



R8 Property AS

Quarterly Report Q2 2018

Contents

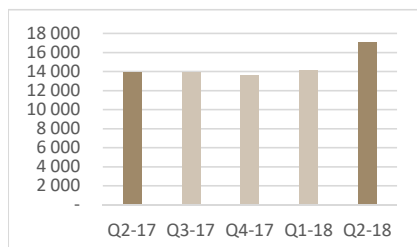
Key figures	3
Financial results	6
Balance sheet	7
The Property Portfolio	9
Investments and divestments	11
Partly owned companies	12
Other information	14
Company structure	15
Financial statements	17
Definitions	25

Key Figures

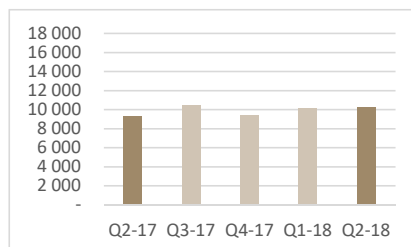
Key figures

All amounts in NOK thousand	Q2-18	Q2-17	2017	2016
Rental income	17 057	13 897	55 574	52 130
Change period-on-period	23 %	na	7 %	12 %
Net income from property management	10 206	9 337	41 090	40 675
Change period-on-period	9 %	na	1 %	na
Profit before tax	23 786	8 062	60 048	71 271
Change period-on-period	195 %	na	-16 %	na
Profit after tax	19 746	6 127	47 944	58 759
Change period-on-period	222 %	na	-18 %	na
Market value of the property portfolio	1 297 050	928 500	978 550	888 500
Net nominal interest-bearing debt	828 726	601 035	618 564	606 611
Loan to value	63.9 %	64.7 %	63.2 %	68.3 %
Interest coverage ratio	1.5	1.6	1.7	1.6
Number of shares	1 365	1 000	1 000	1 000
All amounts in NOK per share	Q2-18	Q2-17	2017	2016
EPRA NAV	361.8	303.6	324.1	281.9
Change period-on-period	19 %	na	15 %	na
EPRA NNNNAV	336.4	267.8	287.7	236.2
Change period-on-period	26 %	na	22 %	na
EPRA Earnings	2.7	8.0	13.5	5.7
Change period-on-period	-66 %	na	136 %	na

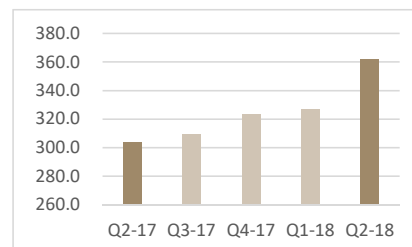
Rental income
(tNOK)



Net income property management
(tNOK)



EPRA NAV
(NOK per share)





Financial results

Results

Net income from property management

The Group's rental income was up by 22 per cent from 14.0 million in Q2-17 to 17.1 million in Q2-18, and by 12 per cent from 27.9 million to 31.2 million for the first six months of 2018.

The increase in rental income from second quarter last year and for the first six months is mainly driven by the acquisition of Arkaden Storsenter (Retail segment) in april 2018 and the completion of the project Nordre Fokserød Building 2 in the second quarter.

Total operating income came in at 19.3 million (14.0 million) in the quarter and 37.2 million (28.3 million) for the first six months of 2018.

Total operating cost amounted to 9.1 million (4.7 million) in the quarter and 16.9 million (7.0 million) for the first six months of 2018.

Net operating income from property management came in at 10.2 million (9.3 million) in the quarter and 20.3 million (21.3 million) for the first six months of 2018.

Net realised financials

Net realised financials amounted to -7.3 million (-5.7 million) in the quarter and -13.0 million (-10.7 million) for the first six months of 2018.

Value changes

The valuation of the property portfolio resulted in a net positive value change of 21.3 million (3.7 million) in the quarter and 21.5 million (26.1 million) for the first six months of 2018. In the second quarter, about 19.8 million of the value changes relates to the ongoing project portfolio and further development of the Retail property Arkaden Storsenter, mainly explained by reduced risk as each project is moving towards completion in combination with improved market conditions. The remaining 1.5 million of the value change is mainly attributable to yield compression and other property related effects.

Profit

Profit before tax was 23.8 million (8.1 million) in the quarter and 34.4 million (37.8 million) for the first six months of 2018. Profit after tax was 19.7 million (6.1 million) in the quarter and 28.0 million (28.7 million) year to date 2018, which also equals the comprehensive income for the period.

Balance sheet

The Group's assets amounted to 1,374 million (952 million) as of 30.06.18. Of this, investment property amounted to 1,297 million (929 million).

Investments in associates and jointly controlled entities were 10.8 million (zero). The increase is attributable to the acquisition of 50 per cent of the shares in Kammerherreløkka AS and 14 per cent of the shares in Telemarksgaten 10 AS.

Intangible assets was 7.8 million (0.2 million) at the end of the second quarter of 2018. The net increase is mainly related to goodwill from the purchase of Arkaden Storsenter.

Loans to associates and jointly controlled entities was 13.5 million (12.1 million) at the end of the second quarter of 2018. The net increase is mainly related to a loan to Kammerherreløkka AS.

Other receivables was 2.0 million (8.3 million) at the end of the second quarter 2018. The reduction is mainly due to repayments from other related companies.

Book equity totalled 417 million (255 million), representing an equity ratio of 30 per cent (27 per cent). Book equity per share was 306 (255). Equity per share was 362 (304) based on the EPRA NAV standard and 336 (268) based on EPRA NNNNAV. Outstanding shares at 30.6.18 totalled 1.365 million (1.000 million).

Cash flow statement

Net cash flow from operating activities came in at 5.5 million (1.4 million) in the quarter and 7.0 million (6.3 million) for the first six months of 2018.

The net cash flow from investment activities was -18.8 million (-8.6 million) in the quarter and -28.0 million (14.2 million) for the first six months of 2018.

Net cash flow from financing activities was 40.5 million (7.1 million) in the quarter and 48.7 million (7.7 million) for the first six months of 2018. Proceeds from the capital increase of 19.04.2018 amounted to 37.8 million.

The net change in cash and cash equivalents was 27.2 million (-0.1 million) in the quarter and 27.8 million (-0.2 million) for the first six months of 2018.

Financing

R8 Property's total interest bearing nominal debt as of 30.06.2018 was 829 million (601 million). During the second quarter the total interest bearing nominal debt increased by 207 million. The increase was mainly due to the acquisition of Arkaden Storsenter and other project investments.

Interest bearing debt and maturity structure

The average remaining term for the Group's debt portfolio was 4.9 years at 30.06.2018 (3.0 years at 30.06.2017).

Maturity structure and composition of interest bearing debt

<i>All amounts in NOK thousand</i>					
Maturity profile	0-1 yrs	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	103 486	511 449	78 166	114 888	807 989
Subordinated loans	-	20 737	-	-	20 737
Total	103 486	532 186	78 166	114 888	828 726
	12 %	64 %	9 %	14 %	100 %

Interest rates and maturity structure

The average interest rate of the debt portfolio was 3.9 per cent (4.0 per cent) as of 30.06.2018. 25 per cent (48 per cent) of the Group's financing was hedged at a fixed interest rate as of 30.06.2018 with a weighted average maturity of 5.0 years.

Fixed rate instruments	Amount	Interest rate (%)
2-3 years	50 000	1.54
3-4 years	87 500	3.27
4-5 years	6 750	3.44
5-6 years	15 750	4.05
6-7 years	80 000	2.73
7-8 years	43 125	2.10
Total	283 125	2.68

The Property portfolio



R8 Property's total management portfolio as of 30.06.2018 consists of 14 properties (67,976 square meters) and one project property (8,313 square meters). The portfolio is divided into three operating units: Office, Retail and Hotels.

R8 Property tenant base comprises primarily of tenants with leases from 3 - 10 years. Public sector tenants upheld approximately 40 per cent of the portfolio by the end of the quarter. R8 Property's public sector tenants are governmental, county or municipal bodies.

As of 30.06.2018 the occupancy is at 87.2 per cent (94.4 per cent). However, most of the vacancy connects to strategic vacancy. The occupancy in the Retail unit is increasing as the project is moving forward.

The average vault in the portfolio is 5.2 years. Average 12 months rolling rent per square meter was 1,141 (1,372) as of 30.06.2018. The decrease is mainly related to lower prices per sqm in the Retail unit.

The net yield is at 5.4 (6.3) based on gross rent as of 30.06.2018 and estimated operating expenses of 6.9 per cent. The low net yield is influenced by the current low occupancy in certain properties. This makes the net yield as of 30.06.2018 less representative than normal.

30.06.2018	No. Of		Wault	Market value		12 month rolling rent		Net yield	Market rent		
	Area (sqm)	Occupancy (%)		properties (#)	(tBOK)	(NOK/sqm)	(tBOK)		(NOK/sqm)	(tBOK)	(tBOK/sqm)
Office	46 220	91.4	12	4.2	942 500	20 843	59 153	1 308	5.8	69 863	1 545
Retail	22 756	79.0	2	8.4	288 000	12 656	15 386	808	4.2	37 349	1 641
Total management portfolio	67 976	87.2	14	5.2	1 230 500	33 499	77 539	1 141	5.4	107 212	1 577
Project Office	8 313	88.0	1		66 550	8 006					
Total project portfolio	8 313	88.0	1		66 550	8 006					
Total property portfolio	76 289	87.3	15	5.2	1 297 050	41 504					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06.18 corresponds to 6.9 per cent of market rent. R8 Property has one on-going project, the new building (Powerhouse Telemark) in Persegrunn in the operating unit Office.

Parking areas are not included in this overview.

Investments and divestments

R8 Property has invested 21.2 million (8.3 million) in the portfolio of investment properties in the quarter and 29.0 million (26.1 million) year to date 2018.

Project development

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

	Ownership (%)	Unit	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost (tNOK)	Of which accrued (tNOK)
Powerhouse Telemark	100	Office	Q2-20	8 313	88	252 000	17 500
Total				8 313		252 000	17 500

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

²Estimated net rent (fully let) at completion/total project cost (including cost of land)

Status ongoing projects

R8 Property is building Powerhouse Telemark in Porsgrunn. This is aiming for BREEAM Excellent classification. During an estimated lifecycle of 60 years a Powerhouse produces more renewable energy than it uses for materials, production, operation, renovation and demolition. The project is 8,313 square meters. The occupancy is as of 30.06.2018 at 88 per cent.

R8 Property finalised the new-build project Nordre Fokserød 14, building 2 in Sandefjord in the quarter with Skatt Sør as the largest tenant on a 10-year lease.

Transactions

R8 Property purchased three properties in the quarter from the largest shareholder R8 Group AS in connection with the capital increase of 19.04.2018.

Transaction YTD 2018

Purchased properties	Area	Unit	Transaction quarter	No of sqm
Arkaden Storsenter	Skien	Retail	Q2-18	22 413
Nedre Hjellegate 11	Skien	Retail	Q2-18	343
50 % of Kammerherreløkka	Porsgrunn	Hotels	Q2-18	9 049
Total				31 805

Partly owned companies

Kammerherreløkka AS (50 %)

R8 Property and Bane NOR Eiendom AS own Kammerherreløkka AS. The company owns the on-going project on Kammerherreløkka in Porsgrunn where one hotelbuilding (6,282 sqm) and one officebuilding (2,767 sqm) is expected to be finished in March 2019. The hotelbuilding is fully let to Choice Comfort Hotel Porsgrunn.

Mulighetenes By AS (69 %)

R8 Property and a group of investors own Mulighetenes By AS. The company owns the property known as Arkaden Storsenter (22,413 sqm) in Skien.

Laugstol Eiendom AS (69 %)

R8 Property and a group of investors own Laugstol Eiendom AS. The company owns the property known as Nedre Hjellegate 11 (343 sqm) in Skien.

Telemarksgaten 10 AS (14 %)

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



HOMLEIDS



Other information

Organization

At 30.06.18 the Group had 17 employees. During the quarter there were no injuries that caused absence from work.

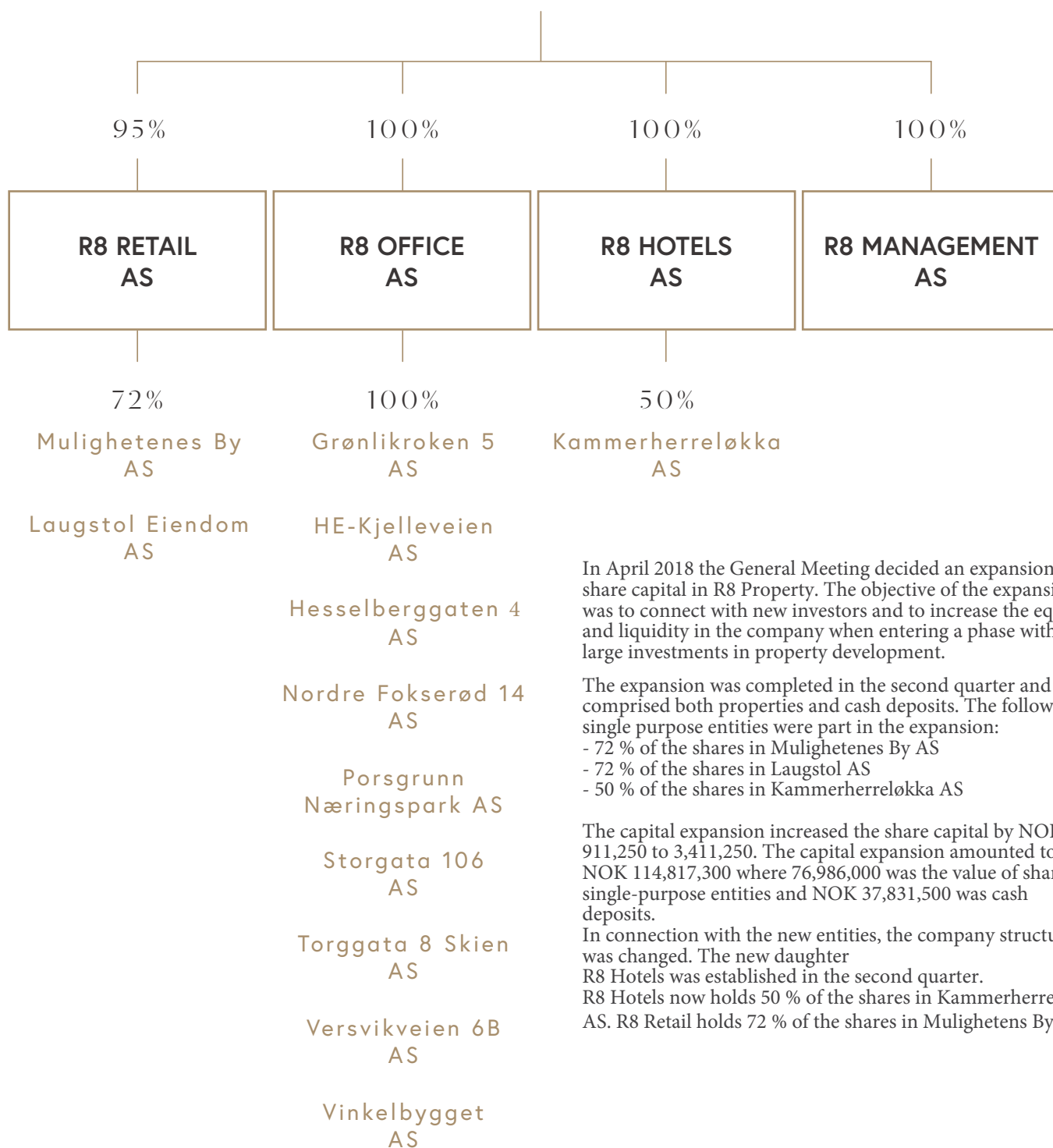
Share and shareholder information

R8 Property's share capital is NOK 3,411,215 divided into 1,364,500 shares, with each share having a par value of NOK 2.5. R8 Property has one class of shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

As of 30 June 2018, R8 Property had 26 shareholders. Norwegian investors held 100 per cent of the share capital. The 10 largest shareholders on 30.06.18 were:

Shareholder	% holding
R8 Group AS	76.5
KAB AS	3.7
RP Holding AS	2.4
Hemberg Holding AS	1.6
Thovsland Holding AS	1.5
Kabbe Holding AS	1.5
R ² Dialog Eendom AS	1.5
Aubert Invest AS	1.5
Holta & Co AS	1.5
Gambetta AS	0.8
Total	92.6

R8 PROPERTY AS



In April 2018 the General Meeting decided an expansion of share capital in R8 Property. The objective of the expansion was to connect with new investors and to increase the equity and liquidity in the company when entering a phase with large investments in property development.

The expansion was completed in the second quarter and comprised both properties and cash deposits. The following single purpose entities were part in the expansion:

- 72 % of the shares in Mulighetenes By AS
- 72 % of the shares in Laugstol AS
- 50 % of the shares in Kammerherreløkka AS

The capital expansion increased the share capital by NOK 911,250 to 3,411,250. The capital expansion amounted to NOK 114,817,300 where 76,986,000 was the value of shares in single-purpose entities and NOK 37,831,500 was cash deposits.

In connection with the new entities, the company structure was changed. The new daughter R8 Hotels was established in the second quarter. R8 Hotels now holds 50 % of the shares in Kammerherreløkka AS. R8 Retail holds 72 % of the shares in Mulighetens By AS.



*Financial
statements*

Financial statements

Statement of total comprehensive income

All amounts in NOK thousand

	Q2-18	Q2-17	YTD Q2-18	YTD Q2-17	2017
Rental income	17 057	13 987	31 207	27 945	55 574
Other operating revenue	2 223	122	6 003	382	476
Total operating income	19 279	14 019	37 211	28 327	56 050
Maintenance and other operating expenses	6 147	3 130	9 125	4 683	10 507
Other property-related expenses	307	835	363	1 273	488
Administrative expenses	2 619	716	7 399	1 091	3 966
Total operating costs	9 073	4 682	16 887	7 047	14 961
Net income from property management	10 206	9 337	20 323	21 280	41 090
Changes in value from investment properties	21 296	3 661	21 533	26 138	40 670
Operating profit	31 503	12 999	41 857	47 418	81 760
Interest and other finance income	278	291	494	584	1 025
Interest and other finance expense	-7 557	-6 016	-13 452	-11 330	-24 309
Net realised financials	-7 279	-5 724	-12 959	-10 746	-23 285
Unrealised changes in value of financial instruments	-437	787	5 545	1 093	1 573
Net financial items	-7 716	-4 937	-7 414	-9 652	-21 712
Profit before tax	23 786	8 062	34 443	37 765	60 048
Tax expense	-4 040	-1 935	-6 492	-9 064	-12 105
Profit for period/year	19 746	6 127	27 951	28 702	47 944
Change in deferred tax on comprehensive income	-	-	-	-	-
Total comprehensive income for the period/year	19 746	6 127	27 951	28 702	47 944
Profit attributable to:					
Equity holders of the company	18 655	6 127	26 860	28 702	47 944
Non-controlling interest	1 091	-	1 091	-	-
Total comprehensive income attributable to:					
Equity holders of the company	18 655	6 127	26 860	28 702	47 944
Non-controlling interest	1 091	-	1 091	-	-

Balance sheet

All amounts in NOK thousand

	30.06.2018	30.06.2017	31.12.2017
Intangible assets	7 810	180	161
Deferred tax assets	2 785	-	-
Investment property	1 297 050	928 500	978 550
Other operating assets	6 031	1 356	1 665
Investment in jointly controlled entities, associates and shares	10 846	-	-
Loan to associates and jointly controlled entities	13 543	12 118	13 445
Total non-current assets	1 338 065	942 154	993 821
Trade receivables	4 666	1 638	2 157
Other receivables	2 036	8 250	1 570
Cash and bank deposits	29 317	114	1 564
Total current assets	36 018	10 001	5 291
TOTAL ASSETS	1 374 084	952 155	999 112
Shareholders equity	412 892	255 168	274 409
Non-controlling interest	4 286	-	-
Total equity	417 178	255 168	274 409
Interest-bearing debt	725 240	562 086	568 314
Deferred tax liability	92 574	49 346	51 330
Financial derivatives	12 443	18 468	17 988
Debt to group companies	716	14 478	16 318
Other liabilities	-	-	257
Total non-current liabilities	830 973	644 377	654 207
Interest-bearing debt	103 486	38 950	50 250
Trade payables and other payables	22 446	12 565	19 957
Debt to group companies	-	1 095	289
Total current liabilities	125 932	329 720	70 496
Total liabilities	956 906	689 799	724 703
TOTAL EQUITY AND LIABILITIES	1 374 084	943 840	999 112

Changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Total equity
Equity at 01.01.2017	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
Profit for period	-	-	-	27 951	27 951
Capital increase 19.04.2018	911	113 906	-	-	114 817
Equity at 30.06.2018	3 411	117 406	6 858	289 503	417 178

Statement of cash flows

All amounts in NOK thousand

	Q2-18	Q2-17	YTD Q2-18	YTD Q2-17	2017
Profit before tax	23 786	8 062	34 443	37 765	60 048
Expensed interest and fees on loans from financial institutions	7 557	6 016	13 452	11 330	24 309
Interest and fees paid on loans from financial institutions	-7 022	-6 789	-12 855	-12 298	-24 627
Depreciation and amortisation	924	-	1 215	-	496
Change in market value investment properties	-21 296	-3 661	-21 533	-26 138	-40 670
Change in market value financial instruments	437	-787	-5 545	-1 093	-1 573
Change in working capital	1 101	-1 454	-2 207	-3 308	-1 736
Net cash flow from operating activities	5 488	1 386	6 970	6 258	16 246
Purchase of business net of cash	2 204	-	828	-	-
Upgrades and construction of investment properties	-21 204	-8 339	-28 966	-13 862	-50 425
Purchase of intangible assets and other plant and equipment	200	-256	200	-326	-143
Net cash flow from investment activities	-18 800	-8 595	-27 939	-14 188	-50 568
Proceeds interest-bearing debt	17 371	4 447	26 696	9 605	32 734
Repayment interest-bearing debt	-825	-7 591	-6 650	-15 181	-20 813
Net payment of loans to associates and jointly controlled entities	-13 876	10 234	-9 156	13 275	24 170
Proceeds from/repayment of equity	37 832	-	37 832	-	-
Dividends paid	-	-	-	-	-550
Net cash flow from financing activities	40 501	7 090	48 721	7 699	35 541
Change in cash and cash equivalents	27 189	-119	27 753	-231	1 219
Cash and cash equivalents at beginning of period	2 128	233	1 564	345	345
Cash and cash equivalents at end of period	29 317	114	29 317	114	1 564

NOTE 1 ACCOUNTING PRINCIPLES

This interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The accounting principles that have been used in the preparation of the interim financial statements are in conformity with the principles used in preparation of the annual financial statements for 2017. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2017. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2017.

The interim financial statements report of R8 Property AS was approved at a Board meeting on 28 August 2018 and have not been audited. The financial reporting covers R8 Property AS and subsidiaries.

NOTE 2 SEGMENT INFORMATION

All amounts in NOK thousand

The Groups investment properties is from Q2-18 organised into three operating units: Office, Retail and Hotels. As of today the Hotels unit only consists of one project in joint venture with Bane NOR Eiendom AS.

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

OPERATING SEGMENTS Q2-18

30.06.2018	Area (sqm)	Occupancy (%)	No. Of properties (#)	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
					(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Office	45 220	91.4	12	4.2	942 500	20 843	59 153	1 308	5.8	69 863	1 545
Retail	22 756	79.0	2	8.4	288 000	12 656	18 386	808	4.2	37 349	1 641
Total management portfolio	67 976	87.2	14	5.2	1 230 500	33 499	77 539	1 141	5.4	107 212	1 577
Project Office	8 313	88.0	1		66 550	8 006					
Total project portfolio	8 313	88.0	1		66 550	8 006					
Total property portfolio	76 289	87.3	15	5.2	1 297 050	41 504					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06.18 corresponds to 6.9 per cent of market rent. R8 Property has one on-going project, the new building (Powerhouse Telemark) in Porsgrunn in the operating unit Office.

Parking areas are not included in this overview.

OPERATING SEGMENTS Q2-17

30.06.2017	Area (sqm)	Occupancy (%)	No. Of properties (#)	Wault (yrs)	Market value		12 month rolling rent		Net yield (%)	Market rent	
					(tNOK)	(NOK/sqm)	(tNOK)	(NOK/sqm)		(tNOK)	(NOK/sqm)
Office	42 250	94.4	11	4.8	877 500	20 769	57 966	1 372	6.3	63 899	1 512
Total management portfolio	42 250	94.4	11	4.8	877 500	20 769	57 966	1 372	6.3	63 899	1 512
Project portfolio	10 616		2		51 000	4 804					
Total property portfolio	52 866		13	4.8	928 500	25 573					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06.17 corresponds to 6.6 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.

NOTE 3 INVESTMENT PROPERTIES

All amounts in NOK thousand

	Q2-18	Q2-17	2017
VALUE OF INVESTMENT PROPERTIES			
Closing balance previous period	986 550	916 500	888 500
Other movements			
Purchase of investment property	268 000	-	-
Investment and upgrades in the property portfolio	20 818	7 764	47 979
Capitalised borrowing costs	385	575	1 401
Change in value from investment properties	21 296	3 661	40 670
Investment property	1 297 050	928 500	978 550

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

NOTE 4 INFORMATION ON THE FAIR VALUE OF ASSETS AND LIABILITIES

All amounts in NOK thousand

The valuation methods and principles are unchanged in the quarter. See the annual financial statements for 2017 for further information. Set out below is a summary of assets and liabilities measured at fair value divided between the different valuation hierarchies set out in IFRS 7.

	30.06.2018	30.06.2017	31.12.2017
Assets measured at fair value with change over the result			
- Investment property (Level 3)	1 297 050	928 500	978 550
Total	1 297 050	928 500	978 550
Financial liabilities measured at fair value with change over the result			
- Derivatives (Level 2)	12 443	18 468	17 988
Total	12 443	18 468	17 988

NOTE 5 RELATED PARTIES

All amounts in NOK thousand

	30.06.2018	30.06.2017	31.12.2017
Loan to associates and jointly controlled entities (non-current and current)			
R8 Consulting Group AS	3 989	4 526	2 188
R8 Investment AS	5 073	11 940	11 077
Kammerherreløkka AS	4 481	-	-
Bedriftsveien 52-58 AS	-	179	180
R8 Management AS	na	2 590	-
Rødmyrlia 20 AS	-	157	-
Storgata 171-175 AS	-	4	4
Vipeveien 51 AS	-	10	10
Total	13 543	19 405	13 459
Debt to group companies (non-current and current)			
R8 Group AS	716	14 660	16 506
R8 Consulting Group AS	-	79	79
Valore AS	-	812	-
Tollboden AS	-	22	22
Total	716	15 573	16 607

KEY FIGURES

All amounts in NOK thousand

DEBT RATIO (LTV)

	Q2-18	Q2-17	2017
Net nominal interest-bearing debt	828 726	601 035	618 564
Total market value of the property portfolio	1 297 050	928 500	978 550
Debt ratio (LTV) %	63.9	64.7	63.2

INTEREST COVERAGE RATIO (ICR)

	Q2-18	Q2-17	2017
Net income from property management	10 206	9 337	41 090
Depreciation	924	-	496
EBITDA adjusted	11 130	9 337	41 585
Interest cost	7 279	5 780	25 062
Other finance expense	-	-	-
Applicable net interest cost	7 279	5 780	25 062
Interest Coverage Ratio (ICR)	1.5	1.6	1.7

EPRA REPORTING

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

EPRA Reporting - summary	Unit	Q2-18 / 30.06.2018	Q2-17 / 30.06.2017	2017 / 31.12.2017
EPRA Earnings per share (EPS)	NOK	2.7	2.7	13.5
EPRA NAV per share	NOK	361.8	303.6	324.1
EPRA NNNAV per share	NOK	336.4	267.8	287.7

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

EPRA EARNINGS

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

All amounts in NOK thousand

	Q2-18	Q2-17	2017
Profit for period/year	19 746	22 575	47 942
Add:			
Changes in value of investment properties	-21 296	-22 476	-40 670
Tax on changes in value of investment properties ¹⁾	4 898	5 394	9 761
Changes in value of financial instruments	437	-306	-1 573
Tax on changes in value of financial instruments ¹⁾	-100	73	378
Change in tax rate ¹⁾	-	-	-2 358
EPRA Earnings	3 684	5 260	13 480

¹⁾ 23 per cent from Q2 2018 and 24 per cent for 2017.

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

	Q2-18	Q2-17	2017
NAV - book value of equity	417 178	255 168	274 409
Deferred property tax	66 975	34 397	36 023
Fair value of financial derivative instruments	9 581	14 035	13 671
EPRA NAV	493 735	303 601	324 103
Market value on property portfolio	1 297 050	928 500	978 550
Tax value on property portfolio	793 682	492 978	524 133
Basis for calculation of tax on gain on sale	503 368	435 522	454 417
Less: Market value of tax on gain on sale (5 per cent tax rate)	25 168	21 776	22 721
Net market value on financial derivatives	12 443	18 468	17 988
Tax expense on realised financial derivatives ¹⁾	-2 862	-4 432	-4 317
Less: net result from realisation of financial derivatives	9 581	14 035	13 671
Book value of interest bearing debt	828 726	601 035	618 564
Nominal value of interest bearing debt	828 726	601 035	618 564
Basis for calculation of tax on realisation of interest bearing debt	-	-	-
Less: Market value of tax on realisation	-	-	-
EPRA NNNAV	458 985	267 790	287 711

¹⁾ 23 per cent from Q2 2018 and 24 per cent for 2017.

EPRA VACANCY

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

All amounts in NOK thousand

	Office	Retail	Total
Market rent vacant areas	6 026	7 848	13 873
Total market rent	69 863	37 349	107 212
Vacancy	8.6 %	21.0 %	12.9 %

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 payable tax.
Contractual rent	Annual cash rental income being received as of relevant date.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities (excluding debt to group companies) divided by the market value of the property portfolio.
Management properties	Properties that are actively managed by the company.
Market rent	The annualised market rent of the management properties, fully let as of the relevant date, expressed as the average of market rents estimated by the independent professionally qualified valuers.
Market value of property portfolio	The market value of all the properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes.
Net yield	Net rent divided by the market value of the management properties of the Group.
Occupancy	Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio.
Project properties	Properties where it has been decided to start construction of a new building and/or renovation.
Interest Coverage Ratio ("ICR")	Net income from property management excluding depreciation and amortisation for the Group, divided by net interest on interest-bearing nominal debt and fees and commitment fees related to investment activities.
Total area	Total area including the area of management properties, project properties and land / development properties.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the management properties of the Group.

Other information

Contact info

Trine Riis Groven
CEO
Phone: +47 918 73 286
trine@r8property.no

Stian Lande Iversen
CFO
Phone: +47 989 04 409
stian@r8property.no

Financial calendar

Third quarter 2018: **24.10.2018**

Annual report 2018: **26.03.2019**

