2022 Annual Report

Recreate

Contents

Photo: Ivar Kvaal

This is Recreate

Recreate ASA has previously defined itself as a full-service property company focused on developing, owning and managing large, sustainable buildings located at central hubs. Based on current financial difficulties the Company has revised former strategy and decided to focus on project development and value creation through letting – historically key areas of success and profitability for Recreate – and consequently emphasize less on long-term management and ownership of properties. At 31.12.22 the Group had 44 employees.

Recreate ASA ('the Group') is organized with Recreate ASA ('the Company') as the mother company, which has 27 subsidiaries (at time of publication). The headquarter is situated in Powerhouse Telemark in Porsgrunn, one of the world's most energy efficient and sustainable buildings. This is the Group's flagship.

The Group was established in 2010 by Emil Eriksrød, and has built a property portfolio in Skien, Porsgrunn and Tønsberg (properties in Bærum and Oslo are sold after balance sheet date). The portfolio consists of 16 properties and 4 projects, with a total of 89 541 sqm (31 December 2022) and a property value of 2.4 NOK billion. The properties are owned by Recreate through single-purpose companies. The occupancy rate is 80.5 per cent, and the average lease contract is for 6.8 years for the property portfolio.

At 31.12.22 the Group had 170 shareholders, of which Norwegian investors held 99.9 per cent of the share capital.

The main purpose of the group's structure is to have flexibility. The company structure will continually be optimized to have flexibility with regard to funding, ownership and key partners going forward.

Our tenant portfolio is divided into five different industries/segments: Office, Food & Beverage, Healthcare and Retail – with Office as the majority at approximately 83 per cent of the revenue. Recreate's tenant portfolio is diversified in number of tenants as well as in business sectors and segments. Public tenants make up approximately 10 per cent of the Group's rental income, another approximately 30 per cent of our revenue comes from large private tenants within banking, insurance, telecom and professional services etc.

Recreate has financial and strategic partnerships with well-renowned partners, such as Bane NOR Eiendom.

Evolve

The Group has an ownership in RCR Flex (former R8 Evolve). 1 January 2022 the ownership in increased from 75 per cent to 100 per cent and Evolve is now considered a subsidiary. Evolve offers flexible workplaces with access to 25 locations. Evolve offers completely new, flexible and exciting areas. Sustainability is leading when choosing places, buildings, designs, furniture and fixtures. The offices can grow and change together with the customers and get a consistently high standard of common facilities and own offices. All meeting rooms, furniture, operating and common costs are included in the rental agreement.

Orbit Technology

The Group has investments in Orbit Technology with ownership shares of 29.5 per cent. Orbit Technology offers a two-sided technology platform for supply and demand of office space. The subscription-based platform matches free office space with market needs in in real time. The technology also ensures that the buildings are smarter through simpler access control and user administration. The Group's investment in Orbit Technology is considered an investment in associate. During the second half of 2021 Orbit Technology established a US subsidiary called Getorbit.com LCC. to get a presence in the US market.

Skien Brygge

The Group also has an ownership of 25 per cent of Skien Brygge Utvikling and this investment is considered as investment in associate (31.12.2022). Skien Brygge is a long-term project which involves the development of both residential and commercial properties. The development project is structured in three phases, and the Group has signed a letter of intent for phase two and three of the project with the same ownership as phase one. Phase one of the projects is expected in 2023. The development of phase two and three is estimated in the period from 2025 to 2033. In March 2023, Recreate entered into an agreement with XG Eiendom AS regarding the establishment of a joint venture (RCR Skien) that shall own the Group's properties Arkaden, Nedre Hjellegate 11, Henrik Ibsens gate 6 and the Group's shares in Skien Brygge Utvikling. Xania will also contribute with a commercial property in in the joint venture.

Status on projects

Inkognito Park in Oslo was handed over to the tenants in Q4 2022. The building has undergone a complete internal reconstruction leaving nothing but the facade and a few historically important elements untouched. The property is fully let to Evolve and 24SevenOffice. This property was sold in January 2023.

Fornebuveien 1-3 in Bærum was handed over to the tenants in Q2 2022. Eight of twelve floors have been reconstructed in 2022. The building consists of three vertical volumes with four office floors in each volume. Evolve, Schlumberger, Commfides and Rental Group are tenants. This property was sold in March 2023.

Slottsfjell Park in Tønsberg is a feasibility study which Recreate carried out together with Snøhetta, Skanska, Asplan Viak and Rambøll to determine the possibility of building a Powerhouse Paris Proof office building. The feasibility study consisted of three buildings – all of them were planned as Paris Proof. A planning initiative has been sent to the planning authorities. The initiative was rejected. A new initiative will be submitted after Tønsberg municipality area planning has concluded, expected in Q4 2023. LOI are signed with Capitane Hotels, Rambøll Norge and Evolve.

Key figures

OPERATIONAL	31.12.22	31.12.21
Market value of property portfolio (tNOK)	2 391 689	2 703 434
Fair value of property portfolio and other investments (tNOK) **	2 469 566	2 942 354
Total area (gross sqm)	89 541	108 966
Occupancy rate of property portfolio (%)	80.5	87.8
WAULT (years) property portfolio	6.8	7.3

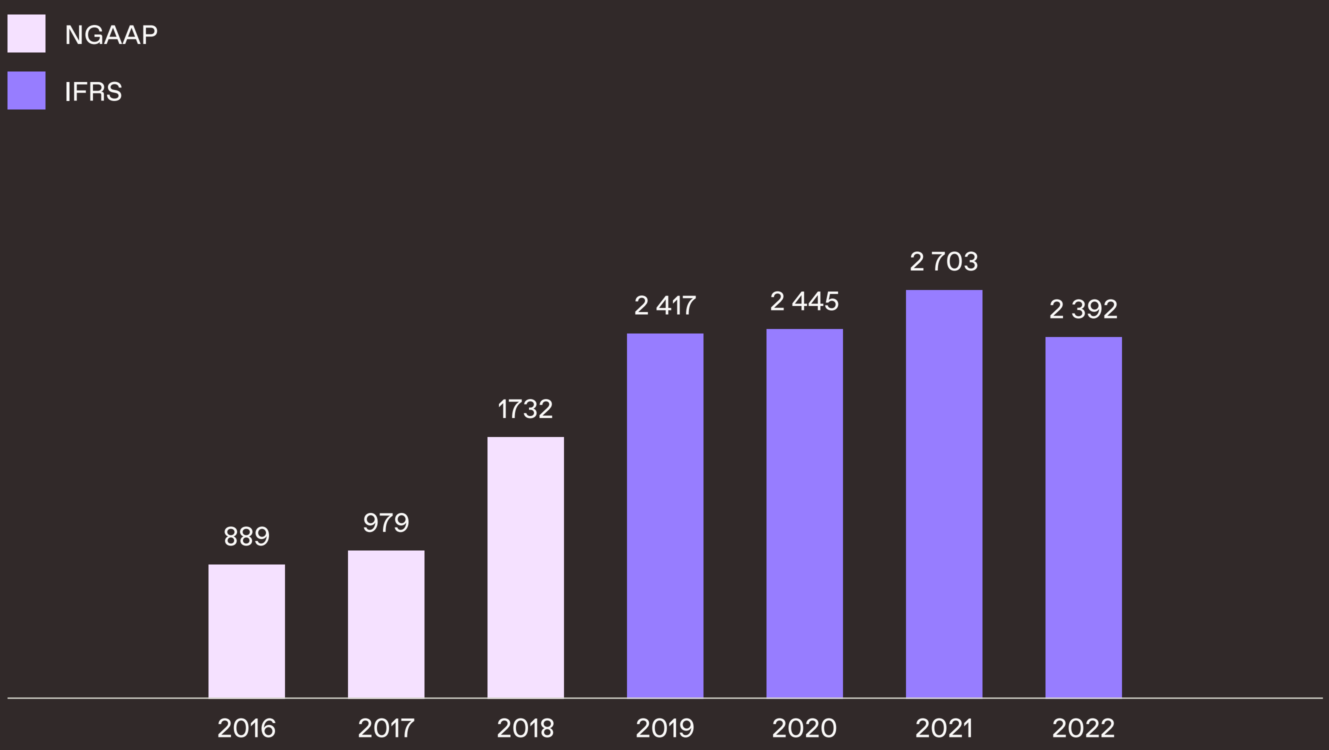
FINANCIAL		
Rental income (tNOK)	123 140	120 576
Other income (tNOK)	92 562	16 619
Profit before unrealised value adjustments and tax (tNOK)	–235 730	–37 296
Profit before tax (tNOK)*	–577 620	111 858
Profit after tax (tNOK) (Total comprehensive income)	–506 357	79 271
EPRA Earnings (tNOK)	–126 574	11 336
Net cash flow from investment activities (tNOK)	–254 502	–163 233
Net nominal interest-bearing debt (tNOK)	2 045 008	1 788 313
Loan to value of property portfolio (%)	85.5	66.1
Loan to fair value of property portfolio and other investments (%) **	82.8	60.8
Interest coverage ratio (ICR) (%)	–0.3	0.6
Equity ratio (%)	15.7	32.4

NUMBERS PER SHARE		
Earnings (NOK)	–15.5	2.1
EPRA Earnings (NOK)	–5.8	0.5
Cash earnings (NOK)	–6.3	–1.3
EPRA NRV (NOK)	22.1	45.1
EPRA NTA (NOK)	13.3	42.3
EPRA NDV (NOK)	13.7	37.4
Number of shares	21 694 324	21 694 324

* Includes profit before tax and changes in fair value of owner-occupied investment property (other comprehensive income)
** Investments in jointly controlled entities, associates and shares. Fair values as of 31.12.22 are based on third party transactions and valuations performed in 2021 and 2022.

Market value of property portfolio

mNOK



Unexpired lease terms (weighted average) property portfolio

6.8

years

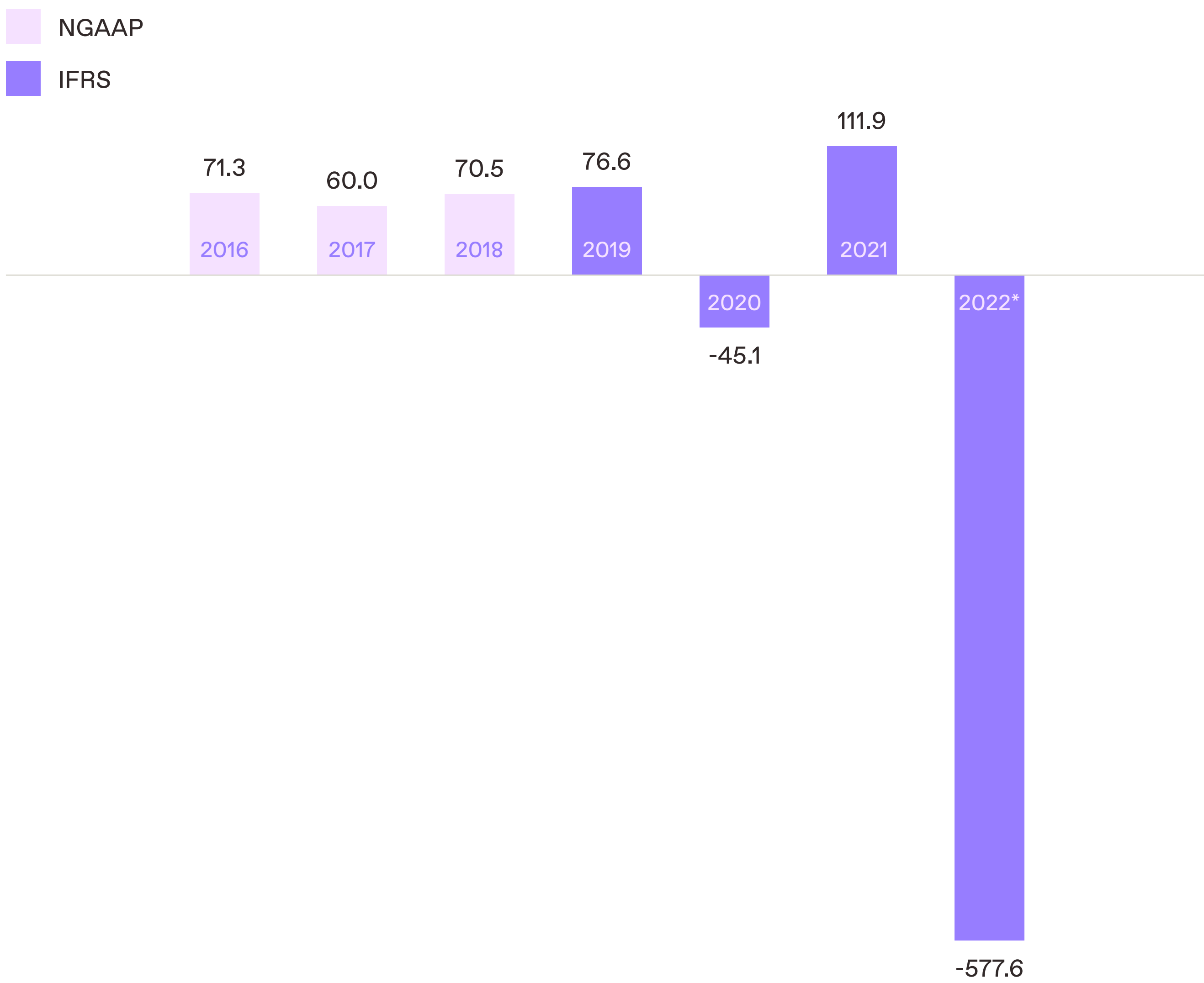
Gross rent per year

141.7

mNOK

Result (profit before tax)

mNOK



Occupancy property portfolio

80.5

%

Total area in portfolio

89 541

m²

*Includes profit before tax and fair value changes from owner-occupied investment property (comprehensive income)

Letter from CEO

As we entered last year, I did not foresee the tough times ahead. As I look back, 2022 has been the most demanding year in the Recreate's history. Recreate, like the rest of the property industry, was hit by a perfect storm during the spring 2022. Increasing energy prices, rising interest rates and high inflation created turmoil in the financial market, resulting in tough times for the company.

After the market conditions became increasingly difficult during 2022 and the situation in the company got critical, we have taken many measures. We have sold several properties, we have made large cost reductions including a major downsizing, we have established new partnerships and we have a good ongoing dialogue with our creditors. The power of action has always been one of Recreates key characteristics, and for this past period this quality has been more important than ever before.

Unfortunately, the financial situation made restructuring and downsizing necessary. We have evaluated and reviewed our historical performance and redefined our strategy. Previously, we have proven to be good at value creation through project development. Going forward, our focus will not be on building a larger portfolio, instead we will strengthen our focus on property development and optimization through letting and project execution.

In 2022 we completed two key projects. Inkognito Park in Oslo, the listed building from 1874, has become a highly technological office building and inviting Evolve center. The Fornebu concept building, Grow, has undergone a substantial refurbishment and is leased to, among others, Schlumberger, Evolve and Rental Group. Both properties were sold in the first quarter of 2023. Going forward, developing properties for sale, will be the most important business concept for Recreate.

Further I believe that partnerships will be important for Recreate in our redefined strategy. A good example is the newly formed joint venture with XG Eiendom, a partnership that covers our interests in Skien City and enables us to develop and invest in a city at the core of our geographical focus area.

The focus on sustainability remains a high focus going forward. Sustainability is, and must be, a pillar in everything we do. Our goal is still to reduce C02 emissions by 50% on our projects by 2030. Without the real estate industry's contribution, Norway will never reach the climate goals set in Paris. It is work we want to contribute to.

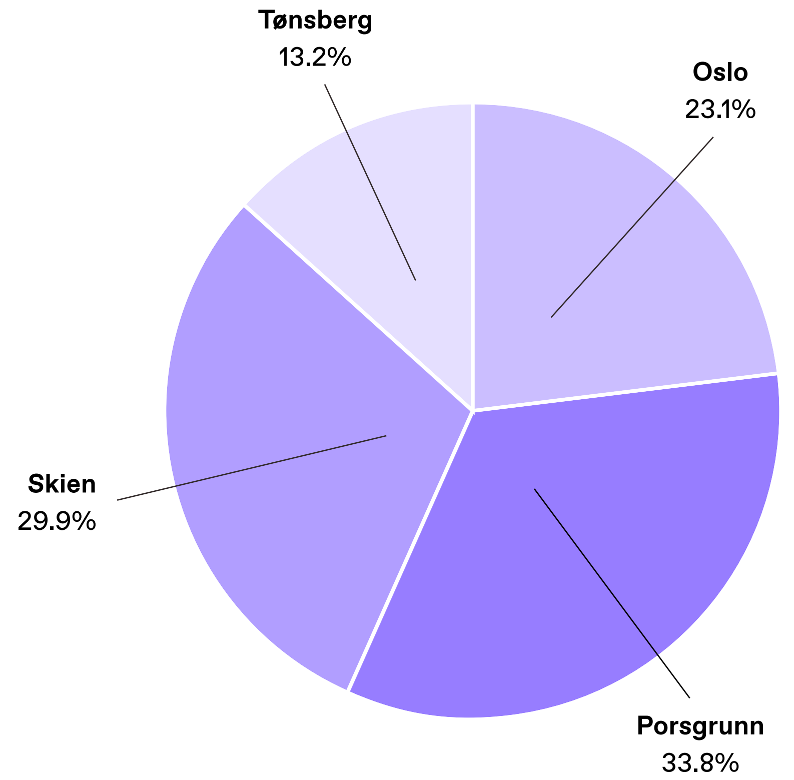
Although times are still tough and there is a lot of work ahead, I believe Recreate is on a path towards a better future. Our ability to adapt and be flexible have, over the last year, really been tested and will be a key when forming the new Recreate.

Emil Eriksrød,
CEO and founder

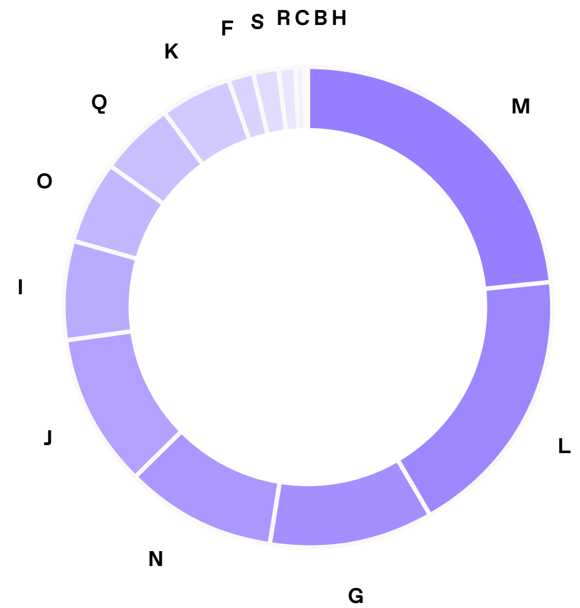
Property and project portfolio

Key figures

Geographic exposure (area)



M	Other professional, scientific and technical activities	23.4 %
L	Real estate activities	18.2 %
G	Wholesale and retail trade and repair of motor vehicles and motorcycles	10.8 %
N	Administrative and support service activities	10.2 %
J	Information and communication	10.2 %
I	Accommodation and food service activities	6.7 %
O	Public administration and defence; compulsory social security	5.6 %
Q	Human health and social work activities	4.9 %
K	Financial and insurance activities	4.7 %
F	Construction of buildings	1.7 %
S	Other personal service activities	1.7 %
R	Arts, entertainment and recreation	1.1 %
C	Manufacturing	0.4 %
B	Mining and extraction	0.2 %
H	Transportation and storage	0.0 %



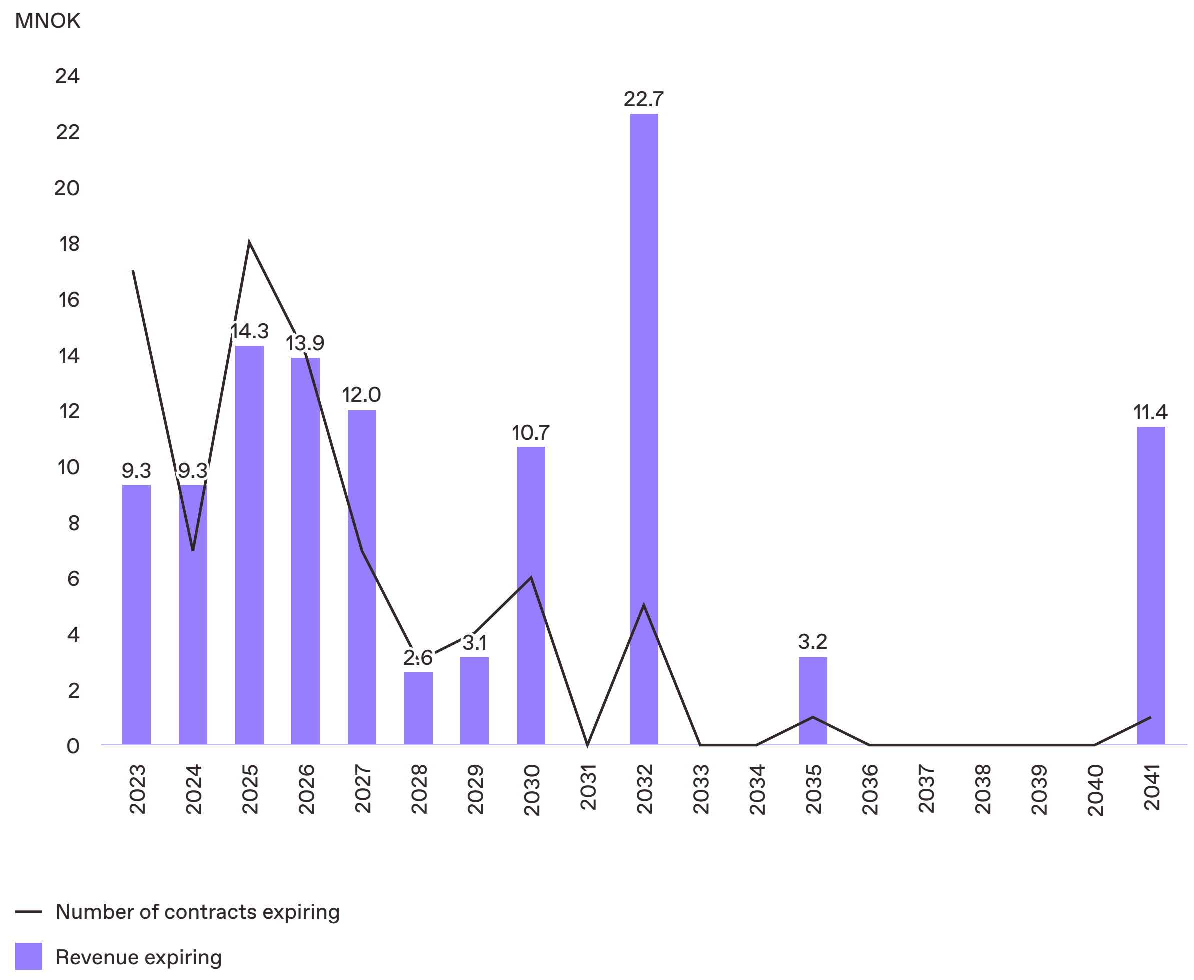
Property portfolio

The Group's management portfolio consists of 16 (24) properties with a total of 67 422 (82 291) square meters. 6 of the properties are situated in Porsgrunn, 6 in Skien, 2 in Tønsberg and 2 in Oslo. As of 31 December 2022, this portfolio had a market value of 1 896.1 (1 895.1) millions. The occupancy was at 83.7 (90.7) per cent and the average rolling rent was 1 989 (1 612) kroners per square meters. The average duration of the existing lease agreements was 7.0 (6.1) years. The Group's project portfolio consists of 4 projects. 2 in Porsgrunn, 1 in Skien and 1 in Tønsberg. The Group uses Newsec for property valuations on a quarterly basis and market values used in the balance sheet as of 31 December 2022 are based on valuations from Newsec (67%), as well as sales agreements (28%) and management assessments (5%). Akershus Eiendom has also been used in addition to Newsec for property valuations on parts of the properties during 2022. Valuation of the management portfolio is performed on a property-by-property basis, using individual DCF models and taking into account the property's current characteristics combined with the external appraiser's estimated return requirements and expectations as to future market development.

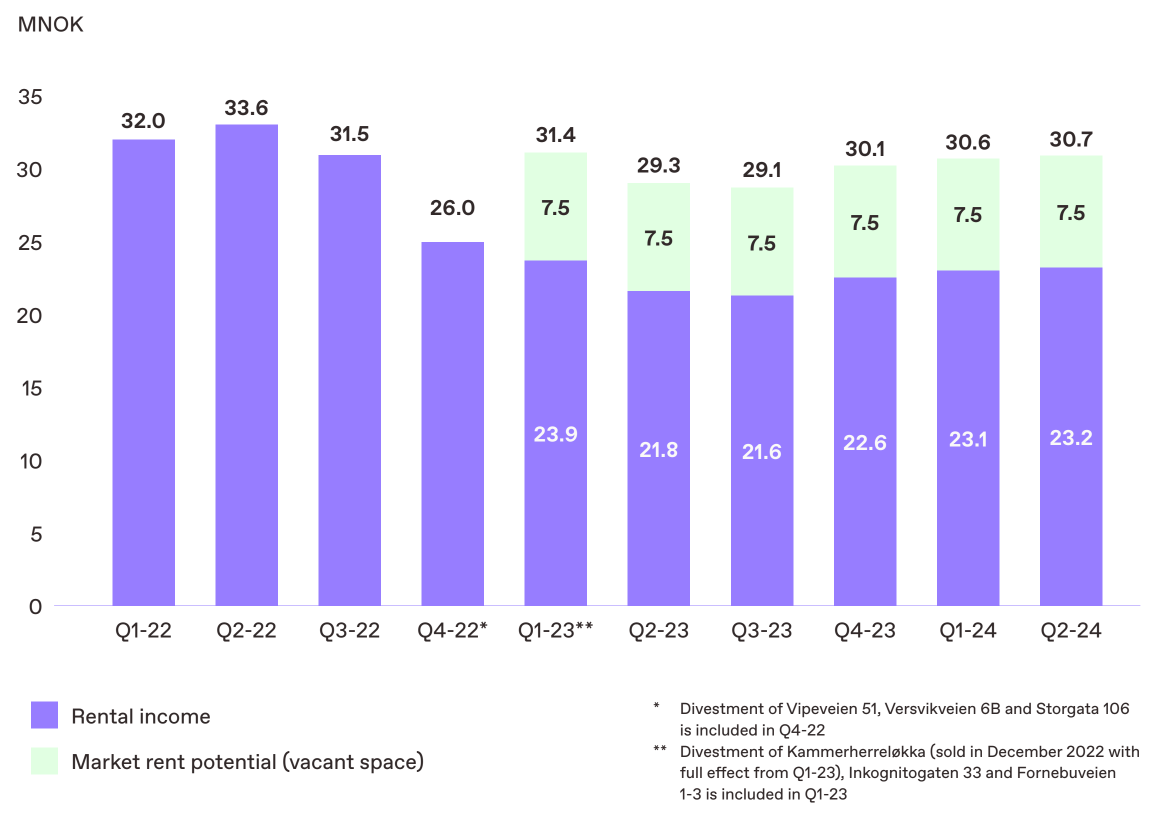
31.12.22	Area (sqm)	Occupancy (sqm)	Occupancy (%)	No. of properties	Market value (tNOK)	Market value (NOK/sqm)	Wault [1] (yrs)	Annual rent (tNOK)	Annual rent (NOK/sqm)	Wault [2] (yrs)	Net direct yield (%)	Net yield (valuation) (%)	Market rent [3] (tNOK)	Market rent [3] (NOK/sqm)
Green Office	37 725	31 537	83.6	6	1 301 718	34 505	8.6	73 663	2 336	8.4	4.1	5.4	85 737	2 273
City Office	26 139	22 547	86.3	7	529 578	20 260	3.5	34 239	1 519	3.5	4.7	6.1	44 110	1 688
Commercial Prop.	3 558	2 348	66.0	3	64 800	18 212	4.5	4 345	1 850	4.5	5.8	8.1	6 671	1 875
Total management portfolio	**67 422**	**56 432**	**83.7**	**16**	**1 896 096**	**28 123**	**7,0**	**112 246**	**1 989**	**6.7**	**4.3**	**5.7**	**136 518**	**2 025**
Project portfolio	22 119	15 619	70.6	1	400 000	18 084	7.0	29 478	1 887					
Development portfolio	0	0	0.0	3	84 600	0	1.3							
Total project portfolio	**22 119**	**15 619**	**70.6**	**4**	**484 600**	**21 909**	**6.0**	**29 478**	**1 887**					
Total property portfolio	**89 541**	**72 051**	**80.5**	**20**	**2 380 696**	**26 588**	**6.8**	**141 724**	**1 967**					

[1] Wault weighted on property market value
[2] Wault weighted on annual rent
[3] Includes market rent from available areas

Maturity profile in the management portfolio



Rental income development and market rent potential



The graph shows the historical development in contractual rental income the last 12 months, and the estimated development in contractual rental income and market rent potential on vacant space for the next 18 months. The figures are based on owned properties, including adjustments from signed new, renewed and terminated contracts, as well as acquisitions and divestments which will be completed within the next 18 months. Future CPI adjustments are not included. Market rent is based on market rent set by external valuers.

Project portfolio

Recreate ASA has continuously ongoing development and construction projects. A strong team of project managers and development director handles the projects from early phase and all the way to hand over to clients. In 2022 the team has put a large effort in optimizing project processes and create value by using technology such as BIM, VR, AR and automation. Furthermore, the team focus on implementing environmental sustainability, for example BREEAM-Nor certification, energy optimizing or CO2-reduction, in all projects.

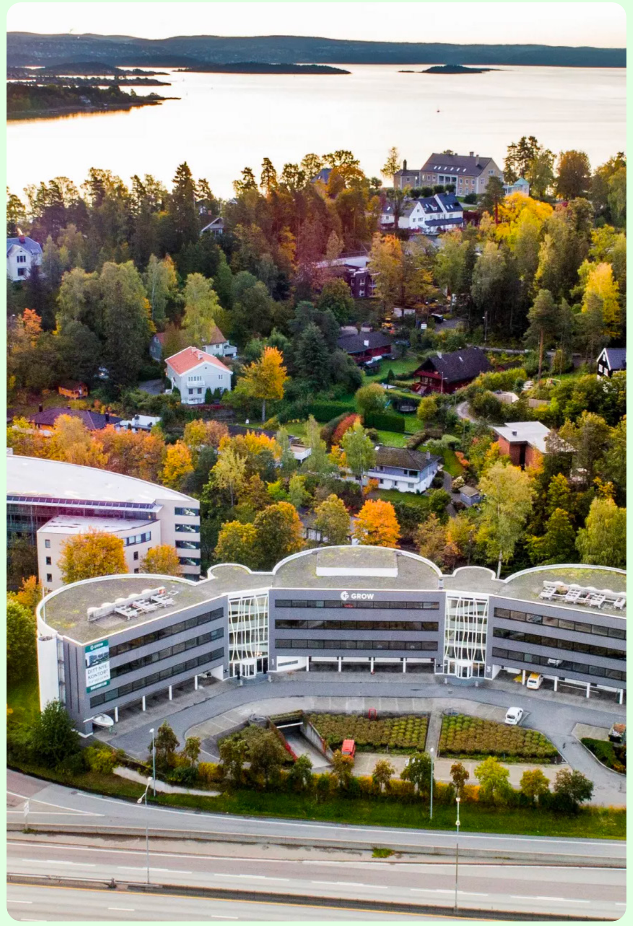
Projects completed in 2022

Inkognito Park

Inkognitogaten 33 known as Inkognito Park has undergone an internal reconstruction leaving nothing but the facade and a few historically important elements untouched. The property is fully let to Evolve and 24SevenOffice. Tenants moved in Q4 2022.

Fornebuveien 1-3

Fornebuveien 1-3 was a rehabilitation project of a 1980's office building. In total eight of twelve floors have been rehabilitated, and the new tenants Evolve and Schlumberger moved into the premises in Q2 2022.



Ongoing projects

Skien Brygge

Skien Brygge is a collaboration project between Bane NOR Eiendom AS, Skien Boligbyggelag and Recreate ASA. This new urban city development is one of the greatest in the history of Skien. The project is located in the city centre with a waterfront and is facing west with premium light conditions. It is estimated to be 58 275 sqm and will contain residential areas, commercial buildings and underground parking areas. In addition, there will be developed several attractive green parks and public spaces. Phase one of the project is expected in 2023.

Slottsfjell Park

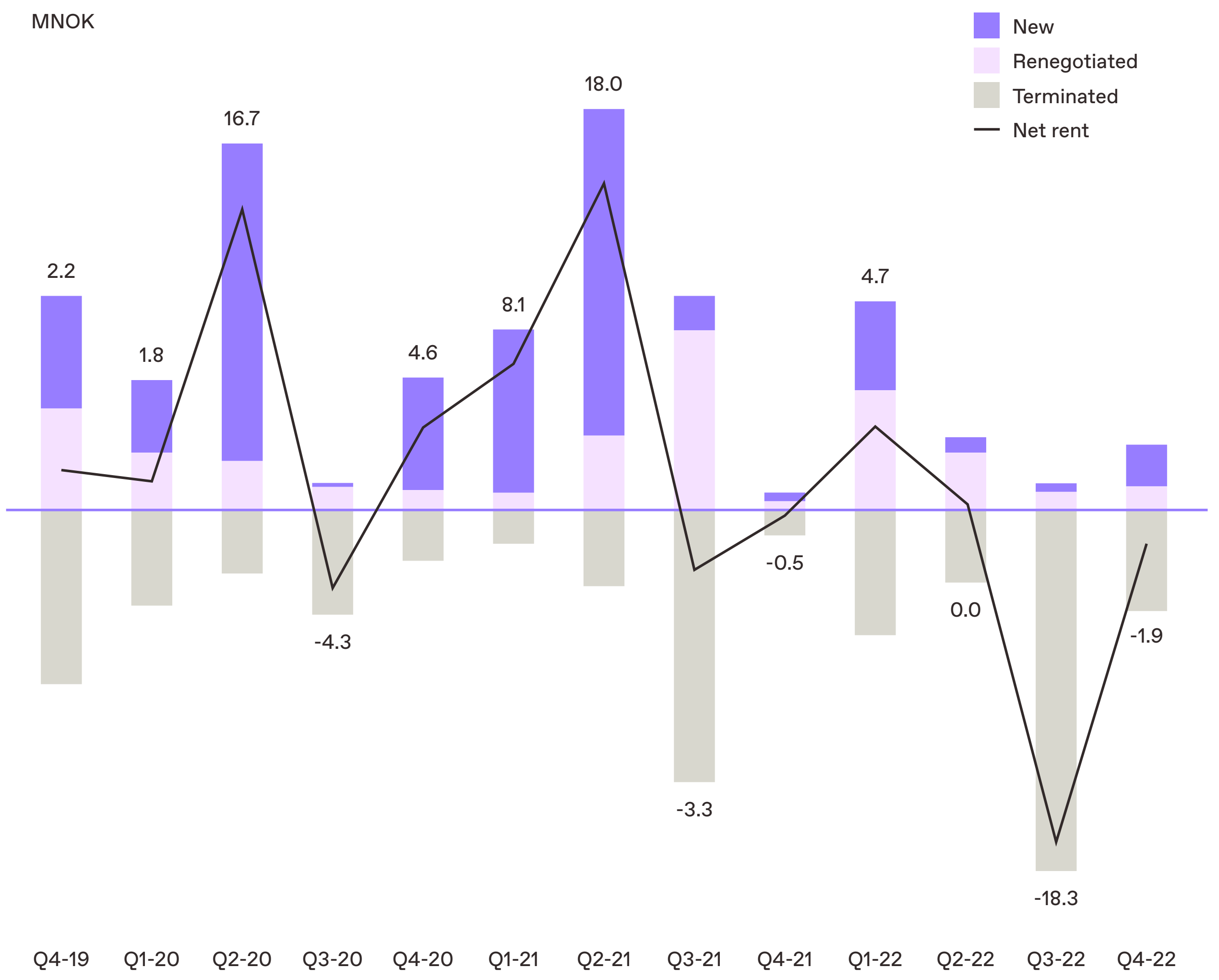
Slottsfjell Park is a newbuild and redevelopment project located in Tønsberg close to Slottsfjellet and the city centre. A feasibility study is carried out together with Snøhetta, Skanska, Asplan Viak and Rambøll to determine the possibility of building a Powerhouse Paris Proof office building in Tønsberg. The feasibility study consisted of three buildings - all of them were planned as Paris Proof. An initiative was sent to the planning authorities, which was rejected. A new initiative will be submitted when Tønsberg municipality has concluded the area planning, estimated in Q4 2023. LOI are signed with Capitane Hotels, Rambøll Norge and Evolve.

Letting activity

In 2022 the Group signed new and renewed leases of NOK 20.8 million and lease contracts with a total value of NOK 36.3 million were terminated. Net letting amounted to NOK -15.5 million. The lease contract with Helfo ended in July with an annual rent of NOK 15.8 million.

Net letting management and project portfolio is defined as new signed contracts and renegotiated contracts less terminated contracts.

Terminated contracts is defined as contracts that have been terminated in the reporting quarter prior to contractual expiration date and contracts that have ended in the quarter according to expiration date in contract.



Tenant lease overview

Recreate tenant base in the management portfolio comprises both private and public sector tenants with leases up to 18 years. Public sector tenants upheld 10 per cent of the management portfolio by the end of December 2022. The 10 largest tenant's share of Recreate's rental income represents 49.3 per cent of revenues.

Tenant	In % of rent	Sector
Evolve Norge AS	16.7 %	Private
Norner AS	8.0 %	Private
Schlumberger Information	5.3 %	Private
24SevenOffice Norway AS	3.8 %	Private
Kriminalomsorgen Region	3.2 %	Public
Trainor Elsikkerhet AS	2.7 %	Private
Skien Sportsbar AS	2.7 %	Private
Telenor Norge AS	2.4 %	Public
Gjensidige Forsikring ASA	2.3 %	Private
Emerson Process	2.2 %	Private

Company structure

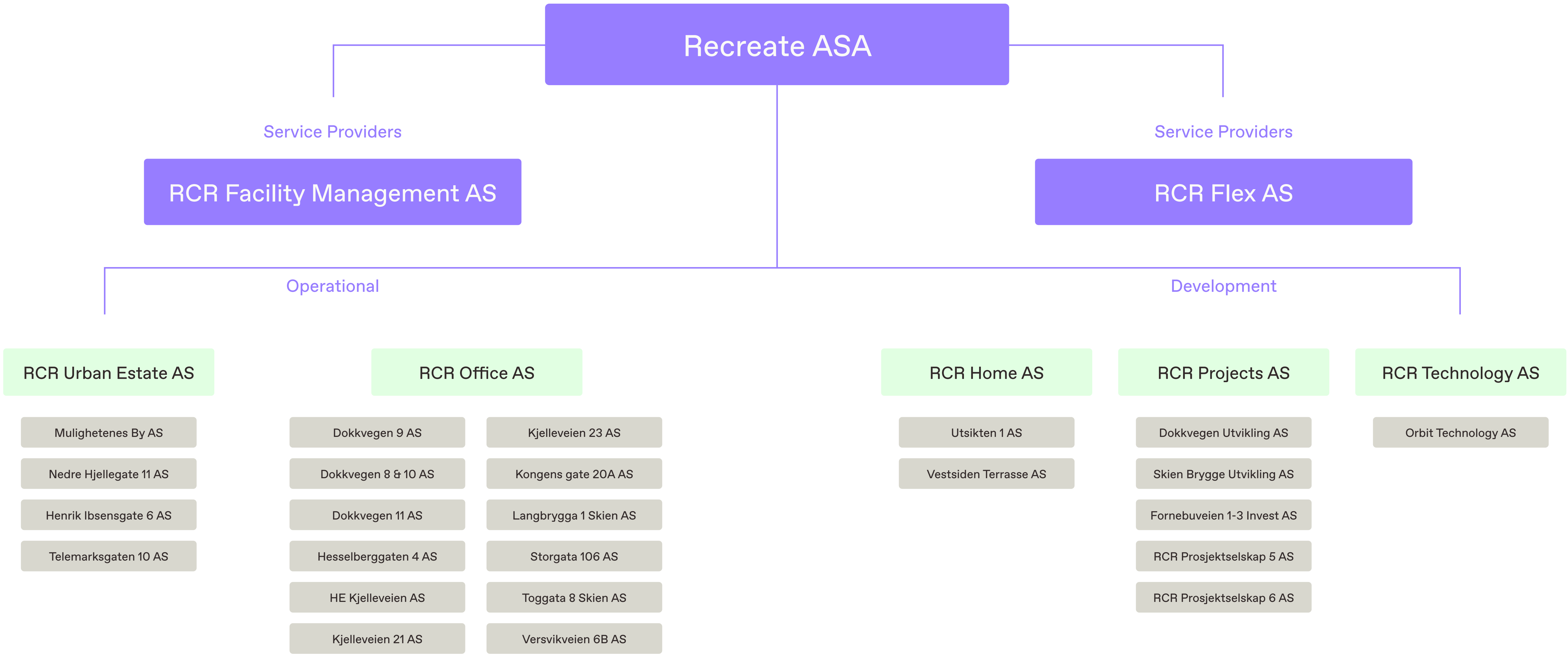
Recreate ASA has two operating sub-units with yielding properties in RCR Office AS and RCR Urban Estate AS. In addition, the Groups development projects are organized within RCR Home AS and RCR Projects AS. In 2023, Recreate has entered into an agreement with XG Eiendom AS ("Xania") regarding the establishment of a joint venture (RCR Skien) which shall own the group's properties Arkaden, Nedre Hjellegate 11, Henrik Ibsens gate 6 and Recreate's shares in Skien Brygge, all located in the Skien area. Xania will also contribute with a commercial property in in the joint venture.

Recreate's operational activities and management across property owning sub-groups are organized in RCR Facility Management AS and our coworking business under RCR Flex AS. RCR Technology AS is the Group's corporate leg leading our commitments and investment in technology and proptech.

Recreate ASA holds 100 percent of the shares in each sub-group. The ownership in Evolve increased to 100 per cent from 1 January 2022.

The main purpose of the Group's structure is to have flexibility. The company structure will continually be optimized to have flexibility regarding funding, ownership and key partners going forward.

*The company structure is updated 31 December 2022.



The company Inkognitogaten 33 Holding AS has a temporary placement as a subsidiary of Recreate ASA (shares in Inkognitogaten 33 Holding AS are sold in January 2023).

The Management

Emil Eriksrød

CEO/Founder

Emil Eriksrød founded R8 Property in 2010 (now Recreate), and he has raised the company through a tremendous growth. He's CEO of Recreate, and he is also Chair/Board member in multiple companies. He's specialized in investment, development and management of commercial property, and has a Master in Accounting from the Norwegian School of Economics. Emil has previously worked as Chief Financial Officer for the real estate group Hathon Holding, and he has four years of experience as auditor in EY. He also has extensive experience as an entrepreneur, a career he started in parallel with the studies.

Tommy Thovsland

COO

Tommy Thovsland has been with Recreate since 2015, and he has had different top positions in the Group management. Tommy is a graduated chemical engineer, and he is specialized in business development with experience in strategic transformation. As a COO Tommy is a crucial part of all strategic decisions, and he works mainly with early phase project development in our biggest projects. He is also Chair/Board member in multiple companies.

Eirik Engaas

CFO

Eirik Engaas became CFO in Recreate in March 2019. Eirik has an MBA with a major in finance. His long and broad experience within financial instruments, financial statement analysis, real estate, management and project execution is very important for Recreate. He plays a crucial part of the company's operational and growth strategies, he is also Chair/Board member in multiple companies.

Eirik previously worked at the international company ISS Facility Services AS for five years, where he was Nordic Head of Property for the Telenor portfolio.

The Management

Elin Tufte Johansen

CHO/CSO

Elin Tufte Johansen graduated from BI with Exec. Master of Management, and she has more than 15 years of experience within organizational development, change processes and leadership. Elin is involved in several projects, especially within recruitment and strategic development of Recreate, and offers important support for our managing directors and the management team. Elin became a board member of Recreate in October 2020. In 2021 she also became Chief Sustainability Officer.

Erik Ryttervoll Kvamshagen

Development Director

Erik Ryttervoll Kvamshagen became Development Director in Recreate in January 2021. He has a Master of Science in civil engineering from NTNU, with specialization in construction and environmental engineering. He also has an MBA degree in financial management and leadership from the Norwegian School of Economics in Bergen. Erik has broad experience from consulting, contractor and real estate companies, most recently Aker Property Group and Höegh Eiendom.

Erik is in charge of Recreate's existing project portfolio, as well as the implementation of new development projects.

Ronny Sundvall

Head of Management Division

Ronny Sundvall is specialized within marketing and business growth. When he became the Managing Director of R8 Management in 2016 (now RCR Facility Management), he had 8 years of experience as Managing Director at the biggest shopping center in Telemark, Herkules. Together with the employees in RCR Facility Management, Ronny is the lead for the Group's professional responsibility and care of tenants. He will leave his position in Recreate in the first half of 2023 to seek opportunities outside Recreate.

Øivind Gundersen

Head of Evolve Division

Øivind Gundersen became MD of Evolve in December 2020, after being in charge of the company's strategy process. This is a constituted position until further notice. Øivind has a long and broad experience in leadership and ownership from different industries and companies, e.g. Autostrada and Made for Movement. He has also in-depth experience from the real estate industry, and he used to be a board member of Recreate for several years.

Corporate Governance

Recreate has ambitions to exercise good corporate governance at a level similar to companies on regulated markets. 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. Recreate is continuously aligning to comply with the applicable Norwegian code of practice for corporate governance of 14 October 2021. 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 companies on regulated markets 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 apply good corporate governance to contribute to a strong trust-based relationship between Recreate and the company's shareholders, the capital market, and other stakeholders. In 2021 the company was listed on Euronext Growth, resulting in some stricter requirements related to especially communication and sharing of information, and overall improved corporate government. This is 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 2022 was 460.3 (951.7) million and gives an equity ratio of 15.7 (32.4) per cent. The Board is not satisfied with the equity situation. Measures are implemented and the Group is currently undergoing a restructuring process.

DIVIDEND

Due to the current situation of the Group dividends to shareholders are not applicable at the present time.

Authorization

The Articles of Association do not contain provisions allowing the Board to decide that the company will buy back or issue shares.

The Board of Directors were in 2021 given power of attorney to increase the share capital by up to NOK 2 465 080. The authorizations were distributed at the ordinary general assembly in April. The objective for the proposal was the Board's wish to be able to issue new shares to support the company's growth and strengthen the capital reserve. 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 powers of attorney are valid to the 16 April 2023.

In June 2021 parts of this power of attorney was used. Recreate ASA was listed on Euronext Growth Oslo together with a fully subscribed private placement of NOK 75 million. The number of outstanding shares increased from 19 720 640 in Q1-21 to 21 694 324, and the share capital from NOK 4 930 160 to 5 423 581.

The Board of Directors was also given the power of attorney to acquire its own shares at a total nominal value of NOK 496 016, however the company's holding of own shares shall not amount to more than 10 percent of the outstanding shares at any time. The shares can be acquired at respectively NOK 1 at the lowest and NOK 1000 at the highest. It is up to the Board of Directors to acquire and sell shares in the way the Board finds most appropriate, as long as the general principles for equal treatment of shareholders are complied with. The described powers of attorney are valid for one year until the company's Annual General Meeting 2022.

Equal treatment of shareholders

There is only one class of shares in Recreate and all shares have equal rights. There are no voting rights restrictions in the statutes. In June 2021 Recreate ASA was listed on Euronext Growth. This involves increased demands and regulations related to the company's communication with shareholders, stakeholders and the market in general. Information is shared simultaneously, and an annual financial calendar is made available as a stock exchange announcement and on the Group's website. The Board and the executive management aim to ensure equal treatment of all shareholders.

In relation to the power of attorney that was given the Board of Directors in June 2021, it was 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.

Transferability

There are no restrictions on share transferability. Shares in Recreate are freely tradable at Euronext Growth. The company has a market maker agreement with Sparebank 1 Markets to enhance liquidity in the trading of the company's shares. 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.

General meetings

The Board encourages as many as possible of its shareholders to exercise their rights by attending the General meeting. The 2022 Annual General Meeting is scheduled to take place on 14 April 2023. 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 14 days before the meeting takes place.

All relevant documents relating to the general assembly will be available so that all shareholders can decide on the issues presented to the Annual General Meeting. The chair will ensure a thorough and fair conduct of the general assembly. A chairperson opens the meeting, and the general assembly elects the chair of 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 enclosed to related documents and a form of proxy. This form has been prepared so that it will allow voting on each case to be presented, 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 are 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. The committee's mandate is independent of the Board and the executive management. Members of the Nomination Committee and its chair is elected by the General Meeting and their remuneration is determined by the General Meeting. In 2021 a Nomination Committee was appointed by the General Meeting, and consists of Øivind Gundersen, Erik Gudbrandsen and Tommy Thovsland.

Corporate assembly, board of directors and independence

The company does not have a corporate assembly due to its small number of employees. Board members and the Chair of the Board are elected by the Annual General Meeting each year. The current Board has five shareholder-elected members. The Board's composition is intended to secure the interests of the shareholders in general. The background and experience of the board members are presented on the company's website and in this annual report. Four of the five board members are independent of Recreate's executive management and significant commercial partners. 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 four independent shareholders are Christina Sundby, George Emil Aubert, Knut Bråthen and Marianne Lie. One board member is a part of the executive management of Recreate. This is Elin Tufte Johansen, who is the CHO/CSO of Recreate.

To counteract independence issues the administration has developed routines and guidelines that ensures equal treatment of shareholders and transactions with related parties. There has been consistently good attendance at the Board meetings in 2022. The Board's expertise is considered substantial with regards to economy, market understanding, and business operations.

The Board currently consists of two men and three women.

The work of the board of directors

The Board has the overall responsibility for managing the company and for supervising the chief executive officer 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 labor between the Board and the CEO is specified in greater detail in standing instructions for the CEO. 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.

All transactions with related parties are 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.

Guidelines on conflicts of interest have been developed and included in the instructions for the company's Board of Directors, 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.

The Board establishes an annual plan for its meetings and evaluates its work and expertise at the end of each meeting. Once a year, the Board evaluates its own work and that of the CEO. As of 31 December 2022, Recreate 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 2023.

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 situations such as interest rates, the letting market, the property development market and so on. The financial risk is revised and presented to the Board through a financial strategy.

The strategy has continuously been discussed by the Board in 2022 and the administration reports to the Board in each meeting with regards to relevant KPIs within the following risk areas: overall funding, operations and liquidity, interest rate risk, and financial leverage. The target level of each KPI is revised yearly.

In addition to the contents in the financial strategy the following measurements are made in addition to others:

LEGAL RISK

During 2022 the company has hired legal assistance when considering agreements with substantial obligations such as property sales and purchase agreements, large rental agreements, turnkey contracts in development projects and so on. Although there is a cost associated with buying legal services, it is considered important to reduce the risk in agreements with potentially high financial consequences. In 2022 the company has also hired legal assistance related to the restructuring process.

MARKET (PROPERTY VALUE) RISK

Each quarter the company obtains professional third-party valuations of most 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's income is mainly based on leases and the average duration is continuously monitored. Recreate 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. Six years in a row (2015-2020), the company has won the Norwegian Tenant Index, a research survey measuring the degree of content and satisfaction for the tenants. The company believes that providing good services to its tenants helps 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 environmental and energy standards, such as Powerhouse Telemark, 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. The setup of the company's debt structure is considered continually, to obtain the desired diversification and financial flexibility.

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 operational risk in Recreate also relates to human error or system failure associated with daily operations. The company is continuously evaluating its workforce to ensure adequate resources for all tasks and mitigate the risk and vulnerability connected to key employees. Further, the board members have significant knowledge and experience within property and contribute with their expertise when needed.

GENERAL RISK MANAGEMENT AND REPORTING TO THE BOARD

The Board is briefed on developments on 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.
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 thirteen employees in the Company as of 31 December 2022 (total for the Group - including subsidiaries - is forty-four employees - with another three employees closely connected to the Company through Rising Investments).

Because of agreements with related companies, many of the authorizations involve key employees in related companies such as RCR Facility Management. The authorizations are given through contractual agreements and follow recognized principles of authorization. The Board performs 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 2022 the remuneration was NOK 80 000 for the ordinary board members. The Chair had an active role in the company in 2022 and the remuneration was NOK 250 000. Further information on the various board members' remuneration is provided in note 11 of the financial statements.

Remuneration of executive personnel

The current remuneration for the company CEO has been settled by the Chair in consultation with other board members. In 2020 a stock option program for senior executives was introduced. Each executive is offered a set number of shares with a duration of up to three years. Senior executives' remuneration is further described in note 11 in the financial statement.

Information and communication

The company seeks transparency to secure the general interest and shareholders' interests in the company. The Group provides timely and accurate information to stakeholders and the financial market through annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. All information that is of significant importance is shared. The company's reporting is in accordance with the rules in the Norwegian Securities Trading Act and the requirements by Oslo Stock Exchange for companies listed on Euronext Growth.

An annual financial calendar is decided by the Board every year. The calendar includes the dates of all reports and the AGM and is made available as a stock exchange announcement and on the group's website.

The Board has approved insider instructions for handling insider information and trading of the company's shares.

Company takeovers

The Board has approved guidelines related to the receipt of bids for the company's shares. A potential offer will be managed according to the instructions and the Board will perform assessments to ensure 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 also ensure correct handling of potential inside information. The Board will always make sure that the shareholders' common interests are safe guarded.

Auditor

The company has no audit committee, and the Board itself oversees self-evaluation of the Board´s work. In 2022, the Group´s auditor, EY, has undergone the following tasks related to fiscal year 2022:

- Presented the main features of the audit work to the Board
- Participated in the board meeting related to the 2022 annual financial statements
- Confirmed that the requirements for auditor independence are met

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.

Photo: Ivar Kvaal

The Board of Directors

George Emil Aubert

Chair of the Board

George Emil Aubert is an educated IT engineer, and he has a broad business experience. He was one of the founders of Syscom AS in Oslo, where he worked for 26 years until he moved back to Skien in 2014. He's CEO of the family businesses Aubert Invest and Holta & co, as well as the endowment of Sonja & Emil Aubert. George Emil Aubert is also Chair or board member of Telemark Museum, Aubert Invest, Holta & co, Skiens Aktiemølle, Broerne 6, Trebua Invest, Tenera, Stiftelsen Backe, Vauvert and Hovund's fund. George Emil Aubert owned and controlled 1 101 625 shares of Recreate on 31 December 2022.

The Board of Directors

Marianne Lie

Board Member

Marianne Lie has broad international management and board experience, particularly from the maritime and energy sectors. She has served as a board member of several Norwegian companies, mainly within shipping, offshore business, energy and finance industries, in addition to holding several political elected offices.

For 4 years she was a Member of Supervisory Council of the Central Bank of Norway. Marianne Lie owned and controlled 3 300 shares of Recreate on 31 December 2022.

Elin Tufte Johansen

Board Member

Elin Tufte Johansen is CHO/CSO of Recreate, and she has had a central role in the leadership team since she started in 2017. Her education and experience are within leadership, changing processes, psychology and coaching. In addition to being a board member in Recreate since October 2020, she's also a board member of NHO Vestfold and Telemark.

Elin Tufte Johansen owned and controlled 57 000 shares of Recreate on 31 December 2022.

Knut Bråthen

Board Member

Knut Bråthen has an MBA from BI and has been the CEO of the family Office company Ing. K.A.Bråthen AS (IKAB AS) since 1990. In 2006 he established Grenland Barnehagedrift, which he managed until 2016 when the company was sold to Læringsverkstedet.

Knut Bråthen is also a board member of Grenland Energy AS and Safelink AS. Knut owned and controlled 1 935 237 shares in Recreate on 31 December 2022.

Christina Sundby

Board Member

Christina Sundby is an Independent Advisor. Christina was previously working as a company CFO at Carucel. She has more than 30 years of experience within finance, shipping, property and board work. She has an MBA from Fribourg in Switzerland.

Christina Sundby owned and controlled 58 298 shares in Recreate on 31 December 2022.

Report from the Board of Directors

2022 has been a challenging year for Recreate. The year started off with Covid-19 restrictions, which quickly became history with full reopening of the society in February. Market conditions gradually changed as we approached the first half of 2022 with increased interest rates, rising inflation and high energy costs. This led to higher property yields as well as challenging funding possibilities and a limited transaction market. This has resulted in a tough financial situation for Recreate which is reflected in the results for 2022. Operating income increased from NOK 137.2 million for 2021 to NOK 215.7 million in 2022, and net profit (total comprehensive income) came in at NOK -506.4 million, down from NOK 79.3 million in 2021. Fair-value adjustments for investment properties were down by NOK 422.3 million from 31 December 2021 to 31 December 2022.

THE COMPANY

Recreate ASA ("the Group") is organized with Recreate ASA ("the company") as the mother company which has 27 daughter companies (at time of publication). The Group's properties are primarily comprised of commercial properties in the office and retail segment. The head office is in Porsgrunn. The properties have a market value of NOK 2 380.1 million (NOK 2692.7 million). The portfolio consists of properties and development projects in Skien, Porsgrunn and Tønsberg (properties in Bærum and Oslo are sold after the balance sheet date). As part of an ongoing restructuring process, the redefined strategy is to develop sustainable properties in central and attractive locations with the aim of structured sales after completed development. Rental and operation services will still be central to the development process and preparation for sale.

Evolve is a wholly owned company which offers flexible workplaces with access to 25 locations. The head office is situated in Porsgrunn. Evolve is Norway's leading provider of flexible office solutions build to scale with highly digitalized product offering. All centres are designed for flexibility, smartness and sustainability.

MARKET ACTIVITIES

In 2022 there were several significant transactions in Recreate. In the first quarter of 2022 the company sold two properties, Grønlikroken 5 and Bedriftsveien 52-58 in Skien. The Group has also acquired the remaining 25 per cent of Evolve, increasing the ownership to 100 per cent from 1 January 2022. In the second quarter of 2022, the Group entered into an agreement with Skanska to acquire Parallell in Oslo. The Group also sold Rødmyrlia 20 in Skien and Østveien 665-667 in Tønsberg. The four property sales at the beginning of the year were in line with the Group's strategy to focus on large, sustainable properties near city hubs. In the third quarter, the Group increased its ownership in Inkognitogaten 33 from 8.25 pr cent to 100 per cent, and then decreased the ownership to 50 per cent. A challenging market limited the funding possibilities, and the planned acquisition of Parallell was cancelled in the third quarter due to financing conditions. In the fourth quarter, the Group sold Kammerherreløkka, Vipeveien 51, Storgata 106 (to be completed), Versvikvegen 6B (to be completed) and the shares in Sandefjord Eiendomsinvest AS (Nordre Fokserød 14). The Group has also entered into an option agreement for possible sale of Langbrygga 1, with an exercise date at the end of H1-23.

In May 2022 the Group went through a rebranding process and changed name from R8 Property ASA to Recreate ASA. Several key development projects were completed during the year. The rehabilitation of Fornebuveien 1-3, centrally located outside of Oslo, was completed in the second quarter. The project in Inkognitogaten 33, centrally located next to the Royal Castle in Oslo, involved a complete internal refurbishment with a focus on preserving the history of the property. The project was completed in September/October and handed over to the tenants.

Annual rent (based on signed lease contracts) for the Group's property portfolio has decreased from NOK 150.0 million in 2021 to NOK 141.7 million by the end of 2022, mainly due to the sale of above mentioned properties. As of 31 December 2022, Recreate had a management portfolio of 16 properties totaling 67 422 square meters and 4 projects totaling 22 119 square meters.
Our flex-space provider – Evolve – had a solid growth in 2022 and increasing demand. Evolve is a market leader in its segment.

Property transactions through 2022

Purchased properties

Adress	Area (sqm)	City	Segment	Period	Ownership
Inkognitogaten 33	3 263	Oslo	Office	Q3	50%

Sold properties

Adress	Area (sqm)	City	Segment	Period
Grønlikroken 5	3 158	Skien	City Office	Q1
Bedriftsveien 52-58	2 864	Skien	City Office	Q1
Østveien 665-667	1 369	Tønsberg	Commercial property	Q2
Rødmyrlia 20	3 484	Skien	City Office	Q2
Vipeveien 51	3 057	Porsgrunn	City Office	Q4
Kammeherreløkka	9 058	Porsgrunn	Green Office/ Commercial property	Q4

PROJECT DEVELOPMENT

As a real estate developer, the Group's strategy is to have an ongoing portfolio in project development at all times. In 2022 two projects were completed. Refurbishment of Inkognitogaten 33 in Oslo and Fornebuveien 1-3 in Bærum. Going forward, project development will be an important part of the Groups strategy.

RISK AND RISK MANAGEMENT

Both the administration and the Board assess risk on an ongoing basis. Risk management is carried out by the administration under policies approved by the Board. The Group's risk factors consist of financial and non-financial risks. As part of the ongoing restructuring process, the Group has redefined the Group's strategy, involving a change in focus from building and growing a property portfolio towards becoming a preferred property development company (to a great extent in partnerships). The Group seeks to hold a limited portfolio of development properties with short-term horizon with the intention of future sales. This will affect the Group's financial risk management.

Financial risk

In 2022 the Group has experienced a gradually demanding financial situation with stressed liquidity and uncertain short-term debt refinancing. Since Q2 2022, the Board of Directors has been closely involved and ensured monitoring and follow-up through weekly reports and reviews. The Group's liquidity has been monitored on a daily basis by the management. To strengthen the liquidity and financial position, both short-term and long-term, several initiatives have been implemented. Further information is provided in the assessment of going concern in section Group Accounts in this report. The Group seeks a Loan-To-Value ratio that is aligned with the redefined Group strategy. The debt ratio will be at a level adapted to the development portfolio the Group always possesses.

The Group is exposed to interest rate risk, and 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 1) obtain fixed interest rates at 30-60 percent of the debt portfolio, 2) remaining term to maturity of 2–10 years and 3) to diversify the maturity structure.

There are covenants in the Group's bank loan agreements, and as of 31 December 2022, 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, and 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 and 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. In order to capture changes in the market values of the Company's properties on an ongoing basis, the portfolio is evaluated on a quarterly basis by independent external valuation experts. During 2022, the market conditions have changed with increased interest rates and tighter funding possibilities, affecting property yields and values. Changes in fair value of investment properties in 2022 were negative at NOK 422.3 million.

Credit risk

The Group seeks to reduce the credit risk by obtaining diversification in the tenant portfolio. As of 31 December 2022, 10.1 percent of the portfolio consists of public tenants and 89.9 percent of private tenants. Also, there is a spread between different industries and geographical exposure between different cities/areas.

Development risk
Recreate'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
The company changed name from R8 Property to Recreate in 2022. Recreate's brand and reputation are important advantages in competition with other companies, and the company focuses on maintaining the positive brand and preventing negative issues concerning the Group. The Group work on conducting transparent business to build and maintain a high level of trust among shareholders, banks and financial institutions, tenants, and society in general.

Climate risk
The Group is exposed to climate risk in form of climate changes that may affect the business (physical risk) as well as financial risks related to the transition to a low-emission society (transition risk). Extreme weather is expected to increase in frequency and makes out a long-term risk, which may harm our development properties and projects, that is our greatest assets. This may also affect our customers, suppliers and partners, and result in project postponements, extraordinary costs, and loss of income. There is also a risk related to not keeping up with the development in the industry, in terms of new technology and other initiatives aiming to reduce emissions and promote climate. The Group may risk losing competitiveness and attractiveness in the market, leading to reduced earnings, challenges related to funding etc. This may I also apply if the Group does not comply with climate related regulations.

The Group seeks to limit these risks through careful and thorough assessments before entering new development projects or investments, prioritizing maintenance on existing portfolio, constantly seeking and implementing new technology solutions with focus on sustainability, stay updated and comply with regulations. The Group aims to achieve a BREEAM-Excellent certification and for rehabilitation on newbuilding projects and BREEAM-Very Good on rehabilitation projects. When deciding on new projects, assessments are made related to climate-friendly construction sites, reduction of greenhouse gas emissions linked to building materials, conservation of biodiversity, energy efficiency and innovative, green solutions. The Group also experience an increased demand for green properties and sustainable solutions from tenants, with willingness of some higher market rent. This development also effects property valuations.

SUSTAINABILITY

Sustainability is a leading focus area throughout the organization. The Group published its first sustainability report in May 2022 (available at the Group's website) and sustainability was incorporated in the Group's strategy. Due to the current circumstances with limitations related to resources and capacity, the Group will not publish a separate sustainability report for 2022. The Group has established ethical guidelines that are decided on by the Board, which all employees are obligated to know and understand.

Corporate governance
Recreate ASA has ambitions to exercise good corporate governance at a level similar to companies on regulated markets. The Group is continuously aligning to comply with the applicable Norwegian code of practice for corporate governance of 14 October 2021 (NUES).

Environment
Recreate ASA strives to constantly improve and to operate in accordance with responsible, ethical, and honorable business principles. The Group aims to conduct business in order to keep the impact on resources and the environment on a minimum and well within the requirements imposed by authorities and contracting parties.

Recreate has a direct impact on the climate. This includes consumption of electricity and other energy related to our portfolio of commercial real estate and waste from our project activities. The Group also has an indirect impact through emissions from our suppliers and tenants. The group has a high focus on sustainability and has a goal on reducing emissions the next years.

Recreate ASA is a certified Eco-lighthouse business and works proactively to reduce the environmental impact of the business. The Group works on setting an example of how to develop sustainable projects: Buildings that contribute to local energy collection and production, reuse of water and sustainable use of local materials and suppliers. When establishing new buildings or when renovating existing buildings, Recreate ASA 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. The Group also has a focus on circularity by increasing reuse and recycling of materials and reduce waste volume. The Group aims to achieve a BREEAM-Excellent certification and for rehabilitation on newbuilding projects and BREEAM-Very Good on rehabilitation projects.

Emission totals/emission accounting is part of our standard operations, according to the GHG protocol. In 2022 we also carried out energy management and energy monitoring system (EMS) for our properties, with the aim of reducing energy consumption and emissions. The EMS system collects and analyzes current flow data on the properties and enables us to capture technical facilities with potential for energy optimization. The system continuously runs analyzes that detect errors that can result in increased energy consumption, as well as alerts "power peaks" so that we can configure technical facilities to spread the energy demand over a period of time to avoid a high load on the power grid. A mapping of the potential of energy reduction of the property portfolio has also been carried put, with concrete measures and cost/benefit analyses.

Working environment
In the first half of 2022 the Group worked systematically with the implementation of HSE and established good routines. As market conditions gradually changed, the financial situation of the company throughout the autumn culminated in a need for cost reductions, including an extensive downsizing with several redundancies and a reduction of about 50 per cent of the Group's employees in a short time. The workforce was reduced in November and December, with expected full effect from Q2 2023. The process was carried out with an emphasis on the involvement of all employees through several information and status

meetings, all managers with personnel responsibility, frequent reporting to the Board, and an offer of career guidance for all concerned.

Apart from these processes, the work environment is assessed as good although the work pressure at times is high. There is a focus on facilitating good work-life balance, where the company emphasizes flexibility in relation to the workplace and the use of home office. The Group had one incident of sick leave absence in 2022 of more than 16 days. Absence due to illness was 1.5 per cent in 2022.

HSE reporting is made quarterly to the Board within the areas of organization, construction projects and operations. The HSE handbook has recently been revised and updated to ensure systematic follow-up, including risk assessment, action plans and evaluation procedures. There were two injuries or accidents within the Group in 2022. One personal injury that occurred when one of our employees worked with waste and received a minor etching injury to the hand. Another accident occurred at one of the properties related to a test drilling outside, which resulted in construction materials falling from the roof inside the building. No people were injured.

Equality and discrimination

Recreate ASA had thirteen employees as of December 2022 (total for the Group is fourty-four employees, with another three employees closely connected to the Company through Rising Investments AS). Ten (thirty-three) of them are men, and three (fourteen) women. The Board of Directors consists of 2 men and 3 women (at the time of reporting).

A basic value in Recreate is that everyone should be equal and have the same opportunities, regardless of gender, age, orientation or background. The Group is continuously working on ensuring equality and preventing discrimination. There is a focus on creating an inclusive culture and encouraging collaboration across positions, age and time of employment. The Group works for a culture that is open, transparent and accepting. To ensure that objectionable conditions can be detected and handled in a good way, routines have been established for how to proceed when a notification is needed, as well as how the recipient should process the notification. There are no cases of discrimination in the Group in 2022.

All employees are compensated based on qualifications, and the pay and working conditions for the Group's employees must be in line with the general or nationwide collective agreement.

Corruption and bribery

The Group has developed ethical guidelines for all employees which aim to promote honesty, integrity and loyalty in all matters. It is emphasized that no employees should use their positions for personal gain. Every employee is obliged to know and comply with these guidelines. Recreate meets public authorities and the market in a responsible and open manner. The Group deals with both suppliers and competitors with honesty and professionalism to help counter corruption and promote healthy social development. Recreate is against money laundering in any form and will take the necessary precautions to prevent the company's transactions from being misused. No cases of corruption are reported in 2022.

Transparency act (human rights and working conditions)

Recreate is covered by the Transparency Act and has carried out due diligence assessments in 2022. The Group has performed a risk mapping and assessment of negative impact or damage in the Group's own business, suppliers and business relationships related to human rights and decent working conditions. Areas assessed with the greatest risk are prioritized and are assessed to be related to suppliers delivering services within catering, cleaning and waste management. Inquiries are made to selected suppliers. Internally there is assessed to be higher risk is related to the workload, and the Group has implemented measures facilitating a work-life balance. A complete statement of the Group's due diligence assessment in accordance with the Transparency Act will be published at the Group's website by 30 June 2023.

As part of our work related to ESG, the Group also started the work in 2022 on developing fixed guidelines for supplier requirements, which will be incorporated in the Group's purchasing policy. Employees must follow the policies that apply to purchasing. Likewise, the Group will make demands to our suppliers to follow laws and regulations on corruption, decent employment conditions, and taxes and fees.

GROUP ACCOUNTS

Going concern

The second half of 2022 has been challenging for Recreate. Throughout the year market conditions have changed with increased interest rates, rising inflation and energy costs, resulting in higher property yields, as well as challenging funding markets and a limited transaction market. This has resulted in a tough financial situation for Recreate, with stressed liquidity and uncertain short-term debt refinancing. To strengthen the liquidity and financial position, both short-term and long-term, several initiatives have been implemented. Since November 2022, Recreate has sold Kammerherreløkka (December 2022) in Porsgrunn, Inkognitogaten 33 (January 2023) and Fornebuveien 1-3 (March 2023) in Oslo/Lysaker and has several ongoing processes. Through these completed transactions, interest-bearing debt is reduced, and a larger proportion of expensive short-term debt has been paid down. Cost reduction measures were introduced in the last part of 2022, also involving salary reductions, temporary layoffs and staff reductions with a greater effect expected from Q2-23. A financial restructuring process was adopted and commenced at the end of 2022, and a final credit committee approval was obtained from the relevant financial creditors in January 2023. The financial creditors involved in the restructuring process have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid-October 2023 on certain agreed terms.

As of today, the Group is still experiencing a stressed liquidity situation and the basis for continuing as a going concern is contingent upon obtaining significant new capital from, sales of properties or other investments, additional borrowings, placement etc., as well as a successful refinancing of the short-term liabilities in 2023. The Group's financial condition may result in selling investment properties at prices below the booked market value in the current financial statement.

The Group and the Board of Directors would like to point out that there exists a material uncertainty regarding the Group's ability to continue as a going concern. The Group is however optimistic that the ongoing processes mentioned above will be successful, and in accordance with the Accounting Act § 3-3a, the Group therefore confirms that the financial statements have been prepared under the assumption of a going concern.

Financial result

Profit before tax amounted to NOK -410.9. million (111.9 million), down by NOK 522.8 million from the year before. Net profit (total comprehensive income) amounted to NOK -506.4 million (79.3 million) in 2022. The profit includes a change in value of investment properties of NOK -422.3 million (147.0 million). The change in value is mainly related to decreased values in 2022 due to higher yields. Fair-value of investment properties is NOK 2 380.7 million (2 692.7 million) including properties held for sale. The profit for the year is also affented by high expenses in the year. In 2022 there is an impairment of goodwill related to Evolve of NOK 72 million due to uncertainty related to funding and grant of capital given the situation of Recreate ASA. Other significant expenses in the year are costs related to the ongoing restructuring process (NOK 9 million), arrangement fee on financing of the acquisition of Inkognitogaten 33 (NOK 19 million), cancellation of the planned property acquisition of Parallell in Oslo (NOK 27 million) and cancellation of part of Evolve's lease contracts at Parallell (NOK 13 million). This last cancellation significantly limits the future financial obligations of Evolve by NOK 55 million and associated guarantee from Recreate ASA by NOK 11 million (not CPI adjusted).

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 2022. From 1 January 2022 Recreate increased ownership in Evolve to 100 per cent and Evolve is consolidated in the financial statements and the Group has own-used properties.

Statment of income

Rental income increased from NOK 120.6 million for 2021 to NOK 123.1 million in 2022. Other operating income increased from NOK 16.6 million in 2021 to NOK 92.6 million in 2022, mainly due to the consolidation of Evolve. The Group's financial income totaled NOK 119.8 million (26.6 million), where NOK 33.9 million (22.1 million) was related to derecognition of JCE and associates, NOK 80.4 million (2.1 million) came from changes in fair value of financial instruments and NOK 5.5 million (2.3 million) was interest and other financial income. Financial costs totaled NOK 144.6 million (104.4 million), where interest costs and other costs associated with the Group's financing activities represented NOK 139.8 million (73.7 million) and share of loss from associates and joint ventures amounted to NOK 4.7 million (30.6 million). Profits before tax was NOK -410.9 million (111.9 million), and total comprehensive income after tax was NOK -506.4 million (79.3 million). Tax expense was NOK -67.0 million (32.6 million) and change in deferred tax on comprehensive income was NOK 4.2 million.

Balance sheet

As of 31 December 2022, the Group's assets had a book value of NOK 2 920.5 million (2 936.3 million). Of the total assets, investment properties accounted for NOK 2 380.7 million (2 692.7 million) including own-used properties and properties held for sale. As of 31 December 2022, Fornebuveien 1-3, Inkognitogaten 33, Storgata 106 and Versvikveien 6B are classified as held for sale. Total accounting equity in the Group was 460.3 million (951.7 million).

Cash flow statement

Net cash flow from operating activities was NOK -4.4 million in 2022 (-30.4 million). The net cash flow from investments was NOK -254.5 million (-163.2 million). There were NOK 151.5 million (105.2 million) in purchase of business. Upgrades and construction of investment properties amounted to NOK 117.8 million (156.3 million) and primarily relates to the project of Inkognitogaten 33, Fornebuveien 1-3 and major tenant adjustments which support value creation. Regular maintenance accounts for a minor amount. Net cash flow from financing activities was NOK 307.4 million (182.8 million). Net proceeds of interest-bearing debt were NOK 467.2 million (414.4 million). During 2022 Recreate has made a repayment of NOK 263.1 million (282.8 million) in bank loans. After 31 December 2022 and to the date of this report, two major financial transactions have been completed reducing interest-bearing debt. This involves sale of Inkognitogaten 33 in Oslo and Fornebuveien 1-3 at Lysaker.

The net change in cash and cash equivalents was NOK 48.5 million at 31 December 2022 (-10.8 million). As of 31 December 2022 cash and cash equivalents amounted to NOK 36.3 million (NOK 24.8 million), of which NOK 26.6 million was tied funds, NOK 6 million was related to joint ventures, and NOK 3.7 million was free funds.

Financial structure and exposure

Recreate's loan portfolio is comprised of long and short-term financing in the Norwegian capital market. At the end of the year, loans totaled NOK 2 045.0 million (1 788.3 million) including loans directly associated with assets held for sale. 34 per cent (40 percent) was tied up in different interest rate swaps. As of 31 December 2022, the proportion of short-term debt was high, and the overall loan portfolio has an average time to maturity of 2.4 years. A credit committee approval was obtained from the financial creditors involved in the restructuring process in January 2023 and the relevant financial creditors have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid-October 2023 on certain agreed terms. The most important task ahead for the Group is refinancing of these loans. Average interest cost at 31 December 2022 was 6.12 per cent (3.31 per cent). The loan-to-value ratio as of 31 December 2022 was 85.5 per cent (82.8 per cent when including fair value of investments in jointly controlled entities, associates and shares), compared to 66.1 per cent (60.8 per cent when including fair value of investments in jointly controlled entities, associates and shares) at the end of 2021. Going forward, the Group seeks a Loan-To-Value ratio that is aligned with the redefined Group strategy. The debt ratio will be at a level adapted to the development portfolio the Group always possesses.

PROFIT FOR THE YEAR AND ALLOCATIONS

In 2022, Recreate ASA the parent company of the Group, made a profit after tax of NOK -202.7 (15.2 million) 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 NOK -202.7 (15.2 million) million is transferred from retained earnings for 2022. The result for 2022 is affected by high expenses in the year related to the ongoing restructuring process (NOK 9 million), cancellation of the planned property acquisition of Parallell in Oslo (NOK 27 million), write downs of shares in subsidiaries (NOK 135 million, of which NOK 121 million related to the investment in RCR Flex (Evolve)), and costs from net effect related the transactions of investment in inkognitogaten 33 (NOK 15 million).

SUBSEQUENT EVENTS

Events after 31 December 2022 are described in note 31 in the financial statements of 2022. In addition to the sale of properties Inkognitogaten 33 and Fornebuveien 1-3, Recreate has also entered into an agreement to establish a joint venture 50/50 with XG Eiendom AS that shall own the Group's properties Arkaden, Nedre Hjellegate 11, Henrik Ibsens gate 6 and the Groups shares in the Skien Brygge development project. In addition, the parties intend that Kongens Gate 20 and Hesselberggaten 4 shall be acquired by the JV at a later stage. Xania will contribute with a commercial property in in the joint venture. The property company contributed by Xania has a net cash position and the joint venture will therefore be financed to further develop the properties.

BOARD OF DIRECTORS

In April 2022 the Annual General Meeting elected the Board for one year. The elected Board consisted of George Emil Aubert (the Chair), Knut Bråthen, Christina Sundby, Leif Oddvin Jensen, Elin Tufte Johansen, Marianne Lie and Fredrik Torgersen. Truls Vad Fjeldberg was elected as a deputy member of the Board. In March 2023, Leif Oddvin Jensen and Fredrik Torgersen resigned from the Board with immediate effect. There were 7 ordinary board meetings and 21 extraordinary board meetings in 2022. A separate nomination committee ensures the composition of the board. Every board meeting includes a report of current HSE status, events and deviations – and are treated according to standards.

Recreate ASA has taken out board liability insurance with an annual aggregate limit of liability of NOK 100 million. The insurance covers the Board's legal personal liability for financial damage caused by the performance of their duties and associated expenses with a lawsuit. The coverage also includes boards in subsidiaries of Recreate ASA (with ownership over 50 per cent) and employees representing Recreate ASA in external boards.

OUTLOOK

After a challenging year in 2022 both in term of market conditions and specifically for Recreate, 2023 is shaping up to be a defining year. The macroeconomic outlook is uncertain with increasing inflation leading to expected higher interest rates, and recent banking turbulence questioning the stability of the financial system. Additionally the geopolitical backdrop with the invasion of Ukraine and continued supply chain complications adds another layer of unpredictability for what is ahead.

Recreate has an ongoing restructuring effort, a process that is gaining positive momentum. Recent sale of properties combined with the agreement to establish a joint venture, covering the majority of the Companys investments in Skien, are key pieces of the puzzle towards a solution. The redefined strategy with a renewed focus on property development - a historical core quality of Recreate – is another key piece of the puzzle. There is still a substantial amount of work to be completed before Recreate is through current difficulties, but the signs are positive.

Porsgrunn, 30 March 2023
Board of Directors for Recreate ASA

This report is signed electronically

George Emil Aubert
Chair of the Board

Elin Tufte Johansen
Board member

Else Christina Maria Sundby
Board member

Knut Bråthen
Board member

Marianne Lie
Board member

Emil Eriksrød
CEO

Photo: Ivar Kvaal

Financial statements Recreate ASA

Consolidated

Financial statements Recreate ASA

Statement of total comprehensive income

All amounts in NOK thousand

	Note	2022	2021
Rental income	5, 6	123 140	120 576
Other operating income	6	92 562	16 619
Total operating income		**215 702**	**137 195**
Maintenance and other operating expenses	7, 8	135 585	69 860
Depreciation and amortisation	7	127 630	321
Other property-related expenses	7	7 545	3 808
Administrative expenses	7, 8, 9	75 540	20 620
Total operating costs		**346 300**	**94 609**
Net income from property management		**-130 599**	**42 586**
Changes in fair value from investment properties	10, 11	-255 577	147 024
Operating profit		**-386 176**	**189 610**
Gains from derecognition of JCE and associates	12, 13	33 919	22 137
Interest and other financial income	12	5 501	2 339
Share of profit (loss) from associates and joint ventures	12, 14	-4 727	-30 645
Interest and other financial expenses	12	-139 824	-73 712
Net realised financials		**-105 131**	**-79 882**
Changes in fair value of financial instruments	10, 12, 15	80 410	2 130
Net financial items		**-24 721**	**-77 752**
Profit before tax		**-410 897**	**111 858**
Tax expense	16	67 042	-32 587
Profit for year		**-343 855**	**79 271**
Profit attributable to:			
Equity holders of the company		-336 134	43 146
Non-controlling interest		-7 721	36 125
Earnings per share:			
Basic (NOK)	17	-15.49	2.07
Diluted (NOK)	17	-15.56	1.77
Other comprehensive income:			
Changes in fair value from owner-occupied investment property	5, 11	-166 723	0
Change in deferred tax on comprehensive income	16	4 221	0
Total comprehensive income for the year that will not be reclassified over profit and loss		**-162 502**	**0**
Total comprehensive income for the year		**-506 357**	**79 271**
Total comprehensive income attributable to:			
Equity holders of the company		-427 737	43 146
Non-controlling interest		-78 620	36 125

Notes 1 through to 33 form an integral part of the consolidated financial statements.

Balance sheet
Assets

All amounts in NOK thousand

	Note	31.12.2022	31.12.2021
NON-CURRENT ASSETS			
Deferred tax asset	16	2 267	2 603
Other intangible assets	3, 18	105 716	7 589
Total intangible assets		**107 983**	**10 191**
Investment property	3, 10,11	1 395 300	2 692 700
Owner-occupied property	3, 10,11	315 000	0
Other operating assets	18	9 538	1 301
Right-of-use assets	3, 19	213 413	36
Total non-current tangible assets		**1 933 251**	**2 694 037**
Investment in jointly controlled entities, associates and shares	14	9 482	73 754
Loans to related parties	20	9 028	54 097
Financial derivatives	10, 15	30 084	21 118
Other long-term receivables		9 424	12 562
Total financial assets		**58 019**	**161 531**
TOTAL NON-CURRENT ASSETS		**2 099 253**	**2 865 759**
CURRENT ASSETS			
Inventory property	21, 22	10 992	10 734
Trade receivables	23	11 622	12 729
Other receivables	24	38 111	11 270
Other receivables to related parties	20	10 634	10 928
Total current receivables		**71 360**	**45 662**
Assets held for sale	25	713 594	0
Cash and bank deposits	26	36 251	24 855
TOTAL CURRENT ASSETS		**821 204**	**70 517**
TOTAL ASSETS		**2 920 457**	**2 936 276**

Notes 1 through to 33 form an integral part of the consolidated financial statements.

Balance sheet
Equity and liabilities

All amounts in NOK thousand

	Note	31.12.2022	31.12.2021
EQUITY			
Share capital	17, 27	5 423	5 423
Share premium		271 729	271 729
Other paid-in equity		134 517	136 498
Retained earnings		-18 804	406 694
Non-controlling interest		67 428	131 331
TOTAL EQUITY		**460 293**	**951 675**
LIABILITIES			
Interest-bearing debt	28, 29	421 360	1 477 278
Deferred tax liability	16	0	90 139
Financial derivatives	10, 15, 29	0	21 086
Lease liabilities, non-current portion	19, 29	204 375	2 352
Other non-current liabilities	15	9 924	5 684
Total non-current liabilities		**635 659**	**1 596 540**
Trade payables	30	54 474	23 968
Interest-bearing debt	28, 29	1 014 965	308 009
Debt to related parties	15, 20, 29	31 732	3 026
Lease liabilities, current portion	19, 29	43 793	1 179
Other current liabilities	15, 30	68 411	51 879
Total current liabilities		**1 213 375**	**388 060**
Liabilities directly associated with the assets held for sale	25	611 129	0
TOTAL LIABILITIES		**2 460 163**	**1 984 600**
TOTAL EQUITY AND LIABILITIES		**2 920 457**	**2 936 276**

Notes 1 through to 33 form an integral part of the consolidated financial statements.

Porsgrunn, 30 March 2023
Board of Directors for Recreate ASA

This document is signed electronically

George Emil Aubert Chair of the Board	Elin Tufte Johansen Board member	Else Christina Maria Sundby Board member
Knut Bråthen Board member	Marianne Lie Board member	Emil Eriksrød CEO

Statement of changes in equity

All amounts in NOK thousand

	Share capital	Share premium	Other paid-in equity	Retained earnings	Revaluation surplus	Non-controlling interest	Total equity
Equity at 01.01.2021	**4 930**	**200 291**	**140 340**	**362 820**	**-**	**52 919**	**761 300**
Profit for year	-	-	-	43 146	-	36 125	**79 271**
Capital increase as of 05.06.2021	493	74 507	-	-	-	-	**75 000**
Acquisitions/capital increase subsidiaries	-	-	-	-	-	43 000	**43 000**
Share based options	-	-	-3 842	-	-	-	**-3 842**
Change in non-controlling interest	-	-	-	728	-	-713	**15**
Cost of equity transactions directly in equity	-	-3 069	-	-	-	-	**-3 069**
Equity at 31.12.2021	**5 423**	**271 729**	**136 498**	**406 694**	**-**	**131 331**	**951 675**
Profit for year	-	-	-	-336 134	-	-7 721	**-343 855**
Other comprehensiv income	-	-	-	-	-91 603	-70 898	**-162 502**
Capital increase as of 30.06.2022	-	-	-	-	-	5 000	**5 000**
Capital increase as of 13.10.2022	-	-	-	-	-	7 116	**7 116**
Capital increase as of 14.10.2022	-	-	-	-	-	29 082	**29 082**
Sale of shares to non-controlling interests	-	-	-	3 043	-	20 149	**23 192**
Divestment of subsidiary with non-controlling interests	-	-	-	-803	-	-46 630	**-47 433**
Share based options	-	-	-1 981	-	-	-	**-1 981**
Equity at 31.12.2022	**5 423**	**271 729**	**134 517**	**72 800**	**-91 603**	**67 428**	**460 293**

Notes 1 through to 33 form an integral part of the consolidated financial statements.

Statement of cash flows

All amounts in NOK thousand

	Note	2022	2021
Profit before tax		-410 897	111 858
Expensed interest and fees on loans		128 049	73 712
Expensed interest and fees on leases		8 030	0
Interest and fees paid on loans		-91 512	-67 847
Share of profit from associates and jointly controlled entities		4 727	30 645
Gains from investment in shares		1 092	-22 137
Depreciation and amortisation	18	77 346	321
Depreciation on leases		50 285	0
Other adjustments		39 183	999
Change in market value investment properties	22	255 577	-147 024
Change in market value financial instruments	10	-80 410	-2 130
Change in working capital		14 159	-8 834
Net cash flow from operating activities		**-4 372**	**-30 436**
Proceeds from sales of investment properties and companies	22	59 438	43 187
Proceeds from sales of shares	22	7 230	42 100
Purchase of shares	13	-6 850	0
Purchase of business net of cash		-151 465	-105 161
Upgrades and construction of investment properties	22	-117 771	-156 251
Purchase of intangible assets and other plant and equipment	18	-11 314	-408
Net payment financial assets		-35 536	13 300
Dividends from associates and jointly controlled entities		1 766	0
Net cash flow from investment activities		**-254 502**	**-163 233**
Proceeds interest-bearing debt	28, 29	467 181	414 417
Repayment interest-bearing debt	28 ,29	-263 100	-282 773
Proceeds loans from other related parties	29	168 510	-41 815
Proceeds from convertible loans		0	42 783
Proceeds from equity		0	50 233
Payment of principal portion of lease liabilities		-55 221	0
Repayment of other liabilities	13	-10 000	0
Net cash flow from financing activities		**307 370**	**182 845**
Change in cash and cash equivalents		48 494	-10 824
Cash and cash equivalents at end of period from assets held for sale	25	-37 099	0
Cash and cash equivalents at beginning of period		24 855	35 679
Cash and cash equivalents at end of period		**36 250**	**24 855**

Notes 1 through to 33 form an integral part of the consolidated financial statements.

Summary of Notes

NOTE 1 GENERAL INFORMATION

Recreate ASA (“the Group”) is organized with Recreate ASA (“the Company”) as the mother company which has 27 daughter companies. Recreate ASA (“the Company”) is (together with its subsidiaries “”Recreate” or “the Group””) dedicated to the development of modern and forward-looking office commercial properties, coworking and technology solutions. 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 20 (30) buildings with a total area of approximately 89.5 (109.0) thousand square meters. As of 31 December 2022 the real estate portfolio had a market value of around NOK 2 381 (2 693) million. Recreate’s strategic areas are Telemark and Vestfold. The Group has its head office in Dokkvegen 11, 3920 Porsgrunn. The consolidated financial statements were approved by the company’s Board on March 30 2023.

NOTE 2 ACCOUNTING POLICIES
BASIC PRINCIPLES

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

The consolidated financial statements have been prepared on the basis of the historical cost principle, with the following exceptions: 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.

CURRENCY

The Group’s presentation currency is NOK. This is also the functional currency of the parent company and all of its subsidiaries.

Application of new and revised International Financial Reporting Standards (IFRSs) in 2022
A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, 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.

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. Secondly, the Group must have the rights to variable returns and the ability to use its power over the investee to affect the amount of the investor's returns. If all of the following conditions are met, the Group is considered having control. Subsidiaries are consolidated from the date on which the Group obtains control, and are deconsolidated when control ceases. Control ceases to exist if a parent loses control of a subsidiary through loss of power or exposure to variable returns. Deconsolidation results in a derecognition of assets and liabilities in the consolidated statement, and recognizes the gain or loss associated with the loss of control in profit or loss.

Any change in the ownership interest of a subsidiary, without the loss of control, is accounted for as an equity transaction.

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.

Intra-group transactions, balances and unrealized gains are eliminated. Unrealized losses are eliminated but are considered as an indication that the transferred asset may be impaired.

Transactions with non-controlling interests

Transactions with non-controlling interests in subsidiaries are treated as equity transactions. If shares are acquired from a noncontrolling interest, the difference between the payment and the proportion of the carrying amount of the subsidiary's net assets attributable to the shares is re-cognized in the equity of the parent company's owners. Gain and losses arising from the sale of shares to non-controlling interest are similarly recognized in equity.

If the Group loses control over a subsidiary, any residual holding is remeasured at fair value through profit or loss. Thereafter, the fair values are used as the acquisition cost for accounting purposes, and the holding is treated as an investment in an associate, in a jointly controlled entity or in a financial asset. Amounts previously included in comprehensive income that related to the company are treated as if the Group had disposed of the underlying assets and liability. These may result in amounts that previously included in comprehensive income being reclassified to the income statement.

Joint arrangements and associates

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. In a joint arrangement, no single party controls the arrangement on its own. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Judgement is required in assessing whether a joint arrangement is a joint operation or a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of arrangement.

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Recreate classifies its investments based on an analysis of the degree of control and underlying facts. This includes an assessment of voting rights, ownership structure and relative strength, purchase and sale rights controlled by Recreate and other shareholders. Each individual investment is assessed. Upon changes in underlying facts and circumstances, a new assessment must be made as to whether this is still a joint venture/associates. Changes in contractual rights and obligations relating to the underlying asset or debt and changes in the shareholders agreement might lead to a shift in the accounting method.

In joint ventures and associates, the Group's share of the companies' profit/loss after tax, adjusted for amortization of excess value and any deviations from accounting policies, are presented on a separate line in the consolidated income statement. Joint ventures are recognized in the consolidated accounts using the equity method and presented as non-current assets. When assets are acquired from a joint venture, any gain or loss is only recognized in profit or loss when the asset is sold by the Group. A loss is recognized immediately if the transaction indicates that the value of the company's current or non-current assets has fallen.

A transaction that entails a change of control from an investment in a joint venture or associate to an investment in a subsidiary is treated as a realization and require that a gain/loss at the time of derecognition of the joint venture has to be calculated and recognized in the income statement as results from associates and JVs according to equity method.

The Group has partly ownership in the companies Orbit Technology AS and Skien Brygge Utvikling AS and these investments are treated as associates. Inkognitogaten 33 Holding AS, Dokkvegen Utvikling AS, Fornebuveien 1-3 Invest AS and Vestsiden Terrasse AS is treated as a subsidiary because of control. For information about the evaluation of control, see note 31.

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.

Initial measurement 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 measured 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 recognized 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 in-vestment 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 capitalized 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 derecognized.

Gains or losses as a result of changes in the fair value of investment properties are recognized in profit or loss as they arise, and are presented on a separate line after "net income from property management." Investment properties are derecognized 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.

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 following the accounting principles of IFRS 5. A property's deemed cost for subsequent accounting as property for sale is its fair value at the date of change in use.

Owner-occupied property
Property that has more than an insignificant portion of owner occupation is classified as owner-occupied property following IAS 16. The entity considers both qualitative and quantitative factors when determining whether there is a significant part of the property used for own proposes. If the property is considered owner-occupied, the whole property is accounted for under IAS 16, unless the portions of the property can be sold separately.

A property used by owner is accounted for at revalued value less ac-cumulated 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.

Property, plant and equipment
All property, plant and equipment (PPE) 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 recognized 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 derecognized. 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 use-full lives, as follows:

- Land and property under construction: not depreciated
- Buildings: 25-40 years;
- Other operating assets: 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Borrowing costs
Borrowing costs for capital used to finance buildings under construction are capitalised under the asset in question. When calculating the capitalised borrowing costs, the average interest rate on the company's debt portfolio over the course of the year is used, unless there is separate financing for the specific project. In such cases the specific borrowing cost for the loan in question is used. When calculating the average interest rate to be used for the capitalisation of borrowing costs, loans taken out for specific projects are not included.

SEGMENTS
Operating segments are reported in the same way as in internal reports to the Group's highest decision-making authority. The Group's chief operating decision maker, which is responsible for allocation resources and assessing the profitability of the operating segments, has been identified as executive board and the CEO.

INTANGIBLE ASSETS
Goodwill
Goodwill is the difference between the fair value of consideration transferred and the fair value of the Group's share of net identifiable assets in the entity on the acquisition date. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. For the purpose of impairment testing, goodwill is allocated to the relevant cash flow generating units. Goodwill is allocated to the cash flow generating units or group of cash of generating units that are expected to benefit from the acquisition from which the goodwill arose. Goodwill is tested for impairment annually. Impairment of goodwill is not reversed. Gains and losses on the sale of an operation including the carrying amount of goodwill relating to the sold operation.

Goodwill arising from the purchase of shares in associates and jointly controlled entities is included under the investment in the associate or jointly controlled entity, and is tested for impairment as part of the carrying amount of the investment.

Software
Purchased software is recognized 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 are capitalised as intangible assets, and are depreciated over the expected useful life, normally 3-5 years. The Group considers a range of factors in determining if the intangible assets can be recognized in the balance sheet. Factors such as if the completed asset would be available for use or sale, if the Group has adequate technical, financial and other resources necessary for completion of the intangible asset and the probability of the develop asset to generate future net financial benefits. 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 indefinite 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 higher of the fair value less cost of disposal and the value in use When testing for impairment, non-current assets are grouped at the lowest possible level at which it is possible to identify independent cash inflows (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:
- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Equity instruments designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

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.

Inventory Property
Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and measured at the lower of net realizable value (NRV) and cost.

Inventory property is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each inventory property to its present condition and location includes:

- Acquisition cost of the land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, development overheads and other related costs

When an inventory is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of inventory property recognized in profit or loss is determined with reference to directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Trade receivables and other financial assets
Trade receivables and other financial assets are classified as amortised cost. The Group applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. At every reporting date, the Group evaluates the debtors past default events, current financial situations and forward-looking factors such as the general economic condition of the industry, debtor specific factors and so on. The Group considers all reasonable and supportable information that is available without undue cost or effort. Any subsequent payments received against accounts for which a provision has previously been made are recognized in the profit & loss 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 are classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as net realized financial in the statement of profit or loss. The liabilities are measured at their nominal value when the effect of discounting is immaterial. 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 or in other comprehensive income. 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 recognition 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 22 per cent from 31 December 2022.

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 fair 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

RCR's key sources of income include:

- Rental income
- Sale of flexible workplace
- Services to tenants including management charges and other expenses recoverable from tenants
- Sale of inventory property – completed property

The accounting for each of these elements is discussed below.

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

The initial direct costs and tenant lease incentives are presented as cur-rent assets in the line item 'Prepayments' in the statement of financial position is amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the statement of profit or loss when the right to receive them arises.

Sale of flexible workplace
The Group earns revenue from providing flexible workspace to customers. The customers gain access to office space with all the necessary office equipment, meeting rooms, coffee machines etc. The Group provides flexible office space as in four categories:

- Flexible office space
- Office space with a guaranteed seat
- Office space in locked team rooms
- Enterprise (where the Group and the customers agrees upon the space needed for the specific request)

The four categories give the customers the right to use office space in the Groups office spaces in southern Norway. Furthermore, the customers enter into agreements with the Group mainly on short durations. The Group is given the right to adjust the space used by the customer either by giving the customer the right to a similar office space having the same attributes, either in the same building or in another location nearby.

Revenue from the provision of these services to customers is measured at the fair value of the consideration received.

The Group has determined that providing flexible workspace are within the scope of IFRS 15 and as such recognized in the profit and loss statement at the same time as the service is provided the customer.

Revenue from services to tenants
For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These

agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services).
The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Revenue from services to tenants is presented as other operating revenue in the income statement alongside income from revenue from contracts with customers.

Total operating income consists of rental income and other operating revenue. Gains on the sale of property are presented as part of the change in fair value. Gains on the sale of property are presented as part of the change in fair 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 capitalized alongside payments on account from tenants and therefore have no impact on the income statement. Shared costs are settled after the balance sheet date.

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 in-vestment 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 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 and owner-occupied property
Each quarter, selected properties representing over approximately 70 % of the total portfolio value 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. At 31 December 2021 external valuations were obtained from both Newsec AS and Akershus Eiendom AS. At 31 December 2022 67% of the fair value of investment properties was obtained from external valuation from Newsec. The remaining value of the investment property portfolio was set based on sales agreements (28%) and management assessments (5%).

External valuations
67% of the total value of investment properties at 31 December 2022 was set based on external valuations from Newsec. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a period of 10-15 years 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 rate, exit yield 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.)

Property sales agreements
28% of the total value of investment properties at 31 December 2022 was set based on sale purchase agreements and fair value is set to agreed sales price.

Management assessments
5% of the total value of investment properties at 31 December 2022 was set based on management assessments. For a selection of properties fair value is based on assessments made by the management. These properties were at the latest valued externally at 31 December 2021 and are properties with minor changes related to tenant composition and contractual conditions during 2022. Fair values are estimated using last year's value as a starting point, adjusting for generel change in market conditions yield increase in the area (based on external valuations form Newsec on similar properties in the same areas as of 31 December 2021 and 31 December 2022) as well as changes in signed contracts with tenants from last year's external valuatuon 31 December 2021 to 31 December 2022.

Value changes comprise realised and unrealised changes in value and are reported net for all properties. The unrealised change in value is calculated on the basis of the valuation at the end of the financial year compared with the same period in the previous year plus capitalised, value enhancing investment during the year.

For properties acquired during the year, unrealised changes in value are calculated as the difference between the valuation at the end of the financial year and the cost of the acquisition plus any value enhancing investments. For properties sold during the year, changes in value are calculated as the difference between the sales price less sales costs and value enhancing investments undertaken in the financial year.

More information about the fair value measurement is set out in note 8, 15 and 32.

The table below shows to what extent the value of the property portfolio that is externally valued (67% at 31 December 2022 and 94% at 31 December 2021) 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 2022.

Change variable	2022		Change in per cent	Positive change (tNOK)	Negative change (tNOK)[1]
Inflation		+/-	1.00	142 908	-142 908
		+/-	10.00	53 280	-53 280
Market rent		+/-	0.25	-24 957	25 765
Exit yield		+/-	0.25	-32 039	21 689

1) Estimates by Newsec AS in conjunction with valuations at 31 December 2022. Development projects and property values based on agreements and management assessments are not included in the estimates.

Overview of input parameter for the discounted cash flow model for estimating fair value of the Group's investment property:	2022
Valuation hierarchy level	3
Total square meter	89 541
Actual rent per sqm (interval)	628 - 4 384
Actual rent pr sqm (average)	1 989
Length on existing lease agreements (interval)	0,1 - 19,0
Wault (weighted on property market value)	6.8
Market rent pr sqm (interval)	600 - 3 703
Market rent pr sqm (average)	2 025
Expected inflation %	2.5
Actual vacancy %	19.5
Nominal discount rate % (interval)	6,6 - 10,2
Nominal discount rate % (average)	8.2

Change variable	2021		Change in per cent	Positive change (tNOK)	Negative change (tNOK)[1]
Inflation		+/-	1.00	256 735	-256 735
Market rent		+/-	10.00	209 053	-209 053
Discount rates		+/-	0.25	-112 554	123 356
Exit yield		+/-	0.25	-53 277	58 293

1) Estimates by Newsec AS in conjunction with valuations at 31 December 2021. Development projects are not included in the estimates.

Overview of input parameter for the discounted cash flow model for estimating fair value of the Group's investment property:	2021
Valuation hierarchy level	3
Total square meter	108 966
Actual rent per sqm (interval)	597 - 3 703
Actual rent pr sqm (average)	1 612
Length on existing lease agreements (interval)	0,1 - 20,0
Wault (weighted on property market value)	6.1
Market rent pr sqm (interval)	600 - 3 703
Market rent pr sqm (average)	1 699
Expected inflation %	2.5
Actual vacancy %	12.2
Nominal discount rate % (interval)	6,6 - 10,2
Nominal discount rate % (average)	8.2

Impairment of goodwill and right of use assets

As of 31 December 2022 an impairment test is performed for right-of-use assets and goodwill related to Evolve.

For the right of use assets, the impairment test is based on a net present value analysis of all the differenct loactions (centres of Evolve). This analysis is based on discounting future cash flows from operations over a period of 10 years (in order to reflect the transition from the current growth stage to a steady state) using an estimated discount rate (set as the rate used in the recent valuation of Evolve from BDO). Future cash flows are calculated on the basis of rent revenues, which are a result of available workstations multiplied by the desk occupancy rate and the average price per workstation (based on estimates set by the management of Evolve for the next years (2023-2024)), less direct costs and overhead (no growth considered as assessed to be at a stable level). An assumption is made that all leases related to the differnt centres will be renewed except for centres that are to be terminated. A longer period than just the length of the contract for the individual locations is used due to the industry fact that it takes around 3 years on average to build up and achieve a break-even occupancy, and additional years in order for centres to become profitable.Through the analysis, estimated losses related to right of use of the different locations are identified. An assessment is also made by the management of the profitability and importance of each location (centre) seen in the context of the entire network of centres. For centres that are to be terminated, an assessment is made of the lowest of a termination cost and net present value of future discounted cash flows related to the location. Furthermore, this forms the basis of the impairments related to right of use assets.

The impairment test of goodwill is based on an external valuation of Evolve in 2022 from BDO. The valuation is based on the discounted cash flow method, which involves discounting future cash flows from operations over a period of 9 years (in order to reflect the transition from the current growth stage to a steady state) using an estimated discount rate (based on market-based cost of capital) and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of rent revenues, which are a result of available workstations multiplied by the desk occupancy rate and the average price per workstation, less direct costs and overhead. Inflation is set in line with the target rate of Norges Bank.

This valuation present several scenarios, and we have focused on the most realistic scenario ("Bear case") for reasons of caution due to the Group's ongoing financial situation, involving focus on optimzing exisiting portfolio of centres and fewer expansions. The basis of the valuation from BDO is basis for the valuation is cash flows according to the budget for 2023 and information per Q3 2022 when the valuation was carried out. Certain profit items from Q4 2022 and 2023-2025 have not been taken into account in the external valuation and have been adjusted for in the test. An additional adjustment is also made related to revenue growth rate in the first years (2023-2025). The growth rate in the valuation from BDO is assessed as optimstic in light of the development until today, and the revenue growth rate is therefore reduced in the impairment test.

Fair value of financial instruments
The Group values liabilities with fixed interest rates and financial derivatives at fair value in the Group's balance sheet. At the end of the year the Group only carries interest rate swaps with financial institutions as counterparty. The Interest rate swaps is being calculated by the financial institutions using valuation techniques which employ the use of market data of yield curves and forward rates compared to each interest rate swap agreement. As pr closing all of the Group's interest rate swaps have a positive value due to increasing interest rates in general.

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.

31.12.2022	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point[1)]	**-12 134**
Interest-bearing debt	-16 108
Derivatives	3 974
Market rates fall by 1 percentage point[1)]	**12 134**
Interest-bearing debt	16 108
Derivatives	-3 974

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

31.12.2021	Change in the Group's interest expense (annualised) (tNOK)
Market rates increase by 1 percentage point[1)]	**-11 485**
Interest-bearing debt	-17 549
Derivatives	6 064
Market rates fall by 1 percentage point[1)]	**11 485**
Interest-bearing debt	17 549
Derivatives	-6 064

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

Business Combinations
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, considerations is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, etc.)

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

In 2022 the Group acquired RCR Flex AS (Evolve). The Evolve transaction was considered to represent a business combination, see note 13. Furthermore, the Group has been through a series of steps in acquiring Inkognitogaten 33. Firstly, the Group controlled 8% of the shares in Inkognitogaten 33 A AS and had the option to buy 84% of the shares in the company. In july, the Group redeemed its right to buy 84%. Through this round of acquistion, the Group gained controll over Inkognitogaten 33 A AS (which indirectly controlls the real estate Inkognitogaten 33 in Oslo). The purchase of Inkognitogaten 33 is considered a single asset and was not treated as business combination. At the start of Q4, the Group sold 42% of the shaers in Inkognitogaten 33 to R-Venture AS. After the sale the Group still treats Inkognitogaten 33 as a subsidiary.

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 excess liquidity.

As part of an ongoing restructuring process, the Group has redefined the Group's strategy, involving a change in focus from building and growing a property portfolio towards becoming the best at developing properties to a great extent in partnerships. The Group seeks to held a limited portfolio development properties with a more short-term horizon and with the intention of sales. This affect the Group's financial risk management.

Financing risk
Financing risk is the risk that the Group will be unable to obtain funding, obtain funding only to a certain extent or can only receive funding on unfavorouble terms.

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

Since the second half of 2022 Recreate has experienced a tough period for the Group with changed market conditions and tightened fundig possibilites. This resulted in uncertain short-term debt refinancing and unsatisfactory financing solutions. A greater proportion of this short-term expensive debt have been paid off through proprty sales in 2023. A credit committee approval obtained from the financial creditors in January 2023 and all the financial creditors have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid October 2023 on certain agreed terms. See note 32 going concern.

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 seeks to achieve a most correct Loan-To-Value ratio that is in line with the new company strategy. The Group's debt ratio will be reduced to a level adapted to a development portfolio. Current LTV-ratio is 85%.

Interest rate risk
As the Group's interest-bearing asse+ts 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 21). 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 in line with the Group's new strategy. This involves holding a limited portfolio of development properties with a short-term horizon, and for these properties the following financial policy requirements apply:
- 30-60 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 2–10 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 30 per cent of the debt portfolio, an average remaining term to maturity in the range of 2–10 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 2022, the weighted average remaining term to maturity was 2.4 years. The average interest rate was 6.12 per cent at 31 December 2022

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. Since the second half of 2022 the Group has experienced a tough financial situation with stressed liquidity. Changes in market conditions with increased interest rates, rising inflation and energy costs, have affected property property yields as well as funding possibilities, resulting in weak transaction market and unsatisfactory expensive short-term financing. Since the last part of 2022, the Group has undergone a restructuring process and the Group's liquidity has been monitored on a daily basis by the management and closely followed up by the Board of Directors through weekly reports and reviews.

Liquidity is the most important focus on the Group at the time and to strengthen the liquidity and financial position, both short-term and long-term, several initiatives have been implemented. Since November 2022, Recreate has sold Kammerherreløkka in Porsgrunn. Inkognitogaten 33 og Fornebuveien 1-3 in Oslo/Lysaker is transactions in 2023 and the Group has several ongoing processes today. Through these completed transactions, interest-bearing debt is reduced and a larger proportion of expensive short-term debt have been paid off. Cost reduction measures were introduced in the last part of 2022, aslo involving salary reductions, temporary layoffs and staff reductions with a greater effect expected from Q2-23. A restructuring process was adopted and commenced in the end of 2022. An important part of this process is a credit committee approval obtained from the financial creditors in January 2023. All the financial creditors have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid-October 2023 on certain agreed terms. The suspension represents a positive starting point in the discussions with financial creditors towards achieving the common long-term goal of strengthening Recreate to face the challenges ahead for the benefit of Recreate and all stakeholders involved.

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 Recreate. The Group considers that the ability of trade creditors to behave predictably over the long term is often dependent on their creditworthiness. For this reason, Recreate wants the Group's trade creditors to be of a good credit quality and has established credit rating limits for the Group's trade 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.

Climate risk
The Group is exposed to climate risk in form of climate changes that may affect the business (physical risk) as well as financial risks related to the transition to a low-emission society (transition risk). Extreme weather is expected to increase in frequency and makes out a long-term risk, which may harm our development properties and projects, that is our greatest assets. This may also affect our customers, suppliers and partners. There is also a risk related to not keeping up with the development in the industry, in terms of new technology and other initiatives aiming to reduce emissions and promote climate, and comply with applicable climate related regulations. The Group seeks to limit these risks through careful and thorough assessments before entering new development projects or investments, prioritizing maintenance on existing portfolio, constantly seeking and implementing new technology solutions with focus on sustainability, stay updated and comply with regulations

Financial covenants
There are covenants in the Group's bank loan agreements relating to both financial and non-financial requirements. Financial covenant requirements are amongst others minimum interest rate hedging. At 31 December 2022, the Group was not in breach of any covenants.

MATURITY PROFILE OF ALL FINANCIAL INSTRUMENTS

31.12.2022	Remaining term Under 1 year	1-3 year	3-5 year	Later than 5 years	Total
Interest-bearing bank loans – principal	1 265 411	20 125	1 756	236 399	1 523 691
Interest-bearing bank loans – amortising	41 062	51 606	42 928	67 247	202 843
Interest-bearing bank loans – estimated interest	98 896	85 907	43 062	72 230	300 095
Subordinated loans - principal	309 395	9 078	-	-	318 472
Subordinated loans - estimated interest	32 625	-	-	-	32 625
Financial derivatives					
- Interest rate derivatives		-3 060	-5 067	-21 956	-30 084
Trade and other payables					
- Trade payables	77 303	-	-	-	77 303
- Other financial	58 219	-	-	-	58 219
- Accruals	15 268	-	-	-	15 268
Lease liability	50 193	234 241	-	-	284 433
Total	**1 948 371**	**397 896**	**82 679**	**353 920**	**2 782 866**

31.12.2021	Remaining term Under 1 year	1-3 year	3-5 year	Later than 5 years	Total
Interest-bearing bank loans – principal	202 199	1 045 125	-	248 248	1 495 571
Interest-bearing bank loans – amortising	48 933	67 422	34 762	68 170	219 287
Interest-bearing bank loans – estimated interest	55 869	67 939	25 110	52 939	201 857
Subordinated loans - principal	57 311	16 153	-	-	73 464
Subordinated loans - estimated interest	5 454	-	-	-	5 454
Financial derivates					
- Interest rate derivatives	-	3 638	329	3 697	7 664
Trade and other payables					
- Trade payables	23 968	-	-	-	23 968
- Other financial	42 347	-	-	-	42 347
- Accruals	9 532	-	-	-	9 532
Lease liability	1 179	2 352	-	-	3 531
Total	**446 791**	**1 202 627**	**60 201**	**373 054**	**2 082 674**

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 2.4 years. This years principal is significantly increased compared to last year due to the acquisition of Inkognitogaten 33 and further borrowings in Fornebuveien 1-3.

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

31.12.2022 Term to maturity	31.12.2023 Up to 1 year	31.12.2025 1-3 year	31.12.2027 3-5 year	31.12.2028+ Later than 5 years	Total
Percentage	79.0	4.0	2.2	14.8	100.0
Amount	1 615 868	80 809	44 684	303 646	2 045 007

31.12.2021 Term to maturity	31.12.2022 Up to 1 year	31.12.2024 1-3 year	31.12.2026 3-5 year	31.12.2027+ Later than 5 years	Total
Percentage	17.2	63.1	1.9	17.7	100.0
Amount	308 443	1 128 699	34 762	316 418	1 788 322

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

	2022	2021
Nominal value of interest rate derivatives on the balance sheet date of which	**554 832**	**692 443**
- Variable-to-fixed swaps	554 832	692 443
Range of fixed interest rates (%)	1.03 - 4.05	1.03 - 4.05
Variable rate basis	3M NIBOR	3M NIBOR
Average fixed rate	1.99 %	2.16 %
Fair value of interest rate derivatives on the balance sheet date (tNOK)	-	21 086
Change in fair value of interest rate derivatives over the year	40 282	27 982
Total change in fair value of financial instruments	**40 282**	**27 982**

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.

	2022	2021
1 year	9 197	18 311
2 years	9 089	20 710
3 years	45 823	20 689
4 years	45 175	57 387
5 years	64 600	52 295
5 years < 10 years	427 617	351 218
≥ 10 years	357 040	629 674
Total	**958 541**	**1 150 284**

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

Remaining term	2022 Number of contracts	2022 Contract rent	2022 Contract rent, %	2021 Number of contracts	2021 Contract rent	2021 Contract rent, %
1 year	27	12 512	8.7	42	28 698	17.3
2 years	8	5 346	3.7	26	12 106	7.3
3 years	20	20 301	14.1	18	7 848	4.7
4 years	18	13 008	9.0	20	18 285	11.0
5 years	14	15 946	11.1	19	11 805	7.1
5 years < 10 years	30	54 056	37.6	37	48 471	29.3
≥ 10 years	6	22 615	15.7	12	38 491	23.2
Total	**123**	**143 784**	**100**	**174**	**165 704**	**100**

The tables above show all the remaining non-terminable contractual rent, including forward starting contracts, 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

The operating segments have been changed during the period. Residential Properties is no longer reported as a standalone segment, but is included in commercial properties. Coworking has been created as a new segment due to the purchase of Evolve during the year.

The segments are formally divided on the basis of products and services. The Group is organised into two reportable segments as follows, divided by the nature of their characteristics in regards to the assets, activities and income streams:

- Commercial Properties, which is a supplier of commercial property to customers
- Coworking, which is a supplier of flexible office spaces

There has been no aggregation of segments in the reported segments presented above. The operating segment of the Group as of today represent their own nature in regards to when and how income is generated (through sales or assets appreciation) and the products or services provided. The chief operating decision maker is the executive board and the CEO, which are the highest decision-making authority of the Group. Geograficially, all of the Group's operations takes place in Norway. There is no single customer representing over 10% of the Group's total operating income. The rest of the Group's operations counts for less than 10% measured in revenue, profit or loss or combined assets and is not presented as a own segment below.

The Group's accounting principles applied to both the segment reporting and the profit & loss statement are identical. Income related to Commercial property is presented according to IFRS 16. Change in fair value of investment property is recognized in accordance with IAS 40. Income from Coworking is considered revenue from contracts with customers (IFRS 15).

All amounts in NOK thousand

31.12.2022	Commercial Properties[1)]		Coworking		Eliminations[2)]	Consolidated
INCOME STATEMENT						
Total operating income	149 336		83 874		-17 508	215 702
- of which is rental income	*131 359*		*-*		*-8 219*	*123 140*
- of which is other operating income	*17 978*		*83 874*		*-9 289*	*92 562*
Total operating costs	227 014		*136 794*		*-17 508*	346 300
Net income	**-77 678**		**-52 920**		**-**	**-130 599**
Fair value adjustments investment property	-255 577		-		-	*-255 577*
Net fair value financial derivates	80 410		-		-	*80 410*
Net financial items	-94 571		-10 053		-507	*-105 131*
Segment profit	**-347 417**		**-62 974**		**-507**	**-410 897**
BALANCE SHEET						
Investment property	1 395 300	-	-		-	*1 395 300*
Investment property held for sale	57 000	-			-	*57 000*
Owner-occupied property	315 000	-	-		-	*315 000*
Owner-occupied property held for sale	613 397	-	-		-	*613 397*
Inventory property	10 992	-	-		-	*10 992*
Total assets from operating segments	**2 391 689**		**-**		**-**	**2 391 689**
Deferred tax liability	28 337	-	-28 337		-	*-0*
Interest bearing debt	1 426 350	-	9 975		-	*1 436 325*
Interest bearing debt related to assets held for sale	576 950		-		-	*576 950*
Total liabilities from operating segments	**2 031 637**	**-**	**-18 362**	**-**	**-**	**2 013 275**
RECONCILIATIONS						
Reconciliation of revenue:						
Total operating income from the segments						215 702
Other operating income						-
The Group's total operating income						**215 702**
Reconciliation of profit:						
Segment profit						-410 897
Total other comprehensive income before tax						-
The Group's profit before tax						**-410 897**
Reconciliation of balance sheet:						
Total assets from operating segments						2 391 689
Non-current assets						388 953
Current assets						96 618
Assets held for sale (adjusted for property held for sale above)						43 197
The Group's total assets						**2 920 457**
Total liabilities from operating segments						2 013 275
Equity						460 294
Non-current liabilities						214 298
Current liabilities						198 410
Liabilities related to assets held for sale (adjusted for liablities related to assets held for sale above)						34 179
The Group's total equity and liabilities						**2 920 457**

1) For key metrics of the segment Commercial Properties - **see Note 11** Investment Property

2) Eliminations consists of intercompany transactions made at arm lengths principles

31.12.2021	Commercial Properties*	Coworking	Eliminations*	Consolidated
INCOME STATEMENT				
Total operating income	137 194	-	-	137 194
- of which is rental income	120 577	-	-	*120 577*
- of which is other operating income	16 617	-	-	*16 617*
Total operating costs	94 609	-	-	94 609
Net income	**42 585**	**-**	**-**	**42 585**
Fair value adjustments investment property	147 023	-	-	*147 023*
Net fair value financial derivates	2 130	-	-	*2 130*
Net financial items	-79 881	-	-	*-79 881*
Segment profit	**111 858**	**-**	**-**	**111 858**
BALANCE SHEET				
Investment property	2 692 700	-	-	*2 692 700*
Inventory property	10 734	-	-	*10 734*
Total assets from operating segments	**2 692 700**	**-**	**-**	**2 703 434**
Deferred tax liability	90 139	-	-	*90 139*
Interest bearing debt	1 785 287	-	-	*1 785 287*
Total liabilities from operating segments	**1 875 426**	**-**	**-**	**1 875 426**
RECONCILIATIONS				
Reconciliation of revenue:				
Total operating income from the segments				137 194
Other operating income				-
The Group's total operating income				**137 194**
Reconciliation of profit:				
Segment profit				111 858
Total other comprehensive income before tax				-
The Group's profit before tax				**111 858**
Reconciliation of balance sheet:				
Total assets from operating segments				2 703 434
Non-current assets				173 059
Current assets				59 782
The Group's total assets				**2 936 276**
Total liabilities from operating segments				1 875 426
Equity				951 676
Non-current liabilities				29 123
Current liabilities				80 051
The Group's total equity and liabilities				**2 936 276**

* The comparable amounts for 2021 has been changed in accordance with the revised segments.

NOTE 7 OPERATING COSTS

All amounts in NOK thousand

	2022	2021
Operating costs		
Administrative management costs	11 569	28 069
Operating and maintenance costs 1)	124 016	41 791
- of which transactions cost related to cancelled acquistion of Parallell	*40 000*	-
- of which losses from sale of assets	*17 423*	*7 984*
Total maintenance and other operating costs	**135 585**	**69 860**
Depreciation 2)	55 782	321
Amortisation 3)	71 849	-
Total depreciation and amortisation	**127 630**	**321**
Other property costs		
Rental, market, and other income-related expenses 1)	7 545	3 808
Total other property costs	**7 545**	**3 808**
Administrative costs		
Payroll and personnel expenses 1)	20 011	13 003
Other operating expenses 1)	55 529	7 616
- of which costs related to the restructuring of the Group	*8 800*	-
Total administrative costs	**75 540**	**20 620**

1) The increase is partly due to Evolve being consolidated in from 01.01.2022, after Recreate acquired the remaining shares in the company as consideres the company as subsidiary.
2) IFRS 16 due to all the lease contracts in Evolve is having a significant impact of the amount of depreciation in the period.
3) In 2022, the Group has conducted impairment test and it's results is affecting the P&L with MNOK 71.8. This is solely from amortisation of goodwill from the acquisition of Evolve.

NOTE 8 PERSONNEL COSTS AND OTHER REMUNERATION OF SENIOR EXECUTIVES

All amounts in NOK thousand

	2022	2021
Wages and salaries	34 761	25 937
Employee options	-1 981	-3 842
Social security costs	5 163	3 640
Pension costs defined contribution plan	3 372	1 813
Total	**41 315**	**27 548**
Number of full-time equivalents	39.5	30
Number of employees at 31.12	44	31

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 pension and insurance arrangements. The CEO also has a severance package of twelve months salary upon resignation.

REMUNERATION TO SENIOR EXECUTIVES IN 2022

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	2 551 886	0	63 267	178 632	2 793 785
Eirik Engaas, CFO	1 710 026	0	43 307	119 702	1 873 035

BOARD FEES

	2022	2021
George Emil Aubert, Chair	250	200
Else Christina Maria Sundby, board member	80	75
Knut Bråthen, board member	80	75
Leif Oddvin Jensen, board member	80	75
Elin Tufte Johansen, board member	80	75
Marianne Lie, board member	80	75
Fredrik Torgersen, board member	80	
Runar Rønningen, board member (resigned 2021)		75
Total	**730**	**650**

NOTE 9 AUDITOR'S FEE

All amounts in NOK thousand

	2022	2021
Statutory audit	1 744	1 038
Tax advice (incl. technical assistance with tax return)	-	-
Other services not related to auditing (transactions, reorganization, capital increases etc)	400	722
Other assurance services	-	-
Total auditor's fee (excl. VAT)	**2 144**	**1 760**

NOTE 10 INFORMATION ABOUT FAIR VALUE OF ASSETS & LIABILITIES

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.

More information about fair value of investment property and financial derivates is located in note 3.

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

	31.12.2022	31.12.2021
Assets at fair value through profit or loss		
- Investment properties (level 3) 1)	1 452 300	2 692 700
- Derivatives (Level 2 and 3) 2)	30 084	21 118
- Equity instruments (level 3)	0	17 045
- Less: investment properties held for sale	-57 000	0
Total	**1 425 384**	**2 730 863**
Assets at fair value through other comprehensive income		
- Owner-occupied property (level 3) 1)	928 397	-
- Less: owner-occupied properties held for sale	-613 397	-
Total	**315 000**	-

LIABILITIES MEASURED AT FAIR VALUE

	31.12.2022	31.12.2021
Liabilities at fair value through profit or loss		
- Derivatives (Level 2 and 3)	-	21 086
- Bank loans		
Total	**-**	**21 086**

1) In 2022 the Group acquired the investment property Inkognitogaten 33 A for MNOK 440.0. Furthermore, the Group has sold Kammerherreløkka, Vipeveien 51, Østveien 665-667, Rødmyrlia 20, Grønlikroken 5 and Bedriftsveien 52/58 for total MNOK 432,2.
2) Derivatives consists of fair value of interest rate swaps.

NOTE 11 INVESTMENT PROPERTIES

All amounts in NOK thousand

	2022	2021
VALUE OF INVESTMENT PROPERTIES		
Opening balance previous period	**2 692 700**	**2 436 000**
Reclassification to owner-occupied property	-661 300	-
Purchase of investment properties	0	230 890
Projects and upgrades in the property portfolio	29 444	150 494
Capitalised borrowing costs	396	4 322
Sale of investment property	-353 363	-276 030
Change in value from investment properties	-227 082	147 024
Change in value of investment properties sold during the period	-28 494	-
Less:Classified as held for sale [1]	-57 000	-
Total value of investment property	**1 395 300**	**2 692 700**
Opening balance previous period	-	-
Reclassification from investment property	661 300	-
Purchase of owner occupied properties	423 567	-
Projects and upgrades in the property portfolio	90 022	-
Sale of owner occupied property	-79 771	-
Change in value of owner occupied properties	-166 723	-
Less:Classified as held for sale [1]	-613 397	-
Total value of owner occupied property	**315 000**	**-**

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.

1) Fornebuveien 1-3, Inkognitogaten 33, Storgata 106 and Versvikveien 6B are classified as held for sale as of 31.12. Storgata 106 and Versvikveien 6B is in contract for the amount of MNOK 57. The transaction is expected to be completed during 2023. For more information about the ongoing transactions of Fornebuveien 1-3 and Inkognitogaten 33, see note 33

SPECIFICATION OF INVESTMENT PROPERTIES

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 unit performance. The Group reports information based upon these three units.

CORPORATE UNITS 31.12.2022

	Area	Occupancy		No. of	Market value		Wault [1]	Annual rent		Wault [2]	Net direct	Net yield	Market rent [3]	
31.12.2022	(sqm)	(sqm)	(%)	(#)	(tNOK)	(NOK/sqm)	(yrs)	(tNOK)	(NOK/sqm)	(yrs)	(%)	(%)	(tNOK)	(NOK/sqm)
Green Office	37 725	31 537	83.6	6	1 301 718	34 505	8.6	73 663	2 336	8.4	4.1	5.4	85 737	2 273
City Office	26 139	22 547	86.3	7	529 578	20 260	3.5	34 239	1 519	3.5	4.7	6.1	44 110	1 688
Commercial Prop.	3 558	2 348	66.0	3	64 800	18 212	4.5	4 345	1 850	4.5	5.8	8.1	6 671	1 875
Total management portfolio	**67 422**	**56 432**	**83.7**	**16**	**1 896 096**	**28 123**	**7.0**	**112 246**	**1 989**	**6.7**	**4.3**	**5.7**	**136 518**	**2 025**
Project Portfolio	22 119	15 619	70.6	1	400 000	18 084	7.0	29 478	1 887					
Development portfoli	0	0	0.0	3	84 600	0	1.3							
Total project portfolio	**22 119**	**15 619**	**70.6**	**4**	**484 600**	**21 909**	**6.0**	**29 478**	**1 887**					
Total property portfolio	**89 541**	**72 051**	**80.5**	**20**	**2 380 696**	**26 588**	**6.8**	**141 724**	**1 967**					

The calculation of net yield is based on the valuers' assumption of ownership costs, which on 31 December 2022 corresponds to 10.3 per cent of market rent. The Group has no single external customer representing over 10 per cent of the Group's revenue in the total property portfolio. Furthermore, the Group has around 74 per cent of its estimated marked value of properties and 77 per cent of its rental income geographically from the county of Vestfold Telemark, while the rest is located in the Oslo area.

The property Mulighetenes By (Arkaden) is considered the property as a project and included in the project portfolio. Recreate are doing feasibility studies on three properties which is included in the development portfolio.

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.

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

TENANT INDUSTRY 31.12.2022

	Occupancy	Wault [2]	Annual rent	
31.12.2022	(sqm)	(yrs)	(tNOK)	(NOK/sqm)
Office	52 809	6.9	105 961	2 006
Retail	379	4.0	474	1 249
Healthcare	1 802	2.9	2 560	1 421
Food and Beverage	1 442	5.7	3 252	2 255
Total management portfolio	**56 432**	**6.7**	**112 246**	**1 989**

CORPORATE UNITS 31.12.21

	Area	Occupancy		No. of prop.	Market value		Wault [1]	Annual rent		Wault [2]	Net direct yield	Net yield (valuation)	Market rent [3]	
31.12.2021	(sqm)	(sqm)	(%)	(#)	(tNOK)	(NOK/sqm)	(yrs)	(tNOK)	(NOK/sqm)	(yrs)	(%)	(%)	(tNOK)	(NOK/sqm)
Green Office	32 390	29 128	89.9	5	944 550	29 162	5.2	56 991	1 957	4.5	5.3	5.6	64 130	1 980
City Office	38 702	35 355	91.4	13	644 150	16 644	3.8	42 403	1 199	3.8	4.6	6.0	53 422	1 380
Commercial Prop.	11 199	10 128	90.4	6	306 150	27 337	13.3	20 915	2 065	13.2	5.6	6.4	22 283	1 990
Total management portfolio	**82 291**	**74 611**	**90.7**	**24**	**1 894 850**	**23 026**	**6.1**	**120 309**	**1 612**	**5.8**	**5.1**	**5.9**	**139 834**	**1 699**
Project portfolio	21 817	16 208	74	1	449 100	20 584.9	8.1	29 666	1 830					
Development portfoli	4 858	4 858	100.0	5	348 750	0	12.7							
Total project portfolio	**26 675**	**21 066**	**79.0**	**6**	**797 850**	**29 910**	**10.1**	**29 666**	**1 408**					
Total property portfolio	**108 966**	**95 677**	**87.8**	**30**	**2 692 700**	**24 711**	**7.3**	**149 976**	**1 568**					

The calculation of net yield was based on the valuers' assumption of ownership costs, which at 31 December 2021 corresponded to 9.1 per cent of market rent. The Group had no single external customer representing over 10% of the Group's revenue in the total property portfolio. Furthermore, the Group had around 91% of its estimated marked value of properties and 91% of its rental income geographically from the county of Vestfold Telemark, while the rest was located in the Oslo area.

Recreate had one ongoing newbuild project in Porsgrunn (research center - Polymer Exploration Center) in 2021. This is included in development portfolio. The project was owned 50% by Recreate. Futhermore, Recreate had feasibility studies on additional four properties.
In the fourth quarter of 2021 the Group reassessed the property Mulighetenes By (Arkaden) as a project and this is included in the project portfolio.

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

TENANT INDUSTRY 31.12.21

	Occupancy	Wault [2]	Annual rent	
31.12.2021	(sqm)	(yrs)	(tNOK)	(NOK/sqm)
Office	62 019	4.5	97 843	1 578
Retail	1 288	3.3	1 520	1 180
Hotels	6 234	17.0	12 118	1 944
Healthcare	2 870	3.7	3 705	1 291
Food and Beverage	2 200	6.8	5 123	2 329
Total management portfolio	**74 611**	**5.8**	**120 309**	**1 612**

1) Wault weighted on property market value
2) Wault weighted on annual rent
3) Includes market rent from available areas

NOTE 12 FINANCIAL ITEMS

All amounts in NOK thousand

	2022	2021
Interest income	3 193	1 011
Other financial income	1 359	69
Interest income from related parties	948	1 259
Changes of fair value of financial instruments [1]	80 410	2 130
Gains from derecognition of JCE and associates [2]	33 919	22 137
Total interest and other financial income	**119 829**	**26 605**
Interest expenses	136 638	77 939
- of which capitalised borrowing costs	-396	-4 322
Interest expenses related parties	-167	95
Share of loss from associates and joint ventures	4 727	30 645
Other finance expenses	3 749	-
Total interest and other financial expenses	**144 550**	**104 357**

1) MNOK 80.4 consists of change in value of interest rate swaps of MNOK 40.3 during the period, MNOK 35.8 in gains related to realising the option to buy shares in Inkognitogaten 33 and MNOK 4.3 in gains related to sale of shares in Inkognitogaten 33.
2) The Group has recognised a positive change in value of Evolve at the acquisition date. For more information, see note 13

NOTE 13 BUSINESS COMBINATIONS

On 1 January 2022, the Group acquired the remaining 25% av shares in RCR Flex AS ("Evolve"). Evolve is a co-working company with office spaces in southern Norway. Evolve offers a variety of packages to suit the need for the typical office user, enabling office users to have a cluster of offices available in close connection and without having to sign a lease for plenty of years. The acquistion of Evolve is considered a strategic advantage for the Group being able to combine the Group's real estate development with co-working.

The Group acquired shares in Evolve throughout 2020 - 2022. As a result of the last purchase in 2022 the Group controls 100% of the shares and controls the company. Before this last purchase, there was an existing shareholder agreement regulation the parties influence, even when the Group by 2021 had 75% of the shares in Evolve the Group considered not having control over Evolve.

The purchase of Evolve is considered a business combination. The fair value of the identifiable assets and liabilities of Evolve as at the date of acquistions were:

All amounts in NOK thousand

	Fair value recognised on acquistion
Assets	
Deferred tax	18 696
Intangible assets	3 635
Operating assets	6 694
Right-of-use assets [1]	222 321
Trade and other receivables	10 666
Cash and cash equivalents	650
	262 663
Liabilities	
Interest-bearing debt	-45 953
Lease liabilities	-252 990
Trade paiables	-10 670
Other liabilities	-17 892
	-327 505
Total identifiable net assets at fair value	**-64 842**
Goodwill arising on acquistions	159 842
Purchase consideration	**95 000**

The purchase consideration of the remaining 25% of the shares in Evolve consists of mNOK 10 in cash and mNOK 10 in short term loan to Alligate.

The Group has acquired Evolve in steps from 2020 to 2022. Before the acquistion date, the Group has treated the investment in Evolve as jointly controlled entitiy in line with IAS 28. At the date of acquistion, the difference between fair value and book value is recognised over the profit and loss statement.

Book value at acquistion	61 660
Fair value at acquistion	95 000
P&L effect*	**33 340**

* The effect in P&L is recognised in Q1 2022 at the date of acquistion. Fair value at acquisition is MNOK 95. Book value at acquisition is the total purchase price of 100% of the shares in Evolve adjusted for results in the period 2020 - 2021 when the Group treated the investment as a jointly controlles entity, applying the equity method.

1) Adjusted to reflect unfavourable terms of the lease when compared with market terms.

Evolve is consolidated from 01.01.2022. The revenue genereated from Evolve from 01.01.2022 to 31.12.2022 is mNOK 83.9. The result before tax from Evolve in the same period is negative mNOK 63.0. Furthermore, goodwill is not deductible for income tax purposes.

NOTE 14 INVESTMENT IN JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

All amounts in NOK thousand

Investments in associates and jointly crontrolled entities are recognised using the equity method.

ASSOCIATES

	Business office	Ownership/ voting right	Equity 31.12.2022 (100%)	Result 2022 (100 %)	Balance sheet value
Skien Brygge Utvikling AS	Porsgrunn	25.0 %	9 605	-1 226	3 000
Orbit Technology AS	Oslo	29.5 %	54 630	-16 374	6 482
Balance sheet value 31.12.2022					

FINANCIAL INFORMATION FROM ASSOCIATES

2022	Orbit Technology AS	Skien Brygge
Revenues	1 820	-
Operating costs	21 894	318
- of which depreciation and amortisation	*116*	-
Net operating income	**-20 074**	**-318**
Net financial items	-918	-908
- of which interest income	*79*	-
- of with interest expense	*-997*	*-905*
Profit before tax	**-20 992**	**-1 226**
Tax expense	4 618	-
Profit for the year	**-16 374**	**-1 226**

2022	Orbit Technology AS	Skien Brygge
Current assets	3 830	37 237
- of which cash and cash equivalents	*1 593*	1 940
Non-current assets	54 549	-
Total assets	**58 379**	**37 237**
Current liabilities	3 750	1 054
- of which current financial liabilities other than accounts payable and provisions	*1 055*	-
Non-current liabilities	-	26 579
- of which non-current financial liabilities other than accounts payable and provisions	-	*26 579*
Total liabilities	**3 750**	**27 632**
Equity	**54 630**	**9 605**

RECONCILIATION OF CARRYING AMOUNT

Group's share in equity	16 105	2 401
Goodwill	1 124	-
The Group's carrying amount	**6 482**	**3 000**
Excess (shortage) value	10 747	-599

The Group in 2022 also holds shares in Telemarksgata 10 AS recognized in the balance sheet with an amount of mNOK 0.

JOINT VENTURES

	Business office	Ownership/ voting right	Equity 31.12.2021 (100%)	Result 2021 (100 %)	Balance sheet value
RCR Flex AS*	Porsgrunn	75.0 %	50 972	-35 277	41 660
Balance sheet value 31.12.2021					

ASSOCIATES

	Business office	Ownership/ voting right	Equity 31.12.2021 (100%)	Result 2021 (100 %)	Balance sheet value
Skien Brygge Utvikling AS*	Porsgrunn	25.0 %	10 831	-490	3 000
Sandefjord Eiendomsinvest AS**	Sandefjord	25.2 %	42 728	145	11 100
Orbit Technology AS***	Porsgrunn	30.5 %	35 315	-11 855	11 877
Balance sheet value 31.12.2021					

FINANCIAL INFORMATION FROM ASSOCIATES

2021	RCR Flex AS	Orbit Technology AS	Sandefjord Eiendomsinvest AS	Skien Brygge Utvikling AS
Revenues	57 669	294		
Operating costs	92 336	15 419	456	316
- of which depreciation and amortisation	45 699	*77*		
Net operating income	**-34 667**	**-15 125**	**-456**	**-316**
Net financial items	-10 560	-780	603	-175
- of which interest income	27	*26*	*3 305*	-
- of with interest expense	-10 586	*-806*	*-2 702*	*-175*
Profit before tax	**-45 227**	**-15 906**	**146**	**-490**
Tax expense	9 950	4 051	-	-
Profit for the year	**-35 277**	**-11 855**	**146**	**-490**

2021	RCR Flex AS	Orbit Technology AS	Sandefjord Eiendomsinvest AS	Skien Brygge Utvikling AS
Current assets	11 317	1 520	714	26 225
- of which cash and cash equivalents	650	*505*	*42*	1 071
Non-current assets	367 161	42 239	122 476	-
Total assets	**378 477**	**43 760**	**123 190**	**26 225**
Current liabilities	65 257	7 225	462	3 219
- of which current financial liabilities other than accounts payable and provisions	54 587	*1 812*	*452*	-
Non-current liabilities	262 249	35 315	80 000	12 174
- of which non-current financial liabilities other than accounts payable and provisions	-	-	-	-
Total liabilities	**327 505**	**42 541**	**80 462**	**15 394**
Equity	**50 972**	**1 219**	**42 728**	**10 831**

RECONCILIATION OF CARRYING AMOUNT

Group's share in equity	38 229	372	10 767	2 708
Goodwill	10 313	10 313	-	-
The Group's carrying amount	**41 660**	**11 877**	**11 100**	**3 000**
Excess (shortage) value	6 882	-1 191	-333	-292

The Group in 2021 also holds shares in Telemarksgata 10 AS and Inkognitogaten 33 AS recognized in the balance sheet with an amount of mNOK 18.2.

NOTE 15 CATEGORIES OF FINANCIAL INSTRUMENTS

All amounts in NOK thousand

31.12.2022	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets			
Financial investments			
- shares	-	-	-
- Loans to related parties	19 662	-	19 662
Financial derivatives	-	30 084	30 084
Other long-term receivables	9 424	-	9 424
Trade receivables	11 622	-	11 622
Other current receivables	38 111	-	38 111
Cash and cash equivalents	36 251	-	36 251
Total financial assets	**115 071**	**30 084**	**145 154**

31.12.2022	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	625 735	-	625 735
- Debt to related parties	31 732	-	31 732
Interest-bearing current liabilities	1 669 888	-	1 669 888
Financial derivatives	-	-	-
Other non-current liabilities	9 924	-	9 924
Trade payables	54 474	-	54 474
Other current liabilities	68 411	-	68 411
Total financial liabilities	**2 460 163**	**-**	**2 460 163**

31.12.2021	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
Assets			
Financial investments			
- shares	-	17 045	17 045
- Loans to related parties	65 025	-	65 025
Financial derivatives	-	21 118	21 118
Other long-term receivables	12 562	-	12 562
Trade receivables	12 729	-	12 729
Other current receivables	11 270	-	11 270
Cash and cash equivalents	24 855	-	24 855
Total financial assets	**126 442**	**38 163**	**164 604**

31.12.2021	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Total
Liabilities			
Interest-bearing non-current liabilities	1 479 630	-	1 479 630
- Debt to related parties	3 026	-	3 026
Interest-bearing current liabilities	309 188	-	309 188
Financial derivatives	-	21 086	21 086
Other non-current liabilities	5 684	-	5 684
Trade payables	23 968	-	23 968
Other current liabilities	51 879	-	51 879
Total financial liabilities	**1 873 374**	**21 086**	**1 894 461**

NOTE 16 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2022	2021
Tax payable	99	-60
Change in deferred tax on profit and loss	-67 141	32 647
Change in deferred tax on comprehensive income	-4 221	-
Income tax expense	**-71 263**	**32 587**

TEMPORARY DIFFERENCES

	2022	2021
Fixed assets	549 529	812 029
Profit and loss account	889	1 112
Other differences	-11 388	-7 850
Interest rate swap	30 084	-7 664
Net temporary differences	**569 114**	**797 628**
Tax losses carried forward	-553 146	-399 737
Basis for deferred tax	**15 968**	**397 891**
Deferred tax	3 513	87 536
Deferrex tax related to assets held for sale	-5 780	-
Deferred tax in the balance sheet	**-2 267**	**87 536**

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2022	2021
Profit before tax	-410 897	111 858
Cost of equity transactions directly in equity	-	-3 069
Other permanent differences	67 708	43 516
Changes in temporary differences	165 007	-178 475
Intra-group contribution	-	-
Changes in loss carry-forwards	178 182	26 170
Profit for tax purposes	**0**	**-**
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:

	2022	%	2021	%
Profit for accounting purposes multiplied by nominal tax rate	-90 397	22.0	24 609	22.0
Tax on permanent differences	14 896	-3.6	8 898	8.0
Effect of change in tax rate from 23 to 22 per cent	-	-	-	-
Tax effect on day one related to aquisition with loss carry forward	8 459	-2.1	-920	-0.8
Tax expense for accounting purposes	**-67 042**	**16.3**	**32 587**	**29.1**

MOVEMENTS IN DEFERRED TAX

	2022	2021
Opening balance at 01.01.	**87 536**	**68 941**
Tax expense recognized through income statement	-67 042	32 587
Tax expense recognized through other comprehensive income	-4 221	-
Acquisition/sale of subsidiaries	-12 760	-13 992
Deferred tax related to assets held for sale	-5 780	-
Net deferred tax at 31.12.	**-2 267**	**87 536**

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:

	2022	2021
Deferred tax liability	-0	90 139
Deferred tax assets	-2 267	-2 603
Net deferred tax	**-2 267**	**87 536**

The Group has offset deferred tax assets and deferred tax liabilities on the balance sheet where the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

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.

THE ANALYSIS OF DEFERRED TAX ASSETS AND LIABILITIES IS AS FOLLOWS

	2022	2021
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-2 267	-2 603
Deferred tax assets to be recovered within 12 months	-	-
	-2 267	**-2 603**
Deferred tax liabilities		
Deferred tax liability reversion after more than 12 months	-0	88 084
Deferred tax liability reversion within 12 months	-	2 055
	-0	**90 139**
Deferred tax liabilities (net)	**-2 267**	**87 536**

NOTE 17 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. Recreate has issued 350 000 options which upon exercise could potentially have a dilutive effect on outstanding shares. As of 31.12 it is only 50 000 options currently in-the-money with a dilution effect of 0.23%.

	2022	2021
Profit for the year attributable to equity holders of the Company (NOK thousand)	-336 134	43 146
Average number of outstanding shares without options (Note 27)	21 694 324	21 694 324
Basic earnings per share (NOK)	-15.49	2.07
Average number of outstanding shares incl. dilution from options	21 744 324	21 794 324
Diluted earnings per share (NOK)	-15.56	1.77

NOTE 18 INTANGIBLE ASSETS AND OTHER OPERATING ASSETS

All amounts in NOK thousand

	2022			2021		
	Goodwill	Software	Other	Goodwill	Software	Other
At 1 January						
Acquisition cost at 01.01	7 011	1 286	10 261	7 011	1 148	9 591
Acquisitions	159 843	6 026	19 592	-	139	692
Disposals	-	-	-53	-	-	-22
Acquisitions cost as 31.12	**166 854**	**7 312**	**29 800**	**7 011**	**1 286**	**10 261**
Accumulated depreciation and write-downs as of 01.01	-	-709	-8 960	-	-554	-8 827
Depreciations and write-downs	-71 849	-370	-2 608	-	-155	-133
Transfer to investment property	-	-	-4 217	-	-	-
		-	-		-	-
	-	-	-	-	-	-
Accumulated depreciation and write-downs at 31.12	**-71 849**	**-1 079**	**-15 785**	**-**	**-709**	**-8 960**
Carrying amount at 01.01	7 011	578	1 301	-	594	764
Carrying amount at 31.12	**95 005**	**6 233**	**14 015**	**7 011**	**578**	**1 301**
Economic life		3 year	3-10 year		3 year	3-10 year
Depreciation plan		Linear	Linear		Linear	Linear

The goodwill relates to the acquisition of shares in Mulighetenes By AS in 2017, RCR Facility Management AS in 2018 and Evolve in 2022.
The Group performs annual impairment test of the intangible assets, such as goodwill and software, and other assets at year-end. The goodwill arising from the purchase of Evolve resultet in an impairment of MNOK 71.8 recognised in profit and loss statement. Se note 3 for valuation and assumptions used in the impairment test of goodwill. There was no other assets that resultet in any impairment as pr closing 31.12.2022

For information about right-of-use and lease liabilities, see note 19

NOTE 19 LEASES

The Group has lease contracts for the use office spaces, cars and other operating assets such as furnitures, coffee machines etc. The lease term varies depending on the type of assets and ranges from 3 to 10 years. For lease contracts with a lease term of less than 12 months or certain leases of office equipment with low value, the Group uses the recognition exemptions for these leases.

All amounts in NOK thousand

	Office space	Other	Total
RIGHTS-OF-USE ASSETS			
At 1 January 2021	**0**	**127**	**127**
Additions	0	-	-
Disposals	0	-	-
Depreciation	0	-92	-92
At 31 December 2021	**-**	**35**	**35**
Additions	246 227	17 624	263 851
Disposals	-128	-	-128
Depreciation	-45 828	-4 517	-50 345
At 31 December 2022	**200 271**	**13 142**	**213 413**
LEASE LIABILITIES			
At 1 January 2021	**0**	**4 825**	**4 825**
Additions	0	-	-
Disposals	0	-	-
Payments	0	-1 294	-1 294
At 31 December 2021	**-**	**3 531**	**3 531**
Additions	276 637	17 883	294 520
Disposals	-1 078	-2 184	-3 262
Payments	-41 185	-5 436	-46 621
At 31 December 2022	**234 374**	**13 794**	**248 168**
Non-current	195 275	9 100	204 375
Current	39 099	4 694	43 793

	2022	2021
Depreciation expense of right-of-use assets	50 345	92
Interest expense on lease liabilities	9 908	200
Variable payments not included in the lease liabilities	-	-
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets	1 113	462
Total amount recognised in profit or loss	**61 366**	**754**
Total cash outflow for leases	55 221	1 494

For information about the maturity profile of lease liabilities, see note 4.

NOTE 20 TRANSACTIONS WITH RELATED PARTIES

All amounts in NOK thousand

The Group has in 2022 sold 1,3% of the shares in Orbit Technology AS to Brødrene Jensen AS (mNOK 1.25) and purchased 25 % of the shares in Evolve from Alligate AS (mNOK 20). Alligate AS is controlled (75%) by Brødrene Jensen AS and Rising Group AS. Evolve is from 01.01.2022 consolidated into Group.

The Group received a short-term loan from Brødrene Jensen AS (mNOK 50.0) related to the finance for purchasing Parallell earlier this year. In connection with the purchase of Incognitogata 33, the Group received additional loans from Brødrene Jensen AS (mNOK 120.0) and R-ventures AS (mNOK 15.0). Furthermore, the Group has received subordinated loans from Rising Group (mNOK 42.0), Aubert Invest (mNOK 18.0), Holta & Co AS (mNOK 2.0) Sonja og Emil Aubert Legat (mNOK 2.0). The Group has paid back mNOK 3.0 on a subordinated loan from Rising Group AS. Rising Group AS, Brødrene Jensen AS, R-Venture AS, Holta & co AS, Aubert Invest AS and Sonja og Emil Legat are all shareholders of the Group.

End of year the group sold Kammerherreløkka AS to Bane NOR for a fair value of the investment property of MNOK 284.5. Before the transaction, Kammerherreløkka was owned 50% by the Group and 50% by Bane NOR.

	Associated companies	2022	2021
Income statement			
Other operating revenue		-	11 343
Operating costs	Edge Branding (mNOK 1,7), Rising investment (mNOK 7,0), Rising Group (mNOK 0,3)	9 060	6 925
Interest income	Rising Group AS (mNOK 1,0), Orbit Technology AS (mNOK 0,3), Skien Brygge Utvikling AS (mNOK 0,2)	1 539	1 259
Interest expense	Rising Group AS	968	95
Balance sheet			
Receivables		-	-
Loans	Orbit Technology AS (mNOK 10,6), Skien Brygge Utvikling AS (mNOK 7,7)	18 461	65 025
Debt	Rising Group AS	31 732	3 026
Payables		-	-

The Group has provided a guarantee on behalf of Evolves creditors regarding rental agreements for the amount of mNOK 92.8. Furthermore, the Recreate has provided surety of bank loans to subsidiaries of MNOK 283.0.

NOTE 21 DEVELOPMENT PROJECTS

All amounts in NOK thousand

Recreate had one ongoing project in 2022 at Mulighetens By (Arkaden). This is a larger project that will transform the property.
The Group also had three development projects in 2022 with ongoing feasibility studies.

NOTE 22 INVENTORY PROPERTIES

In 2019 the Group acquired a development site in Skien, Telemark. The acquired land, Utsikten 1, is regulated for residential development. The project is currently set on pause until further notice. We refer to note 2 for accounting policies affecting the treatment of inventory property.

	2022	2021
At 1 January	10 734	9 360
Development costs incurred	73	1 253
Interest capitalized	185	121
At 31 December	**10 992**	**10 734**

NOTE 23 TRADE RECEIVABLES

All amounts in NOK thousand

	2022	2021
Trade receivables	14 429	8 004
Provisions for bad debts	-4 598	-1 171
Net trade receivables before accrued not invoiced	**9 831**	**6 833**
Accrued not invoiced	2 720	5 896
(-) Less trade receivables related to assets held for sale	-929	-
Net trade receivables	**11 622**	**12 729**

As of 31 December 2022 assessments of provisions for bad debt are based on historic rates and expected losses. The Group considers a lower risk for credit losses related older receiveables to tenants operating witin commerce/shopping mall compared to other trade debtors. Historically a higher rate of older trade receivables within commerce/shopping mall are paid. Separate assessments are performed for the two segments and the age analysis are presented below:

31.12.2022	**Rent and other trade receivables and contract assets - regular customers**							
	Days past due							
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Expected credit loss rate	0.0 %	0.1 %	0.5 %	1.0 %	5.0 %	50.0 %	75.0 %	26.3 %
Carrying amount	0	3 830	1 925	528	275	630	3 174	10 362
Expected credit loss	0	4	10	5	14	315	2 381	2 728
Net Amount	**0**	**3 826**	**1 915**	**523**	**261**	**315**	**794**	**7 634**

31.12.2022	**Rent and other trade receivables and contract assets - commerce/shopping mall**							
	Days past due							
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Expected credit loss rate	0.0 %	0.1 %	0.5 %	1.0 %	5.0 %	20.0 %	55.0 %	46.0 %
Carrying amount	0	541	16	18	0	147	3 346	4 067
Expected credit loss	0	1	0	0	0	29	1 840	1 870
Net Amount	**0**	**540**	**16**	**17**	**0**	**118**	**1 506**	**2 197**

As of 31 December 2021 assessments of provisions for bad debt are based on historic rates and expected losses. The Group considers a lower risk for credit losses related older receiveables to tenants operating witin hotels and commerce/shopping mall compared to other trade debtors. Historically a higher rate of older trade receivables within hotels and commerce/shopping mall are paid. Separate assessments are performed for the two segments and the age analysis are presented below:

31.12.2021	**Rent and other trade receivables and contract assets**							
	Days past due							
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Expected credit loss rate	0.0 %	0.1 %	0.5 %	1.0 %	5.0 %	50.0 %	75.0 %	3.5 %
Carrying amount	0	1 772	285	8	10	97	34	2 206
Expected credit loss	0	1.772	1	0	1	49	26	78
Net Amount	**-**	**1 770**	**284**	**8**	**10**	**49**	**9**	**2 128**

31.12.2021	**Rent and other trade receivables and contract assets**							
	Days past due							
	Contract assets	**Current**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**
Expected credit loss rate	0.0 %	0.1 %	0.5 %	1.0 %	5.0 %	20.0 %	55.0 %	22.7 %
Carrying amount	0	2 150	-144	-144	363	1 006	1 589	4 820
Expected credit loss	0	2	-1	-1	18	201	874	1 093
Net Amount	**0**	**2 148**	**-143**	**-143**	**345**	**805**	**715**	**3 727**

NOTE 24 OTHER RECEIVABLES

All amounts in NOK thousand

	2022	2021
VAT receivable	4 715	4 258
Advance payments and accruals	2 299	2 447
Other current receivables	35 638	4 566
(-) Less other receivables related to assets held for sale	-4 541	-
Total other current receivables	**38 111**	**11 270**

NOTE 25 DISPOSAL GROUP

During 2022, the Group has entered into contracts for the purpose of sale of four properties. The properties consists of both investment properties and owner-occupied properties. The investment properties are Storgata 106 and Versvikveien 6B located in Porsgrunn and the owner-occupied properties are Fornebuveien 1-3 and Inkognitogaten 33 located in Oslo. All four properties will be sold through corporate wrappers. The investment properties classified as held for sale are in contract for the amount of MNOK 57. The owner-occupied properties are expected to be sold for MNOK 613 according to accepted offers. All transactions are expected to be completed during 2023, starting with Inkognitogaten 33, following Fornebuveien 1-3. For information about the change in value of these properties, see note 15.

All amounts in NOK thousand

	2022	2021
Assets		
Investment property	57 000	0
Owner-occupied property	613 397	0
Other long-term receivables	628	0
Trade receivables	929	0
Other receivables	4 541	0
cash and bank deposits	37 099	0
Assets held for sale	713 594	0
Liabilities		
Deferred tax liability	-5 780	0
Long term interest-bearing debt	-360 029	0
Other non-current liabilities	-493	0
Trade payables	-22 829	0
Short term interest-bearing debt	-216 922	0
Other current liabilities	-5 076	0
Liabilities directly associated with assets held for sale	-611 129	0
Net assets directly associated with disposal group	**102 464**	**0**

The financing of Storgata 106 and Versvikveien 6B is placed in its entirety in RCR Office AS (seller company). It is expected that MNOK 45.6, which represents 80% of the value of the investment properties, will be repaid on the fleet loan in RCR Office AS when completing these two sales.

NOTE 26 BANK DEPOSITS

All amounts in NOK thousand

	2022	2021
Cash and bank deposits	46 739	19 528
Tied bank deposits *)	26 611	5 327
(-) Less cash and bank deposits related to assets held for sale	-37 099	0
Total bank deposits	**36 251**	**24 855**

*) Tied bank deposits relate to the tax deduction account and covenant agreements towards banking partners.

NOTE 27 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Recreate's share capital is NOK 5,423,581 divided into 21,694,324 shares, with each share having a par value of NOK 0.25. Recreate has one class shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

As of 31 December 2022 Recreate had 170 shareholders. Norwegian investors held 99,9 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 as of 31 December 2022

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Face value (NOK)
At 1 January	21 694 324	5 423	271 729	136 498	0.25
Share based options	-	-	-	-1 981	
At 31 December 2022	**21 694 324**	**5 423**	**271 729**	**134 517**	**0.25**

Paid-in capital amounts to tNOK 411,670 and consists of tNOK 5,423 in share capital, tNOK 271,729 in share premium and tNOK 134,517 in other paid-in capital.

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

The 20 largest shareholders as registered as of 31 December 2022 were as follows:

	Number of shares per 31.12.2022	Shareholding %	Country
Rising Group AS, represented by Emil Eriksrød - CEO	9 979 981	46.00	Norway
IKAB AS, represented by Knut Bråthen - board member	1 882 237	8.68	Norway
Brødrene Jensen AS	1 774 227	8.18	Norway
Rising Venture AS, represented by Emil Eriksrød - CEO	1 200 000	5.53	Norway
Acini Capital AS	600 000	2.77	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	561 625	2.59	Norway
Sarepta Holding AS	550 000	2.54	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	389 000	1.79	Norway
Carucel Invest AS	321 750	1.48	Norway
JMC AS	268 000	1.24	Norway
R-Venture AS	263 157	1.21	Norway
Kabbe Holding AS	250 000	1.15	Norway
Østerlid AS	204 400	0.94	Norway
Gambetta AS	200 000	0.92	Norway
Thovsland Invest AS	200 000	0.92	Norway
Romson Invest AS	189 000	0.87	Norway
Børseth-Hansen AS	161 760	0.75	Norway
Cacace AS	154 160	0.71	Norway
Krefting	154 160	0.71	Norway
Sonja og Emil Auberts Legat, represented by George Emil Aubert - Chair	151 000	0.70	Norway
Other Shareholders <0,66%	2 239 867	10.32	
Total	**21 694 324**	**100**	

EMPLOYEE OPTIONS

Under the current share-options scheme share options of the parent are granted to senior executives of the parent. These options to purchase shares were granted during the fiscal year of 2020 and 2021 at an exercise price equal to the market price of the underlying shares on the date of the grant. The options granted senior executives gives the right to exercise the option immediately, but limited to certain time intervalls in regards to the Group's reporting dates. There is no specific conditions that has to be met in order to exercise the options. On the other hand, If the senior executive decides to leave the Group, the options granted can no longer be exercised.

As of 31.12.2022, 7 employees are included in the option program. Only the latest options (a total of 50 000 options) requires a minimum of 12 months time in the Group before the rights can be exercised. All other options can be exercised immediately. There is no other contingencies required to exercise the options.

The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model. The fair value takes into consideration the exercise price settled to market price of the Group at the start of the grant period, the market value at the reporting date, risk free rate, divident yield, volatility and the length of the share options. The expected volatility reflects the assumption that the historical volatility over a period equivalent to the life of the granted options is indicative for future trends. As a result, expected volatility is measured by calculating actual volatility of a similar company traded on the Oslo stock exchange. The fair value of the options are expensed in the profit and loss statement.

	2022			2021		
	No. of options	Exercise price[1)]	Last exercis-able date	No. of options	Exercise price	Last exercis-able date
Outstanding at 1 January	400 000	-		350 000	-	
Granted during the year	-	-		50 000	32.06	31.10.2023
Forfeited during the year	-50 000	-		-	-	
Exercised during the year	-	-		-	-	
Expired during the year	-	-		-	-	
Oustanding at 31 December	**350 000**	**-**	**-**	**400 000**	**32**	**31.10.2023**

1) The exercise price outlined above is a weighted average of all exercise prices of each options granted.

Total weighted average fair value of the outstanding share options at the reporting date is mNOK 0.1 (excl. social security costs). The following conditions has been used when assessing the fair value through the BS-model:

	Option 1	*Option 2*	*Option 3*	*Option 4*
⌂ Range of exercise prices for options	7.56	17.72	37.72	42.60
⌂ Current stock price (EPRA NAV)	8.50	8.50	8.50	8.50
⌂ Expected volatility	43.00%	43.00%	43.00%	43.00%
⌂ Risk-free interest rate	3.03%	3.03%	3.03%	3.03%
⌂ Dividend yield	0.00%	0.00%	0.00%	0.00%
⌂ Fair value (NOK)	1.88	0.07	0.00	0.00

The Group has granted the CEO, CFO and one board member each 50 000 options with an exercise price of NOK 37.72. One option gives the right to buy one share. The share options granted in 2020 has a maturity of approximately three years, ending 31.10.2023. Furthermore The Group has granted a key employee 50 000 options with an exercise price of NOK 42.60. One option gives the right to buy one share. The share options granted in 2021 has a maturity of approximately 3 years, ending 31.10.2023.

NOTE 28 INTEREST-BEARING LIABILITIES AND ACCRUED INTEREST

All amounts in NOK thousand

NON-CURRENT INTEREST-BEARING LIABILITIES

	2022			2021		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	771 856	771 856	771 856	1 463 726	1 463 726	1 463 726
Other interest-bearing debts	9 533	9 533	9 533	13 552	13 552	13 552
(-) Less: Non-current interest-bearing debt related to assets held for sale	-360 029	-360 029	-360 029	-	-	-
Total non-current interest-bearing liabilities	**421 360**	**421 360**	**421 360**	**1 477 278**	**1 477 278**	**1 477 278**

CURRENT INTEREST-BEARING LIABILITIES

	2022			2021		
	Nominal value	Fair value	Carrying amount	Nominal value	Fair value	Carrying amount
Bank loans	954 223	954 223	954 223	251 132	251 132	251 132
Other interest-bearing debts	309 395	309 395	309 395	56 877	56 877	56 877
(-) Less: Current interest-bearing debt related to assets held for sale	-216 922	-216 922	-216 922	-	-	-
Total current interest-bearing liabilities	**1 046 697**	**1 046 697**	**1 046 697**	**308 009**	**308 009**	**308 009**

The average risk premium on the Group's interest-bearing loans at 31 December 2022 was 3,24 per cent. The risk premiums on loans is normally in addition to a reference rate such as 3 months NIBOR. The Group interest-bearing loans consists of bank loans and loans from shareholders. For more information about maturity of loans, see note 4.

The pledged assets used as collateral include all items presented under Investment property, owner-occupied property and investment property held for sale in the statement of financial position.

MORTGAGES

The Group's financing is based on the parent company borrowing from external parties using negative pledge clauses. Subsidiaries are mainly financed using intra-group loans. Torggata 8 Skien AS, Dokkvegen 11 AS, Mulighetenes By AS, Henrik Ibsensgate 6 AS, Utsikten 1 AS, Vestsiden Terrasse AS, Dokkvegen 20 AS, Fornebuveien 1-3 AS, Evolve Norge and RCR Facility Management AS are financed in own balance sheets.

NOTE 29 FINANCIAL INSTRUMENTS - RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

All amounts in NOK thousand

31.12.2022	01.01.2022	Cash flows	Corporate acquisitions	Fair value changes	New leases	Reclassificat ion debt	(-) Less: liabilities related to assets held	31.12.2022
Non-current liabilities	1 479 630	435 021	-40 876	0	202 023	-1 090 035	-360 029	625 735
Financial derivatives	21 086	0	0	-21 086	0	0	0	0
Current liabilities	312 213	-137 451	0	0	42 615	1 090 035	-216 922	1 090 490
Total liabilities from financing activities	**1 812 930**	**297 571**	**-40 876**	**-21 086**	**244 637**	**0**	**-576 950**	**1 716 225**

31.12.2021	01.01.2021	Cash flows	Corporate acquisitions	Fair value changes	New leases	Reclassificat ion debt	(-) Less: liabilities related to assets held	31.12.2021
Non-current liabilities	1 351 103	82 680	126 021	0	0	-80 173	0	1 479 630
Financial derivatives	35 646	0	0	-14 560	0	0	0	21 086
Current liabilities	384 769	24 384	-177 114	0	0	80 173	0	312 213
Total liabilities from financing activities	**1 771 518**	**107 065**	**-51 093**	**-14 560**	**0**	**0**	**0**	**1 812 930**

NOTE 30 TRADE PAYABLES AND OTHER LIABILITIES

All amounts in NOK thousand

	2022	2021
Trade payables	77 303	23 968
Tenants prepayments	17 156	2 463
Holiday pay owed	3 367	2 913
Unpaid government taxes and duties	4 472	9 789
Seller credit and withheld purchase price	10 000	7 500
Interest accrued	15 268	9 532
Other liabilities	23 224	19 682
(-) Less: Trade payables and other liabilities related to assets held for sale	-27 905	-
Total trade payables and other liabilities	**122 885**	**75 847**

NOTE 31 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2022.

SUBSIDIARY OF RECREATE ASA

	Business office	Equity interest %	Result 31.12.2022	Equity 31.12.2022	Result 31.12.2021	Equity 31.12.2021
RCR Facility Management AS	Porsgrunn	100	-3 536	-2 877	-946	659
RCR Office AS	Porsgrunn	100	-41 500	66 239	1 398	108 540
RCR Urban Estate AS	Porsgrunn	100	-4 865	89 389	-5 353	93 453
RCR Hotels AS	Porsgrunn	100	5 217	34 586	-134	34 369
Valore AS	Porsgrunn	100	4 075	15 929	2 560	39 894
RCR Home AS	Porsgrunn	100	-918	886	-986	1 804
RCR Projects AS	Porsgrunn	100	-23 781	4 942	21 854	28 753
RCR Technology AS	Porsgrunn	100	122	2 298	22 280	2 177
RCR Flex AS	Porsgrunn	100	-147 577	-14 111	-3	99 294
Inkognitogaten 33 Holding AS	Porsgrunn	50	-120 554	26 116	-17	4

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:

RCR Office AS
Torggata 8 Skien AS
Versvikveien 6B AS
Storgata 106 AS
Hesselberggaten 4 AS
Dokkvegen 8&10 AS
Dokkvegen 9 AS
Kjelleveien 21 AS
Kjelleveien 23 AS
HE-Kjelleveien AS
Kongensgate 20A AS
Dokkvegen 11 AS
Langbrygga 1 Skien AS

RCR Urban Estate AS
Nedre Hjellegate 11 AS
Henrik Ibsensgate 6 AS
Mulighetenes By AS

Inkognitogaten 33 Holding AS **)
Inkognitogaten 33 A AS
|--- Inkognitogaten 33 AS

RCR Projects AS
Dokkvegen Utvikling AS *)
|--- Dokkvegen 20 AS
RCR Prosjektselskap 5 AS
RCR Prosjektselskap 6 AS
Fornebuvegen 1-3 invest AS***)
|---Fornebuvegen 1-3 AS

RCR Evolve AS
Evolve Norge AS *****)

RCR Home AS
Utsikten 1 AS
Vestsiden Terrasse AS****)

*) RCR Projects AS owns 50% of the shares in Dokkvegen Utvikling AS. Voting rights equivalents ownership. The remaining shares is owned by Dione AS.
**) Recreate AS owns 50% of the shares in Inkognitogaten 33 Holding AS. Voting rights equivalents ownership. The remaining shares is owned by R-Venture AS and 24Sevenoffice Norway AS.
***) RCR Projects AS owns 50% of shares in Fornebuvegen 1-3 Invest AS. Voting rights equivalents ownership. The remaining shares is owned by Brødrene Jensen AS.
****) RCR Home AS owns 50% of the shares in Vestsiden Terrasse AS. Voting rights equivalents ownership. The remaining shares is owned by Mynd Eiendom AS.
****) Evolve Norge AS has been merged with it's sister companies in 2022. The companies that has been transferred in the merger to Evolve Norge is Evolve Akersgata, Evolve Sandaker and Evolve IT Fornebu.

The Group is considered having control of companies in which the Group holds 50% of the shares for the following: Vestsiden Terrasse AS, Dokkvegen Utvikling AS, Inkognitogaten 33 Holding AS and Fornebuveien 1-3 Invest AS. These companies are being fully consolidated as a consequence of the assessment of control. The Group has the power to control decision-making through their influence and has the seat of the chairman. The parties holds an equivalent number of board seats.

NOTE 32 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Recreate is experiencing a tough financial situastion, with stressed liquidity and uncertain short-term debt refinancing. A restructuring process was also adopted and commenced in the end of 2022, and an important part of this process is a credit committe approval obtained from the financial creditors in January 2023. All the financial creditors have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid October 2023 on certain agreed terms. In order to improve the financial situation of the Group, property transactions have also taken place. In Q1 2023 the Group has sold shares in Inkognitogaten 33 Holding AS and entered an agreement on sale of Fornebuveien 1-3, reducing interest-bearing debt of which a larger proportion is expensive short-term debt. As part of the ongoing restructuring proceses, the Group has redefined the Group's strategy, involving a change in focus from building and growing a property portfolio towards becoming the best at developing properties to a great extent in partnerships. The Group has taken the first steps towards this strategy and this will be the focus going forward. In March 2023 Recreate entered into an agreement to establish a joint venture 50/50 with XG Eiendom AS that shall own the Group's properties Arkaden, Nedre Hjellegate 11, Henrik Ibsens gate 6 and the Groups shares in the Skien Brygge development project. In addition, the parties intend that Kongens Gate 20 and Hesselberggaten 4 shall be acquired by the JV at a later stage.Xania will contribute with a commercial property in in the joint venture. The property company contributed by Xania has a net cash position and the joint venture will therefore be financed to further develop the properties.

NOTE 33 MATERIAL UNCERTAINTY REGARDING ABILITY TO CONTINUE AS GOING CONCERN

The second half of 2022 has been challenging for Recreate. Throughout the year market conditions have changed with increased interest rates, rising inflation and energy costs, resulting in higher property yields, as well as challenging funding markets and a limited transaction market. This has resulted in a tough financial situation for Recreate, with stressed liquidity and uncertain short-term debt refinancing. To strengthen the liquidity and financial position, both short-term and long-term, several initiatives have been implemented. Since November 2022, Recreate has sold Kammerherreløkka (December 2022) in Porsgrunn, Inkognitogaten 33 (January 2023) and Fornebuveien 1-3 (March 2023) in Oslo/Lysaker and has several ongoing processes. Through these completed transactions, interest-bearing debt is reduced, and a larger proportion of expensive short-term debt has been paid down. Cost reduction measures were introduced in the last part of 2022, also involving salary reductions, temporary layoffs and staff reductions with a greater effect expected from Q2-23. A financial restructuring process was adopted and commenced at the end of 2022, and a final credit committee approval was obtained from the relevant financial creditors in January 2023. The financial creditors involved in the restructuring process have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid-October 2023 on certain agreed terms.

As of today, the Group is still experiencing a stressed liquidity situation and the basis for continuing as a going concern is contingent upon obtaining significant new capital from, sales of properties or other investments, additional borrowings, placement etc., as well as a successful refinancing of the short-term liabilities in 2023. The Group's financial condition may result in selling investment properties at prices below the booked market value in the current financial statement.

The Group and the Board of Directors would like to point out that there exists a material uncertainty regarding the Group's ability to continue as a going concern. The Group is however optimistic that the ongoing processes mentioned above will be successful, and in accordance with the Accounting Act § 3-3a, the Group therefore confirms that the financial statements have been prepared under the assumption of a going concern.

Photo: Ivar Kvaal

Parent Company

Financial statements Recreate ASA

Statement of income
1 January to 31 December

All amounts in NOK thousand

	Note	2022	2021
Revenue		17 733	16 780
Total operating income		**17 733**	**16 780**
Cost of goods sold		380	5
Payroll expenses	2	15 969	13 148
Depreciation expenses	3	218	161
Other operating expenses	2, 4	35 785	26 971
Total operating costs		**52 352**	**40 285**
Operating profit		**-34 619**	**-23 505**
Income from subsidiaries	5	33 040	20 184
Other financial income	5	79 234	21 606
Other financial expenses	5	-269 548	-10 388
Net financial items		**-157 274**	**31 401**
Profit before tax		**-191 893**	**7 896**
Income tax expense/ -income	6	10 783	-7 279
Profit for year		**-202 676**	**15 175**
Allocated as follows			
Dividend		-	-
Transferred to other equity	11	-202 676	15 175
Total allocated		**-202 676**	**15 175**

Notes 1 through 14 form an integral part of the financial statements.

Balance sheet
Assets

All amounts in NOK thousand

	Note	2022	2021
NON-CURRENT ASSETS			
Deferred tax asset	6	-	10 783
Intangible assets	3	3 188	438
Total intangible assets		**3 188**	**11 221**
Other operating assets	3	52	203
Total property, plant and equipment		**52**	**203**
Investments in subsidiaries	7	292 665	284 930
Loans to related companies	8, 9	241 067	202 407
Investments in JV's and associated companies	7	-	75 000
Investments in shares		-	15 254
Other long-term receivables		-	596
Total financial assets		**533 732**	**578 187**
TOTAL NON-CURRENT ASSETS		**536 972**	**589 612**
CURRENT ASSETS			
Trade receivables		4 808	1 333
Other receivables		5 331	2 140
Loans to group companies	8	33 040	20 184
Total current receivables		**43 178**	**23 656**
Cash and bank deposits	10	24 335	9 124
TOTAL CURRENT ASSETS		**67 514**	**32 780**
TOTAL ASSETS		**604 486**	**622 392**

Balance sheet
Equity and liabilities

All amounts in NOK thousand

	Note	2022	2021
EQUITY			
Paid-in equity	11	5 424	5 424
Share premium	11	268 229	268 229
Other paid-in equity	11	180 833	182 814
Total paid-in equity		**454 486**	**456 467**
Retained earnings	11	-218 447	-15 771
Total retained earnings		**-218 447**	**-15 771**
TOTAL EQUITY		236 039	440 696
LIABILITIES			
Liabilities to financial institutions	12	55 000	-
Liabilities to related companies	8	97 205	85 379
Other non-current liabilities	12	184 110	70 176
Total non-current liabilities		**336 315**	**155 555**
Trade creditors		6 893	6 272
Liabilities to financial institutions		5 000	5 000
Public duties payable		981	1 272
Other short-term liabilities		19 258	13 597
Total current liabilities		**32 132**	**26 141**
TOTAL LIABILITIES		368 447	181 696
TOTAL EQUITY AND LIABILITIES		604 486	622 392

Notes 1 through 14 form an integral part of the financial statements.

Porsgrunn, 30 March 2023

Board of Directors for Recreate ASA

This document is signed electronically

George Emil Aubert
Chair of the Board

Elin Tufte Johansen
Board member

Else Christina Maria Sundby
Board member

Knut Bråthen
Board member

Marianne Lie
Board member

Emil Eriksrød
CEO

Statement of cash flows
1 January to 31 December

All amounts in NOK thousand

	Note	2022	2021
Profit before tax		-191 893	7 896
Expensed interest and fees on loans from financial institutions		4 941	895
Interest and fees paid on loans from financial institutions		-4 509	-895
Write-down shares in subsidiaries	11	195 564	-
Gains from subsidiaries and sale of shares	11	-51 920	-34 564
Other adjustments		-5 263	-3 842
Depreciation and amortisation	4	218	161
Change in trade creditors and trade debtors		-2 854	2 300
Change in other provisions		3 761	4 329
Net cash flow from operating activities		***-51 955***	***-23 719***
Proceeds from sales of shares /fixed assets	11	-	30 129
Purchase of shares		-10 697	-
Purchase of intangible assets and other plant and equipment	4	-2 817	-187
Net payment financial assets		-34 000	-
Net cash flow from investment activities		***-47 514***	***29 942***
Net change in liabilities from group companies	5	-31 138	-66 180
Interest-bearing debt		153 318	34 881
Proceeds from equity	9	-	54 016
Cost of equity transactions	9	-	-3 069
Seller credit		-7 500	-22 997
Net cash flow from financing activities		***114 680***	***-3 348***
Change in cash and cash equivalents		15 211	2 874
Cash and cash equivalents at beginning of period		9 124	6 250
Cash and cash equivalents at end of period		***24 335***	***9 124***

Notes 1 through 14 form an integral part of the financial statements.

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.

Investment in subsidiaries, associates and joint ventures
Subsidiaries are all entities 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.

Investment in other shares are valued at the lower of aquisition cost and fair value on the balance sheet date.
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 installment 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 carry forward 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 carry forward 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.

Operating revenues and costs
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.

NOTE 2 PERSONNEL COSTS AND OTHER REMUNERATION

All amounts in NOK thousand

	2022	2021
Wages and salaries	14 468	14 158
Employer options	-1 981	-3 842
Social security costs	1 915	1 597
Pension costs defined contribution plan	905	851
Other remuneration	661	383
Total	***15 969***	***13 148***
Number of full-time equivalents	13	12
Number of employees at 31.12	13	12

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 pension and insurance arrangements. The CEO also has a severance package of twelve months salary upon resignation.

SENIOR EXECUTIVE AS AT 31.12.2022

	Salary	Bonus	Benefits in kind	Pension costs	Total remuneration
Emil Eriksrød, CEO	2 551 886	0	63 267	178 632	2 793 785
Eirik Engaas, CFO	1 710 026	0	43 307	119 702	1 873 036

BOARD FEES

	2022	2021
George Emil Aubert, Chair	250	200
Else Christina Maria Sundby, board member	80	75
Knut Bråthen, board member	80	75
Leif Oddvin Jensen, board member	80	75
Elin Tufte Johansen, board member	80	75
Marianne Lie, board member	80	75
Fredrik Torgersen, board member	80	0
Runar Rønningen, board member (resigned 2021)	0	75
Total	***730***	***650***

AUDITOR'S FEE

	2022	2021
Statutory audit	203	266
Other assurance services	591	660
Total auditor's fee (excl. VAT)	***794***	***926***

NOTE 3 INTANGIBLE ASSETS AND OTHER OPERATING ASSETS

All amounts in NOK thousand

	Other operating assets		Software	
	2022	2021	2022	2021
At 1 January	203	22	438	593
Cost	213	26	774	774
Accumulated depreciation	-10	-3	-336	-181
Net book amount	***203***	***22***	***438***	***593***
Year ended 31 December				
Opening net book amount	203	22	438	593
Additions	1 872	187	945	0
Depreciation charge	-26	-6	-192	-155
Closing net book amount	***2 049***	***203***	***1 191***	***438***
Economic life	3-5 year	3 year	5 year	5 year
Depreciation plan	Linear	Linear	Linear	Linear

NOTE 4 SPECIFICATION OF OTHER EXPENSES

All amounts in NOK thousand

OTHER OPERATING EXPENSES

	2022	2021
Rental expenses	6 255	3 533
Management fee	6 968	5 600
Advisory fees 1)	15 430	7 722
Other expenses	7 132	10 116
Total other operating expenses	***35 785***	***26 971***

1) Advisory fees has increased in the period due to the company's restructuring process. As pr 2022, a total of MNOK 8.8 in costs has incurred.

NOTE 5 SPECIFICATION OF FINANCIAL INCOME AND EXPENSES

All amounts in NOK thousand

FINANCIAL INCOME

	2022	2021
Group contributions from subsidieries	33 040	20 184
Interest income from group companies	11 606	6 242
Other interests income	28	581
Other financial income 1)	67 601	14 783
Total financial income	***112 274***	***41 790***

FINANCIAL EXPENSES

	2022	2021
Interest expenses to group companies	2 927	3 865
Other interests expenses	21 762	6 519
Write-downs of investment in subsidiaries 2)	195 565	-
Other financial expense 3)	49 294	4
Total financial expenses	***269 548***	***10 388***

1) Recreate has sold all their shares as well as forward contract in Inkognitogaten to Inkognitogaten 33 Holding AS resulting in a financial income of mNOK 66.1.
2) In 2022, there has been some significant write-downs of shares in subsidiaries resulting in MNOK 195.6 in totalt write-downs. This consists of MNOK 60.6 related to the shares in Inkognitogaten 33 Holding AS, MNOK 121.1 in RCR Flex AS, MNOK 8.8 in RCR Urban Estate AS, MNOK 2.7 in RCR Facility Management AS and MNOK 2.2 in Valore AS.
3) During the year, Recreate has made a prepayment for the purchase of Lørenveien 73 (Parallell) in Oslo. When the purchase was cancelled, there was a fee of MNOK 27 to be deducted from the prepayment as well as transaction costs of MNOK 1.7 related to the failed acquisition. Furthermore, R-Venture has used the option to purchase shares in Inkognitogaten 33 Holding AS. This resulted in a negative effect of MNOK 20.5.

NOTE 6 TAX

All amounts in NOK thousand

INCOME TAX EXPENSE

	2022	2021
Tax payable	-	-
Change in deferred tax on profit and loss	10 783	-7 279
Income tax expense	***10 783***	***-7 279***

TEMPORARY DIFFERENCES

	2022	2021
Fixed assets	42	158
Other differences	-4 300	-1 300
Net temporary differences	***-4 258***	***-1 142***
Tax losses carried forward	-93 548	-47 871
Unrecognized deferred tax positions	97 805	0
Basis for deferred tax	***0***	***-49 013***
Deferred tax	0	-10 783
Deferred tax in the balance sheet	***0***	***-10 783***

INCOME TAX PAYABLE IS CALCULATED AS FOLLOWS

	2022	2021
Profit before tax	-191 893	7 896
Other permanent differences	143 100	-40 982
Changes in temporary differences	3 116	1 320
Profit for tax purposes	***-45 677***	***-31 765***

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:

	2022	%	2021	%
Profit for accounting purposes multiplied by nominal tax rate	-42 217	22	1 737	22
Tax on permanent differences	31 482	-16	-9 016	-114
Effect of change in tax rate from 23 per cent to 22 per cent	0	0	0	0
Unrecognized deferred tax	21 517	0	0	0
Tax expense for accounting purposes	***10 783***	***6***	***-7 279***	***17***

From the income year 2021 the tax rate on normal income is 22 per cent.

NOTE 7 SUBSIDIARIES

All amounts in NOK thousand

The Group comprise of the following legal entities at 31 December 2022.

SUBSIDIARY AND JOINTLY CONTROLLED ENTITIES OF RCREATE ASA

	Business office	Equity interest %	Result 31.12.2022	Equity 31.12.2022
RCR Facility Management AS	Porsgrunn	100	-3 536	-2 877
RCR Office AS	Porsgrunn	100	-41 500	66 239
RCR Urban Estate AS	Porsgrunn	100	-4 865	89 389
RCR Hotels AS	Porsgrunn	100	5 217	34 586
Valore AS	Porsgrunn	100	4 075	15 929
RCR Home AS	Porsgrunn	100	-918	886
RCR Projects AS	Porsgrunn	100	-23 781	4 942
RCR Technology AS	Porsgrunn	100	122	2 298
RCR Flex AS	Porsgrunn	100	-147 577	-14 111
Inkognitogaten 33 Holding AS	Porsgrunn	50	-120 554	26 116

SHARES IN SUBSIDIARIES OWNED THROUGH SUBSIDIARIES:
(all of which has business office in Porsgrunn and 100% voting rights except Dokkveien Utvikling AS, Fornebuveien 1-3 Invest AS, Vestsiden Terrasse AS and

RCR Office AS
Torggata 8 Skien AS
Versvikveien 6B AS
Storgata 106 AS
Hesselberggaten 4 AS
Dokkvegen 8&10 AS
Dokkvegen 9 AS
Kjelleveien 21 AS
Kjelleveien 23 AS
HE-Kjelleveien AS
Kongensgate 20A AS
Dokkvegen 11 AS
Langbrygga 1 Skien AS

RCR Urban Estate AS
Nedre Hjellegate 11 AS
Henrik Ibsensgate 6 AS
Mulighetenes By AS

Inkognitogaten 33 Holding AS
Inkognitogaten 33 A AS
|--- Inkognitogaten 33 AS

RCR Projects AS
Dokkvegen Utvikling AS *)
|--- Dokkvegen 20 AS **)
RCR Prosjektselskap 5 AS
RCR Prosjektselskap 6 AS
Fornebuvegen 1-3 invest AS***)
|---Fornebuvegen 1-3 AS

RCR Evolve AS
Evolve Norge AS *****)

RCR Home AS
Utsikten 1 AS
Vestsiden Terrasse AS****)

*) RCR Projects AS owns 50% of the shares in Dokkvegen Utvikling AS. Voting rights equivalents ownership. The remaining shares is owned by Dione AS.
**) Recreate AS owns 50% of the shares in Inkognitogaten 33 Holding AS. Voting rights equivalents ownership. The remaining shares is owned by R-Venture AS and 24Sevenoffice Norway AS.
***) RCR Projects AS owns 50% of shares in Fornebuveien 1-3 Invest AS. Voting rights equivalents ownership. The remaining shares is owned by Brødrene Jensen A
****) RCR Home AS owns 50% of the shares in Vestsiden Terrasse AS. Voting rights equivalents ownership. The remaining shares is owned by Mynd Eiendom AS.
****) Evolve Norge AS has been merged with it's sister companies in 2022. The companies that has been transferred in the merger to Evolve Norge is Evolve Akersgata, Evolve Sandaker and Evolve IT Fornebu.

The Group is considered having control of companies in which the Group holds 50% of the shares for the following: Vestsiden Terrasse AS, Dokkvegen Utvikling AS, Inkognitogaten 33 Holding AS and Fornebuveien 1-3 Invest AS. These companies are being fully consolidated as a consequence of the assessment of control. The Group has the power to control decision-making through their influence and has the seat of the chairman. The parties holds an equivalent number of board seats.

NOTE 8 BALANCE WITH GROUP COMPANIES

All amounts in NOK thousand

LOANS TO RELATED COMPANIES

	2022		2021	
	Long term	Short term	Long term	Short term
RCR Urban Estate AS	79 779	-	72 632	-
RCR Office AS	46 572		62 834	
RCR Project AS	41 428	-	10 226	-
RCR Hotels AS	-	-	6 035	-
RCR Technology AS*)	23 726	-	-	20 184
RCR Home AS	4 844	-	3 520	-
RCR Flex AS	21 158	-	33 210	-
Rising Group AS	14 787	-	13 951	-
RCR Facility Management AS	1 754	-	-	-
Inkognitogaten 33 Holding AS	20	-	-	-
Evolve Norge AS	7 000	-	-	-
Total	***241 067***	***0***	***202 407***	***20 184***

LIABILIITIES TO RELATED COMPANIES

	2022		2021	
	Long term	Short term	Long term	Short term
Valore AS	31 113	-	31 732	-
RCR Hotels AS	37 853	-	-	-
RCR Facility Management AS	-	-	6 703	-
RCR Technology AS	-	-	3 616	-
RCR Home AS	-	-	-	-
RCR Project AS	-	-	-	-
Fornebuveien 1-3 Invest AS	26 799	-	43 329	-
Rådhusgata 2 Skien AS	-	-	-	-
RCR Prosjektselskap 5 AS	-	-	-	-
Evolve Norge AS	1 440	-	-	-
Total	***97 205***		***85 379***	

PROVIDED GUARANTEE AND SURETY OF BANK LOANS

Debtor		2022
RCR Flex AS and Evolve Norge AS (included subsidiaries)	Provided guarantee for rental agreements	92 785
Other subsidiaries in The Group 1)	Provided surety of bank loans issued to subsidiaries	283 000
		375 785

1) After the period Recreate has sold all of it's shares in Inkognitogaten 33 Holding AS and as such reduced it's surety of bank loans from MNOK 283 to MNOK 148.

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

Recreate ASA has purchased management services from Rising Group (included subsidiaries) for the amount of mNOK 9.1 in 2022. Furthermore Recreate has sold management fee and project services to subsidiaries for the amount of mNOK 13.7.

Recreate has in the period purchased 25 % of the shares in Evolve from Alligate AS (mNOK 20). Alligate AS is controlled (75%) by Brødrene Jensen AS and Rising Group AS. The company has also received a short-term loan from Brødrene Jensen AS (mNOK 50.0) related to the finance for purchasing Parallell earlier this year. Furthermore, the company has received subordinated loans from Rising Group (mNOK 42.0), Aubert Invest (mNOK 18.0), Holta & Co AS (mNOK 2.0) Sonja og Emil Aubert Legat (mNOK 2.0). The Group has paid back mNOK 3.0 on a subordinated loan from Rising Group AS. Rising Group AS, Brødrene Jensen AS, R-Venture AS, Holta & co AS, Aubert Invest AS and Sonja og Emil Legat are all shareholders of the Group.

NOTE 10 BANK DEPOSITS

All amounts in NOK thousand

	2022	2021
Bank deposits	2 714	8 503
Tied bank deposits *)	21 621	621
Total bank deposits	***24 335***	***9 124***

*) Tied bank deposits relate to the tax deduction account and covenant agreements towards banking partners.

NOTE 11 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Recreate`s share capital is NOK 5,423,581 divided into 21,694,324 shares, with each share having a par value of NOK 0.25. Recreate has one class shares. All shares provide equal rights, including the right to any dividends. Each of the shares carries one vote.

As of 31 December 2022 Recreate had 170 shareholders. Norwegian investors held 99,9 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 as of 31 December 2022

	Number of shares	Share capital (tNOK)	Share premium (tNOK)	Other paid-in equity (tNOK)	Retained earnings	Total
At 1 January	21 694 326	5 423	268 229	182 814	-15 771	440 696
Profit for the year	-	-	-	-	-202 676	-202 676
Share based options	-	-	-	-1 981	-	-1 981
At 31 December 2022	***21 694 327***	***5 423***	***268 229***	***180 833***	***-218 447***	***236 039***

Paid-in capital amounts to tNOK 454,485 and consists of tNOK 5,423 in share capital, tNOK 268,229 in share premium and tNOK 180,883 in other paid-in capital.

The 20 largest shareholders as registered as of 31 December 2022 were as follows:

	Number of shares	Shareholding %	Country
Rising Group AS, represented by Emil Eriksrød - CEO	9 979 981	46.00	Norway
IKAB AS, represented by Knut Bråthen - board member	1 882 237	8.68	Norway
Brødrene Jensen AS	1 774 227	8.18	Norway
Rising Venture AS, represented by Emil Eriksrød - CEO	1 200 000	5.53	Norway
Acini Capital AS	600 000	2.77	Norway
Aubert Invest AS, represented by George Emil Aubert - Chair	561 625	2.59	Norway
Sarepta Holding AS	550 000	2.54	Norway
Holta & Co. AS, represented by George Emil Aubert - Chair	389 000	1.79	Norway
Carucel Invest AS	321 750	1.48	Norway
JMC AS	268 000	1.24	Norway
R-Venture AS	263 157	1.21	Norway
Kabbe Holding AS	250 000	1.15	Norway
Østerlid AS	204 400	0.94	Norway
Gambetta AS	200 000	0.92	Norway
Thovsland Invest AS	200 000	0.92	Norway
Romson Invest AS	189 000	0.87	Norway
Børseth-Hansen AS	161 760	0.75	Norway
Cacace AS	154 160	0.71	Norway
Krefting	154 160	0.71	Norway
Sonja og Emil Auberts Legat, represented by George Emil Aubert - Chair	151 000	0.70	Norway
Other Shareholders <0,66%	2 239 867	10.32	
Total	***21 694 324***	***100.0***	

EMPLOYEE OPTIONS

Under the current share-options scheme share options of the parent are granted to senior executives of the parent. These options to purchase shares were granted during the fiscal year of 2020 and 2021 at an exercise price equal to the market price of the underlyring shares on the date of the grant. The options granted senior executives gives the right to exercise the option immediately, but limited to certain time intervalls in regards to the Group's reporting dates. There is no specific conditions that has to be met in order to exercise the options. On the other hand, If the senior executive decides to leave the Group, the options granted can no longer be exercised.

As of 31.12.2022, 7 employees are included in the option program. Only the latest options (a total of 50 000 options) requires a minimum of 12 months time in the Group before the rights can be exercised. All other options can be exercised immediately. There is no other contingencies required to exercise the options.

The fair value of the share options is estimated at the grant date using the Black Scholes option pricing model. The fair value takes into consideration the exercise price settled to market price of the Group at the start of the grant period, the market value at the reporting date, risk free rate, divident yield, volatility and the length of the share options. The expected volatility reflects the assumption that the historical volatility over a period equivalent to the life of the granted options is indicative for future trends. As a result, expected volatility is measured by calculating actual volatility of a similar company traded on the Oslo stock exchange. The fair value of the options are expensed in the profit and loss statement.

	2022			2021		
	No. of options	Exercise price1)	Last exercis-	No. of options	Exercise price	Last exercis-able date
Outstanding at 1 January	400 000	-	-	350 000	-	-
Granted during the year	-	-	-	50 000	32.1	45 230
Forfeited during the year	-50 000	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Oustanding at 31 December	***350 000***	***0.0***	***0***	***400 000***	***32.1***	***45 230***

1) The exercise price outlined above is a weighted average of all exercise prices of each options granted.

Total weighted average fair value of the outstanding share options at the reporting date is mNOK 0.1 (excl. social security costs). The following conditions has been used when assessing the fair value through the BS-model:

	Option 1	*Option 2*	*Option 3*	*Option 4*
⌂ Range of exercise prices for options	7.56	17.72	37.72	42.60
⌂ Current stock price (EPRA NAV)	8.50	8.50	8.50	8.50
⌂ Expected volatility	43.00%	43.00%	43.00%	43.00%
⌂ Risk-free interest rate	3.03%	3.03%	3.03%	3.03%
⌂ Dividend yield	0.00%	0.00%	0.00%	0.00%
⌂ Fair value (NOK)	1.88	0.07	0.00	0.00

The Group has granted the CEO, CFO and one board member each 50 000 options with an exercise price of NOK 37.72. One option gives the right to buy one share. The share options granted in 2020 has a maturity of approximately three years, ending 31.10.2023. Furthermore The Group has granted a key employee 50 000 options with an exercise price of NOK 42.60. One option gives the right to buy one share. The share options granted in 2021 has a maturity of approximately 3 years, ending 31.10.2023.

NOTE 12 OTHER NON-CURRENT LIABILITIES

All amounts in NOK thousand

	2022	2021
Ikab AS	3 378	3 034
Brødrene Jensen AS	96 956	42 066
Aubert Invest AS	29 632	6 046
Sonja og Emil Auberts legat	2 354	-
Holta & Co AS	5 271	2 694
Rising Group AS	46 518	3 035
R-Venture AS	-	13 300
Debt to DNB ASA	20 000	-
Debt to Pareto Bank AS 1)	35 000	-
Total	***239 110***	***70 176***

Of The Groups long-term debt, all debt is due within 5 years after the end of the financial year pr. 31.12.22.
1) Recreate har through it's subsidiary Mulighetenes By, pledged MNOK 55 as collateral for fulfillment of loan to Pareto Bank.

NOTE 13 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Recreate is experiencing a tough financial situastion, with stressed liquidity and uncertain short-term debt refinancing. A restructuring process was also adopted and commenced in the end of 2022, and an important part of this process is a credit committe approval obtained from the financial creditors in January 2023. All the financial creditors have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid October 2023 on certain agreed terms. In order to improve the financial situation of the Group, property transactions have also taken place. In Q1 2023 the Group has sold shares in Inkognitogaten 33 Holding AS and entered an agreement on sale of Fornebuveien 1-3, reducing interest-bearing debt of which a larger proportion is expensive short-term debt. As part of the ongoing restructuring proceses, the Group has redefined the Group's strategy, involving a change in focus from building and growing a property portfolio towards becoming the best at developing properties to a great extent in partnerships. The Group has taken the first steps towards this strategy and this will be the focus going forward. In March 2023 Recreate entered into an agreement to establish a joint venture 50/50 with XG Eiendom AS that shall own the Group's properties Arkaden, Nedre Hjellegate 11, Henrik Ibsens gate 6 and the Groups shares in the Skien Brygge development project. In addition, the parties intend that Kongens Gate 20 and Hesselberggaten 4 shall be acquired by the JV at a later stage. Xania will contribute with a commercial property in in the joint venture. The property company contributed by Xania has a net cash position and the joint venture will therefore be financed to further develop the properties.

NOTE 14 MATERIAL UNCERTAINTY REGARDING ABILITY TO CONTINUE AS GOING CONCERN

The second half of 2022 has been challenging for Recreate. Throughout the year market conditions have changed with increased interest rates, rising inflation and energy costs, resulting in higher property yields, as well as challenging funding markets and a limited transaction market. This has resulted in a tough financial situation for Recreate, with stressed liquidity and uncertain short-term debt refinancing. To strengthen the liquidity and financial position, both short-term and long-term, several initiatives have been implemented. Since November 2022, Recreate has sold Kammerherreløkka (December 2022) in Porsgrunn, Inkognitogaten 33 (January 2023) and Fornebuveien 1-3 (March 2023) in Oslo/Lysaker and has several ongoing processes. Through these completed transactions, interest-bearing debt is reduced, and a larger proportion of expensive short-term debt has been paid down. Cost reduction measures were introduced in the last part of 2022, also involving salary reductions, temporary layoffs and staff reductions with a greater effect expected from Q2-23. A financial restructuring process was adopted and commenced at the end of 2022, and a final credit committee approval was obtained from the relevant financial creditors in January 2023. The financial creditors involved in the restructuring process have confirmed their acceptance to suspend payment of amortization and to extend loan maturities to mid-October 2023 on certain agreed terms.

As of today, Reacreate is still experiencing a stressed liquidity situation and the basis for continuing as a going concern is contingent upon obtaining significant new capital from placement, sale of subsidiaries, additional borrowings etc., as well as a successful refinancing of the short-term liabilities in 2023. The Group's financial condition may result in selling subsidiaries (SPV's owning investment property) at prices below the carrying amount in current financial statement.

The Group and the Board of Directors would like to point out that there exists a material uncertainty regarding the Group's ability to continue as a going concern. The Group is however optimistic that the ongoing processes mentioned above will be successful, and in accordance with the Accounting Act § 3-3a, the Group therefore confirms that the financial statements have been prepared under the assumption of a going concern.

Statement of responsibility

The Board and CEO have considered and approved the Board of Director's report and the annual consolidated and parent company financial statements for Recreate ASA for 2022.

We confirm to the best of our knowledge that:

- the consolidated financial statements for Recreate ASA for 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretation Committee (IFRIC) as adopted by EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act, and that
- the financial statements for the parent company, Recreate ASA, for 2022 have been prepared in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway, and that
- the information presented in the financial statements for 2022 provides a true and fair view of the assets, liabilities, financial position, and overall results for the Group and the parent company for the period viewed in their entirety, and that
- the Board of Director's report provides a true and fair view of the development, financial results and position of the Group and the parent company, and description of the principal risks and uncertainties that they face.

Porsgrunn, 30 March 2023
Board of Directors for Recreate ASA

This report is signed electronically

George Emil Aubert Chair of the Board	**Elin Tufte Johansen** Board member
Else Christina Maria Sundby Board member	**Knut Bråthen** Board member
Marianne Lie Board member	**Emil Eriksrød** CEO

Auditor's report

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Recreate ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Recreate ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2022 and the income statement and statement 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 of the Group comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2022 and its financial performance and 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 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

Material uncertainty related to going concern

We draw attention to Note 33 in the financial statements of the Group and Note 14 in the financial statements of the Company and the Board of Directors' report where it is stated that the Group is experiencing a pressured liquidity situation and the basis for continuing as a going concern is contingent upon obtaining significant new capital as well as a successful refinancing of the short-term liabilities in 2023. These events or conditions, along with other matters as set forth in the Notes and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is 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 board of directors' report and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report or the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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.

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- 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 and the Group'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 and the Group'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 and the Group 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 the board of directors 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.

Porsgrunn, 30 March 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Tone Mari Flatland
State Authorised Public Accountant (Norway)

Independent auditor's report - Recreate ASA 2022

A member firm of Ernst & Young Global Limited

EPRA reporting

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	2022 / 31.12.2022	2021 / 31.12.2021
EPRA Earnings per share (EPS)	NOK	-5.8	0.5
EPRA NRV per share	NOK	22.1	45.1
EPRA NTA per share	NOK	13.3	42.3
EPRA NDV per share	NOK	13.7	37.4
EPRA net initial yield	NOK	4.5 %	4.7 %
EPRA "topped-up" net initial yield	NOK	5.0 %	5.0 %
EPRA vacancy rate	NOK	13.0 %	7.2 %
EPRA cost ratio (including direct vacancy costs)	NOK	57.7 %	47.7 %
EPRA cost ratio (excluding direct vacancy costs)	NOK	43.8 %	36.5 %
EPRA LTV	NOK	84.3 %	66.9 %

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 intereserts, 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

	2022	2021
Profit for period/year	-343 855	79 271
Add:		
Changes in value of investment properties	255 577	-147 024
Tax on changes in value of investment properties 1)	-42 803	39 259
Profits or losses on disposal of investment properties, development properties held for investment and other interests	49 972	8 096
Changes in value of other investment interests	-40 127	25 853
Changes in value of interest rate swaps	-40 283	-27 982
Tax on changes in value of interest rate swaps 1)	8 862	6 156
Share of profit jointly controlled entities - fair value adjustments	-	30 645
Net income non-controlling interest of subsidiaries	33 440	-3 767
Reversal of tax non-controlling interests of subsidiaries 1)	-7 357	829
EPRA Earnings	**-126 574**	**11 336**

1) 22 per cent

EPRA NET ASSET VALUE METRICS

EPRA NET REINSTATEMENT VALUE (NRV):
The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate trasfer taxes should be included. NRV does not include any real estate transfer tax as property transactions in Norway generally do not levied such taxes, hence no adjustments for RETT is being done.

EPRA NET TANGIBLE ASSETS (NTA):
The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising levels of deferred tax liability. The Group has chosen the second option in the EPRA BPR to adjust for deferred tax, estimating the real tax liability based on how the company has completed property transactions lately.

EPRA NET DISPOSAL VALUE (NDV):
Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or liabilities are not held until maturity. For this purpose, the EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do no represent liquidation values.

NET ASSET VALUE	2022	2021
NAV - book value of equity	**460 294**	**951 676**
Hybrid instruments	378	1 264
Diluted NAV	**460 672**	**952 940**
Less: Non-controlling interest	-67 428	-131 331
Fair value of interest rate swaps	-26 494	6 393
Goodwill as a result of deferred tax	-5 640	-5 640
Deferred tax	119 640	159 783
Net reinstatement value (EPRA NRV)	**480 750**	**982 145**
EPRA NRV per share	*22.1*	*45.1*
Goodwill as per the IFRS	-89 366	-1 372
Intangible assets as per the IFRS	-10 710	-577
Estimated real deferred tax [1]	-91 957	-57 789
Net tangible assets (EPRA NTA)	**288 717**	**922 408**
EPRA NTA per share	*13.3*	*42.3*
Fair value of interest rate swaps according to above	26 494	-6 393
Deferred tax as per the IFRS	-27 683	-101 994
Fair value adjustment of interest bearing debt	-	-
Intangible assets according to above	10 710	577
Net disposal value (EPRA NDV)	**298 239**	**814 598**
EPRA NDV per share	*13.7*	*37.4*

1) The Group's est. real deferred tax related to temporary differences of properties has been calculated to 1.0 %. The deferred tax adjustment is calculated based on a discount rate of 7.0 % and the assumption that 50 % of the property portfolio are realized in 50 years in transactions structured as sale of companies in which the tax discount is 7.5 %. The same presumptions in regards to the realisation of 50 % of the property portfolio applies for the treatment of deferred tax asset on losses carried forward, but with a tax discount of 8.0%. The other half of losses carried forward is expected to be realised over the next 30 years, starting 5 years after the reporting date and with an equivalent amount each year thereafter. The losses carried forward is discounted with a rate of 7.0 %. The real tax liability related to the gains/losses account is estimated by anticipating an amortisation of 20 % annually and a discount rate of 7.0 %.

EPRA NET INITIAL YIELD (NIY)

EPRA NIY is calculated on the basis of annulised rental income at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property, grossed up with (estimated) purchaser's costs.

EPRA 'topped-up' NIY incorporates an adjustment to the EPRA NIY for the expiration of rent-free periods and other unexpired lease incentives such as discounted rent periods and step rents.

The tabel below relates solely to the segment "commercial properties" as defined in note 6 in the Group's annual report.

All amounts in NOK thousand

	2022	2021
Investment property - consolidated [1]	2 380 697	2 692 700
Investment property - share of JVs	-	-
Total Property portfolio	**2 380 697**	**2 692 700**
Less: projects and development sites	-484 600	-797 850
Completed property portfolio	**1 896 097**	**1 894 850**
Allowance for estimated purchasers' costs	9 480	9 474
Gross up completed property portfolio valuation	**1 905 577**	**1 904 324**
12 months rolling rent	96 565	100 176
Estimated ownership cost	11 697	10 537
Annualised net rents	**84 867**	**89 639**
Add: notional rent expiration of rent free periods or other lease incentives	10 697	5 206
Topped-up net annualised rent	**95 565**	**94 845**
EPRA NIY	**4.5 %**	**4.7 %**
EPRA 'topped-up' NIY	**5.0 %**	**5.0 %**

1) owner-occupied investment property and property held for sale is included

EPRA VACANCY RATE

EPRA vacancy rate is calculated based on the estimated rent value (ERV) of vacant space divided by the estimated rent value of the whole property portfolio of completed properties.

All amounts in NOK thousand

	2022	2021
Estimated market rent vacant space	17 716	10 081
Total market rent whole portfolio	136 518	139 834
EPRA vacancy rate	**13.0 %**	**7.2 %**

*The current market rent is higher than 12 months' rolling rent due to previously signed lease agreements which has not been adjusted for the change in market conditions and that turnover-based rent is added as market rent.

EPRA COST RATIO

The EPRA cost ratios are aimed at providing a consistent base-line from which companies can provide further informasjon around costs where appropriate and for stakeholders to receive transparent and consistent reporting between real estate companies. The EPRA cost ratios analyses administrative and operating cost, both inclusing and excluding costs of direct vacancy, against gross rental income.

All amounts in NOK thousand

	2022	2021
Total operating cost	**346 300**	**94 609**
Share of joint ventures expences	-	-
Less: Costs related to non-property activities and external customers	-228 344	-30 320
Less: Ground rent cost	-886	-709
Less: Investment property depreciation	-	-
Less: Gains/losses on sale of properties & disposals	-46 550	-6 356
EPRA Cost (including direct vacancy cost)	**70 520**	**57 223**
Direct vacancy cost	16 929	13 527
EPRA Cost (excluding direct vacancy cost)	**53 591**	**43 696**
Gross rental income less ground rent	122 254	119 867
Share of joint ventures	-	-
Total gross rental income less ground rent	**122 254**	**119 867**
EPRA Cost Ratio (including vacancy cost)	**57.7 %**	**47.7 %**
EPRA Cost Ratio (excluding vacancy cost)	**43.8 %**	**36.5 %**

Comment: Capital expenditures related to the property portfolio is generally being capitalised and as a consequence adjusted for through fair value recognised in the profit and loss statement. Overhead and other property related costs are being recognised in the profit and loss statement.

EPRA LTV

EPRA LTV is a metric to determine the percentage of debt comparing to the appraised value of the properties. In the BPR guidelines released in March 2022, EPRA

All amounts in NOK thousand

				2022	2021
	Group as	Share of	Non-controling	Combined	Combined
Net debt	2 067 244	6 423	-398 144	1 675 523	1 580 842
Total property value	2 399 443	8 820	-421 198	1 987 065	2 361 712
Debt ratio (LTV) %	**86.2**	**72.8**	**94.5**	**84.3**	**66.9**

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 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 Net Reinvestment Value (NRV)	EPRA NRV is a NAV metric which uses IFRS equity, excludes deferred tax in relation to financial instruments and investment properties, fair value adjustments of financial instruments and goodwill as a result of deferred tax.
EPRA Net Tangible Assets (NTA)	EPRA NTA is a NAV metric which uses IFRS equity including only estimated real tax liability and excludes fair value of financial instruments, goodwill and intangible assets as per the balanse sheet.
EPRA Net Disposal Value (NDV)	EPRA NDV is a NAV metric which uses IFRS equity included all deferred tax liabilities, including fair value of financial instruments and excludes goodwill as per the balance sheet.
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA Vacancy Rate	Estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio.
EPRA Cost Ratios	Administrative and operating costs (included and excluded costs of direct vacancy) divided by gross rental income.
EPRA LTV	Determines the percentage of debt comparing to the appraised value of the properties. The EPRA LTV is based on a propotionate consolidation. The Group has included its share of net debt and net assets of its material associates as well as deducted for any non-controlling interests.
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.


Photo: Ivar Kvaal

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