



R8 Property ASA

Annual report 2021

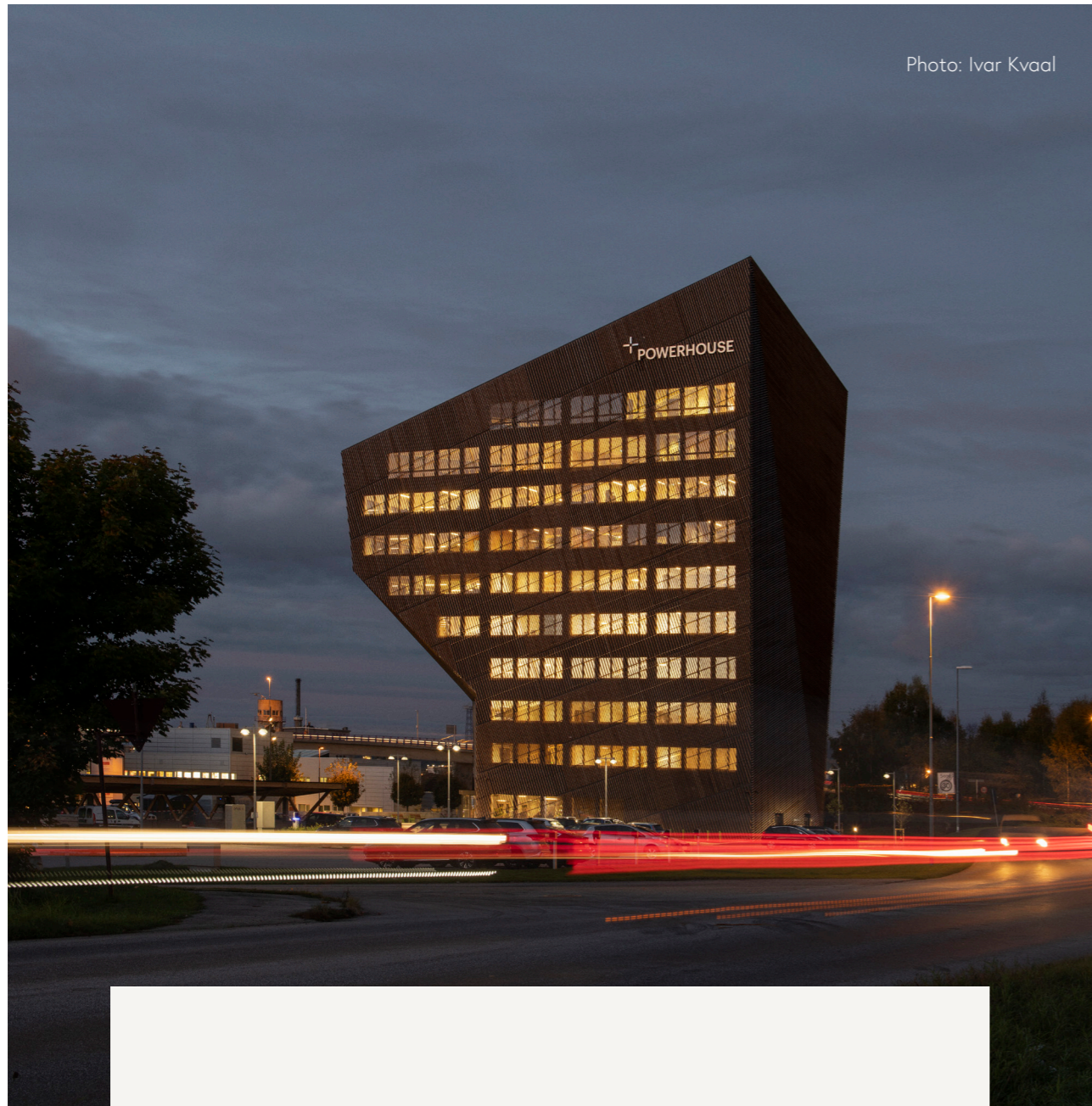


R8 Property ASA
ANNUAL REPORT 2021

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Photo: Ivar Kvaal



This is R8 Property

R8 Property ASA is a full-service property company focused on developing, owning and managing large, sustainable buildings located at central hubs. The company is one of the leading developers of sustainable properties in Norway, and it was ranked #1 in the Norwegian Tenant Index for six consecutive years (2015-2020). At 31 December 2021 the Group had 34 employees.

R8 Property ASA ('the Group') is organized with R8 Property ASA ('the Company') as the mother company, which has 37 subsidiaries. The headquarter is situated in Powerhouse Telemark in Porsgrunn, one of the world's most energy efficient and sustainable buildings. This is the Group's flagship, and we have two more Powerhouse in the pipeline.

The Group was established in 2010 by Emil Eriksrød, and has built a solid property portfolio in Skien, Porsgrunn, Sandefjord, Tønsberg, Bærum and Oslo. The portfolio consists of 24 properties and 6 projects, with a total of 108 966 sqm (31 December 2021) and a property value of 2.7 NOK billion. The properties are owned by R8 Property through single-purpose companies. The occupancy rate is 87.8 per cent, and the average lease contract is for 7.3 years.

R8 Property ASA was listed on Euronext Growth Oslo on 9 June 2021, with an associated fully subscribed private placement. At 31 December 2021 the Group had 178 shareholders, of which Norwegian investors held 99.9 per cent of the share capital. The main purpose of the group's structure is to have flexibility in the future when the Group is aiming 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.

Our tenant portfolio is divided into five different industries/segments: Office, Hotels, Food & Beverage, Healthcare and Retail – with Office as the majority at approximately 83 per cent of the revenue. R8 Property's tenant portfolio is diversified in number of tenants as well as in business sectors and segments. Public tenants make up approximately 25 per cent of the Group's rental income, another approximately 25 per cent of our revenue comes from large private tenants within banking, telecom, insurance and professional services etc.

R8 Property has financial and strategic partnerships with well-renowned partners, such as Bane NOR Eiendom and Nordic Choice Hotels.

R8 Evolve AS

The Group has investments in R8 Evolve with ownership shares of 75 per cent. As of 31 December 2021 the investment had a book value of NOK 41.7 million. In the fourth quarter of 2021 an external valuation was performed, and the company was estimated to NOK 195 million (100 per cent basis). In December 2021 the Group made an agreement to acquire the remaining shares of R8 Evolve, increasing the ownership by 25 per cent. As of 1 January 2022 the Group has 100 per cent ownership and control of the company.

Evolve offers flexible workplaces with access to 27 locations. To meet the office users changed behaviour needs after Covid-19, R8 Property has launched R8 Hybrid. R8 Hybrid is a combination of an ordinary, permanent lease and a membership in Evolve Business Space. The benefits are many: The employer keeps their environment, meeting points and predictability that comes with a traditional office; the employees get flexibility to work efficiently where they want and reduced commuting time. In addition, users get access to video conferencing and beautiful meeting rooms, all closer to where people live. For R8 Property, this is a unique tool and competitive advantage, that adapts to the "new normal" in working life, post-Covid. Many companies can manage with fewer fixed square meters, when a possible shortage of space in "peak hours" can be covered through access to available capacity in Evolve.



Orbit Technology AS

In addition, the Group has investments in Orbit Technology with ownership shares of 30.5 per cent. Orbit Technology offers a two-sided technology platform for supply and demand of office space. The subscription-based platform matches free office space with market needs in real time. The technology also ensures that the buildings are smarter through simpler access control and user administration. The Group's investment in Orbit Technology is considered a joint venture with a book value of NOK 11.9 million as of 31 December 2021 (includes booked loan for conversion). Latest transaction in Q4 2021 implied a total fair value of Orbit Technology at NOK 150 million.

This autumn, Orbit Technology established a US subsidiary called Getorbit.com LCC. to get a presence in the US market.

Skien Brygge Utvikling AS

The Group also has an ownership of 25 per cent of Skien Brygge Utvikling and this investment is considered as investment in associate. Skien Brygge is a long-term project which involves the development of both residential and commercial properties. The development project is structured in three phases, and the Group has signed a letter of intent for phase two and three of the project with the same ownership as phase one. The project is going as planned and commencement of phase one is expected in the second quarter of 2022 following a completion in Q1 2025. The development of phase two and three last phases is estimated in the period from 2025 to 2033.

As of 31 December 2021 the investment had a book value of NOK 3 million. Newsec has presently valued phase one of the project at NOK 75 million (100 per cent basis).

Sandefjord Eiendomsinvest AS

R8 Property and a group of investors own Sandefjord Eiendomsinvest AS. The company owns the property known as Nordre Fokserød 14 in Sandefjord.

Status ongoing projects

R8 Property started building Polymer Exploration Centre in Porsgrunn in Q2 2020. This building is a global, specialized research and technology center towards polymer/plastic research with one tenant in Norner AS (part of SCG Chemicals). Polymer Exploration Centre has been granted 'Katapult' status from SIVA (Selskapet for industrivekst SF). The building has been handed over to the tenant Norner.

Inkognito Park in Oslo is undergoing an internal reconstruction leaving nothing but the facade and a few historically important elements untouched. The property is fully let to Evolve and 24SevenOffice. The demolition of internal floors and walls are finalized and a design and

build contract has been agreed with AF Byggfornyelse on the rebuild.

Fornebuveien 1-3 in Bærum is a rehabilitation project of a 1980's office building. The building consist of three vertical volumes with four office floors in each volume. In total eight floors are under rehabilitation. Evolve and Schlumberger are tenants.

Slottsfjell Park in Tønsberg is a feasibility study which R8 Property carried out together with Snøhetta, Skanska, Asplan Viak and Rambøll to determine the possibility of building a Powerhouse Paris Proof office building. The feasibility study consisted of three buildings – all of them were planned as Paris Proof. A planning initiative has been sent to the planning authorities. The initiative was rejected. A new initiative will be submitted after Tønsberg kommune area planning has concluded. LOI are signed with Capitane Hotels, Rambøll Norge and Evolve.

Key figures

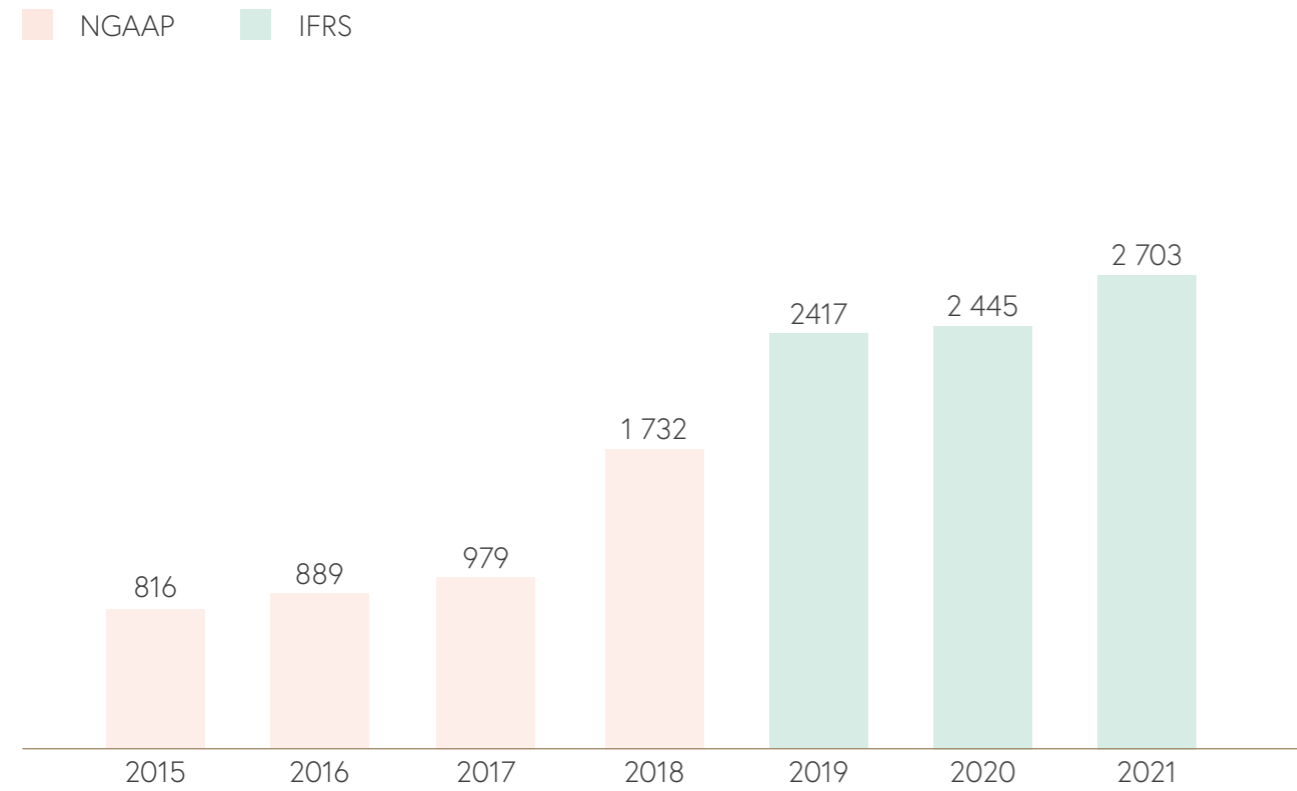
OPERATIONAL	31.12.2021	31.12.2020
Market value of property portfolio (tNOK)	2 703 434	2 445 360
Fair value of property portfolio including other investments (tNOK) *	2 942 354	2 569 952
Total area (gross sqm)	108 966	108 093
Occupancy rate of management portfolio (%)	87.8	87.5
WAULT (years)	7.3	7.2
FINANCIAL		
Rental income (tNOK)	120 576	114 153
Profit before unrealised value adjustments and tax (tNOK)	-37 296	-25 011
Profit before tax (tNOK)	111 858	-45 109
Profit after tax (tNOK)	79 271	-26 771
EPRA Earnings (tNOK)	11 336	-15 485
Net cash flow from investment activities (tNOK)	-186 504	-218 182
Net nominal interest-bearing debt (tNOK)	1 785 287	1 724 414
Debt ratio of property portfolio (LTV) (%)	66.0	70.5
Debt ratio (LTV) of property portfolio incl. other investments (%) *	60.7	67.1
Interest coverage ratio (ICR) (%)	0.6	0.6
Equity ratio (%)	32.4	28.0
NUMBERS PER SHARE		
Fair value (EPRA NRV incl. fair value adjustment)* (NOK)	52.1	43.8
EPRA NRV (NOK)	45.1	43.8
EPRA NTA (NOK)	42.3	41.1
EPRA NDV (NOK)	37.4	35.6
Earnings (NOK)	2.1	-0.6
EPRA Earnings (NOK)	0.5	-0.8
Cash earnings (NOK)	-1.3	-0.9
Number of shares **	21 694 324	19 720 640

* Including fair value of investments in jointly controlled entities, associates and shares. Fair values as of 31.12.21 are based on third party transactions and valuations performed in 2021. Fair values as of 31.12.20 are based on third party transactions.

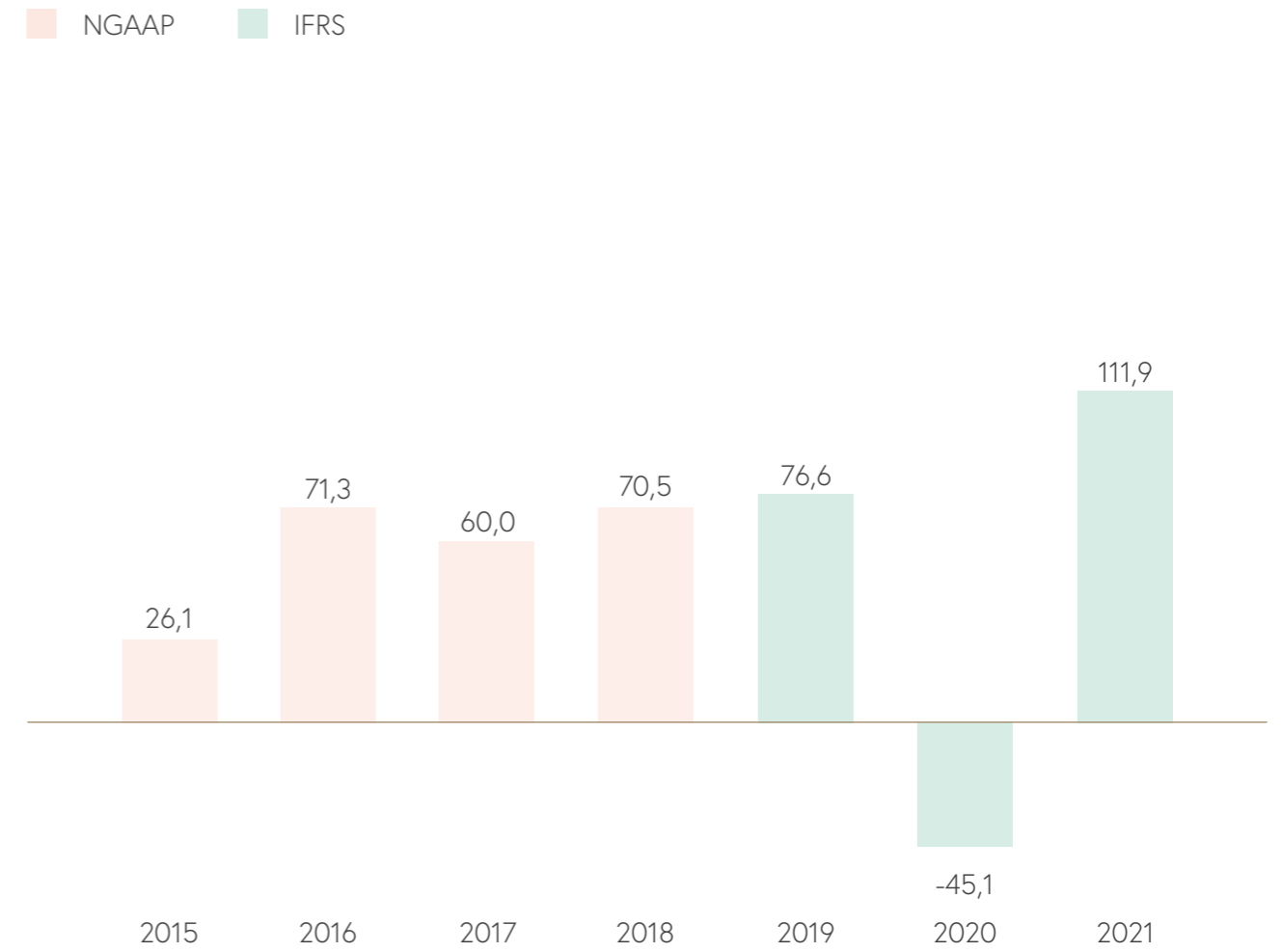
** The number of outstanding shares increased from 19 720 640 per 31.12.20 to 21 694 324 per 31.12.21 as a result of R8 Property ASA being listed on Euronext Growth Oslo in June 2021.

KEY FIGURES

Market value of property portfolio (NOK million)



Result 2021 (NOK million)



7.3 years

*Unexpired lease terms
(weighted average)*

161.8 mNOK

Gross rent per year

87.8%

Occupancy

108 966 m²

*Total area in
portfolio*

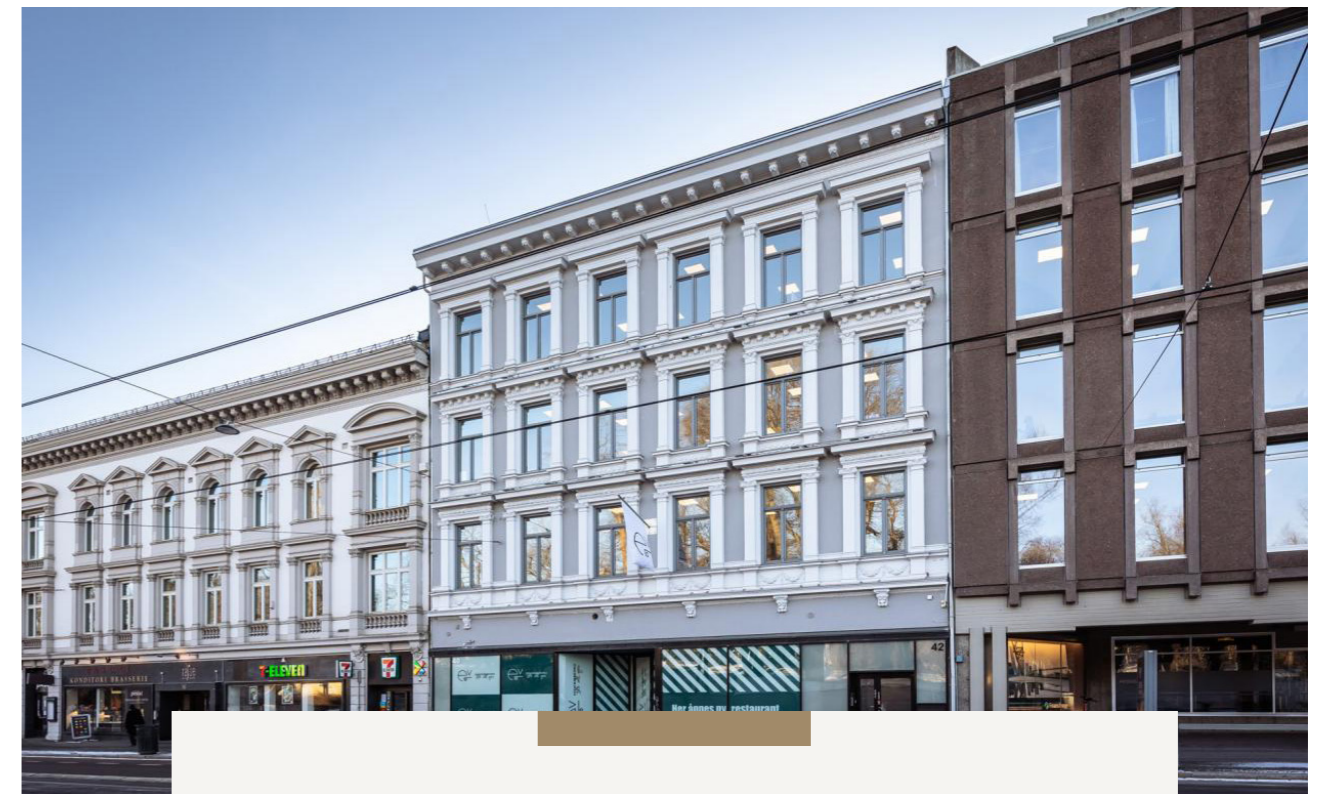
Highlights in 2021

JANUARY

In cooperation with Obos, Orbit launched the new concept Obos Nærkontor. This is an alternative solution to home office, where people can subscribe to a network of office locations in suburban areas in Oslo.

FEBRUARY

Together with Brødrene Jensen AS, R8 Property ASA acquired Fornebuveien 1-3 at Lysaker in Bærum, outside of Oslo. The property has total area of 8300 sqm, and has a very attractive location next to E18 and Lysaker train station.



APRIL

R8 Property ASA sold two classical buildings in Oslo and Skien. Nordea Liv bought Henrik Ibsens gate 40-42 in Oslo, which is a beautiful building from the 19th century, next to the Royal Castle and the National theater.

Rådhusgata 2 in Skien, better known as Eeks gård, was sold to Oslo Capital Partners. Both properties were recently refurbished and almost fully let. The international design and architecture magazine, Frame, published an article of six pages about the interior of Powerhouse Telemark, and how the activitybased workspace gives flexibility and a positive effect for the Group's employees.





MAY

R8 Property engaged Arctic Securities AS and SpareBank 1 Markets AS to advise on and effect a contemplated private placement in the company, and admission to trading on Euronext Growth Oslo. R8 Property has an ambitious growth strategy to double property values to NOK 5 billion by 2023, and a listing was an important step in the company's continued journey.

The ERP success company 24SevenOffice signed a long-term lease at Inkognito Park. The property will be an Evolve location Powered by Orbit, and will be 24SevenOffice's new headquarters, named "24SevenHouse".



JUNE

On 9 June 2021, R8 Property was listed on Euronext Growth Oslo, with an associated fully subscribed private placement of NOK 75 million. The capital will be used for further growth, including two new Power-house projects.

JULY

Skien Brygge Utvikling, which is owned by Bane NOR Eiendom, Skien Boligbyggelag and R8 Property, signed a 20-years lease contract with Comfort Hotel Skien Brygge. The hotel is a franchise of Nordic Choice Hotels. The hotel is designed by A-lab architects, and it will open in 2024. The 137 rooms will have a large variety of room types.



AUGUST

As a result of R8 Property's focus on sustainability, the company took part in a 4-months sustainability project facilitated by Odds Ballklubb and BDO, with numerous other companies in our region. The project began in August, and it ended in November. Out of a total of 10 new employees in 2021, 5 people had their first working day in R8 Property 2nd of August.

SEPTEMBER

As a premium partner of Oslo Business Forum, several of R8 Property's leaders attended OBF's conference "Rethinking Business" at Norway Trade Fairs. Networking and implementable ideas from the speakers is main focus.



NOVEMBER

The new project in Tønsberg, Slottsfjell Park, was launched with new visual identity, website and an inspiring film. The ambition with Slottsfjell Park is to develop one of the world's most sustainable quarters, and will be R8 Property's largest investment of all time.

DECEMBER

R8 Property sold the classical building Storgata 171 – 175 in Porsgrunn to AT Skog. The transaction was a result of R8 Property's strategy to focus further on large, sustainable buildings at central hubs.



Letter from CEO



When I established R8 Property in 2010, I didn't expect the tremendous growth the company would achieve in such a short time. But our high ambitions and big, audacious goals have motivated and inspired both myself and my colleagues all the way.

That's why 9 June 2021 is a milestone in R8 Property's history: The company was listed on Euronext Growth Oslo. After several years with preparations in terms of structuring the organization, it was a big recognition with a fully subscribed private placement before the listing.

Technology, innovation and sustainability.

Through all these years we have been true to our priority areas: Technology, innovation and sustainability.

The world's cities are growing rapidly, and their buildings currently use 25 percent of the world's water, at least 30 percent of the world's energy and account for almost 40 percent of the world's climate emissions. Cities are the front line of the climate fight, and as a property developer we can – and must – take responsibility.

Covid-19 has accelerated the shifts in employees' preferences when it comes to location and digital solutions for a more flexible and efficient working day with less commute. R8 Property acted on this trend early by acquiring and enhancing the flexspace provider Evolve and establishing Orbit, which offers technology solutions that enable office sharing at scale. This is a perfect example of how technology and innovation can contribute to a more sustainable working day.

Evolve has experienced a tremendous and impressive growth through the last year. The company's income and members almost doubled in 2021 and the value of the company was NOK 195 million in the end of 2021.

In addition, R8 Property's results are well in line with our high ambitions, driven by several new lease contracts, and development of our largest projects: Polymer Exploration Centre in Porsgrunn, Inkognito Park in Oslo and Fornebuveien 1 – 3 in Bærum. I'm extremely proud of my colleagues, who have worked hard and determined to achieve these incredible results.

Environmental footprint, innovation and technology are ever more important features for tenants' decision-making process. With our attractive portfolio of sustainable commercial properties centrally located in urban areas and city hubs in Norway, we are well positioned to meet market demand. We are committed to living our strategic goals. In the strategy, we have stated that we will focus on large, sustainable properties located at central hubs. As a result, we put eight properties up for sale this autumn, as these do not fit into this vision. Two of these are sold, and we will continue reviewing our portfolio.

In the year to come, we will strengthen our focus on sustainability through more reporting and sustainable projects. One of our biggest projects will be the completion of Inkognito Park, the building from 1874 with historical value which is developed to a highly technological and inviting Evolve center – Powered by Orbit. In addition, we have two Powerhouses on the drawing board, of which one of them is a part of Slottsfjell Park in Tønsberg – a project which we hope will be the world's first Paris Proof quarter. Also, there are projects we look very much forward to tell you about when the time is ready.

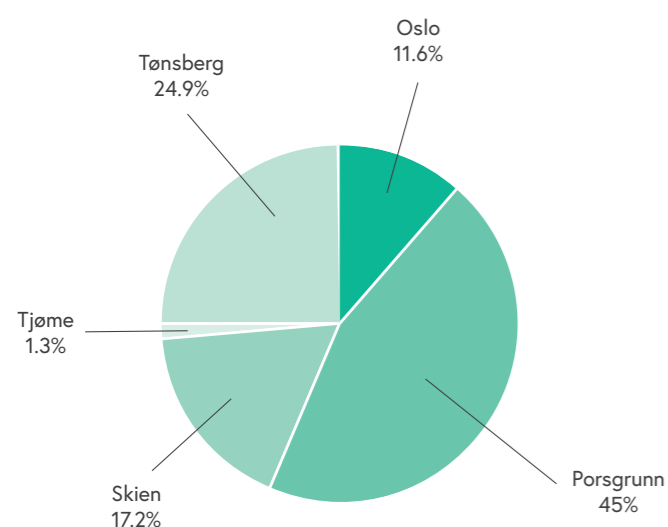
In R8 Property, we have a will to innovate, the ability to be flexible and are concerned with solving new challenges when we meet them. In 2021 we generated a 19 per cent growth in value adjusted equity, which is well in line with our long-term target of an average annual return of 15 per cent.

We will continue this exciting journey, and we are really looking forward to the years to come.

Emil Eriksrød, CEO and founder

Key figures

Geographic exposure (area)



24

Management properties

6

Project properties

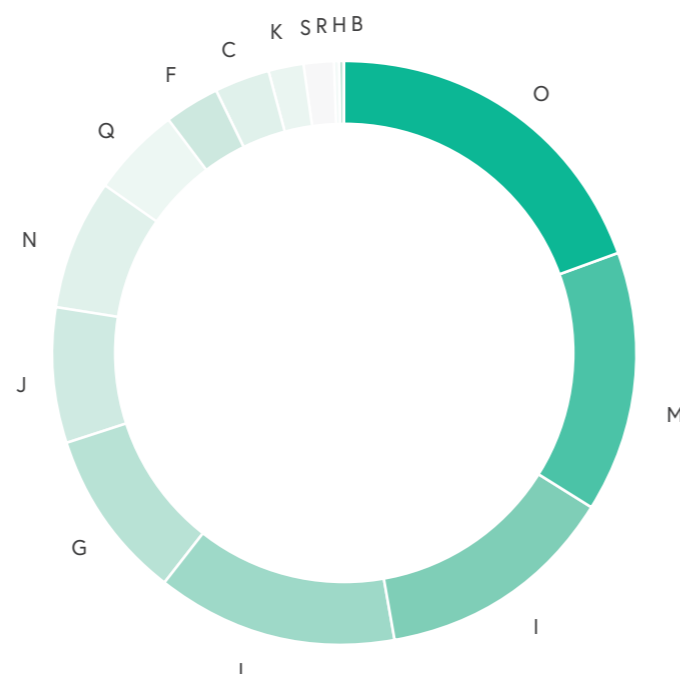
1 612 NOK

Average rent per sqm (management portfolio)

7.3 years

Average wault

O - Public administration and defence; compulsory social security	19.6%
M - Other professional, scientific and technical activities	14.3%
I - Accommodation and food service activities	13.4%
L - Real estate activities	13.4%
G - Wholesale and retail trade and repair of motor vehicles and motorcycles	9.4%
J - Information and communication	7.4%
N - Administrative and support service activities;	7.3%
Q - Human health and social work activities	4.9%
F - Construction of buildings	3.1%
C - Manufacturing	3.0%
K - Financial and insurance activities	2.1%
S - Other personal service activities	1.5%
R - Arts, entertainment and recreation	0.4%
H - Transportation and storage	0.1%
B - Mining and extraction	0.0%



Property portfolio

The Group's management portfolio consists of 24 (26) properties with a total of 82 291 (81 776) square meters. 8 of the properties are situated in Porsgrunn, 11 in Skien, 4 in Tønsberg and 1 in Oslo. As of 31 December 2021, this portfolio had a market value of 1 895.1 (1 901.5) millions. The occupancy was at 90.7 (88.1) per cent and the average rolling rent was 1 612 (1 609) kroners per square meters. The average duration of the existing lease agreements was 6.1 (6.4) years. The Group's project portfolio consists of 6 projects. 4 in Porsgrunn, 1 in Skien 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. Akershus Eiendom is also used in addition to Newsec for property valuations on parts of the properties. 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)
31.12.2021														
Green Office	32 390	29 128	89.9	5	944 550	29 162	5.2	56 991	1 957	4.5	5.3	5.6	64 130	1 980
City Office	38 702	35 355	91.4	13	644 150	16 644	3.8	42 403	1 199	3.8	4.6	6	53 422	1 380
Commercial Prop.	11 199	10 128	90.4	6	306 150	27 337	13.3	20 915	2 065	13.2	5.6	6.4	22 283	1 990
Total management portfolio	82 291	74 611	90.7	24	1 894 850	23 026	6.1	120 309	1 612	5.8	5.1	5.9	139 834	1 699
Projects	26 675	21 066	79	6	797 850	29 910	10.1							
Total project portfolio	26 675	21 066	79	6	797 850	29 910	10.1							
Total property portfolio	108 966	95 677	87.8	30	2 692 700	24 711	7.3							

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

Maturity profile in the management portfolio



12 month rolling rent of the property portfolio



*Based on signed lease contracts and adjusted for changes in rent related to signed SPAs of properties which will be completed within the next 12 months.

Project portfolio

R8 Property ASA has continuously ongoing development and construction projects. A strong team of project managers and development director handles the projects from early phase and all the way to hand over to clients. In 2021 the team has put a large effort in optimizing project processes and create value by using technology such as BIM, VR, AR and automation. Furthermore, the team focus on implementing environmental sustainability, for example BREEAM-Nor certification, energy optimizing or CO2-reduction, in all projects.

PROJECTS COMPLETED IN 2021

Polymer Exploration Centre

Polymer Exploration Centre is a development project adjacent to Powerhouse Telemark in Porsgrunn. The Group started the building in Q2 2020. The project (4 858 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 building was handed over to the tenant in December 2021. The project has reached energy class A.



ONGOING PROJECTS

Inkognitogaten 33

This redevelopment project is located near Solli plass in Oslo adjacent to the Sommerro project that is expected to finish Q3 2022. This venerable office building is under refurbishment and is expected to be finished in Q3 2022 with a total size of 3 263 sqm. The project is striving to reuse materials and be as sustainable as possible. The project aims for BREEAM-NOR Very Good.

Fornebuveien 1-3

Fornebuveien 1-3 is a rehabilitation project of a 1980's office building. The building consists of three vertical volumes with four office floors in each volume. In total eight floors are under rehabilitation. The building is expected to be finished in Q2 2022.

Skien Brygge

Skien Brygge is a collaboration project between Bane NOR Eiendom AS, Skien Boligbyggelag

R8 Property ASA. This new urban city development is one of the largest projects 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 58 275 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 Q3-22.

Slottsfjell Park

Slottsfjell Park is a newbuild and redevelopment project located in Tønsberg close to Slottsfjellet and the city centre. R8 Property has in 2021 carried out a feasibility study together with Snøhetta, Skanska, Asplan Viak and Rambøll to determine the possibility of building a Powerhouse Paris Proof office building in Tønsberg.

The feasibility study consisted of three buildings - all of them were planned as Paris Proof.

Inkognitogaten 33



Skien Brygge



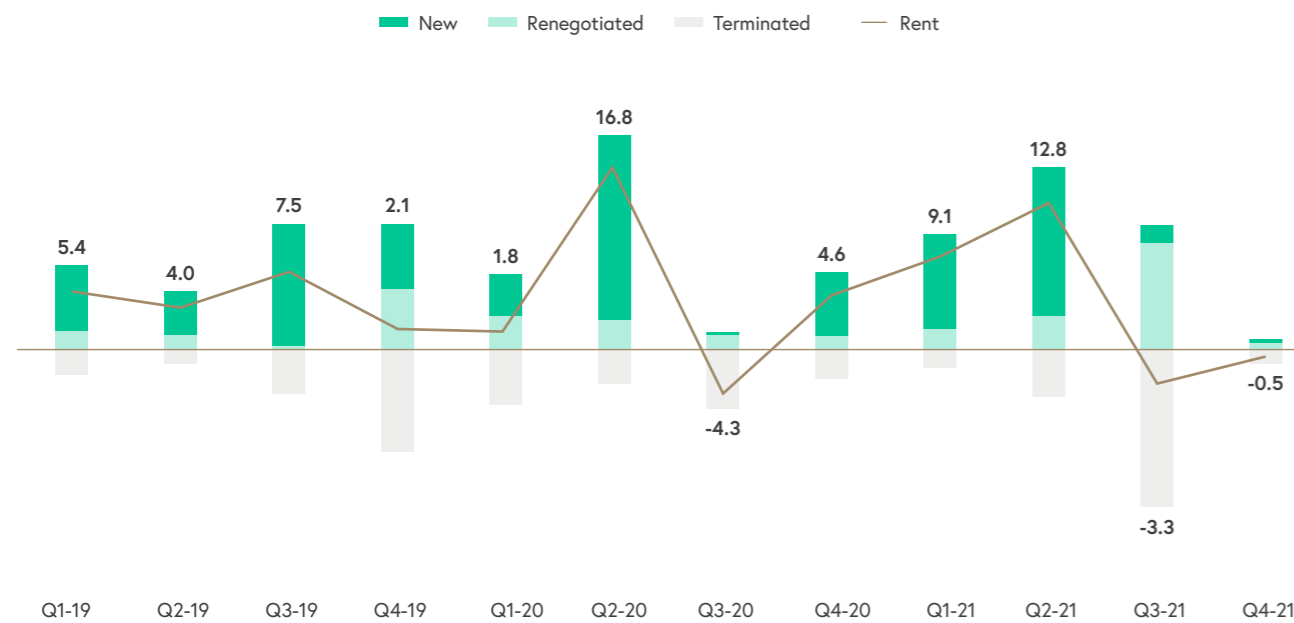
Fornebuveien 1-3

Slottsfjell Park

Letting activity

In 2021 the Group signed new and renewed leases with of NOK 41.0 million and lease contracts with a total value of NOK 22.8 million were terminated. Net letting amounted to NOK 18.2 million. Net letting management and project portfolio is defined as new signed contracts and renegotiated contracts less terminated contracts.

Terminated contracts is defined as contracts that have been terminated in the reporting quarter prior to contractual expiration date and contracts that have ended in the quarter according to expiration date in contract.



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 25.1 per cent of the management portfolio by the end of December 2021. The 10 largest tenant's share of R8 Property's rental income represents 54.8 per cent of revenues.

Tenant	in % of rent	Sector
Evolve	13.4%	Private
HELFO	12.1%	Public
Comfort Hotel Porsgrunn	9.7%	Private
Schlumberger Information	4.6%	Private
Kriminalomsorgen Region Sør	3.4%	Public
Telenor Norge AS	2.6%	Public
Emerson Process Norway	2.3%	Private
Gassnova SF	2.3%	Public
Asplan Viak AS	2.2%	Private
Sykehuspartner HF	2.1%	Public





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.

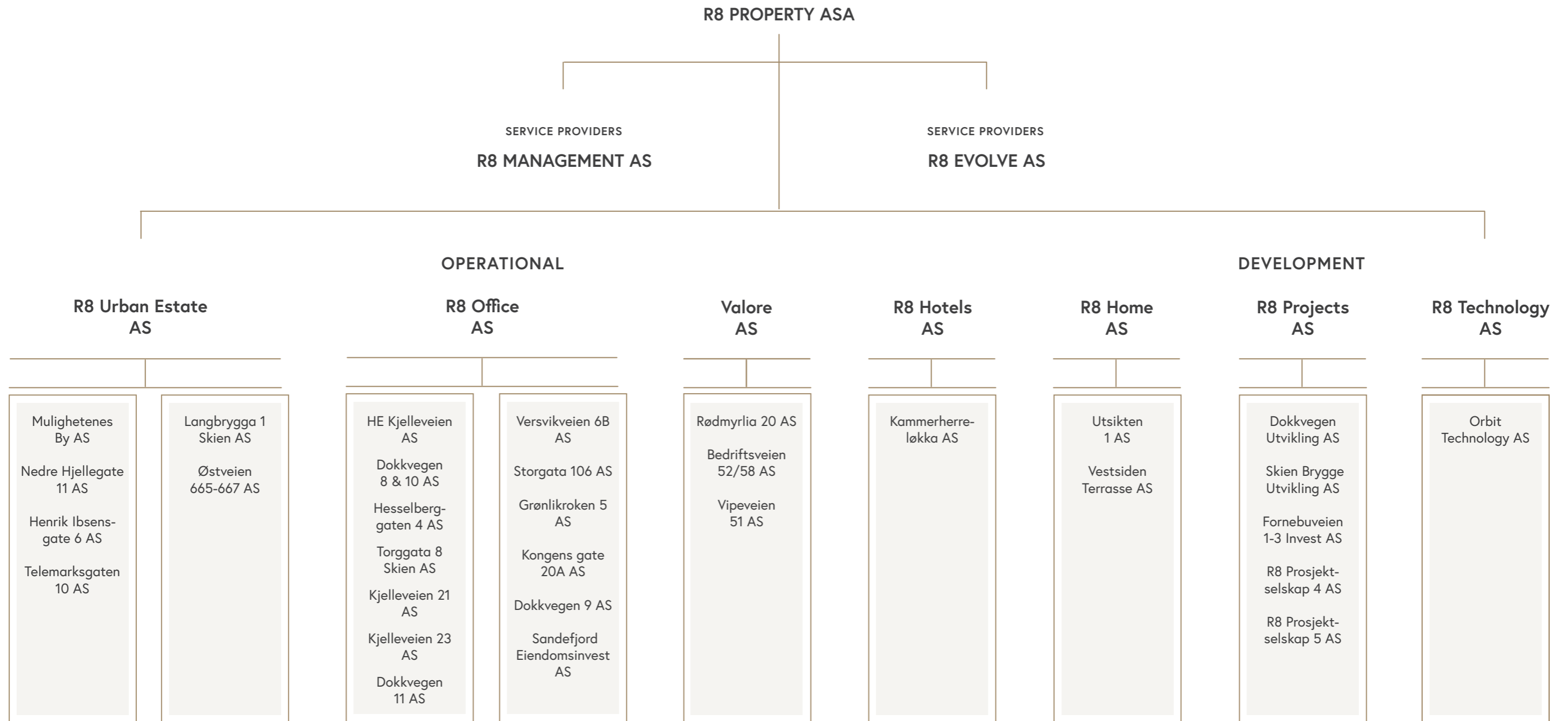
R8 Property's operational activities and management across property owning sub-groups are organized in R8 Management AS and our coworking business under R8 Evolve AS. R8 Technology AS is the Group's corporate leg leading our commitments and investment in technology and proptech.

R8 Property ASA holds 100 percent of the shares in each sub-group, except for 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 2021.



The company Inkognitogaten 33A AS has a temporary placement as a subsidiary of R8 Property. It is expected that this company is placed under the right segment no later than 2022.

The Management

Emil Eriksrød

CEO/FOUNDER



Emil Eriksrød founded R8 in 2010, and he has raised the company through a tremendous growth. He is CEO in R8 Property, and is also Chair/Board member in multiple companies. He is 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 he has four years of experience as auditor in EY. He also has extensive experience as an entrepreneur, a career he started in parallel with the studies.

Tommy Thovsland

COO



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

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.

Elin Tufte Johansen

CHO/CSO



Elin Tufte Johansen graduated from BI with Exec. Master of Management, and she 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. In 2021 she also became Chief Sustainability Officer.

The Management

Erik 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 of 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.

Magnus Watvedt

HEAD OF HOME DIVISION



Magnus Watvedt has more than 15 years of 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 constituted as sales manager in R8 Property until further notice, with special focus on the portfolio in Oslo and Vestfold.

Øivind Gundersen

HEAD OF EVOLVE DIVISION



Øivind Gundersen became Managing Director of Evolve in December 2020, after being in charge of the company's strategy process. 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 he used to be a board member of R8 Property for several years.



Corporate governance

R8 Property has ambitions to exercise good corporate governance at a level similar to companies on regulated markets. 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 14 October 2021. 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 companies on regulated markets 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. During 2021 the company has been listed on Euronext Growth Oslo, resulting in some stricter requirements related to especially communication and sharing of information, and overall improved corporate governance. This is 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 2021 was NOK 951.7 (761.3) million and gives an equity ratio of 32.4 (28.0) 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 60–65 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 2021 given power of attorney to increase the share capital by up to NOK 2 465 080. The authorizations were distributed at the ordinary general assembly in April. 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 described powers of attorney are valid to the 16th of April 2023.

In June 2021 parts of this power of attorney was used. R8 Property ASA was listed on Euronext Growth Oslo together with a fully subscribed private placement of NOK 75 million. The number of outstanding shares increased from 19 720 640 in Q1-21 to 21 694 324, and the share capital from NOK 4 930 160 to 5 423 581.

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 2022.

Equal treatment of shareholders

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. In June 2021 R8 Property ASA was listed on Euronext Growth. This involves increased demands and regulations related to the company's communication with shareholders, stakeholders and the market in general. Information is shared simultaneously, and an annual financial calendar is made available as a stock exchange announcement and on the group's website. The Board and the executive management aim to ensure equal treatment of all shareholders.

In relation to the power of attorney that was given the Board of Directors in 2021, it was 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.

Transferability

There are no restrictions on share transferability. Shares in R8 Property are freely tradable at Euronext Growth. The company has entered a market maker agreement with Sparebank 1 Markets to enhance liquidity in the trading of the company's shares. 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.

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 8 April 2022 with the 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 14 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 2021 appointed a Nomination Committee. The committee was appointed by the General Meeting in April 2021, 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. 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, 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 2021. 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 labor 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.

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.

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 2021, 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 2022.

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 2021 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 2021 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. Six years in a row (2015-2020), the company has 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. The company is continuously expanding its workforce to ensure adequate resources for all tasks and mitigate the risk and vulnerability connected to key employees. Further, the board members have significant knowledge and experience within property and 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 twelve employees in the Company as of 31st of December 2021 (total for the Group - including subsidiaries - is 31 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 2021 the remuneration was NOK 75 000 for the ordinary board members. The Chair had an active role in the company in 2021 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 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 company seeks transparency to secure the general interest and shareholders' interests in the company. The Group provide timely and accurate information to stakeholders and the financial market through annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. All information that is considered to be of significant importance is shared. The company's reporting is in accordance with the rules in the Norwegian Securities Trading Act and the requirements by Oslo Stock Exchange for companies listed on Euronext Growth. Reporting on corporate social responsibility is part of our sustainability report.

An annual financial calendar is decided by the Board every year. The calendar includes the dates of all quarterly and annual reports and the AGM, and is made available as a stock exchange announcement and on the Group's website.

The Board has approved insider instructions for handling insider information and trading of the company's shares.

Company takeovers

The Board has approved guidelines related to the receipt of bids for the company's shares. A potential offer will be managed according to the instructions and the Board will perform assessments to ensure 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 also ensure correct handling of potential inside information. The Board will always make sure 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 2021, the Group's auditor, EY, has undergone the following tasks related to fiscal year 2021:

- Presented the main features of the audit work to the Board
- Participated in the board meeting related to the 2021 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.

The board of directors

George Emil Aubert

CHAIR OF THE BOARD



George Emil Aubert is an educated IT engineer, and he 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, Legentic, Fornebuveien 1-3, Aubert Invest, Holta & co, Trebua Invest, Stiftelsen Backe, Vauvert and Hovund's fund. George Emil Aubert owned and controlled 1.085.042 shares of R8 Property on 31 December 2021.

Marianne Lie

BOARD MEMBER



Marianne Lie has broad international management and board experience, particularly from the maritime and energy sectors. She has served as a board member of several Norwegian companies, mainly within shipping, offshore business, energy and finance industries, in addition to holding several political elected offices.

For 4 years she was a Member of Supervisory Council of the Central Bank of Norway. Marianne Lie owned and controlled zero shares of R8 Property on 31 December 2021.

Elin Tufte Johansen

BOARD MEMBER



Elin Tufte Johansen is CHO/CSO of R8 Property, and she has had a central role in the leadership team since she started in 2017. Her education and experience are within leadership, changing processes, psychology and coaching. 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 31 December 2021.

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 1.882.237 shares in R8 Property on 31 December 2021.

Christina Sundby

BOARD MEMBER



Christina Sundby has more than 30 years of experience within finance, real estate, shipping and board work. She has been CFO for Søylen Eiendom AS and Carucel Holding AS. She has an MBA from Fribourg in Switzerland.

Christina Sundby owned and controlled 41.798 shares in R8 Property on 31 December 2021.

Runar Rønningen

BOARD MEMBER



Runar Rønningen has over 20 years of experience within financial journalism, asset management and investments. His education is from NHH, where he got an MBA in finance, and he 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 31 December 2021.

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 he 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 of experience from the auditing business, and 3 years of experience as CFO in a Norwegian boat building company. Leif Oddvin Jensen owned and controlled 2.937.478 shares in R8 Property on 31 December 2021.

R8 PROPERTY

Report from the board of directors

2021 has been an eventful year with ups and downs, with the covid-19 pandemic and restrictions still affecting everyday life. During the year the society has gradually become more normalized and at the same time there has been a shift in employees' preferences for a more flexible and efficient working day with less commute. For R8 Property, 2021 has been a historic year marked by several positive upswings. A milestone was reached when the company was listed on Euronext Growth Oslo with first day of trading 9 June 2021. New and renegotiated lease contracts have been signed and the largest projects have experienced a solid development. The Board is very pleased with the results for 2021. Operating revenues increased from NOK 132.5 million for 2020 to NOK 137.2 million in 2021, and net profit came in at NOK 79.3 million, up from NOK -26.8 million in 2020. Fair-value adjustments for investment properties were up NOK 147.0 million from 31 December 2020 to 31 December 2021.

THE COMPANY

R8 Property ASA ("the Group") is organized with R8 Property ASA ("the company") as the mother company which has 37 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 NOK 2 692.7 million (NOK 2436.0 million). The portfolio consists of properties and development projects in Skien, Porsgrunn, Tønsberg and Oslo. The Group's purpose is to acquire, develop and own sustainable 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 (R8 Property has received first place of the Norwegian Tenant Index as the most preferred landlord among tenants six years in a row (2015-2020)).

MARKET ACTIVITIES

In 2021 there were several significant transactions in R8 Property. In January 2021 the company acquired two properties, Fornebuveien 1-3 at Lysaker in Bærum and Slottsfjell Park in Tønsberg. During the year our latest sustainable project was launched, Slottsfjell Park, where the ambitions are to develop what could be the world's first Paris Proof quarter. In the second quarter of 2021, two properties were sold, Henrik Ibsensgate 40-42 in Oslo and Rådhusgata 2 in Skien. In June R8 Property was listed on Euronext Growth Oslo together with a fully subscribed private placement of NOK 75 million. In addition, an option to buy the outstanding shares in Inkognitogaten 33 in Oslo was exercised. In December 2021, one of our biggest projects of all time, Polymer Exploration Centre, was completed and handed over to the tenant Norner. During the year, several properties have been put up for sale as part of carrying out our strategy to focus on large, sustainable properties at city hubs. Storgata 171-175 was sold in Q4 2021, and so far in 2022 additional four properties are sold.

Annual rent for the company's property portfolio has increased from NOK 153.2 million in 2020 to NOK 161.8 million by the end of 2021. As of 31 December 2021, R8 Property had a management portfolio of 24 properties totaling 82 291 square meters and 6 projects totaling 26 675 square meters.

Our flex-space provider – Evolve – has had a solid year in 2021 with strong customer and revenue growth – generating in excess of 100 per cent growth in ARR (Annual Recurring Revenue) during the year. Evolve is a market leader in its segment and a key piece in R8 Property's ongoing development and growth.

PROPERTY TRANSACTIONS THROUGH 2021:

Purchased properties

Address	Area(sq.m)	Ownership	City	Segment	Period
Fornebuveien 1-3	6976	50%	Bærum	Office	Q1
Kjelleveien 23	Plot	100%	Tønsberg	Project	Q1

Sold properties

Address	Area(sq.m)	City	Segment	Period
Rådhusgata 2	3336	Skien	Office	Q2
Henrik Ibsensgate 40-42	1673	Oslo	Office	Q2
Storgata 171-175	850	Porsgrunn	Office	Q4

PROJECT DEVELOPMENT

As a real estate developer, the Group's strategy is to have an ongoing portfolio in project development at all times. The Polymer Exploration Centre project finished in Q4 2021. The Group had two other on-going projects in 2021; refurbishment of Inkognito Park in Oslo and Fornebuveien 1-3 in Bærum. Going forward the Group has several greenfield projects in the making.

RISK AND RISK MANAGEMENT

Both the administration and the Board assess 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 2021 the financial risks of the Group have been monitored through the KPIs set forth in the financial strategy. Key risk areas are established and reported on a regular basis. The target level of each KPI was 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 60-65 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 30-60 percent of the debt portfolio, average remaining term to maturity of 2-10 years and to diversify the maturity structure. Refinancing risk is reduced by entering long-term loans. 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 risk is monitored and managed through ongoing cash management and frequent reporting. Development and growth require optimization of the capital structure and supply of new capital, further details in note 4 in the financial statements. There are covenants in the Group's bank loan agreements. On 31 December 2021, 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 majority of 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, 25.1 percent of the portfolio consists of public tenants and 74.9 percent of private tenants. Also, there is a spread between different industries and geographical exposure between four 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.

CORPORATE GOVERNANCE

R8 Property ASA has ambitions to exercise good corporate governance at a level similar to companies on regulated markets. The Group is continuously aligning to comply with the applicable Norwegian code of practice for corporate governance of 14 October 2021. We work on conducting transparent business to build and maintain a high level of trust among shareholders, banks and financial institutions, tenants, and society in general.

ENVIRONMENT

R8 Property ASA strives to constantly improve and to operate in accordance with responsible, ethical, and honorable business principles. 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.

R8 Property has a direct impact on the climate. This includes consumption of electricity and other energy related to our portfolio of commercial real estate and waste from our projects activities. We also have an indirect impact through emissions from our suppliers and tenants. The group has a high focus on sustainability and has a goal on reducing emissions the next years. As part of this work, we have a director of people and sustainability responsible for all our sustainability initiatives making and have also hired a sustainability coordinator in 2021. This spring we will publish our first sustainability report, which will be made available at the company's website.

R8 Property ASA is certified Eco-lighthouse business and work proactively to reduce the environmental impact of the business.

The Group works on setting an example of how to develop sustainable projects: Buildings that contribute to local energy collection and production, and sustainable use of local materials and suppliers. When establishing new buildings or when renovating existing buildings, we focus 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. The Group also have a focus on circularity by increasing reuse and recycling of materials and reduce waste volume. For our operational properties we work on reducing energy consumption and increasing sorting rate. In 2021 we have introduced energy management for our properties and implemented an energy monitoring system. We have also carried out a comprehensive mapping project supported by Enova. We have also implemented emission totals/emission accounting as a part of our standard operations, according to the GHG protocol.

WORKING ENVIRONMENT, EQUALITY AND DISCRIMINATION

R8 Property ASA had twelve employees as of 31 December 2021 (total for the Group is 31 employees, with another three employees closely connected to the Company through R8 Consulting Group). Ten (twenty-six) of them are men, and two (eight) women. 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 a focus on facilitating good work-life balance.

Through 2021 there have been periods of home office for all employees, and to maintain a good work environment regularly digital meetings and check-ups with leaders were arranged. There were no injuries or accidents within the Group in 2021. The Group had one incident of sick leave absence in 2021 of more than 16 days. Absence due to illness was 2.1 per cent in 2021.

A basic value in R8 is that everyone should be equal and have the same opportunities, regardless of gender, age, orientation or background. The Group is continuously working on ensuring equality and preventing discrimination. We have a focus on creating an inclusive culture and encourage collaboration across positions, age and time of employment. We work together to encourage development and strengthen competence. In 2021 the company has performed several new hires, both men and women at different ages and various backgrounds. 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.

The Group has developed ethical guidelines for all employees which aim to promote honesty, integrity and loyalty in all matters. It is emphasized that no employees should use their positions for personal gain. Every employee is obliged to know and comply with these guidelines. No cases of corruption are reported in 2021.

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 2022. R8 Property group has an equity of NOK 951.7 million and positive result of NOK 79.3 million in 2021. Most of our funding as of 31 December 2021 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 111.9 million (-45.1 million), up by 66.8 million from the year before. The result comes mainly from increase in property values. Net profit amounted to NOK 79.3 million (-26.8 million). The profit includes a change in value of investment properties of NOK 147.0 million (-46.7 million). The change in value is mainly related to decreased values in 2020 due to covid-19 as well as higher values on larger projects and properties through 2021. Fair-value of investment properties is NOK 2 692.7 million (2 436.0 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 2021.

Income

Total operating income for the Group increased from NOK 132.5 million in 2020 to NOK 137.2 million in 2021. The Group's financial income totaled NOK 24.5 million (2.1 million). Financial costs totaled NOK 104.4 million (73.5 million), where interest costs and other costs associated with the Group's financing activities represented NOK 73.7 million (66.6 million) and share of loss from associates and joint ventures amounted to NOK 30.6 million (6.9 million). Profits before tax was NOK 111.9 million (-45.1 million), and total comprehensive income after tax was NOK 79.3 million (-26.8 million). Tax expense was NOK 32.6 million (-18.3 million). The Group's result has been less affected by covid-19 as most of our tenants operate within office.

Balance sheet

As of 31 December 2021, the Group's assets had a book value of NOK 2 936.3 million (2 721.6 million). Of the total assets, investment properties accounted for NOK 2 692.7 million (2 436.0 million). Total accounting equity in the Group was 951.7 million (761.3 million).

Cash flow statement

Net cash flow from operating activities was NOK -30.4 million in 2021 (-13.1 million). The net cash flow from investments was NOK -163.2 million (-218.2 million). There were NOK 105.2 million in purchase of business.

Upgrades and construction of investment properties amounted to NOK 156.3 million (183.5 million) and primarily relates to the project of Polymer Exploration Centre and major tenant adjustments which support value creation. Regular maintenance accounts for a minor amount. Net cash flow from financing activities was NOK 182.8 million (215.9 million). Net proceeds of interest bearing debt was NOK 414.4 million (190.4 million). During 2021 R8 Property has made a repayment of NOK 282.8 million (20.1 million) in bank loans. No major financial transactions have been completed in 2022 and to the date of this report.

The net change in cash and cash equivalents was NOK -10.8 million at 31 December 2021 (-15.4 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 1 785.3 million (1 724.4 million), 40 per cent (37 percent) of which was tied up in different interest rate swaps. As of 31 December 2021, the proportion of short-term debt was low and can also be expected to be refinanced and extended. The overall loan portfolio has an average time to maturity of 3.6 years.

Average interest cost at 31 December 2021 was 3.31 per cent (3.43 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 final strategy with a medium loan-to-value ratio. The loan-to-value ratio at 31 December 2021 was 66.0 per cent (60.7 per cent when including fair value of investments in jointly controlled entities, associates and shares), compared to 70.5 per cent at the end of 2020. Development and growth require optimalization of the capital structure and supply of new capital. Further details is included in note 4 in the consolidated financial statements

PROFIT FOR THE YEAR AND ALLOCATIONS

In 2021, R8 Property ASA the parent company of the Group, made a profit after tax of NOK 14.5 (-26.3) 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 14.5 (-26.3) million is transferred to retained earnings for 2021.

SUBSEQUENT EVENTS

Events after 31 December 2021 are described in note 30 in the financial statements of 2021.

BOARD OF DIRECTORS

In April 2021 the Annual General Meeting re-elected the current Board for one year. The Board consists of George Emil Aubert (the Chair), Knut Bråthen, Christina Sundby, Leif Oddvin Jensen, Runar Rønningen, Elin Tufte Johansen and Marianne Lie. Truls Vad Fjeldberg was elected as a deputy member of the Board. There were 7 ordinary board meetings and 4 extraordinary board meetings in 2021. A separate nomination committee ensures the composition of the board.

R8 Property ASA has taken out board liability insurance with an annual aggregate limit of liability of NOK 100 million. The insurance covers the Board's legal personal liability for financial damage caused by the performance of their duties and associated lawsuit expenses. The coverage also includes boards in subsidiaries of R8 Property ASA (with ownership over 50 per cent) and employees representing R8 Property ASA in external boards.

Health, Environment and Safety

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

OUTLOOK

Hopefully, covid-19 is history and we can look forward to a normalization of life and business. After having gone through the pandemic, we have experienced that we have a robust tenant portfolio that is well-diversified with a majority of solid public and private tenants. As a response to changed behavior needs for office users that are observed post covid-19, R8 has launched R8 Hybrid; a combination of an ordinary, permanent lease and a membership in Evolve offering flexible workplaces. R8 Hybrid has been well received and proved to be an attractive product, and we are well positioned to meet the new customer demands.

We have an expectation of increased interest rates, but at the same time CPI growth is strong. There is a positive development in occupancy and letting, indicating an attractive property portfolio. Going forward, we are excited to continue to serve existing and new tenants, develop and refine existing projects and discover new opportunities and projects. We will continue our high focus on sustainability and are thrilled to present our first sustainability report this spring and look forward to implementing our related strategy.

Porsgrunn, 24 March 2022
Board of Directors for R8 Property ASA

This report is signed electronically

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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R8 Property ASA

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Statement of total comprehensive income

All amounts in NOK thousand

	Note	2021	2020
Rental income	5, 6	120 576	114 153
Other operating revenue	6	16 619	18 338
Total operating income		137 195	132 491
Maintenance and other operating expenses	10	70 181	53 208
Other property-related expenses	10	3 808	2 196
Administrative expenses	11	20 620	30 630
Total operating costs		94 609	86 034
Net income from property management		42 586	46 457
Changes in fair value from investment properties	8, 15	147 024	-46 726
Operating profit		189 610	-269
Gains from investment in shares		22 137	-
Interest and other finance income	12	2 339	2 053
Share of profit (loss) from associates and joint ventures	26	-30 645	-6 882
Losses from investment in shares		-	-496
Interest and other finance expense	12	-73 712	-66 142
Changes in fair value of financial instruments	7, 8	2 130	26 628
Net financial items		-77 752	-44 840
Profit before tax		111 858	-45 109
Tax expense	23	-32 587	18 338
Profit for year		79 271	-26 771
Profit attributable to:			
Equity holders of the company		43 146	-11 007
Non-controlling interest		36 125	-15 764
Total comprehensive income attributable to:			
Equity holders of the company		43 146	-11 007
Non-controlling interest		36 125	-15 764
Earnings per share:			
Basic (NOK)	29	2,07	-0,56
Diluted (NOK)	29	1,77	-0,56
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	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Deferred tax asset	23	2 603	10 169
Other intangible assets	13	7 589	7 605
Total intangible assets		10 191	17 773
Investment property	8, 15	2 692 700	2 436 000
Other operating assets	13, 14	1 301	765
Right-of-use assets		36	127
Total non-current tangible assets		2 694 037	2 436 892
Investment in jointly controlled entities, associates and shares	26	73 754	124 592
Loans to related parties	27	54 097	-
Financial derivatives	7, 8	21 118	46 618
Other long-term receivables		12 562	9 554
Total financial assets		161 531	180 764
TOTAL NON-CURRENT ASSETS		2 865 759	2 635 429
CURRENT ASSETS			
Inventory property	18	10 734	9 360
Trade receivables	16	12 729	14 155
Other receivables	17	11 270	12 625
Other receivables to related parties	7, 26, 27	10 928	14 370
Total current receivables		45 662	50 510
Cash and bank deposits	19	24 855	35 679
TOTAL CURRENT ASSETS		70 517	86 188
TOTAL ASSETS		2 936 276	2 721 617

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	31.12.2021	31.12.2020
EQUITY			
Shareholders equity	20, 29	820 344	708 382
Non-controlling interest		131 331	52 919
TOTAL EQUITY		951 675	761 300
LIABILITIES			
Interest-bearing debt	14, 21, 22	1 477 278	1 347 535
Deferred tax liability	23	90 139	79 110
Financial derivatives	7, 8, 22	21 086	35 646
Lease liabilities, non-current portion	14, 22	2 352	3 567
Other non-current liabilities	7	5 684	-
Total non-current liabilities		1 596 540	1 465 858
Trade payables	24	23 968	40 926
Interest-bearing debt	14, 21, 22	308 009	376 879
Debt to related parties	7, 22	3 026	6 633
Lease liabilities, current portion	14, 22	1 179	1 258
Other current liabilities	24	51 879	68 764
Total current liabilities		388 060	494 459
TOTAL LIABILITIES		1 984 601	1 960 317
TOTAL EQUITY AND LIABILITIES		2 936 276	2 721 617

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

Porsgrunn, 24 March 2022
Board of Directors for R8 Property ASA
This report is signed electronically

George Emil Aubert
Chair of the Board

Leif Oddvin Jensen
Board member

Else Christina Maria Sundby
Board member

Knut Bråthen
Board member

Marianne Lie
Board member

Runar Rønningen
Board member

Elin Tufte Johansen
Board member

Emil Eriksrød
CEO

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 01.01.2020	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
Profit for year	-	-	-	43 146	36 125	79 271
Capital increase as of 05.06.2021	493	74 507	-	-	-	75 000
Acquisitions/capital increase subsidiaries	-	-	-	-	43 000	43 000
Share based options	-	-	-3 842	-	-	-3 842
Change in non-controlling interest	-	-	-	728	-713	15
Cost of equity transactions directly in equity	-	-3 069	-	-	-	-3 069
Equity at 31.12.2021	5 423	271 729	136 498	406 694	131 331	951 675

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

Statement of cash flows

All amounts in NOK thousand

	Note	2021	2020
Profit before tax		111 858	-45 109
Expensed interest and fees on loans and leases		73 712	64 089
Interest and fees paid on loans and leases		-67 847	-59 439
Share of profit from associates and jointly controlled entities		30 645	6 882
Gains from investment in shares		-22 137	-
Depreciation and amortisation	13	321	495
Other adjustments		999	2 649
Change in market value investment properties	15	-147 024	46 726
Change in market value financial instruments	8	-2 130	-26 628
Change in working capital		-8 834	-2 767
Net cash flow from operating activities		-30 436	-13 101
Proceeds from sales of investment properties and companies		43 187	47 441
Proceeds from sales of shares		42 100	25 015
Purchase of shares		-0	-121 902
Purchase of business net of cash		-105 161	-
Upgrades and construction of investment properties	15	-156 251	-183 531
Purchase of intangible assets and other plant and equipment		-408	-
Net payment financial assets		13 300	14 795
Net cash flow from investment activities		-163 233	-218 182
Proceeds interest-bearing debt	21	414 417	190 395
Repayment interest-bearing debt	21	-282 773	-20 091
Net payments of loans to other related parties		-41 815	6 606
Proceeds from convertible loans		42 783	37 936
Proceeds from equity		50 233	-
Contributions from non-controlling interests		-	1 076
Net cash flow from financing activities		182 845	215 922
Change in cash and cash equivalents		-10 824	-15 361
Cash and cash equivalents at beginning of period		35 679	51 040
Cash and cash equivalents at end of period		24 855	35 679

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 37 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 30 (32) buildings with a total area of approximately 109.0 (108.1) thousand square meters. As of 31.12.21 the real estate portfolio had a market value of around NOK 2 693 (2 436) 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 24 2022.

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 2021

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, 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. Unrealized 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 recognized in equity.

If the Group loses control over a subsidiary, any residual holding is remeasured 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 partly owns the company R8 Evolve AS and this investment is treated as joint venture. The Group also has partly ownership in the companies Orbit Technology AS, Skien Brygge Utvikling AS and Sandefjord Eiendomsinvest AS, and these investments are treated as associates. Kammerherreløkkå AS, Dokkvegen Utvikling AS, Fornebuveien 1-3 Invest 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 recognized 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 capitalized 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 derecognized.

Gains or losses as a result of changes in the fair value of investment properties are recognized in profit or loss as they arise, and are presented on a separate line after "net income from property management." Investment properties are derecognized 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 recognized 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 derecognized. 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 of 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 recognized 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 amortized 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 recognised 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 2021.

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.

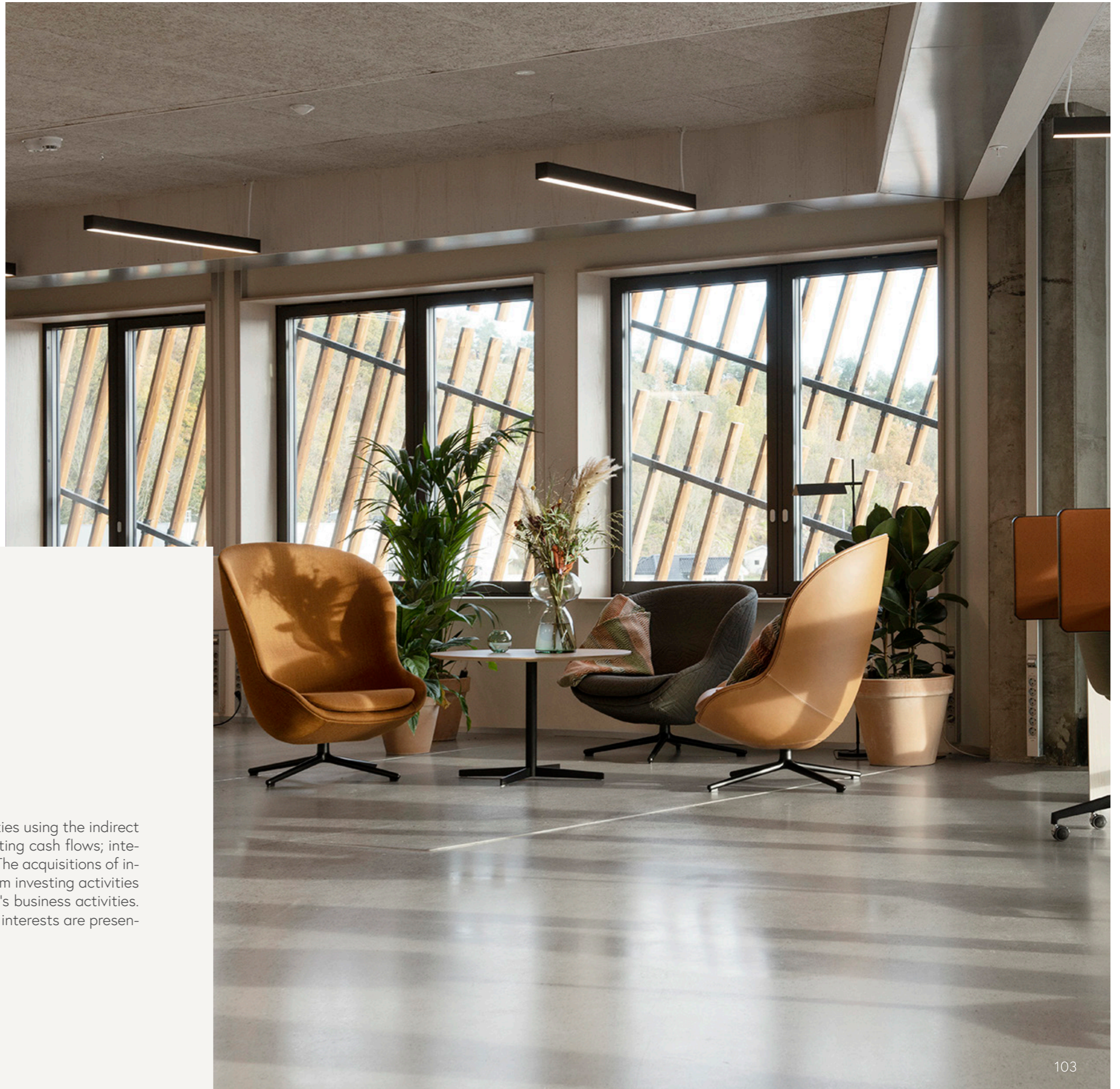
In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

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. 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, selected properties representing over approximately 70 % of the total portfolio value 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 2021 were obtained from Newsec AS and Akershus Eiendom AS, and the valuations at 31 December 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 2021.

Change variable	2021	Change in per cent	Positive change (tNOK)	Negative change (tNOK) ¹⁾
Inflation		+/- 1,00	256 735	-256 735
Market rent		+/- 10,00	209 053	-209 053
Discount rates		+/- 0,25	-112 554	123 356
Exit yield		+/- 0,25	-53 277	58 293

1) Estimates by Newsec AS in conjunction with valuations at 31 December 2021. 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:	2021
Valuation hierarchy level	3
Total square meter	108 966
Actual rent per sqm (interval)	597 - 3 703
Actual rent pr sqm (average)	1 612
Length on existing lease agreements (interval)	0,1 - 20,0
Wault (weighted on property market value)	6,1
Market rent pr sqm (interval)	600 - 3 703
Market rent pr sqm (average)	1 699
Expected inflation %	2,5
Actual vacancy %	12,2
Nominal discount rate % (interval)	6,6 - 10,2
Nominal discount rate % (average)	8,2

Change variable	2020	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)	1 609
Length on existing lease agreements (interval)	0,2 - 21,3
Wault (weighted on property market value)	6,4
Market rent pr sqm (interval)	869 - 3 890
Market rent pr sqm (average)	1 660
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.

31.12.2021	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point¹⁾	-11 485
Interest-bearing debt	-17 549
Derivatives	6 064
Market rates fall by 1 percentage point¹⁾	11 485
Interest-bearing debt	17 549
Derivatives	-6 064

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

31.12.2020	Change in the Group's interest expense (annualised) (tNOK)
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.

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 2021 the Group acquired Slotsfjell Park in Tønsberg and 50 % of the shares in Fornebuveien 1-3 in Oslo. Both transactions were 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 66%. 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:

- 30-60 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 2021, the weighted average remaining term to maturity was 3.6 years. The average interest rate was 3.31 per cent at 31 December 2021

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. Development and growth require optimization of the capital structure and supply of new capital. The liquidity budget for the coming year is based on the activity level planned for our projects and properties. The Group has liquid assets as investment properties and investments in shares that may be traded if necessary. Share issues and / or debt refinancing to ensure an optimal capital structure and sufficient funding, are also options that can strengthen liquidity if needed. 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 2021, the Group had no currency exposure.

Financial covenants

There are covenants in the Group's bank loan agreements relating to both financial and non-financial requirements. Financial covenant requirements are amongst others, maximum loan-to-value of the property (LTV), minimum equity ratio and minimum interest rate hedging. At 31 December 2021, the Group was not in breach of any covenants.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

31.12.2021	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	202 199	1 045 125	-	248 248	1 495 571
Interest-bearing bank loans – amortising	48 933	67 422	34 762	68 170	219 287
Interest-bearing bank loans – estimated interest	55 869	67 939	25 110	52 939	201 857
Subordinated loans - principal	57 311	16 153	-	-	73 464
Subordinated loans - estimated interest	5 454	-	-	-	5 454
Financial derivatives					
- Interest rate derivatives	-	3 638	329	3 697	7 664
Trade and other payables					
- Trade payables	23 968	-	-	-	23 968
- Other financial	42 347	-	-	-	42 347
- Accruals	9 532	-	-	-	9 532
Lease liability	1 179	2 352	-	-	3 531
Total	446 791	1 202 627	60 201	373 054	2 082 674

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	914 645	254 437	297 248	2 012 358

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 3.6 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

31.12.2021	31.12.2021	31.12.2023	31.12.2025	31.12.2026+	Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Percentage	17,2	63,1	1,9	17,7	100,0
Amount	308 443	1 128 699	34 762	316 418	1 788 322

31.12.2020	31.12.2020	31.12.2022	31.12.2024	31.12.2025+	Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Percentage	22,3	49,5	12,7	15,4	100,0
Amount	385 273	854 343	219 100	265 697	1 724 413

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

	2021	2020
Nominal value of interest rate derivatives on the balance sheet date of which	692 443	589 591
- Variable-to-fixed swaps	692 443	589 591
Range of fixed interest rates (%)	1.03 - 4.05	1.03 - 4.05
Variable rate basis	3M NIBOR	3M NIBOR
Average fixed rate	2,16 %	2,25 %
Fair value of interest rate derivatives on the balance sheet date (INOK)	21 086	35 646
Change in fair value of interest rate derivatives over the year	27 982	-23 856
Total change in fair value of financial instruments	27 982	-23 856

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.

	2021	2020
1 year	18 311	4 569
2 years	20 710	48 243
3 years	20 689	25 334
4 years	57 387	29 883
5 years	52 295	46 624
5 years < 10 years	351 218	357 052
≥ 10 years	629 674	640 758
Total	1 150 284	1 152 462

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

Remaining term	2021			2020		
	Number of contracts	Contract rent	Contract rent, %	Number of contracts	Contract rent	Contract rent, %
1 year	42	28 698	17,3	25	6 359	4,1
2 years	26	12 106	7,3	27	28 912	18,9
3 years	18	7 848	4,7	30	9 914	6,5
4 years	20	18 285	11,0	17	8 160	5,3
5 years	19	11 805	7,1	23	10 776	7,0
5 years < 10 years	37	48 471	29,3	42	44 671	29,2
≥ 10 years	12	38 491	23,2	13	44 449	29,0
Total	174	165 704	100,0	177	153 242	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 two 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

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.

All amounts in NOK thousand

31.12.2021	Commercial Properties ¹⁾	Residential Properties	Eliminations ²⁾	Consolidated
INCOME STATEMENT				
Total operating income	136 295	1 338	-439	137 194
- of which is rental income	120 577	-	-	120 577
- of which is other operating revenue	15 718	1 338	-439	16 617
Total operating costs	92 888	2 160	-439	94 609
Net income	43 407	-822	-	42 585
Fair value adjustments investment property	147 023	-	-	147 023
Net fair value financial derivatives	2 130	-	-	2 130
Net financial items	-79 549	-319	-13	-79 881
Segment profit	113 012	-1 141	-13	111 858
BALANCE SHEET				
Investment property	2 692 700	-	-	2 692 700
Inventory property	-	10 734	-	10 734
Total assets from operating segments	2 692 700	10 734	-	2 703 434
Deferred tax liability	90 918	-	-779	90 139
Interest bearing debt	1 774 902	-	10 385	1 785 287
Total liabilities from operating segments	1 865 820	9 606	-	1 875 426

RECONCILIATIONS

<i>Reconciliation of revenue:</i>	
Total operating income from the segments	137 194
Other operating income	-
The Group's total operating income	137 194

Reconciliation of profit:

Segment profit	111 858
Total other comprehensive income before tax	-
The Group's profit before tax	111 858

Reconciliation of balance sheet:

Total assets from operating segments	2 703 434
Non-current assets	173 059
Current assets	59 782
The Group's total assets	2 936 276

Total liabilities from operating segments	1 875 426
Equity	951 676
Non-current liabilities	29 123
Current liabilities	80 051
The Group's total equity and liabilities	2 936 276

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

²⁾ Eliminations consists of intercompany transactions made at arm lengths principles

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	-755	-	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	-42 271	-1 446	-1 159	-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	-	-	79 109
Interest bearing debt	1 714 156	10 258	-	-	1 724 414
Total liabilities from operating segments	1 793 793	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 15 Investment Property

2) The segment Technology was sold during 2020 and hence there's no assets or liabilities outlined above

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

NOTE 7 CATEGORIES OF FINANCIAL INSTRUMENTS

All amounts in NOK thousand

31.12.2021	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets			
Financial investments			
- shares		17 045	17 045
- Loans to associates	65 025	-	65 025
Financial derivatives	-	21 118	21 118
Other long-term receivables	12 562	-	12 562
Trade receivables	12 729	-	12 729
Other current receivables	11 270	-	11 270
Cash and cash equivalents	24 855	-	24 855
Total financial assets	126 442	38 163	164 604

31.12.2021	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	-	1 479 630	1 479 630
- Debt to related parties	-	3 026	3 026
Interest-bearing current liabilities	-	309 188	309 188
Financial derivatives	21 086	-	21 086
Other non-current liabilities	-	5 684	5 684
Trade payables	-	23 968	23 968
Other current liabilities	-	51 879	51 879
Total financial liabilities	21 086	1 873 374	1 894 461

31.12.2020	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets			
Financial investments			
- shares	14 370	-	14 370
- Loans to associates	-	46 616	46 616
Financial derivatives	14 155	-	14 155
Other current receivables	12 625	-	12 625
Cash and cash equivalents	35 679	-	35 679
Total financial assets	76 829	46 616	123 445

31.12.2020	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	-	1 351 103	1 351 103
Interest-bearing current liabilities	-	6 633	6 633
Financial derivatives	35 646	376 879	412 525
Other non-current liabilities	-	-	-
Trade payables	-	40 926	40 926
Other current liabilities	-	68 640	68 640
Total financial liabilities	35 646	1 844 181	1 879 827

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. More information about fair value of investment property is located in note 3. 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

	31.12.2021	31.12.2020
Assets at fair value through profit or loss		
- Investment properties (level 3)	2 692 700	2 436 000
- Property used by owner (level 3)	0	0
- Derivatives (Level 2 and 3) ¹⁾³⁾	21 118	46 618
- Equity instruments (level 3) ²⁾	17 045	34 374
Total	2 730 863	2 516 992

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2021	31.12.2020
Liabilities at fair value through profit or loss		
- Derivatives (Level 2 and 3) ¹⁾³⁾	21 086	35 646
Total	21 086	35 646

1) Financial derivatives as an asset relates to a forward contract to acquire the remaining shares in Inkognitogaten 33 A AS. The forward contract was originally an option and during the second quarter of 2021 the Group made an irreversible commitment to buy the underlying asset and as a consequence, considers the option as a forward contract until the settlement date which is estimated in Q2 2022. The contract give rise to a decrease in fair value during the quarter.

2) 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. The other investments in associates and jointly controlled entities is measured at amortised cost because the fair value can not be measured in a reliable and sufficient way.

3) Derivatives consist of both fair value of interest rate swaps and fair value of option contracts.

NOTE 9 DEVELOPMENT PROJECTS

All amounts in NOK thousand

R8 Property had one ongoing project in 2021, a research center (Polymer Exploration Center) located in Porsgrunn. This project is 50% owned by R8 Property through the ownership of Dokkvegen Utvikling AS. The project was completed in the fourth quarter of 2021.

Polymer Exploration Center is a research center where Norner 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 a natural expansion of Porsgrunn Næringspark and will improve the overall infrastructure on the property. Norner 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.

R8 Property also had five development projects in 2021 with ongoing feasibility studies.

In Q4 2021 Mulghetes By AS is classified as a project after a reassessment. This is related to a larger project that is planned to be implemented on the property. This will transform the property and the start of the projects is approaching.

NOTE 10 OPERATING COSTS

All amounts in NOK thousand

	2021	2020
Operating costs		
Administrative management costs	28 069	16 823
Operating and maintenance costs	42 111	36 386
Total maintenance and other operating costs	70 181	53 208
Other property costs		
Rental, market, and other income-related expenses	3 808	2 196
Owner's share of service charge expenses	-	-
Total other property costs	3 808	2 196
Administrative costs		
Payroll and personnel expenses	13 003	22 606
Depreciation	-	-
Other operating expenses	7 616	8 025
Total administrative costs	20 620	30 630

NOTE 11 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2021	2020
Wages and salaries	25 937	28 472
Employee options	-3 842	5 920
Social security costs	3 640	4 052
Pension costs defined contribution plan	1 813	1 621
Total	27 548	40 065
Number of full-time equivalents	30,0	24,3
Number of employees at 31.12	31,0	27,0

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.

REMUNERATION TO SENIOR EXECUTIVES IN 2021

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	2 159 584	0	15 273	151 171	2 326 028
Eirik Engaas, CFO	1 509 985	0	11 353	105 699	1 627 037

BOARD FEES

	2021	2020
George Emil Aubert, Chair	200	200
Else 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
Marianne Lie, board member	75	75
Elin Tufte Johansen, board member	75	75
Tommy Thovsland, board member (resigned during 2020)		56
Total	650	556

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2021	2020
Interest income	1 011	916
Other finance income	69	7
Interest income from group companies	1 259	1 130
Changes of fair value of financial instruments	2 130	0
Gains from sale of shares	22 137	0
Total interest and other finance income	26 605	2 053
Interest expenses	77 939	78 963
- of which capitalised borrowing costs	-4 322	-13 311
Interest expenses group companies	95	490
Share of loss from associates and joint ventures	30 645	6 882
Total interest and other finance expense	104 357	73 024

NOTE 13 INTANGIBLE ASSETS AND OTHER OPERATING ASSETS

All amounts in NOK thousand

	2021			2020		
	Goodwill	Software	Other operating assets	Goodwill	Software	Other operating assets
At 1 January						
Acquisition cost at 01.01	7 011	1 148	9 591	7 011	1 061	9 748
Acquisitions	-	139	692	-	232	477
Disposals	-	-	-22	-	-	-
Acquisitions cost as 31.12	7 011	1 286	10 261	7 011	1 293	10 225
Accumulated depreciation and write-downs as of 01.01	-	-554	-8 827	-	-442	-8 510
Depreciations and write-downs	-	-155	-133	-	-112	-317
Transfer to investment property	-	-	-	-	-145	-634
Accumulated depreciation and write-downs at 31.12	-	-709	-8 960	-	-699	-9 461
Carrying amount at 01.01	-	594	764	-	619	1 238
Carrying amount at 31.12	7 011	578	1 301	7 011	594	764
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 2021. There were no impairment charges in 2018-2021.

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

	2021	2020
RIGHTS-OF-USE ASSETS (included in other operating assets)		
At 1 January		
Additions	127	270
Disposals	-	-
Depreciation	92	142
At 31 December	36	127
LEASE LIABILITIES		
At 1 January	4 825	5 644
Additions	-	-
Disposals	-	-
Payments	1 294	818
At 31 December	3 531	4 825
Non-current	2 352	3 567
Current	1 179	1 258
Interest expense on lease liabilities	200	272
Variable payments not included in the lease liabilities	-	-
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets	462	220
Total cash outflow for leases	1 494	1 017

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

NOTE 15 INVESTMENT PROPERTIES

All amounts in NOK thousand

	2021	2020
VALUE OF INVESTMENT PROPERTIES		
Opening balance previous period	2 436 000	2 409 000
Other movements		
Purchase of investment properties	230 890	16 000
Projects and upgrades in the property portfolio	150 494	164 415
Capitalised borrowing costs	4 322	13 311
Sale of investment property	-276 030	-120 000
Change in value from investment properties	147 024	-46 726
Total value of investment property	2 692 700	2 436 000

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 31.12

31.12.2021	Area (sqm)	Occupancy (sqm) (%)	No. of prop. (#)	Market value		Wault ¹⁾ (yrs)	Annual rent		Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾	
				(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)				(tNOK)	(NOK/sqm)
Green Office	32 390	29 128 89,9	5	944 550	29 162	5,2	56 991	1 957	4,5	5,3	5,6	64 130	1 980
City Office	38 702	35 355 91,4	13	644 150	16 644	3,8	42 403	1 199	3,8	4,6	6,0	53 422	1 380
Commercial Prop.	11 199	10 128 90,4	6	306 150	27 337	13,3	20 915	2 065	13,2	5,6	6,4	22 283	1 990
Total	82 291	74 611 90,7	24	1 894 850	23 026	6,1	120 309	1 612	5,8	5,1	5,9	139 834	1 699
Project Office	26 675	21 066 79,0	6	797 850	29 910	10,1							
Total project	26 675	21 066 79,0	6	797 850	29 910	10,1							
Total property	108 966	95 677 87,8	30	2 692 700	24 711	7,3							

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31 December 2021 corresponds to 9.1 per cent of market rent. The Group has no single external customers representing over 10 per cent of the Group's revenue. Furthermore, the Group has around 91 per cent of its estimated market value of properties and 91 per cent of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

R8 Property had one ongoing project in Porsgrunn in 2021 (research center - Polymer Exploration Center). This project is 50 per cent owned by R8 Property through the ownership of Dokkvegen Utvikling AS. The project was completed in the fourth quarter of 2021. Furthermore, R8 Property are doing feasibility studies on additional five properties.

During the fourth quarter the Group has reassessed the property Mulighetenes By (Arkaden) and considers the property as a project. This is related to a larger project that is planned implement on the property. This affect presented key figures for the management portfolio and the property portfolio from previous quarters. Figures for Q4-20 presented below have been restated.

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

TENANT INDUSTRY 31.12.21

31.12.2021	Occupancy (sqm)	Wault ²⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)	
Office	62 019	4,5	97 843	1 578
Retail	1 288	3,3	1 520	1 180
Hotels	6 234	17,0	12 118	1 944
Healthcare	2 870	3,7	3 705	1 291
Food and Beverage	2 200	6,8	5 123	2 329
Total management portfolio	74 611	5,8	120 309	1 612

CORPORATE UNITS 31.12.20

31.12.2020	Area (sqm)	Occupancy (sqm) (%)	No. of prop. (#)	Market value		Wault ¹⁾ (yrs)	Annual rent		Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾	
				(tNOK)	(NOK/sqm)		(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.	11 199	10 193 91,0	6	288 000	25 717	10,5	21 687	2 128	10,7	5,7	7,1	23 605	2 108
Total	81 776	72 025 88,1	26	1 901 500	23 253	6,4	115 870	1 609	6,1	5,0	6,0	135 722	1 660
Project Office	26 317	22 601 85,9	6	534 500	34 333	10,3							
Total project	26 317	22 601 85,9	6	534 500	20 310	10,3							
Total property	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.

R8 Property had one ongoing project in Porsgrunn (research center - Polymer Exploration Center) in Q4-20.

TENANT INDUSTRY 31.12.20

31.12.2020	Occupancy (sqm)	Wault ²⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)	
Office	58 928	5,3	91 984	1 561
Retail	1 248	3,8	1 503	1 204
Hotels	6 235	13,1	11 877	1 905
Healthcare	3 094	3,3	4 081	1 319
Food and Beverage	2 520	7,9	6 426	2 550
Total management portfolio	72 025	6,1	115 870	1 609

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

	2021	2020
Trade receivables	8 004	16 542
Provisions for bad debts	-1 171	-7 110
Net trade receivables before accrued not invoiced	6 833	9 432
Accrued not invoiced	5 896	4 723
Net trade receivables	12 729	14 155

As of 31 December 2021 assessments of provisions for bad debt are based on historic rates and expected losses. The Group considers a lower risk for credit losses related older receivables to tenants operating with hotels and commerce/shopping mall compared to other trade debtors. Historically a higher rate of older trade receivables within hotels and commerce/shopping mall are paid. Separate assessments are performed for the two segments and the age analysis are presented below.

31.12.2021		Rent and other trade receivables and contract assets - regular customers							
		Days past due							
	Contract	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	
Expected credit loss rate	0,0 %	0,1 %	0,5 %	1,0 %	5,0 %	50,0 %	75,0 %	3,5 %	
Carrying amount	0	1 772	285	8	10	97	34	2 206	
Expected credit loss	0	2	1	0	1	49	26	78	
Net Amount	0	1 770	284	8	10	49	9	2 128	

31.12.2021		Rent and other trade receivables and contract assets - hotels and commerce/shopping mall							
		Days past due							
	Contract	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	
Expected credit loss rate	0,0 %	0,1 %	0,5 %	1,0 %	5,0 %	20,0 %	55,0 %	22,7 %	
Carrying amount	0	2 150	-144	-144	363	1 006	1 589	4 820	
Expected credit loss	0	2	-1	-1	18	201	874	1 093	
Net Amount	0	2 148	-143	-143	345	805	715	3 727	

At 31 December 2020 the provisions for loss was 7,1 mNOK and consisted of a provision for specific uncertain trade receivables in companies in the Group of 6 650 tNOK, and a provision set based on historic rates and expected losses of 460 tNOK. 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	Current	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	
Expected credit loss rate	0,0 %	0,1 %	18,7 %	9,0 %	0,0 %	90,2 %	82,0 %	40,2 %	
Carrying amount	0	5 355	1 064	2 203,22	432	1 352	6 136	16 542	
Expected credit loss	0	0	199	199	0	1 220	5 033	6 650	
Net Amount	-	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	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	132	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	

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

	2021	2020
VAT receivable	4 258	6 650
Accrued interest	-	-
Accrued not invoiced	-	-
Advance payments and accruals	2 447	1 869
Other current receivables	4 566	4 106
Total other current receivables	11 270	12 625

NOTE 18 INVENTORY PROPERTIES

In 2019 the Group acquired a development site in Skien, Telemark. The acquired land, Utsikten 1, is regulated for residential development. The project is estimated to start up in 2022. The land is intended for sale of housing units upon completion. We refer to note 2 for accounting policies affecting inventory property.

	2021	2020
At 1 January	9 360	7 805
Acquisition of land/development sites	-	-
Development costs incurred	1 253	1 414
Transfers to investment property	-	-
Interest capitalized	121	141
Disposals (recognized in cost of sales)	-	-
At 31 December	10 734	9 360

NOTE 19 BANK DEPOSITS

All amounts in NOK thousand

	2021	2020
Cash and bank deposits	19 528	34 549
Tied bank deposits	5 327	1 130
Total bank deposits	24 855	35 679

Tied bank deposits relate to the tax deduction account and covenant agreements towards banking partners.

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 5,423,581 divided into 21,694,324 shares, with each share having a par value of NOK 0.25. R8 Property has one class 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 2021 R8 Property had 178 shareholders. Norwegian investors held 99,98 per cent of the share capital.

The table below 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 2021

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Face value (NOK)
At 1 January	19 720 640	4 930	200 291	140 340	0,25
Capital increase as of 05.06.2021 1)	1 973 684	493	74 507	-	0,25
Cost of equity transactions directly in equity	-	-	-3 069	-	-
Share based options	-	-	-	-3 842	-
At 31 December 2021	21 694 324	5 423	271 729	136 498	0,25

Paid-in capital amounts to tNOK 413,651 and consists of tNOK 5,423 in share capital, tNOK 271,729 in share premium and tNOK 136,498 in other paid-in capital.

1) The Group decided to increase the equity by the issuance of 1,973,684 new shares. Payment of the shares was settled by converting outstanding debt of mNOK 21.0 and cash payments of mNOK 54.0. Costs related to the equity transaction has been deducted from share premium. The transaction has been registrert in Brønnøysundregistrene as of 05.06.2021.

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

The 20 largest shareholders as registered as of 31 December 2021 were as follows:

	Number of shares per 31.12.2021	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO	9 790 500	45,13	Norway
Brødrene Jensen AS, represented by Leif Oddvin Jensen - board member	2 937 478	13,54	Norway
IKAB AS, represented by Knut Bråthen - board member	1 882 237	8,68	Norway
Acini Capital AS	600 000	2,77	Norway
Sarepta Holding AS, represented by Runar Rønningen - board member	550 000	2,54	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	545 042	2,51	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	389 000	1,79	Norway
Carucel Invest AS	338 250	1,56	Norway
R-Venture AS	263 157	1,21	Norway
Kabbe Holding AS	250 000	1,15	Norway
Østerlid AS	204 400	0,94	Norway
Gambetta AS	200 000	0,92	Norway
Thovsland Holding AS - COO	200 000	0,92	Norway
Jon Mørk Consulting AS	200 000	0,92	Norway
Romson Invest AS	189 000	0,87	Norway
Cacace AS	154 160	0,71	Norway
Jan Henrik Krefling	154 160	0,71	Norway
Sonja og Emil Aubert Legat, represented by George Emil Aubert - Chair	151 000	0,70	Norway
Børseth-Hansen AS	145 800	0,67	Norway
Heimberg Holding AS	144 000	0,66	Norway
Other Shareholders <0,66%	2 406 140	11,09	
Total	21 694 324	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 and 2021 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.

As of 31.12.2021, 8 employees are included in the option program. Only the latest options (a total of 50 000 options) requires a minimum of 12 months time in the Group before the rights can be exercised. All other options can be exercised immediately. There is no other contingencies required to exercise the options.

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.

	2021			2020		
	No. of options	Exercise price ¹⁾	Last exercisable date	No. of options	Exercise price	Last exercisable date
<i>Outstanding at 1 January</i>	350 000	-	-	-	-	-
Granted during the year	50 000	32,06	31.10.2023	350 000	30,55	31.10.2023
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	400 000	32,06	31.10.2023	350 000	31	31.10.2023

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

Total weighted

	Option 1	Option 2	Option 3	Option 4
△ Range of exercise prices for options	7.56	17.72	37.72	42.60
△ Current stock price (EPRA NAV)	28.50	28.50	28.50	28.50
△ Expected volatility	25.60%	25.60%	25.60%	25.60%
△ Risk-free interest rate	1.96%	1.96%	1.96%	1.96%
△ Dividend yield	0.00%	0.00%	0.00%	0.00%
△ Fair value (NOK)	21.21	11.64	1.57	0.88

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. Furthermore The Group has granted a key employee 50 000 options with an exercise price of NOK 42.60. One option gives the right to buy one share. The share options granted in 2021 has a maturity of approximately 3 years, ending 31.10.2023.

NOTE 21 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2021			2020		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	1 477 278	1 477 278	1 477 278	1 347 535	1 347 535	1 347 535
Total non-current interest-bearing liabilities	1 477 278	1 477 278	1 477 278	1 347 535	1 347 535	1 347 535

CURRENT INTEREST-BEARING LIABILITIES

	2021			2020		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	308 009	308 009	308 009	376 879	376 879	376 879
Total current interest-bearing liabilities	308 009	308 009	308 009	376 879	376 879	376 879

The average risk premium on the Group's loans at 31 December 2021 was 2,71 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, Mulghetenes By AS, Henrik Ibsensgate 6 AS, Kammerherreløkka AS, Utsikten 1 AS, Dokkvegen 20 AS, Fornebuveien 1-3 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

31.12.2021	01.01.2021	Cash flows	Corporate acquisitions	Fair Values changes	New leases	Reclassification debt	31.12.2021
Non-current liabilities	1 351 103	82 680	126 021	0	0	-80 173	1 479 630
Financial derivatives	35 646	0	0	-14 560	0	0	21 086
Current liabilities	384 769	24 384	-177 114	0	0	80 173	312 213
Total liabilities from financing activities	1 771 518	107 065	-51 093	-14 560	0	0	1 812 930

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	570 545	1 351 103
Financial derivatives	11 789	-	0	23 856	-	-	35 646
Current liabilities	952 600	2 714	0	-	-	-570 545	384 769
Total liabilities from financing activities	1 613 932	202 890	-69 161	23 856	0	0	1 771 518

NOTE 23 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2021	2020
Tax payable	-60	-
Change in deferred tax on profit and loss	32 647	-18 338
Change in deferred tax on comprehensive income	-	-
Income tax expense	32 587	-18 338

TEMPORARY DIFFERENCES

	2021	2020
Fixed assets	812 029	682 084
Profit and loss account	1 112	1 652
Other differences	-7 850	-11 354
Interest rate swap	-7 664	-35 646
Net temporary differences	797 628	636 736
Tax losses carried forward	-399 737	-324 323
Basis for deferred tax	397 891	312 413

Deferred tax	87 536	68 941
Deferred tax in the balance sheet	87 536	68 941

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2021	2020
Profit before tax	111 858	-45 109
Cost of equity transactions directly in equity	-3 069	-
Other permanent differences	43 516	-36 135
Changes in temporary differences	-178 475	5 358
Intra-group contribution	-	-
Changes in loss carry-forwards	26 170	75 885
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:

	2021	%	2020	%
Profit for accounting purposes multiplied by nominal tax rate	24 609	22,0	-9 924	22,0
Tax on permanent differences	8 898	8,0	-7 950	17,6
Tax effect on day one related to acquisition with loss carry forward	-920	-0,8	-464	1,0
Tax expense for accounting purposes	32 587	29,1	-18 338	40,7

MOVEMENTS IN DEFERRED TAX

	2021	2020
Opening balance at 01.01.	68 941	84 591
Tax expense recognized through income statement	32 587	-18 338
Acquisition/sale of subsidiaries	-13 992	2 688
Net deferred tax at 31.12.	87 536	68 941

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:

	2021	2020
Deferred tax liability	90 139	79 110
Deferred tax assets	-2 603	-10 169
Net deferred tax	87 536	68 941

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.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS

	2021	2020
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-2 603	-10 169
Deferred tax assets to be recovered within 12 months	-	-
	-2 603	-10 169
Deferred tax liabilities		
Deferred tax liability reversion after more than 12 months	88 084	77 619
Deferred tax liability reversion within 12 months	2 055	1 490
	90 139	79 110
Deferred tax liabilities (net)	87 536	68 941

NOTE 24 TRADE PAYABLES AND OTHER LIABILITIES

All amounts in NOK thousand

	2021	2020
Trade payables	23 968	40 926
Tenants prepayments	2 463	2 188
Holiday pay owed	2 913	2 339
Unpaid government taxes and duties	9 789	7 406
Seller credit and withheld purchase price	7 500	34 747
Interest accrued	9 532	8 189
Other liabilities	19 682	13 896
Total trade payables and other liabilities	75 847	109 690

NOTE 25 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2021.

SUBSIDIARY OF R8 Property AS

	Business office	Equity interest %	Result 31.12.2021	Equity 31.12.2021	Result 31.12.2020	Equity 31.12.2020
R8 Management AS - 0065	Porsgrunn	100	-945	659	1 428	1 604
R8 Office AS	Porsgrunn	100	1 398	108 540	-1 095	141 924
R8 Urban Estate AS	Porsgrunn	100	-5 353	93 453	-4 118	98 807
R8 Hotels AS	Porsgrunn	100	-134	35 350	-87	34 503
Valore AS	Porsgrunn	100	2 560	39 894	423	37 334
R8 Home AS - 0305	Porsgrunn	100	-986	1 804	-1 280	2 789
R8 Projects AS - 0313	Porsgrunn	100	21 854	28 753	-576	441
R8 Technology AS	Porsgrunn	100	22 280	2 177	72	40

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

(all of which has business office in Porsgrunn and 100% voting rights except Dokkveien Utvikling AS, Fornebuveien1-3 Invest AS, Vestsiden Terrasse AS and Kammerherreløkka AS, see below)

R8 Office AS	R8 Urban Estate AS	Valore AS	R8 Projects AS	R8 Home AS
Gronlirokken 5 AS	Langbrygga 1 Skien AS	Bedriftsveien 52/58 AS	Dokkvegen Utvikling AS *)	Utsikten 1 AS
Torggata 8 Skien AS	Østveien 665-667 AS	Rødmyrlia 20 AS	[--- Dokkvegen 20 AS **)	Vestsiden Terrasse AS****)
Versvikveien 6B AS	Mulghetenes By AS	Vipeveien 51 AS	R8 Prosjektselskap 4 AS	
Storgata 106 AS	[--- Nedre Hjellegate 11 AS		R8 Prosjektselskap 5 AS	
Hesselberggaten 4 AS	[--- Henrik Ibsensgate 6 AS		Fornebuvegen 1-3 Invest AS***)	
Dokkvegen 8&10 AS			[---Fornebuvegen 1-3 AS	
Dokkvegen 9 AS				
Kjelleveien 21 AS				
Kjelleveien 23 AS	R8 Hotels AS			
HE-Kjelleveien AS	Kammerherreløkka AS *****)			
Kongensgate 20A AS				
Dokkvegen 11 AS				

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

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

****) R8 Projects AS owns 50% of shares in Fornebuvegen 1-3 Invest AS. Voting rights equivalents ownership. The remaining shares is owned by Brødrene Jensen AS.

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

*****) 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.

The Group is considered having control of companies in which the Group holds 50% of the shares for the following: Vestsiden Terrasse AS, Dokkvegen Utvikling AS, Kammerherreløkka AS, Fornebuveien 1-3 Invest 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 2021 (100 %)	Balance sheet value
R8 Evolve AS*	Porsgrunn	75,0 %	50 972	-35 277	41 660
Balance sheet value 31.12.2021					

* R8 Evolve AS has 100% ownership and voting rights in the entities Evolve Akersgata AS, Evolve Bjørvika 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. As of 31.12.21 the investment had a book value of NOK 41.7 million. An external valuation was performed in Q4-21, estimating a company value of NOK 195 million (100 per cent basis).

ASSOCIATES

	Business office	Ownership/ voting right	Equity 31.12 (100%)	Result 2021 (100 %)	Balance sheet value
Skien Brygge Utvikling AS*	Porsgrunn	25,0 %	10 831	-490	3 000
Sandefjord Eiendomsinvest AS**	Sandefjord	25,2 %	42 728	145	11 100
Orbit Technology AS***	Porsgrunn	30,5 %	35 315	-11 855	11 877
Balance sheet value 31.12.2021					

* Skien Brygge Utvikling AS is owned by the subsidiary R8 Projects AS. Skien Brygge is a long-term project which involves the development of both residential and commercial properties. The development project is structured in three phases. The project is going as planned and commencement of phase one is expected in the second quarter of 2022 following a completion in Q1 2021. NewSec has recently valued the project and considers phase one to have a positive contribution of mNOK 75, with a total fair value of mNOK 589 compared to an estimated project cost of mNOK 514. There is also a letter of intent for phase two and three of Skien Brygge where the development of these two last phases is estimated in the period from 2025 to 2033. Phase two and three is estimated with a total fair value of mNOK 1326 and costs amounting to mNOK 1068 resulting in a positive contribution of mNOK 258, bringing a total positive effect from Skien Brygge of mNOK 333 from all three phases. R8 owns 25% of Skien Brygge.

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

*** Orbit Technology AS was being considered a joint venture due to controll over 50% of outstanding shares in the company until the sale of 14,5 % of the shares Q1 2021. After the sale, Orbit Technology AS is considered a associated company. Orbit Technology offers technology solutions that enables office sharing at scale, by turning unused office space into satellite workspaces, available and affordable for anyone. The Group owns 30.5% of the company through R8 Technology AS. The investment had a book value of mNOK 11.9 per 31.12.21 (includes booked loan for conversion). Latest transaction in Q4-21 implied a total fair value of Orbit Technology at mNOK 150.

FINANCIAL INFORMATION FROM JOINT VENTURES AND ASSOCIATES

	R8 Evolve AS	Orbit Technology AS	Sandefjord Eiendoms-invest AS	Skien Brygge Utvikling AS
Revenues	57 669	294		
Operating costs	92 336	15 419	456	316
- of which depreciation and amortisation	45 699	77		
Net operating income	-34 667	-15 125	-456	-316
Net financial items	-10 560	-780	603	-175
- of which interest income	27	26	3 305	-
- of which interest expense	-10 586	-806	-2 702	-175
Profit before tax	-45 227	-15 906	146	-490
Tax expense	9 950	4 051	-	-
Profit for the year	-35 277	-11 855	146	-490

	R8 Evolve AS	Orbit Technology AS	Sandefjord Eiendoms-invest AS	Skien Brygge Utvikling AS
Current assets	11 317	1 520	714	26 225
- of which cash and cash equivalents	650	505	42	1 071
Non-current assets	367 161	42 239	122 476	-
Total assets	378 477	43 760	123 190	26 225
Current liabilities	65 257	7 225	462	3 219
- of which current financial liabilities other than accounts payable and provisions	54 587	1 812	452	-
Non-current liabilities	262 249	35 315	80 000	12 174
- of which non-current financial liabilities other than accounts payable and provisions	-	-	-	-
Total liabilities	327 505	42 541	80 462	15 394
Equity	50 972	1 219	42 728	10 831

RECONCILIATION OF CARRYING AMOUNT

Group's share in equity	38 229	62 138 583	10 767	2 708
Goodwill	10 313	10 313	-	-
The Group's carrying amount	41 660	41 660	11 100	3 000
Excess (shortage) value	6 882	62 107 237	-333	-292

The Group also holds shares in Telemarksgata 10 AS and Inkognitogaten 33 AS recognized in the balance sheet with an amount of mNOK 18.2.

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 Bjørvika 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 controll 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 Eiendoms-invest AS	Skien Brygge Utvikling
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
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	0	-369	

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 has sold a porportion of the shares in Orbit Technology AS to related party Alligate AS for the amount of mNOK 22.5.

	Associated companies	2021	2020
Income statement			
Other operating revenue	Evolve Akersgata AS (mNOK 1,77), Evolve Bjørvika AS (mNOK 0,33), Evolve IT Fornebu AS (mNOK 6,51), R8 Evolve AS (mNOK 2,65)	11 343	4 458
Operating costs	R8 Consulting Group AS (mNOK 6,0), R8 Edge AS (mNOK 0,9)	6 925	10 851
Interest income	R8 Group AS (mNOK 0,9), Orbit Technology AS (mNOK 0,3)	1 259	1 130
Interest expense	R8 Group AS	95	490
Balance sheet			
Receivables		-	-
Loans	Orbit Technology AS (mNOK 13,6), R8 Evolve AS (mNOK 33,2), R8 Group AS (mNOK 14,0), Skien Brygge Utvikling AS (mNOK 3,0)	65 025	14 370
Debt	R8 Group AS (mNOK 3,0)	3 026	13 671
Payables		-	-

The Group has provided a guarantee on behalf of Evolve Groups creditors regarding rental agreements for the amount of mNOK 52,4. Furthermore The Group has provided a parent company guarantee for continued operation until and including 31.12.2022.

NOTE 28 AUDITOR'S FEE

All amounts in NOK thousand

	2021	2020
Statutory audit	1 038	962
Tax advice (incl. technical assistance with tax return)	-	55
Other services not related to auditing (transactions, IFRS conversion)	722	1 918
Other assurance services	-	-
Total auditor's fee (excl. VAT)	1 760	2 935

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 400 000 options which upon exercise could potentially have a dilutive effect on outstanding shares. As of 31.12 it is only 100 000 options currently in-the-money with a dilution effect of 0.46%.

	2021	2020
Total comprehensive income for the year attributable to equity holders of the Company (NOK thousand)	43 146	-11 007
Average number of outstanding shares without options (Note 20)	21 694 324	19 720 640
Basic earnings per share (NOK)	2,07	-0,56
Average number of outstanding shares incl. dilution from options	21 794 324	19 779 133
Diluted earnings per share (NOK)	1,77	-0,56

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

Our tenant portfolio is divided into five different industries/segments: Office, Hotels, Food & Beverage, Healthcare and Retail – with Office as the majority at approx. 82 percent of the revenue. 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 and professional services etc.

The corona pandemic outbreak has impacted the Group's tenants, financials and property values. The property values within our Office segment/industry are considered to be strong. We see an improvement in the market and optimism among our tenants operating in the other industries/segments.

In December 2021 the Group made an agreement to acquire the remaining shares of R8 Evolve, increasing the ownership by 25%. As of 01.01.2022 the Group has 100% ownership and control of the company.

In Q1 2022 the Group has divested four properties to external parties. The Group is not directly exposed towards Russia or Ukraine, yet is indirectly impacted through increased electricity prices (partly mitigated in properties with solar panels) and increased interest rates.

On 1 January 2022, R8 Property ASA acquired 25% of the shares in R8 Evolve AS. After this transaction R8 Property ASA owns 100 % of the shares in R8 Evolve AS. R8 Evolve AS delivers flexible leases for office buildings in several locations in Norway. R8 Evolve AS owns the following subsidiaries at the time of acquisition:

- Evolve Akersgata AS
- Evolve Bjervika AS
- Evolve IT Fornebu AS
- Evolve Sandaker AS

The agreement on the purchase of R8 Evolve AS was entered into between Alligate AS and R8 Property ASA on 14 December 2021, with an agreement on acquisition on 1 January 2022. The date where R8 Property obtains control of the acquiree coincides with the acquisition date, 1 January 2022. R8 Property ASA has control of the acquiree and its subsidiaries after the transaction and will consolidate the companies with effect from 1 January 2022. The reason why R8 Property ASA does not have control over the company before the acquisition of the last 25 % of the shares, 1 January 2022, is related to the fact that there has been a requirement for unanimity in accordance with shareholder agreements.

In connection with the sale agreement of the shares, the fair value of the transaction was set at mNOK 195, the transferred consideration for the acquisition will be settled in cash. In the event of an acquisition of another company, accounting shall be carried out in accordance with the purchase method in accordance with IFRS 3. In accordance with the purchase method, a complete purchase price allocation (PPA) shall be made where the purchase price is allocated to identifiable assets and liabilities in the acquired company. Excess values in addition to those allocated to identifiable assets and liabilities are recognized as goodwill.

At the date when the financial statements are authorized for issue of R8 Property ASA, the calculation and allocation of the cost price of the purchase (PPA) has not been completed. Preliminary calculations show that the transaction amount will be allocated against goodwill. The reason why goodwill arises in connection with the acquisition analysis is related to both the expected synergy effects of merging the acquired companies with existing business, and the business's future-oriented and sustainable solutions for office buildings. The synergy effects will be achieved by, among other things, linking the technology own by Orbit AS more closely with Evolve AS's operations related to flexible office space.

All amounts in NOK thousand

PRO FORMA - ADJUSTED INCOME STATEMENT FOR THE ACQUIRED BUSINESS FOR 2021	
Operating revenue	57 669
Maintenance and other operating expenses	-36 355
Other property-related expenses	-2 204
Administrative expenses	-53 777
Net income from property management	-34 667



Photo: Ivar Kvaal

PARENT COMPANY

Financial statements R8 Property ASA

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Statement of income 1 January to 31 December

All amounts in NOK thousand

	Note	2021	2020
Revenue		16 780	13 792
Total operating income		16 780	13 792
Cost of goods sold		5	193
Payroll expenses	2	13 148	20 580
Depreciation expenses	4	161	116
Other operating expenses	2, 10	26 971	16 085
Total operating costs		40 285	36 973
Operating profit		-23 505	-23 181
Income from subsidiaries	11	20 184	1 901
Other financial income	11	21 606	2 024
Other financial expenses	11	-10 388	-11 139
Net financial items		31 401	-7 213
Profit before tax		7 896	-30 395
Income tax expense/ -income	3	-7 279	-4 131
Profit for year		15 175	-26 263
Allocated as follows			
Dividend		-	-
Transferred to other equity	9	15 175	-26 263
Total allocated		15 175	-26 263

Balance sheet Assets

All amounts in NOK thousand

	Note	2021	2020
NON-CURRENT ASSETS			
Deferred tax asset	3	10 783	3 504
Intangible assets	4	438	593
Total intangible assets		11 221	4 097
Other operating assets	4	203	22
Total property, plant and equipment		203	22
Investments in subsidiaries	12	284 930	371 160
Loans to group companies	5	202 407	63 369
Investments in JV's and associated companies	12	75 000	75 000
Investments in shares	13	15 254	30 508
Other long-term receivables		596	
Total financial assets		578 187	540 037
TOTAL NON-CURRENT ASSETS		589 612	544 156
CURRENT ASSETS			
Trade receivables		1 333	3 371
Other receivables		2 140	1 795
Loans to group companies	5	20 184	1 901
Total current receivables		23 656	7 068
Cash and bank deposits	8	9 124	6 250
TOTAL CURRENT ASSETS		32 780	13 318
TOTAL ASSETS		622 392	557 474

Balance sheet Equity and liabilities

All amounts in NOK thousand

	Note	2021	2020
EQUITY			
Paid-in equity	9	5 424	4 930
Share premium	9	268 229	196 792
Other paid-in equity	9	182 814	186 656
Total paid-in equity		456 467	388 378
Retained earnings	9	-15 771	-30 946
Total retained earnings		-15 771	-30 946
TOTAL EQUITY		440 696	357 432
LIABILITIES			
Deferred tax liability	3	-	-
Convertible loans	6	-	40 979
Liabilities to financial institutions		-	15 000
Liabilities to group companies	5	85 379	96 250
Other non-current liabilities	6	70 176	-
Total non-current liabilities		155 555	152 229
Trade creditors		6 272	6 010
Liabilities to group companies	5	-	-3 010
Liabilities to financial institutions		5 000	5 109
Public duties payable		1 272	838
Other short-term liabilities		13 597	32 846
Total current liabilities		26 141	47 813
TOTAL LIABILITIES		181 696	200 042
TOTAL EQUITY AND LIABILITIES		622 392	557 474

Notes 1 through 14 form an integral part of the financial statements.

Porsgrunn, 24 March 2022
Board of Directors for R8 Property ASA
This report is signed electronically

George Emil Aubert
Chair of the Board

Leif Oddvin Jensen
Board member

Else Christina Maria Sundby
Board member

Knut Bråthen
Board member

Marianne Lie
Board member

Runar Rønningen
Board member

Elin Tufte Johansen
Board member

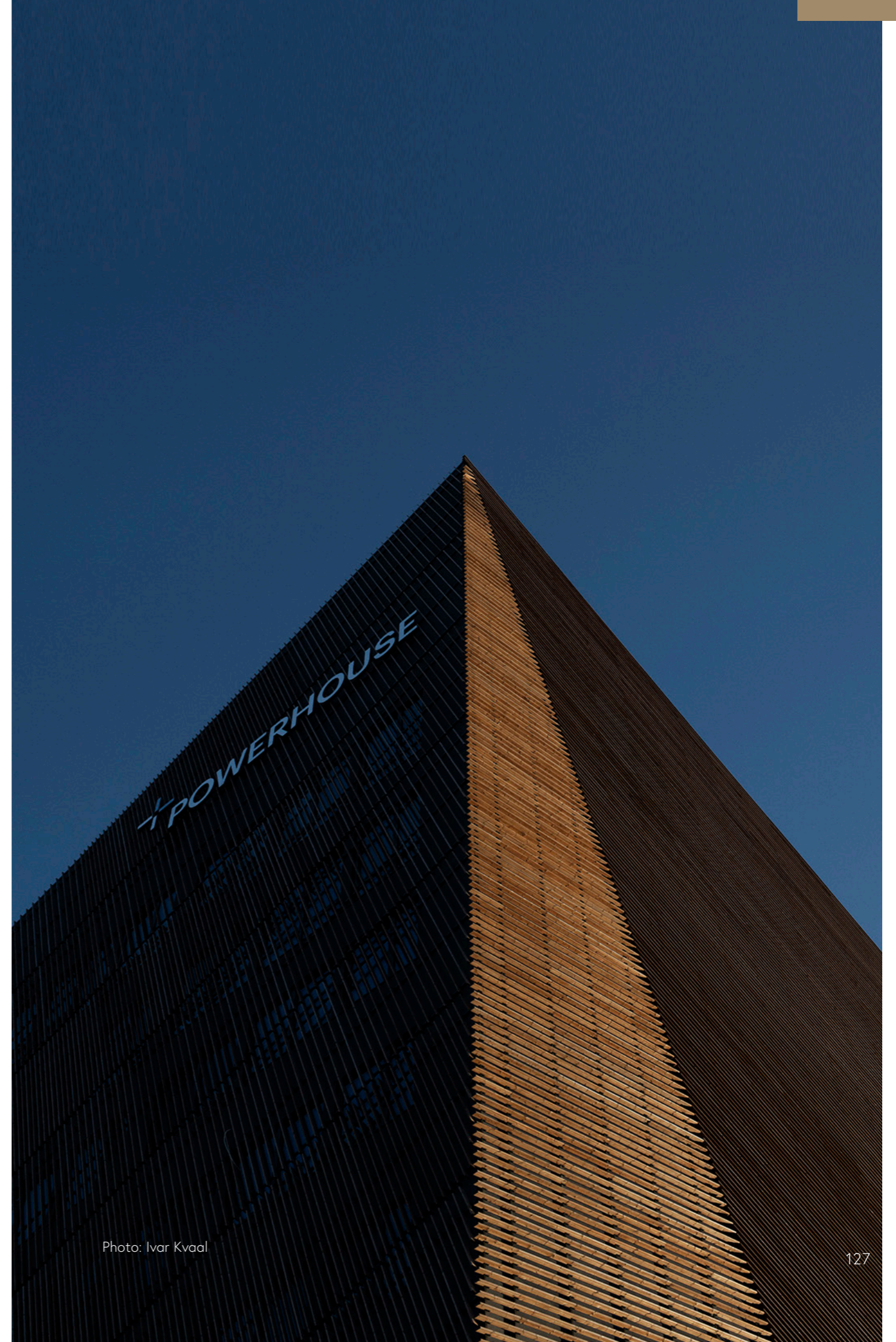
Emil Eriksrød
CEO

Statement of cash flows

1 January to 31 December

All amounts in NOK thousand

	Note	2021	2020
Profit before tax		7 896	-30 395
Expensed interest and fees on loans from financial institutions		895	-
Interest and fees paid on loans from financial institutions		-895	-
Write-down shares in subsidiaries		-	5 186
Gains from subsidiaries and sale of shares		-34 564	-
Other adjustments		-3 842	5 920
Depreciation and amortisation	4	161	116
Change in trade creditors and trade debtors		2 300	3 112
Change in other provisions		4 329	-2 138
Net cash flow from operating activities		-23 719	-18 199
Proceeds from sales of shares /fixed assets	11	30 129	25 000
Purchase of business net of cash		-	-130 548
Purchase of intangible assets and other plant and equipment	4	-187	-254
Net cash flow from investment activities		29 942	-105 802
Net change in liabilities from group companies	5	-66 180	14 857
Interest-bearing debt		34 881	60 979
Proceeds from equity	9	54 016	-
Cost of equity transactions	9	-3 069	-
Seller credit		-22 997	30 497
Net cash flow from financing activities		-3 348	106 333
Change in cash and cash equivalents		2 874	-17 667
Cash and cash equivalents at beginning of period		6 250	23 917
Cash and cash equivalents at end of period		9 124	6 250



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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.

Investment in other shares are valued at the lower of acquisition cost and fair value on the balance sheet date.

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.

Operating revenues and costs

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.

NOTE 2 PERSONNEL COSTS AND OTHER REMUNERATION

All amounts in NOK thousand

	2021	2020
Wages and salaries	14 158	11 072
Employer options	-3 842	5 920
Social security costs	1 597	2 509
Pension costs defined contribution plan	851	798
Other remuneration	383	281
Total	13 148	20 580
Number of full-time equivalents	11,5	9,0
Number of employees at 31.12	12,0	11,0

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 31.12.2021

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	2 159 584	-	15 273	151 171	2 326 028
Eirik Engaas, CFO	1 509 985	-	11 353	105 699	1 627 037

BOARD FEES

	2021	2020
George Emil Aubert, Chair	200	200
Else 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
Marianne Lie, board member	75	-
Elin Tufte Johansen, board member	75	-
Tommy Thovsland, board member (resigned during 2020)	-	56
Total	650	556

AUDITOR'S FEE

	2021	2020
Statutory audit	266	281
Other assurance services	660	1 557
Total auditor's fee (excl. VAT)	926	1 838

NOTE 3 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE	2021	2020
Tax payable	-	-
Change in deferred tax on profit and loss	-7 279	-4 131
Income tax expense	-7 279	-4 131

TEMPORARY DIFFERENCES

	2021	2020
Fixed assets	158	179
Other differences	-1 300	-
Net temporary differences	-1 142	179
Tax losses carried forward	-47 871	-16 106
Basis for deferred tax	-49 013	-15 927
Deferred tax	-10 783	-3 504
Deferred tax in the balance sheet	-10 783	-3 504

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2021	2020
Profit before tax	7 896	-30 395
Cost of equity transactions directly in equity	-	-
Other permanent differences	-40 982	11 615
Changes in temporary differences	1 320	13 764
Changes in loss carry-forwards	-	-
Profit for tax purposes	-31 765	-5 015
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:

	2021	%	2020	%
Profit for accounting purposes multiplied by nominal tax rate	1 737	22	-6 687	22
Tax on permanent differences	-9 016	-114	2 555	-5
Tax expense for accounting purposes	-7 279	-92	-4 131	17

From the income year 2021 the tax rate on normal income is 22 per cent.

NOTE 4 INTANGIBLE ASSETS AND OTHER OPERATING ASSETS

All amounts in NOK thousand

	Other operating assets		Software	
	2021	2020	2021	2020
At 1 January	22	-	593	542
Cost	26	-	774	542
Accumulated depreciation	-3	-	-181	-69
Net book amount	22	-	593	474
Year ended 31 December				
Opening net book amount	22	-	593	474
Additions	187	26	-	232
Disposals	-	-	-	-
Transfer from investment property	-	-	-	-
Depreciation charge	-6	-3	-155	-112
Closing net book amount	203	22	438	593
Economic life	3-5 year	3 year	5 year	5 year
Depreciation plan	Linear	Linear	Linear	Linear

NOTE 5 BALANCE WITH GROUP COMPANIES

All amounts in NOK thousand

LOANS TO GROUP COMPANIES

	2021		2020	
	Long term	Short term	Long term	Short term
R8 Urban Estate AS	72 632	-	21 935	-
R8 Office AS	62 834	-	-	-
R8 Project AS	10 226	-	12 526	-
R8 Hotels AS	6 035	-	5 706	-
R8 Technology AS ¹⁾	-	20 184	8 034	86
R8 Home AS	3 520	-	1 998	-
R8 Evolve	33 210	-	-	-
R8 Group AS	13 951	-	13 170	-
R8 Management AS	-	-	-	1 816
Total	202 407	20 184	63 368	1 901

LIABILITIES TO GROUP COMPANIES

	2021		2020	
	Long term	Short term	Long term	Short term
Valore AS	31 732	-	34 381	-
R8 Office AS	-	-	34 407	-
R8 Management AS	6 703	-	8 305	-
R8 Technology AS	3 616	-	-	10
R8 Home AS	-	-	-	2 000
R8 Projects AS	-	-	-	1 000
Fornebuveien 1-3 Invest AS	43 329	-	-	-
Rådhusgata 2 Skien AS	-	-	18 819	-
R8 Prosjektselskap 5 AS	-	-	338	-
Total	85 379	-	96 250	3 010

¹⁾R8 Property has in 2021 received group contribution for the amount of tNOK 184 and dividend for the amount of tNOK 20 000 from R8 Technology AS.

PROVIDED GUARANTEE AND SURETY OF BANK LOANS

Debtor		2021
R8 Evolve AS (included subsidiaries)	Provided guarantee for rental agreements	52 412
Other subsidiaries in The Group	Provided surety of bank loans issued to subsidiaries	136 900
		189 312

NOTE 6 OTHER NON-CURRENT LIABILITIES

All amounts in NOK thousand

	2021	2020
Ikab AS	3 034	3 092
Brødrene Jensen AS	42 066	22 629
Aubert Invest AS	6 046	5 594
Magne Sigurdson	-	259
Masiw Holding AS	-	311
Holta & Co AS	2 694	2 502
R8 Group AS	3 035	6 593
R-Venture AS	13 300	-
Total	70 176	40 979

Of The Groups long-term debt, all debt is due within 5 years after the end of the financial year pr. 31.12.21.

NOTE 7 TRANSACTIONS WITH RELATED PARTIES

R8 Property ASA has purchased management services from R8 Group for the amount of mNOK 5.6. Furthermore R8 Property has sold management fee and project services to subsidiaries for the amount of mNOK 9.1

R8 Property ASA has provided a parent company guarantee for R8 Evolve AS for continued operation until and including 31.12.22.

NOTE 8 BANK DEPOSITS

All amounts in NOK thousand

	2021	2020
Bank deposits	8 503	5 712
Tied bank deposits	621	538
Total bank deposits	9 124	6 250

NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 5,423,581 divided into 21,694,324 shares, with each share having a par value of NOK 0.25. R8 Property has one class 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 2021 R8 Property had 178 shareholders. Norwegian investors held 99,98 per cent of the share capital.

The table below 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 2021

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Retained earnings	Total
At 1 January	19 720 641	4 930	196 792	186 656	-30 946	357 431
Incorporation 12 December 2017 by contribution in kind						-
Capital increase as of 05.06.2021 1)	1 973 684	493	74 507			75 000
Cost of equity transactions directly in equity			-3 069			-3 069
New shares issued						-
Profit for the year	-	-	-	-	15 175	15 175
Share based options	-	-	-	-3 842	-	-3 842
At 31 December 2021	21 694 326	5 423	268 229	182 814	-15 771	440 696

Paid-in capital amounts to tNOK 413,651 and consists of tNOK 5,423 in share capital, tNOK 271,729 in share premium and tNOK 136,498 in other paid-in capital.

1) The Group decided to increase the equity by the issuance of 1,973,684 new shares. Payment of the shares was settled by converting outstanding debt of mNOK 21.0 and cash payments of mNOK 54.0. Costs related to the equity transaction has been deducted from share premium. The transaction has been registrert in Brønnøysundregistrene as of 05.06.2021.

The 20 largest shareholders as registered as of 31 December 2021 were as follows:

	Number of shares per 31.12.2021	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO*)	9 790 500	45,13	Norway
Brødrene Jensen A/S, represented by Leif Oddvin Jensen - board member	2 937 478	13,54	Norway
IKAB AS, represented by Knut Bråthen - board member	1 882 237	8,68	Norway
Acini Capital AS,	600 000	2,77	Norway
Sarepta Holding AS, represented by Runar Rønningen - board member	550 000	2,54	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	545 042	2,51	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	389 000	1,79	Norway
Carucel Invest AS	338 250	1,56	Norway
R-Venture AS	263 157	1,21	Norway
Kabbe Holding AS	250 000	1,15	Norway
Østerlid AS	204 400	0,94	Norway
Gambetta AS	200 000	0,92	Norway
Thovsland Holding AS	200 000	0,92	Norway
Jon Mørk Consulting AS	200 000	0,92	Norway
Romson Invest AS	189 000	0,87	Norway
Cacace AS	154 160	0,71	Norway
Jan Henrik Krefthing	154 160	0,71	Norway
Sonja og Emil Aubert Legat, represented by George Emil Aubert - Chair	151 000	0,70	Norway
Børseth-Hansen AS	145 800	0,67	Norway
Heimberg Holding AS	144 000	0,66	Norway
Other Shareholders <0,66%	2 406 140	11,09	
Total	21 694 324	100	

*)R8 Group AS has a lock-up period excluding the shareholders right to sell shares until June 2022

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 and 2021 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.

As of 31.12.2021, 8 employees are included in the option program. Only the latest options (a total of 50 000 options) requires a minimum of 12 months time in the Group before the rights can be exercised. All other options can be exercised immediately. There is no other contingencies required to exercise the options.

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.

	2021			2020		
	No. of options	Exercise price ¹⁾	Last exercisable date	No. of options	Exercise price	Last exercisable date
Outstanding at 1 January	350 000	-	-	-	-	-
Granted during the year	50 000	32,06	31.10.2023	350 000	31	31.10.2023
Forfeited during the year	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	400 000	32,06	31.10.2023	350 000	31	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	Option 4
△ Range of exercise prices for options	7.56	17.72	37.72	42.60
△ Current stock price (EPRA NAV)	28.50	28.50	28.50	28.50
△ Expected volatility	25.60%	25.60%	25.60%	25.60%
△ Risk-free interest rate	1.96%	1.96%	1.96%	1.96%
△ Dividend yield	0.00%	0.00%	0.00%	0.00%
△ Fair value (NOK)	21.21	11.64	1.57	0.88

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. Furthermore The Group has granted a key employee 50 000 options with an exercise price of NOK 42.60. One option gives the right to buy one share. The share options granted in 2021 has a maturity of approximately 3 years, ending 31.10.2023.

NOTE 10 SPECIFICATION OF OTHER EXPENSES

All amounts in NOK thousand

OTHER OPERATING EXPENSES

	2021	2020
Rental expenses	3 533	755
Management fee	5 600	3 538
Advisory fees	7 722	6 472
Other expenses	10 116	5 320
Total other operating expenses	26 971	16 085

NOTE 11 SPECIFICATION OF FINANCIAL INCOME AND EXPENSES

All amounts in NOK thousand

FINANCIAL INCOME

	2021	2020
Group contributions from subsidiaries	20 184	1 901
Interest income from group companies	6 242	2 018
Other interests income	581	6
Other financial income ¹⁾	14 783	0
Total financial income	41 790	3 925

FINANCIAL EXPENSES

	2021	2020
Interest expenses to group companies	3 865	3 505
Other interests expenses	6 519	2 306
Other financial expense	4	5 328
Total financial expenses	10 388	11 139

1) The Group has sold 100 % of the shares in Rådhusgata 2 Skien AS resulting in a financial income of mNOK 11,19.

NOTE 12 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2021.

SUBSIDIARY AND JOINTLY CONTROLLED ENTITIES OF R8 PROPERTY ASA

	Business office	Equity interest %	Result 31.12.2021	Equity 31.12.2021
R8 Management AS - 0065	Porsgrunn	100	-945	659
R8 Office AS	Porsgrunn	100	1 398	108 540
R8 Urban Estate AS	Porsgrunn	100	-5 353	93 453
R8 Hotels AS	Porsgrunn	100	-134	35 350
Valore AS	Porsgrunn	100	2 560	39 894
R8 Home AS - 0305	Porsgrunn	100	-986	1 804
R8 Projects AS - 0313	Porsgrunn	100	21 854	28 753
R8 Technology AS	Porsgrunn	100	22 280	2 177
R8 Evolve AS (JCE)	Porsgrunn	75	-2	74 471

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

(all of which has business office in Porsgrunn and 100% voting rights except Dokkveien Utvikling AS, Fornebuveien1-3 Invest AS, Orbit Technology AS, Vestsiden Terrasse AS and Kammerherreløkka AS, see below)

R8 Office AS	R8 Urban Estate AS	Valore AS	R8 Projects AS	R8 Home AS
Grønlikroken 5 AS	Langbrygga 1 Skien AS	Bedriftsveien 52/58 AS	Dokkvegen Utvikling AS *)	Utsikten 1 AS
Torggata 8 Skien AS	Østveien 665-667 AS	Rødmyrlia 20 AS	[--- Dokkvegen 20 AS **)	Vestsiden Terrasse AS****)
Versvikveien 6B AS	Mulighetenes By AS	Vipeveien 51 AS	R8 Prosjektselskap 4 AS	
Storgata 106 AS	[--- Nedre Hjellegate 11 AS		R8 Prosjektselskap 5 AS	
Hesselberggaten 4 AS	[--- Henrik Ibsensgate 6 AS		Fornebuvegen 1-3 invest AS***)	
Dokkvegen 8&10 AS			[---Fornebuvegen 1-3 AS	
Dokkvegen 9 AS			Skien Brygge Utvikling AS *****)	
Kjelleveien 21 AS				
Kjelleveien 23 AS				
HE-Kjelleveien AS	R8 Hotels AS	R8 Technology AS		
Kongensgate 20A AS	Kammerherreløkka AS *****)	Orbit Technology AS*****)		
Dokkvegen 11 AS				
Sandefjord Eiendomsinvest 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 Projects AS owns 50% of shares in Fornebuvegen 1-3 Invest AS

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

*****) 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 Technology AS owns 30,5 % of the shares in Orbit Technology AS. Voting rights equivalent ownership.

*****) R8 Office AS owns 25,2 % of the shares in Sandefjord Eiendomsinvest AS. Voting rights equivalent ownership.

*****) R8 Projects AS owns 25 % of the shares in Skien Brygge Utvikling AS. Voting rights equivalent ownership.

The Group is considered having control of companies in which the Group holds 50% of the shares for the following: Vestsiden Terrasse AS, Dokkvegen Utvikling AS, Kammerherreløkka AS, Fornebuveien 1-3 Invest 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 13 INVESTMENT IN SHARES

All amounts in NOK thousand

INVESTMENT IN SHARES

	Business office	Equity interest %	Result 31.12.2020	Equity 31.12.2020
Inkognitogaten 33 A AS	Oslo	8,25	-1 158	96 627

* Inkognitogaten 33 A AS has not yet reported the financial statements for 2021. The listed result and equity information is from 2020.

NOTE 14 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

In December 2021 the Group made an agreement to acquire the remaining shares of R8 Evolve, increasing the ownership by 25%. As of 01.01.2022 the Group has 100% ownership and control of the company.

In Q1 2022 the Group has divested four properties to external parties. The Group is not directly exposed towards Russian or Ukraine, yet is indirectly impacted through increased interest rates.

On 1 January 2022, R8 Property ASA acquired 25% of the shares in R8 Evolve AS. After this transaction R8 Property ASA owns 100 % of the shares in R8 Evolve AS. R8 Evolve AS delivers flexible leases for office buildings in several locations in Norway. R8 Evolve AS owns the following subsidiaries at the time of acquisition:

- Evolve Akersgata AS
- Evolve Bjørvika AS
- Evolve IT Fornebu AS
- Evolve Sandaker AS

For further information see note 30 in the consolidated statements.



Photo: THT Foto

Statement of responsibility

The Board and CEO have considered and approved the Board of Director's report and the annual consolidated and parent company financial statements for R8 Property ASA for 2021.

We confirm to the best of our knowledge that:

- the consolidated financial statements for R8 Property ASA for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretation Committee (IFRIC) as adopted by EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act, and that
- the financial statements for the parent company, R8 Property ASA, for 2021 have been prepared in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway, and that
- the information presented in the financial statements for 2021 provides a true and fair view of the assets, liabilities, financial position, and overall results for the Group and the parent company for the period viewed in their entirety, and that
- the Board of Director's report provides a true and fair view of the development, financial results and position of the Group and the parent company, and description of the principal risks and uncertainties that they face.

Porsgrunn, 24 March 2022
Board of Directors for R8 Property ASA

This report is signed electronically

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



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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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 annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the managing director) is 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 board of directors' report and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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, we conclude

that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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 and the Group 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 the board of directors 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.

Porsgrunn, 24 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Tone Mari Flatland
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	2021 /		2020 /	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
EPRA Earnings per share (EPS)	NOK	0,5	-0,8		
EPRA NRV per share	NOK	45,1	43,8		
EPRA NTA per share	NOK	42,3	41,1		
EPRA NDV per share	NOK	37,4	35,6		
EPRA net initial yield	NOK	4,7 %	5,0 %		
EPRA "topped-up" net initial yield	NOK	5,0 %	5,3 %		
EPRA vacancy rate	NOK	7,2 %	10,1 %		
EPRA cost ratio (including direct vacancy costs)	NOK	47,7 %	48,8 %		
EPRA cost ratio (excluding direct vacancy costs)	NOK	36,5 %	38,7 %		

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

EPRA EARNINGS

EPRA Earnings is a measure of the underlying development in the property portfolio and is calculated as net income after tax 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

	2021	2020
Profit for period/year	79 271	-26 771
Add:		
Changes in value of investment properties	-147 024	46 726
Tax on changes in value of investment properties 1)	39 259	-10 280
Profits or losses on disposal of investment properties, development properties held for investment and other interests	8 096	-
Changes in value of other investment interests	25 853	-50 485
Changes in value of interest rate swaps	-27 982	23 856
Tax on changes in value of interest rate swaps 1)	6 156	-5 248
Share of profit jointly controlled entities - fair value adjustments	30 645	6 882
Net income non-controlling interest of subsidiaries	-3 767	-211
Reversal of tax non-controlling interests of subsidiaries 1)	829	45
Change in tax rate 1)	-	-
EPRA Earnings	11 336	-15 485

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

EPRA NET ASSET VALUE METRICS

EPRA NET REINSTATEMENT VALUE (NRV):

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included. NRV does not include any real estate transfer tax as property transactions in Norway generally do not levied such taxes, hence no adjustments for RETT is being done.

EPRA NET TANGIBLE ASSETS (NTA):

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising levels of deferred tax liability. The Group has chosen the second option in the EPRA BPR to adjust for deferred tax, estimating the real tax liability based on how the company has completed property transactions lately.

EPRA NET DISPOSAL VALUE (NDV):

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or liabilities are not held until maturity. For this purpose, the EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do not represent liquidation values.

NET ASSET VALUE	2021	2020
NAV - book value of equity	951 676	761 300
Hybrid instruments	1 264	51 673
Diluted NAV	952 940	812 973
Less: Non-controlling interest	-131 331	-52 919
Fair value of interest rate swaps	6 393	32 007
Goodwill as a result of deferred tax	-5 640	-5 640
Deferred tax	159 783	140 253
Net reinstatement value (EPRA NRV)	982 145	926 675
<i>EPRA NRV per share</i>	<i>45,1</i>	<i>43,8</i>
Goodwill as per the IFRS	-1 372	-1 372
Intangible assets as per the IFRS	-577	-594
Estimated real deferred tax ¹⁾	-57 789	-57 039
Net tangible assets (EPRA NTA)	922 408	868 264
<i>EPRA NTA per share</i>	<i>42,3</i>	<i>41,1</i>
Fair value of interest rate swaps according to above	-6 393	-32 007
Deferred tax as per the IFRS	-101 994	-83 214
Fair value adjustment of interest bearing debt	-	-
Intangible assets according to above	577	594
Net disposal value (EPRA NDV)	814 598	753 043
<i>EPRA NDV per share</i>	<i>37,4</i>	<i>35,6</i>

1) The Group's est. real deferred tax related to temporary differences of properties has been calculated to 1.0 %. The deferred tax adjustment is calculated based on a discount rate of 7.0 % and the assumption that 50 % of the property portfolio are realized in 50 years in transactions structured as sale of companies in which the tax discount is 7.5 %. The same presumptions in regards to the realisation of 50 % of the property portfolio applies for the treatment of deferred tax asset on losses carried forward, but with a tax discount of 8.0%. The other half of losses carried forward is expected to be realised over the next 30 years, starting 5 years after the reporting date and with an equivalent amount each year thereafter. The losses carried forward is discounted with a rate of 7.0 %. The real tax liability related to the gains/losses account is estimated by anticipating an amortisation of 20 % annually and a discount rate of 7.0 %.

EPRA NET INITIAL YIELD (NIY)

EPRA NIY is calculated on the basis of annualised rental income at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property, grossed up with (estimated) purchaser's costs.

EPRA 'topped-up' NIY incorporates an adjustment to the EPRA NIY for the expiration of rent-free periods and other unexpired lease incentives such as discounted rent periods and step rents.

The label below relates solely to the segment "commercial properties" as defined in note 6 in the Group's annual report

All amounts in NOK thousand

	2021	2020
Investment property - consolidated	2 692 700	2 436 000
Investment property - share of JVs	-	-
Total Property portfolio	2 692 700	2 436 000
Less: projects and development sites	-797 850	-534 500
Completed property portfolio	1 894 850	1 901 500
Allowance for estimated purchasers' costs	9 474	9 508
Gross up completed property portfolio valuation	1 904 324	1 911 008
12 months rolling rent	100 176	104 323
Estimated ownership cost	10 537	9 477
Annualised net rents	89 639	94 846
Add: notional rent expiration of rent free periods or other lease incentives	5 206	5 957
Topped-up net annualised rent	94 845	100 803
EPRA NIY	4,7 %	5,0 %
EPRA 'topped-up' NIY	5,0 %	5,3 %

EPRA VACANCY RATE

EPRA vacancy rate is calculated based on the estimated rent value (ERV) of vacant space divided by the estimated rent value of the whole property portfolio of completed properties.

All amounts in NOK thousand

	2021	2020
Estimated market rent vacant space	10 081	13 732
Total market rent whole portfolio	139 834	135 722
EPRA vacancy rate	7,2 %	10,1 %

*The current market rent is higher than 12 months' rolling rent due to previously signed lease agreements which has not been adjusted for the change in market conditions and that turnover-based rent is added as market rent.

EPRA COST RATIO

The EPRA cost ratios are aimed at providing a consistent base-line from which companies can provide further informasjon around costs where appropriate and for stakeholders to receive transparent and consistent reporting between real estate companies. The EPRA cost ratios analyses administrative and operating cost, both including and excluding costs of direct vacancy, against gross rental income.

All amounts in NOK thousand

	2021	2020
Total operating cost	94 609	86 034
Share of joint ventures expenses	-	-
Less: Costs related to non-property activities and external customers	-30 320	-28 577
Less: Ground rent cost	-709	-620
Less: Investment property depreciation	-	-
Less: Gains/losses on sale of properties & disposals	-6 356	-1 474
EPRA Cost (including direct vacancy cost)	57 223	55 363
Direct vacancy cost	13 527	11 394
EPRA Cost (excluding direct vacancy cost)	43 696	43 969
Gross rental income less ground rent	119 867	113 533
Share of joint ventures	-	-
Total gross rental income less ground rent	119 867	113 533
EPRA Cost Ratio (including vacancy cost)	47,7 %	48,8 %
EPRA Cost Ratio (excluding vacancy cost)	36,5 %	38,7 %

Comment: Capital expenditures related to the property portfolio is generally being capitalised and as a consequence adjusted for through fair value recognised in the profit and loss statement. Overhead and other property related costs are being recognised in the profit and loss statement.

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 net realised financial and 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 Net Reinvestment Value (NRV)	EPRA NRV is a NAV metric which uses IFRS equity, excludes deferred tax in relation to financial instruments and investment properties, fair value adjustments of financial instruments and goodwill as a result of deferred tax.
EPRA Net Tangible Assets (NTA)	EPRA NTA is a NAV metric which uses IFRS equity including only estimated real tax liability and excludes fair value of financial instruments, goodwill and intangible assets as per the balance sheet.
EPRA Net Disposal Value (NDV)	EPRA NDV is a NAV metric which uses IFRS equity included all deferred tax liabilities, including fair value of financial instruments and excludes goodwill as per the balance sheet.
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA Vacancy Rate	Estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio.
EPRA Cost Ratios	Administrative and operating costs (included and excluded costs of direct vacancy) divided by gross rental income.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities divided by the market value of the property portfolio.
Management properties	Properties that are actively managed by the company.
Market rent	The annualised market rent of the management properties, fully let as of the relevant date, expressed as the average of market rents estimated by the independent professionally qualified valuers.
Market value of property portfolio	The market value of all the properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes.
Net yield	Net rent divided by the market value of the management properties of the Group.
Project properties	Properties where it has been decided to start construction of a new building and/or renovation.
Interest Coverage Ratio ("ICR")	Net income from property management excluding depreciation and amortisation for the Group, divided by net interest on interest-bearing nominal debt and fees and commitment fees related to investment activities.
Total area	Total area including the area of management properties, project properties and land / development properties.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the management properties of the Group.



