Annual report

'17

R8 Property
2017

R8 Property AS Annual Report 2017

Contents

This is R8 Property

R8 Property AS (The Company) is the mother company in R8 Property (the Group) which consists of several companies. The Group consists of 11 companies and the strategy is to acquire, develop and own properties in central and attractive locations.

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R8 Property is dedicated to the development of modern and future-oriented commercial properties. There is a strategic, green focus, and one key area for R8 Property is to develop, own and manage energy-plus buildings. Our biggest project, Powerhouse Telemark, is developed in cooperation with the Powerhouse alliance.

Since the company was established in 2010, R8 Property has built a solid property portfolio of office properties mainly near regional hubs in Skien, Porsgrunn, Sandefjord and Tønsberg in Vestfold and Telemark counties. The Properties are owned by R8 Property through single-purpose companies. R8 Property consists of the mother company, R8 Property AS, and 10 daughter companies. The headquarter is located in Porsgrunn.

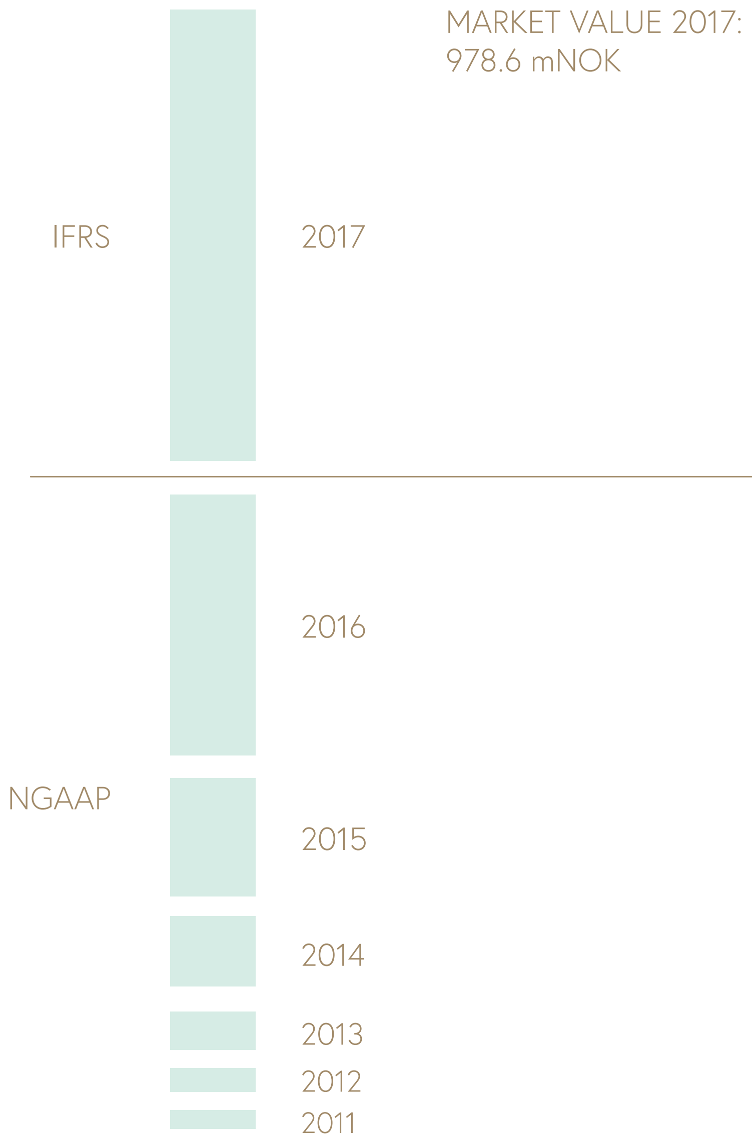
Annual rental value for the properties had increased from 53.3 million Norwegian kroners to 5.6 million by the end of 2017. As of 31 December 2017, R8 Property had a property portfolio of 11 properties and 2 projects totaling 52 531 square meters. The market value is estimated to 978,6 million.

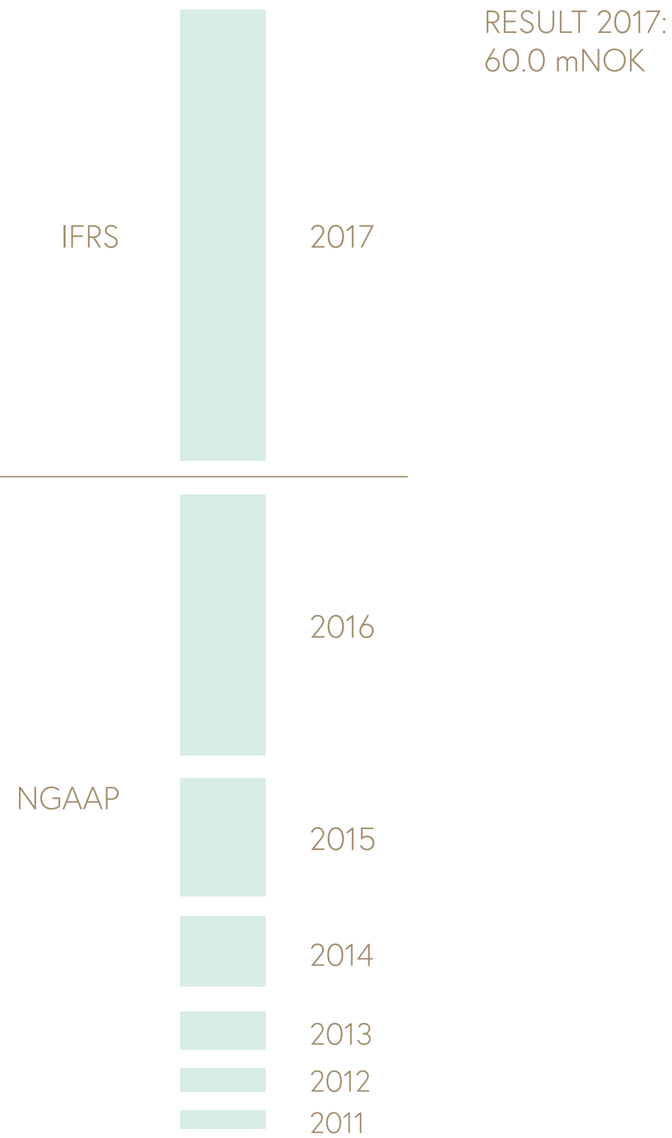
R8 Property is a leader when it comes to customer satisfaction. 2017 was the third consecutive year with first place in the national survey, Norwegian Tenant Index.

Key figures

OPERATIONAL	2017	2016
Market value of real estate portfolio (tNOK)	978 550	888 500
Total area (gross sqm)	52 531	50 875
Occupancy rate of management portfolio (%)	91,5	94,2
WAULT (years)	4,8	4,9
FINANCIAL		
Rental income (tNOK)	55 574	52 130
Profit before value adjustments and tax (tNOK)	17 805	18 338
Profit after tax (tNOK)	47 942	58 759
EPRA Earnings (tNOK)	13 480	17 425
Net cash flow from investment activities (tNOK)	-50 568	-69 294
Net nominal interest-bearing debt (tNOK)	618 564	606 611
Debt ratio (LTV) (%)	63,2	68,3
Interest coverage ratio (ICR) (%)	1,7	1,6
Equity ratio (%)	27,5	25,2
NUMBERS PER SHARE		
Earnings (NOK)	47,9	58,8
EPRA Earnings (NOK)	13,5	17,4
Cash earnings (NOK)	17,8	18,3
Net asset value - EPRA NAV (NOK)	324,1	272,3
EPRA NNNAV (NOK)	287,7	237,9
Number of shares	1 000 000	1 000 000

Key figures





4.8 years
Unexpired lease terms (weighted average)

55.6 mNOK
Gross rent per year (run rate)

91.5 %
Occupancy

52 531 m²
Total area in portfolio

Highlights

January

Powerhouse Telemark is launched and receives a lot of attention and publicity in national and international newspapers and magazines. The company Snøhetta is a highly recognized architectural company all over the world, and the project is featured in newspapers and magazines in Italy, France, Brazil and the USA etc. The Powerhouse Telemark aims to generate more energy than it consumes through a lifetime, and is created in collaboration with the Powerhouse Alliance. The international company Norner signs a long-term contract and becomes the largest tenant in the building, next to R8 Group. R8 Property wins the Norwegian Tenant Index for 2016. It´s the second consequtive win for R8.

HIGHLIGHTS

February

The first section at Nordre Fokserød 14 has its official opening. This low energy building has a very good location next to the main highway and is very close to the Oslo Torp airport, which makes it ideal for both employees, clients and other visitors. KPMG is the largest tenant in the building.

April

Trine Riis Groven enters R8 Property as the new CEO, after Emil Eriksrød decides to pay full attention to his work as CEO for R8 Group. Riis Groven has a background from both private and public sector and from different industries. She came from the position as Executive director in EY where she was in charge of the consultancy services in Agder, Telemark and Vestfold.

May

Second construction phase of the low energy building Nordre Fokserød 14 starts. The project will be completed in the second quarter of 2018.

July

Because of the massive interest from potential tenants, R8 decides to expand Powerhouse with 2000 square meters, which means that the total area will be 8313 square meters.

September

R8 launches its new logo/profile and payoff at their biggest event until now; R8X. The new logo visualizes a star trail, which represents R8's employees. The payoff, "Room for life" makes associations to what we do, how we think in our daily work and our private lives. Also, the payoff has a reference to the Company´s focus on sustainability.

December

Enova, which manages the Norwegian energy fund, supports Powerhouse Telemark with 12.3 mNOK.

Letter from CEO

2017 has been a year of both change and stabilization, success and trial and error, but most of all a year of progress for the Group. The financial results are still strong, and even more important the Group is striving and taking leaps to become more professional and solid, rigged for continued growth.

Trine Riis Groven

Gaining good results and increasing property values

The financial statements for 2017 show that R8 Property had another year of strong results. The good result came from both net income in property management and growth in property values. Profit before tax ended at 60 million. A decrease of 11,2 million from the year before, but close to the expected result. We were hoping that the fair value of our investment properties would reach one billion by the end of the year, but it ended at 978.6 million kroners.

Constantly professionalizing and improving corporate governance

We continue to work for growth and development in several parts of the business. Throughout the year we have continued to professionalize by putting together different competencies and people, acquiring competencies from external resources when needed and clarifying roles and lines between the administration and the Board as the Company grows. An important part of this change was Emil Eriksrød´s resignation from the CEO position to focus entirely on the role as the Chairman in the Company and the CEO position in R8 Group. This was implemented from 1. April when I entered the position as the new CEO. The Company holds two employees by the end of 2017, the CFO and the CEO.

All these changes have given the administration and the Board better means to work professionally and at the right level. Most importantly it gives the Board a basis for good, fact-based discussions and decisions. Among others we have continued to develop strong investment models, relevant financial KPIs and discussed and decided a new, more provident company structure within the future R8 Property.

Through improved formal agreements, market pricing and decision-making structures we are constantly improving our internal control and corporate governance. The latter is an important part of the company's development as we through the year have gained several new shareholders in the Company and expect more to come.

Managing risk

In 2017 a financial strategy was prepared to reduce the risks arising from financial instruments to which the Company is exposed. This strategy seeks to ensure a balance between minimizing financial risk and obtaining financial flexibility and competitive financial terms. The new financial strategy will be implemented continuously and the goal is to meet all target levels by the end of 2019.

We have also focused on reducing risk related to various types of contracts, both lease contracts, construction contracts, purchase agreements and more. Improvements have been made, but there is always work to be done in terms of reducing risk in contracts as well as improving conditions and terms of purchase and financing.

Deciding new projects of the future

The year got off to a great start as Norner signed the lease agreement for Powerhouse Telemark and the connected building, formerly known as the Application Center, now the Polymer Exploration Center (PEC). By the end of January, a press conference was held and the work with signing further lease agreements started. Throughout the year several lease agreements with new tenants in Powerhouse Telemark have been signed. The interest and enthusiasm around Powerhouse Telemark has been significant. In fact, the interest from potential tenants was so large that the Board decided to increase the size of the building by 2000 square meters.

Taking excellent care of our loyal tenants

R8 Property depends on the services from R8 Management to provide good services to our tenants and keeping them happy and content. R8 Property still aims to be among the best in the country. For the third consecutive year we managed to win the Norwegian tenant index (Norsk leietakerindeks) for 2017 and received the award at Eiendomsdagene in January 2018. R8 Management deserves credit for the high scores we receive in this index. They provide great service to our tenants through a good dialogue and good technical competency as they take care of our properties – our biggest asset.

Getting better through cooperation with solid partners

R8 Management is crucial to R8 Property's results, but we also get great services from other companies in the R8 Group. R8 Consulting provides us with very good services when it comes to accounting and related consulting services and R8 Edge gives us good advices and deliveries when it comes to design and different ways of presenting our new projects. The biggest delivery from R8 Edge this year was the development of the new logo and profile for all the R8 companies. And if I may say so – the new logo is a stayer – plain but good looking with a futuristic and green line to it – just like the Company. And the new slogan "Room for life" suits the Company´s ambitions, plans and environmental view quite well.

Although we have strong commitments to other companies in the R8 Group we consider our external cooperating companies just as important. There are very many of them, but a couple of them stand out in particular in 2017 and should be mentioned. There is no doubt that the connection we have with Bane Nor Eiendom and their way of thinking in terms of development suits us very well. We have discussed several possible future projects and hope to continue this work together with them – as for now Skien Brygge is the main project we are aiming for.

Also, coming to realize a building as the Powerhouse Telemark is not straight-forward. The project has had its ups and downs, but by the end of 2017 we feel that we are headed to the next phase, thanks to good cooperation with several of the partners in the Powerhouse Alliance.

The many local and regional companies that we collaborate every day is very important to us. There are many service-oriented companies delivering high-quality service and products in our region. We seek to use local or region companies before looking to the big cities.

Starting the completion of our first development project

The official opening of Nordre Fokserød 14, section 1 was held in January. This was the first development project set off from scratch in the Group. The completion of section one was a milestone, and the construction start of building two another. By the end of 2017 we have very sound tenants in both buildings and this ensures the future of the two buildings and tenants all together.

The signing of Skatteetaten wasn´t completed until 2018, however most of this work was done in 2017 and helped secure the contract and give additional confidence and value in the project.

Building financial strength for the future

2017 has been demanding in terms of obtaining capital for projects and maintaining a decent level of liquidity. Going through phases with tight liquidity, makes the organization better rigged to handle it. The tough rides in 2017 has made us better prepared entering into new projects in the future. The goal is to have a significant liquidity buffer by the end of 2018. One important way to achieve this is by funding projects with new capital. Thus, the planning of an expansion of the share capital is a very important issue stepping in to 2018. An expansion is important to be able to have sufficient capital to both realize new projects and to maintain a high growth and provide positive returns in the future. At the same time new capital for projects will help improve the overall liquidity.

Positive outlooks

Entering 2018 we are a more complete company than we were entering 2017. R8 Property is still a young company but is maturing constantly. The Group is bigger and the expectations are higher. From being a company owned by one sole owner we are now entering an era where both more and larger shareholders have expectations to both results and behavior from employees and from the Board. We have used 2017 to prepare for the next steps in the Groups history. We are ready to continue our improvements. In 2018, we will emphasize thow things at the same time: to stabilize and strengthen the Group and maintaining the high growth.

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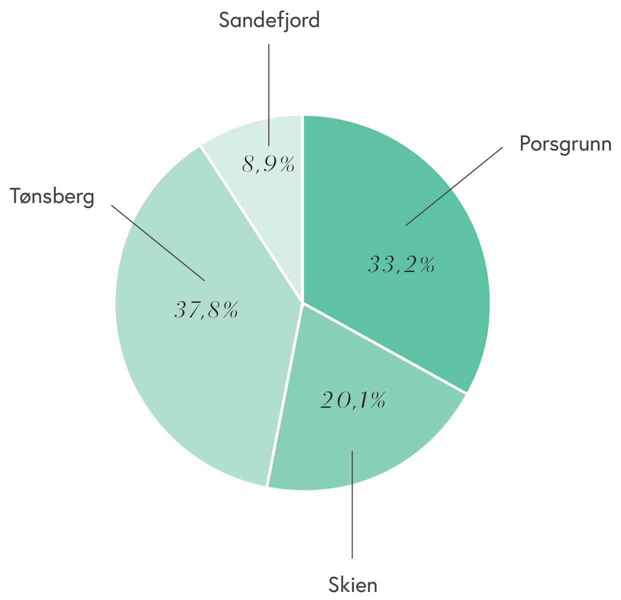
Porsgrunn, April 2018

Trine Riis Groven

Key figures

Geographic exposure (area)



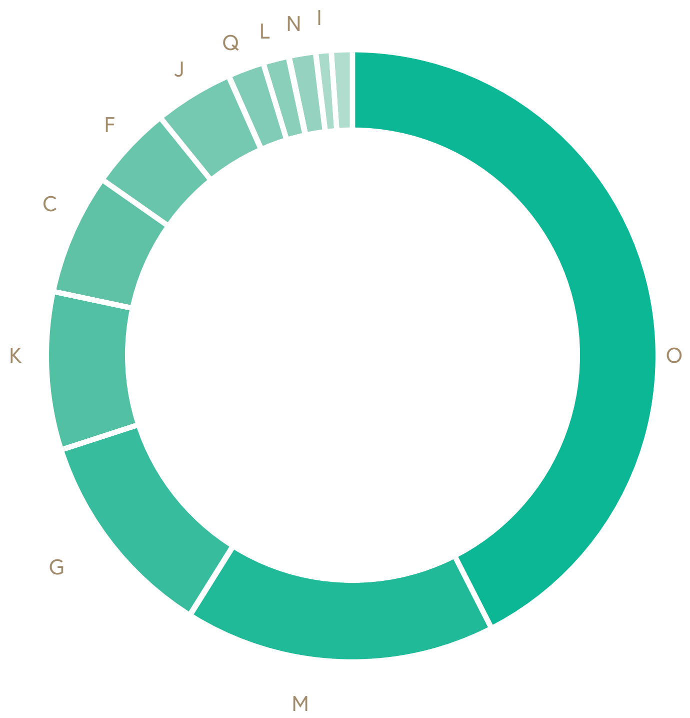
11
Management properties

2
Project properties

1 351 NOK
Average rent per sqm

4.8 years
Average wault

O - Public administration and defence; compulsory social security	42,5 %
M - Professional, scientific and technical activities	16,4 %
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	11,2 %
K - Financial and insurance activities	8,4 %
C - Manufacturing	6,3 %
F - Construction	4,5 %
J - Information and communication	4,1 %
Q - Public administration and defence; compulsory social security	1,9 %
L - Real estate activities	1,5 %
N - Administrative and support service activities;	1,3 %
I - Accommodation and food service activities	1,0 %
Others	0,9 %



Management portfolio

The Group´s property portfolio consists of 11 properties with a total of 41 915 square meters. 4 of the properties are situated in Porsgrunn, 3 in Skien, 3 in Tønsberg and 1 in Sandefjord. As of December 31, 2017, this portfolio had a market value of 999.1. The occupancy was at 91.5 per cent and the average rolling rent was 1 351 kroners. The average duration of the existing lease agreements was 4.8 years.

The Group uses Newsec for property valuations on a quarterly basis and all market values used in the balance sheet are based on valuations from Newsec. Valuation of the management portfolio is performed on a property-by-property basis, using individual DCF models and taking into the account the property's current characteristics combined with the external appraiser's estimated return requirements and expectations as to future market development.

31.12.2017	Area (sqm)	Occupancy %	No. of properties	Wault (yrs)	Market value (tNOK)	Market value (NOK/sqm)	12 month rolling rent (tNOK)	12 month rolling rent (NOK/sqm)	Net yield (%)	Market rent (tNOK)	Market rent (NOK/sqm)
Porsgrunn	14 561	97,9	4	4,3	274 500	18 852	19 699	1 353	6,7	19 745	1 356
Skien	8 013	87,1	3	3,8	126 500	15 787	8 128	1 014	5,8	10 536	1 315
Tønsberg	16 472	90,6	3	4,1	428 500	26 014	26 178	1 589	5,6	31 243	1 897
Sandefjord	2 869	77,3	1	7,1	60 500	21 087	2 634	918	3,9	4 696	1 637
Total management portfolio	41 915	91,5	11	4,8	890 000	21 233	56 639	1 351	5,9	66 220	1 580
Project portfolio	10 616		2		88 550	8 341					
Total property portfolio	52 531		13	4,8	978 550	29 575					

Project portfolio

The project portfolio consisted of two projects in 2017.

Nordre Fokserød 14, second block was approved by the Board and construction started in the second quarter of 2017. The second block will be a 3-floor office building of 2 303 square meters. The project will be completed in the second quarter of 2018. The first and second floor of the building is fully occupied, while the third floor is partly occupied and is expected to be fully occupied in the second quarter of 2018. Building 1 was ready in the fourth quarter of 2016, and the completion of the second building will complete this project. Nordre Fokserød 14 will then be a modern, energy-efficient building, with solid tenants and very good communal facilities, close to the highway and well connected with public communication.

Powerhouse Telemark is a future-oriented project. With its high ambitions when it comes to energy consumption, the Powerhouse Telemark differs from other projects. During its lifetime a Powerhouse produces more renewable energy than it uses for materials, production, operation, renovation and demolition. Powerhouse Telemark is also aiming for a BREEAM Excellent classification. The property was originally estimated to 6 322 sqm, however, due to significant interest from potential tenants, the Board decided to expand the building to 8 313 square meters. Powerhouse Telemark will be an eleven floor office building with a roof terrace. The building will also be the future head office of all the companies in the R8 Group. It is expected that construction will start before the summer of 2018 and be completed towards the end of 2019/beginning of 2020. Both projects have gained support from Enova due to innovative measures in the buildings to improve energy-efficiency.

	Ownership (%)	Location	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost [1] (tNOK)	Of which accrued (tNOK)	Yield on cost[2]
Powerhouse Telemark	100	Porsgrunn	Jan-20	8 313	72	237 367	14 301	6,3
Nordre Fokserød, building 2	100	Sandefjord	April-18	2 370	41	53 026	23 710	6,0
Total				10 683		290 392	38 011	1 580

[1] Total project cost (Including book value at date of investment decision/cost of land)
[2] Estimated net rent (fully let) at completion/total project cost (including cost of land)

Transactions in 2017

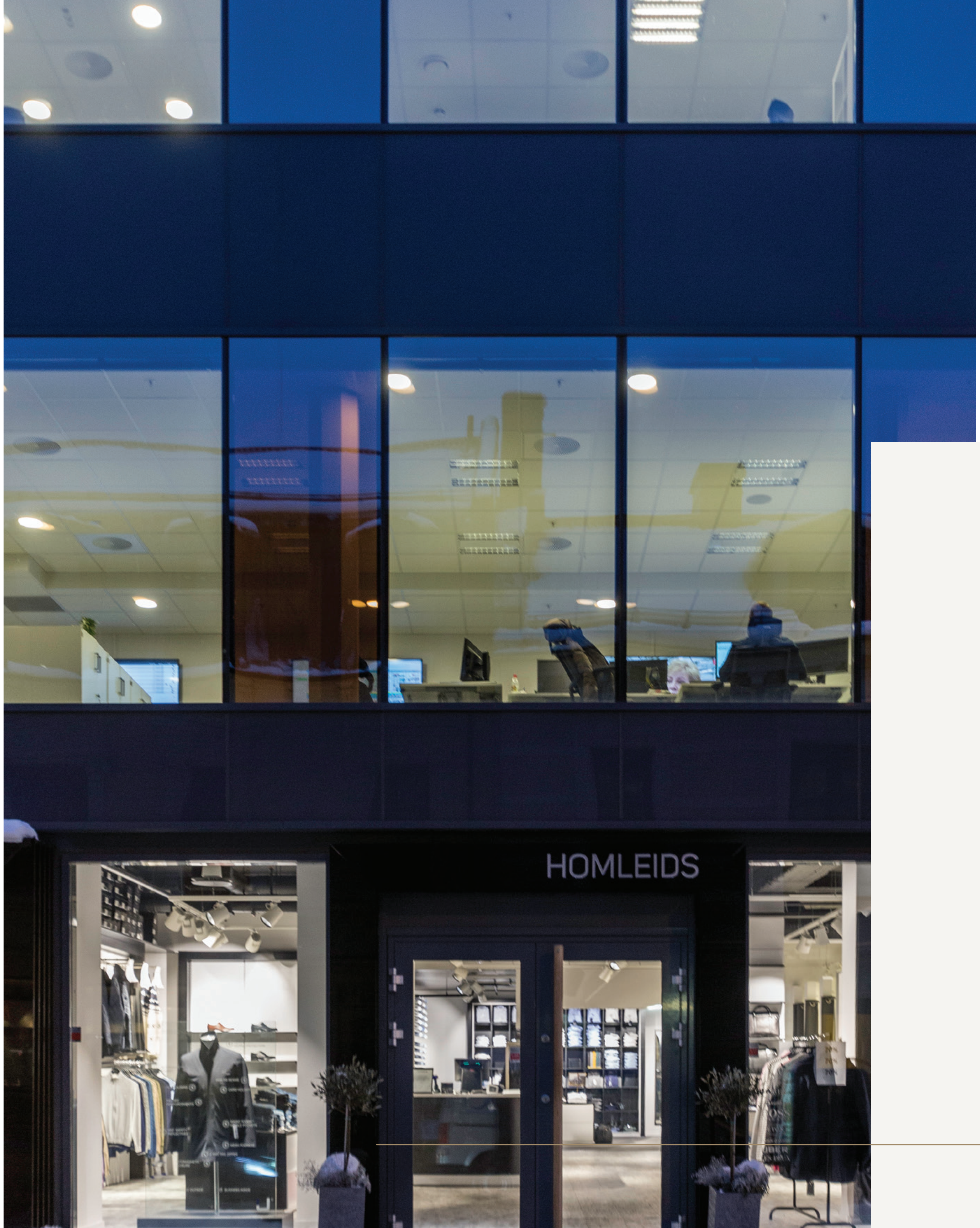
There were no property transactions in R8 Property in 2017.

Tenant lease overview

R8 Property tenant base in the management portfolio comprises of both private and public sector tenants with leases up to 10 years. Public sector tenants upheld 41 % of the portfolio by the end of December 2017. The 10 largest tenant's share of R8 Property's rental income represents 65.1 % of revenues.

Tenant	in % of rent	Sector
HELFO Helseøkonomiforvaltningen	25,5 %	Public
Kriminalomsorgen Region Sør	6,8 %	Public
Emerson Process Norway AS	5,3 %	Private
Gassnova SF	5 %	Public
DNB Bank ASA	4,6 %	Private
Azets Insight AS	4,6 %	Private
Asplan Viak AS	4,3 %	Private
Furmanite AS	3,3 %	Private
National Oilwell Varco Norway AS	3,0 %	Private
KPMG AS	2,7 %	Private
	65,1 %	

Maturity profile in the management portfolio



COMPANY STRUCTURE

In the beginning of 2017 R8 Property was the mother company of several single-purpose real estate property companies. Towards the end of 2017 the Group made changes to its company structure to be better prepared and aligned for future growth.

Entering 2017 the Group structure was as shown on the next page. R8 Group held 81 per cent of the shares in R8 Property AS and R8 Property AS held 100 per cent of the shares in each daughter.

Company structure

The new structure implies that the Company formerly known as R8 Property AS now has changed its name to R8 Office AS. R8 Office AS has kept 100 per cent of the shares in all daughter companies: Grønlikroken 5 AS, HE-Kjelleveien AS, Hesselberggaten 4 AS, Nordre Fokserød AS, Porsgrunn Næringspark AS, Storgata 106 AS, Torggata 8 Skien AS, Versvikveien 6B AS, Vinkelbygget A

R8 Property

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

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

This gives the following new structure:

R8 Property

R8 Office

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

The foundation of the company R8 Retail AS, the sister of R8 Office, was decided in 2017 and is to be founded in the second quarter of 2018. R8 Retail will in the future hold retail property. The new structure does not entail any changes in the shareholder composition, except the fact that the shareholders formerly holding shares in R8 Property AS (now R8 Office AS) after the restructuring holds shares in R8 Property AS. Further information about shareholders are shown in note 18 in the financial statements.

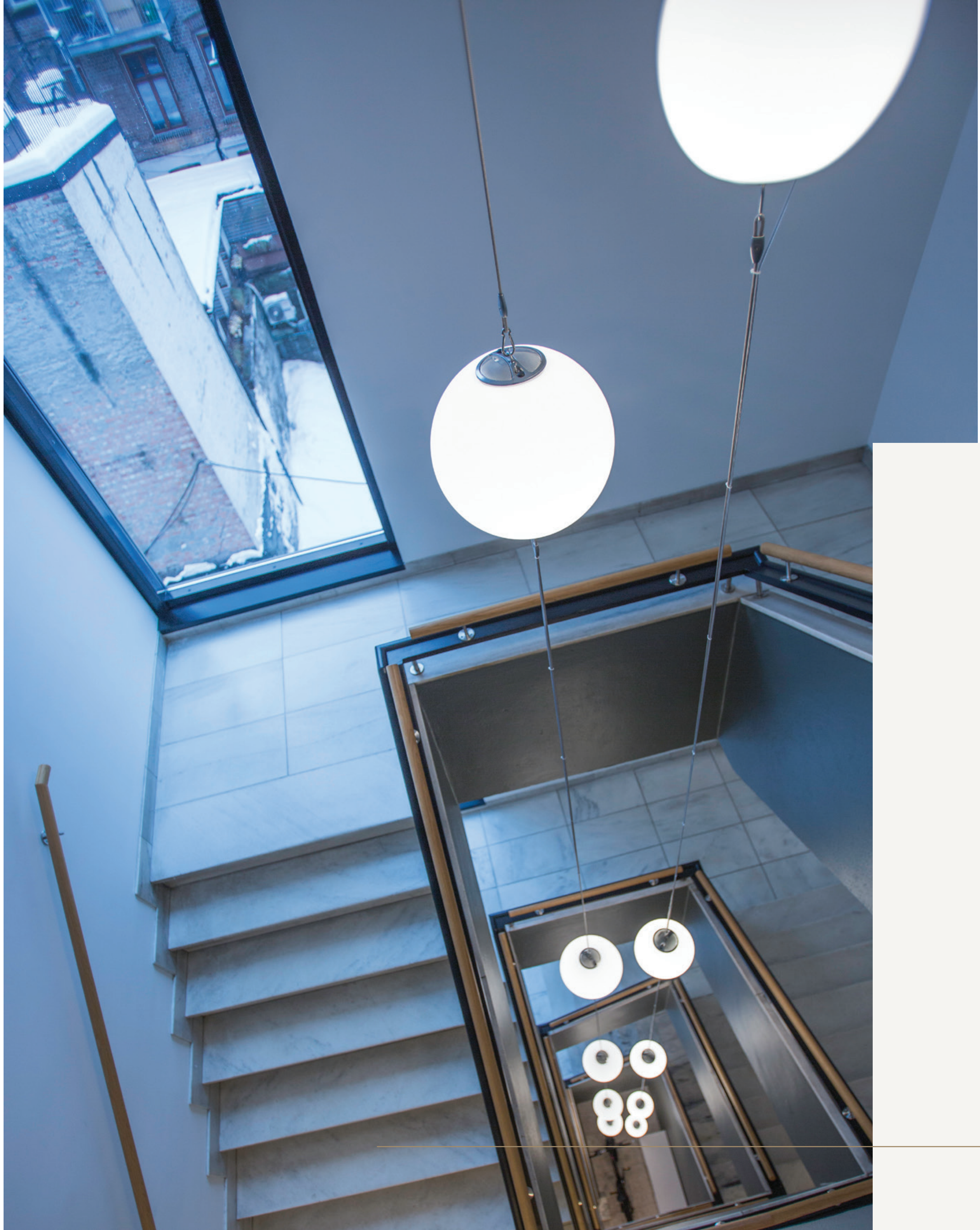
The Management

Trine Riis Groven

Trine Riis Groven came in as the Company´s new CEO 1. April 2017. Trine has a wide experience from both private and public sector and in different positions. Her ability to both see the big picture alongside focusing on the details gives a good total view and specific focus on the most important issues. Trine´s financial background is important in the phase the Company is in and her master's degree in management and experience in the same area brings new knowledge and edge to the R8 Group.

Stian Lande Iversen

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. Although most of Stian´s time is occupied with accounting and financial issues, he also does most of the practical work connected to restructuring, investor relations and more.



CORPORATE GOVERNANCE

R8 Property has ambitions to exercise good corporate governance at a higher level than our competitors in the region. Through these ambitions we aim to strengthen confidence in the company and contribute to the greatest possible value creation over time. The objective is to professionalize the whole Company; its shareholders, the board and the executive management through a clear division of roles and responsibilities. The Company aims to comply with the same requirements as listed companies. Within the next 2 years R8 Property will implement the applicable Norwegian code of practice for corporate governance of 30 October 2014. The code of practice is available on the Norwegian Committee for Corporate Governance homepage: www.nues.no.

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

Implementation and reporting on corporate governance

The board wishes to contribute through good corporate governance to a good trust-based relationship between R8 Property and the company's shareholders, the capital market, and other stakeholders. The administration has in 2017 completed several tasks regarding role clarity and the division of authorization and responsibilities both within the Company and between the companies in the R8 Group. These tasks are described in each relevant section.

Business

The Group´s business is stated in §3 of the statutes:

"The company's purpose is owning, operating and rental of real estate, owning shares in other companies, investing in stocks and other securities, and other activities that are naturally associated with this."

Main strategy and objectives within this framework are stated in the Board's annual report.

Capital and dividends

EQUITY

The Group's equity as of 31 December 2017 was 274.4 million and gives an equity ratio of 27.5 per cent. The Board considers the equity situation as satisfactory and in line with the company's objectives, strategies, and risk profile.
R8 Property is dependent on a satisfactory financial flexibility, and the Board has therefore set the ambition that the relationship between net interest-bearing debt and gross fair value will be in the range of 65–75 per cent.

DIVIDEND

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

Authorization

The Articles of Association do not contain provisions allowing the Board to decide that the company will buy back or issue shares. It is also not issued other authorizations to the Board of R8 Property.

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

It was also decided that the preferential right of the existing shareholders pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be deviated from if new shares are issued within the frame described.

The power of attorney also included share capital increase against contribution in kind, cf Section 10-2 of the Norwegian Public Limited Companies Act and allows share capital increase regarding mergers pursuant to Section 13-5 of the Norwegian Public Limited Companies Act.

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

Equal treatment of shareholders and transactions with related parties

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

No share issues were conducted by R8 Property in 2017. However, there has been several transactions of shares from main shareholder to existing and new shareholders throughout 2017.

The change in shareholder composition demands increased professionalism in the company´s communication with shareholders to ensure equal treatment of the shareholders. The company presented its quarterly reports in 2017 to the public to provide the same information to all its shareholders and stakeholders. In the event of a share issue in the future, existing shareholders in R8 Property have preferential rights to the capital increase. The preferential rights are safe-guarded by sharing good information in good time for the existing shareholders.

The administration is currently working on guidelines to be presented to the Board to ensure that all significant transactions with related parties is subject to an independent valuation from a chartered accountant or other expert. This is to ensure that transactions with close associates and intercompany agreements are carried out correctly on an arm's length basis.

Also, throughout the fall of 2017 several intra-group agreements have been revised and quality assured to ensure market pricing and terms between the companies in the R8 Group.

Guidelines on conflicts of interest are to be developed and included in the instructions for the company's board of directors, and to ensure that directors inform the board if they have a significant direct or indirect interest in an agreement being entered by the company. To avoid unintentional conflicts of interest, the company will present an overview which identifies the various roles of its directors, the offices they hold and so forth. This overview will in the future be updated when required and in the event of changes in the board's composition.

Transferability

There are no restrictions on share transferability.

The shares are considered liquid after several transactions of share from main shareholder to existing and new shareholders in 2017. The board considers good liquidity of the share to be positive for the company to be regarded as an attractive investment. The company also works actively to attract interest from the investor market to build a strong basis in case of future issuing of new stocks or if shareholders wish to sell existing shares.

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

General meetings

The board encourages as many as possible of its shareholders to exercise their rights by attending the General meeting. The 2018 Annual General Meeting is scheduled to take place on 19 April, 2018. The company's financial calendar is decided by the Board. Notice of the general meeting, with comprehensive documentation is made available to shareholders no later than 7 days before the meeting takes place. Due to important, updated information and the capacity in the administration, the company will in 2018 be unable to make the information available 21 days in advance as recommended by NUES.

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

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

The directors and senior executives are present at the general assembly together with the auditor.

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

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

Nomination committee

The NUES recommendations call for the appointment of a nomination committee. R8 Property does not yet have a nomination committee as the main shareholder holds 2/3s of the general assembly and therefore has the decision-making impact on the board composition. However, the company aims to appoint a nomination committee at the general meeting in 2019 or at the latest in 2020 to be prepared for any future changes in the shareholder composition. The committee will then be independent of the board and the executive management. Members of the nomination committee and its chair will be elected by the general meeting and their remuneration will be determined by the general meeting.

Corporate assembly and board of directors and independence

The Company does not have a corporate assembly due to its small number of employees. The board currently has five shareholder-elected members. Board members and the chair of the board are elected by the Annual General Meeting each year. Starting from the General Meeting in April 2018 minimum one of the board members will be elected for 2 consecutive years to ensure consistency in the board.

The board's composition is intended to secure the interests of the shareholders in general. The background and experience of board members are presented on the company's website and in this annual report.

The company's executive management is not represented in the board.

However, only two of the five board members are independent of the R8 Groups executive management, significant commercial partners or substantial shareholders. According to the NUES´principles, the majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. It is recommended that "at least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s)". This is the case in today's board. The two independent shareholders are Erik Gudbrandsen and Øivind Gundersen.

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

- Emil Eriksrød is the founder of the company and the main shareholder. He is the chairman in the Company and the chairman in R8 Group (mother) and several related companies
- Runar Eriksrød was until recently the second largest shareholder in the company. He now holds 2 per cent of the shares. Runar is employed in R8 Management a related company to R8 Property. He is also a board member in R8 Group (mother) and the father of main shareholder, Emil Eriksrød
- Tommy Thovsland was in 2017 hired as development director for R8 Consulting Group. Starting 1 March 2018 Tommy will be the CEO of the entire R8 Group while still being hired to work with development projects in R8 Property. Tommy also holds 2 per cent of the shares in R8 Property.

To counteract independence issues the administration develops routines and guidelines that ensures equal treatment of shareholders and transactions with related parties. It is also expected that there will be changes in the Board composition at the Annual General Meeting in April 2018.

There has been consistently good attendance at the Board meetings in 2017. The Board's expertise is considered substantial with regards to economy, market understanding, and business operations.

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

The work of the board of directors

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

Instructions which describe the rules of procedure for the board's work and its consideration of matters have been adopted by the board. The division of labour between the board and the CEO is specified in greater detail in standing instructions for the CEO. In 2017, these instructions were developed and discussed by the board and will be finalized and approved in the first quarter of 2018. Instructions for the management clarifies the duties, powers, and responsibilities of the CEO. The CEO is responsible for the company's executive management. Responsibility for ensuring that the board conducts its work in an efficient and correct manner rests with the chair. The board establishes an annual plan for its meetings, and evaluates its work and expertise at the end of each meeting. Also, once a year, the board evaluates its own work and that of the CEO. As of 31 December 2017, R8 Property has not established an audit committee or remuneration committee. It is considered as part of the Board's evaluation whether it is appropriate to establish these committees in 2018.

Risk management and internal control

RISK AREAS AND GENERAL RISK MANAGEMENT

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

The strategy has been discussed by the board in 2017 and the administration reports to the board in each meeting with regards to KPIs within the following risk areas: overall funding, operations and liquidity, interest rate risk, and financial leverage. The target level of each KPI will be addressed and decided by the board by 30 June 2018 at the latest.

During 2017 several measures have been implemented or initiated to prevent and reduce risk. In addition to the contents in the financial strategy the following measurements are made in addition to others:

LEGAL RISK

During 2017 the company has hired legal assistance when considering agreements with substantial obligations such as large rental agreements, turnkey contracts in development projects and so on. Although there is a cost associated to buying legal services. It is considered important to reduce the risk in agreements with potentially high financial consequences.

MARKET (PROPERTY VALUE) RISK

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

MARKET (INCOME) RISK

The Company income is mainly based on leases and the average duration is continuously monitored. R8 Property seeks to diversify the different maturities on the different leases to spread risk. Also, the portfolio is diversified when it comes to both industry and geographical segments.

To counteract on the market risk related to the letting activity the company has a high degree of service to its tenants. For the third consecutive year the company won the Norsk Leietakers indeks, a research survey measuring the degree of content and satisfaction for the tenants. The company believes that providing good services to its´ tenants help reduce the letting risk.

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

INTEREST RATE RISK

The financial strategy contains several KPIs set up to reduce the interest rate risk. For instance, interest coverage ratio, average time to maturity (hedges) and percentage of fixed interest rate. As an example, minimum 50 per cent of the current interest-bearing debt have fixed interest rates.

The combination of bank debt and secured bonds will be considered in 2018.

OPERATIONAL RISK

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

Along with the DCR the operating ratio (OR) (operating costs / operating income) will also be closely monitored. A lower OR means that the company is being managed efficiently and is more profitable for the owners. The target for the operating ratio will be set in the company´s financial strategy.

The operational risk in R8 Property also relates to human error or system failure associated with daily operations. With only two key employees (CEO and CFO) in the company, the company is vulnerable to factors like terminations and long-term illness. To reduce the risk the two work closely together to ensure knowledge and competence transfer. Reduced capacity must be handled by hire of consultants and from related companies. Some board members have very significant knowledge and experience with the company and can contribute with certain tasks if necessary.

GENERAL RISK MANAGEMENT AND REPORTING TO THE BOARD

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

From the second quarter of 2017 a new and more thorough investment analysis tool have been developed to ensure a wider range of profitability calculations and risk assessments when considering new development projects or acquisition of property.

From the third quarter of 2017, the financial KPIs are followed up through periodic reports along with updates of forecasts for the year. Reporting also includes non-financial key figures related to the various business areas.

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

INTERNAL CONTROL

Risk management and internal control is addressed by the board. The board also reviews the external auditor's findings and assessments after the interim and annual financial audits. The auditor's report is presented by the auditor in board meetings and reviewed by the board.

There are two employees in the Company as of 31. December 2017 and it is therefore dependent on an appropriate division of authorization beyond the executive management to reduce the risk related to internal control. Because of the low number of employees and the significant agreements with related companies, many of the authorizations involve key employees in related companies such as R8 Consulting and R8 Management. The authorizations are given through contractual agreements and follow recognized principles of authorization.

Starting 2018 the board will perform an annual review of risk areas and the internal control system. The review will seek to pay attention to the recommendation set by NUES, such as:

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

Remuneration of the board of directors

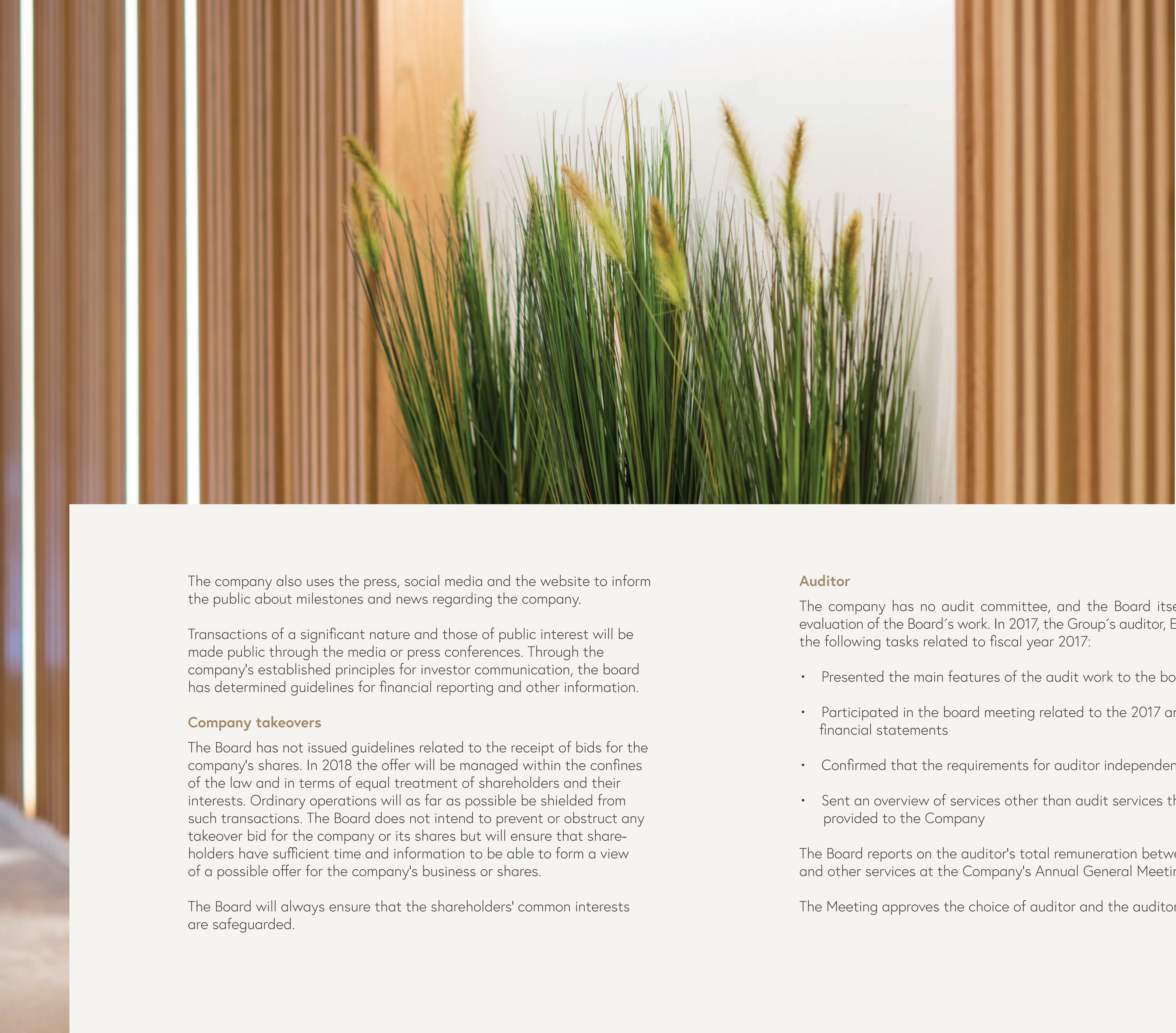
Directors' fees are determined by the General Meeting. These fees are based on the Board's responsibility, expertise and time taken as well as the complexity of the business, and are not related to results. The board members are not awarded options. For 2017 the remuneration was NOK 50 000 for the external shareholders. The board members that are employees in companies in the R8 Group received no remuneration for their board positions. Further information on the various board members' remuneration is provided in note 11 of the financial statements.

Remuneration of executive personnel

The board has not established a compensation committee to assist with the employment terms of the CEO. However, the instructions for the CEO-position has been discussed in 2017 and will be approved by the board in the first quarter of 2018. The current remuneration has been settled by Chairman in consultation with other board members. Senior executives in the company also hold a bonus program based on the attainment of goals for the company and the individual performance. There is a set maximum on the bonus program. Senior executives in the company also holds options in the company. Senior executives' remuneration is further described in note 11 in the financial statement.

Information and communication

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



The company also uses the press, social media and the website to inform the public about milestones and news regarding the company.

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

Company takeovers

The Board has not issued guidelines related to the receipt of bids for the company's shares. In 2018 the offer will be managed within the confines of the law and in terms of equal treatment of shareholders and their interests. Ordinary operations will as far as possible be shielded from such transactions. The Board does not intend to prevent or obstruct any takeover bid for the company or its shares but will ensure that shareholders have sufficient time and information to be able to form a view of a possible offer for the company's business or shares.

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

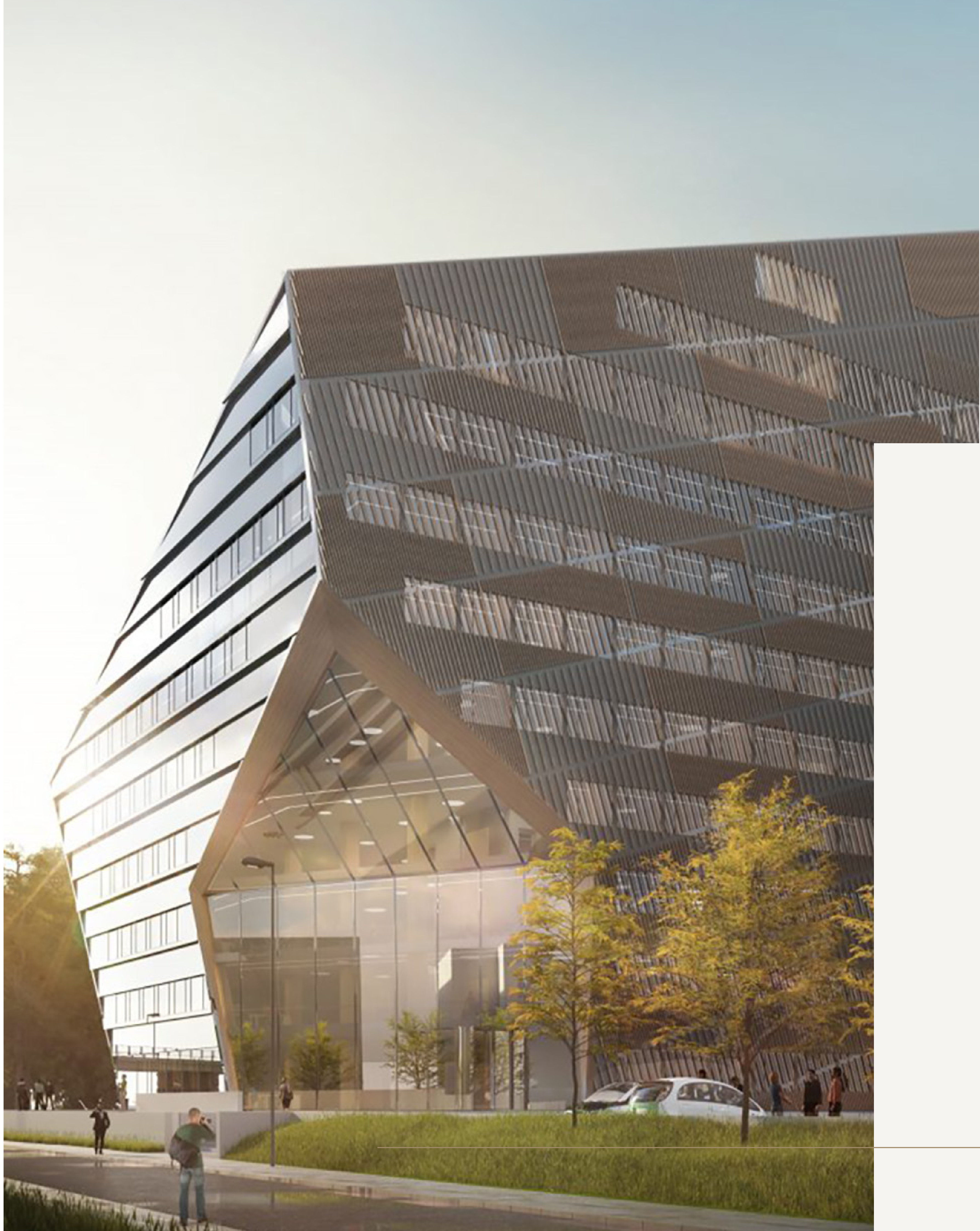
Auditor

The company has no audit committee, and the Board itself oversees self-evaluation of the Board´s work. In 2017, the Group´s auditor, EY, has undergone the following tasks related to fiscal year 2017:

- Presented the main features of the audit work to the board
- Participated in the board meeting related to the 2017 annual financial statements
- Confirmed that the requirements for auditor independence are met
- Sent an overview of services other than audit services that are provided to the Company

The Board reports on the auditor's total remuneration between auditing and other services at the Company's Annual General Meeting.

The Meeting approves the choice of auditor and the auditor's fee each year.



CORPORATE SOCIAL RESPONSIBILITY

Environment

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

Powerhouse Telemark

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 consume through a lifecycle. There are several ways to define an energy-plus building, but R8 Property has chosen to follow the "Powerhouse" initiative. This is a partnership consisting of market leaders in the construction industry. The realization of a Powerhouse requires that all parties facilitate an early interdisciplinary collaboration. Selection of building technology, materials, and collaborators are essential to meet the stringent criteria assigned to a Powerhouse. By putting the environment first, it creates a new kind of architecture through the principle that form follows environment. Powerhouse Telemark will become a signature building for the county and a world class eco-building that challenges traditional building culture.

Education and employment

One of the most important tasks associated with a better community is to create and contribute to increased employment.

Through its business and activities R8 Property Group contributes positively to employment. Several major construction projects contribute to significant employment with subcontractors. The Group also invests heavily in urban development with the desire to give activity back to city centers in terms of new jobs and increased job satisfaction. During the last couple of years, the Company has donated money to build and develop a computer lab in rural Tanzania.

Access to computers and the internet has proven to significantly increase quality of education for these children. The Good Hope Support Organization was an opportunity for the Company to enrich the lives of individuals.

We also have a partnership with Lyk-z & daughters. Frog Online Identity works to empower adolescents and young adults to participate in social venues, basic educational programs, and employment. The goal is to improve the individuals´ quality of life so they find the motivation to go back to school or work and through this contribute to a positive development for the individual and the local society.

Ingeborg Omdal Lykseth / Lyk-z & daughters

Emil Eriksrød / CEO   Frankeh Colley / Brave

Going green on the soccer field

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

R8 Flying start

In 2017, R8 established a competition for entrepreneurs in collaboration with Innovation Norway Telemark and Vekst i Grenland's Entrepreneur Week. The winner received a free one-year lease agreement with R8 Property as well as 70 hours of counselling from R8 Consulting, R8 Edge and R8 Property's founder, Emil Eriksrød. The winner, Frankeh Yaya Colley won in 2017. His "Brave Project" focuses on collaboration between minority children and public agencies like hospitals, prisons, schools and child welfare.

Agreements and sponsorships

In addition to the agreements mentioned above, R8 Property and the R8 Group contribute with both money and/or services to a wide variety of clubs and organizations. We are dedicated to children and youth, and therefore it's natural to support different football clubs, theatre groups and so on. Most of these sponsorships are given locally in Grenland.

NRK Telethon

The NRK Telethon is also a yearly event. It is the largest information campaign and fundraising event in Norway, and with the funds from 2017's Telethon, UNICEF will provide education and learning to children caught behind the front lines of war and conflict. R8 took part in the local voluntary campaign and made phonecalls to raise money.

Emil Eriksrød, Chair

The board of directors

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

Tommy Thovsland,
Board member

Tommy is educated as a chemical engineer at Telemark University College in Porsgrunn and has experience as business developer at LEARN AS. Although Tommy is employed in a different company he delivers significant services to R8 Property and is hired to work with development projects. From March 2018 Tommy will be the CEO of the entire R8 Group, but he will still work with early phase project development for R8 Property. Tommy holds 2 per cent of the shares in R8 Property.

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 in R8 Management. He holds 2 per cent of the shares in R8 Property.

Øivind Gundersen,
Board member

Øivind has broad experience from national and international business areas. He has been CMO of Det Norske Møbelsenter (SKEIDAR) and CEO of Floriss. In 2003 Øivind became CEO and owner of the investment company Dynam. Through this company - and in collaboration with others, he has led several real estate companies in Telemark and Vestfold. Øivind has initiated several startups of national and international companies such as Floriss, Autostrada, Made for Movement and Kamas (Norsk Gjenvinning). Øivind holds 1 per cent of the shares in R8 Property.

Erik Gudbrandsen,
Board member

Erik is known by many as Country Leader at EY Entrepreneur of the Year before he resigned in 2014. He is a certified auditor. Erik has a wide range of experience in EY within areas such as organizational development, leadership development, restructuring, change management, and board work. He started his long career in 1978 at Ernst & Young. From 1988 to 1996 he was Executive Vice President in Norway. He was a Member of the Board in the same company from 1989, and Chairman from 2004 until he retired in 2010. Erik holds 2 per cent of the shares in R8 Property.

Report from the board of directors

2017 has been a year of continued growth and a strong emphasize on project development. Despite significant additional costs related to early phase project development the financial results came out good as expected. Operating revenues increased from 53.3 million for 2016 to 56 million in 2017, and net profit came in at 47.2 million. Fair-value adjustments for investment properties were up 40.7 million from December 31 2016 to 31 December 2017.

Tommy Thovsland
Board member

The company

R8 Property AS is the mother company in the Group. The Group's properties primarily comprise of office premises and some retail space. The business is organized in parent company R8 Property AS with subsidiaries. The head office is in Porsgrunn. The properties have a market value of 999.1 million kroners and consists of properties and development projects in the cities Skien, Porsgrunn, Sandefjord and Tønsberg.

The Group's purpose is to acquire, develop and own properties in central and attractive locations.

Market activities

There were no significant transactions in the R8 Property Group in 2017.

Annual rental value for the company´s properties has increased from 53,3 million in 2016 to 56 million by the end of 2017. As of 31 December 2017, R8 Property had a property portfolio of 11 properties totaling 41 915 square meters and 2 projects totaling 10 616 square meters. The main leasing efforts in 2017 evolved around the development projects.

PROJECT DEVELOPMENT

The Group had two on-going projects in 2017; section number two at Nordre Fokserød in Sandefjord and Powerhouse Telemark in Porsgrunn næringspark. At Nordre Fokserød the second construction phase is classified in the project portfolio and valued at 35 million at year end. The project Powerhouse Telemark in Porsgrunn is also classified in the project portfolio and valued at 44.5 million at year end.

Risk and risk management

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

FINANCIAL RISK

In 2017 the financial risks of the Group have been considered and presented to the board through a new financial strategy. KPIs within several risk areas are established and reported on a regular basis. The target level of each KPI will be decided by the board in 2018.

The Group seeks a good balance between debt and equity. The Group has defined a target for the Loan-To-Value ratio of approximately 65-75 per cent. The Group is exposed to interest rate risk. Changes in interest rate levels will have an impact on the Group's cash flow. The risk is managed by actively using interest rate swaps and by spreading maturities. The target is to obtain fixed interest rates at minimum 40 per cent of the debt portfolio, average remaining term to maturity of 3–8 years and to diversify the maturity structure. Refinancing risk is reduced by entering long-term loans.

Liquidity risk is monitored and managed through good cash management and frequent reporting on this issue. In 2018 the Company will establish a liquidity buffer to further reduce the risk regarding liquidity.

There are covenants in the Group's bank loan agreements. At 31 December 2017, the Group "was not in breach of any covenants."

MARKET RISK

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

CREDIT RISK

The Group seeks to reduce the credit risk by obtaining a diversification in the tenant portfolio. As of 31 December 41 per cent of the portfolio consists of public tenants and 59 per cent of private tenants. Also, there is a spread between different industries and geographical exposure between four different cities. Through 2017 there has also been a focus on obtaining tenants with a higher credit rating.

DEVELOPMENT RISK

R8 Property´s development activity may involve risk related to project costs, future letting ratio, level of rent, cost overruns, delays, delivery shortfalls and market developments. To reduce the development risk the Group has hired personnel with relevant experience and knowledge in addition to using external resources, for instance legal expertise, when needed.

REPUTATIONAL RISK

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

Restructuring

Towards the end of the year R8 Property started a restructuring process to be better pre- pared for future growth. The restructuring involved the establishment of a new company above the existing R8 Property AS. The new mother was named R8 Property AS, while the Company formerly known as R8 Property AS changed its name to R8 Office AS.

The new structure does not entail any changes in the shareholder composition. The share-holders formerly holding shares in R8 Property AS (now R8 Office AS), now holds shares in the newly founded R8 Property AS.

Organization and working environment

R8 Property had two employees as of 31 December 2017, one man and one woman. There was no long-term or short-term absence in 2017. The work environment is good although the work pressure at times is high. The Board is satisfied with the gender balance in the administration. The board consists of 5 men. The Board will continue to strive to improve the gender balance in the Board.

There were no injuries or accidents within the Group in 2017.

Corporate governance

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

Corporate Social Responsibility

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

EXTERIOR ENVIRONMENT

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

Group accounts

GOING CONCERN

The financial statements have been prepared based on the going concern assumption. R8 Property is in a healthy financial position. There has been some liquidity issues because of high activity and costs related to project development during the year. However, these have been resolved and the Board confirms that the Group had sufficient equity and liquidity as of 31 December 2017. There has not been any events after 31 December 2017 with significant impact on the financial statements.

FINANCIAL RESULT

The financial statements show that the Group had another year of strong results in 2017. The result comes from both net income in property management and growth in property values. Profit before tax came to 60 million, down by 11,2 million from the year before, but close to the expected result. Net profit came to 47,2 million against 58,8 million the year before. Fair-value for investment properties increased by 40,7 to 978.6 million in 2017.

The financial results are close to the expected levels going in to 2017.

STATEMENT OF INCOME, BALANCE SHEET, AND STATEMENT OF CASH FLOWS

The annual report has been prepared in compliance with IFRS. This accounting principle has been applied consistently throughout 2017.

INCOME

Total operating income for the Group increased from 53.3 million in 2016 to 56 million in 2017. The Group's financial income totaled 1 million (1.8 million) . Financial costs, primarily including interest costs and other costs associated with the Group's financing activities, totaled 24.3 million (24.1 million). Profits before tax was 60 million (71.3 million), and total comprehensive income after tax was 47.9 million (58.8 million). Tax expense was 12.1 million (12.5 million).

BALANCE SHEET

As of 31 December 2017, the Group's assets had a book value of 999.1 million (919.3 million). Of the total assets, investment properties accounted for 978.6 million (888.5 million). Total accounting equity in the Group was 274.4 million (231.5 million).

CASH FLOW STATEMENT

Net cash flow from operating activities was 16.2 million in 2017 (17.2 million).

The net cash flow from investments was -50.6 million (-69.3 million). There were no proceeds from property transactions (18.4 million). Upgrades and construction of investment properties amounted to 50.4 million (87.5 million) and relates to the construction of Nordre Fokserød in Sandefjord and the project Powerhouse Telemark.

Net cash flow from financing activities was 35.5 million (49.1 million). Net proceeds of interest bearing debt was 11.9 million (50.2 million). During 2017 R8 Property has made a repayment of 20.8 million (35.6 million) in bank loans.

The net change in cash and cash equivalents was 1.2 million at 31 December 2017 (- 3.0 million). One of the objectives in the new financial strategy is to define a level on liquidity buffer that fits the size and the growth ambitions for the Group.

FINANCIAL STRUCTURE AND EXPOSURE

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

At the end of the year, loans totaled 618.6 million (606.6 million), 46 per cent of which was tied up in different interest rate swaps. The overall loan portfolio has a yearly amortization of approximately 4 per cent and average time to maturity of 2.0 years. Average interest cost at 31 December 2017 was 3.9 per cent (3.82 per cent).

As a general principle R8 Property's financing is based on a negative pledge of the Group´s assets.

The Group has adopted a financial strategy with a medium loan-to-value ratio. The Group´s loan-to-value ratio at 31 December 2017 was 63.2 down from 68.3 per cent at the end of 2016.

EVENTS AFTER THE BALANCE SHEET DATE

No significant incidents since 31 December 2017 provide information concerning the conditions which existed at the balance sheet date.

Profit for the year and allocations

In 2017, R8 Property AS, the parent company of the Group, made a profit after tax of 7.0 million, as set out in the financial statements prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

The Board proposes that the profit after tax of 7.0 million is transferred to retained earnings for 2017.

Board of directors

The Annual General Meeting in April 2017 elected Emil Eriksrød (chair), Runar Eriksrød, Tommy Thovsland, Øivind Gundersen and Erik Gudbrandsen as ordinary directors until the next annual General meeting in 2018. There were six ordinary board meetings and 3 extraordinary board meetings in 2017.

Outlook

The Norwegian economy has rebounded and there is a positive development in most macroeconomic key indicators. This may lead to a slightly more rapid increase in interest rates than expected a year ago. For the Group this will lead to increased interest expenses and tighter cash flow. The Group has taken precautions to ease the risk and consequences related to this issue. On the positive side the positive market indicators will likely boost the letting market in the Group´s geographical market. Alongside the economic growth indicators there seems to be an optimism toward city centers in Skien and Porsgrunn as well as development plans at Korten in Tønsberg that will give positive effects for several of the Group´s properties.

The construction phase of Powerhouse Telemark is expected in the near future. The decision to build Powerhouse Telemark will be an important board decision in 2018. An expansion of the share capital is the other most important issue for the Board stepping into 2018. It is likely that the board will decide an expansion for share capital to increase the capital in the Group. The means is to be able to realize new projects to maintain a high growth rate with a lower pressure on liquidity in the next couple of years. The projects ahead are expected to give a good return on investments and provide positive returns in the future.

Porsgrunn, 11 April 2018
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

Financial statements

Consolidated financial statements R8 Property AS

Statement of total comprehensive income
1 January to 31 December

All amounts in NOK thousand

	Note	2017	2016
Rental income	6	55 574	52 130
Other operating revenue		476	1 176
Total operating income		**56 050**	**53 306**
Maintenance and other operating expenses	10	10 507	8 217
Other property-related expenses	9, 10	488	2 315
Administrative expenses	10, 11	3 966	2 098
Total operating costs		**14 961**	**12 630**
Net income from property management		**41 090**	**40 675**
Changes in value from investment properties	14	40 670	48 446
Operating profit		**81 760**	**89 121**
Interest and other finance income	12	1 025	1 812
Interest and other finance expense	12	-24 309	-24 149
Net realised financials		**-23 285**	**-22 337**
Unrealised changes in value of finacial istruments		1 573	4 487
Net financial items		**-21 712**	**-17 850**
Profit before tax		**60 048**	**71 271**
Tax expense	20	-12 106	-12 512
Profit for year		**47 942**	**58 759**
Change in deferred tax on comprehensive income	20	-	-
Total comprehensive income for the year		**47 942**	**58 759**
Profit attributable to:			
Equity holders of the company		47 942	58 759
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Equity holders of the company		47 942	58 759
Non-controlling interest		-	-
Earnings per share:			
Continuing operations			
Basic=Diluted (NOK)	25	48	59

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

Balance sheet
Assets

All amounts in NOK thousand

	Note	31.12.2017	31.12.2016
NON-CURRENT ASSETS			
Other intangible assets	13	161	98
Total intangible assets		**161**	**98**
Investment property	14	978 550	888 500
Other operating assets	13	1 665	1 029
Total property, plant & equipment		**980 215**	**889 529**
Loans to associates	23	13 445	26 308
Total financial assets		**13 445**	**26 308**
TOTAL NON-CURRENT ASSETS		**993 821**	**915 935**
CURRENT ASSETS			
Trade receivables	15	2 157	1 607
Other receivables	16	1 570	1 367
Total current receivables		**3 727**	**2 974**
Cash and bank deposits	17	1 564	345
TOTAL CURRENT ASSETS		**5 291**	**3 319**
TOTAL ASSETS		**999 112**	**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	31.12.2017	31.12.2016
EQUITY			
Share capital	18	2 500	2 500
Share premium	18	3 500	3 500
Other paid-in equity	18	6 858	6 858
Retained earnings	25	261 552	218 609
TOTAL EQUITY		**274 409**	**231 467**
LIABILITIES			
Interest-bearing debt	19	568 314	286 650
Deferred tax liability	20	51 330	39 224
Financial derivatives	7	17 988	19 561
Debt to group companies	7	16 318	850
Other liabilities	7	257	-
Total non-current liabilities		**654 207**	**346 285**
Trade payables and other payables	21	19 957	21 541
Interest-bearing debt	4, 19	50 250	319 961
Debt to group companies	7	289	-
Total current liabilities		**70 496**	**341 502**
TOTAL LIABILITIES		**724 703**	**687 787**
TOTAL EQUITY AND LIABILITIES		**999 112**	**919 254**

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

Porsgrunn, 11 April 2018
Board of Directors for R8 Property AS

Emil Eriksrød
Chair of the Board

Trine Riis Groven
CEO

Øivind Gundersen
Board member

Erik Gudbrandsen
Board member

Tommy Thovsland
Board member

Runar Eriksrød
Board member

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**
Profit for period	-	-	-	47 942	**47 942**
Dividend	-	-	-	-5 000	**-5 000**
Equity at 31.12.2017	**2 500**	**3 500**	**6 858**	**261 552**	**274 409**

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

The reorganisation within the Group in 2017 is not a business combination, and does not result in any change of economic substance. Accordingly, the consolidated financial statements of R8 Property are a continuation of the existing group. The component of equity are not reclassified in the consolidated financial statement related to this reorganisation.

Statement of cash flows 1 January to 31 December

All amounts in NOK thousand

	Note	2017	2016
Profit before tax		60 048	71 271
Expensed interest and fees on loans from financial institutions	12	24 309	24 149
Interest and fees paid on loans from financial institutions		-24 627	-24 119
Depreciation and amortisation	13	496	113
Change in market value investment properties	14	-40 670	-48 446
Change in market value financial instruments	7, 19	-1 573	-4 487
Change in working capital		-1 736	-1 234
Net cash flow from operating activities		**16 246**	**17 248**
Proceeds from sales of investment properties and companies		-	18 392
Upgrades and construction of investment properties	14	-50 425	-87 539
Purchase of intangible assets and other plant and equipment	13	-143	-147
Net cash flow from investment activities		**-50 568**	**-69 294**
Proceeds interest-bearing debt	19	32 734	85 781
Repayment interest-bearing debt	19	-20 813	-35 596
Net payment of loans to associates and jointly controlled entities		24 170	-1 132
Dividends paid		-550	-
Net cash flow from financing activities		**35 541**	**49 052**
Change in cash and cash equivalents		1 219	-2 994
Cash and cash equivalents at beginning of period		345	3 339
Cash and cash equivalents at end of period		**1 564**	**345**

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

Summary of Notes

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 (13) buildings with a total area of approximately 52.5 (50.9) thousand square meters. As of 31.12.17 the real estate portfolio had a market value of around NOK 978.5 (888.5) million. 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 11 April 2018.

NOTE 2 ACCOUNTING POLICIES

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

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

The consolidated financial statements have been prepared on the basis of the historical cost principle, with thefollowing modifications: investment properties as well as the Group's derivatives have been measured at fair value.

Presenting the accounts in accordance with IFRS requires the management to make certain assessments and assumptions. The application of the Group's accounting principles also requires management to exercise judgement. Estimates and subjective judgements are based on past experience and other factors that are considered appropriate. Actual results may deviate from these estimates.

Estimates and underlying assumptions are continuously reassessed. Changes in accounting estimates are recognised in the period in which the changes occur if they apply only to that period. If the changes also apply to future periods, the impact is distributed over the current and future periods. Note 3 details items in the accounts that are based on a significant amount of subjective judgement. The consolidated financial statements have been presented on the assumption of the business being a going concern.

Application of new and revised International Financial Reporting Standards (IFRSs) in 2017

No new or amended IFRS or IFRIC interpretations came into effect for the 2017 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 2017, 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 and considered that the implementation of IFRS 9 will not have any significant effect on the Groups accounting.

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. IFRS 15 introduces a new approach as to how revenue shall be accrued. Under IFRS 15 an assessment must be made as to whether a seller has a right to require payment for a delivery at the date, given that it does not have an alternative use. This is an alternative area of application for the enterprise and the enterprise has an enforceable right to payment for work already carried out. If this is fulfilled the revenue is to be accrued over time. The Group considers that IFRS 15 will not have a material impact on the financial statements following implementation of the new standard.

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

The new standard must be brought into use from the financial year 2019. Early implementation will be possible provided that the new standard for revenue recognition, IFRS 15 Revenue from contracts with customers, is implemented at the latest at the same time. Early implementation is also conditional on the EU having approved the standard. As a consequence of IFRS 16, changes have been made to IAS 40, including the deletion of IAS 40.6. Under IFRS 16 will be obligatory to enter all rights to use the asset at fair value in the financial statements. The Group has not yet assessed the full accounting effect that IFRS 16 will have when implemented, but it is expected that there will be no material effect on the financial statements from implementation of the new standard. 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. Unrealized 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.

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 as-sets, 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.

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

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

Trade payables and other non-interest-bearing financial liabilities

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

Interest-bearing liabilities

Interest-bearing liabilities 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 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 23 per cent from 31 December 2017. 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

With effect from 2017, R8 Property AS will prepare the consolidated financial statements in accordance with IFRS (International Financial Reporting Standards). The financial statements were presented in accordance with Norwegian GAAP up to and including 2016.

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 that are not recognised as hegding, are measured as fair value through profit and 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 has been implemented in accordance with IFRS 1, 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	15 202	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 and 2017 were obtained from Newsec AS. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of the gross cash flows from signed leases less maintenance cost, other operating and management expenses, as well as future cash flows based on an expected market rent at the end of the lease terms. The fair value of investment properties is therefore mainly affected by expected market rents, discount rates and inflation. The market rent for each property takes into account the property's situation, standard and leases signed for comparable properties in the area. For the duration of existing lease terms, the discount rate is mainly based on an assessment of the individual tenants' financial solidity and classification. After the end of the lease term, cash flows are discounted using a discount rate that takes into account the risk relating to letting and location. Inflation is estimated using the consensus of a selection of banks and official statistics.

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

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

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

The table below shows to what extent the value of the property portfolio is affected by inflation, market rents, discount rates (interest rates) and exit yields (market yields), assuming that all other factors are equal. Estimates by Newsec AS in conjunction with valuations at 31 December 2017.

Change variable		Change in per cent	Value change (tNOK) [1]
Inflation	+	1.00	72 112
Market rent	+	10.00	84 832
Discount rates	+	0.25	-38 443
Exit yield	+	0.25	-21 090

[1] Estimates by Newsec AS in conjunction with valuations at 31 December 2017.

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

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

31.12.2017	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point	**-3 238**
Interest-bearing debt	-6 126
Derivatives	2 888
Market rates fall by 1 percentage point	**3 238**
Interest-bearing debt	6 126
Derivatives	-2 888

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

31.12.2016	Change in the Group's interest expense (annualised) (tNOK)
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 aqcuisition 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 liabilites 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
- Liquidity risk
- Credit/counterparty risk
- Currency risk

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

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

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

The company seeks to limit financing risk through:
- requirements for committed capital to cover refinancing requirements
- average credit period requirements
- the use of various credit markets and counterparties
- spread maturity structure for the Group's financing

Capital management and solvency
The main purpose of the Group's capital management is to maintain a good balance between debt and equity, in order to maximise the value of the shares in the Group, while also maintaining a good credit rating, and obtaining loan terms with lenders that reflect the risk profile of the Group. The Group has defined a target for the Loan-To-Value ratio of approximately 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). Interest rate risk affects the Group's cash flows and the market value of the Group's liabilities. The main purpose of the Group's interest rate strategy is to ensure that the Group achieves the desired balance between the interest expense and interest rate risk. The Group's interest rate risk is managed within the following financial policy requirements:
- minimum 40 per cent of the interest-bearing debt to be hedged at fixed interest rate
- average remaining time to maturity for interest rate hedges in the interval 4–7 years
- diversification of the maturity structure for fixed interest rates

The Group's policy is to fix the interest rate on its variable interest borrowings. To manage this, the Group enters into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. The Group's interest rate risk is managed through the requirements for fixed interest rates for at least 40 - 60 per cent of the debt portfolio, an average remaining term to maturity in the range of 3–8 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 2017, the weighted average remaining term to maturity was 2.9 years. The average interest rate was 3.9 per cent at 31 December 2017.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's liquidity position is monitored on a daily basis by the management and is reviewed quarterly by the Board of Directors. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks.

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

Currency risk
The Group shall not incur any currency risk and at 31 December 2017, the Group had no currency exposure.

Financial covenants
There are covenants in the Group's bank loan agreements. At 31 December 2017, the Group was not in breach of any covenants.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

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

	Remaining term				
31.12.2016	Under 1 year	1-3 year	3-5 year	Later than 5 years	Total
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	-	-	-	-	-
- Other financial	681	-	-	-	681
- Accruals	22 954	-	-	-	22 954
Other financial liabilities	-	-	-	-	-
Total	**364 030**	**62 381**	**267 394**	**7 380**	**701 186**

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 2.9 years. This years principal is tNOK 31,505 and regards construction financing on Nordre Fokserød 14 phase two and Powerhouse Telemark. Both matures in 2018. The refinancing risk related to the renewals of these loans is assumed to be limited.

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

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

As at 31.12.2017	31.12.2018	31.12.2020	31.12.2022	31.12.2022+	
Term to maturity	Up to 1 year	1-3 year	3-5 year	Later than 5 years	Total
Percentage	8.1	81.8	10.1	-	100.0
Amount	50 250	505 989	62 325	-	618 564

As at 31.12.2016	31.12.2017	31.12.2019	31.12.2021	+	
Term to maturity	Up to 1 year	1-3 year	3-5 year	Later than 5 years	Total
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

	2017	2016
Nominal value of interest rate derivatives on the balance sheet date of which	**285 005**	**292 527**
- Variable-to-fixed swaps	285 005	292 527
Range of fixed interest rates (%)	1.54 - 4.05	1.54 - 4.05
Variable rate basis	NIBOR	NIBOR
Average fixed rate	2.68 %	2.69 %
Fair value of derivatives on the balance sheet date (tNOK)	17 988	19 561
Change in fair value of interest rate derivatives over the year	1 573	4 487
Total change in fair value of financial instruments	**1 573**	**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.

	2017	2016
≤ 1 year	1 827	5 679
1 year < 5 years	144 645	60 107
≥ 5 years	92 897	216 885
Total	**239 369**	**282 671**

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

	2017			2016		
Remaining term	Number of contracts	Contract rent	Contract rent, %	Number of contracts	Contract rent	Contract rent, %
≤ 1 year	10	2 382	4.2	6	5 688	9.8
1 year < 5 years	42	39 079	69.6	26	18 010	31.1
5 years < 10 years	12	14 715	26.2	25	34 038	58.7
≥ 10 years	-	-	-	1	264	0.5
Total	**64**	**56 176**	**100.0**	**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 reports 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.

	Area	Occupancy	No. Of properties	Wault	Market value		12 month rolling rent		Net yield	Market rent	
31.12.2017	(sqm)	(%)	(#)	(yrs)	(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)	(%)	(tNOK)	(NOK/sqm)
Porsgrunn	14 561	97.9	4	4.3	274 500	18 852	19 699	1 353	6.7	19 745	1 356
Skien	8 013	87.1	3	3.8	126 500	15 787	8 128	1 014	5.8	10 536	1 315
Tønsberg	16 472	90.6	3	4.1	428 500	26 014	26 178	1 589	5.6	31 243	1 897
Sandefjord	2 869	77.3	1	7.1	60 500	21 087	2 634	918	3.9	4 696	1 637
Total management portfolio	**41 915**	**91.5**	**11**	**4.8**	**890 000**	**21 233**	**56 639**	**1 351**	**5.9**	**66 220**	**1 580**
Project portfolio	10 616		2		88 550	8 341					
Total property portfolio	**52 531**		**13**	**4.8**	**978 550**	**29 575**					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 31.12.17 corresponds to 7.1 per cent of market rent.

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

	Area	Occupancy	No. Of properties	Wault	Market value		12 month rolling rent		Net yield	Market rent	
31.12.2016	(sqm)	(%)	(#)	(yrs)	(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.

NOTE 7 CATEGORIES OF FINANCIAL INSTRUMENTS

All amounts in NOK thousand

	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Total
31.12.2017			Held for sale	
Assets				
Financial investments				
- Loans to associates	13 445	-	-	13 445
Trade receivables	2 157	-	-	2 157
Other current receivables	1 570	-	-	1 570
Cash and cash equivalents	1 564	-	-	1 564
Total financial assets	**18 736**	**-**	**-**	**18 736**

31.12.2017	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	-	568 314	568 314
Interest-bearing current liabilities	-	50 250	50 250
Financial derivatives	17 988	-	17 988
Other non-current liabilities	-	16 575	16 575
Trade payables	-	3 842	3 842
Other current liabilities	-	16 404	16 404
Total financial liabilities	**17 988**	**655 385**	**673 373**

	Loans and receivables	Financial assets available for sale	Financial assets at fair value through profit or loss	Total
31.12.2016			Held for sale	
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

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

LIABILITIES MEASURED AT FAIR VALUE

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

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

	2017		2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Loans to associates	13 445	13 445	26 308	26 308
Trade receivables	2 157	2 157	1 607	1 607
Closing balance	**15 602**	**15 602**	**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

	2017		2016	
	Fair value	Carrying amount	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 2017 two on-going projects, phase two 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 was 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, and classified in the management portfolio at year end. Building number two is classified in the project portfolio and is valued at tNOK 35,000 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 and 2017, with possible tenants to occupy the building. Due to the great interest it has been decided in 2017 that the building will be expanded. The size is now 8,313 m2. Scheduled completion of the building is the fourth 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 44,500 at year end.

NOTE 10 OPERATING COSTS

All amounts in NOK thousand

	2017	2016
Operating costs		
Administrative management costs	5 116	2 228
Operating and maintenance costs	5 391	5 989
Total maintenance and other operating costs	**10 507**	**8 217**
Other property costs		
Rental, market, and other income-related expenses	416	390
Owner's share of service charge expenses	72	1 925
Total other property costs	**488**	**2 315**
Administrative costs		
Payroll and personnel expenses	2 952	601
Depreciation	496	113
Other operating expenses	518	1 384
Total administrative costs	**3 966**	**2 098**

NOTE 11 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2017	2016
Wages and salaries	2 340	385
Social security costs	299	74
Pension costs defined contribution plan	163	14
Total	**2 802**	**473**
Number of full-time equivalents	1.7	0.5
Number of employees at 31.12	2.0	1.0

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

The total remuneration of the CEO consists of a fixed package of salary and benefits supplemented by performance-based bonuses, pension and insurance arrangements.

SENIOR EXECUTIVE AS AT 31.12.2017

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Trine Riis Groven, CEO from 01.04.2017	785	188	4	60	1 036

BOARD FEES

	2017	2016
Emil Eriksrød, Chair	-	-
Runar Eriksrød, board member	-	-
Tommy Thovsland, board member	50	50
Erik Gudbrandsen, board member	50	25
Øivind Gundersen, board member	50	25
Lasse Kittilsen (resigned board member during the year)	-	25
Total	**150**	**125**

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2017	2016
Interest income	240	370
Other finance income	-	167
Interest income from group companies	784	1 275
Total interest and other finance income	**1 025**	**1 812**
Interest expenses	25 062	25 334
- of which capitalised borrowing costs	-1 401	-1 553
Interest expenses group companies	648	356
Other finance expenses	-	11
Total interest and other finance expense	**24 309**	**24 149**

NOTE 13 INTANGIBLE ASSETS AND OTHER PROPERTY PLANT AND EQUIPMENT

All amounts in NOK thousand

	2017		2016	
	Software	Other operating assets	Software	Other operating assets
At 1 January				
Cost	147	2 904	-	2 068
Accumulated depreciation	-49	-1 875	-	-1 704
Net book amount	**98**	**1 029**	**-**	**365**
Year ended 31 December				
Opening net book amount	98	1 029	-	365
Additions	143	1 046	147	835
Disposals	-	-	-	-107
Depreciation charge	-80	-410	-49	-64
Closing net book amount	**161**	**1 665**	**98**	**1 029**
Economic life	3 year	3-10 year	3 year	3-10 year
Depreciation plan	Linear	Linear	Linear	Linear

There were no impairment charges in 2016 or 2017.

NOTE 14 INVESTMENT PROPERTIES

All amounts in NOK thousand

	2017	2016
VALUE OF INVESTMENT PROPERTIES		
Opening balance at 01.01.	**888 500**	**778 853**
Other movements		
Investment and upgrades in the property portfolio	47 979	93 148
Capitalised borrowing costs	1 401	1 553
Sale of investment property	-	-33 500
Change in value from investment properties	40 670	48 446
Total value of investment property at 31.12.	**978 550**	**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".

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

NOTE 15 TRADE RECEIVABLES

All amounts in NOK thousand

	2017	2016
Trade receivables	2 157	1 607
Provisions for bad debts	-	-
Net trade receivables	**2 157**	**1 607**

At 31 December 2017, tNOK 1 402 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:

TRADE RECEIVABLES

	2017	2016
Up to 3 months	1 402	75
Over 3 months	-	39
Total overdue	**1 402**	**114**

NOTE 16 OTHER CURRENT RECEIVABLES

All amounts in NOK thousand

	2017	2016
VAT owed	715	417
Accrued not invoiced	441	372
Advance payments and accruals	368	388
Current receivables group and associated companies	14	157
Other current receivables	32	32
Total other current receivables	**1 570**	**1 367**

NOTE 17 BANK DEPOSITS

All amounts in NOK thousand

	2017	2016
Bank deposits	1 416	236
Tied bank deposits	148	109
Total bank deposits	**1 564**	**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 2017 R8 Property had 14 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 2017.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Face value (NOK)
At 1 January	-	-	-	-
Incorporation 12 December 2017 by contribution in kind	1 000 000	2 500	-	2.50
Corrections due to reorganisation with accounting continuation in the consolidated financial statement	-	-	3 500	-
At 31 December 2017	**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.

Before the incorporation of R8 Property AS (Org.no. 920 169 058) at 12 December 2017, all the shareholders were owners with identical shareholdings in R8 Property AS (Org.no. 995 975 645) now renamed to R8 Office AS. All the shareholders incorporated R8 Property AS (Org.no. 920 169 058) with their shares in R8 Property AS (Org.no. 995 975 645) as contribution in kind. R8 Property AS (Org.no. 920 169 058) is the new parent company in R8 Property, and R8 Office AS is now the parent for all the office properties in the Group.

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

The shareholders as registered as of 31 December 2017 were as follows:

	Number of shares per 31.12.2017	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - Chair	810 000	81.0	Norway
RP Holding AS	30 000	3.0	Norway
Heimberg Holding AS, represented by Runar Eriksrød - board member	20 000	2.0	Norway
Thovsland Holding AS, represented by Tommy Thovsland - board member	20 000	2.0	Norway
RF Dialog Eiendom AS	20 000	2.0	Norway
Aubert Invest AS	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
Stensrød Invest AS	10 000	1.0	Norway
Dynam AS, represented by Øivind Gundersen - board member	10 000	1.0	Norway
CABA Holding AS	10 000	1.0	Norway
Kabbe Holding AS	10 000	1.0	Norway
Hushovd Utvikling AS	10 000	1.0	Norway
Total	**1 000 000**	**100.0**	

NOTE 19 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2017			2016		
	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bank loans	568 314	568 314	568 314	286 650	286 650	286 650
Total non-current interest-bearing liabilities	**568 314**	**568 314**	**568 314**	**286 650**	**286 650**	**286 650**

CURRENT INTEREST-BEARING LIABILITIES

	2017			2016		
	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount
Bank loans	50 250	50 250	50 250	319 961	319 961	319 961
Total current interest-bearing liabilities	**50 250**	**50 250**	**50 250**	**319 961**	**319 961**	**319 961**

The average risk premium on the Group's loans at 31.12.2017 was 2.18 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. Torggata 8 Skien AS, Nordre Fokserød 14 AS and Porsgrunn Næringspark AS are financed in own balance sheets.

NOTE 20 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2017	2016
Tax payable	-	-
Change in deferred tax on profit and loss	12 106	12 512
Change in deferred tax on comprehensive income	-	-
Income tax expense	**12 106**	**12 512**

TEMPORARY DIFFERENCES

	2017	2 016
Fixed assets	282 567	222 742
Profit and loss account	3 227	4 033
Other differences	-1 796	-1 796
Interest rate swap	-17 988	-19 561
Net temporary differences	**266 010**	**205 418**
Tax losses carried forward	-42 836	-41 985
Basis for deferred tax	**223 173**	**163 433**
Deferred tax	51 330	39 224
Deferred tax in the balance sheet	**51 330**	**39 224**

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2017	2 016
Profit before tax	60 048	71 271
Other permanent differences	217	-446
Changes in temporary differences	-61 116	-75 700
Effects of Bedriftsveien 52/58 sold in 2016	-	-20 044
Changes in loss carry-forwards	851	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:

	2017	%	2016	%
Profit for accounting purposes multiplied by nominal tax rate	14 412	24.0	17 818	25.0
Tax on permanent differences	52	0.1	-111	-0.2
Effects of Bedriftsveien 52/58 sold in 2016	-	-	-3 560	-5.0
Effect of change in tax rate from 24 per cent to 23 per cent	-2 358	-3.9	-1 634	-2.3
Tax expense for accounting purposes	**12 106**	**20.2**	**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 - 2,358.

MOVEMENTS IN DEFERRED TAX

	2017	2016
Opening balance at 01.01.	**39 224**	**28 166**
Tax expense recognized through income statement	12 106	12 512
Effects of Bedriftsveien 52/58 sold in 2016	-	-1 454
Net deferred tax at 31.12.	**51 330**	**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:

	2017	2016
Deferred tax liability	52 651	41 078
Deferred tax assets	-1 322	-1 854
Net deferred tax	**51 330**	**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 2017 is tNOK 36,022.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS

	2017	2016
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-1 322	-1 854
Deferred tax assets to be recovered within 12 months	-	-
	-1 322	**-1 854**
Deferred tax liabilities		
Deferred tax liability reversion after more than 12 months	52 503	40 885
Deferred tax liability reversion within 12 months	148	194
	52 651	**41 079**
Deferred tax liabilities (net)	**51 330**	**39 224**

NOTE 21 TRADE PAYABLES AND OTHER PAYABLES

All amounts in NOK thousand

	2017	2016
Trade payables	3 842	5 908
Holiday pay owed	196	41
Unpaid government taxes and duties	2 818	648
Seller credit and withheld purchase price	-	1 667
Interest accrued	4 438	4 756
Other liabilities	8 663	8 521
Total trade payables and other liabilities	**19 957**	**21 541**

NOTE 22 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2017.

SUBSIDIARY OF R8 PROPERTY AS

	Business office	Equity interest %	Result 31.12.2017	Equity 31.12.2017
R8 Office AS	Porsgrunn	100	8 952	77 139
Grønlikroken 5 AS	Porsgrunn	100	1 271	11 754
HE-Kjelleveien AS	Porsgrunn	100	2 131	18 009
Hesselberggaten 4 AS	Skien	100	1 284	22 962
Nordre Fokserød AS	Porsgrunn	100	-740	540
Porsgrunn Næringspark AS	Porsgrunn	100	6 003	34 531
Storgata 106 AS	Porsgrunn	100	270	1 356
Torggata 8 Skien AS	Porsgrunn	100	-193	165
Versvikveien 6B AS	Porsgrunn	100	71	1 249
Vinkelbygget AS	Porsgrunn	100	11 506	128 308

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 2017 mainly related to rental income, property management, loans, interest payments on loans and dividend. The aggregate figures are shown in the table below.

	2017	2016
Income statement		
Rental income	764	522
Operating costs [1]	8 096	7 086

[1] In addition it is invoiced tNOK 2 360 from group companies, which is recognized in the balance sheet.

	2017	2016
Balance sheet		
Receivables	14	157
Loans	13 445	26 308
Debt	16 318	850
Payables	1 022	3 312

NOTE 24 AUDITOR'S FEE

All amounts in NOK thousand

	2017	2016
Statutory audit	232	330
Tax advice (incl. technical assistance with tax return)	-	63
Other assurance services	262	220
Total auditor's fee (excl. VAT)	**494**	**613**

Other assurance services in 2017 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 calcuated 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.

	2017	2016
Total comprehensive income for the year attributable to equity holders of the Company (NOK thousand)	47 942	58 759
Average number of outstanding shares (Note 18)	1 000 000	1 000 000
Basic earnings per share (NOK)	47.94	58.76

NOTE 26 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL

R8 Property AS has in January 2018 signed an agreement regarding the purchase of the shares in R8 Management AS from R8 Consulting Group AS with closing 1 January 2018.
There were no other material events after the statement of financial position that have a bearing on the understanding of these consolidated financial statements.

Financial statements R8 Property AS

Statement of income
1 January to 31 December

All amounts in NOK thousand

	Note	2017
Revenue		-
Total operating income		**-**
Payroll expenses	2	-
Depreciation expenses		-
Other operating expenses		-
Total operating costs		**-**
Operating profit		**-**
Other financial income	6	7 000
Other financial expenses		-
Net financial items		**7 000**
Profit before tax		**7 000**
Income tax expense/ -income	3	-1
Profit for year		**7 001**
Allocated as follows		
Dividend		-
Transferred to other equity	5	7 001
Total allocated		**7 001**

Balance sheet
Assets

All amounts in NOK thousand

	Note	2017
NON-CURRENT ASSETS		
Deferred tax asset	3	1
Intangible assets		-
Total intangible assets		**1**
Investments in subsidiaries	6	55 704
Loans to group companies		-
Investments in associated companies		-
Other long-term receivables		-
Total financial assets		**55 704**
TOTAL NON-CURRENT ASSETS		**55 706**
CURRENT ASSETS		
Trade receivables		-
Other receivables	6	7 000
Loans to group companies		-
Total current receivables		**7 000**
Cash and bank deposits		-
TOTAL CURRENT ASSETS		**7 000**
TOTAL ASSETS		**62 706**

Balance sheet
Equity and liabilities

All amounts in NOK thousand

	Note	2017
EQUITY		
Paid-in equity	5	2 500
Share premium		-
Other paid-in equity	5	53 174
Total paid-in equity		**55 674**
Retained earnings	5	7 001
Total retained earnings		**7 001**
TOTAL EQUITY		**62 676**
LIABILITIES		
Deferred tax liability		-
Liabilities to financial institutions		-
Liabilities to group companies		-
Total non-current liabilities		**-**
Trade creditors		-
Liabilities to group companies		-
Public duties payable		-
Dividend		-
Other short-term liabilities		30
Total current liabilities		**30**
TOTAL LIABILITIES		**30**
TOTAL EQUITY AND LIABILITIES		**62 706**

Porsgrunn, 11 April 2018
Board of Directors for R8 Property AS

Emil Eriksrød Chair of the Board	Trine Riis Groven CEO	Øivind Gundersen Board member
Erik Gudbrandsen Board member	Tommy Thovsland Board member	Runar Eriksrød Board member

Statement of cash flows
1 January to 31 December

All amounts in NOK thousand

	Note	2017
Profit before tax		7 000
Net cash flow from operating activities		**7 000**
Net cash flow from investment activities		**-**
Net change in liabilities from group companies		-7 000
Net cash flow from financing activities		**-7 000**
Change in cash and cash equivalents		-
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		**-**

Summary of Notes

NOTE 1 ACCOUNTING POLICIES

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

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes. The company was incorporated 12 December 2017 due to reorganization of the corporate structure of the group. For more information see note 5.

Investment in subsidiaries, associates and joint ventures

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

The following companies are included in the Group as of 31.12.:

Company	
R8 Property AS (parent)	100 %
R8 Office AS	100 %
Grønlikroken 5 AS	100 %
Torggata 8 Skien AS	100 %
Versvikveien 6B AS	100 %
Storgata 106 AS	100 %
Hesselberggaten 4 AS	100 %
Porsgrunn Næringspark AS	100 %
Nordre Fokserød 14 AS	100 %
Vinkelbygget AS	100 %
HE-Kjelleveien	100 %

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

Classification of balance sheet items

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

Taxes

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

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

Cash and cash equivalents

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

Cash flow statement

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

NOTE 2 PERSONNEL COSTS AND OTHER REMUNERATION

All amounts in NOK thousand

At 31.12 2017 the company had no employees. The CEO is employed and paid from the group company R8 Office AS.

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.

NOTE 3 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

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

TEMPORARY DIFFERENCES

	2017
Net temporary differences	**-**
Tax losses carried forward	-6
Basis for deferred tax	**-6**
Defferd tax	-1
Deffered tax in the balance sheet	**-1.281**

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2017
Profit before tax	7 000
Other permanent differences	-7 000
Changes in loss carry-forwards	-6
Profit for tax purposes	**-6**
Tax payable on the balance sheet	-
Tax payable on the balance sheet	**-6**

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:

	2017	%
Profit for accounting purposes multiplied by nominal tax rate	1 679	24
Tax on permanent differences	-1 680	-24
Effect of change in tax rate from 24 per cent to 23 per cent	0	0
Tax expense for accounting purposes	**-1**	**-**

From the income year 2017 the tax rate on normal income is reduced to 24 per cent.

NOTE 4 BANK DEPOSITS

All amounts in NOK thousand

	2017
Bank deposits	-
Tied bank deposits	-
Total bank deposits	**-**

NOTE 5 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 2017 R8 Property had 14 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 2017.

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Face value (NOK)
At 1 January	-	-	-	-
Incorporation 12 December 2017 by contribution in kind	1 000 000	2 500	-	2.50
At 31 December 2017	**1 000 000**	**2 500**	**-**	**2.50**

Paid-in capital amounts to tNOK 55,674 and consists of tNOK 2,500 in share capital and tNOK 53,174 in other paid-in capital.
Retained earnings amounts to tNOK 7,001.

Before the incorporation of R8 Property AS (Org.no. 920 169 058) at 12 December 2017, all the shareholders were owners with identical shareholdings in R8 Property AS (Org.no. 995 975 645) now renamed to R8 Office AS. All the shareholders incorporated R8 Property AS (Org.no. 920 169 058) with their shares in R8 Property AS (Org.no. 995 975 645) as contribution in kind. R8 Property AS (Org.no. 920 169 058) is the new parent company in R8 Property, and R8 Office AS is now the parent for all the office properties in the Group.

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

The shareholders as registered as of 31 December 2017 were as follows:

	Number of shares per 31.12.2017	Shareholding %	Country
R8 Group AS, represented by Emil Eriksrød - CEO and Chair	810 000	81.0	Norway
RP Holding AS	30 000	3.0	Norway
Heimberg Holding AS	20 000	2.0	Norway
Thovsland Holding AS, represented by Tommy Thovsland - board member	20 000	2.0	Norway
RF Dialog Eiendom AS	20 000	2.0	Norway
Aubert Invest AS	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
Stensrød Invest AS	10 000	1.0	Norway
Dynam AS, represented by Øivind Gundersen - board member	10 000	1.0	Norway
CABA Holding AS	10 000	1.0	Norway
Kabbe Holding AS	10 000	1.0	Norway
Hushovd Utvikling AS	10 000	1.0	Norway
	1 000 000	**100.0**	

NOTE 6 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2017.

SUBSIDIARY OF R8 PROPERTY AS

	Business office	Equity interest %	Balance sheet value	Result 31.12.2017	Equity 31.12.2017
R8 Office AS	Porsgrunn	100	55 704	8 952	77 139

R8 Property AS has received a dividend of tNOK 7,000 from R8 Offic

NOTE 7 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

R8 Property AS has in January 2018 signed an agreement regarding the purchase of the shares in R8 Management AS from R8 Consulting Group AS with closing 1 January 2018.
There were no other material events after the statement of financial position that have a bearing on the understanding of these financial statements.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of R8 Property AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of R8 Property AS comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Porsgrunn, 12 April 2018
ERNST & YOUNG AS

Bård Erik Pedersen

Bård Erik Pedersen
State Authorised Public Accountant (Norway)

EPRA REPORTING

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

EPRA Reporting - summary	Unit	2017 / 31.12.2017	2016 / 31.12.2016
EPRA Earnings per share (EPS)	NOK	13.5	17.4
EPRA NAV per share	NOK	324.1	272.3
EPRA NNNAV per share	NOK	287.7	237.9

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 excluding value changes on investment properties, unrealised changes in the market value of financial derivatives and gains/losses on the sale of properties and their associated tax

All amounts in NOK thousand

	2017	2016
Profit for period/year	47 942	58 759
Add:		
Changes in value of investment properties	-40 670	-48 446
Tax on changes in value of investment properties [1]	9 761	12 111
Changes in value of financial instruments	-1 573	-4 487
Tax on changes in value of financial instruments [1]	378	1 122
Change in tax rate [1]	-2 358	-1 634
EPRA Earnings	**13 480**	**17 425**

[1] 24 per cent from 2017 and 25 per cent for 2016.

EPRA NAV AND EPRA NNNAV - NET ASSET VALUE

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

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

All amounts in NOK thousand

	2017	2016
NAV - book value of equity	**274 409**	**231 467**
Deferred property tax	36 023	26 130
Fair value of financial derivative instruments	13 671	14 671
EPRA NAV	**324 103**	**272 267**
Market value on property portfolio	978 550	888 500
Tax value on property portfolio	524 133	493 899
Basis for calculation of tax on gain on sale	454 417	394 601
Less: Market value of tax on gain on sale (5 per cent tax rate)	**22 721**	**19 730**
Net market value on financial derivatives	17 988	19 561
Tax expense on realised financial derivatives [1]	-4 317	-4 890
Less: Net result from realisation of financial derivatives	**13 671**	**14 671**
Book value of interest bearing debt	618 564	606 611
Nominal value of interest bearing debt	618 564	606 611
Basis for calculation of tax on realisation of interest bearing debt	-	-
Less: Market value of tax on realisation	**-**	**-**
EPRA NNNAV	**287 711**	**237 867**

[1] 24 per cent from 2017 and 25 per cent for 2016.

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.
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.

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

Mahatma Gandhi