

2012

2016 ANNUAL REPORT
R8 PROPERTY

2015

2013

2014



CONTENTS

6	THIS IS R8
8	KPI
10	COMPANY STRUCTURE
12	HIGHLIGHTS
14	LETTER FROM CHAIR
16	MANAGEMENT
18	THE BUSINESS
24	CORPORATE SOCIAL RESPONSIBILITY
30	CORPORATE GOVERNANCE
36	BOARD OF DIRECTORS
46	REPORT OF THE BOARD OF DIRECTORS 2016
54	CONSOLIDATED FINANCIAL STATEMENT
84	AUDITORS REPORT
86	DEFINITIONS



In the city of Porsgrunn the property developer R8 Property and the Powerhouse collaboration has initiated a project using the Powerhouse concept: Powerhouse Telemark. R8 is now working for the realization of this project.

THIS IS R8

The company's strategy is to acquire, develop, and own properties in central and attractive locations. R8 Property is dedicated to the development of modern and future-oriented commercial property that will give a positive contribution back to society. There is a green focus throughout the supply chain, and key focus areas for R8 Property are with developing energy-plus buildings in cooperation with the Powerhouse alliance.

Since the company was established in 2010, R8 has built a solid property portfolio in Vestfold and Telemark. Headquarters are located in Porsgrunn municipality. Annual rental value for its properties had increased from 54 million to 58 million by the end of 2016. As of 31 December 2016, R8 Property had a property portfolio of 11 properties totaling 50.875 square meters. The market value is estimated at 888.5 million Norwegian kroner.

R8 Property is included in the R8 group which consists of a number of associates that are strategically crucial for the development of the Group. Since 2014, real estate investment has been professionalized through a strong growth of employees with high skills and sincere commitment. R8 Property won, for the second consecutive year, the award for the country's most satisfied tenants.

Key figures

	2016	2015 ¹⁾
OPERATIONAL		
Market value of real estate portfolio (tNOK)	888 500	778 853
Total area (gross sqm)	50 875	59 253
Occupancy rate of management portfolio (%)	94.2	95.4
WAULT (years)	4.9	5.2
FINANCIAL		
Rental income (tNOK)	52 130	46 564
Profit before value adjustments and tax (tNOK)	22 826	N/A
Profit after tax (tNOK)	58 759	N/A
EPRA Earnings (tNOK)	5 675	N/A
Net cash flow from investment activities (tNOK)	-69 294	N/A
Net nominal interest-bearing debt (tNOK)	606 611	557 306
Debt ratio (LTV) (%)	68.3	71.6
Interest coverage ratio (ICR) (%)	1.6	N/A
Equity ratio (%)	25.2	21.6
NUMBERS PER SHARE		
Earnings (NOK)	58.8	N/A
EPRA Earnings (NOK)	5.7	N/A
Cash earnings (NOK)	18.3	N/A
Net asset value - EPRA NAV (NOK)	281.9	88 618.8
EPRA NNNAV (NOK)	236.2	72 283.8
Number of shares (thousand)	1 000	2.5

¹⁾ Compareables for 2015 is based on values from transition IFRS balance as of 01.01.2016 and (unaudited) values from Portfolio Report as of 31.12.2015. The compareables from the income statement in 2015 are not prepared.



MARKET VALUE
2016:
888.5 mNOK

RESULT
2016:
71.3 mNOK

IFRS

2016

2016

NGAAP

2015

2015

2014

2014

2013

2013

2012

2012

2011

2011

2010

2010

4.9 years

Weighted average unexpired lease term

58.0 mNOK

Gross rate per year (run rate)

94.2 %

Occupancy rate

50 875 sqm

Total area in portfolio

COMPANY STRUCTURE

GRØNLIKROKEN
5 AS

TORGGATA 8
SKIEN AS

VERSVIKVEIEN
6B AS

STORGATA 106
AS

NORDRE
FOKSERØD
14 AS

VINKEL-
BYGGET AS

HELSELBERG-
GATEN
4 AS

HE-
KJELLEVEIEN
AS

PORSGRUNN
NÆRINGS-
PARK AS



HIGHLIGHTS



In April, R8 Property welcomes Stian Lande Iversen as their new CFO. Stian has his strengths in consolidation, financial instruments, financial statement analysis, real estate, and international consolidated accounting (GAAP and IFRS).

June is the month where R8 Property becomes a certified Eco-Lighthouse business. Eco-Lighthouse is Norway's most widely used certification scheme for enterprises seeking to document their environmental efforts and demonstrate social responsibility.

In June, R8 Property also sold the property Bedriftsveien 52-58 AS. This divestment was also sold to R8 Investment as part of the same strategy for fully owned properties in the R8 management portfolio.



In October, R8 Property is happy to welcome Bjørnar Haukstad as new project manager. Bjørnar has a Master of Science from NTNU in Trondheim and broad experience from large real estate projects. Last employment was with Kruse Smith Entrepreneur AS.

In November, the first block on Nordre Fokserød 14 is finalized and KPMG as the largest tenant moves in. Great emphasis has been placed on environmentally friendly and energy efficient solutions.

BY the end of the year, Trine Riis Groven is announced as new CEO in R8 Property with start-up in April 2017. Former CEO, Emil Eriksrød, continues as CEO for R8 Group meanwhile former development director of R8 Property, Tommy Thovsland, becomes Eriksrød's second in command on Group level.

2016

Q1

In January, R8 Property started the complete refurbishment on Torggata 8 (Centrumgården). The property covers 2.850 sqm. under roof and is expected to be completed in August 2016.

Development director, Tommy Thovsland, speaks at the Enova's environmental conference; The Green Gold, which take place in January. The development director speaks about R8 Property's strategic environmental commitment.

At the same time a new environmental friendly project begins in Sandefjord. Nordre Fokserød 14 is designed to full fill the requirements of energy class A. It is also expected to gain a BREEAM certification.

In January, R8 Property also sold Kammerherreløkka AS to R8 Investment. The divestment where in accordance with R8 Property's strategy to focus the portfolio merely on fully owned properties.

In February, on behalf of R8 Property, CEO Emil Eriksrød receives the prestigious award; customer satisfaction survey conducted by Norsk Leietakerindeks (NLI). R8 Property achieved a record-breaking score of 88 and became the company with the most satisfied tenants in Norway.

Q2



Q3

In August, Torggata 8, also called Centrumgården, finalizes its complete renovation. This is a new building in an old body. The property is around 3000 sqm. and is let to the biggest media house in Telemark (TA).

R8 Property welcomes 3 new shareholders in September. There is only one class of shares in R8 Property and thus all shares have equal rights. There are no voting rights restrictions in the statutes.

Q4





CHAIRMAN STATEMENT

POSITIONING FOR A NEW FUTURE

The year 2016 has been a year of very solid results. The financial results have never been better. We have had yet another year of Norway's most satisfied tenants, and our ambitions for a world class green building is becoming reality. We have significantly intensified our procedures for reporting through the adoption of IFRS (International Financial Reporting Standards), and our financial records are published in English in order to meet an increasingly international real estate industry.

Sustainable growth

Throughout the year, R8 Property experienced solid growth in the number of square meters, rental income, and market value of the portfolio. The growth has occurred through the signing of new leases, renewals of leases, as well as positive development on several key properties in the portfolio. During the year we've worked to enhance the organization with more talented employees and innovative systems that allow the administration to have good oversight as the company continues to grow. This has been a significant focus in 2016, and efforts to professionalize the reporting, monitoring, and management of the portfolio will continue in 2017.

Feasibility

Since R8 Property was founded in 2010, we have been known for implementing the objectives we set ourselves. This has also been the case in 2016. We have transformed a dilapidated central property in Skien center into an inspiration to the entire city. The building has been completely renovated and leased in record time. The building had been empty for over 10 years, and within the course of the year, the entire building was leased and is now recognized as a modern commercial office building in Skien.

We have also completed an important project at a hub in Sandefjord, Nordre Fokserød 14. KPMG has collocated its branches in Vestfold and is the primary tenant in the building. The project has received support from Enova in connection with innovative solutions for energy savings. The building was constructed in energy class A. Our strategy of developing and owning properties near hubs has been spot on, and along with the high environmental focus we have on our properties, we have access to highly reliable tenants.

Related rates

The world is changing and the real estate industry is being affected. People are more on the move, varied tasks and restructuring has become everyday life for many companies.

This means that we as real estate developers also have to adapt our buildings so that they meet future requirements for flexibility.

We at R8 Property love innovation, and we build culture and systems that can cope with rapid changes ahead. We do this by building a corporate culture where we are accessible, energetic, and positive.

Project portfolio

We have been working a lot with several major projects during 2016. Centrumgården in Skien center was completed in August 2016, and Nordre Fokserød 14 was completed in November 2016. In addition, there has been considerable work accomplished in both the Powerhouse Telemark and Kammerherreløkka projects in Porsgrunn. Powerhouse Telemark is our most ambitious environmental project, and through the years there has been considerable work in the rezoning of land to meet the building's height requirements. Concurrently, there have been several rental processes undergone in order to bring this project to fruition. The project has received massive attention due to the ambitious environmental requirements and a special architecture.

Digitization

Large parts of the world are finding that technology and digital tools simplify their lives both professionally and privately. The smart phone and the Internet are two major driving forces of this development, and it allows people around the world to get access to expertise, share information, and automate previously time-consuming tasks. The same thing happens in the real estate sector, and we see that the buildings are getting smarter with each passing year. As we see it, R8 Property will have an important role where we make both technology and software available for better management and better usage of our buildings. We see that we are well positioned to be at the forefront of technological developments in the commercial property industry, and we will continue to emphasize this in the coming years.

Chair / CEO

B.1983



EMIL ERIKS RØD
CEO / FOUNDER

Emil Eriksrød specializes in investment, development, and management of commercial property. Emil has previously worked as Finance and Chief Financial Officer for Hathon Holding. He 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 2016 has a market value of over 1 billion NOK.

THE MANAGEMENT



TOMMY THOVSLAND
DIRECTOR OF DEVELOPMENT /
PARTNER

Tommy is specialized in business development and has worked extensively with companies in restructuring. His unique sense of business strategy and systems development makes Tommy very central to R8 Group's major transactions and portfolio reporting. Tommy has a practical and analytical approach to issues, which also makes him attractive to corporate boards. One of his greatest strengths is the ability to settle quickly into the company's area of operations and its challenges.

B.1983



STIAN LANDE IVERSEN
CFO

Stian Lande Iversen has his strengths in consolidation, financial instruments, financial statement analysis, real estate, and international consolidated accounting (GAAP and IFRS). He has previously worked for PwC, where he built up vast experience from both large, listed companies, and small and medium-sized enterprises. Stian is a market-oriented individual who puts quality first.

B.1984



RONNY SUNDVALL
DIRECTOR PROPERTY MANAGEMENT

Ronny Sundvall is specialized in market appreciation and growth. Ronny started as General manager of R8 Management in January 2016 - when after eight years as director of Herkules Mall. Herkules is one of Telemark's major commercial successes and can point to a revenue growth of 695 million in 2007 to 1.4 billion in 2015.

B.1975



SIMON S. STORDALEN
LEASING MANAGER

Simon Stordalen specializes in marketing planning, organizational psychology, and strategic management. Through his sincere dedication and drive, Simon has the ability to build networks that make him R8 Group's natural choice to further remain our Marketing Developer. Simon has five years experience as a sales manager in Gjensidige Insurance and has gained valuable expertise from both consumer and capital markets.

B.1987



THE BUSINESS

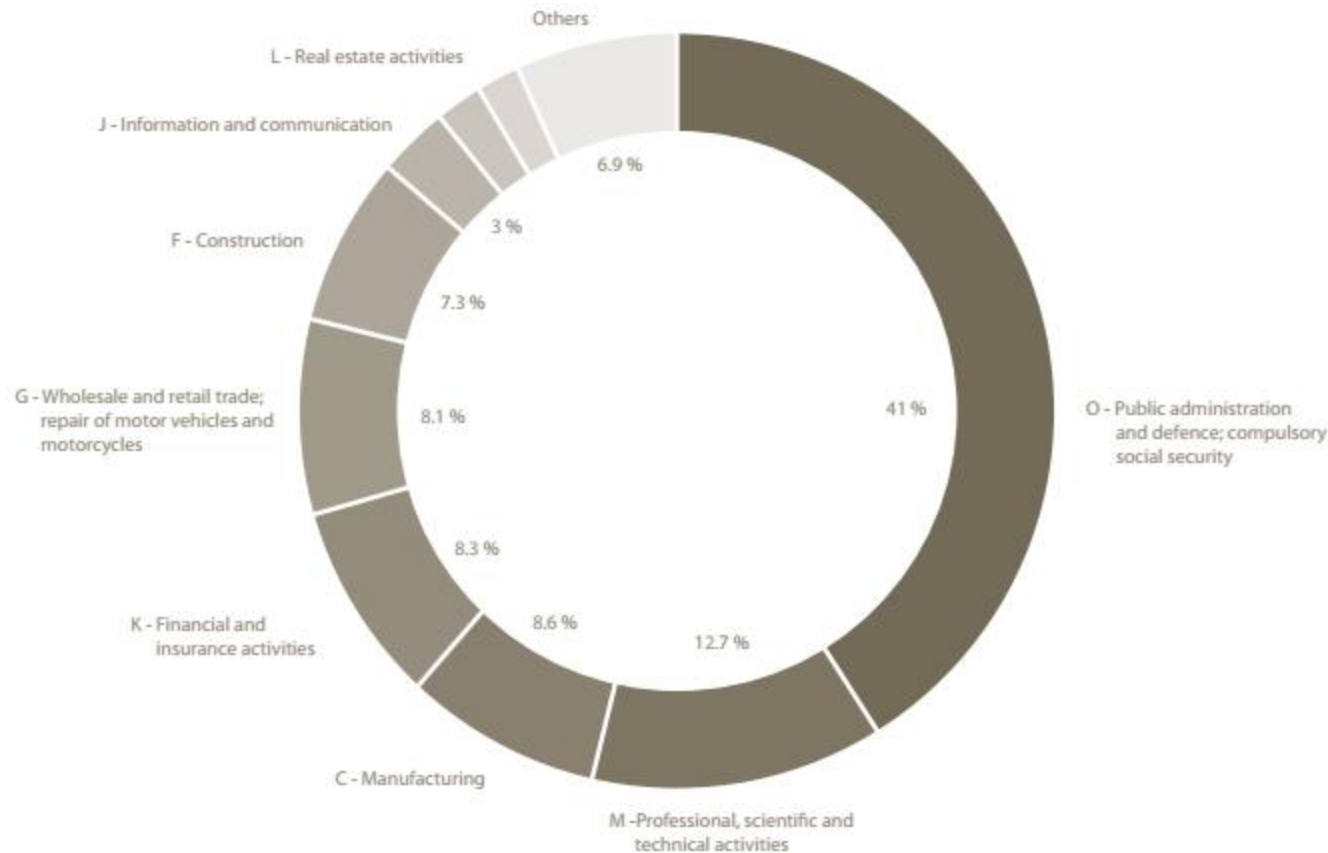
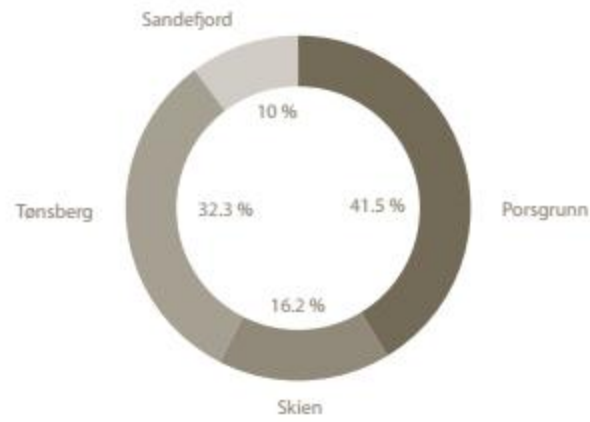
R8 Property is an industry leader when it comes to customer satisfaction. 2016 is the second year with #1 place in the national survey, Norwegian tenant index.

The portfolio is located in Telemark and Vestfold and contains a number of high quality office properties near regional hubs. The properties are in Skien, Porsgrunn, Sandefjord and Tønsberg. As of 31 December 2016, R8 Property had a property portfolio of 11 properties and 2 projects totalling 50 875 sqm.

The portfolio is considered to be risk diversified with 41 % public tenants and 59 % private. Further there is a wide spread in industry composition and geographical exposure of the tenants.

THE PROPERTY PORTFOLIO

Geographic exposure



Management properties

R8 Property's management portfolio consists of 11 buildings with a total area of 42 250 sqm. As of 31.12.16, the management portfolio had a market value of around NOK 863.5 million. The occupancy rate was 94.2 %. The weighted average unexpired terms for the management portfolio were 4.9 years. R8 Property has during 2016 focused the portfolio on the regions of Telemark and Vestfold. The external appraiser firm, Newsec, values R8 Property's properties on a quarterly basis. The market value on the portfolio in R8 Property's balance sheet is based

upon Newsec's valuation of each individual property. Valuation of the management portfolio is performed on a property-by-property basis, using individual DCF models and taking into account the property's current characteristics combined with the external appraiser's estimated return requirements and expectations as to future market development. 12 months rolling rent has increased from mNOK 54.2 to mNOK 58.0.

31.12.2016	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)
Porsgrunn	14 782	97.8	4	4.9	271 500	18 367	19 953	1 350	6.9	19 674	1 331
Skien	8 228	90.8	3	2.0	124 000	15 070	8 337	1 013	6.4	10 061	1 223
Tønsberg	16 446	91.5	3	4.4	408 000	24 808	26 167	1 591	6.0	29 397	1 787
Sandefjord	2 794	96.5	1	8.4	60 000	21 475	3 543	1 268	5.6	3 906	1 398
Total management portfolio	42 250	94.2	11	4.9	863 500	20 438	58 000	1 373	6.2	63 038	1 492
Project portfolio	8 625		2		25 000	2 899					
Total property portfolio	50 875		13	4.9	888 500	23 336					

Project properties

In Porsgrunn R8 Property is building, what is expected to be the first newly built powerhouse in Norway. Powerhouse Telemark is aiming for a BREEAM Excellent or Outstanding classification. During its lifetime a Powerhouse produces more renewable energy than it uses for materials, production, operation, renovation and demolition. The property is estimated 6 322 sqm. It will be the future head office of all the companies in R8 Group, estimated 2 000 sqm. When completed, Powerhouse Telemark will be a 11-floor office building with a roof terrace also open for the

public. It is expected to be finished during the first quarter of 2019.

In Sandefjord, close to the highway and well connected with public communication, the second block at Nordre Fokserød is soon under construction. Nordre Fokserød 14 has high environmental ambitions and aims for energy class A. Enova supports the project with funds to build an innovative ventilation system. The second block at Nordre Fokserød will be a 3-floor office building of 2 303 sqm. The building is expected to be finished during the first quarter of 2018.

Project	Ownership (%)	Location	Expected completion	Project area (sqm)	Estimated total project cost (mNOK)	Of which accrued (mNOK)
Group						
Powerhouse Telemark	100%	Porsgrunn	Feb-19	6 322	173.0	3.2
Nordre Fokserød 14, building two	100%	Sandefjord	Mar-18	2 303	48.8	13.0
Total Group				8 625	222	16.2

Tenant lease overview

R8 Property tenant base comprises primarily private sector tenants with leases up to 10 years.

Public sector tenants upheld 41 % of the portfolio by the end of December 2016. R8 Property's public sector tenants are owned by governmental, county or municipal bodies.

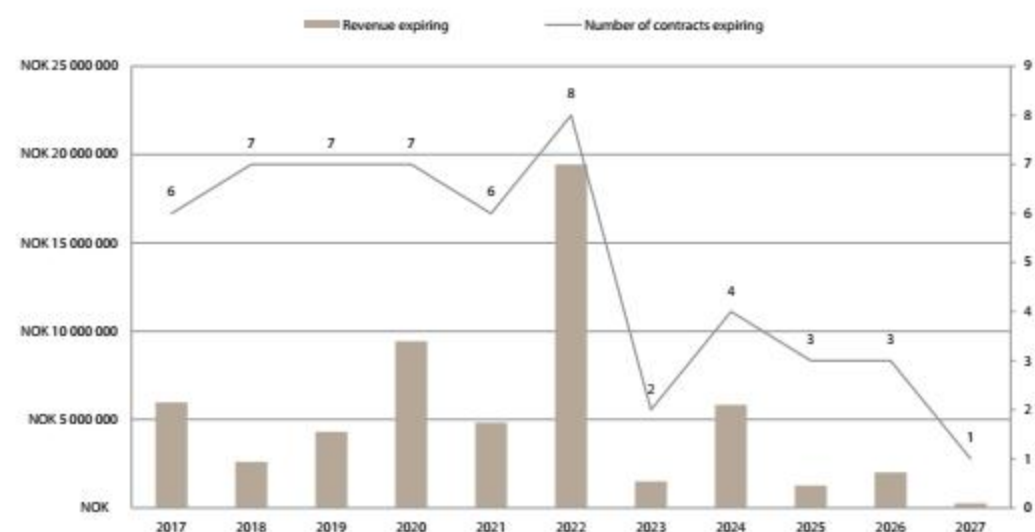
The 12 months rolling rent was NOK 1 373 per sqm, as of 31 December 2016. As of the same date, the management properties had 55 tenants with a weighted average unexpired lease term (WAULT) of 4.9 years.

The 10 largest tenant's share of R8 Property's rental income represents 63.6 % of revenues.

The following table sets out the 10 largest tenants in R8 property's management properties as of 31 December 2016.

Tenant	in % of rent	Sector
Norwegian Health and Economics Administration (Helfo)	24.8 %	Public
Norwegian Correctional Service region south (Kriminalomsorgen region sør)	6.4 %	Public
Emerson AS	5.2 %	Private
Gassnova SF	4.8 %	Public
DNB Bank ASA	4.5 %	Private
Azets Insight AS	4.4 %	Private
Nationa Oilwell Varco AS	4.0 %	Private
Asplan Viak AS	3.4 %	Private
Furmanite AS	3.2 %	Private
Caverion AS	2.9 %	Private
	63.6 %	

Maturity profile management portfolio



Transactions in 2016

R8 Property have had their focus on the acquisition of properties and projects in specific areas in the regions Telemark and Vestfold. Target areas include areas in the city centres and selected clusters and communication hubs outside the city centres. This allows R8 Property to offer rental opportunities at a price range that fits its customer base. R8 Property's local knowledge of the two regions make the company well positioned to make acquisitions that has proven to be economically strong. Furthermore, locally engagement from the company owners, has turned out to be partially crucial for turning difficult projects with few or none tenants into a blooming property.

Torggata 8, also called Centrumsgården is a good example of being an abandon building with no future prospects from its previous proprietor. After R8 Property's involvement and take over, the same building was 88 % pre-let and completely refurbished within 11 months.

During 2016 R8 Property sold one management property in Skien (2 878 sqm) and one project property in Porsgrunn (Kammerherreløkka AS).

The two properties were sold for a total consideration of 49.5 million.

Sold properties

Area	Property	Transaction quarter	Sqm	Transaction value	Closing date
Bedriftsveien 52-58	Management	Q2-2016	2 878	33.5	30.06.2016
Kammerherreløkka	Project	Q1-2016	N/A	16.0	01.01.2016
			2 878	49.5	



Bedriftsveien 52-58



Kammerherreløkka



CORPORATE RESPONSIBILITY

"Build your country, but build it green."

Environment

It is not cheap to take climate change seriously. But it gets even more expensive not to act in time. Climate change is accelerating and the Paris Agreement has given the world a marching order. Norway is committed to reducing its emissions by 40% by 2030 compared to 1990. In 2050, we will be a low-emission society. Unfortunately, the latest reports from the government state that we already are lagging far behind in our own obligations. The population is growing rapidly, it gets older, richer, and more people live in cities. The pressure on the planet's resources is increasing. The need for change is great and time is short. Development of new technologies, new materials, and new business models fortunately gives us new opportunities as well. Falling prices for zero-emission technologies will allow renewable energy to grow rapidly. The ICT industry also has an important role in the efforts to counter global warming caused by emissions of harmful greenhouse gases.

Video conferencing, smart operation of buildings, cloud services, and smart electric networks are all examples of ICT solutions that contribute to reduced CO2 emissions. Development and promotion of ICT-based conferencing solutions that can reduce the need for business travel is also in line with the world's marching orders for reduced emissions of harmful greenhouse gases.

"We're not there yet – we've barely started."

To be inspired is a key success factor. As a young real estate company, R8 Property has several professionals to look up to that take their social responsibility seriously. 2016 has been a hectic year for the company and there are many systems, certifications, and procedures to be in place before we can assert ourselves as being on the environmental summit. Yet we work dynamically and proactively to continually reduce our environmental impact. We will protect the environment by throwing out less household waste, use less energy, and reduce water consumption. We are already a certified Eco-lighthouse business, but it seems we are at a minimum today. R8 Property will reduce their carbon footprint and set an example of how to build buildings that can be a crucial part of our future cities. We will build buildings that contribute to local energy production, collection and 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 that give effect to the environment. Measures may include replacement of ventilation, better heat recirculation, energy-saving lighting, and organizing electric vehicle parking.

Telemark Powerhouse

"Be the change you wish to see in the world"

In order to greet the future in a sustainable way, we believe that energy-plus buildings will be part of the solution. These are buildings that produce more energy than they use. There are several ways to define an energy-plus building, but R8 Property has chosen to follow the "Powerhouse" initiative. This is a partnership between market leaders in the construction industry. To realize a Powerhouse requires that all parties facilitate an early

interdisciplinary cooperation. Selection of building technology, materials, and collaborators are essential to meet the stringent criteria which are assigned to a Powerhouse. By putting the environment first, it creates a new kind of architecture through the principle form follows environment. Powerhouse Telemark will become a signature building for the county and a world class eco-building that challenges traditional building culture.

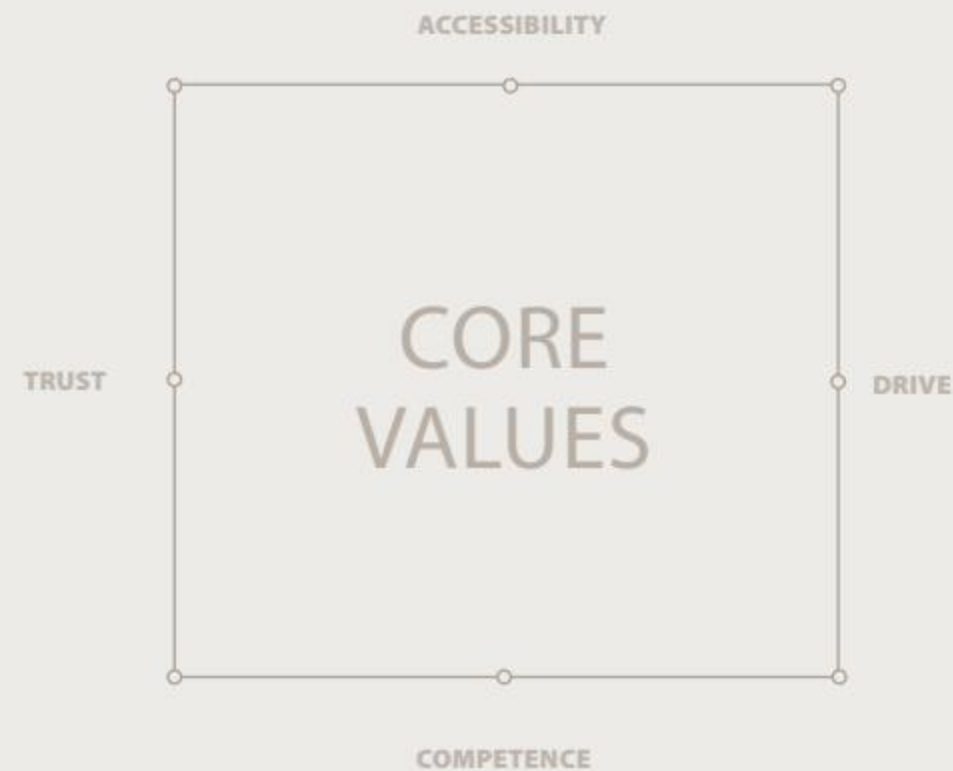
Create jobs

We believe one of the most important, local tasks associated with a better community is to create and contribute to increased employment.

At the beginning of the year, the company had 38 employees. During 2016, 9 new jobs have been created directly in the Group through organic growth. In addition to this, the Group through its activities contributed positively to employment in a number of subcontractors. The positive growth continues in 2017 where a new increase in the number of employees is expected. Among other things, a new CEO at R8 Property. In addition, several major construction projects contribute to significant employment with subcontractors. R8 Property's local roots in Telemark create trust and commitment to the projects. The company invests heavily in urban development with the desire to give life back to inert city centers in terms of new jobs and increased job satisfaction.

Everyone has a responsibility to help others who do not have it as good. It could be in the neighborhood or far away, for the environment or for humanity. Geopolitical changes, global challenges, and a lack of political and economic stability in many parts of the world will place great demands on the international community in the future. We face global challenges which demand more from us than ever before. It's easy to get overwhelmed and become passive to issues that are currently distant in our own lives. In 2016, the R8 group chose to donate money to build a computer lab in rural Tanzania. Access to computers and the Internet has proven to significantly increase quality of education for these children. R8 group believes in education as the first step towards a sustainable future for the world's developing countries. The Good Hope Support Organization was an opportunity for the company to enrich the lives of individuals.

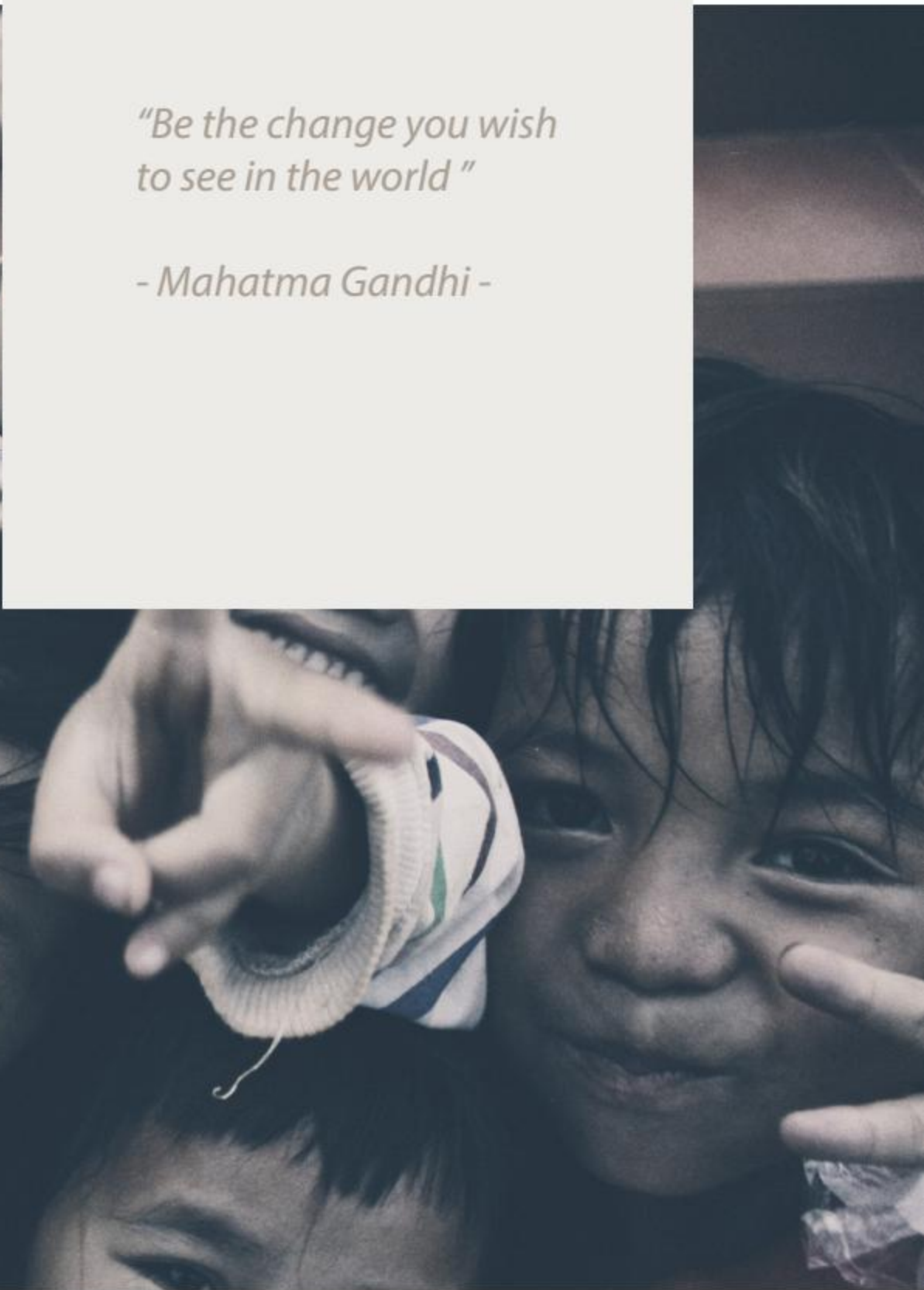
At home, the group has partnered with lyk-z & daughters. The company's founder, Ingeborg Lykseth, is a social entrepreneur who through Frog Online Identity works with adolescents and young adults who for various reasons find it difficult to participate in social venues, basic educational programs, and employment. The principle of improved quality of life is probably the biggest achievement for the participant on an individual level. From a macro perspective, however, we see a number of social advancements arising in the waters of the individual's development. R8 Group will fund courses for participants who want a lasting change in their lives and find a way back to school and work. We also want to facilitate job training with us for students at lyk-z & daughters.





*"Be the change you wish
to see in the world"*

- Mahatma Gandhi -





CORPORATE GOVERNANCE

1. Report on corporate governance

Through good corporate governance, the Board wishes to contribute to a good relationship of trust between R8 Property and capital markets, shareholders, and partners. It is decided in R8 Property that the company will work to implement the recommendation of the Norwegian Committee for Corporate Governance "NUES." These recommendations shall be gradually implemented up until 2018. The recommendation is available on the Norwegian Committee for Corporate Governance homepage: www.nues.no.

Below is the company's account of how R8 Property has complied with the recommendation given by NUES regarding corporate governance, dated 30 October 2014 .

2. Business

R8 Property has published its statutes on www.r8property.no. This shows the company's business through §3:

"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 are stated in the Board's annual report later in the document.

3. Capital and dividends Equity

The Group's value adjusted equity per 31.12.16 was 253.1 million kroner. It represents a net value adjusted property portfolio of 31%. 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 an ambition that net interest-bearing debt divided by gross property values will remain at a maximum of 70%. At the end of 2016, R8 Property had net interest-bearing debt divided by gross property values of 68%.

Dividend

The Group has long-term growth objectives and it is therefore considered appropriate that the main principle is not distributed dividends to shareholders. Nevertheless when results are strong, moderate dividends could be accepted. It is considered essential that the dividend does not set limits on planned or new investments in the portfolio.

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.

4. Equal treatment of shareholders and transactions with related parties

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

R8 Property has no new share issues in 2016. In the event of a share issue in the future will mainly shareholders in R8 Property have preferential rights to the capital increase. The preferential rights are safeguarded by sharing good information in good time for existing shareholders.

All significant transactions with related parties in R8 Property follow the recommendation that there should be an independent valuation from a chartered accountant or other expert. This is to ensure that transactions and intercompany agreements are carried out correctly.

R8 Property has not purchased or sold its own shares in 2016. Eventual future purchases of its own shares will be subject to Board approval before buying or selling. The Board and management in R8 Property is concerned that all shareholders should be treated equally. To ensure this, a new set of regulations designed to ensure issues related to conflicts of interest in transactions or matters affecting members directly or indirectly has been introduced.

5. Transferability

The Articles of Association impose no restrictions on share transferability. The Companies Act decisions relating to pre-emption rights are valid. There is also a repurchase right by termination associated with key personnel for a limited period.

The shares are considered liquid when the portfolio consists of many modern office buildings on centrally located properties. The financial strength of the tenant composition is good with 41% of public sector tenants. Key economic indicators are strong and the reporting and transparency of the group is regarded as good.

6. General assembly

The Board of R8 Property wants to facilitate that all shareholders should have the opportunity to sit in on the general assembly and safeguard their rights. Arrangements are also made for the general assembly to be an effective forum for shareholders and the Board.

Summons and related documents for the general assembly will be sent out in advance and otherwise in accordance with the decisions of the Companies Act. R8 Property does not have a separate nominating committee and thus the appointing of directors will not be published on the company's website 21 days before, but form part of the legal documentation to all shareholders before the meeting.

All relevant documents relating to the general assembly will be thorough and accurate so that all shareholders can decide on the issues that are submitted to be negotiated. To facilitate as much support as possible in the general assembly, the registration deadline is set for a minimum of 2 business days before the meeting.

The chair will ensure a thorough and fair conduct of the general assembly. A chairperson opens the meeting and the general assembly elects the chairperson.

R8 Property has not prepared its own procedures that ensure an independent chairperson for the general assembly, but experience suggests that the implementation works well. The consideration for the need for separate procedures related to the chair is ongoing.

It is also advised that the directors and senior executives are present at the general assembly together with the auditor.

Shareholders who are unable to attend are encouraged to attend by 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.

7. Nomination committee

R8 Property has per 31.12.16 not established a nomination committee. The company will seek to establish a nomination committee during 2018.

8. Corporate assembly and Board, composition and independence

It is decided to not establish a corporate assembly in R8 Property since the company has only one employee. If the company gets more than 200 employees, it would like to establish a corporate assembly with broad representation from the company's shareholders.

The Board of R8 Property is composed of five persons per 31.12.16. All board members are shareholders in the company. Efforts are being made to establish a new independent director during 2017.

There are currently two Board members who are senior executives of R8 Property. It can be argued that this is appropriate due to the company's size and business scope.

This ensures "hands on" knowledge of the company's activities and daily operations. The Board follows up this point in the Board's annual performance evaluation.

The Board of R8 Property is not selected on the time interval per 31.12.16. All directors elected at the general assembly in 2017 will be selected there for an interval and no more than a period of 2 years.

There has been consistently good attendance at the Board meetings in 2016. The Board's expertise is considered good in regards to economy, market understanding, and business operations. The Board is seeking increased expertise in the real estate market in the Oslo region. The Board currently consists of five men, and the last independent member should be a woman for a more balanced gender representation.

9. The Board's efforts

The Board has the overall responsibility for the management of the Group and for overseeing the daily management and business activities. The Board's main tasks are to establish strategies and ensure their implementation. The Board is also responsible for keeping abreast of the company's financial position and that its activities, accounts, and asset management are subject to adequate controls.

A mandate for R8 Property has been introduced in 2016. This will further focus rules on the Board's proceedings and matters to be considered by the Board.

In 2017, new guidelines will be introduced for the general manager. Instructions for the management will clarify the duties, powers, and responsibilities of the general manager from the rules that apply to business.

The Board sets annual control plans and conducts an annual self-evaluation of the Board's competence and its efforts. There is also a set schedule for the objective and theme at the various board meetings. The evaluation will also ensure a good composition, and the way the board functions, both individually and as a group, in relation to the goals that are set for the work.

As of 31.12.16, R8 Property has not established an audit committee or remuneration committee. It is considered as part of the Board's self-evaluation whether it is appropriate to establish these committees.

10. Risk management and internal control

Through its activities, the Group has earned substantial financial assets that are exposed to several risk factors including: the interest rate market, the rental market, and development projects. There are relatively few employees in the Group, and it is therefore dependent on an appropriate division of responsibilities and profit distribution.

A good and effective internal control is also very important to ensure adequate control of R8 Property and its financial and operational activities. The board annually reviews the most significant risks facing the Group. This is done together with the annual strategy review. The company is divided into the following three risk factors: Financial risk, market risk, and operational risk.

The financial risk of the R8 Property is related to access to capital and cost of funding in banking and other financial markets. The cost of such financing depends on the short- and long interest rate scenarios and credit margin the Group must pay. The credit margin is dependent on the Group's credit rating and internal ratings at bank and credit institutions, as well as general fluctuations in the credit market. A financial strategy draft will be proposed in 2017, which will determine how the Group works to reduce the financial risk.

The market risk in the Group is closely related to the development of office real estate in Telemark and Vestfold. In addition, developments in the Norwegian economy have an impact on the risks. Essentially, these conditions affect the development in rental prices and control occupancy rate. A reduction in rental prices and declining occupancy rate will affect the rental income negatively. The risk of falling rental prices and declining occupancy rate is considered low to moderate.

The operational risk in R8 Property relates mainly to human error or system failure associated with daily operations. Management is organized as a separate company and in a manner that will reduce the risk associated with the daily operation of the properties. The company uses the program management program Facilit FDUVU which maintains routine maintenance and monitoring, as well as deviation audits in the Group.

11. Remuneration for the Board

The Board's remuneration is determined annually by the general assembly. Remuneration shall reflect the Board's responsibility, competence, time use, and the group's complexity. Board members have not taken on other tasks for the Group beyond directorship. Further information on the various board members' remuneration is provided in note 11 of the financial statements.

12. Remuneration for senior executives

The Board of R8 Property has not established a remuneration committee. The Board sets

the guidelines for remuneration for senior executives and this will be presented to the general assembly.

13. Information and communication

It is determined that the Group will have a transparency that secures 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 interim and annual reports are published without undue delay on the company's website: www.r8property.no.

The information is currently only available in Norwegian, but will also be published in English in 2016 and 2017. This is to build a future platform that will be beneficial in terms of foreign investors and capital markets. For transactions of a significant nature and of which are in the public's interest will be made public through the media or their own press conference.

14. Company takeovers

The Board has not issued guidelines relating to the receipt of bids for the company's shares. The offer will be managed within the confines of the law and in terms of equal treatment of shareholders and their interests. In addition, there will be a focus on that the company's ordinary operations are not adversely affected by the bid received.

The Board does not intend to prevent or obstruct any takeover bid for the company or its shares. The Board will at all times ensure that the shareholders' common interests are safeguarded.

15. Auditor

The company has no audit committee, and the Board is in charge of self-evaluation of the work. In 2016, the company's auditor Ernst & Young AS has undergone the following tasks related to fiscal year 2016:

- Participated in the board meeting related to the administration of the 2016 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 Group

The Board reports on the auditor's total remuneration between auditing and other services at the company's ordinary general assembly. The general assembly approves the auditor's fees.



E FOR

Emil Eriksrød Chair

With a master's degree from BI, Emil began as an accountant at EY. Four years later, he became Finance Manager for Hathon Holding. In the course of his five years with real estate investor Hallgeir Thon, Emil was inspired to take a chance. In 2010, he established the company R8 Property, but it wasn't until 2015 that he resigned as Finance Manager for Hathon Holding and went all-in on his own real estate development. Until 2017, Emil has been CEO and Chairman of R8 Property. He continues as Chairman and Executive Director for R8 Group.



T FOR

Tommy Thovsland Board member

Educated as a chemical engineer at Telemark University College in Porsgrunn and since a business developer at LEARN AS. Tommy is a strategist and visionary. He is passionate about business development and corporate strategy. When Tommy began with R8, it was to build up the management company R8 Management. Since then he has been Development Director with R8 Property where he owns 2 % of the shares.



R FOR

Runar Eriksrød Board member

Previously a Bank Manager and Advisor, Runar has solid footing in Telemark's business industry. His economic education from trade school and BI sent him first to Fokus Bank where he became Department Manager, and then to DnB as Advisor and Bank Manager on the corporate market, and finally to Danske Bank as Assistant Bank Manager. In 2014 he left the financial world and started as a project leader at his son's company. Runar is employed with management company R8 Management, and in addition owns 5 % of the shares in R8 Property.



E FOR

Erik Gudbrandsen
Board member

Erik is known by many as Country Leader at EY Entrepreneur of the Year before he resigned in 2014. Erik has a wide range of experience within organizational development, leadership development, restructuring, change management, and not least, board work. He started his long career in 1978 at Ernst & Young. From 1988 to 1996 he was Executive Vice President in Norway. He has sat as a Member of the Board with the same company since 1989, and as Chairman from 2004 until he decided to retire in 2010.





FOR

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 a number of start ups of national and international companies such as Floriss, Autostrada, Made for Movement and Kamas (Norsk Gjenvinning).



REPORT OF THE BOARD OF DIRECTORS 2016

IFRS VERSION

R8 Property had operating revenues of 53.3 million in 2016. The net income from property management was 40.7 million. Profit before tax was 71.3 million. The property portfolio has shown positive development and grown from a market value of 778.9 million in 2015 to 888.5 million in 2016.

Over the course of the year, 10 new leasing contracts were signed, along with 3 extensions and 1 expansion. Signed rental agreements in 2016 comprised a total of 4 290 sqm. As of 31.12.2016, the portfolio had only 5.8 per cent vacancy, and 2.0 per cent of this was associated with strategic vacancy in Parkbygget in Tønsberg.



This is R8 Property

R8 Property develops and leases commercial property. The Group's main office is located in Porsgrunn, with a branch office in Tønsberg. At the close of the year, the Group had 13 properties with a total area of 50 875 m². The properties are geographically spread over central locations in Telemark and Vestfold. The properties consist primarily of modern office space and a small share of retail and storage. The portfolio has a solid tenant makeup with 41 per cent from the public sector and 59 per cent from the private sector. Several of the actors within the private sector include known brands in banking, insurance and consulting operations.

R8 Property's business concept is to develop environmental friendly buildings on regional hubs, and lease and manage our properties with the highest level of service and expertise. The Group is continuously working to be ahead of the digitalization of the real estate market.

The Business in 2016

The Board's work

The Board has supervised the management and made sure the Group is in accordance with good corporate governance. During the past year, the board has had 5 meetings. As a part of the professionalization of the board, a new board was chosen at an extraordinary general meeting in October of 2016. The board in R8 Property is now consistent with the board in ultimate parent R8 Group. New members of the board are Erik Gudbrandsen and Øivind Gundersen. In addition, Emil Eriksrød (chairman), Tommy Thovsland and Runar Eriksrød are also part of the board.

The leasing market

There is a lack of consistent market reporting on commercial property in Telemark and Vestfold, which makes it difficult to base market forecasts on solid analyses and facts. General vacancy in Telemark and Vestfold is considered moderate, and the rental market is considered demanding. Market for modern office space is best near regional hubs. There is growing optimism towards commercial real estate in city centres in Skien and Porsgrunn due to increasing density in settlement and larger municipal building projects. The market predicts that vacancy in this area will be reduced in the years to come.

Leasing activity in 2016

Despite a demanding rental market, R8 Property has had a positive year with many new leasing contracts. These contracts are associated with, among other things, development projects that will be completed over the course of 2017. Rental agreements totalling 14.5 million were established. This means new contracts, expansions, and renewals. Solid leasing activity in 2016 made a positive contribution to the portfolio, having only 5.8 per cent vacancy as of 31.12.2016.

Customer satisfaction

One of R8 Property's goals is to be the best in its sector in terms of customer satisfaction. The Norwegian Tenant Index is used to measure customer satisfaction. R8 Property had the highest aggregate customer satisfaction score of all measured property portfolios in 2016, and achieved a score of 88 for the second consecutive year, compared to the national average for the sector of 77.

Project development

Several projects were both started and completed in R8 Property over the course of the 2016 financial year. New projects are located in Sandefjord and Porsgrunn. Both are modern office buildings with high focus on low energy consumption and sustainability.

On Nordre Fokserød 14 in Sandefjord, building phase 2 has started, including construction of a 2 303 sqm office building. The project is centrally located near the E18 motorway and the exit for TORP Sandefjord Airport. Great emphasis has been placed on environmentally friendly and energy efficient solutions, and project planning fulfils energy class A. Construction phase 2 will be move-in ready Q1-2018.

The project "Powerhouse Telemark" in Porsgrunn was begun with a feasibility study in 2015 for a 6 322 sqm new office building. There has been intensive work in 2016, with possible tenants to occupy the building. Scheduled completion of the building is Q1-2019. 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.

In addition to the projects launched in 2016, there were also one project that was finished in 2016.

- The project "Torggata 8" in Skien was completed in August 2016. The project encompasses the building known as the Centrumgården, built in 1937. Renovation work started in December 2015 and was completed in August 2016. The principal tenant is Telemarksavisa, which is relocating to central Skien. The property has retail space on the ground floor and office space throughout the remaining floors. The building is considered prime location in Skien, with high-end modern office spaces.

R8 Property's project portfolio comprises 8,625 sqm.

The transaction market

In 2016, the volume of transactions in the Norwegian market totalled around NOK 70 billion, which is considered high in a normalised perspective but lower than the record year, 2015. There are relatively few properties for sale, and demand from both national and international investors remains strong. The yield gap remains attractive despite the recent increase in interest rates, and the Norwegian economy has proven resilient through the recent period of low oil prices.

The prime yield in Oslo has decreased from around 4.1 per cent at the beginning of 2016 to 3.8 per cent by year-end, while the overall high level of demand for Norwegian real estate has led to a contraction in yield levels in all cities and property segments.

Yield levels in Telemark / Vestfold are higher than in the Oslo region, but there is compression in yield levels. The compression is primarily toward modern buildings near regional hubs with solid tenants.

Property transactions in R8 Property

Throughout 2016, two transactions were conducted as part of R8 Property's overall strategy. Divestment of one development project in Porsgrunn and an office building in Skien were completed as a part of cultivating the property portfolio.

The following transactions were completed in 2016:

- In June 2016, R8 Property sold 50 per cent of Kammerherreløkke AS in Porsgrunn. This is a development project with the intention to develop a hotel, office building, and underground parking garage. This is a joint venture with Rom Eiendom AS, and the divestment is a part of restructuring the portfolio. The property was sold to R8 Investment AS.
- In January 2016, R8 Property sold Bedriftsveien 52/58 AS in Skien for 33.5 million to R8 Investment AS.

Corporate Social Responsibility

R8 Property's contribution to society, both locally and globally, is a central concern. R8 Property is committed to operate in accordance with responsible, ethical, and honourable business principles. Three core areas of positive contribution to society were chosen:

- Environment
- Social engagement
- Volunteer work

Environment

Through pioneering technology and interdisciplinary cooperation, the Group will help ensure that tomorrow's commercial properties are environmentally friendly and that they make a positive contribution to our environment. Work is carried out, for example, in areas such as energy consumption, waste-handling, and educated choice of more environmentally friendly building materials. On Wednesday, 18th of January, it was announced that Powerhouse Telemark is scheduled to start construction work in September 2017. Powerhouse Telemark, designed by Snøhetta architects and the Powerhouse collaboration, will have an exceptionally low energy consumption, using solar energy and sea water for heating and cooling. R8 Property choose to build a world-class environmental building to challenge old industry policy and to contribute to change. By showing it is possible to reduce the sector's environmental footprint and still be profitable, R8 Property is determined to create a sustainable value chain as a responsible social player.

In 2016 the Group managed successfully to and become a member of the Norwegian alliance, Eco-Lighthouse or "Miljøfyrtårn" in Norwegian.

Social Engagement

Over the years, R8 Property has contributed to various initiatives both locally and globally. On a local level, R8 Property has contributed by sponsoring several local athletics clubs. Furthermore, R8 Property formed an alliance with the company Lyk-z & Daughters in 2016. The company's founder is a social entrepreneur who dedicates her life to ensure troubled youngsters a way back on track. R8 Property's contribution, alongside economic support, are also sought through the possibility of internships and employment in R8 Property.

Globally, R8 Property has provided financial support to volunteer organisations such as Young Life in the Philippines and the Good Hope Support Organization in Tanzania. The Group's donation to the Good Hope Organization helped build a computer lab in 2016.

Volunteer work

R8 Property attempts to develop a routine for every employee to undertake a volunteer assignment at some point during the year. This undertaking can be big or small, but should reflect the individual's personal engagement. The goal is to be a role-model for other companies, and to contribute to a positive development in those districts where R8 Property conducts its business.

Organisation and working environment

R8 Property had one employee as of 31.12.2016. The board consists of 5 men. There is nonetheless an active effort underway to promote equality and counter all discrimination within related and jointly controlled companies. All employees have the right to fair and equal treatment regardless of age, ethnic background, functional handicap, or religion.

Exterior environment

The Group's operations can affect the surrounding environment in the form of noise, dust and vibrations, and other environmental impacts. Property development carried out by the Group may also entail interventions in, and alterations to, the landscape and natural 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.

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

Accounting report

The period report have been prepared in compliance with IFRS. This accounting principle has been applied consistently throughout all of 2016. For 2015 the financial statements was presented in accordance with Norwegian GAAP.

Income

R8 Property's profit and loss account for 2016 comprises of 13 properties at the close of the year, along with properties sold, up until their time of divestment. Gross operating revenues for the Group in 2016 totalled 53.3 million.

The Group's financial income totalled 1.8 million. Financial costs, primarily including interest costs and other costs associated with the Group's financing activities, totalled 24.1 million. Profits before tax in 2016 was 71.3 million, and total comprehensive income after tax was 58.8 million. Tax expense for 2016 was 12.5 million.

Balance sheet

As of 31.12.2016, the Group's assets had a book value of 919.3 million (799.8 million). Of the total assets, investment properties accounted for 863.5 million (778.6 million). Total accounting equity in the Group totalled 231.5 million (172.7 million). This makes for a book equity ratio of 25.2 per cent (21.6 per cent).

Cash flow statement

Net cash flow from operating activities was 17.2 million in 2016.

The net cash flow from investments was -69.3 million for 2016. Proceeds from property transactions amounted to 18.4 million and relates to the sale of Bedriftsveien 52/58 and Kammerherreløkka. Upgrades and construction of investment properties amounted to -87.5 million and relates to the construction of Nordre Fokserød in Sandefjord and the rehabilitation of Torggata 8 in Skien.

Net cash flow from financing activities was 49.1 million. Net proceeds of interest bearing debt was 50.2 million. During 2016 R8 Property has made a repayment of 35.6 million in bank loans.

The net change in cash and cash equivalents was -3.0 million for 2016.

Going concern

The financial statements have been prepared based on the going concern assumption, and the Board confirms that this assumption is valid. R8 Property is in a healthy financial position and has good liquidity. The Board confirms that the Group had sufficient equity and liquidity as at 31 December 2016. There have not been any events since 31 December 2016 that have a significant impact on the financial statements.

Financial structure and exposure

R8 Property's collective loan portfolio is comprised of long- and short-term financing on the Norwegian capital market.

At the end of the year, loans totalled 606.6 million, 48.2 per cent of which was tied up in six different interest rate swaps. The overall loan portfolio has a yearly amortization of approximately 5 per cent and average time to maturity of 2.0 years. Average interest cost as at 31 December 2016 was 3.82 per cent.

As a general principle R8 Property's financing is based on a negative pledge of the Group's assets that enables a broad and flexible financing mix.

The Group has adopted a financial strategy with a medium loan-to-value ratio, and targets a loan-to-value ratio of approximately 70 per cent. The Group's loan-to-value ratio as at 31 December 2016 was 68.3 per cent.

Corporate governance

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

The Group therefore strives for sound corporate governance and company management as a means of achieving this. We have taken the decision to implement the principles from the Norwegian committee for corporate governance and company management (NUES). These shall be gradually incorporated over a 3-year period, and be fully implemented in R8 Property at some point in 2018.

Five board meetings in R8 Property were held in 2016, and board meetings have had a good level of participation throughout.

The section of this annual report on corporate governance provides a more detailed description of the corporate governance principles and reporting pursuant to Section 3-3b of the Norwegian Accounting Act.

Shareholder information

R8 Property's share capital is 2,500,000 divided into 1,000,000 (2,500) shares, with each share having a par value of NOK 2.5 (NOK 1 000). There was a split in 2016 (1:400). All the shares have been issued in accordance with the Norwegian Public Limited Companies Act and are fully paid. 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 Group.

Risks associated with the business

R8 Property assesses risk on an ongoing basis. The main risks are commercial, operational, project, and business and strategic risk.

R8 Property's commercial risk includes the risk associated with signing and renegotiating contracts. Economic downturns may lead to changes in market rents. R8 Property achieves stable and predictable cash flows through long-term leases with a balanced maturity profile. The Group aims to reduce rental risks through systematic customer support, by keeping track of when contracts expire and planning how to attract new tenants. 41 per cent of the Group's customers are from the public sector as of 31 December 2016.

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.

Commercial risk also includes the Group's financial risk. The Group is exposed to financial risk through the liabilities on its balance sheet. Changes in interest rate levels will have an impact on the Group's cash flows. The Group seeks to manage this risk by actively using various interest rate swaps and by spreading maturities. Liquidity risk and refinancing risk are reduced by entering into long-term loan

agreements, as well as by maintaining a diversified maturity structure. R8 Property does not expose itself to currency risk. A high proportion of public sector tenants means that credit and counterparty risk is limited. The creditworthiness of other customers is continuously monitored.

The Group's liquid assets amounted to 345 thousand as at 31 December 2016. The Group have quarterly maturity on rental income and the amount which matured 1 January 2017 amounted to 16.2 million. The Board and the administration are currently working on the Group's financial strategy. One of the objectives in this strategy includes to define a level on the liquidity buffer adapted to the size and the growth ambitions for the Group.

R8 Property is exposed to project risk in conjunction with the construction and renovation of properties. The Group takes this type of risk into account in its investment analysis prior to deciding to start work on a project, as well as by continuously monitoring the risk throughout the project period.

A risk premium is added to the equity return requirement related to, among other things, letting risk, cost developments during the construction period, delays and contract matters. When making investment decisions, market risk is also taken into account when determining cash flow and the required rate of return.

Operational risk is managed through sound routines for daily operation. These routines are handled by the related company R8 Management, which is responsible through robust systems and skilled employees for the operation and management of the property portfolio.

Profit for the year and allocations

In 2016, R8 Property made a profit after tax of 58.8 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 R8 Property 58.8 million is transferred to other equity for 2016.

Outlook

The Norwegian economy has been influenced by a weaker macroeconomic development and general uncertainty, but there has been a positive development in certain key macro indicators over several quarters.

On the office space market it is expected that rental prices will remain stable in Telemark and Vestfold, but that there will be greater competition for the most solid tenants. This will presumably lead to further polarisation in the rental price level between "prime" real estate and other properties. There is optimism toward city centre in Skien and Porsgrunn. Leasing conditions and market values are expected to rise in 2017.

R8 Property has done considerable work related to development of the project Powerhouse Telemark. It is expected that this project will materialize through signed lease agreements and a decision to start the project in 2017. It is expected that this project will have an impact on the market and real estate portfolio in Telemark and Vestfold.

The board of directors considers the Group's position in the office space market in Telemark and Vestfold to be very solid. Combined with the Group's economic situation, this provides a solid foundation for positive returns in the future.

Porsgrunn, 5 April 2017
Board of Directors for R8 Property AS

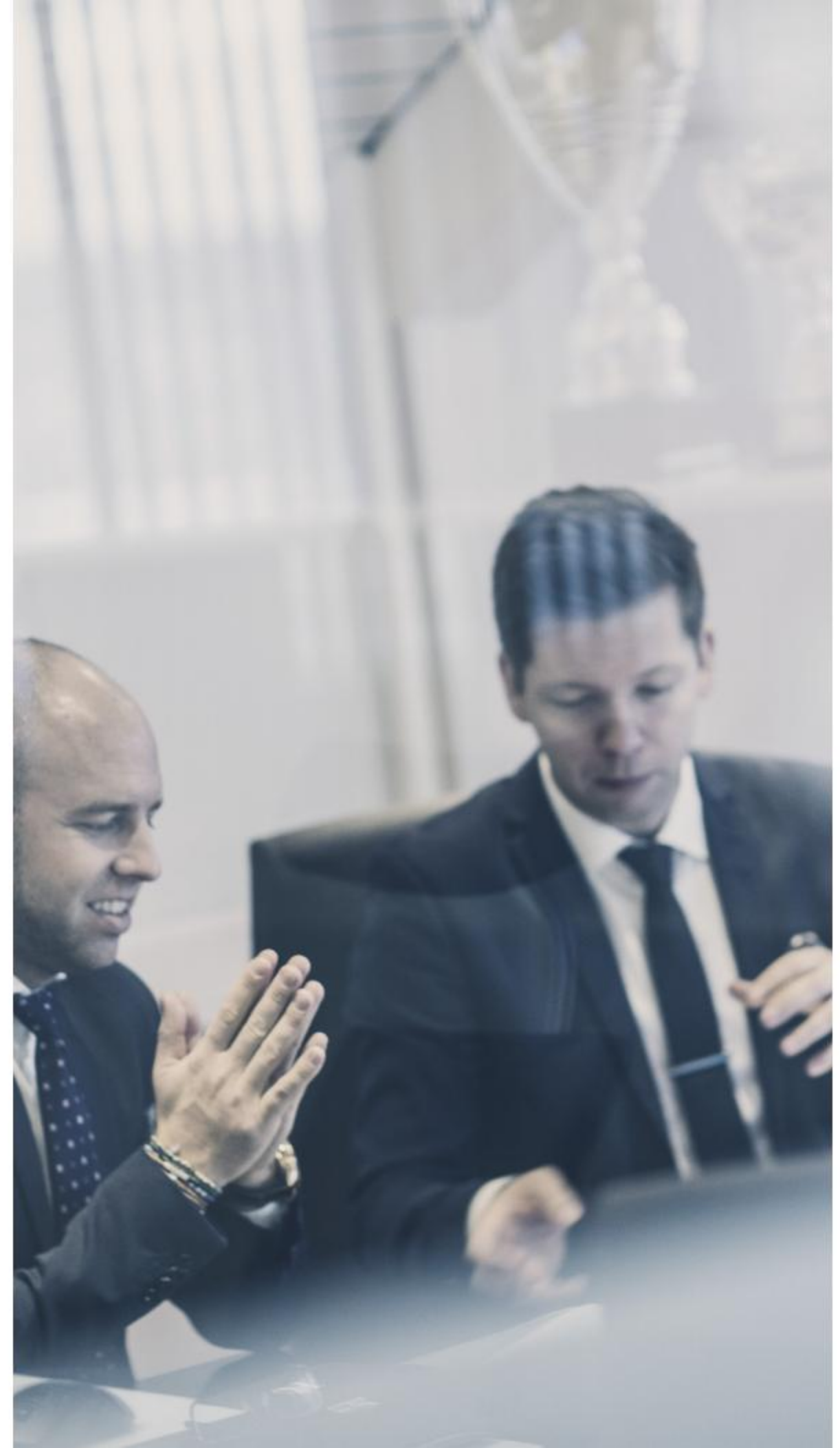
Emil Eriksrød
Chair of the Board

Tommy Thovsland
Board member

Øivind Gundersen
Board member

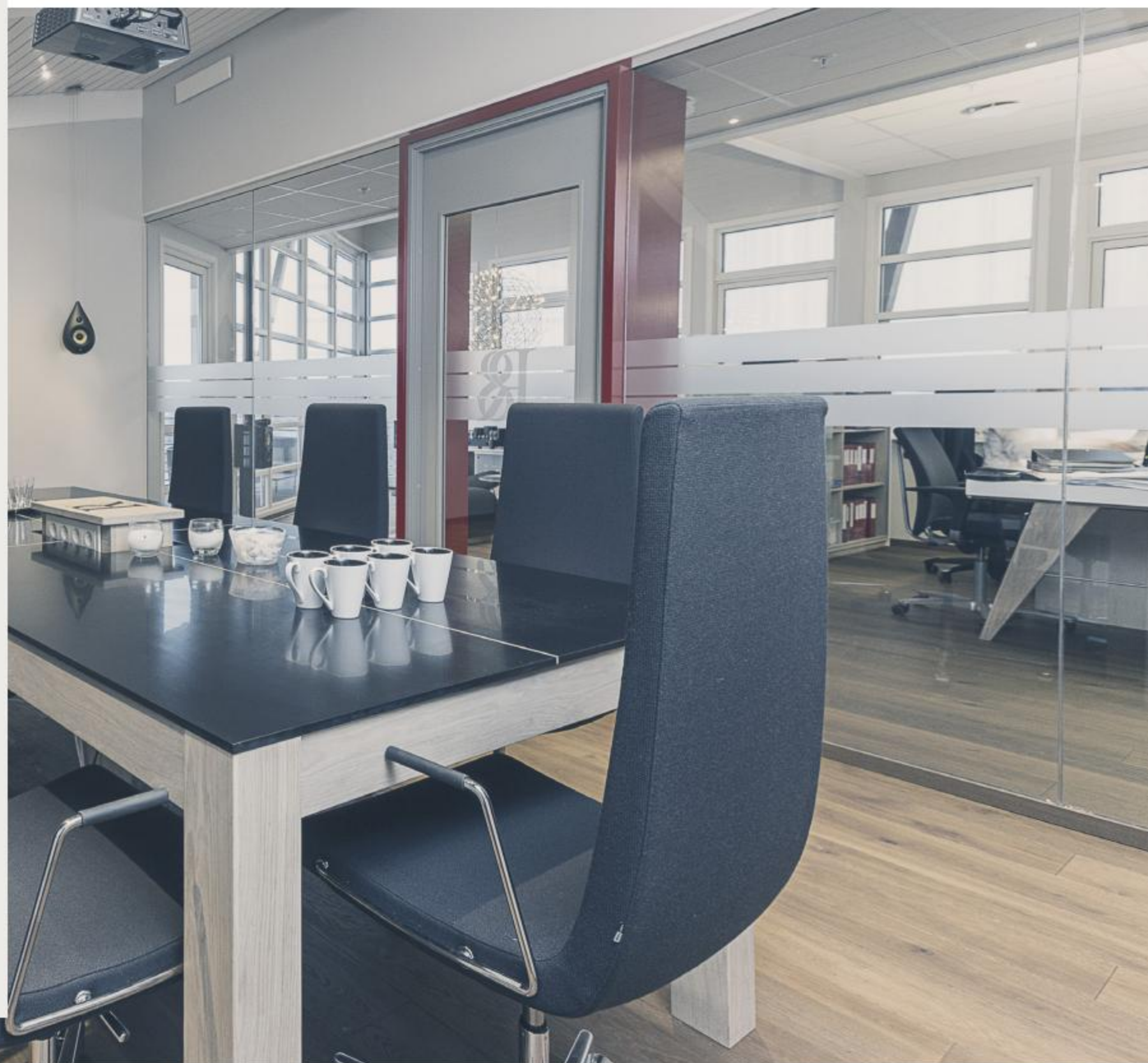
Erik Gudbrandsen
Board member

Runar Eriksrød
Board member



CONSOLIDATED FINANCIAL STATEMENTS R8 PROPERTY AS

Statement of total comprehensive income	56
Balance sheet - assets	57
Balance sheet - equity and liabilities	58
Statement of changes in equity	59
Statement of cash flows	60
Notes	61



Statement of total comprehensive income

1 January to 31 December

All amounts in NOK thousand

	Note	2016
Rental income	6	52 130
Other operating revenue		1 176
Total operating income		53 306
Maintenance and other operating expenses	10	8 217
Other property-related expenses	9, 10	2 315
Administrative expenses	10, 11	2 098
Total operating costs		12 630
Net income from property management		40 675
Changes in value from investment properties	14	48 446
Operating profit		89 121
Interest and other finance income	12	1 812
Interest and other finance expense	12	-24 149
Net realised financials		-22 337
Unrealised changes in value of financial instruments		4 487
Net financial items		-17 850
Profit before tax		71 271
Tax expense	20	-12 512
Profit for year		58 759
Change in deferred tax on comprehensive income	20	-
Total comprehensive income for the year		58 759
Profit attributable to:		
Equity holders of the company		58 759
Non-controlling interest		-
Total comprehensive income attributable to:		
Equity holders of the company		58 759
Non-controlling interest		-
Earnings per share:		
Continuing operations		
Basic=Diluted (NOK)	25	59

Notes 1 through to 26 form an integral part of the consolidated financial statements.

Balance sheet

Assets

All amounts in NOK thousand

	Note	31.12.2016
NON-CURRENT ASSETS		
Other intangible assets	13	98
Total intangible assets		98
Investment property	14	888 500
Other operating assets	13	1 029
Total property, plant & equipment		889 529
Loans to associates	23	26 308
Total financial assets		26 308
TOTAL NON-CURRENT ASSETS		915 935
CURRENT ASSETS		
Trade receivables	15	1 607
Other receivables	16	1 367
Total current receivables		2 974
Cash and bank deposits	17	345
TOTAL CURRENT ASSETS		3 319
TOTAL ASSETS		919 254

Notes 1 through to 26 form an integral part of the consolidated financial statements.

Balance sheet

Equity and liabilities

All amounts in NOK thousand

	Note	31.12.2016
EQUITY		
Share capital	18	2 500
Share premium	18	3 500
Other paid-in equity	18	6 858
Retained earnings	25	218 609
TOTAL EQUITY		231 467
LIABILITIES		
Interest-bearing debt	19	286 650
Deferred tax liability	20	39 224
Financial derivatives	7	19 561
Debt to group companies	7	850
Total non-current liabilities		346 285
Trade payables and other payables	21	21 541
Interest-bearing debt	4, 19	319 961
Total current liabilities		341 502
TOTAL LIABILITIES		687 787
TOTAL EQUITY AND LIABILITIES		919 254

Notes 1 through to 26 form an integral part of the consolidated financial statements.

Statement of changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Total equity
Equity at 01.01.2016	2 500	3 500	6 858	159 850	172 707
Profit for period	-	-	-	58 759	58 759
Equity at 31.12.2016	2 500	3 500	6 858	218 609	231 467

Notes 1 through to 26 form an integral part of the consolidated financial statements.

Porsgrunn, 5 April 2017
Board of Directors for R8 Property AS


Emil Eriksrød
Chair of the Board/CEO


Tommy Thovsland
Board member


Øivind Gundersen
Board member


Erik Gudbrandsen
Board member


Runar Eriksrød
Board member

Statement of cash flows

1 January to 31 December

All amounts in NOK thousand

	Note	2016
Profit before tax		71 271
Expensed interest and fees on loans from financial institutions	12	24 149
Interest and fees paid on loans from financial institutions		-24 119
Depreciation and amortisation	13	113
Change in market value investment properties	14	-48 446
Change in market value financial instruments	7, 19	-4 487
Change in working capital		-1 234
Net cash flow from operating activities		17 248
Proceeds from sales of investment properties and companies		18 392
Upgrades and construction of investment properties	14	-87 539
Purchase of intangible assets and other plant and equipment	13	-147
Net cash flow from investment activities		-69 294
Proceeds interest-bearing debt	19	85 781
Repayment interest-bearing debt	19	-35 596
Net payment of loans to associates and jointly controlled entities		-1 132
Net cash flow from financing activities		49 052
Change in cash and cash equivalents		-2 994
Cash and cash equivalents at beginning of period		3 339
Cash and cash equivalents at end of period		345

Notes 1 through to 26 form an integral part of the consolidated financial statements.

Summary of notes

Note #	Description	Page
NOTE 1	General information	62
NOTE 2	Accounting policies	62
NOTE 2.1	Effect of implementation of IFRS	72
NOTE 3	Critical accounting estimates and subjective judgements	73
NOTE 4	Financial risk management	74
NOTE 5	Risk lease management	75
NOTE 6	Segment information	76
NOTE 7	Categories of financial instruments	76
NOTE 8	Information about fair value	77
NOTE 9	Development projects	77
NOTE 10	Operating costs	78
NOTE 11	Personnel costs and other remuneration of senior executives	78
NOTE 12	Financial items	78
NOTE 13	Intangible assets and other property, plant and equipment	79
NOTE 14	Investment properties and property used by owner	79
NOTE 15	Trade receivables	79
NOTE 16	Other current receivables	80
NOTE 17	Bank deposits	80
NOTE 18	Share capital and shareholder information	80
NOTE 19	Interest-bearing liabilities and accrued interest	81
NOTE 20	Tax	81
NOTE 21	Trade payables and other payables	82
NOTE 22	Subsidiaries	82
NOTE 23	Related parties	83
NOTE 24	Auditor's fee	83
NOTE 25	Earnings per share	83
NOTE 26	Events after the date of the statement of financial position	83

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. 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 13 buildings with a total area of approximately 50.9 thousand square meters. As of 31.12.16 the real estate portfolio had a market value of around NOK 863.5 million. The public sector represents approximately 41 per cent of the total customer portfolio. R8 Property's strategic areas are Telemark and Vestfold. The Group has its head office in Dokkveien 10, 3920 Porsgrunn.

The consolidated financial statements were adopted by the Company's Board on 5 April 2017.

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. In addition to this IFRS financial statement the company has prepared the official annual report in accordance with N GAAP.

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 non-current borrowings at fixed interest rates and 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 2016

No new or amended IFRS or IFRIC interpretations came into effect for the 2016 financial year that have a significant impact on the consolidated financial statements.

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 2016, 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 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. 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. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU adoption. The group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted, subject to EU endorsement. The group is yet to assess IFRS 16's full impact.

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

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are all entities over which the Group exercises control of financial and operating policies, normally through ownership of more than half the capital with voting rights. When deciding whether control exists, the effect of potential voting rights that can be exercised or converted on the balance sheet date is taken into consideration.

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.

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.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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.

If a valuation obtained for a property held under a lease is net of all payments expected to be made, any related lease liability recognised separately in the consolidated statement of financial position is added back to arrive at the carrying value of the investment property for accounting purposes.

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.

INTANGIBLE ASSETS

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.

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.

Financial assets and liabilities are classified upon initial recognition based on their characteristics and purposes. In order to avoid an accounting mismatch, R8 Property has used the fair value option for the Group's long-term borrowing at fixed interest rates raised to finance the acquisition of investment properties measured at fair value. Liabilities designated at fair value through profit or loss are typically debt incurred to finance the acquisition of investment properties measured at fair value.

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.

Financial derivatives

The Group uses derivatives to manage its interest rate risk. Derivatives are initially recognised at fair value on the date on which the contract was signed, and subsequently at fair value. Gains or losses on re-measurement at 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 that satisfy the criteria for using the fair value option under IAS 39 are classified in the category at fair value through profit or loss. R8 Property uses the fair value option for interest-bearing liabilities at fixed interest rates

incurred to finance the acquisition of investment properties. Interest-bearing liabilities are recognised at fair value when the loan is received. Subsequently loans are measured at fair value through the income statement and are presented under net financial items. Ordinary interest expenses are presented on the income statement under net financial items.

Interest-bearing liabilities with variable interest rates 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-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 24 per cent from 31 December 2016. 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 2.1 EFFECT OF IMPLEMENTATION OF IFRS

All amounts in NOK thousand

For 2015 the financial statements was presented in accordance with Norwegian GAAP. The consolidated financial statements in accordance with IFRS for 2016 is not in accordance with IFRS 1, which requires the opening balance at 1 January 2015 to be restated under IFRS. With effect from 2017, R8 Property AS will prepare the consolidated financial statements only in accordance with IFRS (International Financial Reporting Standards).

For R8 Property AS, the transition to IFRS will have a material effect on the accounting treatment of investment property (IAS 40) and financial instruments (IAS 39). Under IAS 40, investment property is recognised at fair value through profit or loss, with unrealised value adjustments. Consequently, depreciation and impairment of property no longer apply, and profit from the sale of property is replaced by realised value adjustments over and above unrealised value adjustments.

The Group uses financial instruments to match its interest regulation profile to current interest expectations and interest rate risk goals. In accordance with IAS 39, financial instruments are measured at fair value through profit or loss.

The dividend provision is not recognised until the annual general meeting has adopted the dividend. This has required a reclassification of the opening balance. The transition to IFRS will be implemented in accordance with IFRS 1 from 2017, which requires the opening balance at 1 January 2016 to be restated under IFRS.

OPENING BALANCE SHEET 01.01.2016 Effect of implementation of IFRS	31.12.2015 NGAAP	Impact of IFRS	01.01.2016 IFRS
ASSETS			
Intangible assets	10 610	-10 610	-
Investment property	-	778 853	778 853
Buildings and land	637 170	-637 170	-
Other operating assets	365	-	365
Financial assets	15 685	-	15 685
Total non-current assets	663 830	131 073	794 903
Other current assets	-	-	4 857
TOTAL ASSETS	668 687	131 073	799 760

EQUITY AND LIABILITIES			
Equity	50 481	122 227	172 707
Liabilities			
Interest-bearing debt	557 306	-21 669	535 638
Deferred tax liability	43 368	-15 202	28 166
Financial derivatives	-	24 048	24 048
Other non-current liabilities	5 927	-	5 927
Total non-current liabilities	606 601	-12 822	593 778
Interest-bearing debt	-	21 669	21 669
Other current liabilities	11 605	-	11 605
Total liabilities	618 206	8 846	627 052
TOTAL EQUITY AND LIABILITIES	668 687	131 073	799 760

INCOME STATEMENT 2016 Effect of implementation of IFRS	2016 NGAAP	Impact of IFRS	2016 IFRS
INCOME STATEMENT			
Operating revenue	53 306	-	53 306
Depreciation fixed assets	6 406	-6 341	64
Depreciation intangible assets	702	-653	49
Recognition of negative goodwill	-1 580	1 580	-
Operating costs	12 517	-	12 517
Operating profit before changes in the value of investment properties	35 262	5 414	40 675
Adjustment to value of investment property	-	48 446	48 446
Net financial items	-22 337	4 487	-17 850
Profit before tax	12 924	58 347	71 271
Tax on profit	1 219	11 293	12 512
PROFIT OF THE YEAR	11 705	47 054	58 759

ITEMISATION OF CHANGE IN EQUITY following the transition to IFRS	01.01.2016	31.12.2016
Equity under NGAAP	50 481	69 981
Investment property	131 073	173 699
Financial instruments and obligations	-24 048	-19 561
Total corrections	157 505	224 119
Effect on deferred tax	-	2 348
Reclassification of dividend	-	5 000
EQUITY UNDER IFRS	172 707	231 467

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 2016 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. 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 2016.

Change variable	Change in per cent	Value change (mNOK) ¹⁾
Inflation	+ 1.00	65 981
Market rent	+ 10.00	73 938
Discount rates	+ 0.25	-35 100
Exit yield	+ 0.25	-19 041

¹⁾ Estimates by Newsec AS in conjunction with valuations at 31 December 2016.

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 percentage 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.

31.12.2016	Change in the Group's interest expense (annualised) (mNOK)
Market rates increase by 1 percentage point	2 894
Interest-bearing debt	5 820
Derivatives	-2 926
Market rates fall by 1 percentage point	-2 894
Interest-bearing debt	-5 820
Derivatives	2 926

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.

The Group has determined that all acquisitions of subsidiaries do not represent a business.

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
- 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 cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investing excess liquidity.

Financing risk

Financing risk is the risk that the Group will be unable to 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 70 per cent over the economic cycle. 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). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

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 - 60 per cent of the debt portfolio, an average remaining term to maturity in the range of 3-9 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 2016, the weighted average remaining term to maturity was 2.0 years. The average interest rate was 3.82 per cent at 31 December 2016.

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 2016, the Group had no currency exposure.

Financial covenants

There are covenants in the Group's bank loan agreements relating to dividends. The Group can not pay out dividends without the bank's approval. At 31 December 2016, the Group was not in breach of any covenants.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

31.12.2016	Remaining term				Total
	Under 1 year	1-3 year	3-5 year	Later than 5 years	
Interest-bearing bank loans – principal	293 224	-	236 216	-	529 440
Interest-bearing bank loans – amortising	26 738	35 316	15 118	-	77 171
Interest-bearing bank loans – estimated interest	15 736	17 601	6 939	-	40 277
Financial instruments					
- Interest rate derivatives	4 698	9 464	9 120	7 380	30 663
Trade and other payables					
- Trade payables	5 908	-	-	-	5 908
- Other financial	8 521	-	-	-	8 521
- Accruals	4 756	-	-	-	4 756
Total	359 580	62 381	267 394	7 380	696 735

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 2.0 years. Three of the Group's bank loans, total tNOK 239,288 matures in June 2017. The refinancing risk related to the renewals of these loans is assumed to be limited. The rest, mNOK 53.936 is construction financing on Nordre Fokserød 14.

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

As at 31.12.2016	31.12.2017				Total
	Up to 1 year	1-3 year	3-5 year	Later than 5 years	
Term to maturity					
Percentage	52.7	5.8	41.4	-	100.0
Amount	319 961	35 316	251 334	-	606 611

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

2016	
Nominal value of interest rate derivatives on the balance sheet date of which	292 527
- Variable-to-fixed swaps	292 527
Range of fixed interest rates	1.54 % - 4.05 %
Variable rate basis	NIBOR
Average fixed rate	2.69 %
Fair value of derivatives on the balance sheet date (tNOK)	19 561
Change in fair value of interest rate derivatives over the year	4 487
Total change in fair value of financial instruments	4 487

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.

2016	
≤ 1 year	5 679
1 year < 5 years	60 107
≥ 5 years	216 885
Total	282 671

THE GROUP'S LEASE CONTRACTS AT 31.12 HAVE THE FOLLOWING MATURITY STRUCTURE MEASURED IN ANNUAL RENT¹⁾

Remaining term	2016		
	Number of contracts	Contract rent	Contract rent, %
≤ 1 year	6	5 688	9.8
1 year < 5 years	26	18 010	31.1
5 years < 10 years	25	34 038	58.7
≥ 10 years	1	264	0.5
Total	58	58 000	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 Group has since 2016 reported four geographic operating segments in line with IFRS 8: Porsgrunn, Skien, Sandefjord og Tønsberg.

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

31.12.2016	Area		No. Of properties (#)	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
	(sqm)	Occupancy (%)			(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Porsgrunn	14 782	97.8	4	4.9	271 500	18 367	19 953	1 350	6.9	19 674	1 331
Skien	8 228	90.8	3	2.0	124 000	15 070	8 337	1 013	6.4	10 061	1 223
Tønsberg	16 446	91.5	3	4.4	408 000	24 808	26 167	1 591	6.0	29 397	1 787
Sandefjord	2 794	96.5	1	8.4	60 000	21 475	3 543	1 268	5.6	3 906	1 398
Total management portfolio	42 250	94.2	11	4.9	863 500	20 438	58 000	1 373	6.2	63 038	1 492
Project portfolio	8 625		2		25 000	2 899					
Total property portfolio	50 875		13	4.9	888 500	23 336					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.12.16 corresponds to 6.5 per cent of market rent.

R8 Property has in 2016 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

31.12.2016	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Financial assets at fair value held for sale	Total
Assets					
Financial investments					
- Loans to associates	26 308	-	-	-	26 308
Trade receivables	1 607	-	-	-	1 607
Other current receivables	1 367	-	-	-	1 367
Cash and cash equivalents	345	-	-	-	345
Total financial assets	29 627	-	-	-	29 627

31.12.2016	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	-	286 650	286 650
Interest-bearing current liabilities	-	319 961	319 961
Financial derivatives	19 561	-	19 561
Other non-current liabilities	-	850	850
Trade payables	-	5 908	5 908
Other current liabilities	-	9 211	9 211
Total financial liabilities	19 561	622 580	642 141

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

	31.12.2016	Level 1	Level 2	Level 3
Assets at fair value through profit or loss				
- Investment properties	888 500	-	-	888 500
Total	888 500	-	-	888 500

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2016	Level 1	Level 2	Level 3
Liabilities at fair value through profit or loss				
- Derivatives	19 561	-	19 561	-
Total	19 561	-	19 561	-

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

	2016	
	Fair value	Carrying amount
Loans to associates		26 308
Trade receivables	1 607	1 607
Closing balance	27 915	27 915

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

	2016	
	Fair value	Carrying amount
Seller credit and withheld purchase price	1 667	1 667
Closing balance	1 667	1 667

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 2016 two on-going projects, one new building at Nordre Fokserød in Sandefjord and one new building (Powerhouse Telemark) in Porsgrunn. Both are modern office buildings with high focus on low energy consumption and sustainability.

At Nordre Fokserød the first construction phase has been finalised in the fourth quarter of 2016 and the second construction phase is expected to be finalised in the first quarter of 2018. Building number one is completed, fully let and classified in the management portfolio at year end. Building number two is classified in the project portfolio and is valued at tNOK 10,500 at year end.

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, with possible tenants to occupy the building. Scheduled completion of the building is the first quarter in 2019. 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 14,500 at year end.

The project Torggata 8 in Skien was completed in August 2016. The project encompasses the building known as the Centrumgården, built in 1937. Renovation work started in December 2015 and was completed in August 2016. The principal tenant is Telemarksvisa, which is relocating to central Skien. The property has retail space on the ground floor and office space throughout the remaining floors. The building is considered prime location in Skien, with high-end modern office spaces.

NOTE 10 OPERATING COSTS

All amounts in NOK thousand

	2016
Operating costs	
Administrative management costs	2 228
Operating and maintenance costs	5 989
Total maintenance and other operating costs	8 217
Other property costs	
Rental, market, and other income-related expenses	390
Owner's share of service charge expenses	1 925
Total other property costs	2 315
Administrative costs	
Payroll and personnel expenses	601
Depreciation	113
Other operating expenses	1 384
Total administrative costs	2 098

NOTE 11 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2016
Wages and salaries	385
Social security costs	74
Pension costs defined contribution plan	14
Total	473
Number of full-time equivalents	0.5
Number of employees at 31.12	1.0

The only employee in the Company in 2016 is the CFO.

The CEO is employed in the associated company, R8 Consulting Group AS. The Company is invoiced NOK thousand 528 for his services in 2016.

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.

BOARD FEES

	2016
Emil Eriksrød, Chair	-
Runar Eriksrød, board member	-
Tommy Thovsland, board member	50
Erik Gudbrandsen, board member	25
Øyvind Gundersen, board member	25
Lasse Kittilisen (resigned board member during the year)	25
Total	125

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2016
Interest income	370
Other finance income	167
Interest income from group companies	1 275
Total interest and other finance income	1 812
Interest expenses	25 334
- of which capitalised borrowing costs	-1 553
Interest expenses group companies	356
Other finance expenses	11
Total interest and other finance expense	24 149

NOTE 13 INTANGIBLE ASSETS AND OTHER PROPERTY PLANT AND EQUIPMENT

All amounts in NOK thousand

	2016	
	Software	Other operating assets
At 1 January 2016		
Cost	-	2 068
Accumulated depreciation	-	-1 704
Net book amount	-	365
Year ended 31 December 2016		
Opening net book amount	-	365
Additions	147	835
Disposals	-	-107
Depreciation charge	-49	-64
Closing net book amount	98	1 029
Economic life	3 year	3-10 year
Depreciation plan	Linear	Linear

There were no impairment charges in 2016.

NOTE 14 INVESTMENT PROPERTIES AND PROPERTY USED BY OWNER

All amounts in NOK thousand

	2016
VALUE OF INVESTMENT PROPERTIES	
Opening balance at 01.01.	778 853
Other movements	
Investment and upgrades in the property portfolio	93 148
Capitalised borrowing costs	1 553
Sale of investment property	-33 500
Change in value from investment properties	48 446
Total value of investment property at 31.12.	888 500

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".

NOTE 15 TRADE RECEIVABLES

All amounts in NOK thousand

	2016
Trade receivables	1 607
Provisions for bad debts	-
Net trade receivables	1 607

At 31 December 2016, tNOK 114 in trade receivables were overdue. Provisions for a loss of tNOK 0 have been made for overdue trade receivables. The age analysis of these trade receivables is as follows:

	2016
TRADE RECEIVABLES	
Up to 3 months	75
Over 3 months	39
Total overdue	114

NOTE 16 OTHER CURRENT RECEIVABLES

All amounts in NOK thousand

	2016
VAT owed	417
Accrued not invoiced	372
Advance payments and accruals	388
Current receivables group and associated companies	157
Other current receivables	32
Total other current receivables	1 367

NOTE 17 BANK DEPOSITS

All amounts in NOK thousand

	2016
Bank deposits	236
Tied bank deposits	109
Total bank deposits	345

Tied bank deposits relate to the withholding tax account.

NOTE 18 SHARE CAPITAL AND SHAREHOLDER INFORMATION

R8 Property's share capital is NOK 2,500,000 divided into 1,000,000 shares, with each share having a par value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote. 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 2016 R8 Property had 10 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 2016.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Face value (tNOK)
At 1 January	2 500	2 500	3 500	1 000
Share split (1:400)	1 000 000	2 500	-	2.50
At 31 December 2016	1 000 000	2 500	3 500	2.50

Paid-in capital amounts to tNOK 12,858 and consists of tNOK 2,500 in share capital, tNOK 3,500 in share premium and tNOK 6,858 in other paid-in capital.

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

The shareholders as registered as of 31 December 2016 were as follows:

	Number of shares per 31.12.2016	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO and Chair	860 000	86.0	Norway
Runar Eriksrød, board member	50 000	5.0	Norway
Thovsland Holding AS, represented by Tommy Thovsland - board member	20 000	2.0	Norway
Sundvall Invest AS	10 000	1.0	Norway
Lucky-Holding AS	10 000	1.0	Norway
Gambetta AS, represented by Erik Gudbrandsen - board member	10 000	1.0	Norway
Vegard Stensrød	10 000	1.0	Norway
Dynam AS, represented by Øyvind Gundersen - board member	10 000	1.0	Norway
CABA Holding AS	10 000	1.0	Norway
Kabbe Holding AS	10 000	1.0	Norway
	1 000 000	100.0	

NOTE 19 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2016		
	Nominal value	Market value	Carrying amount
Bank loans	286 650	286 650	286 650
Total non-current interest-bearing liabilities	286 650	286 650	286 650

CURRENT INTEREST-BEARING LIABILITIES

	2016		
	Nominal value	Market value	Carrying amount
Bank loans	319 961	319 961	319 961
Total current interest-bearing liabilities	319 961	319 961	319 961

The average risk premium on the Group's loans at 31.12.2016 was 2.17 per cent.

MORTGAGES

The Group's financing is based on the parent company borrowing from external parties using negative pledge clauses. Wholly-owned subsidiaries are financed using intra-group loans. Torgata 8 Skien AS and Nordre Folkserød 14 AS are financed in own balance sheets.

NOTE 20 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2016
Tax payable	-
Change in deferred tax on profit and loss	12 512
Change in deferred tax on comprehensive income	-
Income tax expense	12 512

TEMPORARY DIFFERENCES

	2016
Fixed assets	222 742
Profit and loss account	4 033
Other differences	-1 796
Interest rate swap	-19 561
Net temporary differences	205 418
Tax losses carried forward	-41 985
Basis for deferred tax	163 433

Deferred tax	39 224
Deferred tax in the balance sheet	39 224

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2016
Profit before tax	71 271
Other permanent differences	-446
Changes in temporary differences	-75 700
Effects of Bedriftsveien 52/58 sold in 2016	-20 044
Changes in loss carry-forwards	24 918
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:

	2016	%
Profit for accounting purposes multiplied by nominal tax rate	17 818	25.0
Tax on permanent differences	-111	-0.2
Effects of Bedriftsveien 52/58 sold in 2016	-3 560	-5.0
Effect of change in tax rate from 25 per cent to 24 per cent	-1 634	-2.3
Tax expense for accounting purposes	12 512	17.6

From the income year 2017 the tax rate on normal income is reduced to 24 per cent. Deferred tax as at 31 December 2016 was measured using the new rate. The effect on tax for the period is tNOK - 1,634.

MOVEMENTS IN DEFERRED TAX

	2016
Opening balance at 01.01.	28 166
Tax expense recognized through income statement	12 512
Effects of Bedriftsveien 52/58 sold in 2016	-1 454
Net deferred tax at 31.12.	39 224

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:

	2016
Deferred tax liability	41 078
Deferred tax assets	-1 854
Net deferred tax	39 224

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 2016 is tNOK 38.4.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS

	2016
Deferred tax assets	
Deferred tax assets to be recovered after more than 12 months	-1 854
Deferred tax assets to be recovered within 12 months	-
	-1 854
Deferred tax liabilities	
Deferred tax liability reversion after more than 12 months	40 885
Deferred tax liability reversion within 12 months	194
	41 079
Deferred tax liabilities (net)	39 224

NOTE 21 TRADE PAYABLES AND OTHER PAYABLES

All amounts in NOK thousand

	2016
Trade payables	5 908
Holiday pay owed	41
Unpaid government taxes and duties	648
Seller credit and withheld purchase price	1 667
Interest accrued	4 756
Other liabilities	8 521
Total trade payables and other liabilities	21 541

NOTE 22 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2016.

SUBSIDIARY OF R8 PROPERTY AS

	Business office	Equity interest %	Result 31.12.2016	Equity 31.12.2016
Grønlikroken 5 AS	Porsgrunn	100	1 157	11 742
HE-Kjelleveien AS	Porsgrunn	100	1 745	17 966
Hesselberggaten 4 AS	Skien	100	1 384	22 954
Nordre Folkserød AS	Porsgrunn	100	-682	681
Porsgrunn Næringspark AS	Porsgrunn	100	4 861	34 448
Storgata 106 AS	Porsgrunn	100	118	1 086
Torggata 8 Skien AS	Porsgrunn	100	-1 163	158
Versvikveien 6B AS	Porsgrunn	100	-38	1 178
Vinkelbygget AS	Porsgrunn	100	11 551	128 249

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's transactions and balances with other group companies in 2016 mainly related to rental income, property management, loans, interest payments on loans and dividend. The aggregate figures are shown in the table below.

	2016
Income statement	
Rental income	522
Operating costs ¹⁾	7 086
¹⁾ In addition it is invoiced tNOK 2,858 from group companies, which is recognized in the balance sheet.	
Balance sheet	
Receivables	157
Loans	26 308
Debt	850
Payables	3 312

NOTE 24 AUDITOR'S FEE

All amounts in NOK thousand

	2016
Statutory audit	330
Tax advice (incl. technical assistance with tax return)	63
Other assurance services	220
Total auditor's fee (excl. VAT)	613

Other assurance services in 2016 was impacted by services provided by the auditor in connection with the implementation of IFRS for the Group.

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.

	2016
Total comprehensive income for the year attributable to equity holders of the Company (NOK thousand)	58 759
Average number of outstanding shares (Note 18)	1 000 000
Basic earnings per share (NOK)	59

NOTE 26 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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



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INDEPENDENT AUDITOR'S REPORT

To Annual Shareholders' Meeting of R8 Property AS

Report on the audit of IFRS Period Report 2016

Opinion

We have audited the accompanying consolidated IFRS Period Report of R8 Property AS as at December 31, 2016. The period report for the Group comprise the balance sheet as at 31 December 2016, statement of total comprehensive income, the statement of cash flows and changes in equity for the period then ended and notes to the period report, including a summary of significant accounting policies ("the period report").

In our opinion, except for the matter described in note 2.1 and in the paragraph "other matters", the consolidated period report of R8 Property AS, have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and their financial performance for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the period report* section of our report. We are independent of the Company in accordance with the ethical requirements in Norway that are relevant to our audit, 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.

Responsibilities of management

Management is responsible for the preparation and fair presentation of this period report in accordance with those requirements of the financial reporting framework relevant to preparing such a period report, and for such internal control as management determines is necessary to enable the preparation of the period report that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

In preparing the period report, 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 period report

Our objectives are to obtain reasonable assurance about whether the period report 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 period report.

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 IFRS period report 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 project accounts 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.

Other matters

We draw attention to note 2.1, which describes the basis of accounting. The period report has been prepared in accordance with IFRS for 2016, except for IFRS 1, which requires that the entity's first IFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss, two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented. Our opinion is not modified in respect of this matter.

Porsgrunn, 6 April 2017
ERNST & YOUNG AS

Bård Erik Pedersen
State Authorised Public Accountant (Norway)

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 NNNAV	EPRA NNNAV is EPRA NAV adjusted to reflect the fair value of debt and derivatives and in order to include deferred tax on value changes. The objective with EPRA NNNAV is to report the fair value of net assets in the Group on the basis that these are immediately realised.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities 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.
WALLT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the management properties of the Group.

