

• *Annual
report*

'18

R8 Property
2018



R8 Property AS Annual Report 2018

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THIS IS R8 PROPERTY

R8 Property AS (The Company) is the mother company of R8 Property (the Group) which consists of several companies. The Group consists of 20 companies and the strategy is to acquire, develop and own properties in central and attractive locations.

We believe in people, services and central locations

R8 Property is dedicated to the development of modern and future-oriented commercial properties. There is a strategic, green focus, and one key area for R8 Property is to develop, own and manage sustainable buildings. Our biggest project, Powerhouse Telemark, is developed in cooperation with the Powerhouse alliance. Since the company was established in 2010, R8 Property has built a solid property portfolio mainly near regional hubs in Skien, Porsgrunn, Sandefjord and Tønsberg in Vestfold and Telemark counties. The Properties are owned by R8 Property through single-purpose companies. R8 Property consists of the mother company, R8 Property AS, and 19 daughter companies. The headquarter is located in Porsgrunn. Annual rental value for the properties increased from 55.6 million Norwegian kroners in 2017 to 70.1 million by the end of 2018.

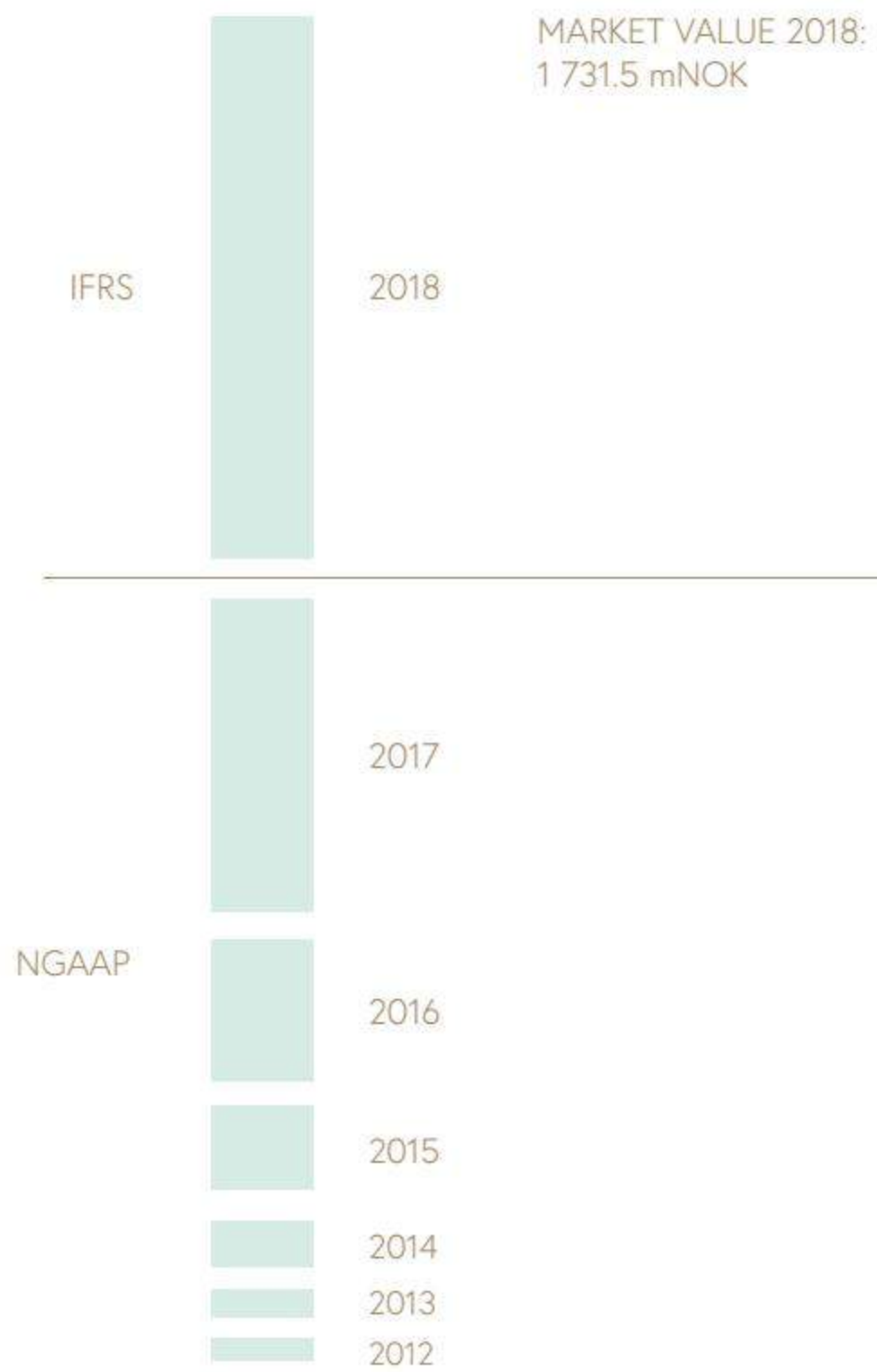
R8 Property is an industry leader when it comes to customer satisfaction. 2018 was the fourth consecutive year with first place in the national survey, Norwegian Tenant Index. The company is evolving every year to sustain and increase the customer satisfaction. This year R8 Property came in with a score of 91 out of 100. This is the highest measured score ever by Norwegian Tenant Index.

As of 31 December 2018, R8 Property had a portfolio of 14 properties and 4 projects totaling 90 720 square meters. The market value is estimated to 1 731.5 million.

KEY FIGURES

OPERATIONAL	2018	2017
Market value of real estate portfolio (tNOK)	1 731 500	978 550
Total area (gross sqm)	90 720	52 531
Occupancy rate of management portfolio (%)	86.2	91.5
WAULT (years)	4.8	4.8
FINANCIAL		
Rental income (tNOK)	70 149	55 574
Profit before value adjustment (tNOK)	26 245	17 805
Profit after tax (tNOK)	60 733	47 942
EPRA earnings (tNOK)	11 266	13 480
Net cash flow from investment activities (tNOK)	-128 770	-50 568
Net nominal interest-bearing debt (tNOK)	1 123 762	618 564
Debt ratio (LTV) (%)	64.9	63.2
Interest coverage ratio (ICR) (%)	1.35	1.7
Equity ratio (%)	29.5	27.5
NUMBERS PER SHARE		
Earnings (NOK)	45.88	47.9
EPRA Earnings (NOK)	8.3	13.5
Cash earnings (NOK)	19.2	17.8
Net asset value - EPRA NAV (NOK)	377.4	324.1
EPRA NNNNAV (NOK)	346.7	287.7
Number of shares	1 364 500	1 000 000

KEY FIGURES



4.8 years

*Unexpired lease terms
(weighted average)*

70.1 mNOK

*Gross rent per year
(run rate)*



86.2%
Occupancy

90 720 m²
Total area in portfolio

HIGHLIGHTS

JANUARY

We bought R8 Management, and made it a daughter company of R8 Property. There were no further changes regarding the board or employees. R8 Retail was established. Petter Falkgård Andersen became CEO, and the company's focus is Arkaden and other retail projects.

R8 Property won the Norwegian Tenant Index for 2017. This was the third consecutive win for R8 in this national survey. We got 88 point out of 100, which was a new national record.

APRIL

The first part of the emission took place. The total amount of the emission was NOK 115 000 000 and consisted of cash and the properties of Arkaden in Skien and Comfort Hotel Porsgrunn. R8 Hotels was established as a result of the Comfort Hotel Porsgrunn project. This is a collaboration with Bane Nor Eiendom, and the hotel will be opened in March 2019. There are no employees in R8 Hotels for now. Also, we're building a commercial real estate next door from the hotel. The building has 5 floors and opens in March 2019.

HIGHLIGHTS



MAY

Second construction phase of the low energy building Nordre Fokserød 14 was finished.



AUGUST

We bought Henrik Ibsen gate 6 in the city centre of Skien. This is one of the neighbour buildings to Arkaden and a part of Handels-torget.



SEPTEMBER

The construction of Powerhouse Telemark began. The building is one of a kind, and both entrepreneurs and architects agree on that we have a very exciting, but difficult process ahead of us.



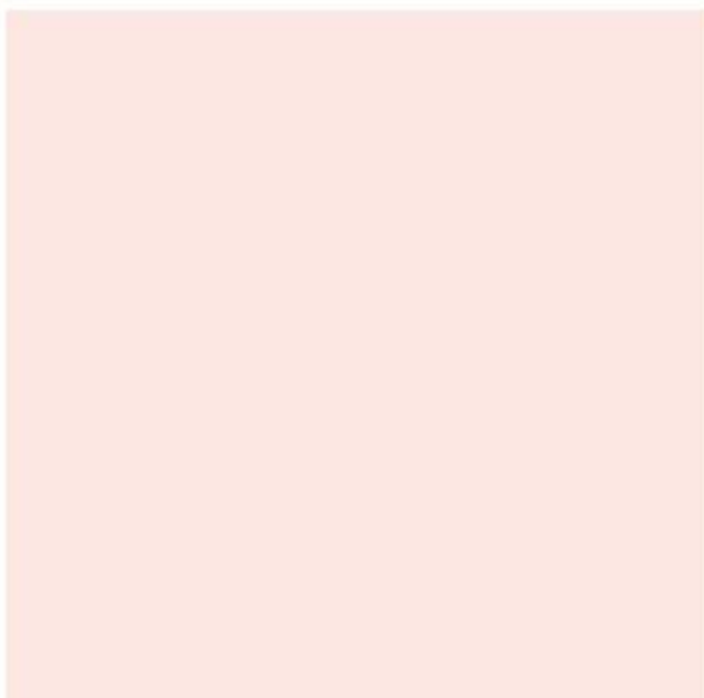
OCTOBER

R8 Property acquired the property of Eeks Gård in Skien city. This is one of Arkaden's neighbour buildings, and has a very good location at Handelstorget.



NOVEMBER

Powerhouse Telemark reached 100% rental degree. International tenants like Rambøll and Schneider Electric fulfills our goal to make Powerhouse Telemark into an international competence hub.



DECEMBER

CEO Trine Riis Groven signed off, and the founder and former CEO Emil Eriksrød took her place. R8 Property signed a 10 year leasing contract in Eeks Gård with NAV Skien.

Letter from CEO

EXPANDING THE BUSINESS



2018 was a challenging and exciting year, as the years before.

During the year we near doubled our real estate portfolio and established the segments R8 Retail and R8 Hotels. Both segments are specialized and together with R8 Office and R8 Management be a more flexible structure that allows the company to focus on development of good and sustainable urban areas, instead of one single project. Each segment will play an important role in an overall plan for the area.

Also, for the fourth consecutive year, we won the Norwegian Tenant Index (Norsk Leietakerindeks / NLI) for 2018 with a record high score of 91 out of 100. This is the best result ever measured in both Norway and Sweden. Not to forget that Arkaden won the NLI for shopping centres with an incredible result of 94 out of 100.

Constantly professionalizing and improving internal guidelines have been beneficial. The market value of the real estate portfolio increased with 76.9% and our rental income grew by 26.2% from 2017. This led to a 16.4% increase in EPRA NAV to 377.4 NOK at year end.

Long term focus

We're more focused than ever to have long-term leasing contracts, and during this year we signed many of these. This focus makes the Group more solid and creates a platform with stability and room for further growth. The vault is unchanged at 4.8 year at year end, but there has been signed several substantial contracts with forward start, so vault is expected to have a solid increase in 2019 and 2020. Also, the company anchors focus on build to hold strategy. We believe that building with a long term ownership perspective will contribute to better choices for our tenants and the environment.

Spaces as a service

Through the last year there has been a strong focus on flexibility and services from our tenants. If we are to maintain both flexibility and long term leasing contracts we have to develop our business model to adapt to the customer need. We will continue to develop new concepts within the co-working segment together with developing services to the end users of our buildings. We believe that obtaining the position as an industry leader within satisfied real estate customers, will demand great development of both flexibility and services.

Development projects

Earlier, the company had growth through transactions. Now, development projects are an important part of our growth strategy. In 2018 we have had several ongoing development projects: Powerhouse Telemark, one of the world's most energy effective office buildings. Kammerherreløkka, which contains a hotel with 134 rooms, an office building and a parking garage. Nordre Fokserød 14, stage 2, an office building which was completed in 2018. And last but not the least, the development of the shopping mall Arkaden in Skien. This was a property with great potential, but it had a long way to go when we acquired it. Through 2018 we have had great success building a destination, increasing footprint and the total turnover volume on the centre had a great development.

Building financial strength for the future

2018 has been a work intensive year for the management with several financing processes and execution of the planned expansion of the share capital. These processes have increased the both liquidity and equity in the company. This led to a more comfortable liquidity in the second half of 2018. There will also be a capital demand through 2019, related to existing and new development projects. One important way to achieve this is by funding projects with new capital. Thus, the planning of an expansion of the share capital is an important issue stepping in to 2019. An expansion is important to be able to have sufficient capital to both realize new projects and to maintain a high growth and provide positive returns in the future. The company has through the share capital expansion in 2018 attracted professional investors who are specialized in real estate investments.

Outlook

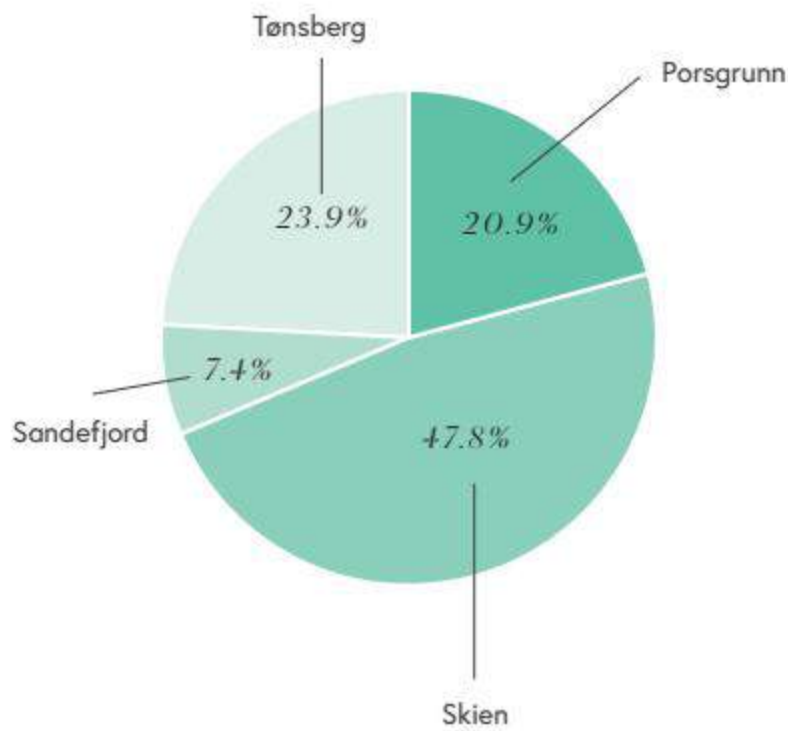
With a portfolio of good properties and solid, satisfied tenants we are in a very good position to continue our journey. The vault will increase in the years to come and the completion of our ongoing development projects which has an occupancy of 89% will strengthen the company. The company still has a large pipeline of planned development project that will be added to the project portfolio in 2019 and 2020. The focus on the customer experience and automation of our business processes will be of great importance going forward. We believe that the demand in the office segment will be influenced by Co-working concepts.



Emil Eriksrød, Chair of the Board

Key figures

Geographic exposure (area)



1+

Management properties

+

Project properties

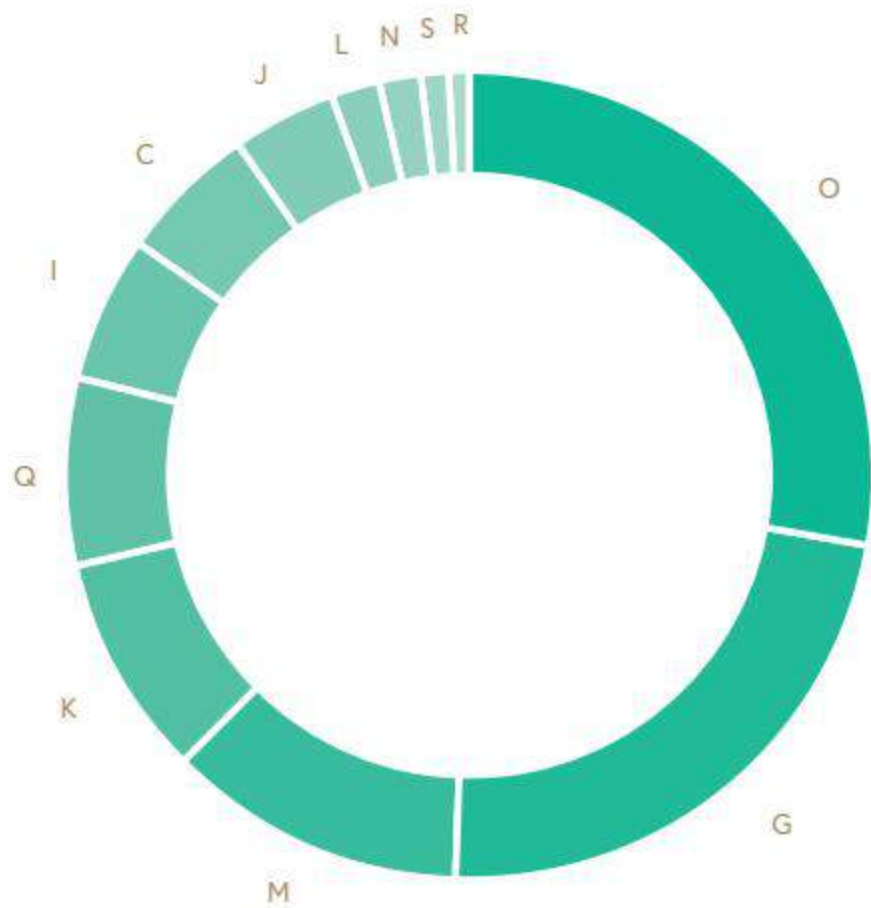
1 155 NOK

Average rent per sqm

4.8 years

Average vault

O - Public administration and defence; compulsory social security	27.8%
G - Wholesale and retail trade and repair of motor vehicles and motorcycles	22.8%
M - Other professional, scientific and technical activities	11.9%
K - Financial and insurance activities	9.0%
Q - Human health and social work activities	7.5%
I - Accommodation and food service activities	5.8%
C - Manufacturing	5.6%
J - Information and communication	4.0%
L - Real estate activities	2.1%
N - Administrative and support service activities;	1.7%
S - Other personal service activities	0.9%
R - Arts, entertainment and recreation	0.8%
H - Transportation and storage	
Others	



Management portfolio

The Group's property portfolio consists of 14 (11) properties with a total of 70 022 (41 915) square meters. 4 of the properties are situated in Porsgrunn, 6 in Skien, 3 in Tønsberg and 1 in Sandefjord. As of 31 December 2018, this portfolio had a market value of 1 731.5 (999.1) millions. The occupancy was at 86.2 (91.5) per cent and the average rolling rent was 1 155 (1 351) kroners per square meters. The average duration of the existing lease agreements was 4.8 (4.8) years. The Group uses Newsec for property valuations on a quarterly basis and all market values used in the balance sheet are based on valuations from Newsec. Valuation of the management portfolio is performed on a property-by-property basis, using individual DCF models and taking into the account the property's current characteristics combined with the external appraiser's estimated return requirements and expectations as to future market development.

31.12.2018	Area (sqm)	Occupancy %	No. of properties	Wault (yrs)	Market value (tNOK)	Market value (NOK/sqm)	12 month rolling rent (tNOK)	12 month rolling rent (NOK/sqm)	Net yield (%)	Market rent (tNOK)	Market rent (NOK/sqm)
Office	45 339	89.2	11	3.6	963 000	21 240	58 841	1 298	5.8	72 429	1 597
Retail	24 683	78.1	3	7.7	357 500	14 484	22 002	891	5.0	39 137	1 586
Total management portfolio	70 022	85.3	14	4.8	1 320 500	18 858	80 842	1 155	6.4	111 566	1 593
Office - Project	14 416	84.5	3	11.1	226 400	15 705					
Hotels - Project	6 282	100.0	1	15.0	184 600	29 386					
Total project portfolio	20 698	89.2	4	11.9	411 000	19 857					
Total property portfolio	90 720	86.2	18	6.8	1 731 500	19 086					

Project portfolio

The project portfolio consisted of four projects in 2018.

Powerhouse Telemark is a future-oriented project. With its high ambitions when it comes to energy consumption, the Powerhouse Telemark differs from other projects. During its lifetime a Powerhouse produces more renewable energy than it uses for materials, production, operation, renovation and demolition. Upon completion, this will be one of the most energy-efficient and environmentally friendly office buildings in the world. Powerhouse Telemark is also aiming for a BREEAM Excellent classification. The construction started in Q4 - 2018 and is on schedule toward commencement date 1 June 2020. The project attracts great interest from media as well as the local community. The size of the building is 8.358 sqm and is leased 100% to solid tenants. The building will also be the future head office of all the companies in the R8 Group.

Eeks Gård is a renovation project in Rådhusgata 2 in Skien. The building is located at the city square and has an attractive location near public transportation, market place, shopping mall (Arkaden) and the waterfront. In Q4 R8 participated in a public procurement and won the contest of hosting the new NAV Skien office. The concept has its roots in the foundations of Activity Based Workspace (ABW), and will be a modern office. The building will also have an exterior renaissance that will contribute greatly to the overall look of the city square in Skien. This project is scheduled to be completed in December 2019.

Kammerherreløkka is an ongoing project that is organized as a joint venture with Bane NOR Eiendom AS. The ownership is splitted 50/50. The project consists of an office building (2.767 sqm), a hotel (6.282 sqm) and a parking garage with a capacity of 86 cars. The hotel building is fully let to Comfort Hotel Porsgrunn. The hotel will be completed 1 March 2019, and the office building is expected to open gradually toward 1 July 2019. This project is located on the public transportation hub in Porsgrunn, and is considered to be one of the most important development areas in Telemark in the years to come.

Tenant lease overview

R8 Property tenant base in the management portfolio comprises of both private and public sector tenants with leases up to 20 years. Public sector tenants upheld 27.8% of the portfolio by the end of December 2018. The 10 largest tenant's share of R8 Property's rental income represents 65.1% of revenues.

Tenant	in % of rent	Sector
HELFO Helseøkonomiforvaltningen	17.6%	Public
Kriminalomsorgen Region Sør	4.5%	Public
Emerson Process Norway AS	3.8%	Private
Gassnova SF	3.6%	Public
Gjensidige Forsikring ASA	3.4%	Private
DNB Bank ASA	3.3%	Private
Azets Insight AS	3.3%	Private
Asplan Viak AS	2.9%	Private
Rema Franchise Norge AS	2.4%	Private
National Oilwell Varco Norway AS	2.2%	Private
	46.8%	

Maturity profile in the management portfolio







COMPANY STRUCTURE

In 2017 R8 Property started a restructuring process with the purpose of being better prepared and aligned for future growth. Toward the end of 2017 the company R8 Office AS was established, and most of the office properties was placed here.

Entering 2018 the Group structure was as shown on the next page. R8 Group held 75 per cent of the shares in R8 Property AS and R8 Property AS held 100 per cent of the shares in each daughter, except R8 Retail, which the company held 95 per cent.

Company structure

The main purpose of the new structure is to gain more flexibility in the future when the Group is aiming to widen its portfolio and include other real estate areas in its portfolio. The new structure will give flexibility related to funding, ownership and key partners as the Group enters 2018.



In 2018 this process continued and two new segments were established: R8 Retail AS holds properties with retail, restaurants and experiences as key tenants. R8 Hotels AS main purpose are properties which focus on accommodations and hotel business. R8 Property also acquired 100% of the shares in R8 Management which is an operating and management company across all segments.

NEW STRUCTURE:

R8 Property

R8 Retail	R8 Office	R8 Hotels	R8 Management
<p>Mulighetenes By AS</p> <p>Laugstol Eiendom AS</p> <p>Henrik Ibsensgate 6 AS</p>	<p>Grønlikroken 5 AS</p> <p>Torggata 8 Skien AS</p> <p>Versvikveien 6B AS</p> <p>Storgata 106 AS</p> <p>Hesselberggaten + AS</p> <p>Porsgrunn Næringspark AS</p> <p>Nordre Fokserød 14 AS</p> <p>Vinkelbygget AS</p> <p>HE-Kjelleveien AS</p>	<p>Kammerherreløkka AS</p>	

The companies AS Rådhusgt 2 and Østveien 665-667 AS has a temporary placement as a subsidiary of R8 Property. It is expected that these two companies are placed under the right segment no later than 2020.

The Management



Emil Eriksrød

CEO/FOUNDER

Emil Eriksrød came in as the Company's CEO 1 January 2019, after a year and a half as Chairman, and with focus on investments and finances. He specializes in investment, development and management of commercial property. Emil has previously worked as Finance and Chief Financial Officer for Hathon Holding. He also has extensive experience as an entrepreneur, a career he started in parallel with the studies. Since 2010, he has worked to build up a property portfolio, which as per March 2019 has a market value of over 1.7 billion NOK.

Eirik Engaas

CFO

Eirik Engaas became CFO in R8 Property in March 2019. Eirik has an MBA with specialization within finance. His long and broad experience within financial instruments, financial statement analysis, real estate, management and projects are very important for R8 Property. He will also play 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.



Bjørnar Haukstad

PROJECT MANAGER

Bjørnar Haukstad is engineer and has very good skills with his technical competence within building development. His experience from several big building projects ensures high quality for our internal and external projects for the future. Among other things, he's in charge of the project management of Powerhouse Telemark and Kammerherreløkka.







CORPORATE GOVERNANCE

R8 Property has ambitions to exercise good corporate governance at a higher level than our competitors in the region. 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. The Company aims to comply with the same requirements as listed companies. Within the next years R8 Property will implement the applicable Norwegian code of practice for corporate governance of 30 October 2014. The code of practice is available on the Norwegian Committee for Corporate Governance homepage: www.nues.no.

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

Implementation and reporting on corporate governance

The board wishes to contribute through good corporate governance to a good trust-based relationship between R8 Property and the company's shareholders, the capital market, and other stakeholders. The administration has in 2018 completed several tasks regarding role clarity and the division of authorization and responsibilities both within the Company and between the companies in the R8 Group. These tasks are described in each relevant section.

Business

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

Capital and dividends

EQUITY

The Group's equity as of 31 December 2018 was 532.3 (274.4) million and gives an equity ratio of 29.4 (27.5) 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 interestbearing 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 is 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. It is also not issued other authorizations to the Board of R8 Property.

In the general assembly in April 2017 the Board of Directors was given the power of attorney to increase the share capital by up to 30 000 new shares with pair value of NOK 2.50, total NOK 70 000. The objective for the proposal was the Board's wish to be able to issue new shares used for issuance of options to key employees in the company.

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 power of attorney is valid for two years until the company's Annual General Meeting in 2019, but no longer than 5 April 2019.

Equal treatment of shareholders and transactions with related parties

There is only one class of shares in R8 Property and all shares have equal rights. There are no voting rights restrictions in the statutes.

No share issues were conducted by R8 Property in 2018. There has also been several transactions of shares between main shareholder and both existing and new shareholders throughout 2018.

The change in shareholder composition demands increased professionalism in the company's communication with shareholders to ensure equal treatment of the shareholders. The company presented its quarterly reports in 2018 to the public to provide the same information to all its shareholders and stakeholders. In the event of a share issue in the future, existing shareholders in R8 Property have preferential rights to the capital increase. The preferential rights are safeguarded by sharing good information in good time for the existing shareholders.

The administration is currently working on guidelines to be presented to the Board to ensure that all significant transactions with related parties is 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 are to be 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. This overview will in the future be updated when required and in the event of changes in the board's composition.

Transferability

There are no restrictions on share transferability.

The shares are considered liquid after several transactions of share from main shareholder to existing and new shareholders in 2017 and 2018. 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 to build a strong basis in case of future issuing of new stocks or if shareholders wish to sell existing shares.

The executive management and the Chairman of the Board holds information meetings with existing shareholders, and meets with potential new shareholders.

General meetings

The board encourages as many as possible of its shareholders to exercise their rights by attending the General meeting. The 2019 Annual General Meeting is scheduled to take place on 11 April, 2019. The company's financial calendar is decided by the Board. Notice of the general meeting, with comprehensive documentation is made available to shareholders no later than 7 days before the meeting takes place.

Due to important, updated information and the capacity in the administration, the company will in 2019 be unable to make the information available 21 days in advance as recommended by NUES.

All relevant documents relating to the general assembly will be accurate so that all shareholders can decide on the issues that are submitted to be negotiated.

The chair will ensure a thorough and fair conduct of the general assembly. A chairperson opens the meeting and the general assembly elects the chairperson. R8 Property has not yet prepared its own procedures that ensures an independent chairperson for the general assembly.

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 attached to related documents and form of proxy. This form has been prepared so that it will allow voting on each case to be negotiated, 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 is 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. R8 Property does not yet have a nomination committee as the main shareholder holds 2/3s of the general assembly and therefore has the decision-making impact on the board composition. However, the company aims to appoint a nomination committee at the general meeting in 2020 to be prepared for any future changes in the shareholder composition. The committee will then be independent of the board and the executive management. Members of the nomination committee and its chair will be elected by the general meeting and their remuneration will be determined by the general meeting.



Corporate assembly and board of directors and independence

The Company does not have a corporate assembly due to its small number of employees. The board currently has four shareholder-elected members. Board members and the chair of the board are elected by the Annual General Meeting each year. The board's composition is intended to secure the interests of the shareholders in general. The background and experience of board members are presented on the company's website and in this annual report.



However, three of the five board members are independent of the R8 Groups executive management, significant commercial partners or substantial shareholders. 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 three independent shareholders are Øivind Gundersen, George Emil Aubert and Knut Bråthen.



Two board members are a part of the executive management of R8 Group or closely related to the main shareholder. These are:

- Emil Eriksrød is the founder of the company and the main shareholder. He is the chairman both in the company and in R8 Group (mother), and several related companies. Emil is also CEO in the company, and will therefore seek to withdraw from the position as a chairman in the annual general assembly in 2019.
- Tommy Thovsland was hired as CEO of the entire R8 Group (mother) while still being hired to work with development projects for R8 Property. Tommy also holds 1.5 per cent of the shares in R8 Property.

To counteract independence issues the administration develops routines and guidelines that ensures equal treatment of shareholders and transactions with related parties. It is also expected that there will be changes in the Board composition at the Annual General Meeting in April 2019. There has been consistently good attendance at the Board meetings in 2018. The Board's expertise is considered substantial with regards to economy, market understanding, and business operations.



The Board currently consists of five men, and the search of female board members with relevant competencies will continue to ensure a more balanced representation of gender in the board.

The work of the board of directors

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

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

The board establishes an annual plan for its meetings, and evaluates its work and expertise at the end of each meeting. Also, once a year, the board evaluates its own work and that of the CEO. As of 31 December 2018, 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 2019.



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 situation such as interest rates, the letting market, the property development market and so on. The financial risk has been considered and presented to the board through a new financial strategy.



The strategy has been discussed by the board in 2018 and the administration reports to the board in each meeting with regards to KPIs within the following risk areas: overall funding, operations and liquidity, interest rate risk, and financial leverage. The target level of each KPI revised in 2019. During 2018 several measures have been implemented or initiated to prevent and reduce risk. In addition to the contents in the financial strategy the following measurements are made in addition to others:

LEGAL RISK

During 2018 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 to 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 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 income is mainly based on leases and the average duration is continuously monitored. R8 Property seeks to diversify the different maturities on the different leases to spread risk. Also, the portfolio is diversified when it comes to both industry and geographical segments. To counteract on the market risk related to the letting activity the company has a high degree of service to its tenants. For the fourth consecutive year the company won the Norsk Leietakerindeks, 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 the Powerhouse 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. As an example, minimum 29 per cent of the current interest-bearing debt have fixed interest rates. This is expected to incline in Q1 2019. The combination of bank debt and secured bonds will be considered in 2019.

OPERATIONAL RISK

The debt coverage ratio (DCR) ($\text{net income from property management} / \text{total debt service}$) 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 will be an important KPI in the future and will be closely monitored and reported to the board in each meeting. The target for the debt coverage ratio will be set in the Company's financial strategy. Along with the DCR the operating ratio (OR) ($\text{operating costs} / \text{operating income}$) will also be closely monitored. A lower OR means that the company is being managed efficiently and is more profitable for the owners. The target for the operating ratio will be 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. With three key employees in the company, the company is vulnerable to factors like terminations and long-term illness. To reduce the risk the two work closely together to ensure knowledge and competence transfer. Reduced capacity must be handled by hire of consultants and from related companies. Some board members have very significant knowledge and experience with the company and can contribute with certain tasks if necessary.

GENERAL RISK MANAGEMENT AND REPORTING TO THE BOARD

The board is briefed on developments in 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 and social media.

In 2018 a new and more thorough investment analysis tool have been developed to ensure a wider range of profitability calculations and risk assessments when considering new development projects or acquisition of property.

From the third quarter of 2017, 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 tre employees in the Company as of 31. December 2018 and it is therefore dependent on an appropriate division of authorization beyond the executive management to reduce the risk related to internal control. Because of the low number of employees and the significant agreements with related companies, many of the authorizations involve key employees in related companies such as R8 Consulting and R8 Management. The authorizations are given through contractual agreements and follow recognized principles of authorization. Starting 2019 the board will perform 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 2018 the remuneration was NOK 50 000 for the external shareholders. The Chairman had an active role in the company in 2018 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 board has not established a compensation committee to assist with the employment terms of the CEO. However, the instructions for the CEO-position has been discussed in 2017 and was approved by the board in the first quarter of 2018. The current remuneration has been settled by Chairman in consultation with other board members. Senior executives in the company also hold a bonus program based on the attainment of goals for the company and the individual performance. There is a set maximum on the bonus program. Senior executives in the company also holds options in the company. Senior executives' remuneration is further described in note 11 in the financial statement.

Information and communication

The board has decided that the company seeks transparency to secure the general interest and shareholders' interests in the company. An annual financial calendar is set which includes the dates of any quarterly report and the dates for the presentation of the annual report. All quarterly and annual reports are published on the company's website: www.r8property.no. The annual report and the minutes of the General Meeting is presented in English. Also, Board meeting decisions are prepared in both Norwegian and English. This is to prepare information that will be relevant and beneficial in the future in terms of attracting foreign investors and capital markets. The company also uses the press, social media and the website to inform the public about milestones and news regarding the company.

Transactions of a significant nature and those of public interest will be made public through the media or press conferences. Through the company's established principles for investor communication, the board has determined guidelines for financial reporting and other information.

Company takeovers

The Board has not issued guidelines related to the receipt of bids for the company's shares. In 2019 the offer will be managed within the confines of the law and in terms of equal treatment of shareholders and their interests. Ordinary operations will as far as possible be shielded from such transactions. The Board does not intend to prevent or obstruct any takeover bid for the company or its shares but will ensure that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

The Board will always ensure that the shareholders' common interests are safeguarded.

Auditor

The company has no audit committee, and the Board itself oversees self-evaluation of the Board's work. In 2018, the Group's auditor, EY, has undergone the following tasks related to fiscal year 2018:

- Presented the main features of the audit work to the board
- Participated in the board meeting related to the 2018 annual financial statements
- Confirmed that the requirements for auditor independence are met
- Sent an overview of services other than audit services that are provided to the Company

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



R8 PROPERTY

CORPORATE SOCIAL
RESPONSIBILITY



ENVIRONMENT

R8 Property is a certified Eco-lighthouse business, and work proactively to reduce the environmental impact of the business. The Group seeks to reduce the carbon footprint and set an example of how to build buildings for the future: Buildings that contribute to local energy collection and production, reuse of water, green roofs that contribute to attenuation, and sustainable use of local materials and suppliers. When establishing new buildings or when renovating existing buildings, R8 Property focuses on measures giving positive effects to the environment. Measures may include replacement of ventilation, better heat recirculation, energy-saving lighting, and organizing electric vehicle parking.

POWERHOUSE TELEMAR

To greet the future in a sustainable way, we believe that energyplus buildings will be part of the solution. These are buildings that produce more energy than they consume through a lifecycle. There are several ways to define an energy-plus building, but R8 Property has chosen to follow the "Powerhouse" initiative. This is a partnership consisting of market leaders in the construction industry. The realization of a Powerhouse requires that all parties facilitate an early interdisciplinary collaboration. Selection of building technology, materials, and collaborators are essential to meet the stringent criteria assigned to a Powerhouse. By putting the environment first, it creates a new kind of architecture through the principle that form follows environment. Powerhouse Telemark will become a signature building for the county and a world class eco-building that challenges traditional building culture. The construction began in September 2018, and will be finished in June 2020.

EDUCATION AND EMPLOYMENT

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

During the last year we've donated money to build a school in Sierra Leone. Sami Town School is a secondary school with 350 pupils, and one of the employees in R8 Management has been there to help out with the building process.

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



Coastal cleanup



R8 Flying Start: Tommy Thovslund, CEO R8 Group, the winner Oliver Halliday and Yvonne Aasbø, managing director R8 Edge

GOING GREEN ON THE SOCCER FIELD

R8 is one of Odds Ballklubb's major sponsors. Odds Ballklubb has a green focus and meet a lot of different measures regarding sustainability in everything they do, especially in their four focus areas match/arrangement, audience, daily operations and collaborators/sponsors. Odds Ballklubb is the first Norwegian football club which has a football stadium with large areas of solar panels providing energy to the stadium.

R8 FLYING START

In 2017, R8 established a competition for entrepreneurs in collaboration with Innovation Norway Telemark and Vekst i Grenland's Entrepreneur Week. The winner receives a free one-year lease agreement with R8 Property as well as 70 hours of counselling from R8 Consulting, R8 Edge and R8 Property's founder, Emil Eriksrød. In 2018 the winner was Oliver Halliday. His product "Birchwater" is - as the name suggests - water from birch that is very nutritious and sold in bottles.



SPONSORSHIPS AND AGREEMENTS

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



NRK TELETHON

The NRK Telethon is also a yearly event. It is the largest information campaign and fundraising event in Norway, and with the funds from 2018's Telethon, Kirkens Bymisjon will make a warmer and more including society.

THE BOARD OF DIRECTORS

EMIL ERIKSØD
CHAIR OF THE BOARD



With a master's degree from NHH, Emil began as an auditor at EY. Four years later, he became Finance Director for Hathon Holding. During his five years with real estate investor Hallgrim Thon, Emil was inspired to take a chance. In 2010, he established R8 Property, but it wasn't until 2015 that he resigned as Finance Director for Hathon Holding and went all-in on his own real estate company. Up until April 2017, Emil was both CEO and Chairman of R8 Property. He continued as Chairman when the new CEO was employed. He also served as the CEO in R8 Group throughout 2017. In December 2018 Emil Eriksrød once again became CEO of R8 Property.



TOMMY THOVSLAND
BOARD MEMBER

Tommy is educated as a chemical engineer at Telemark University College in Porsgrunn and has experience as business developer at LEARN AS. Although Tommy is employed in a different company he delivers significant services to R8 Property and is hired to work with development projects. Tommy Thovslund became CEO of the entire R8 Group in March 2018, but still works with early phase project development for R8 Property. Tommy holds 1.5 per cent of the shares in R8 Property.



ØIVIND GUNDERSEN
BOARD MEMBER

Øivind has broad experience from national and international business areas. He has been CMO of Det Norske Møbelsenter (SKEIDAR) and CEO of Floriss. In 2003 Øivind became CEO and owner of the investment company Dynam. Through this company - and in collaboration with others, he has led several real estate companies in Telemark and Vestfold.

Øivind has initiated several start-ups of national and international companies such as Floriss, Autostrada, Made for Movement and Kamas (Norsk Gjenvinning).



KNUT BRÅTHEN
BOARD MEMBER

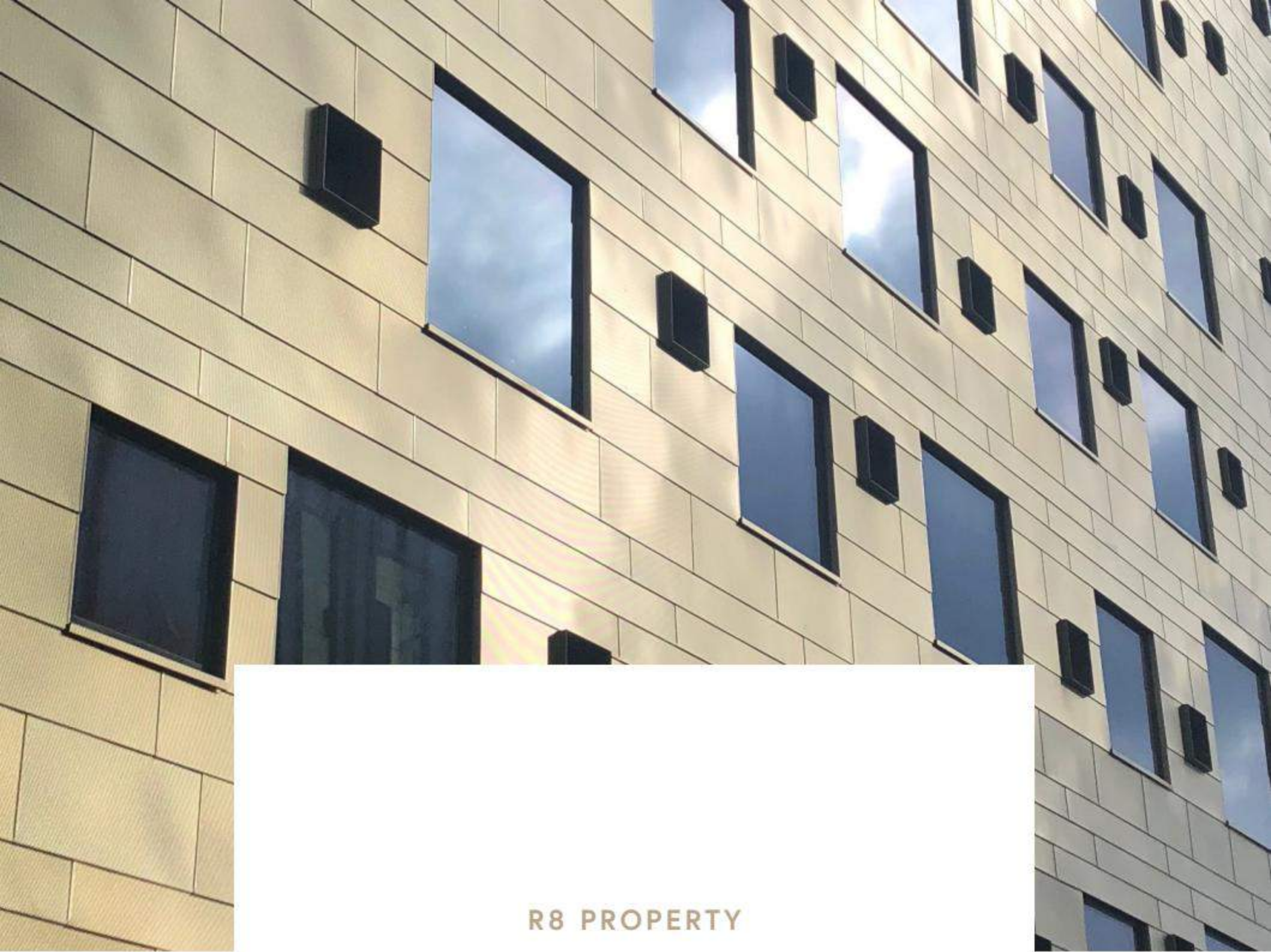
Knut has an MBA from BI and has been the Managing Director in the family company Ing.K.A.Bråthen AS (IKAB AS) since 1990. In 2006 he established Grenland Barnehagedrift which he managed until 2016 when the company was sold to Læringsverkstedet.

Knut Bråthen is also board member in Grenland Energy AS and Safelink AS. He holds 3.7 per cent of the shares in R8 Property.



GEORGE EMIL AUBERT
BOARD MEMBER

George is educated within IT engineering, and has broad experience from business. He was a part of the establishment of Syscom AS in Oslo, where he worked for 26 years before he moved back to Skien in 2014. Then he became the Managing Director of the family companies Holta & Co, Aubert Invest as well as the endowment of Sonja and Emil Aubert. George Aubert is also Chair or board member in eg. Aubert Invest, Holta & Co, Skiens Aktiemølle, Broene 6, Trebua Invest, Tenera, Backe Foundation, Vauvert and Hovund's Fund. George holds 3.0 per cent of the shares in R8 Property.



R8 PROPERTY

REPORT FROM THE BOARD
OF DIRECTORS



2018 has been a year of continued growth and a strong emphasize on project development. Despite significant additional costs related to early phase project development, the financial results came out as good as expected. Operating revenues increased from NOK 56.1 million for 2017 to NOK 83.7 million in 2018, and net profit came in at NOK 60.7 million. Fair-value adjustments for investment properties were up NOK 37.6 million from 31 December 2017 to 31 December 2018.

THE COMPANY

R8 Property AS is the mother company in the Group. The Group's properties primarily comprise of office premises, retail and hotel space. The business is organized in parent company R8 Property AS with subsidiaries. The head office is in Porsgrunn. The properties have a market value of NOK 1731.5 million (978.5 million) and consists of properties and development projects in the cities Skien, Porsgrunn, Sandefjord and Tønsberg. The Group's purpose is to acquire, develop and own properties in central and attractive locations. In addition, the company also develops service functions through R8 Management and have a set goal to have Norway's most satisfied tenants.

MARKET ACTIVITIES

There were several significant transactions in the R8 Property Group in 2018. In January 100 per cent of the shares in R8 Management was bought. R8 Management delivers facility management to all properties in the Group and have done so since 2014.

Annual rental value for the company's properties has increased from NOK 55.6 million in 2017 to NOK 70.1 million by the end of 2018. As of 31 December 2018, R8 Property had a property portfolio of 14 properties totaling 70 022 square meters and four projects totaling 23 347 square meters. The main leasing efforts in 2018 evolved around the development projects and Arkaden shopping mall in Skien.

SEVERAL PROPERTIES WERE ACQUIRED THROUGH 2018:

Address	Area(sqm)	Ownership	City	Segment	Aquisition
Bruene 1 (Arkaden)	22 413	73%	Skien	Retail	19.04.2018
Nedre Hjellegate 11	343	73%	Skien	Retail	19.04.2018
Kammerherreløkka 5	5 418	50%	Porsgrunn	Office	19.04.2018
Kammerherreløkka 5	6 282	50%	Porsgrunn	Hotels	19.04.2018
Henrik Ibsensgate 6	1 927	100%	Skien	Retail	01.09.2018
Rådhusgata 2	3 286	100%	Skien	Office	01.11.2018

PROJECT DEVELOPMENT

To secure a profitable growth, the Group's strategy is to have an ongoing portfolio in project development. The second construction phase of the new-build project at Nordre Fokserød was finished in 2018. The Group had four on-going projects in 2018; one office building and one hotel at Kammerherreløkka, Powerhouse Telemark in Porsgrunn næringspark and Eeks Gård in Skien. At Kammerherreløkka both buildings are classified in the project portfolio and valued at NOK 266 million at year end. The project Powerhouse Telemark in Porsgrunn is classified in the project portfolio and valued at NOK 105 million. The renovation project Eeks Gård in Skien is also classified in the project portfolio and valued at NOK 40 million at year end.

RISK AND RISK MANAGEMENT

Both the administration and the Board assesses risk on an ongoing basis. Risk management is carried out by the administration under policies approved by the Board. The Group's risk factors consist of financial and non-financial risks.

Financial risk

In 2018 the financial risks of the Group have been monitored through the KPIs set forth in the financial strategy. Several risk areas are established and reported on a regular basis. The target level of each KPI have been decided by the board in 2018. 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 minimum 40 per cent of the debt portfolio, average remaining term to maturity of 2-7 years and to diversify the maturity structure. Refinancing risk is reduced by entering long-term loans. Liquidity risk is monitored and managed through ongoing cash management and frequent reporting on this issue.

There are covenants in the Group's bank loan agreements. At 31 December 2018, 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, groups of tenants. There is always a risk that yield changes in the market will reduce the value of the portfolio and cause changes in loan-to-value ratios.

To reduce the risk of sudden changes in the Company's property values the value of the portfolio is monitored on a quarterly basis by external experts.

Credit risk

The Group seeks to reduce the credit risk by obtaining a diversification in the tenant portfolio. As of 31 December, 27.2 per cent of the portfolio consists of public tenants and 72.8 per cent of private tenants. Also, there is a spread between different industries and geographical exposure between four different cities.

Through 2018 there has also been a focus on obtaining tenants with a higher credit rating and the company have participated and won several public procurements.

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 hire personnel with project experience 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.

RESTRUCTURING

Through 2018 there has been completed a restructuring of the Group to be better prepared for future growth. There have been established several subsidiaries; R8 Retail AS, R8 Hotels and R8 Office (established in 2017). The new structure does not entail any changes in the shareholder composition. Furthermore, the subsidiary R8 Management AS was acquired during the year. The shareholders in R8 Property holding shares in R8 Property AS will not be affected by this restructuring. The subsidiaries are owned 100 per cent except R8 Retail AS which is owned 95 per cent.

During the year R8 Retail AS acquired 73 per cent of Mulighetenes By AS and R8 Hotels AS acquired 50 per cent of Kammerherreløkka AS.

ORGANIZATION AND WORKING ENVIRONMENT

R8 Property had three employees as of 31 December 2018, two men and one woman. There was no long-term or short-term absence in 2018. The work environment is good although the work pressure at times is high. The Board is satisfied with the gender balance in the administration. The board consists of 5 men. The Board will continue to strive to improve the gender balance in the Board. There were no injuries or accidents within the Group in 2018.

CORPORATE GOVERNANCE

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

CORPORATE SOCIAL RESPONSIBILITY

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

Exterior environment

The Group aims to conduct business so that the impact on resources and the environment is kept to a minimum and well within the requirements imposed by authorities and contracting parties.

GROUP ACCOUNTS

Going concern

The financial statements have been prepared based on the going concern assumption. R8 Property is in a healthy financial position. There have been some liquidity issues because of high activity and costs related to project development during the year. However, these have been resolved and the Board confirms that the Group had sufficient equity and liquidity as of 31 December 2018.

There has not been any events after 31 December 2018 with significant impact on the financial statements.

Financial risk

The financial statements show that the Group had another year of strong results in 2018. The result comes from both net income in property management and growth in property values. Profit before tax came to NOK 70.5 million (60.0 million), up by 10.5 million from the year before, and close to the expected result. Net profit came to NOK 60.7 million (47.9 million). The profit includes a change in value of investment properties of NOK 37.6 million (40.7 million). Fair-value for investment properties is 1 NOK 1 731.5 million (978.6 million). The financial results are close to the expected levels going in to 2019.

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 2018.

Income

Total operating income for the Group increased from NOK 56.0 million in 2017 to 83.7 million in 2018. The Group's financial income totaled NOK 1.3 million (1.0 million). Financial costs, primarily including interest costs and other costs associated with the Group's financing activities, totaled NOK 30.3 million (24.3 million). Profits before tax was NOK 70.5 million (60.0 million), and total comprehensive income after tax was NOK 60.7 million (47.9 million). Tax expense was NOK 9.7 million (12.1 million).

Balance sheet

As of 31 December 2018, the Group's assets had a book value of NOK 1 805.0 million (999.1 million). Of the total assets, investment properties accounted for NOK 1 731.5 million (978.6 million). Total accounting equity in the Group was 532.3 million (274.4 million).

Cash flow statement

Net cash flow from operating activities was NOK 3.5 million in 2018 (16.2 million). The net cash flow from investments was NOK -128.8 million (-50.6 million). There were no proceeds from property transactions (0.0 million). Upgrades and construction of investment properties amounted to NOK 135.6 million (50.4 million) and primarily relates to the construction of Nordre Fokserød, Powerhouse Telemark, Kammerherreløkka and development of Arkaden. Net cash flow from financing activities was NOK 144.2 million (35.5 million). Net proceeds of interest bearing debt was NOK 97.1 million (11.9 million). During 2018 R8 Property has made a repayment of NOK 28.6 million (20.8 million) in bank loans. The net change in cash and cash equivalents was NOK 18.9 million at 31 December 2018 (1.2 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 1 123.7 million (618.6 million), 25 per cent (46 per cent) of which was tied up in different interest rate swaps. The overall loan portfolio has an average time to maturity of 8.3 years. Average interest cost at 31 December 2018 was 3.9 per cent (3.9 per cent).

As a general principle R8 Property's financing is based on a negative pledge of the Group's assets. The Group has adopted a financial strategy with a medium loan-to-value ratio. The Group's loan-to-value ratio at 31 December 2018 was 64.9 per cent up from 63.2 per cent at the end of 2017.

Events after the balance sheet date

No significant incidents since 31 December 2018 provide information concerning the conditions which existed at the balance sheet date.

PROFIT FOR THE YEAR AND ALLOCATIONS

In 2018, R8 Property AS, the parent company of the Group, made a loss after tax of NOK -1.8 (7.0) 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 loss after tax of NOK -1.8 (7.0) million is transferred from retained earnings for 2018.

BOARD OF DIRECTORS

The Annual General Meeting in April 2018 elected Emil Eriksrød (chair), George Emil Aubert, Tommy Thovsland, Øivind Gundersen and Knut Bråthen as ordinary directors until the next annual General meeting in 2019. There were nine ordinary board meetings and one extraordinary board meeting in 2018.

OUTLOOK

The Norwegian economy has rebounded and there is a positive development in most macroeconomic key indicators. This may lead to a slightly more rapid increase in interest rates than expected. For the Group this will lead to increased interest expenses and tighter cash flow. The Group has taken precautions to ease the risk and consequences related to this issue. On the positive side the positive market indicators will likely boost the letting market in the Group's geographical market. Alongside the economic growth indicators there seems to be an optimism toward city centers in Skien and Porsgrunn as well as development plans at Korten in Tønsberg that will give positive effects for several of the Group's properties. R8 continues to deliver profitable growth, sustainable development and a strong focus on our customers. 2018 was the fourth consecutive year with first place in the national survey, Norwegian Tenant Index. The Group will continue to develop our service offer toward our end users. The construction of Powerhouse Telemark was initiated and the progress is on schedule. This project is very popular and is followed closely by the

building industry and the local community, and it's expected to develop more attention as the commencement date is closing in. There are also several other development projects that will be important in 2019. It is expected that Skien Brygge, a collaboration project with Bane NOR Eiendom and Skien Boligbyggelag will start organizing this development and commence with phase 1. Arkaden in Skien will also have several upgrades in 2019, together with the renovation of Eeks Gård on the Market Square in Skien. It is also expected to commence development project in Porsgrunn containing a research facility. The projects ahead are expected to give a good return on investments and provide positive returns in the future.

There are also emerging trends that the group will be greatly affected by in the years to come. Changing business models in the office segment like flexible Co-working environments is expected to impact the group together with digitalisation and automation. R8 will map these activities and implement this in the long-term strategy.

Porsgrunn, 26 March 2019
Board of Directors for R8 Property AS



Emil Eriksrød
Chair of the Board / CEO



Tommy Thovsland
Board member



Øivind Gundersen
Board member



Knut Bråthen
Board member



George Emil Aubert
Board member



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CONSOLIDATED

FINANCIAL STATEMENTS

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Statement of total comprehensive income

1 January to 31 December

All amounts in NOK thousand

	Note	2018	2017
Rental income	6	70 149	55 574
Other operating revenue		13 581	476
Total operating income		83 730	56 050
Maintenance and other operating expenses	10	17 876	10 507
Other property-related expenses	9, 10	877	488
Administrative expenses	10, 11	24 049	3 966
Total operating costs		42 803	14 961
Net income from property management		40 927	41 090
Changes in value from investment properties	14	37 626	40 670
Operating profit		78 553	81 760
Share of profit of a joint venture	26	14 364	-
Interest and other finance income	12	1 304	1 025
Interest and other finance expense	12	-30 350	-24 309
Net realised financials		-14 682	-23 285
Unrealised changes in value of financial instruments		6 593	1 573
Net financial items		-8 088	-21 712
Profit before tax		70 465	60 048
Tax expense	20	-9 732	-12 106
Profit for year		60 733	47 942
Total comprehensive income for the year		60 733	47 942
Profit attributable to:			
Equity holders of the company		58 424	47 942
Non-controlling interest		2 308	-
Total comprehensive income attributable to:			
Equity holders of the company		58 424	47 942
Non-controlling interest		2 308	-
Earnings per share:			
Continuing operations			
Basic=Diluted (NOK)	25	46	48
Basic - Non-authorised increase in capital 21.12.2018 (NOK)	25	42	-
Basic - Merger Hagakilen in 2019 (NOK)	25	40	-

Notes 1 through to 27 form an integral part of the consolidated financial statements.

Balance sheet

Assets

All amounts in NOK thousand

	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Deferred tax asset	20	859	-
Other intangible assets	13	7 350	161
Total intangible assets		8 208	161
Investment property	14	1 731 500	978 550
Other operating assets	13	5 733	1 665
Total property, plant & equipment		1 737 233	980 215
Investment in associates and jointly controlled entities		496	-
Loans to associates	23	8 921	13 445
Other long-term receivables		3 032	-
Total financial assets		12 449	13 445
TOTAL NON-CURRENT ASSETS		1 757 890	993 821
CURRENT ASSETS			
Property for sale		-	-
Trade receivables	15	10 518	2 157
Other receivables	16	16 065	1 570
Total current receivables		26 582	3 727
Cash and bank deposits	17	20 490	1 564
TOTAL CURRENT ASSETS		47 073	5 291
TOTAL ASSETS		1 804 963	999 112

Notes 1 through to 27 form an integral part of the consolidated financial statements.

Balance sheet

Equity and liabilities

All amounts in NOK thousand

	Note	31.12.2018	31.12.2017
EQUITY			
Share capital	18	3 411	2 500
Share premium	18	117 406	3 500
Other paid-in equity	18	43 909	6 858
Retained earnings	25	320 220	261 552
Non-controlling interest		47 358	-
TOTAL EQUITY		532 305	274 409
LIABILITIES			
Interest-bearing debt	19	953 718	568 314
Deferred tax liability	20	71 647	51 330
Financial derivatives	7	11 394	17 988
Debt to group companies	7	-	16 318
Other liabilities	7	-	257
Total non-current liabilities		1 036 760	654 207
Trade payables and other payables	21	65 854	19 957
Interest-bearing debt	4, 19	170 044	50 250
Debt to group companies	7	-	289
Total current liabilities		235 898	70 496
TOTAL LIABILITIES		1 272 658	724 703
TOTAL EQUITY AND LIABILITIES		1 804 963	999 112

Notes 1 through to 27 form an integral part of the consolidated financial statements.

Porsgrunn, 26 March 2019
Board of Directors for R8 Property AS


Emil Eriksrød
Chair of the Board / CEO


Tommy Thovsland
Board member


Øivind Gundersen
Board member


Knut Bråthen
Board member


George Emil Aubert
Board member

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 01.01.2017	2 500	3 500	6 858	218 609	-	231 467
Profit for year	-	-	-	47 942	-	47 942
Dividend	-	-	-	-5 000	-	-5 000
Equity at 31.12.2017	2 500	3 500	6 858	261 552	-	274 409
Profit for year	-	-	-	58 424	2 308	60 733
Capital increase 26.04.2018	911	113 906	-	-	-	114 818
Non-authorised increase in capital	-	-	37 812	-	-	37 812
Change in non-controlling interest	-	-	-	244	45 050	45 294
Cost of equity transactions directly in equity	-	-	-760	-	-	-760
Equity at 31.12.2018	3 411	117 406	43 909	320 220	47 358	532 305

Notes 1 through to 27 form an integral part of the consolidated financial statements.

Statement of cash flows

1 January to 31 December

All amounts in NOK thousand

	Note	2018	2017
Profit before tax		70 465	60 048
Expensed interest and fees on loans from financial institutions	12	27 437	24 309
Share of profit of a joint venture		-14 364	-
Interest and fees paid on loans from financial institutions		-33 731	-24 627
Depreciation and amortisation	13	1 538	496
Change in market value investment properties	14	-37 626	-40 670
Change in market value financial instruments	7, 19	-6 593	-1 573
Change in working capital		-3 673	-1 736
Net cash flow from operating activities		3 453	16 246
Proceeds from sales of investment properties and companies		-	-
Purchase of business net of cash		7 146	-
Upgrades and construction of investment properties	14	-135 554	-50 425
Purchase of intangible assets and other plant and equipment	13	-362	-143
Net cash flow from investment activities		-128 770	-50 568
Proceeds interest-bearing debt	19	125 752	32 734
Repayment interest-bearing debt	19	-28 649	-20 813
Net payment of loans to other group companies		-11 794	24 170
Proceeds from equity		59 909	-
Cost of equity transactions		-975	-
Dividends paid		-	-550
Net cash flow from financing activities		144 243	35 541
Change in cash and cash equivalents		18 926	1 219
Cash and cash equivalents at beginning of period		1 564	345
Cash and cash equivalents at end of period		20 490	1 564

Notes 1 through to 27 form an integral part of the consolidated financial statements.

SUMMARY OF NOTES

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NOTE 1 GENERAL INFORMATION

R8 Property AS ("the Company") is (together "R8 Property" or "the Group") dedicated to the development of modern and forward-looking office properties, hotels and shopping mall. 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 18 (13) buildings with a total area of approximately 70.0 (52.5) thousand square meters. As of 31.12.18 the real estate portfolio had a market value of around NOK 1 731.5 (978.5) million. R8 Property's strategic areas are Telemark and Vestfold. The Group has its head office in Dokkvegen 10, 3920 Porsgrunn.

The consolidated financial statements were adopted by the Company's Board on 26 March 2019

NOTE 2 ACCOUNTING POLICIES

ACCOUNTING POLICIES

The most important accounting principles applied are described below. These principles are applied in the same way for all periods presented, unless otherwise indicated in the description.

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 modifications: 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.

Application of new and revised International Financial Reporting Standards (IFRSs) in 2018

No new or amended IFRS or IFRIC interpretations came into effect for the 2018 financial year that have a significant impact on the consolidated financial statements.

IFRS 9 Financial instruments

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new standard also introduces expanded disclosure requirements and changes in presentation. The standard was effective for accounting periods beginning on or after 1 January 2018. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The change of principle had no impact on the Group's financial statements.

The Group has considered whether it is appropriate to implement hedge accounting under IFRS 9. However, the Group has concluded that hedge accounting is not possible under IFRS 9 for the Group as the Group does not designate hedge relationships to particular loans but to a portfolio of loans in order to adapt its portfolio to the chosen fixed rate structure.

Financial instruments are classified in different categories under IFRS 9 than under IAS 39. The effect of adopting IFRS 9 is presented in the following table:

	MEASUREMENT CATEGORY		CARRYING AMOUNT	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial investments - loans to associates	Loan and receivables	Amortised costs	8 921	8 921
Trade receivables	Loan and receivables	Amortised costs	10 518	10 518
Other current receivables	Loan and receivables	Amortised costs	16 065	16 065
Cash and cash equivalents	Loan and receivables	Amortised costs	20 490	20 490
Total financial assets			55 994	55 994
Interest-bearing non current liabilities	Amortised cost	Amortised costs	999 466	999 466
Interest-bearing current liabilities	Amortised cost	Amortised costs	97 700	97 700
Financial derivatives	Financial liabilities*	Financial liabilities*	11 394	11 394
Other non current liabilities	Amortised cost	Amortised costs	26 596	26 596
Trade payables and other payables	Amortised cost	Amortised costs	65 854	65 854
Total financial assets liabilities			1 201 010	1 201 010

* at fair value through profit or loss

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group adopted IFRS 15 using the full retrospective method. The effect of the transition to IFRS 15 on the current period has not been disclosed as the optional practical expedient in IFRS 15.C4 has been applied. The Group did not apply any of the other available optional practical expedients. The Group has no development of real estate for sale and IFRS 15 did not affect the accounting for revenue from any other contracts within the Group.

Standards, amendments and interpretations of existing standards that have not come into force and where the Group has not chosen early implementation

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, 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, except the following set out below:

IFRS 16, 'Leases' specifies how an IFRS reporter will recognise, measure, present and disclose leases. The current distinction between operational and financial leases is removed for lessees and replaced by a model which is to be used for all leases, with certain specific exceptions. The consequence is that leases that are posted to the financial statements in accordance with the new model will have to be entered in the balance sheet in the financial statements of the lessee in the form of a lease obligation and an asset that represents the lessee's right to use the underlying asset. For a lessor the current rules, IAS 17, are mainly continued unchanged.

The new standard is effective for accounting periods beginning on or after 1 January 2019. The Group will adopt IFRS 16 on 1 January 2019, applying the modified retrospective transition method. Under the modified retrospective transition method, the cumulative effect of initially applying the standard is estimated to have no material effect on the opening balance sheet as of 1 January 2019.

The Group has made analysis of all the lease contracts on property lease contracts and other assets to evaluate the accounting effect. 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

IFRS 9 Financial instruments

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.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated when control ceases. 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 (cf. exceptions in IAS 12).

Intra-group transactions, balances and unrealized gains are eliminated. Unrealised losses are eliminated, but are considered evidence of impairment in terms of writing down the value of the transferred asset. If necessary, the accounting policies at subsidiaries are changed in order to bring them into line with the Group's accounting policies.

Transactions with non-controlling interests

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

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

Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint venture. 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 operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The proportionate share of realized and unrealized gains and losses arising from intragroup transactions between fully consolidated entities and joint operations shall be eliminated. Currently R8 Property has none investments recognized as joint operations.

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.

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. 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, 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 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.

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 also 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 carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

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

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

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

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

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

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

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.

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. A property's deemed cost for subsequent accounting as property for sale is its fair value at the date of change in use.

Property, plant and equipment

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

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

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

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

- Land and property under construction: nil;
- Buildings: 25-40 years;
- Fixtures and fittings: 5-15 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 highest decision-making authority, 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 cost and the fair value of the Group's share of net identifiable assets in the entity on the acquisition date. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. For the purpose of impairment testing, goodwill is allocated to the relevant cash flow generating units. Goodwill is allocated to the cash flow generating units or group of cash flow generating units that are expected to benefit from the acquisition from which the goodwill arose. Goodwill is tested for impairment losses. Impairment of goodwill is not reversed. Gains and losses on the sale of an operation including the carrying amount of goodwill relating to the sold operation.

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

Software

Purchased software is recognised at cost (including expenditure on making programs operative) and is amortised over the expected useful life. Expenses directly associated with the development of identifiable and unique software owned by the Group and which is likely to generate net financial benefits for more than one year are capitalised as intangible assets, and are depreciated over the expected useful life, normally 5 years. 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 uncertain 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 value in use or fair value, whichever is the higher, less selling costs. When testing for impairment, non-current assets are grouped at the lowest possible level at which it is possible to identify independent cash flows (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: at fair value through profit or loss, loans and receivables and available for sale. Financial assets at fair value through profit or loss are assets held for trading purposes, and include derivatives. Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments.

Before 1 January 2018, the Group applied IAS 39 on presentation of financial instruments. Financial assets were under IAS 39 classified in the following categories; at fair value through profit or loss, loans and receivables and available for sale. Financial assets at fair value through profit or loss were assets held for trading purposes and included derivatives. Loans and receivables were unquoted non-derivative financial assets with fixed or determinable payments. Available-for-sale financial assets were assets designated as available for sale or assets that do not fall under any of the other categories, including minor shareholdings.

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.

Trade receivables and other financial assets

Trade receivables and other financial assets are classified as loans and receivables and are measured at fair value upon initial recognition, and thereafter at amortised cost. Interest is ignored if it is insignificant. A provision for bad debts is recognised if there is objective evidence that the Group will not receive payment in accordance with the original conditions. Any subsequent payments received against accounts for which a provision has previously been made are recognised in the income 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.

Currency

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

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. 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 reporting 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 2018.

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 fiscal 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

Operating revenue consists of rental income and other operating revenue. Gains on the sale of property are presented as part of the change in 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 capitalised alongside payments on account from tenants and therefore have no impact on the income statement. Shared costs are settled after the balance sheet date.

Rental income is recognised over the duration of the lease. If a rent exemption is agreed, or if the tenant receives an incentive in conjunction with the signing of the lease, the cost or loss of rent is spread over the duration of the lease, and the resulting net rent is recognised in equal instalments. The accrued loss of rent or costs is presented under other receivables.

Lease contracts that are terminated are valued on an individual basis. Payments relating to the termination of contracts are recognised in the period from the contract being entered into until the date of its termination.

STATEMENT OF CASH FLOWS

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





NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND SUBJECTIVE JUDGEMENTS

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

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

Fair value of investment properties

Each quarter, all the properties are valued by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The valuations at 31 December 2017 and 2018 were obtained from Newsec AS. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period. 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 rates 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.)

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

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 2018.

Change variable	Change in per cent	Value change (tNOK) ¹⁾
Inflation	+ 1,00	120 958
Market rent	+ 10,00	127 782
Discount rates	+ 0,25	-57 282
Exit yield	+ 0,25	-28 930

¹⁾ Estimates by Newsec AS in conjunction with valuations at 31 December 2018. Development projects are not included in the estimates.

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.

31.12.2018	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point	-5 899
Interest-bearing debt	-8 712
Derivatives	2 812
Market rates fall by 1 percentage point	5 899
Interest-bearing debt	8 712
Derivatives	-2 812

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

31.12.2017	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point	-3 298
Interest-bearing debt	-6 186
Derivatives	2 888
Market rates fall by 1 percentage point	3 298
Interest-bearing debt	6 186
Derivatives	-2 888

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 2018 the Group acquired Mulighetenes By AS through its subsidiary R8 Retail AS. The Group also acquired R8 Management AS. Both acquisitions are considered as business combinations. The Group acquired Kammerherreløkka AS and AS Rådhusgt 2 in 2018. This transaction was considered to represent a single asset and was not treated as business combination.

All acquisitions of subsidiaries acquired by the Group before 2018 was considered to represent a single asset and were not treated as business combinations.

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 excessliquidity.

Financing risk

Financing risk is the risk that the Group will be unable to meet its financial obligations when they are due and that financing will not be available at a reasonable price.

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 64.9%. 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 19). Interest rate risk affects the Group's cash flows and the market value of the Group's liabilities. The main purpose of the Group's interest rate strategy is to ensure that the Group achieves the desired balance between the interest expense and interest rate risk. The Group's interest rate risk is managed within the following financial policy requirements:

- minimum 40 per cent of the interest-bearing debt to be hedged at fixed interest rate
- average remaining time to maturity for interest rate hedges in the interval 2-7 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 2-7 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 2018, the weighted average remaining term to maturity was 8.3 years. The average interest rate was 3.9 per cent at 31 December 2018.

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 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 2018, the Group had no currency exposure.

Financial covenants

There are covenants in the Group's bank loan agreements. At 31 December 2018, the Group was not in breach of any covenants.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

31.12.2018	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	117 685	498 151	35 550	26 180	677 566
Interest-bearing bank loans – amortising	25 763	56 468	37 149	279 747	399 127
Interest-bearing bank loans – estimated interest	39 155	49 216	25 296	89 861	203 527
Subordinated loans - principal	26 596	20 473	-	-	47 069
Subordinated loans - estimated interest	2 292	-	-	-	2 292
Financial instruments					
- Interest rate derivatives	3 866	6 305	3 827	1 033	15 031
Trade and other payables					
- Trade payables	32 971	-	-	-	32 971
- Other financial	22 647	-	-	-	22 647
- Accruals	5 313	-	-	-	5 313
Total	276 287	630 612	101 822	396 821	1 405 543

31.12.2017	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	31 505	458 203	57 675	-	547 383
Interest-bearing bank loans – amortising	18 745	47 787	4 650	-	71 182
Interest-bearing bank loans – estimated interest	17 472	32 598	3 008	-	53 078
Financial instruments					
- Interest rate derivatives	5 401	10 678	8 925	4 702	29 706
Trade and other payables					
- Trade payables	3 842	-	-	-	3 842
- Other financial	8 663	-	-	-	8 663
- Accruals	4 438	-	-	-	4 438
Other financial liabilities	-	-	-	-	-
Total	90 066	549 265	74 258	4 702	718 291

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 8,3 years. This years principal is tNOK 144,281 and regards construction financing on Arkaden, Powerhouse Telemark and Kammerherreløkka. All matures in 2019. The refinancing risk related to the renewals of these loans is assumed to be limited.

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

31.12.2018	31.12.2019	31.12.2021	31.12.2023	31.12.2024+	Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Term to maturity					
Percentage	15,1	51,2	6,5	27,2	100,0
Amount	170 044	575 092	72 699	305 927	1 123 762

31.12.2017	31.12.2018	31.12.2020	31.12.2022	31.12.2023+	Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Term to maturity					
Percentage	8,1	81,8	10,1	-	100,0
Amount	50 250	505 989	62 325	-	618 564

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

	2018	2017
Nominal value of interest rate derivatives on the balance sheet date of which	277 484	285 005
- Variable-to-fixed swaps	277 484	285 005
Range of fixed interest rates (%)	1.54 - 4.05	1.54 - 4.05
Variable rate basis	NIBOR	NIBOR
Average fixed rate	2,67 %	2,68 %
Fair value of derivatives on the balance sheet date (tNOK)	11 394	17 988
Change in fair value of interest rate derivatives over the year	6 593	1 573
Total change in fair value of financial instruments	6 593	1 573

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.

	2018	2017
≤ 1 year	10 549	1 827
1 year < 5 years	137 894	144 645
≥ 5 years	655 111	92 897
Total	803 554	239 369

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

Remaining term	2018			2017		
	Number of contracts	Contract rent	Contract rent, %	Number of contracts	Contract rent	Contract rent, %
≤ 1 year	17	10 806	14,4	10	2 382	4,2
1 year < 5 years	62	44 372	59,3	42	39 079	69,6
5 years < 10 years	29	16 452	22,0	12	14 715	26,2
≥ 10 years	9	3 232	4,3	-	-	-
Total	117	74 862	100,0	64	56 176	100,0

The table above shows the remaining non-terminable contractual rent 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

All amounts in NOK thousand

The Groups investment properties is organised into three operating units: Office, Retail and Hotels. As of today the Hotels unit only consists of one project.

The Group has changed the composition of its reportable segments in 2018 and the corresponding information for 2017 have been restated.

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

31.12.2018	Area (sqm)	Occupancy (%)	No. Of properties (#)	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
					(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Office	45 339	89,2	11	3,6	963 000	21 240	58 841	1 298	5,8	72 429	1 597
Retail	24 683	78,1	3	7,7	357 500	14 484	22 002	891	5,0	39 137	1 586
Total management portfolio	70 022	85,3	14	4,8	1 320 500	18 858	80 842	1 155	6,4	111 566	1 593
Office - Project	14 416	84,5	3	11,1	226 400	15 705					
Hotels - Project	6 282	100,0	1	15,0	184 600	29 386					
Total project portfolio	20 698	89,2	4	11,9	411 000	19 857					
Total property portfolio	90 720	86,2	18	6,8	1 731 500	19 086					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31 December 2018 corresponds to 10.8 per cent of market rent.

R8 Property has four on-going projects, one new building (Powerhouse Telemark), two projects (Kammerherreløkka) and one renovation project (Eeks Gård).

Parking areas are not included in this overview.

See Note 9 for more information.

31.12.2017	Area (sqm)	Occupancy (%)	No. Of properties (#)	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
					(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Office	41 915	88,2	11	4,8	890 000	21 233	56 639	1 351	5,5	66 220	1 580
Total management portfolio	41 915	88,2	11	4,8	890 000	21 233	56 639	1 351	5,5	66 220	1 580
Office - Project	10 616	55,5	2	13,3	88 550	8 341					
Total project portfolio	10 616	55,5	2	13,3	88 550	8 341					
Total property portfolio	52 531	81,6	13	5,7	978 550	29 575					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31 December 2018 corresponds to 7,1 per cent of market rent

R8 Property has in 2017 two on-going projects, one new building at Nordre Fokserød in Sandefjord and one new building (Powerhouse Telemark) in Porsgrunn.

See Note 9 for more information.

NOTE 7 CATEGORIES OF FINANCIAL INSTRUMENTS

All amounts in NOK thousand

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
31.12.2018			

Assets

Financial investments			
- Loans to associates	8 921	-	8 921
Trade receivables	10 518	-	10 518
Other current receivables	16 065	-	16 065
Cash and cash equivalents	20 490	-	20 490
Total financial assets	55 994	-	55 994

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
31.12.2018			

Liabilities

Interest-bearing non-current liabilities	-	953 718	953 718
Interest-bearing current liabilities	-	170 044	170 044
Financial derivatives	11 394	-	11 394
Other non-current liabilities	-	-	-
Trade payables	-	33 244	33 244
Other current liabilities	-	32 610	32 610
Total financial liabilities	11 394	1 189 616	1 201 010

	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Total
31.12.2017				
			Held for sale	

Assets

Financial investments				
- Loans to associates	13 445	-	-	13 445
Trade receivables	2 157	-	-	2 157
Other current receivables	1 570	-	-	1 570
Cash and cash equivalents	1 564	-	-	1 564
Total financial assets	18 736	-	-	18 736

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
31.12.2017			

Liabilities

Interest-bearing non-current liabilities	-	568 314	568 314
Interest-bearing current liabilities	-	50 250	50 250
Financial derivatives	17 988	-	17 988
Other non-current liabilities	-	16 575	16 575
Trade payables	-	3 842	3 842
Other current liabilities	-	16 404	16 404
Total financial liabilities	17 988	655 385	673 373

NOTE 8 INFORMATION ABOUT FAIR VALUE

All amounts in NOK thousand

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

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

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

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

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

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

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

ASSETS MEASURED AT FAIR VALUE

	31.12.2018	Level 1	Level 2	Level 3
Assets at fair value through profit or loss				
- Investment properties	1 731 500	-	-	1 731 500
Total	1 731 500	-	-	1 731 500

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2018	Level 1	Level 2	Level 3
Liabilities at fair value through profit or loss				
- Derivatives	11 394	-	11 394	-
Total	11 394	-	11 394	-

ASSETS MEASURED AT FAIR VALUE

	31.12.2017	Level 1	Level 2	Level 3
Assets at fair value through profit or loss				
- Investment properties	978 550	-	-	978 550
Total	978 550	-	-	978 550

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2017	Level 1	Level 2	Level 3
Liabilities at fair value through profit or loss				
- Derivatives	17 988	-	17 988	-
Total	17 988	-	17 988	-

INFORMATION ABOUT THE FAIR VALUE OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2018		2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans to associates	8 921	8 921	13 445	13 445
Trade receivables	10 518	10 518	2 157	2 157
Closing balance	19 438	19 438	15 602	15 602

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

INFORMATION ABOUT THE FAIR VALUE OF FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

	2018		2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Seller credit and withheld purchase price	-	-	-	-
Closing balance	-	-	-	-

The difference between the fair value and the amortised cost of interest-bearing liabilities with variable interest rates is described in Note 19. Other financial liabilities, except for the amounts above, are short term and the difference between the fair value and the amortised cost is marginal.

NOTE 9 DEVELOPMENT PROJECTS

All amounts in NOK thousand

R8 Property has in 2018 three on-going projects in Porsgrunn, one new office building (Powerhouse Telemark) and two projects on Kammerherreløkka (50% owned) that consists of one hotel and an office building. All are modern buildings with high focus on low energy consumption and sustainability. In addition there is one renovation project in Skien (Eeks Gård) that will consist of office space and restaurant/retail activities.

The company owns the on-going project on Kammerherreløkka in Porsgrunn where one hotel building (6,282 sqm) and one office building (2,767 sqm) is expected to be completed in March and June 2019. The hotelbuilding is fully let to Choice Comfort Hotel Porsgrunn. This entity was considered as a joint venture with Bane NOR Eiendom AS until December 2018. In December 2018 there was a recomposition of the board of directors and the company gained controlling influence of the entity.
See note 26 for more information.

The project Powerhouse Telemark in Porsgrunn was begun with a feasibility study in 2015 for a 6,322 m² new office building. There has been intensive work in 2016 and 2017, with possible tenants to occupy the building. Due to the great interest it has been decided that the building will be expanded. The size is now 8,358 m². The occupancy is as of 31 December 2018 at 100 per cent. Scheduled completion of the building is the third quarter in 2020. Upon completion, this will be one of the most energy-efficient and environmentally friendly office buildings in the world. The building will produce more energy than it itself uses. The project will be one of the most important for R8 Property over the coming years. This project is classified in the project portfolio and is valued at tNOK 99,500 at year end.

Eeks Gård is a renovation project in Skien and was initiated when the company won a public procurement with NAV Skien as a tenant. The project is located in the city town and will greatly impact citydevelopment in Skien and has a positive effect on the Market square. The size of the building is 3,220 m², and the occupancy is 91 per cent. Scheduled completion of the building is the fourth quarter of 2019. This is an important part of bringing people back to the center of Skien and the Market square. From NAV Skien there will be approximately 130 office workers in the building. The first floor toward the market place is reserved for restaurant or retail activities.

NOTE 10 OPERATING COSTS

All amounts in NOK thousand

	2018	2017
Operating costs		
Administrative management costs	8 596	5 116
Operating and maintenance costs	9 280	5 391
Total maintenance and other operating costs	17 876	10 507
Other property costs		
Rental, market, and other income-related expenses	877	416
Owner's share of service charge expenses	-	72
Total other property costs	877	488
Administrative costs		
Payroll and personnel expenses	19 130	2 952
Depreciation	1 538	496
Other operating expenses	3 381	518
Total administrative costs	24 049	3 966

NOTE 11 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2018	2017
Wages and salaries	15 800	2 340
Social security costs	2 309	299
Pension costs defined contribution plan	993	163
Total	19 102	2 802
Number of full-time equivalents	18,0	1,7
Number of employees at 31.12	18,0	2,0

The increase in personal costs is mainly due to the fact that R8 Management AS with 14 employees became part of the Group with effect from 1 January 2018.

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 performance-based bonuses, pension and insurance arrangements.

REMUNERATION TO SENIOR EXECUTIVES IN 2018

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Trine Riis Groven, CEO	1 875	188	6	131	2 200
Stian Lande Iversen, CFO	975	300	6	68	1 349

BOARD FEES

	2018	2017
Emil Eriksrød, Chair	200	-
Tommy Thovsland, board member	50	50
Øivind Gundersen, board member	50	50
Knut Bråthen, board member	50	-
George Emil Aubert, board member	50	-
Erik Gudbrandsen, board member (resigned board member during the year)	50	50
Runar Eriksrød, board member (resigned board member during the year)	-	-
Total	450	150

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2018	2017
Interest income	859	240
Other finance income	3	0
Interest income from group companies	441	784
Total interest and other finance income	1 304	1 025
Interest expenses	33 678	25 062
- of which capitalised borrowing costs	-3 603	-1 401
Interest expenses group companies	222	648
Other finance expenses	53	0
Total interest and other finance expense	30 350	24 309

NOTE 13 INTANGIBLE ASSETS AND OTHER PROPERTY PLANT AND EQUIPMENT

All amounts in NOK thousand

	2018			2017	
	Goodwill	Software	Other operating assets	Software	Other operating assets
At 1 January					
Cost	-	241	3 950	147	2 904
Accumulated depreciation	-	-80	-2 285	-49	-1 875
Net book amount	-	161	1 665	98	1 029
Year ended 31 December					
Opening net book amount	-	161	1 665	98	1 029
Additions	7 011	362	5 661	143	1 046
Disposals	-	-	-240	-	-
Depreciation charge	-	-185	-1 354	-80	-410
Closing net book amount	7 011	338	5 733	161	1 665
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 R8 Management AS and Mulighetenes By AS in 2018.

The Group performs annual impairment test of the goodwill at year-end. No impairment indicators were identified in December 2018. There were no impairment charges in 2017 or 2018.

NOTE 14 INVESTMENT PROPERTIES

All amounts in NOK thousand

	2018	2017
VALUE OF INVESTMENT PROPERTIES		
Opening balance at 01.01.	978 550	888 500
Other movements		
Investment in the property portfolio	578 500	-
Projects and upgrades in the property portfolio	133 221	47 979
Capitalised borrowing costs	3 603	1 401
Change in value from investment properties	37 626	40 670
Total value of investment property at 31.12.	1 731 500	978 550

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 8.

For information about valuations and fair value calculations for investment properties, see Note 3 "Critical accounting estimates and subjective judgements".

All property is classified as investment property because the owner-occupied portion is insignificant.

NOTE 15 TRADE RECEIVABLES

All amounts in NOK thousand

	2018	2017
Trade receivables	11 018	2 157
Provisions for bad debts	-500	-
Net trade receivables	10 518	2 157

At 31 December 2018, tNOK 8,838 in trade receivables were overdue. Provisions for a loss of tNOK 500 have been made for overdue trade receivables. The age analysis of these trade receivables is as follows:

TRADE RECEIVABLES		2018	2017
Up to 3 months		7 908	1 402
Over 3 months		930	-
Total overdue		8 838	1 402

NOTE 16 OTHER CURRENT RECEIVABLES

All amounts in NOK thousand

	2018	2017
VAT owed	14 271	715
Accrued not invoiced	9	441
Advance payments and accruals	1 101	368
Current receivables group and associated companies	-	14
Other current receivables	683	32
Total other current receivables	16 065	1 570

NOTE 17 BANK DEPOSITS

All amounts in NOK thousand

	2018	2017
Bank deposits	19 571	1 416
Tied bank deposits	919	148
Total bank deposits	20 490	1 564

Tied bank deposits relate to the withholding tax account.

NOTE 18 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 3,411,125 divided into 1,364,500 shares, with each share having a par value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote. There are no share options or other rights to subscribe for or acquire shares issued by R8 Property. Neither R8 Property nor any of its subsidiaries directly or indirectly owns shares in the Company.

As of 31 December 2018 R8 Property had 28 shareholders. Norwegian investors held 100 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 of 31 December 2018.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Face value (NOK)
At 1 January	1 000 000	2 500	3 500	6 858	2,50
Capital increase 19.04.2018 ¹⁾	364 500	911	113 906	-	2,50
Non-authorised increase in capital 21.12.2018 ²⁾	-	-	-	37 812	2,50
Cost of equity transactions directly in equity	-	-	-	-760	2,50
At 31 December 2018	1 364 500	3 411	117 406	43 909	2,50

Paid-in capital amounts to tNOK 164,726 and consists of tNOK 3,411 in share capital, tNOK 117,406 in share premium and tNOK 43,909 in other paid-in

¹⁾ Equity was increased by a private placement 19.04.18. Partly by a cash deposit of tNOK 37,831 and partly when converting a debt to R8 Group AS on tNOK 76,986.

²⁾ Equity was increased by a private placement 21.12.18 when converting a debt of tNOK 37,812 by issuing 120,038 shares. The transaction will be registered in Brønnøysundsregistrene in 2019.

The Subsidiary Østveien 665-667 AS has decided a merger with Hagakilen AS. The Merger is carried out as a corporate merger (konsernfusjon) in which shareholders in the transfer company receive shares in R8 Property AS. The remuneration of shareholders consists of 34,076 shares in R8 Property AS. The transaction will be accounted for in the 2019 financial statement.

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

The shareholders as registered as of 31 December 2018 were as follows:

	Number of shares per 31.12.2018	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - Chair	1 025 500	75,2	Norway
Ikab AS, represented by Knut Bråthen - board member	50 000	3,7	Norway
Rp Holding AS	33 200	2,4	Norway
Kabbe Holding AS	30 000	2,2	Norway
Heimberg Holding AS	22 500	1,6	Norway
Aubert Invest AS, represented by George Emil Aubert - board member	20 000	1,5	Norway
Holta & Co. AS, represented by George Emil Aubert - board member	20 000	1,5	Norway
Thovsland Holding AS, represented by Tommy Thovsland - board member	20 000	1,5	Norway
Freezing Point Invest AS	18 400	1,3	Norway
Spartveit Invest AS	12 500	0,9	Norway
Gambetta AS	11 500	0,8	Norway
Børseth-hansen AS	11 200	0,8	Norway
Audacious Holding AS	10 000	0,7	Norway
Caba Holding AS	10 000	0,7	Norway
Et-invest AS	10 000	0,7	Norway
Hushovd Utvikling AS	10 000	0,7	Norway
Lucky-holding AS	10 000	0,7	Norway
Stensrød Invest AS	10 000	0,7	Norway
Sundvall Invest AS	10 000	0,7	Norway
Paragon Holding AS	3 200	0,2	Norway
Østerlid AS	3 000	0,2	Norway
Fjeld Holding AS	2 800	0,2	Norway
Magne Georg Sigurdson	2 500	0,2	Norway
Marit Sigurdson	2 500	0,2	Norway
Bauta Invest AS	2 000	0,1	Norway
Castra Invest AS	1 700	0,1	Norway
Morten Stølen	1 200	0,1	Norway
Roberto Holding AS	800	0,1	Norway
Total	1 364 500	100	

NOTE 19 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2018			2017		
	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bank loans	953 718	953 718	953 718	568 314	568 314	568 314
Total non-current interest-bearing liabilities	953 718	953 718	953 718	568 314	568 314	568 314

CURRENT INTEREST-BEARING LIABILITIES

	2018			2017		
	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bank loans	170 044	170 044	170 044	50 250	50 250	50 250
Total current interest-bearing liabilities	170 044	170 044	170 044	50 250	50 250	50 250

The average risk premium on the Group's loans at 31 December 2018 was 2.51 per cent.

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, Nordre Fokserød 14 AS, Porsgrunn Næringspark AS, AS Rådhusgt 2, Mulighetenes By AS, Henrik Ibsensgate 6 AS and Kammerherreløkka AS are financed in own balance sheets. The construction loan in Kammerherreløkka AS is provided under the assumption of conversion to long-term upon completion, and is therefore classified as long-term.

NOTE 20 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2018	2017
Tax payable	-	-
Change in deferred tax on profit and loss	9 732	12 106
Change in deferred tax on comprehensive income	-	-
Income tax expense	9 732	12 106

TEMPORARY DIFFERENCES

	2018	2017
Fixed assets	447 484	282 567
Profit and loss account	2 581	3 227
Other differences	-2 296	-1 796
Interest rate swap	-11 394	-17 988
Net temporary differences	436 375	266 010
Tax losses carried forward	-114 608	-42 836
Basis for deferred tax	321 768	223 173
Deferred tax	70 789	51 330
Deferred tax in the balance sheet	70 789	51 330

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2018	2017
Profit before tax	70 465	60 048
Cost of equity transactions directly in equity	-975	-
Other permanent differences	-13 968	217
Changes in temporary differences	-88 286	-61 116
Changes in loss carry-forwards	32 763	851
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:

	2018	%	2017	%
Profit for accounting purposes multiplied by nominal tax rate	16 207	23,0	14 412	24,0
Tax on permanent differences	-3 213	-4,6	52	0,1
Effect of change in tax rate from 23 (24) per cent to 22 (23) per cent	-3 263	-4,6	-2 358	-3,9
Tax expense for accounting purposes	9 732	13,8	12 106	20,2

From the income year 2018 the tax rate on normal income is reduced to 23 per cent. Deferred tax as of 31 December 2018 was measured using the new rate. The effect on tax for the period is tNOK - 3,263.

MOVEMENTS IN DEFERRED TAX

	2018	2017
Opening balance at 01.01.	51 330	39 224
Tax expense recognized through income statement	9 732	12 106
Acquisition of subsidiaries	9 727	-
Net deferred tax at 31.12.	70 789	51 330

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:

	2018	2017
Deferred tax liability	71 647	52 651
Deferred tax assets	-859	-1 322
Net deferred tax	70 789	51 330

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

The Group has applied the main rule for recognition of deferred tax in connection with the purchase of shares in property companies that are not acquired through a business combination. This means that deferred tax is recognised as the difference between the tax value and consolidated accounting value of investment properties. Deferred tax linked to the retrospective accumulated change in the value of investment properties at 31 December 2018 is tNOK 58,974.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS

	2018	2017
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-859	-1 322
Deferred tax assets to be recovered within 12 months	-	-
	-859	-1 322
Deferred tax liabilities		
Deferred tax liability reversion after more than 12 months	72 297	52 503
Deferred tax liability reversion within 12 months	119	148
	72 416	52 651
Deferred tax liabilities (net)	71 558	51 330

NOTE 21 TRADE PAYABLES AND OTHER PAYABLES

All amounts in NOK thousand

	2018	2017
Trade payables	32 971	3 842
Trade payables group	274	-
Holiday pay owed	1 603	196
Unpaid government taxes and duties	3 047	2 818
Seller credit and withheld purchase price	-	-
Interest accrued	5 313	4 438
Other liabilities	22 647	8 663
Total trade payables and other liabilities	65 854	19 957

NOTE 22 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2018.

SUBSIDIARY OF R8 PROPERTY AS

	Business office	Equity interest %	Result 31.12.2018	Equity 31.12.2018
R8 Management AS	Porsgrunn	100	66	1 444
AS Rådhusgt 2	Porsgrunn	100	-352	1 050
Østveien 665-667 AS	Porsgrunn	100	-	30
R8 Office AS	Porsgrunn	100	9 581	139 342
R8 Retail AS	Porsgrunn	95	-4	43 421
R8 Hotels AS	Porsgrunn	100	93	14 787

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

R8 Office AS	R8 Retail AS	R8 Hotels AS
Grønlikroken 5 AS	Mulighetenes By AS	Kammerherreløkka AS
Torggata 8 Skien AS	Laugstol Eiendom AS	
Versvikveien 6B AS	Henrik Ibsensgate 6 AS	
Storgata 106 AS		
Hesselberggaten 4 AS		
Porsgrunn Næringspark AS		
Nordre Fokserød 14 AS		
Vinkelbygget AS		
HE-Kjelleveien AS		

NOTE 23 RELATED PARTIES

All amounts in NOK thousand

The ultimate parent of the Group is R8 Group AS. The Group's ultimate controlling party is Mr. Emil Eriksrød.

The Group acquired 73% of the shares in Mulighetenes By AS and 50% of the shares in Kammerherreløkka AS from R8 Group AS 19.04.2018 at a cost of tNOK 48,700 and tNOK 10,350. The Group acquired 100% of the shares in R8 Management AS from R8 Consulting Group AS 01.01.2018 at a cost of tNOK 2,750. The transactions have been based on market values.

The Group's transactions and balances with other group companies in 2018 mainly related to rental income, property management, loans, accounting, interest payments on loans and dividend. The aggregate figures are shown in the table below.

	2018	2017
Income statement		
Rental income	319	764
Other operating revenue	3 867	-
Operating costs	5 207	8 096
Balance sheet		
Receivables	-	14
Loans	8 921	13 445
Debt	-	16 318
Payables	274	1 022

NOTE 24 AUDITOR'S FEE

All amounts in NOK thousand

	2018	2017
Statutory audit	407	232
Other assurance services	223	262
Total auditor's fee (excl. VAT)	630	494

NOTE 25 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 not issued options or other financial instruments which have a dilutive effect on outstanding shares.

	2018	2017
Total comprehensive income for the year attributable to equity holders of the Company (NOK thousand)	58 424	47 942
Average number of outstanding shares (Note 18)	1 273 375	1 000 000
Basic earnings per share (NOK)	45,88	47,94
¹⁾ Basic earnings per share (NOK) - Non-authorized increase in capital 21.12.2018	41,66	-
²⁾ Basic earnings per share (NOK) - Merger Hagakilen in 2019	40,40	-

¹⁾ Equity was increased by a privat placement 21.12.18 when converting a debt of tNOK 37,812 by issuing 120,038 shares. The transaction will be registered in Brønnøysundsregistrene in 2019.

²⁾ The Subsidiary Østveien 665-667 AS has decided a merger with Hagakilen AS. The Merger is carried out as a corporate merger (konsernfusjon) in which shareholders in the transfer company receive shares in R8 Property AS. The remuneration of shareholders consists of 34,076 shares in R8 Property AS. The transaction will be accounted for in the 2019 financial statement.

NOTE 26 INVESTMENT IN JOINTLY CONTROLLED ENTITIES AND SHARES

All amounts in NOK thousand

JOINT VENTURES

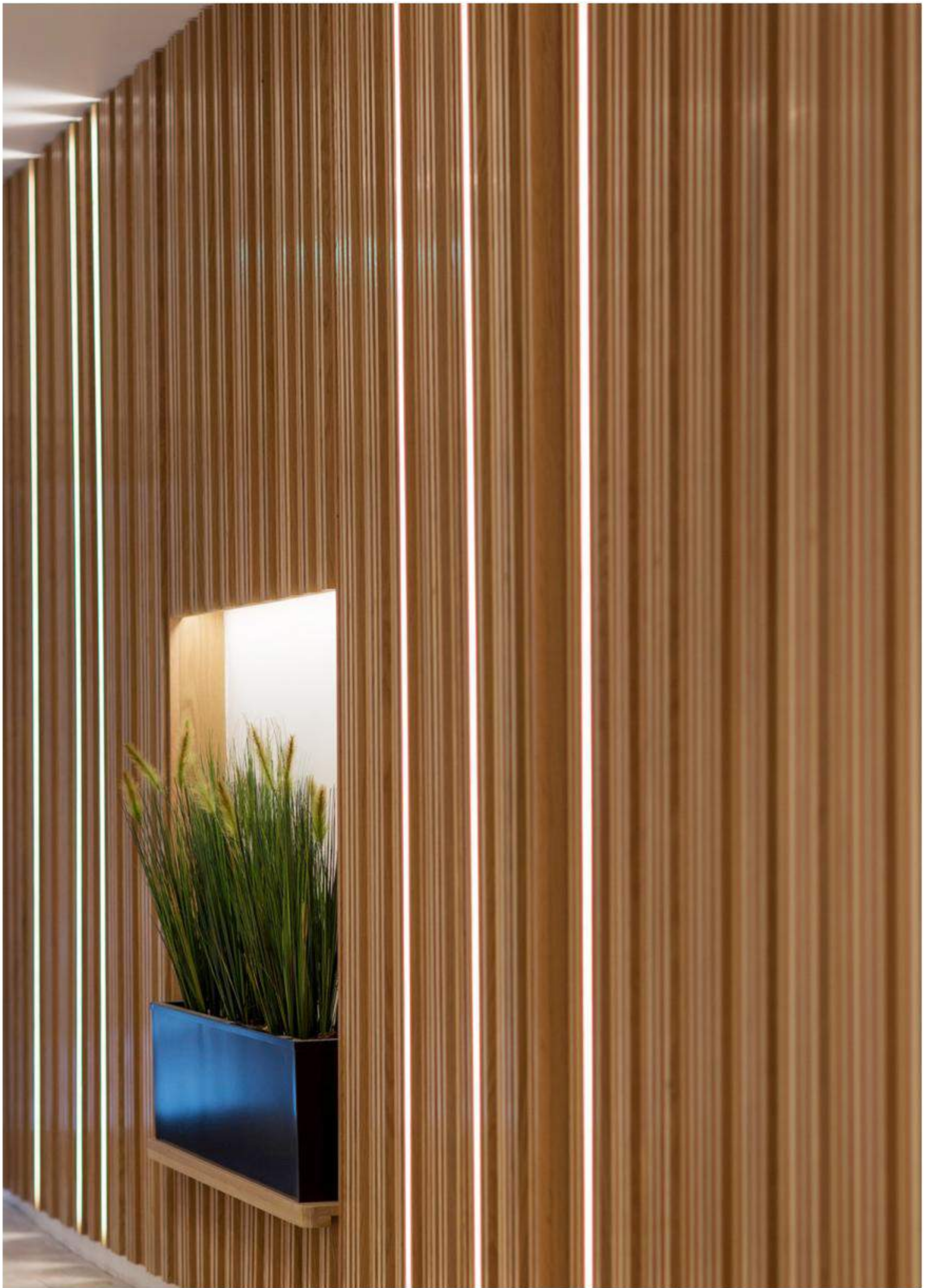
	Business office	Ownership/ voting right	Equity 31.12 (100%)	Result 2018 (50 %)	Balance sheet value
Kammerherreløkka AS	Porsgrunn	50 %		14 364	
Balance sheet value 31.12.2018					

Kammerherreløkka AS was considered as a joint venture from the date of acquisition as of March 2018 to December 2018, and the equity method was used accordingly. As of 19 December 2018, the board of directors in the company changed and control is transferred to the Group. Hence the investment became a subsidiary and was consolidated in the Group from 19 December 2018. The Group's gain from this change is recognized to profit and loss. The share of profit of joint venture for 2018 contains of 12,045 tNOK in change in value from the investment properties and 2,319 tNOK in gain of the carry amount of the investment at the date of equity method was discontinued

NOTE 27 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL

The Subsidiary Østveien 665-667 AS has decided a merger with Hagakilen AS. The Merger is carried out as a corporate merger (konsernfusjon) in which shareholders in the transfer company receive shares in R8 Property AS. The remuneration of shareholders consists of 34,076 shares in R8 Property AS. The transaction will be accounted for in the 2019 financial statement.

There were no other material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.



FINANCIAL STATEMENTS

R8 PROPERTY AS

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Statement of income

1 January to 31 December

All amounts in NOK thousand

	Note	2018	2017
Revenue		7 884	-
Total operating income		7 884	-
Payroll expenses	2	6 447	-
Other operating expenses	2	5 189	-
Total operating costs		11 636	-
Operating profit		-3 752	-
Income from subsidiaries	5	591	
Other financial income	8	1 127	7 000
Other financial expenses	8	280	-
Net financial items		1 439	7 000
Profit before tax		-2 313	7 000
Income tax expense/ -income	3	-483	-1
Profit for year		-1 830	7 001
Allocated as follows			
Dividend		-	-
Transferred to other equity	7	-1 830	7 001
Total allocated		-1 830	7 001

Balance sheet

Assets

All amounts in NOK thousand

	Note	2018	2017
NON-CURRENT ASSETS			
Deferred tax asset		699	1
Intangible assets	4	62	-
Total intangible assets		761	1
Investments in subsidiaries	9	190 266	55 704
Loans to group companies	5	42 459	-
Total financial assets		232 724	55 704
TOTAL NON-CURRENT ASSETS		233 485	55 706
CURRENT ASSETS			
Trade receivables		507	-
Other receivables		709	7 000
Total current receivables		1 216	7 000
Cash and bank deposits	6	4 658	-
TOTAL CURRENT ASSETS		5 874	7 000
TOTAL ASSETS		239 359	62 706

Balance sheet Equity and liabilities

All amounts in NOK thousand

	Note	2018	2017
EQUITY			
Paid-in equity	7	3 411	2 500
Share premium	7	113 906	-
Other paid-in equity	7	90 226	53 174
Total paid-in equity		207 544	55 674
Retained earnings	7	5 171	7 001
Total retained earnings		5 171	7 001
TOTAL EQUITY		212 715	62 676
LIABILITIES			
Deferred tax liability		-	-
Liabilities to group companies	5	9 116	-
Total non-current liabilities		9 116	-
Trade creditors		376	-
Public duties payable		531	-
Other short-term liabilities		16 622	30
Total current liabilities		17 528	30
TOTAL LIABILITIES		26 644	30
TOTAL EQUITY AND LIABILITIES		239 359	62 706

Porsgrunn, 26 March 2019
Board of Directors for R8 Property AS



Emil Eriksrød
Chair of the Board / CEO



Tommy Thovsland
Board member



Øivind Gundersen
Board member



George Emil Aubert
Board member



Knut Bråthen
Board member

Statement of cash flows

1 January to 31 December

All amounts in NOK thousand

	Note	2018	2017
Profit before tax		-2 313	7 000
Interest and fees paid on loans from financial institutions		63	-
Group contribution		-591	-
Change in trade creditors and trade debtors		1 280	-
Change in other provisions		805	-
Net cash flow from operating activities		-756	7 000
Net payment of loans to associates and jointly controlled entities		24 100	-
Net cash flow from investment activities		24 100	-
Net change in liabilities from group companies		-77 588	-7 000
Proceeds from equity		59 877	-
Cost of equity transactions		-975	-
Net cash flow from financing activities		-18 686	-7 000
Change in cash and cash equivalents		4 658	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		4 658	-



SUMMARY OF NOTES

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NOTE 1 ACCOUNTING POLICIES

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

Use of estimates

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

Investment in subsidiaries, associates and joint ventures

Subsidiaries are all entities over 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.

SUBSIDIARY OF R8 PROPERTY AS

Company	Ownership %
R8 Management AS	100
AS Rådhusgt 2	100
Østveien 665-667 AS	100
R8 Office AS	100
R8 Hotels AS	100
R8 Retail AS	95

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

R8 Office AS

R8 Office AS
Grønlikroken 5 AS
Torggata 8 Skien AS
Versvikveien 6B AS
Storgata 106 AS
Hesselberggaten 4 AS
Porsgrunn Næringspark AS
Nordre Fokserød 14 AS
Vinkelbygget AS
HE-Kjelleveien AS

R8 Retail AS

Mulighetenes By AS
Laugstol Eiendom AS
Henrik Ibsensgate 6AS

R8 Hotels AS

Kammerherreløkka AS

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 instalment 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 carryforward 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 carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

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

Cash and cash equivalents

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

Cash flow statement

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

NOTE 2 PERSONNEL COSTS AND OTHER REMUNERATION

All amounts in NOK thousand

	2018	2017
Wages and salaries	5 328	-
Social security costs	788	-
Pension costs defined contribution plan	252	-
Other remuneration	79	-
Total	6 447	-
Number of full-time equivalents	3,0	-
Number of employees at 31.12	3,0	-

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 performance-based bonuses, pension and insurance arrangements.

SENIOR EXECUTIVE AS AT 31.12.2018

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Trine Riis Groven, CEO	1 875	188	6	131	2 200
Stian Lande Iversen, CFO	975	300	6	68	1 349

BOARD FEES

	2018	2017
Emil Eriksrød, Chair	200	-
Tommy Thovsland, board member	50	50
Øivind Gundersen, board member	50	50
Knut Bråthen, board member	50	-
George Emil Aubert, board member	50	-
Erik Gudbrandsen, board member (resigned board member during the year)	50	50
Runar Eriksrød, board member (resigned board member during the year)	-	-
Total	450	150

AUDITOR'S FEE

	2018	2017
Statutory audit	183	-
Other assurance services	153	-
Total auditor's fee (excl. VAT)	336	-

NOTE 3 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2018	2017
Tax payable	-	-
Change in deferred tax on profit and loss	-483	-1
Change in deferred tax on comprehensive income	-	-
Income tax expense	-483	-1

TEMPORARY DIFFERENCES

	2018	2017
Net temporary differences	-	-
Tax losses carried forward	-3 196	-6
Basis for deferred tax	-3 196	-6
Defferd tax	-699	-1
Deffered tax in the balance sheet	-699	-1

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2018	2017
Profit before tax	-2 313	7 000
Other permanent differences	-975	
Changes in loss carry-forwards	116	-7 000
Profit for tax purposes	-3 190	-6
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:

	2018	%	2017	%
Profit for accounting purposes multiplied by nominal tax rate	-532	23	1 679	24
Tax on permanent differences	27	-1	-1 680	-24
Effect of change in tax rate from 23 per cent to 22 per cent	22	-1	-	-
Tax expense for accounting purposes	-483	21	-1	-

From the income year 2018 the tax rate on normal income is reduced from 23 per cent to 22 per cent-

NOTE 4 INTANGIBLE ASSETS

All amounts in NOK thousand

	2018
	Software
At 1 January	
Cost	-
Accumulated depreciation	-
Net book amount	-
Year ended 31 December	
Opening net book amount	-
Additions	62
Disposals	-
Transfer from investment property	-
Depreciation charge	-
Closing net book amount	62
Economic life	5 year
Depreciation plan	Linear

NOTE 5 BALANCE WITH GROUP COMPANIES

All amounts in NOK thousand

LOANS TO GROUP COMPANIES

	2018	2017
R8 Retail AS	33 254	-
R8 Office AS	7 747	-
R8 Hotels AS	30	-
R8 Management AS	1 428	-
Total	42 459	-

R8 Property AS has received tNOK 591 in group contribution in 2018.

LIABILITIES TO GROUP COMPANIES

	2018	2017
AS Rådhusgt 2	9 116	-
Total	9 116	-

NOTE 6 BANK DEPOSITS

All amounts in NOK thousand

	2018	2017
Bank deposits	4 279	-
Tied bank deposits	379	-
Total bank deposits	4 658	-

NOTE 7 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 3,411,125 divided into 1,364,500 shares, with each share having a par value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote. There are no share options or other rights to subscribe for or acquire shares issued by R8 Property. Neither R8 Property nor any of its subsidiaries directly or indirectly owns shares in the Company.

As of 31 December 2018 R8 Property had 28 shareholders. Norwegian investors held 100 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 at 31 December 2018.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Retained earnings	Total
At 1 January	1 000 000	2 500	-	53 174	7 001	62 675
Capital increase 19.04.2018 ¹⁾	364 500	911	113 906	-	-	114 817
Non-authorized increase in capital 21.12.2018 ²⁾	-	-	-	37 812	-	37 812
Cost of equity transactions directly in equity	-	-	-	-760	-	-760
Profit for the year	-	-	-	-	-1 830	-1 830
At 31 December 2018	1 364 500	3 411	113 906	90 226	5 171	212 714

Paid-in capital amounts to tNOK 207,543 and consists of tNOK 3,411 in share capital, tNOK 113,906 in share premium and tNOK 90,226 in other paid-in capital. Retained earnings 31 December amounts to tNOK 5,171.

1) Equity was increased by a private placement 19.04.18. Partly by a cash deposit of tNOK 37,831 and partly when converting a debt to R8 Group AS on tNOK 76,986.

2) Equity was increased by a private placement 21.12.18 when converting a debt of tNOK 37,812 by issuing 120,038 shares. The transaction will be registered in Brønnøysundsregistrene in 2019.

The Subsidiary Østveien 665-667 AS has decided a merger with Hagakilen AS. The Merger is carried out as a corporate merger (konsernfusjon) in which shareholders in the transfer company receive shares in R8 Property AS. The remuneration of shareholders consists of 34,076 shares in R8 Property AS. The transaction will be accounted for in the 2019 financial statement.

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

The shareholders as registered as of 31 December 2018 were as follows:

	Number of shares per 31.12.2018	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - Chair	1 025 500	75,2	Norway
Ikab AS, represented by Knut Bråthen - board member	50 000	3,7	Norway
Rp Holding AS	33 200	2,4	Norway
Kabbe Holding AS	30 000	2,2	Norway
Heimberg Holding AS, represented by Runar Eriksrød - board member	22 500	1,6	Norway
Aubert Invest AS	20 000	1,5	Norway
Holta & Co. AS	20 000	1,5	Norway
Thovsland Holding AS, represented by Tommy Thovsland - board member	20 000	1,5	Norway
Freezing Point Invest AS	18 400	1,3	Norway
Spartveit Invest AS	12 500	0,9	Norway
Gambetta AS, represented by Erik Gudbrandsen - board member	11 500	0,8	Norway
Børseth-hansen AS	11 200	0,8	Norway
Audacious Holding AS	10 000	0,7	Norway
Caba Holding AS	10 000	0,7	Norway
Et-invest AS	10 000	0,7	Norway
Hushovd Utvikling AS	10 000	0,7	Norway
Lucky-holding AS	10 000	0,7	Norway
Stensrød Invest AS	10 000	0,7	Norway
Sundvall Invest AS	10 000	0,7	Norway
Paragon Holding AS	3 200	0,2	Norway
Østerlid AS	3 000	0,2	Norway
Fjeld Holding AS	2 800	0,2	Norway
Magne Georg Sigurdson	2 500	0,2	Norway
Marit Sigurdson	2 500	0,2	Norway
Bauta Invest AS	2 000	0,1	Norway
Castra Invest AS	1 700	0,1	Norway
Morten Stølen	1 200	0,1	Norway
Roberto Holding AS	800	0,1	Norway
Total	1 364 500	100	

NOTE 8 SPESIFICATION OF FINANCIAL INCOME AND EXPENSES

All amounts in NOK thousand

FINANCIAL INCOME

	2018	2017
Interest income from group companies	1 090	-
Other rental income	37	-
Total financial income	1 127	-

FINANCIAL EXPENSES

	2018	2017
Interest expenses to group companies	171	-
Other rental expenses	109	-
Total financial expenses	280	-

NOTE 9 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2018.

SUBSIDIARY OF R8 PROPERTY AS

	Business office	Equity interest %	Result 31.12.2018	Equity 31.12.2018	Balance sheet value
R8 Management AS	Porsgrunn	100	66	1 444	2 750
AS Rådhusgt 2	Porsgrunn	100	-352	1 050	15 736
Østveien 665-667 AS	Porsgrunn	100	-	30	30
R8 Office AS	Porsgrunn	100	9 581	139 342	115 704
R8 Retail AS	Porsgrunn	95	-4	43 421	41 259
R8 Hotels AS	Porsgrunn	100	93	14 787	14 787
Total			9 384	200 073	190 266

NOTE 10 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

The Subsidiary Østveien 665-667 AS has decided a merger with Hagakilen AS. The Merger is carried out as a corporate merger (konsernfusjon) in which shareholders in the transfer company receive shares in R8 Property AS. The remuneration of shareholders consists of 34,076 shares in R8 Property AS. The transaction will be accounted for in the 2019 financial statement.

There were no other material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of R8 Property AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of R8 Property AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements 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 comprise the balance sheet as at 31 December 2018, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- ▶ the financial statements have been prepared in accordance with laws and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Porsgrunn, 29 March 2019
ERNST & YOUNG AS



Bård Erik Pedersen
State Authorised Public Accountant (Norway)

EPRA REPORTING

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

EPRA Reporting - summary	Unit	2018 / 31.12.2018	2017 / 31.12.2017
EPRA Earnings per share (EPS)	NOK	8,3	13,5
EPRA NAV per share	NOK	377,4	324,1
EPRA NNAV per share	NOK	346,7	287,7

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

EPRA EARNINGS

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

All amounts in NOK thousand

	2018	2017
Profit for period/year	60 733	47 942
Add:		
Changes in value of investment properties	-37 626	-40 670
Tax on changes in value of investment properties ¹⁾	8 654	9 761
Changes in value of financial instruments	-6 593	-1 573
Tax on changes in value of financial instruments ¹⁾	1 516	378
Share of profit jointly controlled entities - fair value adjustments	-17 533	-
Reversal of deferred tax EPRA adjustments jointly controlled entities ¹⁾	3 169	-
Net income non-controlling interest of subsidiaries	2 868	-
Reversal of tax non-controlling interests of subsidiaries ¹⁾	-660	-
Change in tax rate ¹⁾	-3 263	-2 358
EPRA Earnings	11 266	13 480

¹⁾ 23 per cent from 2018 and 24 per cent for 2017.

EPRA NAV AND EPRA NNAV - NET ASSET VALUE

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

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

All amounts in NOK thousand

	2018	2017
NAV - book value of equity	494 493	274 409
Less: Non-controlling interest	-47 358	-
Deferred property tax	58 974	36 023
Fair value of financial derivative instruments	8 888	13 671
EPRA NAV	514 996	324 103
Market value on property portfolio	1 731 500	978 550
Tax value on property portfolio	1 069 560	524 133
Basis for calculation of tax on gain on sale	661 940	454 417
Less: Market value of tax on gain on sale (5 per cent tax rate)	33 097	22 721
Net market value on financial derivatives	11 394	17 988
Tax expense on realised financial derivatives ¹⁾	-2 507	-4 317
Less: Net result from realisation of financial derivatives	8 888	13 671
Book value of interest bearing debt	1 123 762	618 564
Nominal value of interest bearing debt	1 123 762	618 564
Basis for calculation of tax on realisation of interest bearing debt	-	-
Less: Market value of tax on realisation	-	-
EPRA NNAV	473 012	287 711

¹⁾ 22 per cent from 2018 and 23 per cent for 2017.

DEFINITIONS

12 months rolling rent	The contractual rent of the management properties of the Group for the next 12 months as of a certain date, adjusted for signed new contracts and contracts expiring during such period.
Cash earnings	Result from property management less 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 NAV	Net asset value adjusted to include market value of all properties in the portfolio and interest-bearing debt, and to exclude certain items not expected to crystallise in a long-term investment property business model such as e.g. financial derivatives and deferred tax on the market value of investment properties. The objective with EPRA NAV is to demonstrate the fair value of net assets given a long-term investment horizon.
EPRA NNAV	EPRA NNAV is EPRA NAV adjusted to reflect the fair value of debt and derivatives and in order to include deferred tax on value changes. The objective with EPRA NNAV is to report the fair value of net assets in the Group on the basis that these are immediately realised.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities 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.

*"It always seems
impossible until
it's done"*

Nelson Mandela