the stadium with solar panels. During the corona pandemic, football matches have been played without the audience physically present and our collaboration has continued through digital meetings.

We are currently participating in a sustainability project initiated by Odds Ballklubb together with BDO. Through this project we will study the United Nations Sustainable Development Goals with several other local companies. Together we will work on identifying possible measures to implement in our businesses as well as innovative collaborative projects.



SPONSORSHIPS AND COOPERATION AGREEMENTS

In addition to the agreements mentioned above, R8 Property and the R8 Group contribute with both money and/or services to a wide variety of clubs and organizations. We are dedicated to children and youth, and therefore it's natural to support different football clubs, theatre groups et cetera. Most of these sponsorships are given locally in Grenland. Also, we have a "fund" for all R8 employees, where they can apply for economical support for their own (or their children's) organizations.

NRK TELETHON

The NRK Telethon is a yearly event where we contribute with money as well as volunteering calls to other companies ("ringedugnad"). It is the largest information campaign and fundraising event in Norway, and with the funds from 2020's Telethon, WWF will make an effort to fight plastic pollution in the ocean. For the telethon in 2020, we also contributed by making our premises in Powerhouse Telemark available for the voluntary calls.



*The board of
directors*



GEORGE EMIL AUBERT
CHAIR OF THE BOARD

George Emil Aubert is an educated IT engineer, and has a broad business experience. He was one of the founders of Syscom AS in Oslo, where he worked for 26 years until he moved back to Skien in 2014. He's CEO of the family businesses Aubert Invest and Holta & co, as well as the endowment of Sonja & Emil Aubert. George Emil Aubert is also Chair or board member of Telemark Museum, Aubert Invest, Holta & co, Skiens Aktiemølle, Broerne 6, Trebua Invest, Tenera, Stiftelsen Backe, Vauvert and Hovund's fund. George Emil Aubert owned and controlled 827.000 shares of R8 Property on December 31st 2020.



MARIANNE LIE
BOARD MEMBER

Marianne Lie has broad international management and board experience, particularly from the maritime and energy sectors. In the maritime sector, she has held roles such as the Chief Executive Officer of the Norwegian Shipowners' Association, Executive Vice Chairman of Nordic American Offshore Ltd., Advisor to Chairman at Nordic American Tankers Limited, Director of Department of Information and Industrial Policy of Norwegian Shipowners' Association, and served in the Norwegian Shipowners' Association from 1988 to 1998.

In the energy sector, Marianne Lie has served as Managing Director of Vattenfall Norge AS and board member of Fortum oy.

She has served as a board member of several Norwegian companies, mainly within shipping, offshore business, energy and finance industries, including Arendals Fossekompagni ASA, RS Platou ASA, Rainpower ASA and Cecon ASA, in addition to holding several political elected offices.

For 4 years she was a Member of Supervisory Council of the Central Bank of Norway. Current BoD experience Noreco ASA, Wallenius Wilhelmsen ASA, Treasure ASA, Scana ASA and Hermitage Offshore Services Ltd. She has studied Law and Political Science at University of Oslo. Marianne Lie owned and controlled zero shares of R8 Property on December 31st 2020.



ELIN TUFTE JOHANSEN
BOARD MEMBER

Elin Tufte Johansen is Chief Human Officer (CHO) of R8 Property, and has had a central role in the leadership team since she started in 2017.

Through her 20 years of experience within organizational development from work and studies, she has developed cutting-edge expertise within this segment, changing processes and leadership.

Through her role as CHO, she's in charge of R8 Property's human capital. She's dedicated to creating a value-based culture throughout the whole organization, across all divisions. Elin Tufte Johansen has a central role in the development and

implementation of the organization's strategy. She's a mandatory member of the organization's C-level and all other leadership teams. Her education and experience is within leadership, psychology and coaching, and she has a Master of Management degree from Handelshøyskolen BI.

In addition to being a board member in R8 Property since October 2020, she's also a board member of NHO Vestfold and Telemark.

Elin Tufte Johansen owned and controlled 57.000 shares of R8 Property on December 31st 2020.



KNUT BRÅTHEN
BOARD MEMBER

Knut Bråthen has an MBA from BI and has been the CEO of the family Office company Ing. K.A.Bråthen AS (IKAB AS) since 1990. In 2006 he established Grenland Barnehagedrift, which he managed until 2016 when the company was sold to Læringsverkstedet.

Knut Bråthen is also a board member of Grenland Energy AS and Safelink AS. Knut owned and controlled 1.791.980 shares in R8 Property at December 31st 2020.



CHRISTINA SUNDBY
BOARD MEMBER

Christina Sundby is Special Advisor at Carucel Holding AS, after previously being company CFO. She has more than 30 years experience within finance, shipping, property and board work. She has an MBA from Fribourg in Switzerland.

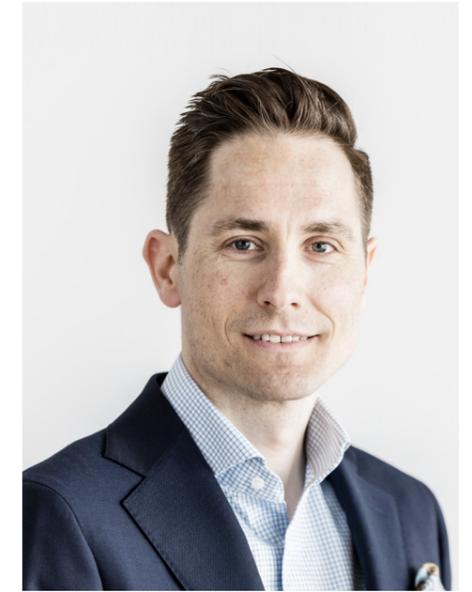
Christina Sundby owned and controlled 15.000 shares in R8 Property on December 31st 2020. She is also related to Carucel Invest AS and Carl Erik Krefting, which owned and controlled 646.570 shares in R8 Property on December 31st 2020.



RUNAR RØNNINGEN
BOARD MEMBER

Runar Rønningen has over 20 years experience within financial journalism, asset management and investments. His education is from NHH, where he got an MBA in finance, and also became a European certificate financial analyst. Runar has also completed a master course in negotiations at Harvard University. Runar was CEO of Pioneer Group from 2010-2019, and established Oslo Capital Partners AS in 2019 together with Martin P. Hoff.

Runar Rønningen owned and controlled 550.000 shares in R8 Property on December 31st 2020.



LEIF ODDVIN JENSEN
BOARD MEMBER

Leif Oddvin Jensen is specialized within real estate and finance. For 12 years he has been working with real estate investments at the family office, Brødrene Jensen AS, and is currently Head of the company. He's also been the company's representative on the Board of Directors of all external investments, as well as being a board member in a wide range of companies. Leif Oddvin Jensen has a Master of Accounting and Auditing from Handelshøyskolen BI. He also has 3 years experience from the auditing business, and 3 years experience as CFO in a Norwegian boat building company. Leif Oddvin Jensen owned and controlled 2.697.110 shares in R8 Property on December 31st 2020.

R8 PROPERTY
REPORT FROM THE BOARD
OF DIRECTORS

2020 has been a historic year with the global covid-19 pandemic front and center for businesses and citizens alike. The corona virus hit all corners of the planet, contributing to unprecedented restrictions and limitations not seen in generations.

With covid-19 as a backdrop, R8 Property has – like almost every other business – been through a challenging year with uncertainty. How would the pandemic affect our tenant portfolio? What would the ramifications be for our company and our employees? Would we be able to complete several development projects planned to finish in 2020 (including flagship project Powerhouse Telemark)?

With the latent grim outlook of late March 2020 in mind, the Board is extremely pleased with how 2020 turned out. Our tenant portfolio was robust – even in a pandemic – a testament to a well-diversified portfolio with a majority of solid public and private tenants. After a brief temporary lay-off in early Q2, our organization has increased during 2020 adding new employees to strengthen the company going forward. All ongoing project activities were able to maintain progression, and both Henrik Ibsens gate 40-42 in Oslo and Powerhouse Telemark were completed with a short-term postponement.

Operating revenues increased from NOK 113.4 million for 2019 to NOK 132.5 million in 2020, and net profit came in at NOK -26.8 million. Fair-value adjustments for investment properties were down NOK 46.7 million from 31 December 2019 to 31 December 2020.

THE COMPANY

R8 Property ASA ("the Group") is organized with R8 Property ASA ("the Company") as the mother company which has 36 daughter companies. The Group's properties are primarily comprised of office premises, healthcare, retail and hotel space. The head office is in Porsgrunn. The properties have a market value of mNOK 2 436.0 (mNOK 2409.0). The portfolio consists of properties and development projects in Skien, Porsgrunn, Tønsberg and Oslo. The Group's purpose is to acquire, develop and own properties in central and attractive locations. In addition, the company also develops service functions through R8 Management and has a set goal to have Norway's most satisfied tenants (we scored 88 points and first place for 6th year in a row in a recent survey).

MARKET ACTIVITIES

Even in 2020 there were several significant transactions in R8 Property. In May 2020 the company signed a letter of intent to become the majority owner in Inkognitogaten 33 in Oslo through a private placement in June and September. Additionally, the LOI also gives R8 Property an option to buy all other outstanding shares at a price already agreed upon. In Q3 we signed a letter of intent to sell a majority stake in Nordre Fokserød 14 located adjacent to Torp Airport outside Sandefjord. After completion of the transaction in Q4, R8 Property retained 25 percent ownership.

To strengthen development potential on the Group's properties in Tønsberg, we signed an LOI to acquire an adjacent plot in Q3. This purchase is strategic and will enable us to a more complete development project maximizing potential in line with local regulations and preferences.

To further strengthen our customer centric approach, we founded Orbit Technology in Q2 of 2020. Orbit Technology offers a platform for access and use of facilities across properties (and landlords) with the purpose of reducing space-waste and creating a frictionless work experience for all users. The Orbit platform is already implemented in Powerhouse Telemark. Further a pilot together with Obos – supporting their innovation 'Obos Nærkontor' – will start in Q2 of 2021.

Annual rent for the company's properties has increased from NOK 121.4 million in 2019 to NOK 143.2 million by the end of 2020. As of 31 December 2020, R8 Property had a management portfolio of 27 properties totaling 103 593 square meters and 5 projects totaling 4500 square meters.

PROPERTY TRANSACTIONS THROUGH 2020:

Address	Area(sqm)	Ownership	City	Segment	Aquisition
Inkognitogaten 33A	3266	16%	Oslo	Project	Q3
Nordre Fokserød 14	5232	25%	Sandefjord	Office	Q4
Vestsiden Terrasse		50%	Porsgrunn	Project	Q1

PROJECT DEVELOPMENT

As a real estate developer, the Group's strategy is to have an ongoing portfolio in project development at all times. The Powerhouse Telemark project finished in Q3 2020 with a grand opening (although at a different scale than planned) in Q4. The refurbishment of Henrik Ibsens gate 40-42 was completed in Q2. The Group had three on-going projects in 2020; Henrik Ibsens gate 40-42 in Oslo, Powerhouse Telemark and Polymer Exploration Center in Porsgrunn. Going forward the Group has several greenfield projects in the making.

RISK AND RISK MANAGEMENT

Both the administration and the Board assesses risk on an ongoing basis. Risk management is carried out by the administration under policies approved by

the Board. The Group's risk factors consist of financial and non-financial risks.

Financial risk

In 2020 the financial risks of the Group have been monitored through the KPIs set forth in the financial strategy. Several risk areas are established and reported on a regular basis. The target level of each KPI was first decided by the board in 2019, and are continuously evaluated and adjusted to fit the state of the company. The Group seeks a good balance between debt and equity. The Group has defined a target for the loan-to-value ratio of approximately 60-70 per cent. The Group is exposed to interest rate risk. Changes in interest rate levels will have an impact on the Group's cash flow.

The risk is managed by actively using interest rate swaps and by spreading maturities. The target is to obtain fixed interest rates at 35-60 percent of the debt portfolio, average remaining term to maturity of 2-7 years and to diversify the maturity structure. Refinancing risk is reduced by entering long-term loans. Liquidity risk is monitored and managed through ongoing cash management and frequent reporting. There are covenants in the Group's bank loan agreements. On 31 December 2020, the Group "was not in breach of any covenants."

Market risk

The market value of the Group's property portfolio is affected by cyclical fluctuations in the economy. A decrease in the market value will reduce the Group's Equity and increase loan-to-value ratios. To reduce the risk concerning changes in the market the Group limits exposures to certain industries and groups of tenants. There is always a risk that yield changes in the market will reduce the value of the portfolio and cause changes in loan-to-value ratios. To reduce the risk of sudden changes in the Company's property values the value

of the portfolio is monitored on a quarterly basis by independent external experts in valuation of properties.

Credit risk

The Group seeks to reduce the credit risk by obtaining a diversification in the tenant portfolio. As of 31 December, 24.7 percent of the portfolio consists of public tenants and 75.3 percent of private tenants. Also, there is a spread between different industries and geographical exposure between five different cities/areas.

Development risk

R8 Property's development activity may involve risk related to project costs, future letting ratio, level of rent, cost overruns, delays, delivery shortfalls and market developments. To reduce the development risk, the Group has hired personnel with relevant experience and knowledge in addition to using external resources, for instance legal expertise, when needed. The Group will continue to actively manage resource needs due to a large project pipeline.

Reputational risk

R8's brand and reputation are important advantages in competition with other companies. The Company focuses on maintaining the positive brand and preventing negative issues concerning the Group.

ORGANIZATION AND WORKING ENVIRONMENT

R8 Property ASA had eleven employees as of 31 December 2020 (total for the Group is 27 employees). Eight (twenty) of them are men, and four (seven) women. There was no long-term or short-term, due to sick leave - absence in 2020. The work environment is good although the work pressure at times is high. This is confirmed by consistently high scores on work environment surveys conducted every second year. There is also have a focus on facilitating a work-life balance. There were no injuries or accidents within the Group in 2020.

The Group is continuously working on ensuring equality and preventing discrimination. In 2020 the company has performed several new hires, both men and women. All employees are compensated based on qualifications. We want to increase the proportion of women, and actively work on attracting more women and have a specific focus on this in our search processes and recruitment process.

The Board of Directors consists of 4 men and 3 women after a new board was appointed

by an extraordinary general assembly on October 29th 2020. R8 Property was simultaneously transformed from AS (aksjeselskap) to ASA (allmennaksjeselskap), a change aimed at preparing the company for a broader set of investors in the future. In accordance with guidelines set forth in NUES, the EGA also appointed a Nomination Committee of three members independent from the Board of Directors.

CORPORATE GOVERNANCE

R8 Property works in accordance with the principles of conducting transparent business to build and maintain a high level of trust among shareholders, banks and financial institutions, tenants, and society in general.

CORPORATE SOCIAL RESPONSIBILITY

The Group strives to constantly improve and to operate in accordance with responsible, ethical, and honorable business principles. The three core areas of contribution to society are environment, social engagement and community support.

Exterior environment

The Group aims to conduct business so that the impact on resources and the environment is kept to a minimum and well within the requirements imposed by authorities and contracting parties. The group has a high focus on sustainability and has a set goal of becoming carbon neutral within a few years.

GROUP ACCOUNTS

Going concern

The financial statements have been prepared based on the going concern assumption. This is based on an evaluation of the financial position and budgets and forecasts for 2021. R8 Property group has an equity of NOK 761.3 million and negative result in 2020. The year 2020 has been special with covid-19 and significant changes during the year (a negative result - before tax - of NOK 123 million in the first half of 2020, and a positive result - before tax - of NOK 71.7 million in the second half of 2020 (which includes changes in fair value of owner-occupied investment properties). The result - before tax - from the quarters in 2020 is not directly comparable with the result - before tax - in the annual financial statements of 2020, due to difference in the consolidation of R8 Evolve in the quarters of 2020. The group has some short-term debt that is due in December 2021, the vast majority of our funding is long-term. Liquidity management is an important and prioritized task, especially due to high activity and costs related to project development.

The board has power of attorney from the general assembly to initiate private placement at its discretion.

Financial risk

Profit before tax amounted to NOK -45.1 million (76.6 million), down by 121.7 million from the year before. The result comes mainly from decline in property values related to covid-19.

Net profit amounted to NOK -26.8 million (59.2 million). The profit includes a change in value of investment properties of NOK -46.7 million (78.7 million). Fair-value of investment properties is NOK 2 436.0 million (2 409.0 million).

Statement of income, balance sheet, and statement of cash flows

The annual report has been prepared in compliance with IFRS. This accounting principle has been applied consistently throughout 2020.

Income

Total operating income for the Group increased from NOK 113.4 million in 2019 to 132.5 million in 2020. The Group's financial income totaled NOK 2.1 million (3.1 million). Financial costs totaled NOK 73.5 million (47.4 million), where interest costs and other costs associated with the Group's financing activities represented 66.6 million (47.4 million) and share of loss from associates and joint ventures amounted to 6.9 million (0.0 million). Profits before tax was NOK -45.1 million (76.6 million), and total comprehensive income after tax was NOK -26.7 million (59.2 million). Tax expense was NOK -18.3 million (17.5 million).

Balance sheet

As of 31 December 2020, the Group's assets had a book value of NOK 2 721.6 million (2 550.8 million). Of the total assets, investment properties accounted for NOK 2 436.0 million (2 409.0 million). Total accounting equity in the Group was 761.3 million (778.1 million).

Cash flow statement

Net cash flow from operating activities was NOK -13.1 million in 2020 (-4.3 million). The net cash flow from investments was NOK -218.2 million (-379.0 million). There were NOK 122 million in purchase of shares related to acquisition of Evolve and ownership in Inkognito-gaten 33 AS.

Upgrades and construction of investment properties amounted to NOK 183.5 million (294.7 million) and primarily relates to Powerhouse Telemark and Polymer Exploration Centre. Net cash flow from financing activities was NOK 215.9 million (413.8 million). Net proceeds of interest bearing debt was NOK 170.3 million (321.1 million). During 2020 R8 Property has made a repayment of NOK 20.1 million (24.7 million) in bank loans. The net change in cash and cash equivalents was NOK -15.4 million at 31 December 2020 (30.5 million). One of the objectives in the financial strategy is to define a level on liquidity buffer that fits the size and the growth ambitions for the Group.

Financial structure and exposure

R8 Property's collective loan portfolio is comprised of long and short-term financing in the Norwegian capital market. At the end of the year, loans totaled NOK 1 724.4 million (1 581.2 million), 37 per cent (36 percent) of which was tied up in different interest rate swaps. The overall loan portfolio has an average time to maturity of 5.0 years.

Average interest cost at 31 December 2020 was 3.43 per cent (4.45 per cent). As a general principle R8 Property's financing is based on a negative pledge of the Group's assets. The Group has adopted a financial strategy with a medium loan-to-value ratio. The Group's loan-to-value ratio at 31 December 2020 was 70.5 per cent (67,1 per cent when including investments in joint ventures, associates and shares), compared to 65.6 per cent at the end of 2019.

PROFIT FOR THE YEAR AND ALLOCATIONS

In 2020, R8 Property ASA, the parent company of the Group, made a profit after tax of NOK -26.3 (-9.9) million, as set out in the financial statements prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles. The Board proposes that the profit after tax of NOK -26.3 (-9.9) million is transferred to retained earnings for 2020.

BOARD OF DIRECTORS

The Annual General Meeting in May 2020 elected Christina Sundby, Tommy Thovsland, Leif Oddvin Jensen, Runar Rønningen for 1 year. George Emil Aubert (Chair) and Knut Bråthen were elected for 2 years in 2019 and were not up for re-election. At the extraordinary general meeting in October 2020 Elin Tufte Johansen and Marianne Lie were appointed to the board while Tommy Thovsland resigned. Elin and Marianne are elected to the board until the Annual General Meeting in 2021.

There were 5 ordinary board meetings and 5 extraordinary board meetings in 2020.

Health, Environment and Safety

Every board meeting includes a report of current HSE status, events and deviations - and are treated according to standards.

Porsgrunn, 26 March 2021 Board of Directors for R8 Property ASA



George Emil Aubert
Chair of the Board



Leif Oddvin Jensen
Board member



Christina Sundby
Board member



Knut Bråthen
Board member



Marianne Lie
Board member



Runar Rønningen
Board member



Elin Tufte Johansen
Board member



Emil Eriksrød
CEO

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CONSOLIDATED

FINANCIAL STATEMENTS

R8 PROPERTY ASA

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Statement of total comprehensive income

All amounts in NOK thousand

	Note	2020	2019
Rental income	5, 6	114 153	99 755
Other operating revenue	6	18 338	13 636
Total operating income		132 491	113 391
Maintenance and other operating expenses	10	53 208	46 363
Other property-related expenses	10	2 196	1 088
Administrative expenses	11	30 630	24 223
Total operating costs		86 034	71 674
Net income from property management		46 457	41 717
Changes in fair value from investment properties	8, 15	-46 726	78 664
Operating profit		-269	120 381
Interest and other finance income	12	2 053	3 105
Share of profit (loss) from associates and joint ventures	26	-6 882	-
Losses from investment in shares		-496	-
Interest and other finance expense	12	-66 142	-47 360
Changes in fair value of financial instruments	7, 8	26 628	509
Net financial items		-44 840	-43 746
Profit before tax		-45 109	76 635
Tax expense	23	18 338	-17 458
Profit for year		-26 771	59 177
Profit attributable to:			
Equity holders of the company		-11 007	48 767
Non-controlling interest		-15 764	10 411
Total comprehensive income attributable to:			
Equity holders of the company		-11 007	48 767
Non-controlling interest		-15 764	10 411
Earnings per share:			
Basic (NOK)	29	-0,56	2,89
Diluted (NOK)	29	-0,56	2,89
Other comprehensive income			
Net OCI that may be reclassified to profit or loss in subsequent periods		-	-
Net OCI that will not be reclassified to profit or loss in subsequent periods		-	-

Notes 1 through to 30 form an integral part of the consolidated financial statements.

Balance sheet Assets

All amounts in NOK thousand

	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Deferred tax asset	23	10 169	-
Other intangible assets	13	7 605	7 630
Total intangible assets		17 773	7 630
Investment property	8, 15	2 436 000	2 409 000
Other operating assets	13, 14	765	1 238
Right-of-use assets		127	-
Total non-current tangible assets		2 436 892	2 410 238
Investment in jointly controlled entities, associates and shares	26	124 592	496
Financial derivatives	7, 8	46 618	-
Other long-term receivables		9 554	3 211
Total financial assets		180 764	3 707
TOTAL NON-CURRENT ASSETS		2 635 429	2 421 575
CURRENT ASSETS			
Inventory property	18	9 360	7 805
Trade receivables	16	14 155	12 607
Other receivables	17	12 625	27 166
Other receivables to related parties	7, 26	14 370	30 585
Total current receivables		50 510	78 163
Cash and bank deposits	19	35 679	51 040
TOTAL CURRENT ASSETS		86 188	129 203
TOTAL ASSETS		2 721 617	2 550 778

Notes 1 through to 30 form an integral part of the consolidated financial statements.

Balance sheet Equity and liabilities

All amounts in NOK thousand

	Note	31.12.2020	31.12.2019
EQUITY			
Shareholders equity	20, 28	708 382	713 469
Non-controlling interest		52 919	64 663
TOTAL EQUITY		761 300	778 131
LIABILITIES			
Interest-bearing debt	14, 21	1 347 535	645 026
Deferred tax liability	23	79 110	84 591
Financial derivatives	7, 8	35 646	11 789
Lease liabilities, non-current portion	14	3 567	4 517
Total non-current liabilities		1 465 858	745 923
Trade payables	24	40 926	38 465
Interest-bearing debt	14, 21	376 879	931 732
Debt to related parties	7	6 633	20 868
Lease liabilities, current portion	14	1 258	-
Other current liabilities	24	68 764	35 659
Total current liabilities		494 459	1 026 724
TOTAL LIABILITIES		1 960 317	1 772 647
TOTAL EQUITY AND LIABILITIES		2 721 617	2 550 778

Notes 1 through to 30 form an integral part of the consolidated financial statements.

Statement of changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Non-controlling interest	Total equity
Equity at 01.01.2019	3 411	117 406	43 910	320 220	47 358	532 305
Profit for year	-	-	-	48 767	10 411	59 177
Corporate merger (konsernfusjon) as of 29.03.2019	85	10 649	-	-	-	10 734
Capital increase as of 29.03.2019	300	37 512	-37 812	-	-	-
Capital increase as of 09.05.2019	278	34 725	-	-	-	35 002
Capital increase as of 27.11.2019	856	-	129 230	-	-	130 086
Acquisitions/capital increase subsidiaries	-	-	-	-	31 886	31 886
Decrease in non-controlling interest	-	-	-	4 841	-24 992	-20 151
Cost of equity transactions directly in equity	-	-	-908	-	-	-908
Equity at 31.12.2019	4 930	200 291	134 420	373 828	64 663	778 131
Profit for year	-	-	-	-11 007	-15 764	-26 771
Acquisitions/capital increase subsidiaries	-	-	-	-	4 020	4 020
Share based options	-	-	5 920	-	-	5 920
Equity at 31.12.2020	4 930	200 291	140 340	362 820	52 919	761 300

Notes 1 through to 30 form an integral part of the consolidated financial statements.

Statement of cash flows

All amounts in NOK thousand

	Note	2020	2019
Profit before tax		-45 109	76 635
Expensed interest and fees on loans and leases		64 089	47 360
Interest and fees paid on loans and leases		-59 439	-42 793
Share of profit from associates and jointly controlled entities		6 882	-
Depreciation and amortisation	13	495	779
Other adjustments		2 649	-
Change in market value investment properties	15	46 726	-78 664
Change in market value financial instruments	8	-26 628	-509
Change in working capital		-2 767	-7 090
Net cash flow from operating activities		-13 101	-4 283
Proceeds from sales of investment properties and companies		47 441	6 200
Proceeds from sales of shares		25 015	-
Purchase of shares		-121 902	-
Upgrades and construction of investment properties	15	-183 531	-294 694
Purchase of investment property		-	-89 656
Purchase of intangible assets and other plant and equipment		-	-836
Net payment financial assets		14 795	-
Net cash flow from investment activities		-218 182	-378 985
Proceeds interest-bearing debt	21	190 395	345 867
Repayment interest-bearing debt	21	-20 091	-24 678
Change in loans to other related parties		6 606	-16 399
Proceeds from convertible loans		37 936	-
Proceeds from equity		-	130 086
Cost of equity transactions		-	-908
Contributions from non-controlling interests		1 076	-20 151
Net cash flow from financing activities		215 922	413 818
Change in cash and cash equivalents		-15 361	30 550
Cash and cash equivalents at beginning of period		51 040	20 490
Cash and cash equivalents at end of period		35 679	51 040

Notes 1 through to 30 form an integral part of the consolidated financial statements.

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NOTE 1 GENERAL INFORMATION

R8 Property ASA ("the Group") is organized with R8 Property ASA ("the Company") as the mother company which has 36 daughter companies. R8 Property ASA ("the Company") is (together with its subsidiaries "R8 Property" or "the Group") dedicated to the development of modern and forward-looking office commercial properties, residential properties, coworking and technology solutions. These must not only make positive economic and social contributions to the community, but must also be particularly progressive in environmental terms. The Group owns and manages 32 (32) buildings with a total area of approximately 108.1 (112.9) thousand square meters. As of 31.12.20 the real estate portfolio had a market value of around NOK 2 436 (2 409) million. R8 Property's strategic areas are Telemark, Vestfold and Oslo. The Group has its head office in Dokkvegen 11, 3920 Porsgrunn.

The consolidated financial statements were adopted by the company's Board on March 26 2021.

NOTE 2 ACCOUNTING POLICIES

BASIC PRINCIPLES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretation Committee (IFRIC), as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act.

The consolidated financial statements have been prepared on the basis of the historical cost principle, with the following exceptions: investment properties as well as the Group's derivatives have been measured at fair value. Presenting the accounts in accordance with IFRS requires the management to make certain assessments and assumptions. The application of the Group's accounting principles also requires management to exercise judgement. Estimates and subjective judgements are based on past experience and other factors that are considered appropriate. Actual results may deviate from these estimates.

Estimates and underlying assumptions are continuously reassessed. Changes in accounting estimates are recognised in the period in which the changes occur if they apply only to that period. If the changes also apply to future periods, the impact is distributed over the current and future periods. Note 3 details items in the accounts that are based on a significant amount of subjective judgement.

The consolidated financial statements have been presented on the assumption of the business being a going concern.

CURRENCY

The Group's presentation currency is NOK. This is also the functional currency of the parent company and all of its subsidiaries.

Application of new and revised International Financial Reporting Standards (IFRSs) in 2020

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are all entities over which the Group exercises control of financial and operating policies, normally through ownership of more than half the capital with voting rights. When deciding whether control exists, the effect of potential voting rights that can be exercised or converted on the balance sheet date is taken into consideration. Secondly, the Group must have the rights to variable returns and the ability to use its power over the investee to affect the amount of the investor's returns. If all of the following conditions are met, the Group is considered having control. Subsidiaries are consolidated from the date on which the Group obtains control, and are deconsolidated when control ceases. Control ceases to exist if a parent loses control of a subsidiary through loss of power or exposure to variable returns. Deconsolidation results in a derecognition of assets and liabilities in the consolidated statement, and recognizes the gain or loss associated with the loss of control in profit or loss.

Any change in the ownership interest of a subsidiary, without the loss of control, is accounted for as an equity transaction.

For accounting purposes, acquisitions of subsidiaries that do not constitute a business as defined in IFRS 3, such as subsidiaries that only consist of a building, are treated as asset acquisitions. The cost of acquisition is then attributed to the individual identifiable assets and liabilities based on their relative fair values on the acquisition date. Expenses associated with the transaction are capitalized under the property. In such cases no provision is made for deferred tax

Intra-group transactions, balances and unrealized gains are eliminated. Unrealised losses are eliminated but are considered as an indication that the transferred asset may be impaired.

Transactions with non-controlling interests

Transactions with non-controlling interests in subsidiaries are treated as equity transactions. If shares are acquired from a noncontrolling interest, the difference between the payment and the proportion of the carrying amount of the subsidiary's net assets attributable to the shares is recognized in the equity of the parent company's owners. Gain and losses arising from the sale of shares to non-controlling interest are similarly recognised in equity.

If the Group loses control over a subsidiary, any residual holding is re-measured at fair value through profit or loss. Thereafter, the fair values are used as the acquisition cost for accounting purposes, and the holding is treated as an investment in an associate, in a jointly controlled entity or in a financial asset. Amounts previously included in comprehensive income that related to the company are treated as if the Group had disposed of the underlying assets and liability. These may result in amounts that previously included in comprehensive income being reclassified to the income statement.

Joint arrangements and associates

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. In a joint arrangement, no single party controls the arrangement on its own. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Judgement is required in assessing whether a joint arrangement is a joint operation or a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of arrangement.

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

R8 Property classifies its investments based on an analysis of the degree of control and underlying facts. This includes an assessment of voting rights, ownership structure and relative strength, purchase and sale rights controlled by R8 Property and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances, a new assessment must be made as to whether this is still a joint venture/associates. Changes in contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a shift in the accounting method.

In joint ventures and associates, the Group's share of the companies' profit/loss after tax, adjusted for amortization of excess value and any deviations from accounting policies, are presented on a separate line in the consolidated income statement. Joint ventures are recognized in the consolidated accounts using the equity method and presented as non-current assets. When assets are acquired from a joint venture, any gain or loss is only recognized in profit or loss when the asset is sold by the Group. A loss is recognized immediately if the transaction indicates that the value of the company's current or non-current assets has fallen.

A transaction that entails a change of control from an investment in a joint venture or associate to an investment in a subsidiary is treated as a realization and require that a gain/loss at the time of derecognition of the joint venture has to be calculated and recognized in the income statement as results from associates and JVs according to equity method.

The Group only partly owns the companies R8 Evolve AS and Orbit Technology AS and these investments are treated as joint ventures. Kammerherreløkka AS, Dokkvegen Utvikling AS and Vestsiden Terrasse AS is treated as a subsidiary because of control. For information about the evaluation of control, see note 25.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Initial measurement takes into consideration the property's cost price, which includes direct transaction costs such as document duty and other public duties, legal fees and due diligence costs. Transaction costs associated with properties acquired through business combinations (as defined in IFRS 3) are expensed.

After initial recognition, investment property is measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Gains or losses as a result of changes in the fair value of investment properties are recognised in profit or loss as they arise, and are presented on a separate line after "net income from property management." Investment properties are derecognised when they have been disposed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to property for sale following the accounting principles of IFRS 5. A property's deemed cost for subsequent accounting as property for sale is its fair value at the date of change in use.

Owner-occupied property

Property that has more than an insignificant portion of owner-occupation is classified as owner-occupied property following IAS 16. The entity considers both qualitative and quantitative factors when determining whether there is a significant part of the property used for own purposes. If the property is considered owner-occupied, the whole property is accounted for under IAS 16, unless the portions of the property can be sold separately.

A property used by owner is accounted for at revalued value less accumulated depreciation and amortization. An evaluation of fair value for such properties is carried out in the same manner as described for investment properties. Increase in value of owner-occupied property is not recognised in the income statement, but recognised as a change of the revaluation reserve in comprehensive income. An impairment of the value is recognised against the revaluation reserve, related to revaluation of the specific building. If impairment exceeds the revaluation reserve, the remainder is recognised against the income statement.

If an investment property becomes owner-occupied, it is reclassified as property used by owner. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity.

Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to income statement.

Property, plant and equipment

All property, plant and equipment (PPE) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and where applicable borrowing costs (see below).

Cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing PPE at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an item of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Land and property under construction: not depreciated
- Buildings: 25-40 years;
- Other operating assets: 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Borrowing costs

Borrowing costs for capital used to finance buildings under construction are capitalised under the asset in question. When calculating the capitalised borrowing costs, the average interest rate on the company's debt portfolio over the course of the year is used, unless there is separate financing for the specific project. In such cases the specific borrowing cost for the loan in question is used. When calculating the average interest rate to be used for the capitalisation of borrowing costs, loans taken out for specific projects are not included.

SEGMENTS

Operating segments are reported in the same way as in internal reports to the Group's highest decision-making authority. The Group's chief operating decision maker, which is responsible for allocation resources and assessing the profitability of the operating segments, has been identified as executive board and the CEO.

INTANGIBLE ASSETS

Goodwill

Goodwill is the difference between the fair value of consideration transferred and the fair value of the Group's share of net identifiable assets in the entity on the acquisition date. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. For the purpose of impairment testing, goodwill is allocated to the relevant cash flow generating units. Goodwill is allocated to the cash flow generating units or group of cash flow generating units that are expected to benefit from the acquisition from which the goodwill arose. Goodwill is tested for impairment annually. Impairment of goodwill is not reversed. Gains and losses on the sale of an operation including the carrying amount of goodwill relating to the sold operation.

Goodwill arising from the purchase of shares in associates and jointly controlled entities is included under the investment in the associate or jointly controlled entity, and is tested for impairment as part of the carrying amount of the investment.

Software

Purchased software is recognised at cost (including expenditure on making programs operative) and is amortised over the expected useful life. Expenses directly associated with the development of identifiable and unique software owned by the Group are capitalised as intangible assets, and are depreciated over the expected useful life, normally 3 years. The Group considers a range of factors in determining if the intangible assets can be recognized in the balance sheet. Factors such as if the completed asset would be available for use or sale, if the Group has adequate technical, financial and other resources necessary for completion of the intangible asset and the probability of the develop asset to generate future net financial benefits. Expenses relating to the maintenance of software are expensed as incurred.

Development projects

Activities related to the application of knowledge to a plan or in relation to a concept or project prior to being taken into use/production, are classified as development activities that are capitalised as intangible assets when the Group considers it likely that the skills developed will generate net financial benefits. Expenses that are capitalised as development projects are directly attributable expenses relating to the development of the new skills.

Impairment of non-financial assets

Intangible assets with an indefinite useful life are not depreciated and are instead tested annually for impairment. Property, plant and equipment and intangible assets that are depreciated are also tested for impairment if there is any indication to suggest that future cash flows cannot justify the carrying amount of the asset. Write-downs are recorded through the income statement as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal and the value in use. When testing for impairment, non-current assets are grouped at the lowest possible level at which it is possible to identify independent cash inflows (cash flow generating units). In conjunction with each financial report, the company assesses whether it is possible to reverse past write-downs of non-financial assets (except goodwill).

FINANCIAL INSTRUMENTS

A financial instrument is defined as being any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity. Financial instruments are recognised on the transaction date, i.e. the date on which the Group commits to buying or selling the asset.

Financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Equity instruments designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Financial liabilities are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities at fair value through profit or loss comprise loans designated at fair value upon initial recognition (fair value option) and derivatives. Financial liabilities at amortised cost consist of liabilities that do not fall under the category at fair value through profit or loss.

Inventory Property

Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and measured at the lower of net realizable value (NRV) and cost.

Inventory property is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each inventory property to its present condition and location includes:

- Acquisition cost of the land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, development overheads and other related costs

When an inventory is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of inventory property recognized in profit or loss is determined with reference to directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Trade receivables and other financial assets

Trade receivables and other financial assets are classified as amortised cost. The Group applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. At every reporting date, the Group evaluates the debtors past default events, current financial situations and forward-looking factors such as the general economic condition of the industry, debtor specific factors and so on. The Group considers all reasonable and supportable information that is available without undue cost or effort. Any subsequent payments received against accounts for which a provision has previously been made are recognized in the profit & loss statement. Trade receivables and other financial assets are classified as current assets, unless they are due more than twelve months after the balance sheet date. If so, they are classified as non-current assets.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and other short-term, highly liquid investments with an original term to maturity of no more than three months.

Financial derivatives

The Group uses derivatives to manage its interest rate risk. Financial derivatives are not accounted for as hedging instruments but are valued at fair value. Changes in fair value are recognised in the income statement. Regular payments are presented as interest and other finance expenses. Changes in the value of the derivatives are presented under "Unrealised changes in value of financial instruments".

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to redeem the contracts on the balance sheet date. This amount will depend on interest rates and the contracts' remaining term to maturity. The derivatives are classified on the balance sheet as current liabilities or non-current liabilities, depending on whether they are expected to be redeemed under or over 12 months from the balance sheet date.

Trade payables and other non-interest-bearing financial liabilities

Trade payables and other non-interest-bearing liabilities are classified as financial liabilities at amortised cost, and are measured at fair value upon initial recognition, and subsequently at amortised cost using the effective interest rate method. Interest is ignored if it is insignificant.

Interest-bearing liabilities

Interest bearing liabilities are classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as net realized financial in the statement of profit or loss. The liabilities are measured at their nominal value when the effect of discounting is immaterial. Interest-bearing liabilities are classified as current liabilities where the debt is due for repayment less than 12 months from the balance sheet date.

PENSIONS

The Group has defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group's pension scheme satisfies the requirements of the Norwegian Act on Compulsory Occupational Pensions.

TAX

The tax expense consists of tax payable and deferred tax. Tax is charged to the income statement, except where it relates to items that are recognised directly in equity or in other comprehensive income. In such cases, the tax is either recognised in comprehensive income or directly in equity.

Deferred tax is calculated using the liability method for all temporary differences between the tax values and consolidated accounting values of assets and liabilities. Any deferred tax arising from the initial recognition of a liability or asset in a transaction which is not a business combination and which on the transaction date does not affect accounting or tax results is not recognised on the balance sheet. Deferred tax is defined using tax rates and laws which are enacted or likely to be enacted on the balance sheet date, and which are expected to be used when the deferred tax asset is realised or when the deferred tax is utilised. Deferred tax is calculated and provided or reduced in the event of adjustments to the value of investment properties at a nominal tax rate of 22 per cent from 31 December 2020.

For investment properties acquired through the purchase of shares in property companies or not acquired through a business combination, in the event of an adjustment in value, deferred tax is calculated on the property's fair value. A deferred tax asset is recognised to the extent that it is likely that future taxable profit will be available against which the temporary differences can be offset.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Nor is a liability for deferred tax calculated upon initial recognition of assets or liabilities obtained through an acquisition of a subsidiary not classified as a business combination.

REVENUE RECOGNITION

R8's key sources of income include:

- Rental income
- Services to tenants including management charges and other expenses recoverable from tenants
- Sale of inventory property – completed property

The accounting for each of these elements is discussed below.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

The initial direct costs and tenant lease incentives are presented as current assets in the line item 'Prepayments' in the statement of financial position. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of profit or loss when the right to receive them arises.

Revenue from services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Revenue from services to tenants is presented as other operating revenue in the income statement alongside income from revenue from contracts with customers.

Total operating income consists of rental income and other operating revenue. Gains on the sale of property are presented as part of the change in fair value. Rental income encompasses the fair value of the payments received for services that fall within the ordinary activities of the company. Rental income is presented net of VAT, rebates and discounts. Shared costs are capitalized alongside payments on account from tenants and therefore have no impact on the income statement. Shared costs are settled after the balance sheet date.



STATEMENT OF CASH FLOWS

The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows; interest paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities. Dividends paid to shareholders and non-controlling interests are presented under financing activities.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND SUBJECTIVE JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of investment properties

Each quarter, all the properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The valuations at 31 December 2019 and 2020 were obtained from Newsec AS. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a period of 10-15 years using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of the gross cash flows from signed leases less maintenance cost, other operating and management expenses, as well as future cash flows based on an expected market rent at the end of the lease terms. The fair value of investment properties is therefore mainly affected by expected market rents, discount rate, exit yield and inflation. The market rent for each property takes into account the property's situation, standard and leases signed for comparable properties in the area. For the duration of existing lease terms, the discount rate is mainly based on an assessment of the individual tenants' financial solidity and classification. After the end of the lease term, cash flows are discounted using a discount rate that takes into account the risk relating to letting and location. Inflation is estimated using the consensus of a selection of banks and official statistics.

When carrying out their valuations, the valuers receive comprehensive details of the leases for the properties, floor space and details of any vacant premises, and up-to-date information about all ongoing projects. Any uncertainties relating to the properties/projects and leases are also clarified verbally and in writing as and when required. The Group management performs internal controls to ensure that all relevant information is included in the valuations.

The valuers perform their valuations on the basis of the information they have received, and estimate future market rents, yields, inflation and other relevant parameters. Each individual property is assessed in terms of its market position, rental income (contractual rents versus market rents) and ownership costs, with estimates being made for anticipated vacancy levels and the need for alterations and upgrades. The remaining term of the leases is also assessed for risk, along with any special clauses in the contracts. If available, each property is also compared with recently sold properties in the same segment (location, type of property, mix of tenants, etc.)

Value changes comprise realised and unrealised changes in value and are reported net for all properties. The unrealised change in value is calculated on the basis of the valuation at the end of the financial year compared with the same period in the previous year plus capitalised, value enhancing investment during the year.

For properties acquired during the year, unrealised changes in value are calculated as the difference between the valuation at the end of the financial year and the cost of the acquisition plus any value enhancing investments. For properties sold during the year, changes in value are calculated as the difference between the sales price less sales costs and value enhancing investments undertaken in the financial year.

More information about the fair value measurement is set out in note 8 and 15.

The table below shows to what extent the value of the property portfolio is affected by inflation, market rents, discount rates (interest rates) and exit yields (market yields), assuming that all other factors are equal. Estimates by Newsec AS in conjunction with valuations at 31 December 2020.

Change variable	Change in per cent	Positive change (tNOK)	Negative change (tNOK) ¹⁾
Inflation	+/- 1,00	213 088	-213 088
Market rent	+/- 10,00	196 528	-196 528
Discount rates	+/- 0,25	-97 685	106 772
Exit yield	+/- 0,25	-47 868	52 340

1) Estimates by Newsec AS in conjunction with valuations at 31 December 2020 Development projects are not included in the estimates.

Overview of input parameter for the discounted cash flow model for estimating fair value of the Group's investment property:	2020
Valuation hierarchy level	3
Total square meter	108 093
Actual rent per sqm (interval)	144 - 4 366
Actual rent pr sqm (average)	1 589
Length on existing lease agreements (interval)	0,2 - 21,3
Wault 1)	6,8
Market rent pr sqm (interval)	869 - 3 890
Market rent pr sqm (average)	1 675
Expected inflation %	2,0
Actual vacancy %	12,5
Nominal discount rate % (interval)	5,7- 10,2
Nominal discount rate % (average)	8,8

Fair value of financial liabilities

The Group values liabilities with fixed interest rates and financial derivatives at fair value in the Group's balance sheet.

The table below shows the overall impact on the Group's financing costs of a parallel shift in market rates for NOK of +/- 1 per centage point, based on the Group's debt portfolio and interest rate derivatives on the balance sheet date. The figure quoted for the change in the fair value of debt and derivatives reflects what the market value of the portfolio would be on the balance sheet date if the yield curve were 1 per cent higher or lower, based on discounted future cash flows from the various instruments.

	Change in the Group's interest expense (annualised) (tNOK)
31.12.2020	
Market rates increase by 1 percentage point¹⁾	-10 707
Interest-bearing debt	-16 506
Derivatives	5 799
Market rates fall by 1 percentage point¹⁾	10 707
Interest-bearing debt	16 506
Derivatives	-5 799

¹⁾ A positive figure signifies an increase in profit after tax.

	Change in the Group's interest expense (annualised) (tNOK)
31.12.2019	
Market rates increase by 1 percentage point¹⁾	-9 286
Interest-bearing debt	-13 525
Derivatives	4 239
Market rates fall by 1 percentage point¹⁾	9 286
Interest-bearing debt	13 525
Derivatives	-4 239

¹⁾ A positive figure signifies an increase in profit after tax.

Business Combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, considerations is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, etc.)

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

In 2020 the Group acquired Vestsiden Terrasse AS. The transaction was considered to represent a single asset and was not treated as business combination.

NOTE 4 FINANCIAL RISK MANAGEMENT

All amounts in NOK thousand

Financial risk factors

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. The Group's finance strategy shall ensure that the Group has financial flexibility and that it achieves competitive financial terms. The Group is exposed to financial risk and has defined the following relevant risk areas:

- Financing risk
- Capital management and solvency
- Cash flow and fair value interest rate risk
- Liquidity risk
- Credit/counterparty risk
- Currency risk

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Risk management is carried out by the administration under policies approved by the Board of Directors. The administration identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

Financing risk

Financing risk is the risk that the Group will be unable to obtain funding, obtain funding only to a certain extent or can only receive funding on unfavourable terms.

The company seeks to limit financing risk through:

- requirements for committed capital to cover refinancing requirements
- average credit period requirements
- the use of various credit markets and counterparties
- spread maturity structure for the Group's financing

Capital management and solvency

The main purpose of the Group's capital management is to maintain a good balance between debt and equity, in order to maximise the value of the shares in the Group, while also maintaining a good credit rating, and obtaining loan terms with lenders that reflect the risk profile of the Group. The Group has defined a target for the Loan-To-Value ratio of approximately 60-65 per cent over the economic cycle. Current LTV-ratio is 70.5%. There are covenants in the Group's loan agreements that specify requirements in relation to the company's financial strength.

Cash flow and fair value interest rate risk

As the Group's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income.

The Group's interest rate risk principally arises from long-term borrowings (Note 21). Interest rate risk affects the Group's cash flows and the market value of the Group's liabilities. The main purpose of the Group's interest rate strategy is to ensure that the Group achieves the desired balance between the interest expense and interest rate risk. The Group's interest rate risk is managed within the following financial policy requirements:

- minimum 40 per cent of the interest-bearing debt to be hedged at fixed interest rate
- average remaining time to maturity for interest rate hedges in the interval 2-10 years
- diversification of the maturity structure for fixed interest rates

The Group's policy is to fix the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. The Group's interest rate risk is managed through the requirements for fixed interest rates for at least 40 per cent of the debt portfolio, an average remaining term to maturity in the range of 2-10 years and diversification of the maturity structure for fixed interest rates. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

At 31 December 2020, the weighted average remaining term to maturity was 5.0 years. The average interest rate was 3.43 per cent at 31 December 2020.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The liquidity risk is mitigated by having available liquidity reserves, a moderate loan-to-value ratio, long-term loan agreements and by using various sources of finance and markets. The Group's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks.

Credit and counterparty risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Stable, predictable and long-term access to capital is critical for R8 Property. The Group considers that the ability of creditors to behave predictably over the long term is often dependent on their creditworthiness. For this reason, R8 Property wants the Group's creditors to be of a good credit quality and has established credit rating limits for the Group's creditors. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. The credit ratings of the Group's financial counterparties are continuously monitored.

Currency risk

The Group shall not incur any currency risk and at 31 December 2020, the Group had no currency exposure.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

31.12.2020	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	299 827	774 266	188 787	148 235	1 411 115
Interest-bearing bank loans – amortising	42 921	80 078	30 313	117 462	270 774
Interest-bearing bank loans – estimated interest	47 017	51 881	24 955	11 141	134 994
Subordinated loans - principal	42 525	-	-	-	42 525
Subordinated loans - estimated interest	2 790	-	-	-	2 790
Financial derivatives					
- Interest rate derivatives	-	4 854	10 382	20 410	35 646
Trade and other payables					
- Trade payables	40 926	-	-	-	40 926
- Other financial	60 575	-	-	-	60 575
- Accruals	8 189	-	-	-	8 189
Lease liability	1 258	3 567	-	-	4 825
Total	546 027	914 646	254 437	297 248	2 012 358

31.12.2019	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	899 553	248 958	-	180 386	1 326 897
Interest-bearing bank loans – amortising	27 046	67 931	29 925	119 826	244 728
Interest-bearing bank loans – estimated interest	72 939	53 201	25 610	40 118	191 868
Subordinated loans - principal	24 874	-	-	-	24 874
Subordinated loans - estimated interest	717	-	-	-	717
Financial derivatives					
- Interest rate derivatives	2 719	4 661	2 511	1 898	11 789
Trade and other payables					
- Trade payables	38 324	-	-	-	38 324
- Other financial	25 920	-	-	-	25 920
- Accruals	9 881	-	-	-	9 881
Lease liability	1 127	3 944	573	-	5 644
Total	1 103 099	378 695	58 619	342 228	1 880 641

The table is based on undiscounted contractual cash flows. The maturity analysis is based on the earliest possible redemption for instruments where the counterparty has a choice as to when to redeem the instrument. Estimated interest is based on the interest rate on the individual loan/ instrument on the balance sheet date.

The interest-bearing debt has a diversified maturity structure, with an average time to maturity of 5.0 years. This years principal is significantly reduced compared to last year due to the refinancing of debt related to the R8 Office portfolio.

The table below shows the nominal value of outstanding current and non-current interest-bearing debt including derivatives.

MATURITY STRUCTURE OF THE GROUP'S EXPOSURE TO NOMINAL INTEREST RATE RISK

31.12.2020	31.12.2020				Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Term to maturity					
Percentage	22,3	49,5	12,7	15,4	100,0
Amount	385 273	854 343	219 100	265 697	1 724 413

31.12.2019	31.12.2019				Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Term to maturity					
Percentage	59,6	19,7	1,9	18,8	100,0
Amount	951 473	314 889	29 925	300 212	1 596 499

MATURITY STRUCTURE OF THE GROUP'S EXPOSURE TO NOMINAL INTEREST RATE RISK

	2020	2019
Nominal value of interest rate derivatives on the balance sheet date of which - Variable-to-fixed swaps	589 591	570 275
Range of fixed interest rates (%)	1.03 - 4.05	1.54 - 4.05
Variable rate basis	3M NIBOR	3M NIBOR
Average fixed rate	2,25 %	2,35 %
Fair value of interest rate derivatives on the balance sheet date (INOK)	35 646	11 789
Change in fair value of interest rate derivatives over the year	-23 856	509
Total change in fair value of financial instruments	-23 856	509

NOTE 5 RISK LEASE MANAGEMENT

All amounts in NOK thousand

The Group mainly enters into contracts with a fixed rent for the lease of property.

THE GROUP'S FUTURE ACCUMULATED RENT FROM NON-TERMINABLE OPERATIONAL LEASE CONTRACTS AT 31.12.

	2020	2019
1 year	4 569	8 155
2 years	48 243	7 793
3 years	25 334	64 086
4 years	29 883	35 660
5 years	46 624	72 987
5 years < 10 years	357 052	176 394
≥ 10 years	640 758	837 482
Total	1 152 462	1 202 557

THE GROUP'S LEASE CONTRACTS AT 31.12 HAVE THE FOLLOWING MATURITY STRUCTURE MEASURED IN ANNUAL RENT ¹⁾

Remaining term	2020			2019		
	Number of contracts	Contract rent	Contract rent, %	Number of contracts	Contract rent	Contract rent, %
1 year	25	6 359	4,1	29	13 772	8,8
2 years	27	28 912	18,9	18	5 528	3,5
3 years	30	9 914	6,5	30	26 347	16,8
4 years	17	8 160	5,3	23	11 183	7,1
5 years	23	10 776	7,0	23	16 158	10,3
5 years < 10 years	42	44 671	29,2	30	23 908	15,2
≥ 10 years	13	44 449	29,0	19	60 211	38,3
Total	177	153 242	100,0	172	157 107	100,0

The tables above show all the remaining non-terminable contractual rent, including forward starting contracts, for current leases without taking into account the impact of any options.

¹⁾ The rent is stated as the annualised contractual rent, and is therefore not reconcilable with the rental income for the year for accounting purposes.

NOTE 6 SEGMENT INFORMATION

The operating segments are formally divided on the basis of products and services. The Group is organised into three reportable segments as follows, divided by the nature of their characteristics in regards to the assets, activities and income streams:

- Commercial Properties, which is a supplier of commercial property to customers
- Residential Properties, which provides new housing units to customers
- Technology, which provides IT applications to properties

There has been no aggregation of segments in the reported segments presented above. The operating segment of the Group as of today represent their own nature in regards to when and how income is generated (through sales or assets appreciation) and the products or services provided. The chief operating decision maker is the executive board and the CEO, which are the highest decision-making authority of the Group. Geographically, all of the Group's operations takes place in Norway. There is no single customer representing over 10% of the Group's total operating income. The rest of the Group's operations counts for less than 10% measured in revenue, profit or loss or combined assets and is not presented as a own segment below.

The Group's accounting principles applied to both the segment reporting and the profit & loss statement are identical. Income related to Commercial property is presented according to IFRS 16. Change in fair value of investment property is recognized in accordance with IAS 40. Income from Residential Properties is considered revenue from contracts with customers (IFRS 15). Income from the segment Technology is also treated in accordance with IFRS 15.

In the current period the Group has changed their segment reporting to reflect a more compliant segment reporting over the Group's activities. The involvement in a new business activity for residential development has also played a role in the decision to change the reported segments. The corresponding information from earlier periods, as a consequence, is restated.

All amounts in NOK thousand

31.12.2020	Commercial Properties ¹⁾	Residential Properties	Technology ²⁾	Eliminations ³⁾	Consolidated
INCOME STATEMENT					
Total operating income	130 474	760	3 767	-2 510	132 491
- of which is rental income	114 153	-	-	-	114 153
- of which is other operating revenue	16 321	760	3 767	-2 510	18 338
Total operating costs	82 112	1 911	4 522	-2 510	86 034
Net income	48 362	-1 151	-754	-	46 457
Fair value adjustments investment property	-46 726	-	-	-	-46 726
Net fair value financial derivatives	26 628	-	-	-	26 628
Net financial items	-70 535	-296	-404	-234	-71 468
Segment profit	-42 270	-1 447	-1 158	-234	-45 109
BALANCE SHEET					
Investment property	2 436 000	-	-	-	2 436 000
Inventory property	-	9 360	-	-	9 360
Total assets from operating segments	2 436 000	9 360	-	-	2 445 360
Deferred tax liability	79 637	-528	-	-	79 110
Interest bearing debt	1 714 156	10 258	-	-	1 724 414
Total liabilities from operating segments	1 793 794	9 730	-	-	1 803 523
RECONCILIATIONS					
<i>Reconciliation of revenue:</i>					
Total operating income from the segments					132 491
Other operating income					
The Group's total operating income					132 491
<i>Reconciliation of profit:</i>					
Segment profit					-45 109
Total other comprehensive income before tax					-
The Group's profit before tax					-45 109
<i>Reconciliation of balance sheet:</i>					
Total assets from operating segments					2 445 360
Non-current assets					199 429
Current assets					76 828
The Group's total assets					2 721 617
Total liabilities from operating segments					1 803 523
Equity					761 300
Non-current liabilities					39 213
Current liabilities					117 580
The Group's total equity and liabilities					2 721 617

¹⁾ For key metrics of the segment Commercial Properties - see Note 14 Investment Property

²⁾ The segment Technology was sold during the year and hence there's no assets or liabilities outlined above

³⁾ Eliminations consists of intercompany transactions made at arm lengths principles

The financial report has in 2020 changed the structure of its reportable segments, hence earlier periods for comparable amounts has been restated.

31.12.2019	Commercial Properties	Residential Properties	Technology*	Eliminations	Consolidated
INCOME STATEMENT					
Total operating income	113 391	-	-	-	113 391
- of which is rental income	99 755	-	-	-	99 755
- of which is other operating revenue	13 636	-	-	-	13 636
Total operating costs	70 756	919	-	-	71 674
Net income	42 635	-919	-	-	41 717
Fair value adjustments investment property	78 664	-	-	-	78 664
Net fair value financial derivatives	509	-	-	-	509
Net financial items	-44 166	-20	-	-69	-44 255
Segment profit	77 643	-939	-	-69	76 635
BALANCE SHEET					
Investment property	2 409 000	-	-	-	2 409 000
Inventory property	-	7 805	-	-	7 805
Total assets from operating segments	2 409 000	7 805	-	-	2 416 805
Deferred tax liability	84 591	-	-	-	84 591
Interest bearing debt	1 566 641	10 116	-	-	1 576 757
Total liabilities from operating segments	1 651 232	10 116	-	-	1 661 348
RECONCILIATIONS					
<i>Reconciliation of revenue:</i>					
Total operating income from the segments					113 391
Other operating income					-
The Group's total operating income					113 391
<i>Reconciliation of profit:</i>					
Segment profit					76 635
Total other comprehensive income before tax					-
The Group's profit before tax					76 635
<i>Reconciliation of balance sheet:</i>					
Total assets from operating segments					2 416 805
Non-current assets					12 575
Current assets					121 398
The Group's total assets					2 550 778
Total liabilities from operating segments					1 661 348
Equity					778 131
Non-current liabilities					16 306
Current liabilities					94 992
The Group's total equity and liabilities					2 550 778

* The segment Technology was acquired during the current financial year, hence there's no comparable figures on this segment in 2019.

NOTE 7 CATEGORIES OF FINANCIAL INSTRUMENTS

All amounts in NOK thousand

31.12.2020	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value	Total
Assets				
Financial investments				
- shares				
- Loans to associates	14 370	-	14 370	14 370
Financial derivatives	-	46 618	46 618	46 618
Trade receivables	14 155	-	14 155	14 155
Other current receivables	12 625	-	12 625	12 625
Cash and cash equivalents	35 679	-	35 679	35 679
Total financial assets	76 828	46 618	123 446	

31.12.2020	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Total
Liabilities				
Interest-bearing non-current liabilities	-	1 351 103	1 351 103	1 351 103
- Debt to related parties	-	6 633	6 633	6 633
Interest-bearing current liabilities	-	376 879	376 879	376 879
Financial derivatives	35 646	-	35 646	35 646
Other non-current liabilities	-	-	-	-
Trade payables	-	40 926	40 926	40 926
Other current liabilities	-	68 764	68 764	68 764
Total financial liabilities	35 646	1 844 303	1 879 949	

31.12.2019	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value	Total
Assets				
Financial investments				
- shares				
- Loans to associates				
Financial derivatives	30 585	-	30 585	30 585
Trade receivables	12 607	-	12 607	12 607
Other current receivables	27 166	-	27 166	27 166
Cash and cash equivalents	51 040	-	51 040	51 040
Total financial assets	121 398	-	121 398	

31.12.2019	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	-	649 543	649 543
Interest-bearing current liabilities	-	20 868	20 868
Financial derivatives	11 789	931 732	943 521
Other non-current liabilities	-	-	-
Trade payables	-	38 465	38 465
Other current liabilities	-	35 659	35 659
Total financial liabilities	11 789	1 676 267	1 688 056

NOTE 8 INFORMATION ABOUT FAIR VALUE OF ASSETS & LIABILITIES

All amounts in NOK thousand

Investment properties are valued at fair value, based on independent external valuations.

Bank loans with variable interest rates are valued at amortised cost.

Financial derivatives are measured at fair value using valuation methods where the significant parameters are obtained from quoted market data.

The Group uses the following hierarchy to classify assets and liabilities, based on the valuation methods used to measure and disclose their fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

ASSETS MEASURED AT FAIR VALUE

	31.12.2020	Level 1	Level 2	Level 3
Assets at fair value through profit or loss				
- Investment properties	2 436 000	-	-	2 436 000
- Derivatives ¹⁾	46 618	-	-	46 618
- Equity instruments	34 374	-	-	34 374
Total	2 516 993	-	-	2 516 993

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2020	Level 1	Level 2	Level 3
Liabilities at fair value through profit or loss				
- Derivatives	35 646	-	35 646	-
Total	35 646	-	35 646	-

¹⁾ Financial derivatives as an asset results from an option right to acquire the remaining shares in Inkognitogaten 33. This option is in-the-money and give rise to a positive increase fair value of the option during the year. The investment of shares in Inkognitogaten 33 A AS is measured using fair value considering that fair value can be measured accurately and reliably for this investment.

ASSETS MEASURED AT FAIR VALUE

	31.12.2019	Level 1	Level 2	Level 3
Assets at fair value through profit or loss				
- Investment properties	2 409 000	-	-	2 409 000
Total	2 409 000	-	-	2 409 000

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2019	Level 1	Level 2	Level 3
Liabilities at fair value through profit or loss				
- Derivatives	11 789	-	11 789	-
Total	11 789	-	11 789	-

The fair value is the same as the carrying amount for loans to associates, as the interest rate is adjusted continuously and no changes in credit margins have been identified. Trade receivables have a short anticipated term, so the fair value is the same as the carrying amount.

The difference between the fair value and the amortised cost of interest-bearing liabilities with variable interest rates is described in Note 21. Other financial liabilities are short term and the difference between the fair value and the amortised cost is marginal.

NOTE 9 DEVELOPMENT PROJECTS

All amounts in NOK thousand

R8 Property has in 2020 one ongoing project, a research center (Polymer Exploration Center) located in Porsgrunn. This project is 50% owned by R8 Property through the ownership of Dokkvegen Utvikling AS.

Polymer Exploration Center is a research center where Nornor will be the tenant. This is a combination building consisting of office, laboratory areas, machine hall and gas storage. The size of the building is 4,858 sqm, and the occupancy is 100 per cent. The project is 50 per cent owned of R8 Property. The project is a natural expansion of Porsgrunn Næringspark and will improve the overall infrastructure on the property. Nornor will conduct research on plastic and polymers in general on behalf of customers world wide. The center has also been granted the status of Norsk Katapult, which is a government act to promote businesses with potential for international expansion. Scheduled completion of the project is fourth quarter of 2021.

NOTE 10 OPERATING COSTS

All amounts in NOK thousand

	2020	2019
Operating costs		
Administrative management costs	16 823	7 992
Operating and maintenance costs	36 386	38 371
Total maintenance and other operating costs	53 208	46 363
Other property costs		
Rental, market, and other income-related expenses	2 196	1 088
Owner's share of service charge expenses	-	-
Total other property costs	2 196	1 088
Administrative costs		
Payroll and personnel expenses	22 606	17 572
Depreciation	-	779
Other operating expenses	8 025	5 872
Total administrative costs	30 630	24 223

NOTE 11 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2020	2019
Wages and salaries	28 472	*25 188
Employee options	5 920	-
Social security costs	4 052	2 734
Pension costs defined contribution plan	1 621	1 178
Total	40 065	29 100
Number of full-time equivalents	24,3	22,0
Number of employees at 31.12	27,0	24,0

*The increase in personnel costs in 2019 is mainly due to a bonus scheme granted from R8 Urban Estate AS. The calculated bonus of the fiscal year 2019 in R8 Urban Estate AS amounts to tNOK 5 551, whereby tNOK 2 410 of the bonus is granted Tommy Thovsland.

The Group's pension scheme satisfies the requirements of the Norwegian Act on Compulsory Occupational Pensions. No loans/sureties have been granted to the CEO, Chair of the Board or other related parties.

The total remuneration of the CEO consists of a fixed package of salary and benefits supplemented by pension and insurance arrangements. The CEO also has a severance package of twelve months salary upon resignation.

REMUNERATION TO SENIOR EXECUTIVES IN 2020

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	1 717 184	0	14 957	120 203	1 852 343
Eirik Engaas, CFO	1 315 405	0	8 609	92 078	1 416 092

BOARD FEES

	2020	2019
George Emil Aubert, Chair	200	200
Tommy Thovsland, board member (resigned during 2020)	56	75
Eise Christina Maria Sundby, board member	75	75
Knut Bråthen, board member	75	75
Leif Oddvin Jensen, board member	75	75
Runar Rønningen, board member	75	75
Emil Eriksrød, board member (resigned during 2019)	-	100
Øivind Gundersen, board member (resigned during 2019)	-	25
Total	556	700

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2020	2019
Interest income	916	1 631
Other finance income	7	0
Interest income from group companies	1 130	1 474
Total interest and other finance income	2 053	3 105
Interest expenses	78 963	68 830
- of which capitalised borrowing costs	-13 311	-22 269
Interest expenses group companies	490	799
Total interest and other finance expense	66 142	47 360

NOTE 13 INTANGIBLE ASSETS AND OTHER OPERATING ASSETS

All amounts in NOK thousand

	2020			2019		
	Goodwill	Software	Other operating assets	Goodwill	Software	Other operating assets
At 1 January						
Acquisition cost at 01.01	7 011	1 061	9 748	7 011	602	9 371
Acquisitions	-	232	477	-	459	377
Disposals	-	-	-	-	-	-
Acquisitions cost as 31.12	7 011	1 293	10 225	7 011	1 061	9 748
Accumulated depreciation and write-downs as of 01.01	-	-442	-8 510	-	-263	-3 639
Depreciations and write-downs	-	-112	-317	-	-179	-872
Transfer to investment property	-	-145	-634	-	-	-4 000
	-	-	-	-	-	-
Accumulated depreciation and write-downs at 31.12	-	-699	-9 461	-	-442	-8 510
Carrying amount at 01.01	-	619	1 238	-	161	1 665
Carrying amount at 31.12	7 011	594	764	7 011	619	1 238
Economic life		3 year	3-10 year		3 year	3-10 year
Depreciation plan		Linear	Linear		Linear	Linear

The goodwill relates to the acquisition of shares in Mulighetenes By AS in 2017 and R8 Management AS in 2018. The Group performs annual impairment test of the intangible assets, such as goodwill and software, and other assets at year-end. No impairment indicators were identified for these assets in December 2020. There were no impairment charges in 2018, 2019 or 2020.

For information about right-of-use and lease liabilities, see note 14.

NOTE 14 LEASES

The Group has lease contracts for the use of company cars and other operating assets such as furnitures, coffee machines etc. The lease term varies depending on the type of assets and ranges from 3 to 10 years. For lease contracts with a lease term of less than 12 months or certain leases of office equipment with low value, the Group uses the recognition exemptions for these leases. For rights-of-use assets in which the assets relates to investment property, the asset is classified under investment property.

All amounts in NOK thousand

	2020	2019
RIGHTS-OF-USE ASSETS (included in other operating assets)		
At 1 January	270	377
Additions	-	-
Disposals	-	-
Depreciation	142	107
At 31 December	127	270

LEASE LIABILITIES

At 1 January	5 644	377
Additions	-	6 184
Disposals	-	-
Payments	818	917
At 31 December	4 825	5 644
Non-current	3 567	5 644
Current	1 258	-
Interest expense on lease liabilities	272	198
Variable payments not included in the lease liabilities	-	-
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets	220	142
Total cash outflow for leases	1 017	1 122

For information about the maturity profile of lease liabilities, see note 4.

NOTE 15 INVESTMENT PROPERTIES

All amounts in NOK thousand

	2020	2019
VALUE OF INVESTMENT PROPERTIES		
Opening balance previous period	2 409 000	1 731 500
Other movements		
Purchase of investment properties	16 000	301 989
Projects and upgrades in the property portfolio	164 415	280 778
Capitalised borrowing costs	13 311	22 269
Sale of investment property	-120 000	-6 200
Change in value from investment properties	-46 726	78 664
Total value of investment property	2 436 000	2 409 000

Investment properties are valued at fair value based on independent external valuations. The valuation method is included at level 3 in the valuation hierarchy, see Note 4.

SPECIFICATION OF INVESTMENT PROPERTIES

All amounts in NOK thousand

The Groups investment properties is organised into three corporate units:
 Green Office: properties with energy classification and environmental focus
 City Office: other ordinary office properties
 Commercial Property: properties located in the city center where majority of tenants operates within food & beverage or healthcare

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 unit performance. The Group reports information based upon these three units.

CORPORATE UNITS Q4-20

31.12.2020	Area (sqm)	Occupancy (sqm)	No. of prop. (%)	Market value		Wault ¹⁾ (yrs)	Annual rent (tNOK)	Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾			
				(tNOK)	(NOK/sqm)						(tNOK)	(NOK/sqm)		
Green Office	32 918	28 228	85,8	5	950 000	28 860	5,5	53 909	1 910	5,1	4,6	5,7	62 548	1 900
City Office	37 659	33 604	89,2	15	663 500	17 619	5,8	40 274	1 198	5,1	5,4	5,9	49 569	1 316
Commercial Prop.	33 016	28 294	85,7	7	668 000	20 233	9,8	49 055	1 734	9,9	5,4	7,1	61 406	1 860
Total management portfolio	103 593	90 126	87,0	27	2 281 500	22 024	6,8	143 238	1 589	6,7	5,1	6,2	173 523	1 675
Project Office	4 500	4 500	100,0	5	154 500	34 333	12,9							
Total project portfolio	4 500	4 500	100,0	5	154 500	34 333	12,9							
Total property portfolio	108 093	94 626	87,5	32	2 436 000	22 536	7,2							

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31 December 2020 corresponds to 9.5 per cent of market rent. The Group has no single external customers representing over 10% of the Group's revenue. Furthermore, the Group has around 93% of its estimated marked value of properties and 96% of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

R8 Property has one ongoing projects in Porsgrunn (research center - Polymer Exploration Center). This project is 50% owned by R8 Property. Furthermore, R8 Property are doing feasibility studies on additional four properties. Powerhouse Telemark in Porsgrunn and Henrik Ibsens gate 40-42 in Oslo were completed in Q2.

Parking areas (sqm) are not included in this overview.

Corporate segments in the table above follow the corporate structure of the group. Several of the properties are combined buildings and the actual rental conditions measured in square meters and rental income are presented in the table on the next page.

TENANT INDUSTRY Q4-20

31.12.2020	Occupancy		Wault ²⁾		Annual rent	
	(sqm)	(%)	(yrs)	(NOK)	(NOK/sqm)	(NOK/sqm)
Office	62 954	88,0	5,6	100 389	1 595	
Retail	10 142	86,8	5,6	11 177	1 102	
Hotels	6 235	80,3	13,1	11 877	1 905	
Healthcare	5 581	88,4	5,3	6 871	1 231	
Food and Beverage	5 214	88,4	11,0	12 925	2 479	
Total management portfolio	90 126	84,7	6,7	143 238	1 589	

CORPORATE UNITS Q4-19

31.12.2019	Area		Occupancy		No. of prop. (#)	Market value		Wault ¹⁾		Annual rent		Wault ²⁾		Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾	
	(sqm)	(%)	(sqm)	(%)		(NOK)	(NOK/sqm)	(yrs)	(NOK)	(NOK/sqm)	(yrs)	(NOK)	(NOK/sqm)			(NOK)	(NOK/sqm)
Green Office	26 463	88,0	23 287	88,0	4	702 000	26 528	3,2	41 790	1 795	3,4	5,5	6,0	47 890	1 810		
City Office	32 772	86,8	28 439	86,8	13	409 500	12 495	3,3	29 050	1 021	3,3	6,2	7,0	37 534	1 145		
Commercial Prop.	35 827	80,3	28 769	80,3	8	769 500	21 478	10,3	50 515	1 756	10,4	5,1	6,8	67 192	1 875		
Total management portfolio	95 062	84,7	80 495	84,7	25	1 881 000	19 787	6,1	121 355	1 508	6,1	5,5	6,5	152 616	1 605		
Project Office	17 788	88,4	15 719	88,4	7	528 000	29 683	11,4									
Total project portfolio	17 788	88,4	15 719	88,4	7	528 000	29 683	11,4									
Total property portfolio	112 850	85,3	96 214	85,3	32	2 409 000	21 347	7,3									

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31 December 2019 corresponds to 10.2 per cent of market rent.

R8 Property had in 2019 three on-going projects, the new building Powerhouse Telemark and Polymer Exploration Center, both in Porsgrunn, and Rådhusgata 2 AS located in Skien.

TENANT INDUSTRY Q4-19

31.12.2019	Occupancy		Wault ²⁾		Annual rent	
	(sqm)	(%)	(yrs)	(NOK)	(NOK/sqm)	(NOK/sqm)
Office	53 008	88,0	4,2	78 459	1 480	
Retail	11 108	86,8	5,3	13 788	1 241	
Hotels	6 178	80,3	14,2	11 614	1 880	
Healthcare	5 551	88,4	5,6	6 781	1 222	
Food and Beverage	4 650	88,4	12,2	10 714	2 304	
Total management portfolio	80 495	84,7	6,1	121 355	1 508	

1) Wault weighted on property market value
2) Wault weighted on annual rent
3) Includes market rent from available areas

NOTE 16 TRADE RECEIVABLES

All amounts in NOK thousand

	2020	2019
Trade receivables	16 542	14 998
Provisions for bad debts	-7 110	-2 391
Net trade receivables before accrued not invoiced	9 432	12 607
Accrued not invoiced	4 723	-
Net trade receivables	14 155	12 607

At 31 December 2020 provisions for a loss is tNOK 7 110. 6 650 tNOK is provision for specific uncertain trade receivables in companies in the Group, and 460 tNOK is a provision set based on historic rates and expected losses. The age analysis of these trade receivables is as follows:

31.12.2020	Rent and other trade receivables and contract assets							
	Days past due							
	Contract assets	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Expected credit loss rate	0,0 %	0,0 %	18,7 %	9,0 %	0,0 %	90,2 %	82,0 %	40,2 %
Carrying amount	0	5 355	1 064	2 203	432	1 352	6 136	16 542
Expected credit loss	0	0	199	199	0	1 220	5 033	6 650
Net Amount	0	5 355	865	2 004	432	132	1 103	9 892

31.12.2020	Rent and other trade receivables and contract assets							
	Days past due							
	Contract assets	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Expected credit loss rate	0,0 %	0,1 %	1,0 %	5,0 %	10,0 %	20,0 %	25,0 %	4,6 %
Carrying amount	0	5 355	865	2 004	432	1 352	1 103	9 892
Expected credit loss	0	5	9	100	43	26	276	460
Net Amount	0	5 350	856	1 904	389	106	827	9 432

31.12.2019	Rent and other trade receivables and contract assets							
	Days past due							
	Contract assets	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
Expected credit loss rate	0,1 %	0,0 %	4,9 %	18,9 %	88,1 %	21,8 %	69,9 %	15,9 %
Carrying amount	6 656	3 044	972	254	109	1 204	2 758	14 997
Expected credit loss	7	0	48	48	96	262	1 929	2 390
Net Amount	6 649	3 044	924	206	13	942	829	12 607

The Group has yet to report contract assets from its residential development activities or other operations. All of the above is, as stated, trade receivables. The trade receivables is considered having no significant financing component.

NOTE 17 OTHER RECEIVABLES

All amounts in NOK thousand

	2020	2019
VAT receivable	6 650	23 973
Accrued not invoiced	-	174
Advance payments and accruals	1 869	1 374
Other current receivables	4 106	1 645
Total other current receivables	12 625	27 166

NOTE 18 INVENTORY PROPERTIES

In 2019 the Group has acquired a development site in Skien, Telemark. The acquired land is expected to be zoned for residential development. The commencement of the project is estimated in Q3/Q4 2021. The land is intended for sale of housing units upon completion. We refer to note 2 for accounting policies affecting inventory property.

	2020	2019
At 1 January	7 805	-
Acquisition of land/development sites	-	7 200
Development costs incurred	1 414	605
Transfers to investment property	-	-
Interest capitalized	141	-
Disposals (recognized in cost of sales)	-	-
At 31 December	9 360	7 805

NOTE 19 BANK DEPOSITS

All amounts in NOK thousand

	2020	2019
Cash and bank deposits	34 549	50 159
Tied bank deposits	1 130	881
Total bank deposits	35 679	51 040

Tied bank deposits relate to the tax deduction account.

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 4,930,160 divided into 19,720,640 shares, with each share having a par value of NOK 0.25. 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. Neither R8 Property nor any of its subsidiaries directly or indirectly owns shares in the Company.

As of 31 December 2020 R8 Property had 51 shareholders. Norwegian investors held 100 per cent of the share capital.

The table below (and on the next page) sets out the change in share capital, the average number of shares the last year, the largest shareholders at year end, and shares owed by directors as of 31 December 2020.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Face value (NOK)
At 1 January	1 972 064	4 930	200 291	134 420	2,50
Stock split as of 29.10.2020 ¹⁾					
Old shares being replaced	-1 972 064	-4 930	-200 291	-134 420	-2,50
New shares issued	19 720 640	4 930	200 291	134 420	0,25
Share based options	-	-	-	5 920	-
At 31 December 2020	19 720 640	4 930	200 291	140 340	0,25

Paid-in capital amounts to tNOK 345,561 and consists of tNOK 4,930 in share capital, tNOK 200,291 in share premium and tNOK 140,340 in other paid-in capital.

1) The Group decided to perform a stock split, dividing the number of shares in the ratio 1:10 i.e. creating ten new shares for every share in the Group. As a result, the face value is reduced by the same ratio from NOK 2.5 to NOK 0.25 pr share.

For other changes in shareholders' equity, see the consolidated statements of changes in equity.

The shareholders as registered as of 31 December 2020 were as follows:

	Number of shares per 31.12.2020	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO	9 774 547	49,57	Norway
Brødrene Jensen A/S, represented by Leif Oddvin Jensen - board member	2 697 110	13,68	Norway
IKAB AS, represented by Knut Bråthen - board member	1 791 980	9,09	Norway
Sarepta Holding AS, represented by Runar Rønningen - board member	550 000	2,79	Norway
Carucel Invest AS, connected to Else Christine Maria Sundby - board member	476 190	2,41	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	405 000	2,05	Norway
RP Holding AS	363 500	1,84	Norway
Kabbe Holding AS	350 000	1,77	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	325 000	1,65	Norway
Østerlid AS	219 400	1,11	Norway
Gambetta AS	200 000	1,01	Norway
Thovsland Holding AS	200 000	1,01	Norway
Carl Erik Krefting, connected to Else Christine Maria Sundby - board member	154 160	0,78	Norway
Jan Henrik Krefting	154 160	0,78	Norway
Børseth-Hansen AS	145 800	0,74	Norway
Spartveit Invest AS	140 700	0,71	Norway
Goldcrest AS	136 670	0,69	Norway
ET-Invest AS	126 000	0,64	Norway
Reinås Holding AS	118 053	0,60	Norway
Heimberg Holding AS	115 000	0,58	Norway
Caba Holding AS	100 000	0,51	Norway
Stensrød Invest AS	100 000	0,51	Norway
Sundvall Invest AS	100 000	0,51	Norway
Lucky-Holding AS	100 000	0,51	Norway
Freezing Point Invest AS	100 000	0,51	Norway
Sonja og Emil Aubert Legat, represented by George Emil Aubert - Chair	97 000	0,49	Norway
Castra Invest AS	59 000	0,30	Norway
Handlekraft Holding AS, represented by Elin Tufte Johansen - board member	57 000	0,29	Norway
Frii AS	53 000	0,27	Norway
Eråk Holding AS	50 000	0,25	Norway
Skarven Industrier AS	50 000	0,25	Norway
Kornveien 5 AS	50 000	0,25	Norway
Magne Georg Sigurdson	40 000	0,20	Norway
Marit Sigurdson	40 000	0,20	Norway
Paragon Holding AS	32 000	0,16	Norway
AM Capital AS	30 000	0,15	Norway
Løbert Invest AS	30 000	0,15	Norway
Fjeld Holding AS	28 000	0,14	Norway
Habiqo AS	26 500	0,13	Norway
Bauta Invest AS	20 000	0,10	Norway
Jhk Invest AS	16 220	0,08	Norway
Carucel Holding II AS, connected to Else Christine Maria Sundby - board member	16 220	0,08	Norway
Masiw Holding AS	15 000	0,08	Norway
Giraffa AS, represented by Else Christine Maria Sundby - board member	15 000	0,08	Norway
Leif Morten Stølen	12 000	0,06	Norway
Jor Holding AS	10 000	0,05	Norway
Roger Finnstrøm	9 500	0,05	Norway
Roberto Holding AS	8 000	0,04	Norway
Thomas Tollefsen	5 300	0,03	Norway
Glott Eiendom AS	5 000	0,03	Norway
Christen Knudsen	2 630	0,01	Norway
Total	19 720 640	100	

EMPLOYER OPTIONS

Under the current share-options scheme share options of the parent are granted to senior executives of the parent. These options to purchase shares were granted during the fiscal year of 2020 at an exercise price equal to the market price of the underlying shares on the date of the grant. The options granted senior executives gives the right to exercise the option immediately, but limited to certain time intervals in regards to the Group's reporting dates. There is no specific conditions that has to be met in order to exercise the options. On the other hand, if the senior executive decides to leave the Group, the options granted can no longer be exercised.

The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model. The fair value takes into consideration the exercise price settled to market price of the Group at the start of the grant period, the market value at the reporting date, risk free rate, dividend yield, volatility and the length of the share options. The expected volatility reflects the assumption that the historical volatility over a period equivalent to the life of the granted options is indicative for future trends. As a result, expected volatility is measured by calculating actual volatility of a similar company traded on the Oslo stock exchange. The fair value of the options are expensed in the profit and loss statement.

	2020			2019		
	No. of options	Exercise price ¹⁾	Last exercisable date	No. of options	Exercise price	Last exercisable date
<i>Outstanding at 1 January</i>	-	-	-	-	-	-
Granted during the year	350 000	30,55	31.10.2023	-	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	350 000	30,55	31.10.2023	-	-	-

1) The exercise price outlined above is a weighted average of all exercise prices of each options granted.

Total weighted average fair value of the outstanding share options at the reporting date is mNOK 5,9 (excl. social security costs). The following conditions has been used when assessing the fair value through the BS-model:

	Option 1	Option 2	Option 3
◊ Range of exercise prices for options	7.56	17.72	37.72
◊ Current stock price (EPRA NAV)	42.63	42.63	42.63
◊ Expected volatility	31.70%	31.70%	31.70%
◊ Risk-free interest rate	0.77%	0.77%	0.77%
◊ Dividend yield	0.00%	0.00%	0.00%
◊ Fair value (NOK)	35.23	25.56	11.52

The Group has granted the CEO, CFO and one board member each 50 000 options with an exercise price of NOK 37.72. One option gives the right to buy one share. The share options granted in 2020 has a maturity of approximately three years, ending 31.10.2023.

NOTE 21 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2020			2019		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	1 347 535	1 347 535	1 347 535	645 026	645 026	645 026
Total non-current interest-bearing liabilities	1 347 535	1 347 535	1 347 535	649 543	649 543	649 543

CURRENT INTEREST-BEARING LIABILITIES

	2020			2019		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	376 879	376 879	376 879	931 732	931 732	931 732
Total current interest-bearing liabilities	376 879	376 879	376 879	231 732	231 732	231 732

The average risk premium on the Group's loans at 31 December 2020 was 2.94 per cent.

The pledged assets used as collateral include all items presented under "Investment property" in the statement of financial position.

MORTGAGES

The Group's financing is based on the parent company borrowing from external parties using negative pledge clauses. Subsidiaries are mainly financed using intra-group loans. Torggata 8 Skien AS, Dokkvegen 11 AS, Rådhusgata 2 Skien AS, Mulighetenes By AS, Henrik Ibsensgate 6 AS, Kammerherreløkke AS, HIG 40-42 Prosjekt AS, Vestsiden Terrasse AS, Utsikten 1 AS, Dokkvegen 20 AS and R8 Management AS are financed in own balance sheets.

NOTE 22 FINANCIAL INSTRUMENTS - RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

All amounts in NOK thousand

31.12.2020	01.01.2020	Cash flows	Corporate acquisitions	Fair Values changes	New leases	Reclassification debt	31.12.2020
Non-current liabilities	649 543	200 176	-69 161	0	0	570 545	1 351 103
Financial derivatives	11 789	0	0	23 856	0	0	35 646
Current liabilities	952 600	2 714	0	0	0	-570 545	384 769
Total liabilities from financing activities	1 613 932	202 890	-69 161	23 856	0	0	1 771 518

31.12.2019	01.01.2019	Cash flows	Corporate acquisitions	Fair Values changes	New leases	Reclassification debt	31.12.2019
Non-current liabilities	953 718	304 791	93 949	-	5 644	-708 559	649 543
Financial derivatives	11 394	-	-114	509	-	-	11 789
Current liabilities	170 044	-	73 997	-	-	708 559	952 600
Total liabilities from financing activities	1 135 156	304 791	167 832	509	5 644	0	1 613 932

NOTE 23 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE	2020	2019
Tax payable	-	-
Change in deferred tax on profit and loss	-18 338	17 458
Change in deferred tax on comprehensive income	-	-
Income tax expense	-18 338	17 458

TEMPORARY DIFFERENCES	2020	2019
Fixed assets	682 084	671 104
Profit and loss account	1 652	2 079
Other differences	-11 354	-3 924
Interest rate swap	-35 646	-11 789
Net temporary differences	636 736	657 470
Tax losses carried forward	-324 323	-272 964
Basis for deferred tax	312 413	384 506

Deferred tax	68 941	84 591
Deferred tax in the balance sheet	68 941	84 591

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS	2020	2019
Profit before tax	-45 109	76 635
Cost of equity transactions directly in equity	-	-908
Other permanent differences	-36 135	4 841
Changes in temporary differences	5 358	65 914
Changes in loss carry-forwards	75 885	-146 482
Profit for tax purposes	-	-

Tax payable on the balance sheet	-	-
Tax payable on the balance sheet	-	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020	%	2019	%
Profit for accounting purposes multiplied by nominal tax rate	-9 924	22,0	16 860	22,0
Tax on permanent differences	-7 950	17,6	866	1,1
Effect of change in tax rate from 23 to 22 per cent	-	-	-	-
Tax effect on day one related to acquisition with loss carry forward	-464	1,0	-267	-0,3
Tax expense for accounting purposes	-18 338	40,7	17 458	22,8

MOVEMENTS IN DEFERRED TAX	2020	2019
Opening balance at 01.01.	84 591	70 789
Tax expense recognized through income statement	-18 338	17 458
Acquisition of subsidiaries	2 688	-3 656
Net deferred tax at 31.12.	68 941	84 591

DEFERRED INCOME TAX
The Group has offset deferred tax assets and deferred tax liabilities on the balance sheet as the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. The following net value was recognised:

	2020	2019
Deferred tax liability	79 110	84 591
Deferred tax assets	-10 169	-
Net deferred tax	68 941	84 591

The Group has offset deferred tax assets and deferred tax liabilities on the balance sheet where the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

The Group has applied the main rule for recognition of deferred tax in connection with the purchase of shares in property companies that are not acquired through a business combination. This means that deferred tax is recognised as the difference between the tax value and consolidated accounting value of investment properties. Deferred tax linked to the retrospective accumulated change in the value of investment properties at 31 December 2020 is INOK 150 058.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS	2020	2019
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-10 169	-
Deferred tax assets to be recovered within 12 months	-	-
-10 169		
Deferred tax liabilities		
Deferred tax liability reversion after more than 12 months	77 619	83 226
Deferred tax liability reversion within 12 months	1 490	1 365
79 110	84 591	
Deferred tax liabilities (net)	68 941	84 591

NOTE 24 TRADE PAYABLES AND OTHER LIABILITIES

All amounts in NOK thousand

	2020	2019
Trade payables	40 926	38 324
Tenants prepayments	2 188	-
Holiday pay owed	2 339	1 704
Unpaid government taxes and duties	7 406	2 943
Seller credit and withheld purchase price	34 747	-
Interest accrued	8 189	9 881
Other liabilities	13 896	21 272
Total trade payables and other liabilities	109 689	74 125

NOTE 25 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2020.

SUBSIDIARY OF R8 Property ASA	Business office	Equity interest %	Result 31.12.2020	Equity 31.12.2020	Result 31.12.2019	Equity 31.12.2019
R8 Management AS	Porsgrunn	100	1 428	1 604	149	1 593
Rådhusgata 2 Skien AS	Porsgrunn	100	153	114	-1 089	-39
R8 Office AS	Porsgrunn	100	-1 095	141 924	3 677	143 020
R8 Urban Estate AS	Porsgrunn	100	-1 208	98 807	-7 496	102 924
R8 Hotels AS	Porsgrunn	100	-87	34 503	-188	34 598
Valore AS	Porsgrunn	100	423	37 334	1 247	36 911
R8 Home AS	Porsgrunn	100	-793	3 276	-925	2 069
R8 Projects AS	Porsgrunn	100	-576	441	-4	17
HIG 40-42 Prosjekt AS	Porsgrunn	100	-2 213	23 910	312	26 123
R8 Technology AS	Porsgrunn	100	72	40	-	-

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

(all of which has business office in Porsgrunn and 100% voting rights except Dokkveien Utvikling AS, Orbit Technology AS, Vestside Terrasse AS and Kammerreløkka AS, see below)

R8 Office AS	R8 Urban Estate AS	Valore AS	HIG 40-42 Prosjekt AS	R8 Projects AS
Grønlikroken 5 AS	Tollboden AS	Bedriftsveien 52/58 AS	Henrik Ibsens gate 40-42 Oslo AS	Dokkveien Utvikling AS *)
Torggata 8 Skien AS	Østveien 665-667 AS	Rødmyrta 20 AS		[-- Dokkveien 20 AS **)
Versvikveien 6B AS	Mulighetenes By AS	Storgata 171-175 AS		R8 Prosjektsekskap 3 AS
Storgata 106 AS	[-- Nedre Hjellegate 11 AS	Vipeveien 51 AS		
Hesselberggaten 4 AS	[-- Henrik Ibsensgate 6 AS			
Porsgrunn Næringspark AS				
Dokkveien 9 AS				
Vinkelbygget AS	R8 Hotels AS	R8 Technology AS		R8 Home AS
HE-Kjelleveien AS	Kammerherreløkka AS ***)	Orbit Technology AS****)		Utsikten 1 AS
Kongensgate 20A AS				Vestside Terrasse AS****)
Dokkveien 11 AS				

*) R8 Projects AS owns 50% of the shares in Dokkveien Utvikling AS. Voting rights equivalents ownership. The remaining shares is owned by Dione AS.

**) Dokkveien 20 AS owns the development project Polymer Exploration Center, which is described in more detail in note 9.

***) R8 Hotels AS owns 50% of the shares in Kammerherreløkka AS. Voting rights equivalents ownership. The remaining shares is owned by Bane Nor Eiendom AS.

****) R8 Home AS owns 50% of the shares in Vestside Terrasse AS. Voting rights equivalents ownership. The remaining shares is owned by Mynd Eiendom AS.

*****) R8 Technology AS owns 50% of the shares in Orbit Technology AS. Voting rights equivalents ownership. The remaining shares is owned by Alligate AS.

The Group is considered having control of companies in which the Group holds 50% of the shares for the following: Vestside Terrasse AS, Dokkveien Utvikling AS and Kammerherreløkka AS. These companies are being fully consolidated as a consequence of the assessment of control. The Group has the power to control decision-making through their influence and has the seat of the chairman. The parties holds an equivalent number of board seats.

NOTE 26 INVESTMENT IN JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

All amounts in NOK thousand

Investments in associates and jointly controlled entities are recognised using the equity method.

JOINT VENTURES	Business office	Ownership/voting right	Equity 31.12 (100%)	Result 2020 (100 %)	Balance sheet value
R8 Evolve AS*	Porsgrunn	75 %	99 405	129	68 118
Orbit Technology AS**	Porsgrunn	50 %	12 233	-3 758	8 000
Balance sheet value 31.12.2020					

* R8 Evolve AS has 100% ownership and voting rights in the entities Evolve Akersgata AS, Evolve Bjervika AS, Evolve IT Fornebu AS and Evolve Sandaker AS. R8 Evolve AS and its subsidiaries are providing coworking solutions to customers through office space in central regions. R8 Evolve AS was considered as a joint venture from the date of acquisition and the equity method was used accordingly. The owners of R8 Evolve AS has signed a legally binding shareholder agreement balancing the rights of the owners. The shareholders agreement explicitly states that the board of directors has to vote unanimous when deciding matters. The board will consist of 2-5 seats, each owner has the right to at least one seat. The board is represented solely of members from the owners.

** Orbit Technology AS was being considered a subsidiary due to control over 100% of outstanding shares in the company until the sale of 50% of the shares 15.12.2020. After the sale, the shares in Orbit Technology AS is considered a joint venture.

ASSOCIATES

	Business office	Ownership/voting right	Equity 31.12 (100%)	Result 2020 (100 %)	Balance sheet value
Skien Brygge Utvikling AS*	Porsgrunn	25,0 %	11 380	-620	3 000
Sandefjord Eiendomsinvest AS**	Sandefjord	25,2 %	42 582	-213	11 100
Balance sheet value 31.12.2020					

* Skien Brygge Utvikling AS is owned by the subsidiary R8 Projects AS.

** Sandefjord Eiendomsinvest AS is owned by the subsidiary R8 Office AS.

FINANCIAL INFORMATION FROM JOINT VENTURES AND ASSOCIATES

	R8 Evolve AS	Orbit Technology AS	Sandefjord Eiendomsinvest AS	Skien Brygge Utvikling AS*
Revenues	43 209	-	-	-
Operating costs	55 750	4 507	33	
- of which depreciation and amortisation	23 920	-	-	
Net operating income	-12 541	-4 507	-33	
Net financial items	-5 079	-313	-180	
- of which interest income	41	0	342	
- of which interest expense	-5 116	-315	-521	
Profit before tax	-17 620	-4 821	-213	
Tax expense	3 855	1 063	-	
Profit for the year	-13 765	-3 758	-213	

	R8 Evolve AS	Orbit Technology AS	Sandefjord Eiendoms- invest AS	Skien Brygge Utvikling AS*
Current assets	64 295	6 620	319	
- of which cash and cash equivalents	916	2 690	319	
Non-current assets	195 265	13 444	122 961	
Total assets	259 560	20 064	123 280	
Current liabilities	57 075	5 710	699	
- of which current financial liabilities other than accounts payable and provisions	39 073	763	693	
Non-current liabilities	116 236	2 122	80 000	
- of which non-current financial liabilities other than accounts payable and provisions	-	-	-	
Total liabilities	173 311	7 832	80 699	
Equity	86 249	12 233	42 582	
RECONCILIATION OF CARRYING AMOUNT				
Group's share in equity	64 687	6 116	10 731	
Goodwill	3 438	1 884	-	
The Group's carrying amount	68 118	8 000	11 100	
Excess (shortage) value	7	-	-369	

* Skien Brygge Utvikling AS is a newly established company in 2020 and as of reporting date for the Group, the company has not yet reported.

The Group also holds shares in Telemarksgata 10 AS and Inkognitogaten 33 AS recognized in the balance sheet with an amount of mNOK 35.6.

NOTE 27 TRANSACTIONS WITH RELATED PARTIES

All amounts in NOK thousand

The Group acquired 50% of the shares in Vestsiden Terrasse AS for the amount of mNOK 2,9 as of February 2020 from R8 Investment AS, a subsidiary of R8 Group AS. The ownership in Vestsiden Terrasse AS is also treated as subsidiary with full consolidation due to control. R8 Property ASA has sold 25% of the shares in R8 Evolve AS for the amount of mNOK 25 to Alligate AS, which is partly owned by R8 Group AS and Brødrene Jensen AS. Related party Alligate AS has also acquired a porportion of Orbit Technology AS for the amount of mNOK 8.

	Associated companies	2020	2019
Income statement			
Other operating revenue	Evolve Akersgata AS (mNOK 3,6), Evolve IT Fornebu AS (mNOK 0,8)	4 458	318
Operating costs	R8 Consulting AS (mNOK 3,5), R8 Consulting Group AS (mNOK 6,1), R8 Edge AS (mNOK 1,2)	10 851	9 162
Interest income	R8 Investment AS (mNOK 1,0), R8 Group AS (mNOK 0,1)	1 130	530
Interest expense	Bane Nor Eiendom AS	490	-
Balance sheet			
Receivables		-	-
Loans	R8 Group AS (mNOK 13,2), Telemarksgata 10 AS (mNOK 1,2)	14 370	30 585
Debt	R8 Group AS (mNOK 6,6), Bane Nor Eiendom AS (mNOK 5,2), Dione AS (mNOK 1,8)	13 671	20 868
Payables		-	-

The Group also acquired services from a related party in 2019 of tNOK 1 398 which is considered as additions on investment property and adjusted for in fair value of investment property.

NOTE 28 AUDITOR'S FEE

All amounts in NOK thousand

	2020	2019
Statutory audit	962	597
Tax advice (incl. technical assistance with tax return)	55	29
Other services not related to auditing (transactions, IFRS conversion)	1 918	833
Total auditor's fee (excl. VAT)	2 935	1 460

NOTE 29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. R8 Property has issued options which upon exercise has a dilutive effect on outstanding shares of 1,77%. Total options is 350 000 at year end. Furthermore, the Group has received convertible loans from a handful of investors of a total amount of mNOK 40. The potential dilution from convertible loans amounts to 5,17%.

	2020	2019
Total comprehensive income for the year attributable to equity holders of the Company (NOK thousand)	-11 007	48 767
Average number of outstanding shares without options (Note 20)	19 720 640	16 875 360
Basic earnings per share (NOK)	-0,56	2,89
Average number of outstanding shares incl. dilution from options	19 779 133	16 875 360
Diluted earnings per share (NOK)	-0,56	2,89

NOTE 30 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

R8 Property's tenant portfolio is diversified in number of tenants as well as in business sectors and segments. Public tenants make up approx. 25% of the group's rental income, another approx. 25% of our revenue comes from large private tenants within banking, telecom, insurance etc.

Our tenant portfolio is divided into five different industries/segments: Office, Hotels, Food & Beverage, Healthcare and Retail – with Office as the majority at approx. 70 percent of the revenue. Retail, Food & Beverage and Hotels are the segments experiencing the greatest effect from the pandemic, our expectations are that Food & Beverage will rebound in line with declining social limitations while we expect Hotels and Retail segments to be difficult for an extended period of time. Property values within our Office segment are considered strong, especially due to public and large private tenants. Hotels and retail are the segments we experience is affected the most of the pandemic, with future uncertainty in travel, conventions and shopping habits – although we believe that future uncertainty is already reflected in existing property values.

In Q1 2021 the Group has agreed in principle to divest two properties in the portfolio to external parties. The transactions are expected to be completed in Q1-21 and Q2-21 respectively. Property values in both transactions are set at or above latest valuation by external expert (Newsec). A possible net positive effect will be incorporated in Q1-21.

Further the Group invested in a new property located at Fornebu, Lysaker in January 2021. The property is approx. 8400 sqm with potential for both short-term and long-term value creation. With several new leases agreed after takeover we expect a net positive influence in Q1-21.



Photo: Ivar Kvaal

FINANCIAL STATEMENTS

R8 PROPERTY ASA

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Statement of income 1 January to 31 December

All amounts in NOK thousand

	Note	2020	2019
Revenue		13 792	9 805
Total operating income		13 792	9 805
Cost of goods sold		193	5
Payroll expenses	2	20 580	8 676
Depreciation expenses		116	69
Other operating expenses	2	16 085	10 047
Total operating costs		36 973	18 797
Operating profit		-23 181	-8 993
Income from subsidiaries	9	1 901	-
Other financial income	9	2 024	2 631
Other financial expenses	9	-11 139	5 348
Net financial items		-7 213	-2 717
Profit before tax		-30 395	-11 710
Income tax expense/ -income	3	-4 131	-1 856
Profit for year		-26 263	-9 854
Allocated as follows			
Dividend		-	-
Transferred to other equity	8	-26 263	-9 854
Total allocated		-26 263	-9 854

Balance sheet Assets

All amounts in NOK thousand

	Note	2020	2019
NON-CURRENT ASSETS			
Deferred tax asset	3	3 504	-
Intangible assets	4	593	474
Total intangible assets		4 097	474
Other operating assets		22	-
Total property, plant and equipment		22	-
Investments in subsidiaries	10	371 160	382 131
Loans to group companies	5	63 369	-
Investments in JV's and associated companies		75 000	-
Investments in shares		30 508	-
Other long-term receivables			
Total financial assets		540 037	382 131
TOTAL NON-CURRENT ASSETS		544 156	382 604
CURRENT ASSETS			
Trade receivables		3 371	2 543
Other receivables		1 795	374
Loans to group companies	5	1 901	31 888
Total current receivables		7 068	34 805
Cash and bank deposits	7	6 250	23 917
TOTAL CURRENT ASSETS		13 318	58 722
TOTAL ASSETS		557 474	441 326

Balance sheet Equity and liabilities

All amounts in NOK thousand

	Note	2020	2019
EQUITY			
Paid-in equity	8	4 930	4 930
Share premium	8	196 792	196 792
Other paid-in equity	8	186 656	180 736
Total paid-in equity		388 378	382 458
Retained earnings	8	-30 946	-4 683
Total retained earnings		-30 946	-4 683
TOTAL EQUITY		357 432	377 775
LIABILITIES			
Deferred tax liability	3	-	628
Convertible loans		40 979	-
Liabilities to financial institutions		15 000	-
Liabilities to group companies	5	96 250	-
Total non-current liabilities		152 229	628
Trade creditors		6 010	2 070
Liabilities to group companies	5	3 010	58 786
Liabilities to financial institutions		5 109	-
Public duties payable		838	668
Other short-term liabilities		32 846	1 400
Total current liabilities		47 813	62 924
TOTAL LIABILITIES		200 042	63 552
TOTAL EQUITY AND LIABILITIES		557 474	441 326

Notes 1 through 11 form an integral part of the financial statements.

Porsgrunn, 26 March 2021
Board of Directors for R8 Property ASA

Legally signed by
George Emil Aubert
26.03.2021

George Emil Aubert
Chair of the Board

Legally signed by
Knut Bråthen
26.03.2021

Knut Bråthen
Board member

Legally signed by
Elin Tufte Johansen
26.03.2021

Elin Tufte Johansen
Board member

Legally signed by
Leif Oddvin Jensen
26.03.2021

Leif Oddvin Jensen
Board member

Legally signed by
Marianne Lie
26.03.2021

Marianne Lie
Board member

Legally signed by
Emil Eriksrød
26.03.2021

Emil Eriksrød
CEO

Legally signed by
Christina Sundby
26.03.2021

Else Christina Maria Sundby
Board member

Legally signed by
Runar Rønningen
26.03.2021

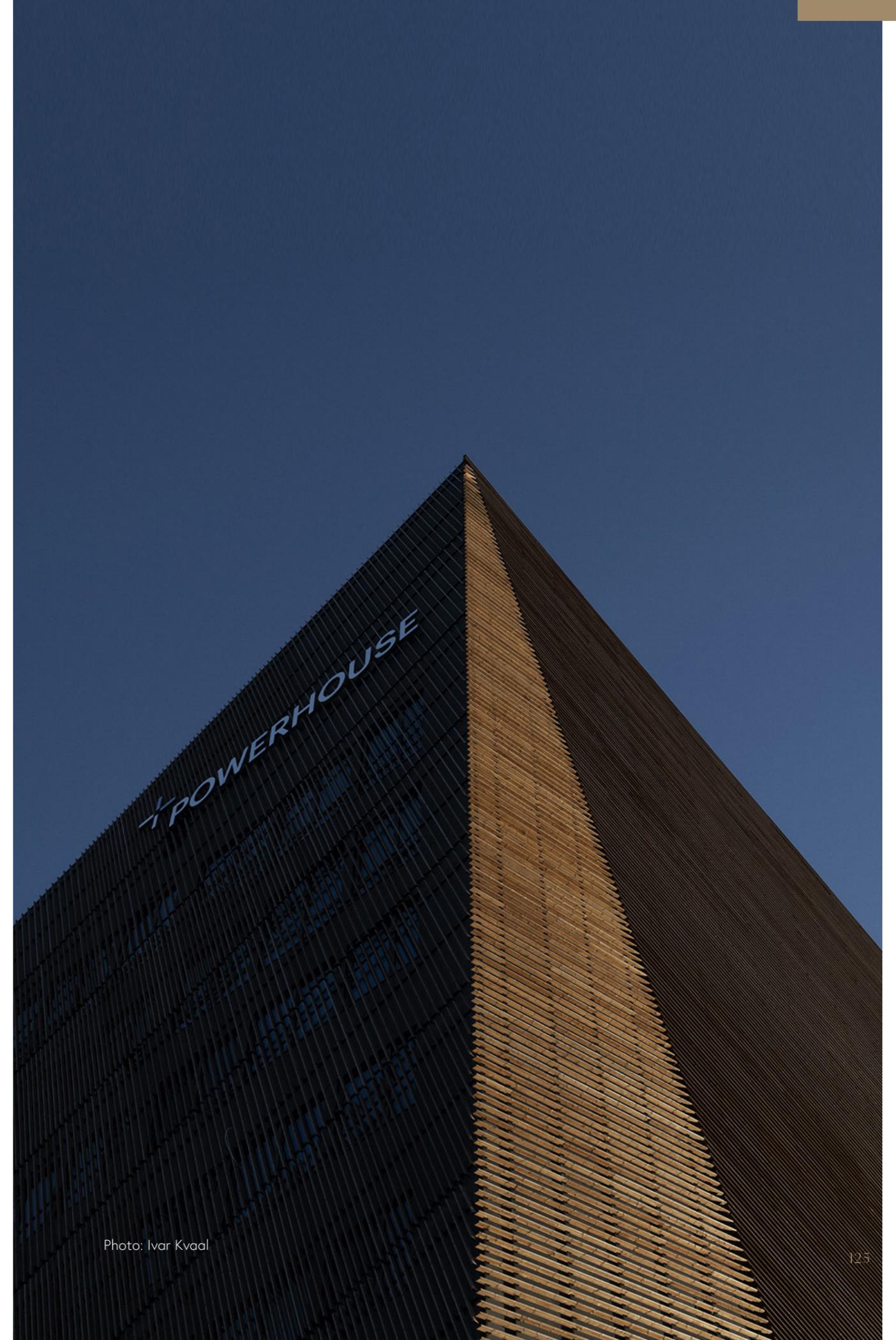
Runar Rønningen
Board member

Statement of cash flows

1 January to 31 December

All amounts in NOK thousand

	Note	2020	2019
Profit before tax		-30 395	-11 710
Write-down shares in subsidiaries	9	5 186	4 500
Other adjustments		5 920	-
Depreciation and amortisation	4	116	69
Change in trade creditors and trade debtors		3 112	231
Change in other provisions		-2 138	804
Net cash flow from operating activities		-18 199	-6 106
Proceeds from sales of stocks /fixed assets		25 000	-
Purchase of business net of cash	10	-130 548	-45 244
Purchase of intangible assets and other plant and equipment	4	-254	-457
Net cash flow from investment activities		-105 802	-45 701
Net change in liabilities from group companies	5	14 857	-58 112
Interest-bearing debt		60 979	-
Proceeds from equity	8	-	130 086
Cost of equity transactions	8	-	-908
Seller credit		30 497	-
Net cash flow from financing activities		106 333	71 066
Change in cash and cash equivalents		-17 668	19 259
Cash and cash equivalents at beginning of period		23 917	4 658
Cash and cash equivalents at end of period		6 250	23 917



SUMMARY OF NOTES

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NOTE 1 ACCOUNTING POLICIES

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Investment in subsidiaries, associates and joint ventures

Subsidiaries are all entities which the Group exercises control of financial and operating policies, normally through ownership of more than half the capital with voting rights. Associates are companies over which the Group has significant influence but not control. Significant influence normally exists where the Group's investment represents between 20 and 50 per cent of the capital with voting rights.

The cost method is applied to investments in subsidiaries and associates in the company accounts. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's installment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes). Deferred tax is reflected at nominal value.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on bank accounts and net deposits in the group account scheme. The difference in net deposits in the company's account in the group account scheme and net deposits in the group account scheme for the Group overall will be presented as intercompany balances.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

NOTE 2 PERSONNEL COSTS AND OTHER REMUNERATION

All amounts in NOK thousand

	2020	2019
Wages and salaries	11 072	6 801
Employer options	5 920	-
Social security costs	2 509	1 022
Pension costs defined contribution plan	798	417
Other remuneration	281	436
Total	20 580	8 676
Number of full-time equivalents	9,0	5,0
Number of employees at 31.12	11,0	7,0

The Group's pension scheme satisfies the requirements of the Norwegian Act on Compulsory Occupational Pensions. No loans/sureties have been granted to the CEO, Chair of the Board or other related parties.

The total remuneration of the CEO consists of a fixed package of salary and benefits supplemented by pension and insurance arrangements. The CEO also has a severance package of twelve months salary upon resignation.

SENIOR EXECUTIVE AS AT 31.12.2020

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	1 717 184	-	14 957	120 203	1 852 343
Eirik Engaas, CFO	1 315 405	-	8 609	92 078	1 416 092

BOARD FEES

	2020	2019
George Emil Aubert, Chair	200	200
Tommy Thovsland, board member (resigned during 2020)	56	75
Eise Christina Maria Sundby, board member	75	75
Knut Bråthen, board member	75	75
Leif Oddvin Jensen, board member	75	75
Runar Rønningen, board member	75	75
Emil Eriksrød, board member (resigned during 2019)	-	100
Øivind Gundersen, board member (resigned during 2019)	-	25
Total	556	700

AUDITOR'S FEE

	2020	2019
Statutory audit	281	180
Other assurance services	1 557	644
Total auditor's fee (excl. VAT)	1 838	824

NOTE 3 TAX

All amounts in NOK thousand

	2020	2019
INCOME TAX EXPENSE	3	-
Tax payable	-	-
Change in deferred tax on profit and loss	5	-4 131
Income tax expense	-4 131	-1 856
TEMPORARY DIFFERENCES	2020	2019
Profit and loss account	-	-
Interest rate swap	-	-
Net temporary differences	179	13 943
Tax losses carried forward	-16 106	-11 091
Basis for deferred tax	-15 927	2 852
Deferred tax	-3 504	628
Deferred tax in the balance sheet	-3 504	628

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2020	2019
Profit before tax	-30 395	-11 710
Cost of equity transactions directly in equity	-	-908
Other permanent differences	11 615	4 812
Changes in temporary differences	13 764	-88
Changes in loss carry-forwards	-	-
Profit for tax purposes	-5 015	-7 895

Tax payable on the balance sheet	-	-
Tax payable on the balance sheet	-	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020	%	2019	%
Profit for accounting purposes multiplied by nominal tax rate	-6 687	22	-2 576	22
Tax on permanent differences	2 555	-8	859	-5
Effect of change in tax rate from 23 per cent to 22 per cent	-	-	-	-
Tax expense for accounting purposes	-4 131	14	-1 717	17

From the income year 2020 the tax rate on normal income is 22 per cent.

NOTE 4 INTANGIBLE ASSETS

All amounts in NOK thousand

	2020	2019
	Software	Software
At 1 January	474	62
Cost	474	62
Accumulated depreciation	-	-
Net book amount	474	62
Year ended 31 December		
Opening net book amount	474	62
Additions	232	480
Disposals	-	-
Transfer from investment property	-	-
Depreciation charge	-112	-69
Closing net book amount	593	474
Economic life	5 year	5 year
Depreciation plan	Linear	Linear

NOTE 5 BALANCE WITH GROUP COMPANIES

All amounts in NOK thousand

LOANS TO GROUP COMPANIES

	2020		2019	
	Long term	Short term	Long term	Short term
R8 Urban Estate AS	21 935	-	-	2 526
R8 Group AS	13 170	-	-	-
Orbit Technology AS	1	-	-	-
R8 Hotels AS	5 706	-	-	2 962
R8 Technology AS	8 034	86	-	-
R8 Home AS	1 998	-	-	5 423
R8 Project AS	12 526	-	-	6 880
R8 Consulting Group AS	-	-	-	116
Østveien 665-667 AS	-	-	-	13 981
R8 Management AS	-	1 816	-	-
Total	63 369	1 901	-	31 888

LIABILITIES TO GROUP COMPANIES

	2020		2019	
	Long term	Short term	Long term	Short term
Rådhusgata 2 Skien AS	18 819	-	-	15 385
HIG 40-42 Prosjekt AS	338	-	-	-
Valore AS	34 381	-	-	139
R8 Office AS	34 407	-	-	3 410
R8 Management AS	8 305	-	-	2 535
R8 Group AS	-	-	-	16 455
Østveien 665-667 AS	-	-	-	13 981
Porsgrunn Næringspark AS	-	-	-	6 880
R8 Home AS	-	2 000	-	-
R8 Projects AS	-	1 000	-	-
R8 Technology AS	-	10	-	-
Total	96 250	3 010	-	58 786

R8 Property has given group contribution to R8 Home AS, R8 Projects AS and R8 Technology AS in 2020 for the amount of tNOK 3 010.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

R8 Property ASA has sold 25% of the shares in R8 Evolve AS for the amount of mNOK 25 to Alligate AS, which is partly owned by R8 Group AS and Brødrene Jensen AS.

NOTE 7 BANK DEPOSITS

All amounts in NOK thousand

	2020	2019
Bank deposits	5 712	23 633
Tied bank deposits	538	284
Total bank deposits	6 250	23 917

NOTE 8 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 4,930,160 divided into 19,720,640 shares, with each share having a par value of NOK 0,25. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Neither R8 Property nor any of its subsidiaries directly or indirectly owns shares in the Company.

As of 31 December 2020 R8 Property had 51 shareholders. Norwegian investors held 100 per cent of the share capital.

The table below (and on the next page) sets out the change in share capital, the average number of shares the last year, the largest shareholders at year end, and shares owed by directors as of 31 December 2020.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Retained earnings	Total
At 1 January	1 972 064	4 930	196 792	180 736	-4 683	377 775
Stock split as of 29.10.2020 1)						
Old shares being replaced	-1 972 064	-4 930	-196 792	-180 736	4 683	-377 775
New shares issued	19 720 640	4 930	196 792	180 736	-4 683	377 775
Profit for the year	-	-	-	-	-26 263	-26 263
Share based options	-	-	-	5 920	-	5 920
At 31 December 2020	19 720 641	4 930	196 792	186 656	-30 946	357 432

Paid-in capital amounts to tNOK 388,378 and consists of tNOK 4,930 in share capital, tNOK 196,186656 in share premium and tNOK 186,656 in other paid-in capital.

The shareholders as registered as of 31 December 2020 were as follows:

	Number of shares per 31.12.2020	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO	9 774 547	49,57	Norway
Brødrene Jensen A/S, represented by Leif Oddvin Jensen - board member	2 697 110	13,68	Norway
IKAB AS, represented by Knut Bråthen - board member	1 791 980	9,09	Norway
Sarepta Holding AS, represented by Runar Rønningen - board member	550 000	2,79	Norway
Carucel Invest AS, connected to Else Christine Maria Sundby - board member	476 190	2,41	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	405 000	2,05	Norway
RP Holding AS	363 500	1,84	Norway
Kabbe Holding AS	350 000	1,77	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	325 000	1,65	Norway
Østerlid AS	219 400	1,11	Norway
Gambetta AS	200 000	1,01	Norway
Thovsland Holding AS	200 000	1,01	Norway
Carl Erik Krefting, connected to Else Christine Maria Sundby - board member	154 160	0,78	Norway
Jan Henrik Krefting	154 160	0,78	Norway
Børseth-Hansen AS	145 800	0,74	Norway
Spartveit Invest AS	140 700	0,71	Norway
Goldcrest AS	136 670	0,69	Norway
ET-Invest AS	126 000	0,64	Norway
Røinås Holding AS	118 053	0,60	Norway
Heimberg Holding AS	115 000	0,58	Norway
Caba Holding AS	100 000	0,51	Norway
Stensrød Invest AS	100 000	0,51	Norway
Sundvall Invest AS	100 000	0,51	Norway
Lucky-Holding AS	100 000	0,51	Norway
Freezing Point Invest AS	100 000	0,51	Norway
Sonja og Emil Aubert Legat, represented by George Emil Aubert - Chair	97 000	0,49	Norway
Castra Invest AS	59 000	0,30	Norway
Handlekraft Holding AS, represented by Elin Tufte Johansen - board member	57 000	0,29	Norway
Frii AS	53 000	0,27	Norway
Eråk Holding AS	50 000	0,25	Norway
Skarven Industrier AS	50 000	0,25	Norway
Kornveien 5 AS	50 000	0,25	Norway
Magne Georg Sigurdson	40 000	0,20	Norway
Marit Sigurdson	40 000	0,20	Norway
Paragon Holding AS	32 000	0,16	Norway
AM Capital AS	30 000	0,15	Norway
Løbert Invest AS	30 000	0,15	Norway
Fjeld Holding AS	28 000	0,14	Norway
Habiqo AS	26 500	0,13	Norway
Bauta Invest AS	20 000	0,10	Norway
Jhk Invest AS	16 220	0,08	Norway
Carucel Holding AS, connected to Else Christine Maria Sundby - board member	16 220	0,08	Norway
Masiw Holding AS	15 000	0,08	Norway
Giraffa AS, represented by Else Christine Maria Sundby - board member	15 000	0,08	Norway
Leif Morten Stølen	12 000	0,06	Norway
Jor Holding AS	10 000	0,05	Norway
Roger Finnstrøm	9 500	0,05	Norway
Roberto Holding AS	8 000	0,04	Norway
Thomas Tollefsen	5 300	0,03	Norway
Glott Eiendom AS	5 000	0,03	Norway
Christen Knudsen	2 630	0,01	Norway
Total	19 720 640	100	

EMPLOYER OPTIONS

Under the current share-options scheme share options of the parent are granted to senior executives of the parent. These options to purchase shares were granted during the fiscal year of 2020 at an exercise price equal to the market price of the underlying shares on the date of the grant. The options granted senior executives gives the right to exercise the option immediately, but limited to certain time intervals in regards to the Group's reporting dates. There is no specific conditions that has to be met in order to exercise the options. On the other hand, if the senior executive decides to leave the Group, the options granted can no longer be exercised.

The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model. The fair value takes into consideration the exercise price settled to market price of the Group at the start of the grant period, the market value at the reporting date, risk free rate, dividend yield, volatility and the length of the share options. The fair value of the options are expensed in the profit and loss statement.

	2020			2019		
	No. of options	Exercise price ¹⁾	Last exercisable date	No. of options	Exercise price	Last exercisable date
Outstanding at 1 January	-	-	-	-	-	-
Granted during the year	350 000	30,55	31.10.2023	-	-	-
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	350 000	30,55	31.10.2023	-	-	-

1) The exercise price outlined above is a weighted average of all exercise prices of each options granted.

Total fair value of the outstanding share options at the reporting date is mNOK 5,9 (excl. social security costs). The following conditions has been used when assessing the fair value through the BS-model:

	Option 1	Option 2	Option 3
△ Range of exercise prices for options	7.56	17.72	37.72
△ Current stock price (EPRA NAV)	42.63	42.63	42.63
△ Expected volatility	31.70%	31.70%	31.70%
△ Risk-free interest rate	0.77%	0.77%	0.77%
△ Dividend yield	0.00%	0.00%	0.00%
△ Fair value (mNOK)	1.8	1.3	2.9

The Group has granted the CEO, CFO and one board member each 50 000 options with an exercise price of NOK 37.72. Each option gives the right to buy one share. The share options granted in 2020 to the aforementioned executives has a maturity to 31.10.2023.

NOTE 9 SPECIFICATION OF FINANCIAL INCOME AND EXPENSES

All amounts in NOK thousand

FINANCIAL INCOME	2020	2019
Group contributions from subsidiaries	1 901	0
Interest income from group companies	2 018	2 574
Other interests income	6	58
Total financial income	3 925	2 631
FINANCIAL EXPENSES	2020	2019
Interest expenses to group companies	3 505	569
Other interests expenses	2 306	280
Write-downs of investment in subsidiaries	-	4 500
Other financial expense	5 328	-
Total financial expenses	11 139	5 348

NOTE 10 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2020.

SUBSIDIARY OF R8 PROPERTY ASA

	Business office	Equity interest %	Result 31.12.2020	Equity 31.12.2020
R8 Management AS	Porsgrunn	100	1 428	1 604
Rådhusgata 2 Skien AS	Porsgrunn	100	153	114
R8 Office AS	Porsgrunn	100	-1 095	141 924
R8 Urban Estate AS	Porsgrunn	100	-4 118	98 807
R8 Hotels AS	Porsgrunn	100	-87	34 503
Valore AS	Porsgrunn	100	423	37 334
R8 Home AS	Porsgrunn	100	-1 280	2 789
R8 Project AS	Porsgrunn	100	-576	441
HIG 40-42 Prosjekt AS	Porsgrunn	100	-2 838	22 747
R8 Technology AS	Porsgrunn	100	72	40

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

(all of which has business office in Porsgrunn and 100% voting rights except Dokkvegen Utvikling AS, Orbit Technology AS, Vestside Terrasse AS and Kammerherreløkka AS, see below)

R8 Office AS Grønlikroken 5 AS Torggata 8 Skien AS Versvikveien 6B AS Storgata 106 AS Hesselberggaten 4 AS Porsgrunn Næringspark AS Dokkvegen 9 AS Vinkelbygget AS HE-Kjellevieien AS Kongensgate 20A AS Dokkvegen 11 AS	R8 Urban Estate AS Tollboden AS Østveien 665-667 AS Mullighetenes By AS --- Nedre Hjellegate 11 AS --- Henrik Ibsensgate 6 AS	Valore AS Bedriftsveien 52/58 AS Rødmyrli 20 AS Storgata 171-175 AS Vipeveien 51 AS	HIG 40-42 Prosjekt AS Henrik Ibsens gate 40-42 Oslo AS	R8 Projects AS Dokkvegen Utvikling AS *) --- Dokkvegen 20 AS **) R8 Prosjektselskap 3 AS
	R8 Hotels AS Kammerherreløkka AS ***)	R8 Technology AS Orbit Technology AS****)	R8 Home AS Utsikten 1 AS Vestside Terrasse AS****)	

*) R8 Projects AS owns 50% of the shares in Dokkvegen Utvikling AS. Voting rights equivalent ownership. The remaining shares is owned by Dione AS.

**) Dokkvegen 20 AS owns the development project Polymer Exploration Center.

***) R8 Hotels AS owns 50% of the shares in Kammerherreløkka AS. Voting rights equivalent ownership. The remaining shares is owned by Bane Nor Eiendom AS.

****) R8 Home AS owns 50% of the shares in Vestside Terrasse AS. Voting rights equivalent ownership. The remaining shares is owned by Mynd Eiendom AS.

*****) R8 Technology AS owns 50% of the shares in Orbit Technology AS. Voting rights equivalent ownership. The remaining shares is owned by Alligate AS.

The Group is considered having control of companies in which the Group holds 50% of the shares, namely Orbit Technology AS, Vestside Terrasse AS, Dokkvegen Utvikling AS and Kammerherreløkka AS. These companies are being fully consolidated as a consequence of the assessment of control.

NOTE 11 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

R8 Property's tenant portfolio is diversified in number of tenants as well as in business sectors and segments. Public tenants make up approx. 25% of the group's rental income, another approx. 25% of our revenue comes from large private tenants within banking, telecom, insurance etc.

Our tenant portfolio is divided into five different segments/industries: Office, Hotels, Food & Beverage, Healthcare and Retail – with Office as the majority at approx. 70 percent of the revenue. Retail, Food & Beverage and Hotels are the segments experiencing the greatest effect from the pandemic, our expectations are that Food & Beverage will rebound in line with declining social limitations while we expect Hotels and Retail segments to be difficult for an extended period of time. Property values within our Office segment are considered strong, especially due to public and large private tenants. Hotels and retail are the segments we experience is affected the most of the pandemic, with future uncertainty in travel, conventions and shopping habits – although we believe that future uncertainty is already reflected in existing property values.

In Q1 2021 the Company has agreed in principle to divest two properties in the portfolio to external parties. The transactions are expected to be completed in Q1-21 and Q2-21 respectively. Property values in both transactions are set at- or above latest valuation by external expert (Newsec). A possible net positive effect will be incorporated in Q1-21.

Further the Group invested in a new property located at Fornebu, Lysaker in January 2021. The property is approx. 8400 sqm with potential for both short-term and long-term value creation. With several new leases agreed after takeover we expect a net positive influence in Q1-21.



Photo: THT Foto

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of R8 Property ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of R8 Property ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Porsgrunn, 26 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Bård Erik Pedersen
State Authorised Public Accountant (Norway)

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	2020 / 31.12.2020	2019 / 31.12.2019
EPRA Earnings per share (EPS)	NOK	-0,8	0,4
EPRA NAV per share	NOK	42,6	40,7
EPRA NNNAV per share	NOK	40,8	37,8

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 adjusted for non-controlling interests, 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

	2020	2019
Profit for period/year	-26 771	59 177
Add:		
Changes in value of investment properties	46 726	-78 664
Tax on changes in value of investment properties ¹⁾	-10 280	17 306
Changes in value of financial instruments	-26 628	-509
Tax on changes in value of financial instruments ¹⁾	-5 248	112
Share of profit jointly controlled entities - fair value adjustments	6 882	-
Reversal of deferred tax EPRA adjustments jointly controlled entities ¹⁾	-	-
Net income non-controlling interest of subsidiaries	-211	13 347
Reversal of tax non-controlling interests of subsidiaries ¹⁾	45	-2 936
Change in tax rate ¹⁾	-	-
EPRA Earnings	-15 485	7 832

¹⁾ 22 per cent from 2020 and 22 per cent for 2019.

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

	31.12.2020	31.12.2019
NAV - book value of equity	761 300	778 131
Less: Non-controlling interest	-52 919	-64 663
Deferred property tax	150 058	79 395
Fair value of financial derivative instruments	-18 815	9 196
EPRA NAV	839 625	802 060
Market value on property portfolio	2 436 000	2 409 000
Tax value on property portfolio	1 352 105	1 455 350
Basis for calculation of tax on gain on sale	1 083 895	953 650
Less: Market value of tax on gain on sale (5 per cent tax rate)	54 195	47 683
Net market value on financial derivatives	-10 972	11 789
Tax expense on realised financial derivatives ¹⁾	-7 842	-2 594
Less: Net result from realisation of financial derivatives	-18 815	9 196
Book value of interest bearing debt	1 724 414	1 581 274
Nominal value of interest bearing debt	1 724 414	1 581 274
Basis for calculation of tax on realisation of interest bearing debt	-	-
Less: Market value of tax on realisation	-	-
EPRA NNNAV	804 245	745 182

¹⁾ 22 per cent from 2020 and 22 per cent for 2019.

DEFINITIONS

Annual rent	The contractual annual rent from the properties of the Group including forward starting contracts and excluding any market contribution.
Cash earnings	Result from property management less payable tax.
Contractual rent	Annual cash rental income being received as of relevant date.
EPRA Earnings	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. EPRA earnings are intended to give an indication of the underlying development in the property portfolio.
EPRA NAV	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 NAV is to demonstrate the fair value of net assets given a long-term investment horizon.
EPRA NNNAV	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. 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.
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.



