



R8 PROPERTY AS
QUARTERLY REPORT Q3 2020

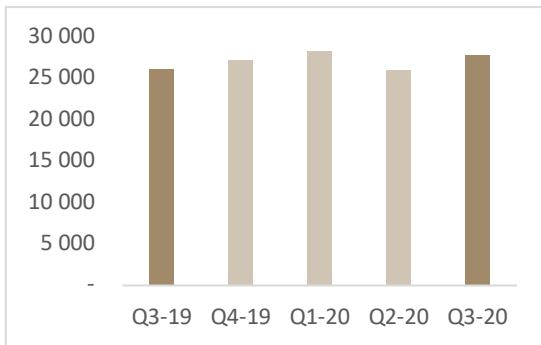
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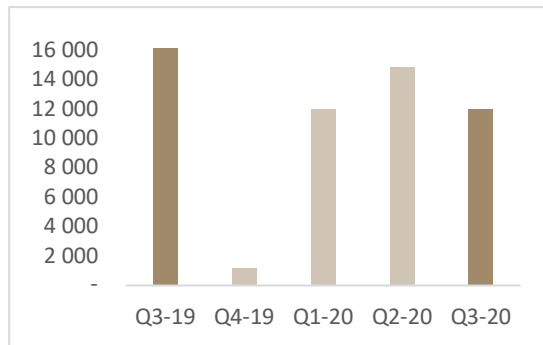
FINANCIAL HIGHLIGHTS

- Rental income of 27.8 million (26.1 million) in the quarter
- Net income from property management 12.1 million (16.2 million)
- Positive total portfolio value changes of 34.2 million were 29.7 million comes from own-used properties (negative of 3.7 million)
- Profit before tax of 44.8 million (0.4 million)
- EPRA NAV per share of 394.8 (405.1)

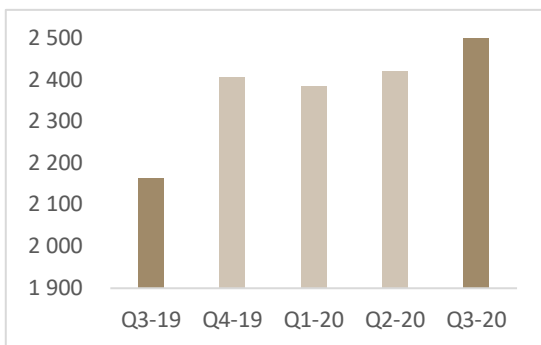
Rental income
(KNOK)



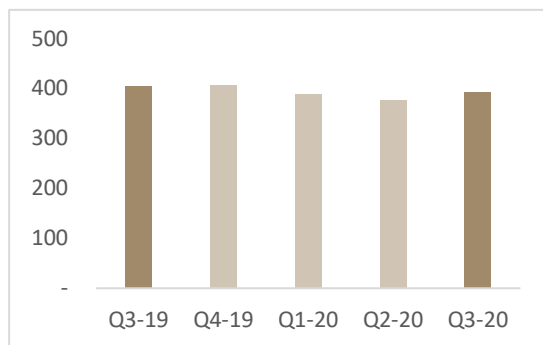
Net income property management
(KNOK)



Market value of the property portfolio
(MNOK)



EPRA NAV
(NOK per share)



KEY FIGURES

All amounts in NOK thousand	Q3-20	Q3-19	2019	2018
Rental income	27 750	26 086	99 755	70 149
Change period-on-period	6 %	42 %	42 %	26 %
Net income from property management	12 057	16 232	41 717	40 927
Change period-on-period	-26 %	75 %	2 %	-1 %
Profit before tax	44 762	425	76 635	70 465
Change period-on-period	10431 %	-97 %	9 %	17 %
Profit after tax	45 783	25	59	60 733
Change period-on-period	182406 %	-99,8 %	-3 %	27 %
Market value of the property portfolio	2 517 086	2 164 750	2 409 000	1 731 500
Net nominal interest-bearing debt	1 750 073	1 451 820	1 581 274	1 123 762
Loan to value	69,5 %	67,1 %	65,6 %	64,9 %
Interest coverage ratio	0,7	1,5	0,6	1,3
Number of shares	1 972	1 630	1 972	1 365
All amounts in NOK per share	Q3-20	Q3-19	2019	2018
EPRA NAV	394,8	405,1	406,7	377,4
Change period-on-period	-3 %	10 %	8 %	16 %
EPRA NNNAV	369,4	365,3	377,9	346,7
Change period-on-period	1 %	6 %	9 %	21 %
EPRA Earnings	0,8	2,3	4,0	8,3
Change period-on-period	-63 %	53 %	-52 %	-39 %

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

FINANCIAL DEVELOPMENT

Results

Net income from property management

The Group's rental income was up by 6.4 per cent from 26.1 million in Q3-19 to 27.8 million in Q3-20.

According to accounting principles in IFRS for own used properties, i.e. Properties used by companies within R8 Property AS, are to be eliminated from reported rental income. Rental income from own used properties in Q3 were 1.7 million. Total rental income, including own use, in Q3 were accumulated 29.5 million.

- Total operating income came in at 40.3 million (29.9 million) in the quarter.
- Total operating cost amounted to 28.3 million (13.6 million) in the quarter.
- Net operating income from property management came in at 12.1 million (16.2 million) in the quarter.

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

Net realised financials

Net realised financials amounted to 28.2 million (-12.1 million) in the quarter. Unrealised changes in fair value of financial instruments gave a net positive contribution of 46.1 million. The majority of the positive change comes from a call option from the Group's investment in Inkognitogaten 33A AS.

Value changes

The valuation of the property portfolio resulted in a net positive value change of 34.2 million (-3.7 million) in the quarter. 29.7 million comes from own-used properties. The latter results from Powerhouse Telemark in Porsgrunn and Henrik Ibsens gate 40-42 in Oslo, projects which were finally completed in Q3.

Profit

Profit before tax was 44.8 million (0.4 million) in the quarter. Profit after tax was 1.1 million (0.3 million) in Q3-20.

Balance sheet

The Group's assets amounted to 2,870 million (2,412 million) as of 30.09.20. Of this, investment property, including own-used properties, amounted to 2,508 million (2,165 million).

Other intangible assets were 68.1 million (7.8 million) at the end of the third quarter of 2020. The increase is mainly goodwill related to 50% of the shares in Evolve that the Group acquired in January 2020 and capitalized development cost in Orbit Technology.

Right of use assets amounted to 125.6 million (0.0 million) as of 30.09.2020, which included leasing contracts, mainly in Evolve.

Short term loans to associated and jointly controlled entities were 10.1 million at the end of Q3 2020.

Total current assets came in at 70.4 million (182.5 million) in Q3-20, the decrease is related to committed equity in issue of 130.1 million by end of third quarter 2019. In addition, the Group has acquired Utsikten 2019 that is presented as "Inventory properties" in the balance. Vestsiden Terrasse, previously presented as 'Inventory properties' has been changed to 'Investment properties' due to strategic considerations.

Book equity totaled 745 million (753 million), representing an equity ratio of 26 percent (31 percent). Equity per share was 394.8 (405.1) based on the EPRA NAV standard and 369.4 (365.3) based on EPRA NNAV. Outstanding shares at 30.09.20 totaled 1.972.064.

Cash flow statement

Net cash flow from operating activities came in at +5.7 million (-1.3 million) in the quarter.

The net cash flow from investment activities was -80.7 million (-62.6 million) in the quarter.

Net cash flow from financing activities was 72.1 million (62.1 million) in the quarter.

Cash and cash equivalents at the end of Q3-20 came in at 17.0 million (19.1 million).

Financing

R8 Property's total interest-bearing nominal debt as of 30.09.20 was 1.750 million (1.219 million). During the third quarter the total interest-bearing nominal debt increased by 68.4 million. The increase was mainly due to project investments and purchase of business.

R8 Property is not in breach of any covenant requirements at the end of Q3-20.

Interest bearing debt and maturity structure

The average remaining term for the Group's debt portfolio was 2.5 years at 30.09.20. A significant portion (28%) of the Group's debt has been refinanced after the end of the quarter. Approx. 486.5 million of the short-term debt of 1170.3 million will be then be reclassified as long term going forward. Additional short-term loans of 319.0 million (building loan) have been confirmed to be converted to long term in Q4.

Maturity structure and composition of interest-bearing debt

All amounts in NOK thousand

Maturity profile	0-1 yrs	1-3 yrs	3-5 yrs	5+ yrs	Total
Bank loans	1 143 778	216 888	25 908	336 948	1 723 522
Subordinated loans	26 550				26 550
Total	1 170 328	216 888	25 908	336 948	1 750 072
	67 %	12 %	1 %	19 %	100 %

Interest rates and maturity structure

The average interest rate of the debt portfolio was 3.25 per cent as of 30.09.2020. 34 per cent of the Group's financing was hedged at a fixed rate as of 30.09.20 with a weighted average maturity of 5.6 years.

Fixed rate instruments	Amount	Interest rate (%) ¹⁾
1-3 years	105 202	2,95 %
3-4 years	93 500	2,92 %
4-5 years	122 500	1,72 %
5-6 years	15 000	1,65 %
6-8 years	65 000	1,52 %
8-10 years	195 000	2,17 %
Total	596 202	2,25 %

1) Excluding credit margins

The Property portfolio



Foto: Ivar Kvaal

THE PROPERTY PORTFOLIO

R8 Property's management portfolio as of 30.09.2020 consists of 28 buildings with a total area of approximately 108,400 square meters. The portfolio is divided into three operating subunits:

Green Office: properties with energy classification and environmental focus

City Office: other ordinary office properties

Commercial Property: properties located in the city center where majority of tenants operates within food & beverage or healthcare

As of 30.09.2020 the occupancy is at 86.4 percent. However, most of the vacancy is strategic related to Arkaden. The occupancy in the Commercial Property subunit is increasing as the project is moving forward.

The average wault²⁾ (weighted on annual rent) in the management portfolio is 6.5 years. Average annual rent per square meter was 1,581 NOK of 30.09.2020.

The net direct yield is at 5.0 based on annual rent as of 30.09.2020. Average yield on the total management portfolio (value weighted) as basis of property valuations is 6,3% as of 30.09.2020.

CORPORATE SEGMENTS Q3-20

30.09.2020	Area (sqm)	Occupancy (sqm) (%)	No. of prop. (#)	Market value (tNOK) (NOK/sqm)		Wault ¹⁾ (yrs)	Annual rent (tNOK)(NOK/sqm)		Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾ (tNOK) (NOK/sqm)	
Green Office	37 613	33 137 88,1	6	1 065 000	28 315	5,2	61 083	1 843	5,0	4,5	5,8	70 474	1 874
City Office	37 785	32 198 85,2	15	654 000	17 308	5,5	38 606	1 199	4,9	5,0	6,1	49 785	1 318
Commercial Prop.	33 002	28 343 85,9	7	660 500	20 014	9,6	48 442	1 709	9,7	5,9	7,2	61 199	1 854
Total management portfolio	108 400	93 678 86,4	28	2 379 500	21 951	6,5	148 131	1 581	6,5	5,0	6,3	181 458	1 674
Project Office	4 500	4 500 100,0	5	128 500	28 556	11,4							
Total project portfolio	4 500	4 500 100,0	5	128 500	28 556	11,4							
Total property portfolio	112 900	98 178 87,0	33	2 508 000	22 214	6,7							

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30 September 2020 corresponds to 9.4 per cent of market rent. The Group has no single external customers representing over 10% of the Group's revenue. Furthermore, the Group has around 94% of its estimated market value of properties and 96% of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

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

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

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

OPERATING SEGMENTS Q3-20

30.09.2020	Occupancy (sqm)	Wault ²⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)	
Office	66 101	5,6	104 712	1 584
Retail	10 463	5,9	11 642	1 113
Hotels	6 292	13,4	11 709	1 861
Healthcare	5 609	5,5	6 797	1 210
Food and Beverage	5 213	8,9	12 808	2 459
Total management portfolio	93 678	6,5	147 668	1 576

1) Wault weighted on property market value

2) Wault weighted on annual rent

3) includes market rent from available areas

INVESTMENTS AND DIVESTMENTS

R8 Property has invested 50.3 million (62.6 million) in the portfolio of investment properties in the quarter.

Project Development

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

Project	Ownership (%)	Unit	Expected completion	Project area (sqm)	Occupancy (%)	Est. total project cost (tNOK) ¹⁾	Of which accrued (tNOK)
Polymer Exploration Centre	50	Office	Q3-21	4 500	100	160 315	49 551
Total				4 500	100	160 315	49 551

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

R8 Home

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

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

Status ongoing projects

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

Transactions YTD 2020

There have been no investment property transactions in third quarter of 2020 except from increased ownership in Inkognitogaten 33A AS from 6% to 16%. Inkognitogaten 33A AS is the parent company of the property located at Inkognitogaten 33 aka Inkognito Park in Oslo. R8 Property holds a rights option to buy out remaining shareholders within 30.06.23

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

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

PARTLY OWNED COMPANIES

Dokkvegen Utvikling AS (50 %)

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

Dokkvegen 20 AS (50 %)

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

R8 Evolve AS (50 %)

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

Evolve Akersgata AS (50 %)

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

Evolve Bjørvika AS (50 %)

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

Evolve IT Fornebu AS (50 %)

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

Evolve Sandaker AS (50 %)

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

Inkognitogaten 33A AS (16,6%)

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

Kammerherreløkka AS (50 %)

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

Skien Brygge Utvikling AS (25 %)

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

Telemarksgaten 10 AS (14 %)

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

Vestsiden Terrasse AS (50%)

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

OTHER INFORMATION

Organization

At 30.09.20 the Group had 28 employees. During the Quarter there were no injuries that caused absence from work.

Share and shareholder information

R8 Property's share capital is NOK 4,930,160 divided into 1,972,064 shares, with each share having a par value of 2.5. R8 Property has one class shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

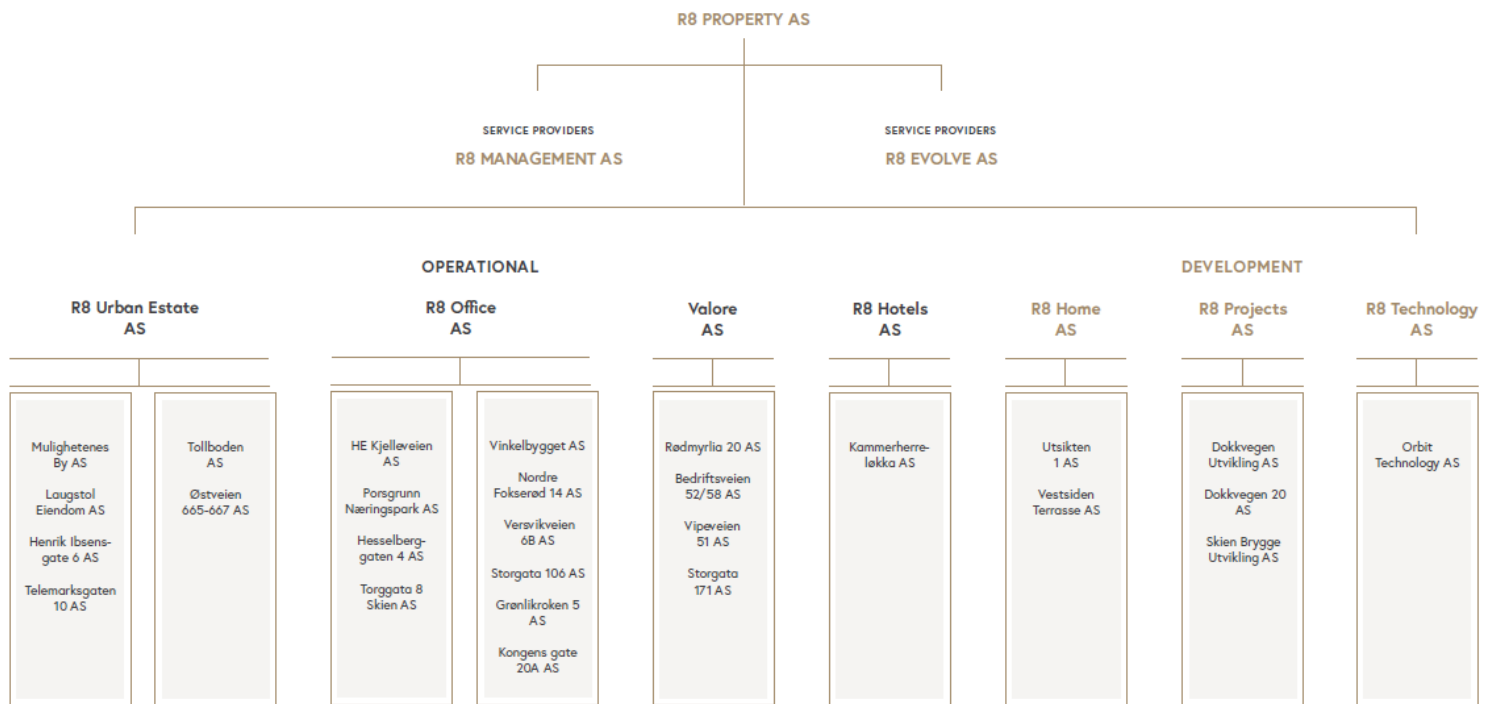
As of September 30th 2020, R8 Property had 49 shareholders. Norwegian investors held 100 per cent of the share capital. The 10 largest shareholders on 30.09.20 were:

Shareholder	Owership
R8 Group AS	51,2 %
Brødrene Jensen AS	13,7 %
IKAB AS	9,1 %
Carucel Invest AS	2,4 %
Sarepta Holding AS	2,0 %
RP Holding AS	1,8 %
Aubert Invest AS	1,8 %
Kabbe Holding AS	1,8 %
Holta & Co AS	1,4 %
Heimberg Holding AS	1,1 %
Total	86,4 %

Company structure

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

*The company structure is updated September 30 2020.



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

Foto: Ivar Kvaal



Financial statements

Statement of total comprehensive income

All amounts in NOK thousand

	Note	Q3-20	Q3-19	YTD Q3 - 20	YTD Q3 -19	2019
Rental income	2	27 750	26 086	81 905	72 551	99 755
Other operating revenue		12 566	3 785	42 317	9 358	13 636
Total operating income		40 316	29 872	124 222	81 910	113 391
Maintenance and other operating expenses		16 260	10 280	56 693	29 942	34 443
Other property-related expenses		378	18	1 156	480	1 088
Administrative expenses		11 622	3 341	27 341	10 973	36 143
Total operating costs		28 259	13 639	85 190	41 395	71 674
Net income from property management		12 057	16 232	39 032	40 514	41 717
Changes in fair value from investment properties	4, 5	4 550	-3 662	-75 163	58 352	78 664
Operating profit		16 606	12 571	-36 131	98 867	120 381
Interest and other finance income		404	456	1 464	2 087	3 105
Interest and other finance expense		-18 406	-11 500	-51 368	-33 774	-47 360
Net realised financials		-18 002	-11 044	-49 904	-31 687	-44 255
Unrealised changes in fair value of financial instruments	4	46 157	-1 102	7 822	-5 438	509
Net financial items		28 156	-12 146	-42 082	-37 125	-43 746
Profit before tax		44 762	425	-78 213	61 742	76 635
Tax expense		1 021	-400	18 129	-13 914	-17 458
Profit for year		45 783	25	-60 085	47 828	59 177
Changes in fair value from owner-occupied investment property	4, 5	29 694	-	29 694	-	-
Change in deferred tax on comprehensive income		-6 533	-	-6 533	-	-
Total comprehensive income for the year		68 945	25	-36 923	47 828	59 177
Profit attributable to:						
Equity holders of the company		46 722	2 302	-33 865	44 925	48 767
Non-controlling interest		-939	-2 277	-26 220	2 903	10 411
Total comprehensive income attributable to:						
Equity holders of the company		69 884	2 302	-10 704	44 925	48 767
Non-controlling interest		-939	-2 277	-26 220	2 903	10 411

Notes 1 through to 9 form an integral part of the consolidated financial statements.

Balance sheet

All amounts in NOK thousand

	Note	30.09.2020	30.09.2019	31.12.2019
NON-CURRENT ASSETS				
Deferred tax asset		5 598	745	-
Other intangible assets		68 092	7 822	7 630
Total intangible assets		73 690	8 567	7 630
Investment property	4,5	1 967 000	2 164 750	2 409 000
Owner-occupied property	4,5	541 000	-	-
Other operating assets		6 669	15 008	968
Right-of-use assets		125 593	-	270
Total property, plant & equipment		2 640 262	2 179 760	2 410 238
Investment in associates and jointly controlled entities	4	37 625	496	496
Loans to related parties		-	40 845	-
Financial derivatives	4	40 578	-	-
Other long-term receivables		8 040	32	3 211
Total financial assets		86 243	41 373	3 707
TOTAL NON-CURRENT ASSETS		2 800 196	2 229 700	2 421 575
CURRENT ASSETS				
Inventory properties		9 086	-	7 805
Trade receivables		12 602	17 139	12 607
Other receivables		21 640	146 280	27 166
Other receivables to related parties		10 108	-	30 585
Total current receivables		53 437	163 418	78 163
Cash and bank deposits		16 946	19 074	51 040
TOTAL CURRENT ASSETS		70 383	182 493	129 203
TOTAL ASSETS		2 870 579	2 412 192	2 550 778
EQUITY				
Shareholders equity		702 765	705 310	713 469
Non-controlling interest		41 976	47 640	64 663
TOTAL EQUITY		744 741	752 950	778 131
LIABILITIES				
Interest-bearing debt	4	579 744	1 147 843	645 026
Deferred tax liability		77 816	83 493	84 591
Financial derivatives	4	48 667	16 832	11 789
Debt to related parties		-	41 472	-
Lease liabilities, non-current portion		132 212	5 718	4 517
Other non-current liabilities		2 188	-	-
Total non-current liabilities		840 627	1 295 358	745 923
Trade payables		50 644	65 622	74 125
Interest-bearing debt	4	1 170 329	298 263	930 605
Debt to related parties		2 260	-	20 868
Other current liabilities		61 978	-	1 127
Total current liabilities		1 285 211	363 885	1 026 724
TOTAL LIABILITIES		2 125 838	1 659 242	1 772 647
TOTAL EQUITY AND LIABILITIES		2 870 579	2 412 192	2 550 778

Notes 1 through to 9 form an integral part of the consolidated financial statements.

Statement of changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Non-controlling interest	Total equity
Equity at 01.01.2019	3 411	117 406	43 910	320 220	47 358	532 305
Profit for year	-	-	-	48 767	10 411	59 177
Corporate merger (konsernfusjon) as of 29.03.2019	85	10 649	-	-	-	10 734
Capital increase as of 29.03.2019	300	37 512	-37 812	-	-	-
Capital increase as of 09.05.2019	278	34 725	-	-	-	35 002
Capital increase as of 27.11.2019	856	-	129 230	-	-	130 086
Acquisitions/capital increase subsidiaries	-	-	-	-	31 886	31 886
Decrease in non-controlling interest	-	-	-	4 841	-24 992	-20 151
Cost of equity transactions directly in equity	-	-	-908	-	-	-908
Equity at 31.12.2019	4 930	200 291	134 420	373 828	64 663	778 131
Profit for year	-	-	-	-10 704	-26 220	-36 923
Acquisitions/capital increase subsidiaries	-	-	-	-	3 533	3 533
Equity at 30.09.2020	4 930	200 291	134 420	363 124	41 976	744 741

Notes 1 through to 9 form an integral part of the consolidated financial statements.

Statement of cash flows

All amounts in NOK thousand

	Note	Q3-20	Q3-19	YTD Q3 2020	YTD Q3 2019	2019
Profit before tax		44 762	425	-78 213	61 744	76 635
Expensed interest and fees on loans and leases		18 406	11 044	51 368	33 318	47 360
Interest and fees paid on loans and leases		-16 050	-11 044	-46 920	-33 704	-42 793
Depreciation and amortisation	6	425	821	788	2 867	779
Change in market value investment properties	4	-4 550	3 662	75 163	-58 352	-78 664
Change in market value financial instruments	3	-46 157	1 102	-7 822	5 437	-509
Change in working capital		8 884	-7 343	10 188	-9 457	-7 090
Net cash flow from operating activities		5 719	-1 334	4 551	1 852	-4 283
Proceeds from sales of investment properties and companies		-	-	-	-	6 200
Purchase of business net of cash		-	-	-41 725	-	-
Upgrades and construction of investment properties	4	-55 242	-62 562	-125 664	-202 699	-294 694
Purchase of investment property		-	-	-	-	-89 656
Purchase of intangible assets and other plant and equipment		-5 412	-	-8 145	-2 349	-836
Net payment financial assets		-19 997	-	-30 217	-	-
Net cash flow from investment activities		-80 651	-62 562	-205 751	-205 048	-378 985
Proceeds interest-bearing debt		122 966	67 475	216 711	218 123	345 867
Repayment interest-bearing debt		-70 074	-7 702	-78 016	-18 682	-24 678
Change in loans to other related parties		1 700	2 339	-2 374	2 339	-16 399
Net payment from convertible loans		17 537	-	30 787	-	-
Proceeds from equity		-	-	-	-	130 086
Cost of equity transactions		-	-	-	-	-908
Purchase of shares from non-controlling interests		-	-	-	-	-20 151
Net cash flow from financing activities		72 129	62 112	167 108	201 780	413 818
Change in cash and cash equivalents		-2 802	-1 784	-34 091	-1 416	30 550
Cash and cash equivalents at beginning of period		19 749	20 858	51 040	20 490	20 490
Cash and cash equivalents at end of period		16 946	19 074	16 946	19 074	51 040

Notes 1 through to 9 form an integral part of the consolidated financial statements.

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 2019. The interim report presents condensed financial statements, and do not contain all the information required for full annual financial statements. The report should therefore be read in conjunction with the financial statements for 2019. There are no significant changes in accounting policies compared with those used when preparing the financial statements for 2019.

The interim financial statements report of R8 Property AS was approved at a Board meeting on 9th November 2020 and have not been audited. The financial reporting covers R8 Property AS and subsidiaries.

NOTE 2 INFORMATION ABOUT REVENUE STREAMS

Rental income from investment properties:

The Group's rental income was up by 6.4 per cent from 26.1 million in Q3-19 to 27.8 million in Q3-20.

According to accounting principles in IFRS for own used properties, i.e. Properties used by companies within R8 Property AS, are to be eliminated from the reported rental income. Rental income from own used properties in Q3 were 1.7 million. Total rental income, including own use, in Q3 were accumulated 29.5 million.

Other operating revenue:

The majority of other operating revenue relates to R8 Evolve, the group's business area within coworking of office spaces. This revenue consists mainly of membership fee.

NOTE 3 SEGMENT INFORMATION

All amounts in NOK thousand

The Groups investment properties is organised into three corporate units:
Green Office: properties with energy classification and environmental focus
City Office: other ordinary office properties
Commercial Property: properties located in the city center where majority of tenants operates within food & beverage or healthcare

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

CORPORATE SEGMENTS Q3-20

30.09.2020	Area (sqm)	Occupancy (sqm) (%)	No. of prop. (#)	Market value (tNOK) (NOK/sqm)	Wault ¹⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)	Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾ (tNOK) (NOK/sqm)
Green Office	37 613	33 137 88,1	6	1 065 000 28 315	5,2	61 083 1 843	5,0	4,5	5,8	70 474 1 874
City Office	37 785	32 198 85,2	15	654 000 17 308	5,5	38 606 1 199	4,9	5,0	6,1	49 785 1 318
Commercial Prop.	33 002	28 343 85,9	7	660 500 20 014	9,6	48 442 1 709	9,7	5,9	7,2	61 199 1 854
Total management portfolio	108 400	93 678 86,4	28	2 379 500 21 951	6,5	148 131 1 581	6,5	5,0	6,3	181 458 1 674
Project Office	4 500	4 500 100,0	5	128 500 28 556	11,4					
Total project portfolio	4 500	4 500 100,0	5	128 500 28 556	11,4					
Total property portfolio	112 900	98 178 87,0	33	2 508 000 22 214	6,7					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30 September 2020 corresponds to 9.4 per cent of market rent. The Group has no single external customers representing over 10% of the Group's revenue. Furthermore, the Group has around 94% of its estimated marked value of properties and 96% of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the county of Oslo.

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

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

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

OPERATING SEGMENTS Q3-20

30.09.2020	Occupancy (sqm)	Wault ²⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)
Office	66 101	5,6	104 712 1 584
Retail	10 463	5,9	11 642 1 113
Hotels	6 292	13,4	11 709 1 861
Healthcare	5 609	5,5	6 797 1 210
Food and Beverage	5 213	8,9	12 808 2 459
Total management portfolio	93 678	6,5	147 668 1 576

CORPORATE SEGMENTS Q3-19

30.09.2019	Area (sqm)	Occupancy (sqm) (%)	No. of prop. (#)	Market value (tNOK) (NOK/sqm)	Wault ¹⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)	Wault ²⁾ (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent ³⁾ (tNOK) (NOK/sqm)
Green Office	26 463	23 970 90,6	4	707 000 26 717	3,2	42 176 1 760	3,0	5,5	6,0	47 959 1 812
City Office	29 629	25 603 86,4	13	388 500 13 112	3,0	25 601 1 000	2,9	5,7	6,8	34 361 1 160
Commercial Prop.	35 794	30 067 84,0	8	765 500 21 386	10,5	49 594 1 649	10,4	5,1	6,8	66 598 1 861
Total management portfolio	91 886	79 640 86,7	25	1 861 000 20 253	6,2	117 371 1 474	6,1	5,4	6,5	148 918 1 621
Project Office	16 196	14 257 88,0	4	303 750 18 755	12,5					
Total project portfolio	16 196	14 257 88,0	4	303 750 18 755	12,5					
Total property portfolio	108 082	93 897 86,9	29	2 164 750 20 029	7,0					

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.09.19 corresponds to 10.0 per cent of market rent.

R8 Property has four on-going projects, the new building Powerhouse Telemark and Polymer Exploration Center both in Porsgrunn, and Rådhusgata 2 AS located in Skien. R8 Property are doing feasibility study on one additional property.

OPERATING SEGMENTS Q3-19

30.09.2019	Occupancy (sqm)	Wault ²⁾ (yrs)	Annual rent (tNOK) (NOK/sqm)
Office	51 385	3,9	74 385 1 448
Retail	11 587	5,6	12 758 1 101
Hotels	6 178	14,4	12 195 1 974
Healthcare	5 635	5,7	6 647 1 180
Food and Beverage	4 855	12,7	11 386 2 345
Total management portfolio	79 640	6,1	117 371 1 474

1) Wault weighted on property market value

2) Wault weighted on annual rent

3) includes market rent from available areas

NOTE 4 INFORMATION ABOUT FAIR VALUE OF ASSETS & LIABILITIES

All amounts in NOK thousand

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

ASSETS MEASURED AT FAIR VALUE

	30.09.2020	30.09.2019	31.12.2019
Assets at fair value through profit or loss			
- Investment properties (level 3)	1 967 000	2 164 750	2 409 000
- Property used by owner (level 3)	541 000	-	-
- Derivatives (level 3) ¹⁾	40 578	-	-
- Equity instruments (level 3) ²⁾	34 125	-	-
Total	2 582 703	2 164 750	2 409 000

LIABILITIES MEASURED AT FAIR VALUE

	30.09.2020	30.09.2019	31.12.2019
Liabilities at fair value through profit or loss			
- Derivatives (level 2)	48 667	16 832	11 789
Total	48 667	16 832	11 789

¹⁾ Financial derivatives as an asset results from an option right to acquire the remaining shares in Inkognitogaten 33. This option is in-the-money and give rise to a positive increase fair value of the option during the quarter.

²⁾ The investment of shares in Inkognitogaten 33 A AS is measured using fair value considering that fair value can be measured accurately and reliably for this investment. The other investments in associates and jointly controlled entities is measured at amortised cost because the fair value can not be measured in a reliable and sufficient way.

NOTE 5 INVESTMENT PROPERTIES

All amounts in NOK thousand

	30.09.2020	30.09.2019	31.12.2019
VALUE OF INVESTMENT PROPERTIES			
Opening balance previous period	2 423 500	2 112 050	1 731 500
Other movements			
Purchase of investment properties			301 989
Projects and upgrades in the property portfolio	46 918	56 580	280 778
Capitalised borrowing costs	3 338	5 982	22 269
Sale of investment property	-	-6 200	-6 200
Change in value from investment properties	34 244	-3 662	78 664
Total value of investment property	2 508 000	2 164 750	2 409 000
Of which owner-occupied property	541 000	-	-
Total book value of investment property at 30.09	1 967 000	2 164 750	2 409 000

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

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

The Group has several lease contracts regarding commercial real estate, inventory and service cars. Outstanding right-of-use assets as per 30.09.2020 totals mNOK 125,6.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

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

NOTE 7 KEY FIGURES

All amounts in NOK thousand

DEBT RATIO (LTV)

	30.09.2020	30.09.2019	31.12.2019
Net nominal interest-bearing debt	1 750 073	1 451 820	1 581 274
Total market value of the property portfolio	2 517 086	2 164 750	2 409 000
Debt ratio (LTV) %	69,5	67,1	65,6

INTEREST COVERAGE RATIO (ICR)

	30.09.2020	30.09.2019	31.12.2019
Net income from property management	12 057	16 232	41 717
Depreciation (excl. IFRS 16)	425	821	779
Net realised financials	404	456	3 105
Net effect from leases	717	-	-
EBITDA adjusted	13 602	17 509	45 601
Interest cost	18 406	11 500	68 830
Other finance expense	-	-	799
Applicable net interest cost	18 406	11 500	69 629
Interest Coverage Ratio (ICR)	0,7	1,5	0,7

NOTE 8 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	Q3-2020 / 30.09.2020	Q3-2019 / 30.09.2019	2019 / 31.12.2019
EPRA Earnings per share (EPS)	NOK	0,8	2,3	4,0
EPRA NAV per share	NOK	394,8	405,1	406,7
EPRA NNNAV per share	NOK	369,4	365,3	377,9

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

EPRA EARNINGS

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

All amounts in NOK thousand

	30.09.2020	30.09.2019	31.12.2019
Profit for period/year	45 783	25	59 177
Add:			
Changes in value of investment properties	-4 550	3 662	-78 664
Tax on changes in value of investment properties ¹⁾	-134	-806	17 306
Changes in value of financial instruments	-42 035	1 102	-509
Tax on changes in value of financial instruments ¹⁾	321	-242	112
Share of profit jointly controlled entities - fair value adjustments	-	-	-
Reversal of deferred tax EPRA adjustments jointly controlled entities ¹⁾	-	-	-
Net income non-controlling interest of subsidiaries	2 807	-92	13 347
Reversal of tax non-controlling interests of subsidiaries ¹⁾	-521	20	-2 936
Change in tax rate ¹⁾	-	-	-
EPRA Earnings	1 672	3 669	7 832

¹⁾ 22 per cent from 2020 and 22 per cent for 2019.

EPRA NAV AND EPRA NNNAV - NET ASSET VALUE

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

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

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

All amounts in NOK thousand

	30.09.2020	30.09.2019	31.12.2019
NAV - book value of equity	744 741	622 864	778 131
Less: Non-controlling interest	-41 976	-47 640	-64 663
Deferred property tax	78 367	71 812	79 395
Fair value of financial derivative instruments	-2 617	13 129	9 196
EPRA NAV	778 515	660 166	802 060
Market value on property portfolio	2 517 086	2 164 750	2 409 000
Tax value on property portfolio	1 463 286	1 131 687	1 455 350
Basis for calculation of tax on gain on sale	1 053 801	1 033 063	953 650
Less: Market value of tax on gain on sale (5 per cent tax rate)	52 690	51 653	47 683
Net market value on financial derivatives	8 089	16 832	11 789
Tax expense on realised financial derivatives ¹⁾	-10 707	-3 703	-2 594
Less: Net result from realisation of financial derivatives	-2 617	13 129	9 196
Book value of interest bearing debt	1 750 073	1 451 820	1 581 274
Nominal value of interest bearing debt	1 750 073	1 451 820	1 581 274
Basis for calculation of tax on realisation of interest bearing debt	-	-	-
Less: Market value of tax on realisation	-	-	-
EPRA NNNAV	728 443	595 383	745 182

¹⁾ 22 per cent from 2020 and 22 per cent for 2019.

NOTE 9 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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

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

Property values within our Office segment are considered strong, especially due to public and large private tenants. Hotels and retail are the segments we experience is affected the most, with future uncertainty in travel, conventions and shopping habits. Our property portfolio is valued quarterly by an external expert (Newsec), and valuations at the end of Q2 2020 was approximately negative 1 percent compared to 31.03.2020. In Q3 the pandemic has had marginal affect on the market value of our portofolio. This is a testament to the overall strength of our property portfolio, and while we cannot exclude further devaluations going forward with some segments and properties, they will most likely be marginal towards the total property portfolio.

The sharp decline in interest rates (NIBOR) will positively influence our financial costs on the groups non-fixed rates loans. At the same time our fixed rate loans (i.e. interest rate swaps) has been negatively affected, as seen in Q1 and Q2 2020, and seems to have leveled out in Q3.

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

A significant portion (28%) of the Group's debt has been refinanced after the end of the quarter. As a result, approx. 486.5 million of the short-term debt of 1170.3 million will be reclassified as long term going forward. Additional short-term loans of 319.0 million (building loan) have been confirmed to be converted to long term in Q4.

The Group is undergoing a convection from AS to ASA. The convection of legal form is ongoing and is expected to be completed medio fourth quarter 2020. The Group is simultaneously conducting a stock split, dividing each stock into 10 new stocks, i.e. going from 1 972 064 to 19 720 640 outstanding shares.

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Financial calendar

Q4 report 2020 24.03.2021

Annual report 2020 24.03.2021

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DEFINITIONS

Annual rent	The contractual annual rent from the properties of the Group including forward starting contracts and excluding any market contribution.
Cash earnings	Result from property management less payable tax.
Contractual rent	Annual cash rental income being received as of relevant date.
EPRA Earnings	Net income after tax excluding value changes on investment properties, unrealised changes in the market value of financial derivatives and gains/losses on the sale of properties and their associated tax effects. EPRA earnings are intended to give an indication of the underlying development in the property portfolio.
EPRA NAV	Net asset value adjusted to include market value of all properties in the portfolio and interest-bearing debt, and to exclude certain items not expected to crystallise in a long-term investment property business model such as e.g. financial derivatives and deferred tax on the market value of investment properties. The objective with EPRA NAV is to demonstrate the fair value of net assets given a long-term investment horizon.
EPRA NNAV	EPRA NNAV is EPRA NAV adjusted to reflect the fair value of debt and derivatives and in order to include deferred tax on value changes. The objective with EPRA NNAV is to report the fair value of net assets in the Group on the basis that these are immediately realised.
Loan-to-value ("LTV")	Net nominal value of interest-bearing liabilities (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.