



**R8 PROPERTY AS**  
QUARTERLY REPORT Q2 2020

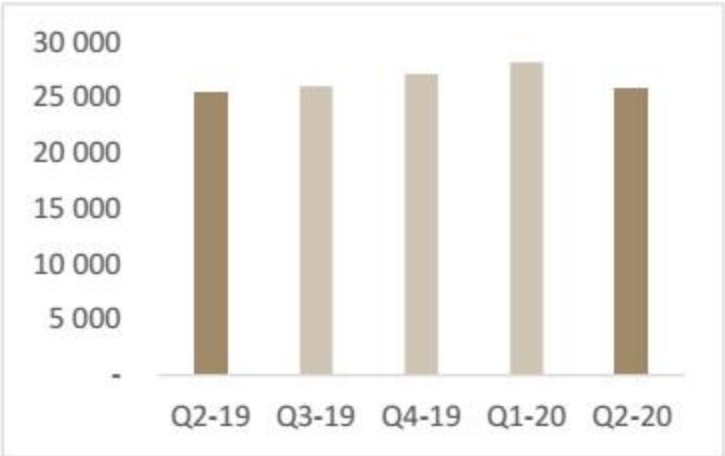
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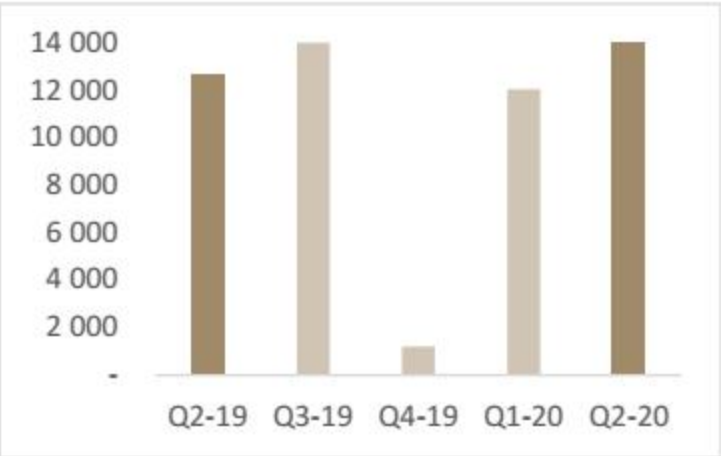
# FINANCIAL HIGHLIGHTS

- Rental income of 25.9 million (25.6 million) in the quarter
- Net income from property management 14.9 million (12.6 million)
- Negative portfolio value changes of 26.4 million (positive of 34.9 million)
- Profit before tax of -31.7 million (35.6 million)
- EPRA NAV per share of 377.2 (389.5)

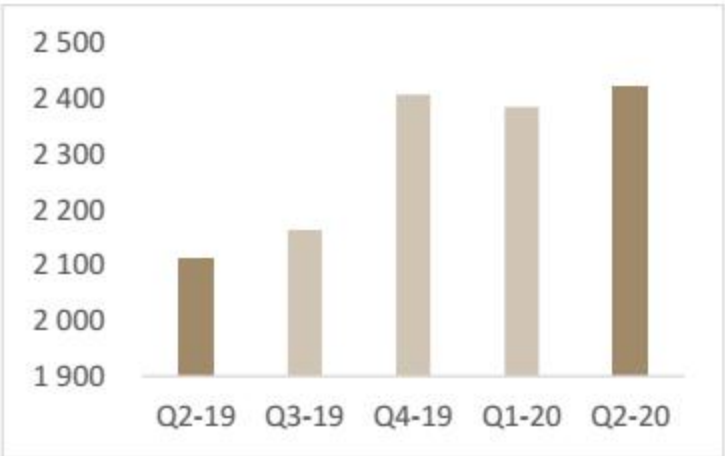
Rental income (KNOK)



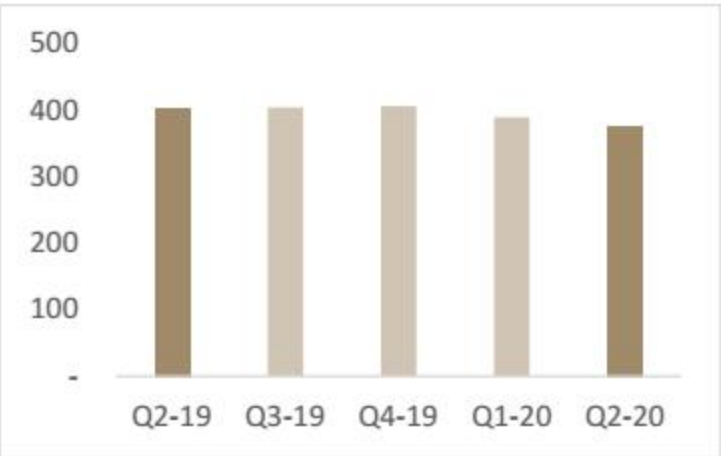
Net income property management (KNOK)



Market value of the property portfolio (MNOK)



EPRA NAV (NOK per share)



# KEY FIGURES

All amounts in NOK thousand	Q2 -20	Q2 - 19	2019	2018
Rental income	25 898	25 595	99 755	70 149
Change period-on-period	1 %	50 %	42 %	26 %
Net income from property management	14 931	12 662	41 717	40 927
Change period-on-period	18 %	24 %	2 %	-1 %
Profit before tax	-31 734	35 662	76 635	70 465
Change period-on-period	-189 %	50 %	9 %	17 %
Profit after tax	-26 949	27 790	59	60 733
Change period-on-period	-197 %	41 %	-3 %	27 %
Market value of the property portfolio	2 423 500	2 112 050	2 409 000	1 731 500
Net nominal interest-bearing debt	1 671 376	1 396 334	1 581 274	1 123 762
Loan to value	69,0 %	66,1 %	65,6 %	64,9 %
Interest coverage ratio	0,9	1,1	0,6	1,3
Number of shares	1 972	1 630	1 972	1 365
All amounts in NOK per share	Q2 -20	Q2 - 19	2019	2018
EPRA NAV	377,2	403,6	406,7	377,4
Change period-on-period	-7 %	12 %	8 %	16 %
EPRA NNNNAV	333,8	367,5	377,9	346,7
Change period-on-period	-9 %	9 %	9 %	21 %
EPRA Earnings	5,0	35,9	4,0	8,3
Change period-on-period	-86 %	1228 %	-52 %	-39 %

\* EPRA NAV or EPRA NNNNAV does not reflect any added value from the Group's investment and development of Evolve (co-working) and Orbit Technology.

# FINANCIAL DEVELOPMENT

## Results

### Net income from property management

The Group's rental income was up by 1.2 per cent from 25.6 million in Q2-19 to 25.9 million in Q2-20.

According to accounting principles in IFRS for own used properties, ie Properties used by companies within R8 Property AS, are to be eliminated from reported rental income. Rental income from own used properties in Q2 were 2 million. Total rental income, including own use, in Q2 were accumulated 27.9 million.

- Total operating income came in at 41.3 million (27.5 million) in the quarter.
- Total operating cost amounted to 26.4 million (14.8 million) in the quarter.
- Net operating income from property management came in at 14.9 million (12.6 million) in the quarter.

The increase in both Total operating income (via Other operating income) and Total operating cost in mainly due to Evolve Business Space being acquired in January 2020 and included from Q1-20.

### Net realised financials

Net realised financials amounted to -15.8 million (-11.9 million) in the quarter.

### Value changes

The valuation of the property portfolio resulted in a net negative value change of 26.4 million (+34.9 million) in the quarter. The difference in property values at the end of Q1 and start of Q2 of 16 million is due to the investment in Vest siden Terrasse changed classification from 'Inventory Property' in Q1 to 'Investment Property' in Q2. The change in classification came after strategic considerations for this investment and project going forward.

### Profit

Profit before tax was -31.7 million (+35.7 million) in the quarter. Profit after tax was -26.9 million (+27.8 million) in Q2-20.

## Balance sheet

The Group's assets amounted to 2,651 million (2,230 million) as of 30.06.20. Of this, investment property, including own-used properties, amounted to 2,424 million (2,112 million).

Intangible assets were 63.6 million (7.8 million) at the end of the second quarter of 2020. The increase is mainly goodwill related to 50% of the shares in Evolve that the Group acquired in January 2020.

Right of use assets amounted to 67.9 million (0.0 million) as of 30.06.2020, which included leasing contracts, mainly in Evolve.

Short term loans to associated and jointly controlled entities were 16.4 million at the end of Q2 2020.

Total current assets came in at 67.5 million (52.7 million) in Q2-20, the increase is related to trade receivables and cash and bank deposits, as well as reclassification of loans to associated and jointly controlled entities from long term to short term. In addition, the Group has acquired Utsikten 2019 that is presented as "Inventory properties" in the balance. Vest siden Terrasse, previously presented as 'Inventory properties' has been changed to 'Investment properties' due to strategic considerations.

Book equity totaled 675 million (623 million), representing an equity ratio of 25 percent (28 percent). Equity per share was 377.2 (403.6) based on the EPRA NAV standard and 333.8 (336.4) based on EPRA NNAV. Outstanding shares at 30.06.20 totaled 1.972.064.

## Cash flow statement

Net cash flow from operating activities came in at +7.0 million (+0.7 million) in the quarter.

The net cash flow from investment activities was -38.2 million (-67.2 million) in the quarter.

Net cash flow from financing activities was 31.3 million (69.7 million) in the quarter.

Cash and cash equivalents at the end of Q2-20 came in at 19.7 million (20.9 million).

## Financing

R8 Property's total interest-bearing nominal debt (excl. leasing) as of 30.06.20 was 1.664 million (1.396 million). During the second quarter the total interest-bearing nominal debt increased by 20.3 million. The increase was mainly due to project investments and purchase of financial assets.

R8 Property is not in breach of any covenant requirements at the end of Q2-20.

### Interest bearing debt and maturity structure

The average remaining term for the Group's debt portfolio was 2.7 years at 30.06.20.

### Maturity structure and composition of interest bearing debt

*All amounts in NOK thousand*

Maturity profile	0-1 yrs	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	1 007 069	303 973	32 925	315 403	1 659 371
Subordinated loans	5 185				5 185
<b>Total</b>	<b>1 012 253</b>	<b>303 973</b>	<b>32 925</b>	<b>315 403</b>	<b>1 664 555</b>
	61 %	18 %	2 %	19 %	100 %

The average interest rate of the debt portfolio was 3.20 percent as of 30.06.2020. 38.8 per cent of the Group's financing was hedged at a fixed rate as of 30.06.20 with a weighted average maturity of 5.6 years.

Fixed rate instruments	Amount	Interest rate (%) <sup>1)</sup>
1-3 years	155 202	2.50
3-4 years	13 500	4.05
4-5 years	202 500	2.12
5-6 years	15 000	1.65
6-8 years	65 000	1.52
8-10 years	195 000	2.17
<b>Total</b>	<b>646 202</b>	<b>2.19</b>

1) Excluding credit margins

# *The Property portfolio*



# THE PROPERTY PORTFOLIO

R8 Property's management portfolio as of 30.06.2020 consists of 28 buildings with a total area of approximately 108,350 square meters. The portfolio is divided into three operating subunits: Office, Urban Estate and Hotels.

As of 30.06.2020 the occupancy is at 88.4 percent. However, most of the vacancy is strategic related to Arkaden. The occupancy in the Urban Estate subunit is increasing as the project is moving forward.

The average wault<sup>2)</sup> (weighted on annual rent) in the management portfolio is 6.6 years. Average annual rent per square meter was 1,683 NOK of 30.06.2020.

The net direct yield is at 5.3 based on annual rent as of 30.06.2020. Average yield on the total management portfolio (value weighted) as basis of property valuations is 6,3% as of 30.06.2020.

## CORPORATE LEGAL SEGMENTS Q2-20

30.06.2020	Area		Occupancy		No. of prop. (#)	Market value		Wault <sup>1)</sup>		Annual rent		Wault <sup>2)</sup> (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent <sup>3)</sup>	
	(sqm)	(sqm)	(%)	(%)		(tNOK)	(NOK/sqm)	(yrs)	(tNOK)	(NOK/sqm)	(tNOK)				(NOK/sqm)	
Office	69 185	62 280	90,0		19	1 505 500	21 760	5,0	94 214	1 513	4,8	5,1	6,0	108 875	1 574	
Urban Estate	30 068	25 015	83,2		7	558 000	18 558	8,4	38 506	1 539	8,4	5,3	6,9	52 075	1 732	
Hotels	9 097	8 520	93,7		2	266 000	29 240	12,1	19 569	2 297	12,1	6,6	7,0	21 378	2 350	
<b>Total management portfolio</b>	<b>108 350</b>	<b>95 815</b>	<b>88,4</b>		<b>28</b>	<b>2 329 500</b>	<b>21 500</b>	<b>6,6</b>	<b>152 290</b>	<b>1 589</b>	<b>6,6</b>	<b>5,3</b>	<b>6,3</b>	<b>182 328</b>	<b>1 683</b>	
Project Office	4 500	4 500	100,0		5	94 000	20 889	9,5								
<b>Total project portfolio</b>	<b>4 500</b>	<b>4 500</b>	<b>100,0</b>		<b>5</b>	<b>94 000</b>	<b>20 889</b>	<b>9,5</b>								
<b>Total property portfolio</b>	<b>112 850</b>	<b>100 315</b>	<b>88,9</b>		<b>33</b>	<b>2 423 500</b>	<b>21 475</b>	<b>6,7</b>								

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30 June 2020 corresponds to 9.3 per cent of market rent. The Group has no single external customers representing over 10% of the Group's revenue. Furthermore, the Group has around 94% of its estimated marked value of properties and 96% of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

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

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

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

## OPERATING SEGMENTS Q2-20

30.06.2020	Occupancy		Wault <sup>2)</sup>		Annual rent	
	(sqm)	(%)	(yrs)	(tNOK)	(NOK/sqm)	(NOK/sqm)
Office	68 355		5,7	109 532		1 602
Retail	10 463		6,0	11 702		1 118
Hotels	6 292		13,6	11 709		1 861
Healthcare	5 586		5,8	6 761		1 210
Food and Beverage	5 119		9,2	12 586		2 459
<b>Total management portfolio</b>	<b>95 815</b>		<b>6,6</b>	<b>152 290</b>		<b>1 589</b>



# INVESTMENTS AND DIVESTMENTS

R8 Property has invested 46.9 million (221.1 million) in the portfolio of investment properties in the quarter.

## Project Development

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

Project	Ownership (%)	Unit	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost (tNOK) <sup>1)</sup>	Of which accrued (tNOK)
Polymer Exploration Centre	50	Office	Q3-21	4 450	100	157 637	24 439
<b>Total</b>				<b>4 450</b>	<b>100</b>	<b>157 637</b>	<b>24 439</b>

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

## R8 Home

The groups residential development projects are organized within the subunit R8 Home, currently working on three development projects in Telemark.

- Utsikten Terrasse is a high-end residential project in Skien. The project consists of 11 single homes / detached homes, all with a great view of Skien City. Expected go-to market in H1 2021.
- Vestsiden Terrasse in a residential project in Porsgrunn. The project has recently received regulatory permission of approximately 45 unit, divided between single homes, detached homes and small apartment buildings.
- Skien Brygge is a large development project at the heart a Skien City Centre. The project will include approximately 400 new homes and 20.000 sqm commercial real estate. Phase one of the projects in expected in 2021.

## Status ongoing projects

R8 Property will start building Polymer Exploration Centre in Q2-20. This building is a specialized towards polymer/ plastic research with one tenant in Norner AS (part of SCG Chemicals). Polymer Exploration Centre has been granted 'Katapult' status from SIVA (Selskapet for industrivekst SF)

## Transactions YTD 2020

There have been no investment property transactions in second quarter of 2020.

However, R8 Property acquired a minority stake in Inkognitogaten 33A AS (approx. 6%) through a private placement. Inkognitogaten 33A AS is the parent company of the property located at Inkognitogaten 33 aka Inkognito Parl in Oslo. The storied property originally from the year 1874 is approx. 3.300 sqm with 65 underground parking spaces. R8 Property will increase its ownership in the parent company in Q3-20 to approx. 19%. R8 Property holds a rights option to buy out remaining shareholders within 30.06.23

In Q1-20 Group has become part owner (25%) of Skien Brygge Utvikling AS, a project to develop a new neighbourhood in Skien city centre. This is done in a collaboration with Bane NOR Eiendom and Skien Boligbyggelag. 50% of shares in Vestsiden Terrasse AS, a housing project in Porsgrunn, was also acquired from R8 Investment AS.

In January the Group acquired 50% of the shares in Evolve, a coworking concept. This includes MAW Holding AS (R8 Evolve AS) and its four operating subsidiaries; Evolve Akersgata AS, Evolve Bjørvika AS, Evolve IT Fornebu AS and Evolve Sandaker AS.

## PARTLY OWNED COMPANIES

### **Dokkvegen Utvikling AS (50 %)**

R8 Property and Dione AS own Dokkvegen Utvikling AS. This is a holding company with 100% ownership in Dokkvegen 20 AS.

### **Dokkvegen 20 AS (50 %)**

R8 Property and Dione AS own Dokkvegen 20 AS. The company owns the property known as Dokkvegen 20 in Porsgrunn (4,450 sqm) where the building 'Polymer Exploration Center' (research center) is under construction.

### **R8 Evolve AS (50 %)**

R8 Property and M Vollan AS own R8 Evolve AS. This is a holding company with 100% ownership in Evolve Akersgata AS, Evolve Bjørvika AS, Evolve IT Fornebu AS and Evolve Sandaker AS.

### **Evolve Akersgata AS (50 %)**

R8 Property and M Vollan AS own Evolve Akersgata AS. The company is the operating unit for several coworking locations in Oslo.

### **Evolve Bjørvika AS (50 %)**

R8 Property and M Vollan AS own Evolve Bjørvika AS. The company is the operating unit for several coworking locations in Oslo, Asker, Drammen, Ås, Fredrikstad and Tønsberg.

### **Evolve IT Fornebu AS (50 %)**

R8 Property and M Vollan AS own Evolve IT Fornebu AS. The company is the operating unit for several coworking locations in Fornebu, Lysaker, Sandvika and Porsgrunn.

### **Evolve Sandaker AS (50 %)**

R8 Property and M Vollan AS own Evolve Sandaker AS. The company is the operating unit for several coworking locations in Oslo and Asker.

### **Kammerherreløkka AS (50 %)**

R8 Property and Bane NOR Eiendom AS own Kammerherreløkka AS. The company owns one hotel building (6,282 sqm) and one office building (2,767 sqm) in Porsgrunn.

### **Skien Brygge Utvikling AS (25 %)**

R8 Property, Bane NOR Eiendom AS and Skien Boligbyggelag own Skien Brygge Utvikling AS. The company owns land in Skien where a project has started to develop a neighbourhood in Skien including office buildings, hotel and apartments.

### **Telemarksgaten 10 AS (14 %)**

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

### **Vestsiden Terrasse AS (50%)**

R8 Property and Mynd Eiendom AS own Vestsiden Terrasse AS. The company owns land in Porsgrunn where it's planned to develop and sell 40-50 houses/apartments.

### **Inkognitogaten 33A AS (6%)**

R8 Property and a group of investors own Inkognitogaten 33A AS. The company owns the property known as Inkognitogaten 33 aka Inkognito Park in Oslo

# OTHER INFORMATION

## Organization

At 30.06.20 the Group had 29 employees. During the first quarter there were no injuries that caused absence from work.

## Share and shareholder information

R8 Property's share capital is NOK 4,929,910 divided into 1,972,064 shares, with each share having a par value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

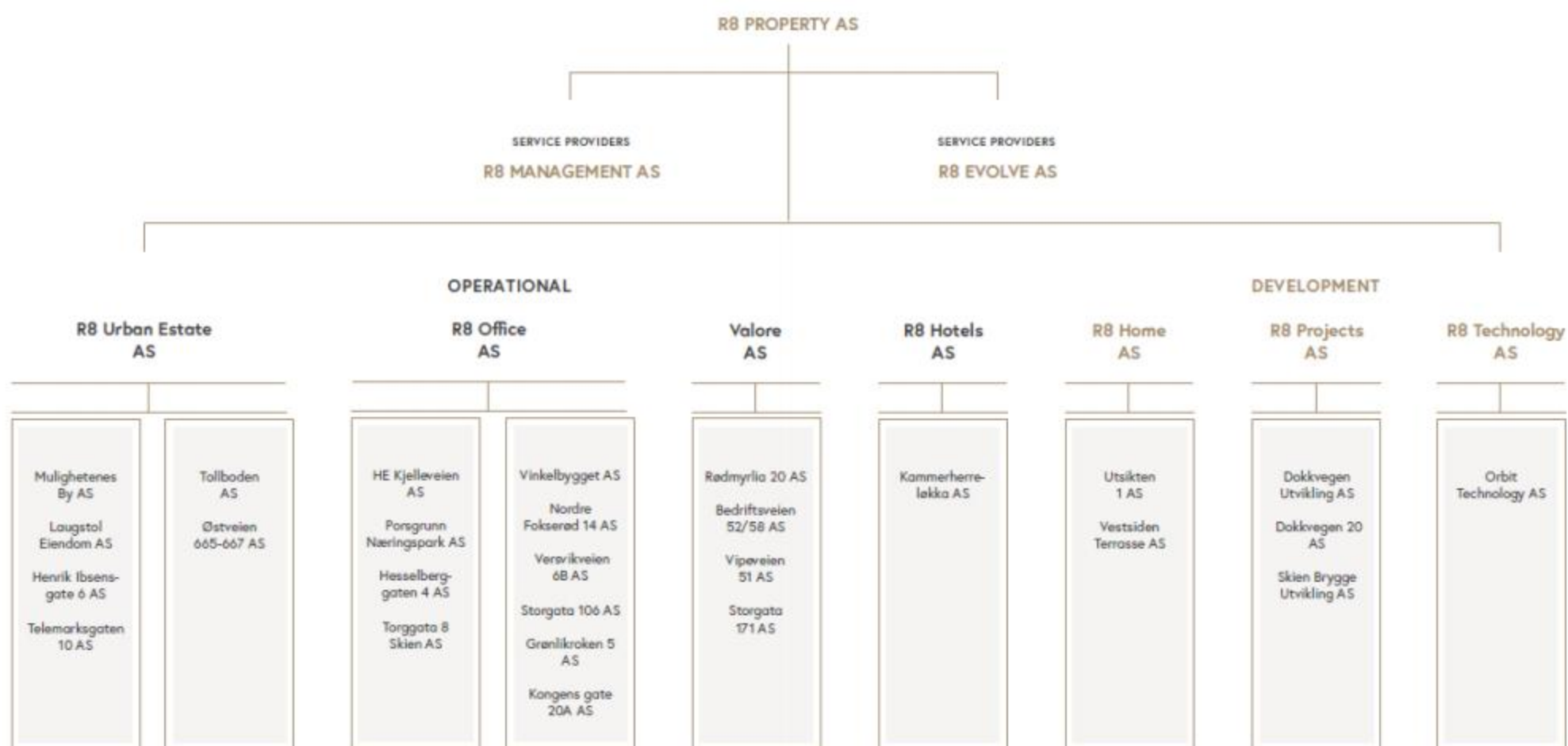
As of 30.06.2020, R8 Property had 48 shareholders. Norwegian investors held 100 per cent of the share capital. The 10 largest shareholders on 30.06.20 were:

Shareholder	Owership
R8 GROUP AS	51,2 %
BRØDRENE JENSEN AS	13,7 %
IKAB AS	9,1 %
CARUCEL INVEST AS	2,4 %
SAREPTA HOLDING AS	2,0 %
RP HOLDING AS	1,8 %
AUBERT INVEST AS	1,8 %
KABBE HOLDING AS	1,8 %
HOLTA & CO. AS	1,4 %
HEIMBERG HOLDING AS	1,1 %
<b>Total</b>	<b>86,4 %</b>

# Company structure

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

\*The company structure is updated June 30 2020.



The companies Rådhusgt 2 AS, Inkognitogaten 33A AS and HIG 40-42 Prosjekt AS has a temporary placement as a subsidiary of R8 Property. It is expected that these two companies are placed under the right segment no later than 2021.



*Financial  
statements*

## Statement of total comprehensive income

All amounts in NOK thousand

	Note	Q2-20	Q2-19	YTD Q2 - 20	YTD Q2 -19	2019
Rental income	2	25 898	25 595	54 155	46 465	99 755
Other operating revenue		15 409	1 881	29 750	5 573	13 636
<b>Total operating income</b>		<b>41 308</b>	<b>27 476</b>	<b>83 906</b>	<b>52 038</b>	<b>113 391</b>
Maintenance and other operating expenses		19 896	13 069	40 433	19 662	34 443
Other property-related expenses		481	344	778	462	1 088
Administrative expenses		6 000	1 401	15 719	7 632	36 143
<b>Total operating costs</b>		<b>26 377</b>	<b>14 814</b>	<b>56 930</b>	<b>27 756</b>	<b>71 674</b>
<b>Net income from property management</b>		<b>14 931</b>	<b>12 662</b>	<b>26 976</b>	<b>24 282</b>	<b>41 717</b>
Changes in fair value from investment properties	3, 4	-26 418	34 901	-79 713	62 014	78 664
<b>Operating profit</b>		<b>-11 487</b>	<b>47 563</b>	<b>-52 737</b>	<b>86 297</b>	<b>120 381</b>
Interest and other finance income		571	1 253	1 059	1 631	3 105
Interest and other finance expense		-16 397	-12 510	-32 962	-22 274	-47 360
<b>Net realised financials</b>		<b>-15 826</b>	<b>-11 257</b>	<b>-31 903</b>	<b>-20 643</b>	<b>-44 255</b>
Unrealised changes in fair value of financial instruments	3	-4 421	-644	-38 335	-4 336	509
<b>Net financial items</b>		<b>-20 247</b>	<b>-11 902</b>	<b>-70 238</b>	<b>-24 979</b>	<b>-43 746</b>
<b>Profit before tax</b>		<b>-31 734</b>	<b>35 661</b>	<b>-122 975</b>	<b>61 318</b>	<b>76 635</b>
Tax expense		4 786	-7 871	17 108	-13 514	-17 458
<b>Profit for year</b>		<b>-26 949</b>	<b>27 790</b>	<b>-105 868</b>	<b>47 804</b>	<b>59 177</b>
<b>Total comprehensive income for the year</b>		<b>-26 949</b>	<b>27 790</b>	<b>-105 868</b>	<b>47 804</b>	<b>59 177</b>
<b>Profit attributable to:</b>						
Equity holders of the company		-25 092	26 773	-80 587	42 623	48 767
Non-controlling interest		-48 705	1 018	-25 280	5 180	10 411
<b>Total comprehensive income attributable to:</b>						
Equity holders of the company		-25 092	26 773	-80 587	42 623	48 767
Non-controlling interest		-1 855	1 018	-25 280	5 180	10 411

Notes 1 through to 8 form an integral part of the consolidated financial statements.

## Balance sheet

All amounts in NOK thousand

	Note	30.06.2020	30.06.2019	31.12.2019
<b>NON-CURRENT ASSETS</b>				
Deferred tax asset		-	1 085	-
Other intangible assets		63 579	7 838	7 630
<b>Total intangible assets</b>		<b>63 579</b>	<b>8 923</b>	<b>7 630</b>
Investment property	3, 4	1 954 500	2 112 050	2 409 000
Owner-occupied property	3, 4	469 000	-	-
Other operating assets		6 881	15 335	1 238
Right-of-use assets		67 111	-	-
<b>Total property, plant &amp; equipment</b>		<b>2 497 492</b>	<b>2 127 387</b>	<b>2 410 238</b>
Investment in associates and jointly controlled entities		13 506	496	496
Loans to related parties		-	40 299	-
Other long-term receivables		9 430	32	3 211
<b>Total financial assets</b>		<b>22 936</b>	<b>40 827</b>	<b>3 707</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2 584 007</b>	<b>2 177 137</b>	<b>2 421 575</b>
<b>CURRENT ASSETS</b>				
Inventory properties		8 519	-	7 805
Trade receivables		13 181	22 251	12 607
Other receivables		9 569	9 621	27 166
Other receivables to related parties		16 443	-	30 585
<b>Total current receivables</b>		<b>47 713</b>	<b>31 872</b>	<b>78 163</b>
Cash and bank deposits		19 749	20 859	51 040
<b>TOTAL CURRENT ASSETS</b>		<b>67 462</b>	<b>52 731</b>	<b>129 203</b>
<b>TOTAL ASSETS</b>		<b>2 651 469</b>	<b>2 229 868</b>	<b>2 550 778</b>
<b>EQUITY</b>				
Shareholders equity		632 882	572 924	713 469
Non-controlling interest		41 839	49 917	64 663
<b>TOTAL EQUITY</b>		<b>674 721</b>	<b>622 841</b>	<b>778 131</b>
<b>LIABILITIES</b>				
Interest-bearing debt		627 989	1 160 494	649 543
Deferred tax liability		66 837	83 801	84 591
Financial derivatives	3	50 124	15 730	11 789
Debt to related parties		-	38 587	-
Other non-current liabilities		15 629	-	-
<b>Total non-current liabilities</b>		<b>760 578</b>	<b>1 298 612</b>	<b>745 923</b>
Trade payables and other payables		102 154	72 575	74 125
Interest-bearing debt		1 111 358	235 840	931 732
Debt to related parties		2 658	-	20 868
<b>Total current liabilities</b>		<b>1 216 170</b>	<b>308 415</b>	<b>1 026 724</b>
<b>TOTAL LIABILITIES</b>		<b>1 976 748</b>	<b>1 607 027</b>	<b>1 772 647</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 651 469</b>	<b>2 229 868</b>	<b>2 550 778</b>

Notes 1 through to 8 form an integral part of the consolidated financial statements.

## Statement of changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Non-controlling interest	Total equity
<b>Equity at 01.01.2019</b>	<b>3 411</b>	<b>117 406</b>	<b>43 910</b>	<b>320 220</b>	<b>47 358</b>	<b>532 305</b>
Profit for year	-	-	-	48 767	10 411	59 177
Corporate merger (konsernfusjon) as of 29.03.2019	85	10 649	-	-	-	10 734
Capital increase as of 29.03.2019	300	37 512	-37 812	-	-	-
Capital increase as of 09.05.2019	278	34 725	-	-	-	35 002
Capital increase as of 27.11.2019	856	-	129 230	-	-	130 086
Acquisitions/capital increase subsidiaries	-	-	-	-	31 886	31 886
Decrease in non-controlling interest	-	-	-	4 841	-24 992	-20 151
Cost of equity transactions directly in equity	-	-	-908	-	-	-908
<b>Equity at 31.12.2019</b>	<b>4 930</b>	<b>200 291</b>	<b>134 420</b>	<b>373 828</b>	<b>64 663</b>	<b>778 131</b>
Profit for year	-	-	-	-80 587	-25 280	-105 868
Acquisitions/capital increase subsidiaries	-	-	-	-	2 457	2 457
<b>Equity at 30.06.2020</b>	<b>4 930</b>	<b>200 291</b>	<b>134 420</b>	<b>293 241</b>	<b>41 839</b>	<b>674 721</b>

Notes 1 through to 8 form an integral part of the consolidated financial statements.



## Statement of cash flows

All amounts in NOK thousand

	Note	Q2-20	Q2-19	2019
Profit before tax		-31 734	35 662	76 635
Expensed interest and fees on loans from financial institutions		16 397	12 510	47 360
Interest and fees paid on loans from financial institutions		-14 702	-12 703	-42 793
Depreciation and amortisation	6	175	1 035	779
Change in market value investment properties	4	26 418	-34 901	-78 664
Change in market value financial instruments	3	4 421	644	-509
Change in working capital		6 056	-1 592	-7 090
<b>Net cash flow from operating activities</b>		<b>7 031</b>	<b>654</b>	<b>-4 283</b>
Proceeds from sales of investment properties and companies		-	-	6 200
Purchase of business net of cash				-
Upgrades and construction of investment properties	4	-25 481	-65 078	-294 694
Purchase of investment property				-89 656
Purchase of intangible assets and other plant and equipment		-2 733	-2 195	-836
Net payment financial assets		-10 009		
<b>Net cash flow from investment activities</b>		<b>-38 224</b>	<b>-67 273</b>	<b>-378 985</b>
Proceeds interest-bearing debt		20 328	74 623	345 867
Repayment interest-bearing debt		-2 231	-4 988	-24 678
Net payment of loans to other related parties				-16 399
Net payment from convertible loans		13 250		
Proceeds from equity				130 086
Other receivables to related parties				-908
Purchase of shares from non-controlling interests				-20 151
<b>Net cash flow from financing activities</b>		<b>31 347</b>	<b>69 635</b>	<b>413 818</b>
Change in cash and cash equivalents		154	3 016	30 550
Cash and cash equivalents at beginning of period		19 595	17 842	20 490
<b>Cash and cash equivalents at end of period</b>		<b>19 749</b>	<b>20 858</b>	<b>51 040</b>

Notes 1 through to 8 form an integral part of the consolidated financial statements.

## NOTE 1 ACCOUNTING PRINCIPLES

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This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting principles that have been used in the preparation of the interim financial statements are in conformity with the principles used in preparation of the annual financial statements for 2019. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2019. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2019.

The interim financial statements report of R8 Property AS was approved at a Board meeting on 26 August 2020 and have not been audited. The financial reporting covers R8 Property AS and subsidiaries.

## NOTE 2 SEGMENT INFORMATION

All amounts in NOK thousand

The Groups investment properties is organised into three operating units: Office, Urban Estate (former Retail) and Hotels.

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

### CORPORATE LEGAL SEGMENTS Q2-20

30.06.2020	Area (sqm)	Occupancy (sqm)	Occupancy (%)	No. of prop. (#)	Market value (tNOK) (NOK/sqm)		Wault <sup>1)</sup> (yrs)	Annual rent (tNOK) (NOK/sqm)		Wault <sup>2)</sup> (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent <sup>3)</sup> (tNOK) (NOK/sqm)	
Office	69 185	62 280	90,0	19	1 505 500	21 760	5,0	94 214	1 513	4,8	5,1	6,0	108 875	1 574
Urban Estate	30 068	25 015	83,2	7	558 000	18 558	8,4	38 506	1 539	8,4	5,3	6,9	52 075	1 732
Hotels	9 097	8 520	93,7	2	266 000	29 240	12,1	19 569	2 297	12,1	6,6	7,0	21 378	2 350
<b>Total management portfolio</b>	<b>108 350</b>	<b>95 815</b>	<b>88,4</b>	<b>28</b>	<b>2 329 500</b>	<b>21 500</b>	<b>6,6</b>	<b>152 290</b>	<b>1 589</b>	<b>6,6</b>	<b>5,3</b>	<b>6,3</b>	<b>182 328</b>	<b>1 683</b>
Project Office	4 500	4 500	100,0	5	94 000	20 889	9,5							
<b>Total project portfolio</b>	<b>4 500</b>	<b>4 500</b>	<b>100,0</b>	<b>5</b>	<b>94 000</b>	<b>20 889</b>	<b>9,5</b>							
<b>Total property portfolio</b>	<b>112 850</b>	<b>100 315</b>	<b>88,9</b>	<b>33</b>	<b>2 423 500</b>	<b>21 475</b>	<b>6,7</b>							

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30 June 2020 corresponds to 9.3 per cent of market rent. The Group has no single external customers representing over 10% of the Group's revenue. Furthermore, the Group has around 94% of its estimated marked value of properties and 96% of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

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

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

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

### OPERATING SEGMENTS Q2-20

30.06.2020	Occupancy (sqm)	Wault <sup>1)</sup> (yrs)	Annual rent (tNOK) (NOK/sqm)	
Office	68 355	5,7	109 532	1 602
Retail	10 463	6,0	11 702	1 118
Hotels	6 292	13,6	11 709	1 861
Healthcare	5 586	5,8	6 761	1 210
Food and Beverage	5 119	9,2	12 586	2 459
<b>Total management portfolio</b>	<b>95 815</b>	<b>6,6</b>	<b>152 290</b>	<b>1 589</b>

### CORPORATE LEGAL SEGMENTS Q2-19

30.06.2019	Area (sqm)	Occupancy (sqm)	Occupancy (%)	No. of prop. (#)	Market value (tNOK) (NOK/sqm)		Wault <sup>1)</sup> (yrs)	Annual rent (tNOK) (NOK/sqm)		Wault <sup>2)</sup> (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent <sup>3)</sup> (tNOK) (NOK/sqm)	
Office	56 427	50 924	90,2	18	1 099 500	19 485	2,9	70 291	1 380	2,9	5,8	6,3	82 635	1 464
Urban Estate	27 300	22 144	81,1	6	454 300	16 641	8,5	31 383	1 417	8,6	4,8	7,1	44 688	1 637
Hotels	9 049	7 764	85,8	2	303 000	33 484	13,3	17 404	2 242	13,3	5,2	6,3	21 563	2 383
<b>Total management portfolio</b>	<b>92 776</b>	<b>80 832</b>	<b>87,1</b>	<b>26</b>	<b>1 856 800</b>	<b>20 014</b>	<b>6,0</b>	<b>119 078</b>	<b>1 473</b>	<b>5,9</b>	<b>5,5</b>	<b>6,5</b>	<b>148 886</b>	<b>1 605</b>
Project Office	16 196	14 257	88,0	3	255 250	15 760	12,9							
<b>Total project portfolio</b>	<b>16 196</b>	<b>14 257</b>	<b>88,0</b>	<b>3</b>	<b>255 250</b>	<b>15 760</b>	<b>12,9</b>							
<b>Total property portfolio</b>	<b>108 972</b>	<b>95 089</b>	<b>87,3</b>	<b>29</b>	<b>2 112 050</b>	<b>19 382</b>	<b>6,8</b>							

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06.19 corresponds to 10.1 per cent of market rent.

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

### OPERATING SEGMENTS Q2-19

30.06.2019	Occupancy (sqm)	Wault <sup>1)</sup> (yrs)	Annual rent (tNOK) (NOK/sqm)	
Office	52 660	3,6	76 056	1 444
Retail	11 903	5,6	12 839	1 079
Hotels	6 189	14,7	12 194	1 970
Healthcare	5 529	5,9	6 646	1 202
Food and Beverage	4 551	12,8	11 342	2 492
<b>Total management portfolio</b>	<b>80 832</b>	<b>5,9</b>	<b>119 078</b>	<b>1 473</b>

1) Wault weighted on property market value

2) Wault weighted on annual rent

3) Includes market rent from available areas

## NOTE 3 INFORMATION ABOUT FAIR VALUE OF ASSETS & LIABILITIES

All amounts in NOK thousand

The valuation methods and principles are unchanged in the quarter. See the annual financial statements for 2019 for further information. Set out below is a summary of assets and liabilities measured at fair value divided between the different valuation hierarchies set out in IFRS 7.

### ASSETS MEASURED AT FAIR VALUE

	30.06.2020	30.06.2019	31.12.2019
Assets at fair value through profit or loss			
- Investment properties (level 3)	1 954 500	1 856 050	2 409 000
- Property used by owner (level 3)	469 000	-	-
<b>Total</b>	<b>2 423 500</b>	<b>1 856 050</b>	<b>2 409 000</b>

### LIABILITIES MEASURED AT FAIR VALUE

	30.06.2020	30.06.2019	31.12.2019
Liabilities at fair value through profit or loss			
- Derivatives (level 2)	50 124	15 086	11 789
<b>Total</b>	<b>50 124</b>	<b>15 086</b>	<b>11 789</b>

## NOTE 4 INVESTMENT PROPERTIES

All amounts in NOK thousand

	30.06.2020	30.06.2019	31.12.2019
<b>VALUE OF INVESTMENT PROPERTIES</b>			
Opening balance previous period	2 403 000	1 731 500	1 731 500
<b>Other movements</b>			
Purchase of investment properties		22 800	301 989
Projects and upgrades in the property portfolio	43 560	70 422	280 778
Capitalised borrowing costs	3 360	4 098	22 269
Sale of investment property	-	-	-6 200
Change in value from investment properties	-26 420	27 230	78 664
<b>Total value of investment property</b>	<b>2 423 500</b>	<b>1 856 050</b>	<b>2 409 000</b>
Of which owner-occupied property	469 000	-	-
<b>Total book value of investment property at 30.06</b>	<b>2 423 500</b>	<b>1 856 050</b>	<b>2 409 000</b>

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

Owner-occupied property shown above relates solely to the properties Kammerherreløkka, Powerhouse Telemark and Henrik Ibsens Gate 40-42.

The Group has several lease contracts regarding cars, inventory and commercial real estate. Outstanding right-of-use assets as per 30.06.2020 totals mNOK 68.

## NOTE 5 TRANSACTIONS WITH RELATED PARTIES

The Group acquired 50% of the shares in Vestsiden Terrasse AS for the amount of mNOK 2,9 as of February 2020 from R8 Investment AS. The ownership in Vestsiden Terrasse AS is also treated as subsidiary with full consolidation due to control.

## NOTE 6 KEY FIGURES

All amounts in NOK thousand

### DEBT RATIO (LTV)

	30.06.2020	30.06.2019	31.12.2019
Net nominal interest-bearing debt	1 671 376	1 210 090	1 581 274
Total market value of the property portfolio	2 423 500	1 856 050	2 409 000
<b>Debt ratio (LTV) %</b>	<b>69,0</b>	<b>65,2</b>	<b>65,6</b>

### INTEREST COVERAGE RATIO (ICR)

	30.06.2020	30.06.2019	31.12.2019
Net income from property management	14 931	11 620	41 717
Depreciation	175	1 011	779
<b>EBITDA adjusted</b>	<b>15 106</b>	<b>12 631</b>	<b>42 496</b>
Interest cost	16 397	9 232	68 830
Other finance expense	-	-	799
<b>Applicable net interest cost</b>	<b>16 397</b>	<b>9 232</b>	<b>69 629</b>
<b>Interest Coverage Ratio (ICR)</b>	<b>0,9</b>	<b>1,4</b>	<b>0,6</b>

## Note 7 EPRA REPORTING

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

EPRA Reporting - summary	Unit	Q2-2020 / 30.06.2020	Q2-2019 / 30.06.2019	2019 / 31.12.2019
EPRA Earnings per share (EPS)	NOK	5,0	3,1	4,0
EPRA NAV per share	NOK	377,2	403,6	406,7
EPRA NNNAV per share	NOK	333,8	367,5	377,9

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

### EPRA EARNINGS

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

All amounts in NOK thousand

	30.06.2020	30.06.2019	31.12.2019
Profit for period/year	-26 949	27 790	59 177
<b>Add:</b>			
Changes in value of investment properties	26 418	-34 901	-78 664
Tax on changes in value of investment properties <sup>1)</sup>	4 216	7 678	17 306
Changes in value of financial instruments	4 421	644	-509
Tax on changes in value of financial instruments <sup>1)</sup>	-973	-142	112
Share of profit jointly controlled entities - fair value adjustments	-	-	-
Reversal of deferred tax EPRA adjustments jointly controlled entities <sup>1)</sup>	-	-	-
Net income non-controlling interest of subsidiaries	2 546	5 030	13 347
Reversal of tax non-controlling interests of subsidiaries <sup>1)</sup>	233	-1 107	-2 936
Change in tax rate <sup>1)</sup>	-	-	-
<b>EPRA Earnings</b>	<b>9 912</b>	<b>4 993</b>	<b>7 832</b>

<sup>1)</sup> 22 per cent from 2020 and 22 per cent for 2019.

### EPRA NAV AND EPRA NNNAV - NET ASSET VALUE

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

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

EPRA NAV or EPRA NNNAV does not reflect any added value from the Group's investment and development of Evolve (co-working) and Orbit Technology.

All amounts in NOK thousand

	30.06.2020	30.06.2019	31.12.2019
<b>NAV - book value of equity</b>	<b>674 721</b>	<b>622 840</b>	<b>778 131</b>
Less: Non-controlling interest	-41 839	-49 917	-64 663
Deferred property tax	71 887	72 617	79 395
Fair value of financial derivative instruments	39 097	12 269	9 196
<b>EPRA NAV</b>	<b>743 865</b>	<b>657 810</b>	<b>802 060</b>
Market value on property portfolio	2 423 500	2 112 050	2 409 000
Tax value on property portfolio	1 495 184	1 179 801	1 455 350
Basis for calculation of tax on gain on sale	928 316	932 249	953 650
<b>Less: Market value of tax on gain on sale (5 per cent tax rate)</b>	<b>46 416</b>	<b>46 612</b>	<b>47 683</b>
Net market value on financial derivatives	50 124	15 730	11 789
Tax expense on realised financial derivatives <sup>1)</sup>	-11 027	-3 461	-2 594
<b>Less: Net result from realisation of financial derivatives</b>	<b>39 097</b>	<b>12 269</b>	<b>9 196</b>
Book value of interest bearing debt	1 671 376	1 396 334	1 581 274
Nominal value of interest bearing debt	1 671 376	1 396 334	1 581 274
Basis for calculation of tax on realisation of interest bearing debt	-	-	-
<b>Less: Market value of tax on realisation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EPRA NNNAV</b>	<b>658 353</b>	<b>598 928</b>	<b>745 182</b>

<sup>1)</sup> 22 per cent from 2020 and 22 per cent for 2019.

## NOTE 8 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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The corona pandemic outbreak in Q1 2020 has had an impact on R8 Property's tenants, financials and property values. Going forward, the uncertainty connected to the pandemic development remains, making forward looking estimates and prognosis challenging.

R8 Property's tenant portfolio is diversified in number of tenants as well as in business sectors and segments. Public tenants make up approx. 30% of the group's rental income, another approx. 25% of our revenue comes from large private tenants within banking, telecom, insurance etc. Our tenant portfolio is divided into five different segments: Office, Hotels, Food & Beverage, Healthcare and Retail – with Office as the majority at approx. 70 percent of the revenue. Retail, Food & Beverage and Hotels are the segments experiencing the greatest effect from the pandemic, our expectations are that Food & Beverage will rebound in line with declining social limitations while we expect Hotels and Retail segments to be difficult for an extended period of time.

Property values within our Office segment are considered strong, especially due to public and large private tenants. Hotels and retail are the segments we experience is affected the most, with future uncertainty in travel, conventions and shopping habits. Our property portfolio is valued quarterly by an external expert (Newsec), and valuations at the end of Q2 2020 is approximately negative 1 percent compared to 31.03.2020. This is a testament to the overall strength of our property portfolio, and while we cannot exclude further devaluations going forward with some segments and properties they will most likely be marginal towards the total property portfolio.

The sharp decline in interest rates (NIBOR) will positively influence our financial costs on the groups non-fixed rates loans. At the same time our fixed rate loans (i.e. interest rate swaps) has been negatively affected, as seen in Q1 and Q2 2020.

We expect an increase in risk factors such as credit risk, interest rate risk and refinancing risk - with all our external financing coming from banks we believe the risk to be manageable. Covenants in bank agreements have good margins and can handle the negative changes in property value.

# CONTACT

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## Financial calendar

Q3 report 2020	11.11.2020
Q4 report 2020	16.02.2021
Annual report 2020	24.03.2021

## R8 Property

Head office and postal address

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# DEFINITIONS

Annual rent	The contractual annual rent from the properties of the Group including forward starting contracts and excluding any market contribution.
Cash earnings	Result from property management less payable tax.
Contractual rent	Annual cash rental income being received as of relevant date.
EPRA Earnings	Net income after tax excluding value changes on investment properties, unrealised changes in the market value of financial derivatives and gains/losses on the sale of properties and their associated tax effects. EPRA earnings are intended to give an indication of the underlying development in the property portfolio.
EPRA NAV	Net asset value adjusted to include market value of all properties in the portfolio and interest-bearing debt, and to exclude certain items not expected to crystallise in a long-term investment property business model such as e.g. financial derivatives and deferred tax on the market value of investment properties. The objective with EPRA NAV is to demonstrate the fair value of net assets given a long-term investment horizon.
EPRA NNNAV	EPRA NNNAV is EPRA NAV adjusted to reflect the fair value of debt and derivatives and in order to include deferred tax on value changes. The objective with EPRA NNNAV is to report the fair value of net assets in the Group on the basis that these are immediately realised.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities (excluding debt to group companies) divided by the market value of the property portfolio.
Management properties	Properties that are actively managed by the company.
Market rent	The annualised market rent of the management properties, fully let as of the relevant date, expressed as the average of market rents estimated by the independent professionally qualified valuers.
Market value of property portfolio	The market value of all the properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes.
Net yield	Net rent divided by the market value of the management properties of the Group.
Occupancy	Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio.
Project properties	Properties where it has been decided to start construction of a new building and/or renovation.
Interest Coverage Ratio ("ICR")	Net income from property management excluding depreciation and amortisation for the Group, divided by net interest on interest-bearing nominal debt and fees and commitment fees related to investment activities.
Total area	Total area including the area of management properties, project properties and land / development properties.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the management properties of the Group.