
# Q2

Quarterly Report 2018

Central, flexible and environment friendly office properties

entra

# Financial highlights

- Rental income of 558 million (517 million) in the quarter
- Net income from property management of 364 million (328 million)
- Positive portfolio value changes of 489 million (1,078 million)
- Profit before tax of 843 million (1,446 million)
- Net letting of 34 million
- Finalised the new-build project on Brattørkaia 16 in Trondheim
- Acquisition of large development project at Bryn in Oslo and land plot in Bergen
- Semi-annual dividend for 1H 2018 of NOK 2.20 per share to be paid on 10 October 2018

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Rental income

## + 41 mill.

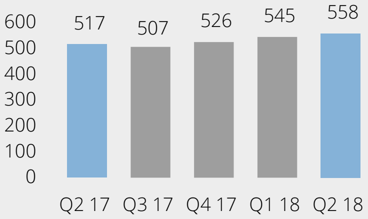
Property management

## + 36 mill.

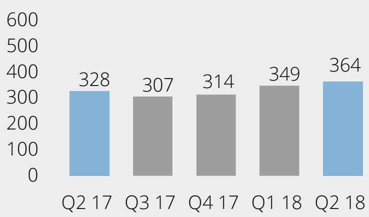
EPRA NAV

## + 16%

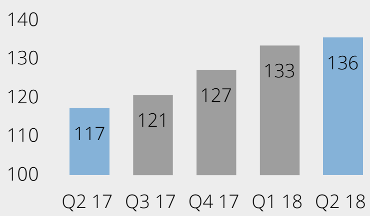
Rental income
(NOKm)




Net income from PM
(NOKm)




EPRA NAV
(NOK per share)



# Key figures

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Rental income | 558 | 517 | 1 103 | 1 042 | 2 075 | 1 899 | 1 760 |
| Change period-on-period | 8% | 12% | 6% | 14% | 9% | 8% | -1% |
| Net operating income | 516 | 476 | 1 018 | 965 | 1 913 | 1 740 | 1 574 |
| Change period-on-period | 8% | 13% | 5% | 13% | 10% | 11% | -3% |
| Net income from property management | 364 | 328 | 713 | 638 | 1 259 | 1 070 | 799 |
| Change period-on-period | 11% | 27% | 12% | 19% | 18% | 34% | 3% |
| Profit before tax | 843 | 1 446 | 1 699 | 2 748 | 5 030 | 3 306 | 3 075 |
| Change period-on-period | -42% | 83% | -38% | 156% | 52% | 8% | 123% |
| Profit after tax | 694 | 1 246 | 1 428 | 2 290 | 4 514 | 2 722 | 2 721 |
| Change period-on-period | -44% | 107% | -38% | 178% | 66% | 0% | 165% |
| Market value of the property portfolio* | 43 671 | 37 554 | 43 671 | 37 554 | 40 036 | 35 785 | 29 598 |
| Net nominal interest bearing debt | 17 734 | 17 478 | 17 734 | 17 478 | 17 852 | 17 454 | 14 640 |
| Loan to value* | 40.6% | 45.3% | 40.6% | 45.3% | 43.3% | 47.6% | 46.1% |
| Interest coverage ratio* | 3.7 | 3.1 | 3.6 | 3.0 | 3.0 | 2.7 | 2.5 |
| Number of shares | 183.7 | 183.7 | 183.7 | 183.7 | 183.7 | 183.7 | 183.7 |

| All amounts in NOK per share* | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| EPRA NAV | 136 | 117 | 136 | 117 | 127 | 101 | 89 |
| Change period-on-period | 16% | 29% | 16% | 29% | 26% | 14% | 16% |
| EPRA NNNAV | 126 | 108 | 126 | 108 | 118 | 93 | 81 |
| Change period-on-period | 17% | 31% | 17% | 31% | 26% | 15% | 20% |
| EPRA Earnings | 1.47 | 1.39 | 2.81 | 2.63 | 5.23 | 4.27 | 3.25 |
| Change period-on-period | 5% | 34% | 7% | 24% | 22% | 31% | 8% |
| Cash earnings**/*** | 1.97 | 1.76 | 3.85 | 3.45 | 6.81 | 5.80 | 4.96 |
| Change period-on-period | 12% | 25% | 12% | 18% | 17% | 17% | 21% |
| Dividend per share**** | 2.20 | 2.00 | 2.20 | 2.00 | 4.10 | 3.45 | 3.00 |
| Change period-on-period | 10% | 18% | 10% | 18% | 19% | 15% | 20% |

Reference
* See section "Calculation of key figures and definitions"
** Cash earnings in 2015 has been adjusted by 115 million due to termination of swap contracts in Q2-2015.
The termination fee was defined as a one-off item and did not reduce cash earnings as a basis for dividend for 2015.
*** Cash earnings definition changed from Q1-16 to also include net income from property management for JVs excluding Oslo S Utvikling. See definitions.
**** In 2016 Entra ASA started with semi-annual payments of dividends. Dividends in 2016 of 3.45 per share constitute of dividend approved and paid in 2016 for the first half year 2016 and dividend approved for second half of 2016, paid in May 2017. Dividend for 2017 of 4.10 per share constitute dividend of 2.00 per share approved and paid for the first half 2017 and dividend of 2.10 per share approved for the second half of 2017, paid in May 2018. Dividend year to date Q2-18 relates to approved, not yet paid dividend.

# Financial developments

## Results

### Rental income

The Group's rental income was up by 8 per cent from 517 million in Q2 17 to 558 million in Q2 18, and by 6 per cent from 1,042 million to 1,103 million for the first six months of 2018. The increased rental income can be explained by the factors in the below income bridge.

| All amounts in NOK million | Q217<br>Q218 | YTD 17<br>YTD 18 |
|---|---|---|
| Rental income previous period | 517 | 1 042 |
| Development projects | 10 | 11 |
| Acquisitions | 21 | 39 |
| Divestments | -32 | -69 |
| Other* | 28 | 56 |
| Like-for-like growth | 14 | 25 |
| **Rental income** | **558** | **1 103** |

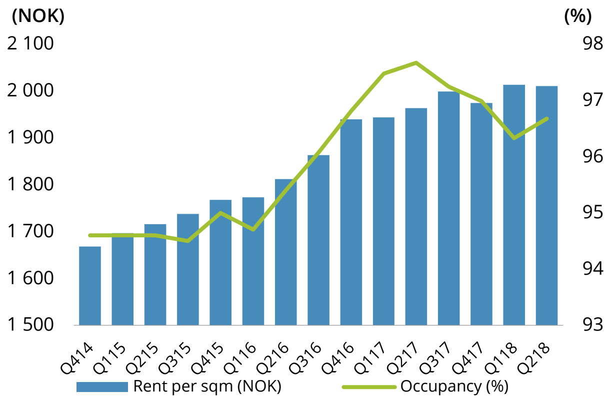
*Entra OPF consolidated in the group from 1.1.2018

The increase in rental income from the second quarter last year is mainly driven by the aqcuisition of the remaining 50 per cent of Sundtkvartalet in October 2017, the consolidation of Entra OPF from 1.1.2018 and the completion of the project Trondheimsporten in Trondheim in the first quarter. The increase is partly offset by the sale of non-core properties during 2017 and 2018. For the first six months, the increase in rental income compared to last year is primarily driven by the same factors as mentioned above.

On a like-for-like basis, the rental growth in the second quarter and first half year was 3.0 and 2.6 per cent, respectively, compared to 2017, of which the annual indexation of the lease contracts constituted 1.1 per cent. Near all of Entra's lease contracts are 100 per cent linked to positive changes in CPI.

Average 12 months rolling rent per square meter was 2,011 (1,963) as of 30.6.2018. The increase is mainly related to portfolio rotations towards more high quality assets as well as underlying growth in market rents.

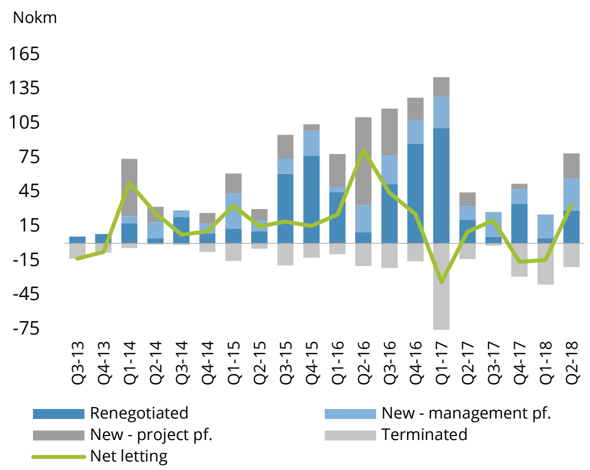
RENT (12M ROLLING) PER SQM AND OCCUPANCY RATE



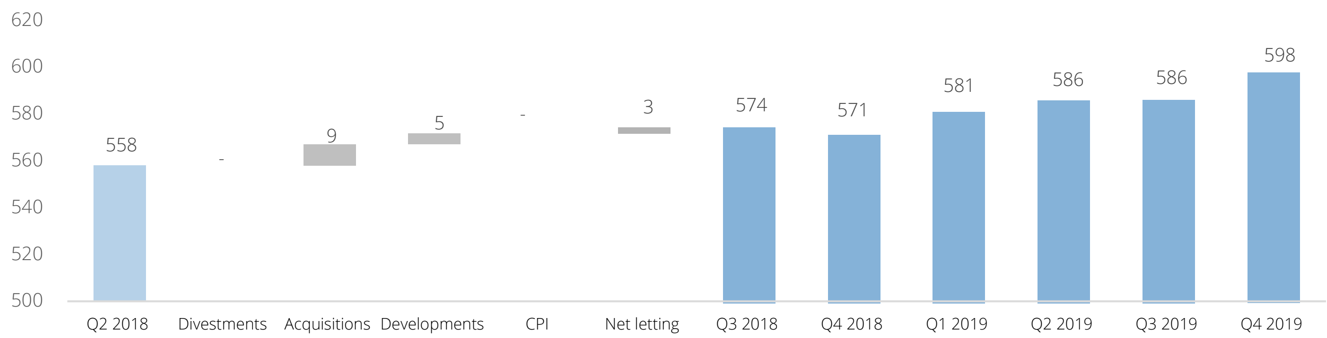

The occupancy rate increased from 96.3 in the last quarter to 96.7 per cent in the second quarter. This is mainly due to signing new contracts on vacant areas and increased total marked rent. The rental value of vacant space as of 30.6.18 was approximately 78 million (49 million) on an annualised basis.

Gross letting including renegotiated contracts was 79 million in the quarter of which 22 million is attributable to letting in the project portfolio. Lease contracts with a total value of 21 million in annual leases were terminated in the quarter. Net letting, defined as new lease contracts plus lease-up on renegotiated contracts less terminated contracts, came in at 34 million (10 million). The time difference between net letting in the management portfolio in the quarter and its effect on the financial results is normally 6-18 months.

QUARTERLY NET LETTING



RENTAL INCOME DEVELOPMENT




The graph above shows the estimated development of contracted rental income based on all reported events, including income effect from divestments and acquisitions, completion of new development projects, net letting based on new and terminated contracts in the management portfolio, and other effects such as estimated CPI adjustments. It does not reflect any letting targets on the vacant areas in the portfolio or on contracts that will expire, but where the outcome of any renegotiation process is not known, i.e not yet reported in "Net letting". The graph therefore does not constitute a forecast, but rather aims to demonstrate the rental trend in the existing contract portfolio on the balance sheet date based on all reported events.

## Property costs

Total property costs amounted to 42 million (41 million) in the quarter and 86 million (77 million) for the first six months of 2018. Total property costs is split as follows:

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2 18 | YTD Q2 17 |
|---|---|---|---|---|
| **Maintenance** | **11** | **8** | **18** | **14** |
| Tax, leasehold, insurance | 18 | 12 | 36 | 26 |
| Letting and prop. adm. | 5 | 10 | 17 | 22 |
| Direct property costs | 8 | 11 | 15 | 15 |
| **Total property costs** | **42** | **41** | **86** | **77** |

The increase in property cost for the first half year of 2018 compared to last year is mainly attributable to an increase in the property tax rate from 0.2 per cent to 0.3 per cent in Oslo and higher maintenance cost in the management portfolio. In addition, consolidation of Entra OPF has had an impact of 4 million on total property costs for the first six months of 2018.

## Net operating income

As a consequence of the effects explained above, net operating income came in at 516 million (476 million) in the quarter and 1,018 million (965 million) for the first six months of 2018.

## Other revenues and other costs

Other revenues was 31 million (129 million) in the quarter and 44 million (190 million) for the first six months of 2018. Other costs was 28 million (105 million) in the quarter and 39 million (164 million) for the first six months of 2018

In the quarter, 16 million of other revenues is related to the project Kongsgård Allé 20 in Kristiansand which Entra delivered to the buyer in May 2018. Year to date 2018, the revenue recognised is 18 million. Until the project was delivered to the buyer, the Group recognised other revenue and other costs based on the completion level. Other costs associated with the project amounted to 8 million in the quarter and 10 million in the first six months. The positive net effect of the project in the quarter is related to an estimated project cost reduction of 5 million.

Other revenue also consists of income from services provided to tenants. Other costs also consists of other property costs mainly related to depreciation and rental expenses.

## Administrative costs

Administrative costs amounted to 36 million (36 million) in the quarter and 80 million (79 million) for the first six months of 2018.

## Result from associates and JVs

Entra's share of profit from associates and JVs was 21 million (8 million) in the quarter and 36 million (132 million) year to date 2018. Due to the consolidation of Entra OPF as of 1.1.2018, the result in 2018 is only related to the ongoing business in Oslo S Utvikling. Entra's share of profit from associates and JVs is composed as follows:

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2 18 | YTD Q2 17 |
|---|---|---|---|---|
| Income from property management | 2 | 2 | 2 | 5 |
| Changes in market value | 0 | 10 | 0 | 168 |
| Tax | 0 | -3 | 0 | -42 |
| Other income and costs | 20 | -2 | 34 | 0 |
| **Results from associates and JVs** | **21** | **8** | **36** | **132** |

For a more detailed breakdown of the results from associates and JVs see the section on Partly owned companies.

## Net realised financials

Net realised financials amounted to -120 million (-138 million) in the quarter and -230 million (-279 million) for the first six months of 2018 and is composed as follows:

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2 18 | YTD Q2 17 |
|---|---|---|---|---|
| Interest and other finance income | 2 | 3 | 14 | 10 |
| Interest and other finance expense | -123 | -141 | -244 | -289 |
| **Net realised financials** | **-120** | **-138** | **-230** | **-279** |

Net realised financials have decreased in the first half year of 2018 compared to 2017 mainly due to lower average interest rate following termination of interest rate swaps. The interest and other finance income in first half year of 2018 was impacted by recognition of financing and delayed closing of Youngskvartalet of 9 million in Q1.

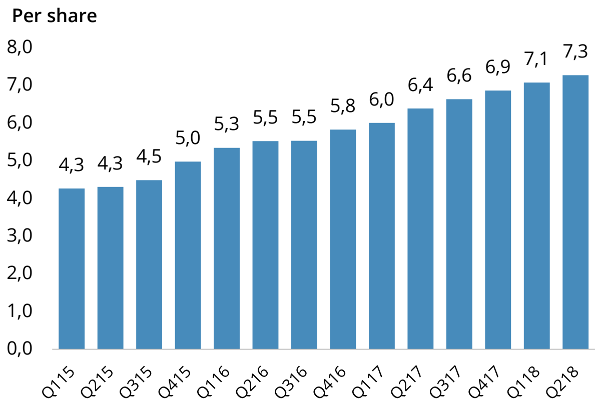
## Net income and net income from property management

Net income came in at 384 million (333 million) in the quarter and 747 million (765 million) for the first six months of 2018. When including only the income from property management in the results from JVs, net income from property management was 364 million (328 million) in the quarter and 713 million (638 million) year to date 2018. This represents an increase of 11 per cent from the second quarter in 2017 and 12 per cent from the first six months of 2017.

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2 18 | YTD Q2 17 |
|---|---|---|---|---|
| Net income | 384 | 333 | 747 | 765 |
| Less: | | | | |
| Value changes in associates and JVs | 0 | 10 | 0 | 168 |
| Tax from associates and JVs | 0 | -3 | 0 | -42 |
| Other income and costs | 20 | -2 | 34 | 0 |
| **Net income from property management** | **364** | **328** | **714** | **638** |

NET INCOME FROM PROPERTY MANAGEMENT PER SHARE

(Annualised, rolling 4 quarters)




## Value changes

The valuation of the property portfolio resulted in a net positive value change of 489 million (1,078 million) in the quarter and 846 million (1,947 million) for the first six months of 2018. In the second quarter, about 330 million of the value changes is attributable to increased market rents, primarily in Oslo, and 95 million is a result of new contracts signed in the quarter offset partly by effects from terminated contracts. About 90 million relates to the ongoing project portfolio, mainly explained by reduced risk as each project is moving towards completion in combination with improved market conditions. 15 million of the value change is attributable to yield compression while the remaining negative 40 million relates to other property related effects.

Net changes in value of financial instruments was -30 million (36 million) in the quarter and 105 million (35 million) for the first six months of 2018. The negative value change in Q2 mainly relates to lower market interest rates during the quarter. The positive development year to date 2018 is mainly explained by higher market interest rates in the period and reduced time to maturity on interest rate swaps on existing fixed rate debt. Partly offsetting this effect, Entra has year to date terminated interest rate swaps with a notional amount of 1.1 billion with a termination cost of 49 million.

### Tax

The change in deferred tax was -147 million (-195 million) in the quarter and -266 million (-453 million) in the first half of 2018. Tax payable of 5 million (5 million) year to date 2018 is related to the partly owned entity Papirbredden in Drammen. The current nominal corporate income tax rate is 23 per cent. However, the effective tax rate is less than the nominal tax, mainly due to sales of properties without tax effect.

The Group, except for certain partly owned companies with marginal tax effect, is currently not in a tax payable position due to tax loss carry forward. At year-end 2017, the tax loss carry forward for the Group was 810 million (953 million).

### Profit

Profit before tax was 843 million (1,446 million) in the quarter and 1,699 million (2,748 million) for the first six months of 2018. Profit after tax was 694 million (1,246 million) in the quarter and 1,428 million (2,290 million) year to date 2018, which also equals the comprehensive income for the period.

### EPRA Earnings

EPRA Earnings amounted to 269 million (256 million) in the second quarter of 2018 and 517 million (483 million) year to date 2018. The increase in EPRA Earnings is mainly related to increased net income from property management.

EPRA Earnings before tax amounted to 335 million (305 million) in the second quarter 2018 and 651 million (601 million) year to date 2018.

Further information about the EPRA Earnings calculations can be found on page 27.

## Balance sheet

The Group's assets amounted to 45,454 million (40,979 million) as at 30.6.18. Of this, investment property amounted to 43,751 million (37,409 million). No (one) properties was classified as held for sale as at 30.6.18. Intangible assets were 127 million (123 million) at the end of the quarter of which 109 million (109 million) is goodwill related to Hinna Park in Stavanger.

Investments in associates and jointly controlled entities were 476 million (1,807 million). The decrease is mainly attributable to the consolidation of Entra OPF from 1.1.2018 (until 31.12.17 treated as a jointly controlled entity).

Long-term receivables was 242 million (202 million) at the end of the second quarter of 2018. The increase is mainly related to a seller credit structured as a bond in relation to the divestment of Middelthuns gate 29 in December 2017.

Other receivables was 255 million (651million) at the end of the second quarter 2018. The reduction is mainly due to that capitalised construction costs related to the property Youngskvartalet was included in the Q2-17 amount. This project was sold in the first quarter of 2018. The Group had interest bearing debt of 17,917 million (18,044 million) as of 30.6.18.

Book equity totalled 21,495 million (17,086 million), representing an equity ratio of 47 per cent (42 per cent). Book equity per share was 117 (93). Equity per share was 136 (117) based on the EPRA NAV standard and 126 (108) based on EPRA NNNAV. Outstanding shares at 30.6.18 totalled 183.7 million (183.7 million).

## Cash flow statement

Net cash flow from operating activities came in at 259 million (216 million) in the quarter and 566 million (467 million) for the first six months of 2018. The change mainly relates to higher net income from property management.

The net cash flow from investments was -400 million (270 million) in the quarter and -124 million (-157 million) for the first six months of 2018. Proceeds from property transactions was 3 million (838 million) in the quarter and 618 million (989 million) year to date 2018. Year to date 2018, the amount includes sale of Tungasletta 2 and Youngskvartalet in the first quarter of 2018. Purchase of investment properties of 124 million (0) in the quarter and 124 million (156 million) year to date relates to the purchase of Nils Hansens vei 20 in Oslo and Johannes Bruns gate 16/Nygårdsveien 91 in Bergen.

The cash effect from construction and upgrades of investment properties amounted to 272 million (436 million) in the quarter and 579 million (733 million) for the first six months of 2018. Investment in property and housing-units for sale of 3 million (62 million) in the quarter and 33 million (101 million) for the first half year 2018 is mainly related to investments in the property Youngskvartalet in Oslo.

Net cash flow from financing acitivites was 167 million (-728 million) in the quarter and -449 million (-414 million) year to date 2018. In the second quarter of 2018, Entra has a net increase in bank financing of 754 million and repaid commercial papers of 200 million. During the first six months of 2018, Entra has had a net repayment of bank loans of 425 million, net repaid commercial papers of 400 million and net issued bonds amounting to 700 million. In addition, the Group has paid dividend of 386 million (327 million) to the shareholders of Entra ASA.

The net change in cash and cash equivalents was 27 million (-241 million) in the quarter and -7 million (-103 million) for the first six months of 2018.

## Financing

During the second quarter, Entra's total interest bearing nominal debt increased by 555 million to 17,917 million (17,363 million). The increase in interest bearing debt was mainly due to project investments and acquisitions of a land plot in Bergen. The change in interest bearing debt comprised a decrease in commercial paper financing of 200 million and an increase in bank financing of 755.

In the quarter, Entra has established new revolving bank facilities with total of 2,000 million with tenors of 4 years. Further, the maturity of Entra's existing revolving bank facilities has been extended by adding extension options in the loan agreements. Bank facilities with a total volume of 3,000 million has thus been extended, bringing the weighted average maturity for these facilities up to 4,7 years.

During the second quarter of 2018, Entra's subsidiary Hinna Park Eiendom AS has refinanced its 750 million term loan into a new 3-year term loan facility. In the quarter, Entra has also refinanced commercial paper loans 800 million.

### Interest bearing debt and maturity structure

As at 30.6.18 net interest bearing nominal debt after deduction of liquid assets of 182 million was 17,734 million (17,478 million).

The average remaining term for the Group's debt portfolio was 4.8 years at 30.6.18 (4.7 years as at 30.6.17). The calculation takes into account that available long-term credit facilities can replace short-term debt.

Entra's financing is mainly based on negative pledge of the Group's assets, which enables a broad and flexible financing mix. Entra's financing structure includes bank loans, bonds and commercial papers. At the end of the period, 80 per cent (78 per cent) of the Group's financing was from the capital markets in terms of bonds and commercial paper whilst the remaining 20 per cent is bank debt.

### Maturity profile and composition interest bearing debt

| Maturity profile | 0-1 yrs | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4+ yrs | Total |
|---|---|---|---|---|---|---|
| Commercial paper (NOKm) | 2 600 | 0 | 0 | 0 | 0 | 2 600 |
| Bonds (NOKm) | 826 | 1 700 | 2 000 | 1 200 | 6 000 | 11 726 |
| Bank loans (NOKm) | 0 | 0 | 827 | 2 322 | 441 | 3 591 |
| **Total (NOKm)** | **3 426** | **1 700** | **2 827** | **3 522** | **6 441** | **17 917** |
| Commercial paper (%) | 76 | 0 | 0 | 0 | 0 | 15 |
| Bonds (%) | 24 | 100 | 71 | 34 | 93 | 65 |
| Bank loans (%) | 0 | 0 | 29 | 66 | 7 | 20 |
| **Total (%)** | | | | | | **100** |
| **Unutilised credit facilities (NOKm)** | **0** | **1 500** | **2 500** | **910** | **2 000** | **6 910** |
| Unutilised credit facilities (%) | 0 | 22 | 36 | 13 | 29 | 100 |

### Financing policy and status

| All amounts in NOK million | 30.6.2018 | Target |
|---|---|---|
| Loan-to-value (LTV) | 40,6% | Below 50 per cent over time |
| Interest coverage ratio (ICR) | 3.7 | Min. 1.8 |
| Debt maturities <12 months | 19% | Max 30% |
| Maturity of hedges <12 months | 46% | Max 50% |
| Average time to maturity (hedges) | 3.9 | 2-6 years |
| Financing commitments next 12m | 202% | Min. 100% |
| Average time to maturity (debt) | 4.8 | Min. 3 years |

## Interest rates and maturity structure

The average interest rate of the debt portfolio was 2.77 per cent (3.25 per cent) as at 30.6.18. 54 per cent (53 per cent) of the Group's financing was hedged at a fixed interest rate as at 30.6.18 with a weighted average maturity of 3.9 years (4.2 years).

The Group manages interest rate risk through floating-to-fixed interest rate swaps and fixed rate bonds. The table below shows the maturity profile and contribution from these fixed rate instruments, as well as the maturity profile for credit margins on debt.

| | |
|---|---|
| **The Group's total debt in million:** | **17 917** |
| **The Group's average interest rate[1]** | **2.77%** |

| | Fixed rate instruments[2] | | Forward starting swaps[3] | | | Average credit margin | |
|---|---|---|---|---|---|---|---|
| | Amount (NOKm) | Interest rate (%) | Amount | Interest rate (%) | Tenor (years) | Amount (NOKm) | Credit margin (%) |
| <1 year | 300 | 2.91 | 2 600 | 1.90 | 6.3 | 5 677 | 0.90 |
| 1-2 years | 1 100 | 3.83 | 2 250 | 2.09 | 6.7 | 1 700 | 0.96 |
| 2-3 years | 1 150 | 4.39 | 800 | 2.21 | 5.8 | 2 000 | 1.06 |
| 3-4 years | 1 350 | 2.26 | | | | 2 540 | 0.90 |
| 4-5 years | 1 400 | 1.95 | | | | 2 900 | 0.97 |
| 5-6 years | 150 | 5.36 | | | | 2 000 | 0.92 |
| 6-7 years | 1 400 | 2.52 | | | | 0 | 0.00 |
| 7-8 years | 0 | 0.00 | | | | 0 | 0.00 |
| 8-9 years | 110 | 4.36 | | | | 0 | 0.00 |
| 9-10 years | 0 | 0.00 | | | | 0 | 0.00 |
| >10 years | 400 | 5.63 | | | | 1 100 | 0.39 |
| **Total** | **7 360** | **3.12** | **5 650** | **2.02** | **6.4** | **17 917** | **0.91** |

[1]Average reference rate (Nibor) is 1.00 per cent as of the reporting date.

[2]Excluding forward starting swaps and credit margins on fixed rate bonds (credit margins are displayed in the table to the right).

[3]The table displays future starting point, notional principle amount, average fixed rate and tenor for forward starting swaps.

# The property portfolio

Entra's management portfolio consists of 78 buildings with a total area of approximately 1,1 million square meters. As of 30.6.18, the management portfolio had a market value of around 41 billion. The occupancy rate was 96.7 per cent (97.7 per cent). The weighted average unexpired lease term for the Group's leases was 6.6 years (6.8) for the management portfolio and 7.4 years (7.7) when the project portfolio is included. The public sector represents approximately 64 per cent of the total customer portfolio. The total property portfolio, including projects and development sites, consists of 88 properties with a market value of about 44 billion. Entra focuses the portfolio on the major cities in Norway; Oslo and the surrounding region, Bergen, Stavanger and Trondheim.

Entra's properties are valued by two external appraisers (Akershus Eiendom and Cushman & Wakefield) on a quarterly basis. The market value of the portfolio in Entra's balance sheet is based on the average of the two external appraiser's valuation of each individual property. 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 valuer's estimated return requirements and expectations on future market development. The market value is defined as the external valuer's estimated transaction value of the individual properties on valuation date. The project portfolio is valued based on the same principles, but with deduction for remaining investments and perceived risk as of valuation date. The land and development portfolio is valued based on actually zoned land.

Year-on-year, the portfolio net yield is reduced from 5.3 per cent to 4.9 per cent. 12 months rolling rent has increased from 1,963 to 2,011 per square meter during the last year, whereas the market rent has increased from 2,030 to 2,108 per square meter.

| | Properties | Area | Occupancy | Wault | Market value | | 12 months rolling rent | | Net yield | Market rent | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (#) | (sqm) | (%) | (year) | (NOKm) | (NOK/sqm) | (NOKm) | (NOK/sqm) | (%) | (NOKm) | (NOK/sqm) |
| Oslo | 39 | 623 414 | 96.6 | 5.7 | 26 697 | 42 824 | 1 376 | 2 207 | 4.7 | 1 492 | 2 393 |
| Trondheim | 10 | 129 623 | 97.9 | 7.6 | 3 781 | 29 165 | 221 | 1 704 | 5.3 | 226 | 1 741 |
| Bergen | 7 | 104 986 | 94.3 | 7.6 | 3 833 | 36 508 | 202 | 1 926 | 4.8 | 230 | 2 187 |
| Sandvika | 9 | 93 674 | 99.4 | 9.7 | 2 639 | 28 176 | 154 | 1 643 | 5.4 | 133 | 1 421 |
| Stavanger | 5 | 78 698 | 97.6 | 8.8 | 2 061 | 26 188 | 137 | 1 743 | 6.2 | 127 | 1 608 |
| Drammen | 8 | 70 504 | 95.7 | 7.3 | 2 011 | 28 525 | 124 | 1 755 | 5.8 | 114 | 1 611 |
| **Management portfolio** | **78** | **1 100 898** | **96.7** | **6.6** | **41 022** | **37 262** | **2 214** | **2 011** | **4.9** | **2 320** | **2 108** |
| Project portfolio | 4 | 57 285 | | 18.9 | 2 017 | 35 202 | | | | | |
| Development sites | 6 | 104 839 | | 0.0 | 633 | 6 038 | | | | | |
| **Property portfolio** | **88** | **1 263 021** | | **7.4** | **43 671** | **34 577** | | | | | |

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06 corresponds to 8.0 per cent of market rent.

## Reconciliation of investment properties to property market value

The below table reconciles the individual balance sheet items to the property market value presented above.

| All amounts in NOK million | Q2-18 | Q2-17 | 2017 |
|---|---|---|---|
| Investment property | 43 751 | 37 409 | 39 875 |
| Investment properties held for sale | 0 | 160 | 180 |
| Other | -80 | -16 | -19 |
| **Property market value** | **43 671** | **37 554** | **40 036** |

## Letting activity

During the second quarter, Entra signed new and renegotiated leases with an annual rent totalling 79 million (33,000 square meters) and received notices of termination on leases with an annual rent of 21 million (11,000 square meters). Net letting was 34 million in the quarter.

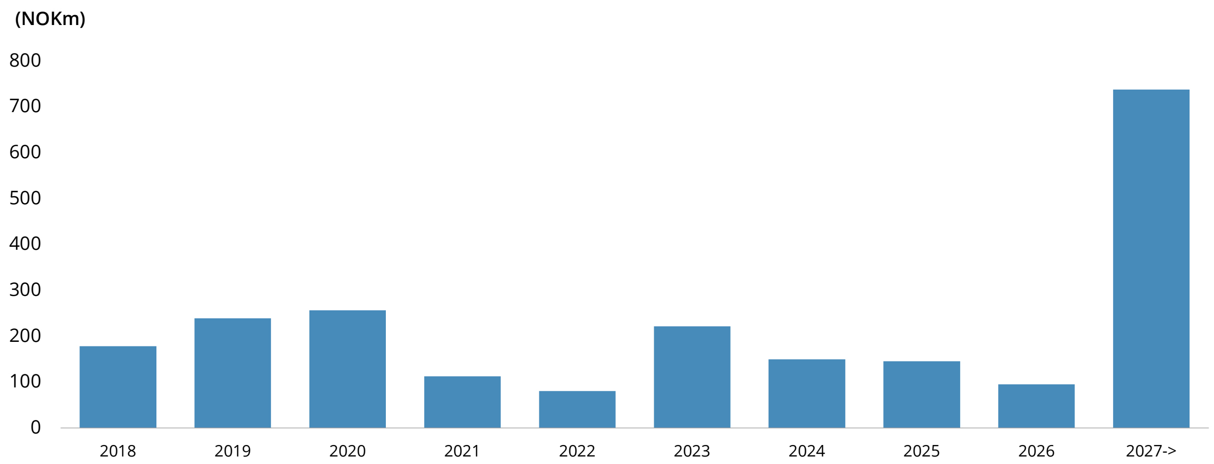
For the first six months of 2018, new and renegotiated leases amounted to an annual rent of 104 million (50,000 square meters), while contracts with an annual rent of 57 million (24,000 square meters) were terminated. Net letting in the first six months was 19 million.

Net letting is calculated as the annualised rent of new lease contracts plus lease-up on renegotiated contracts less terminated contracts.

Large contracts signed in the quarter (> 20 mill in total value):

- New lease contract for 10 years and 5,000 sqm. Holtermanns veg 1-13 in Trondheim with the Norwegian Tax Authority
- New lease contract for 10 years and 2,560 sqm. in Powerhouse Brattørkaia (Brattørkaia 17 A) in Trondheim with Enova
- New lease contract for 10 years and 1,700 sqm. in Powerhouse Brattørkaia (Brattørkaia 17 A) in Trondheim with International Workplace Group (Regus)
- New lease contract for 10 years and 1,350 sqm. in Cort Adelers gate 30 in Oslo with Export Credit Norway
- Renegotiated lease contract for 6 years and 3,735 sqm. (extended by 1,420 sqm) in Langkaia 1 in Oslo with The Norwegian Defence Estates Agency
- Renegotiated lease contract for 10 years and 1,700 sqm. in Brattørkaia 17 B in Trondheim with PwC

Maturity profile of the management portfolio:



# Investments and divestments

Entra has invested 288 million (324 million) in the portfolio of investment properties in the quarter and 557 million (663 million) year to date 2018.

## Project development

The portfolio of ongoing project with a total investment exceeding 50 million is presented below.

| | Ownership (%) | Location | Expected completion | Project area (sqm) | Occupancy (%) | Estimated total project cost* (NOKm) | Of which accrued* (NOKm) | Yield on cost** |
|---|---|---|---|---|---|---|---|---|
| Powerhouse Kjørbo, block 2 | 100 | Sandvika | Oct-18 | 3 950 | 100 | 122 | 113 | 6.4 |
| Powerhouse Brattørkaia 17 A | 100 | Trondheim | Mar-19 | 18 200 | 78 | 523 | 405 | 6.1 |
| Tollbugata 1 A | 100 | Oslo | Oct-19 | 9 000 | 100 | 460 | 202 | 5.1 |
| Tullinkvartalet (UIO) | 100 | Oslo | Dec-19 | 21 000 | 92 | 1 489 | 886 | 5.5 |
| Holtermanns veg 1-13 | 100 | Trondheim | Jan-20 | 11 700 | 53 | 340 | 41 | 6.0 |
| **Total** | | | | **63 850** | | **2 934** | **1 648** | |

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

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

### Status ongoing projects

Entra is refurbishing Block 2 at Kjørbo into a new Powerhouse with BREEAM Excellent classification. The building is 3,950 sqm and is expected to be finished in October 2018. The property is fully let to Norconsult.

On Brattørkaia 17 A, Entra will build Powerhouse Brattørkaia. This is an energy positive and environment friendly office building of approximately 18,200 sqm, including a 2,500 sqm parking basement. The property is now 78 per cent pre-let. Powerhouse Brattørkaia will utilise sun and sea water for heating and cooling. The building will be covered by 3,500 sqm of solar panels and thus produce around 500,000 kWh of renewable energy annually. This is more than twice as much as the building consumes for heating, cooling, ventilation and lighting. It means that the building has a positive energy balance in its lifetime also when all the energy that goes into building processes, materials and finally demolition is included. The project is aiming for the environmental classification BREEAM Outstanding and Energy class A. The project will be finalised in March 2019.

In Tullinkvartalet in Oslo, Entra has ongoing construction of a new 21,000 sqm campus building for the Faculty of Law of the University of Oslo. The property is 92 per cent let to the University on a 25-year lease. The new-build project involves Entra's properties in Kristian Augusts gate 15, 19, and parts of 21, which to a large extent is being demolished and re-built. The project will be finalised in December 2019. The new-build project aims for a BREEAM Excellent classification.

Entra is refurbishing Tollbugata 1A in Oslo. The property consists of two buildings totalling 9,000 sqm adjacent to Oslo Central station and the project is expected to be completed in late 2019. Both properties are fully let on a 15-year lease to The Directorate of Norwegian Customs.

Entra has started construction work on the first of three buildings in Holtermanns veg 1-13. The approved zoning allows construction of approximately 48,000 sqm and the first building stage is approximately 11,500 sqm, including a 2,000 sqm basement with parking. The property is approximately 53 per cent pre-let to the Norwegian Tax Administration and will be completed in the first quarter of 2020. The project is aiming for the environmental classification BREEAM Excellent and Energy class A.

Entra finalised the new-build project on Brattørkaia 16 in Trondheim in the quarter, Brattørkaia 16 is a 10,500 sqm campus building for BI Norwegian Business School. The property is fully let on a 20-year lease. The project has high environmental ambitions and aims for a BREEAM Excellent classification.

# Transactions

Entra actively seeks to improve the quality of its property portfolio through a disciplined strategy of acquisitions and divestments. Entra focuses on acquisition of large properties and projects in specific areas within its four core markets; Oslo and the surrounding region, Bergen, Trondheim and Stavanger. Target areas include both areas in the city centers and selected clusters and communication hubs outside the city centers, allowing Entra to offer rental opportunities at a price range that fits its customer base. Entra's experience, financial strength and knowledge of its tenants makes the company well positioned to make acquisitions that meets these acquisition criteria. At the same time, Entra actively divests smaller non-core properties. The acquisition and divestment strategy is flexible, allowing Entra to adapt to feedback from customers and market changes, and to respond to market opportunities as they arise.

## Transactions in 2017 and YTD 2018

| Purchased properties | Area | Transaction quarter | No of sqm | Transaction value | Closing date |
|---|---|---|---|---|---|
| Bryn portfolio | Oslo | Q2 2018 | 57 000 | 1 400 | Q3 2018 |
| Johannes Bruns gate 16/16A, Nygårdsveien 91/93 | Bergen | Q2 2018 | - | 135 | Q2/Q4 2018 |
| Nils Hansens vei 20 | Oslo | Q1 2018 | 3 150 | 50 | 03.04.2018 |
| 50% of Sundtkvartalet | Oslo | Q3 2017 | 31 300 | 795 | 02.10.2017 |
| Kristian Augusts gate 13 | Oslo | Q4 2016 | 3 300 | 155 | 20.01.2017 |
| **Sum** | | | **94 750** | **2 535** | |

| Sold properties | | Transaction quarter | No of sqm | Transaction value | Closing date |
|---|---|---|---|---|---|
| Tungasletta 2 | Trondheim | Q4 2017 | 14 800 | 180 | 31.01.2018 |
| Middelthuns gate 29 | Oslo | Q4 2017 | 28 600 | 1 270 | 28.12.2017 |
| Wergelandsveien 29 | Oslo | Q2 2017 | 3 373 | 160 | 30.09.2017 |
| Akersgata 32 (sections) | Oslo | Q2 2017 | 2 100 | 94 | 30.06.2017 |
| Lømslands vei 23 | Kristiansand | Q2 2017 | 1 423 | 11 | 30.06.2017 |
| Kristiansand portfolio | Kristiansand | Q2 2017 | 45 000 | 863 | 31.05.2017 |
| Moloveien 10 | Bodø | Q1 2017 | 5 531 | 83 | 15.02.2017 |
| Kongens gate 85/Erling Skakkes gate 60 | Trondheim | Q4 2016 | 1 769 | 16 | 31.03.2017 |
| Kalfarveien 31 | Bergen | Q2 2016 | 8 440 | 85 | 01.02.2017 |
| **Sum** | | | **111 036** | **2 762** | |

# Partly owned companies

## Papirbredden Eiendom AS (60%)

Entra and Drammen Municipality own Papirbredden Eiendom AS. The company owns six office properties totalling around 59,000 sqm and a future development potential totalling around 60,000 sqm in Drammen.

## Hinna Park Eiendom AS (50%)

Entra and Camar Eiendom own Hinna Park Eiendom AS. The company owns three office properties of around 28,000 sqm and development potential for two new office properties totalling around 37,000 sqm.

## Entra OPF Utvikling AS (50%)

Entra and Oslo Pensjonsforsikring (OPF) own Entra OPF Utvikling AS. The company owns two properties in Bergen, the property Lars Hilles gate 30 (MediaCity Bergen) and Allehelgensgate 6. Following completion of the MediaCity Bergen project, the shareholder agreement is revised, with the effect that Entra from 1 January 2018 has a controlling vote on the Board of Directors. Entra OPF Utvikling is thus consolidated in the Group's financial statements from 1.1 2018 (until 31.12.17 treated as a jointly controlled entity).

## Oslo S Utvikling AS "OSU" (33.33%)

OSU is a property development company that is undertaking the office and residential development of parts of the city district Bjørvika in Oslo.

## Financial figures for partly owned entities and JVs (quarterly based on 100% ownership)

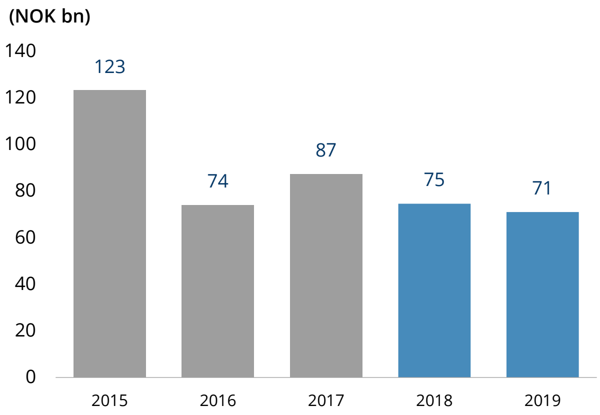
| All amounts in NOK million | Papirbredden Eiendom AS | Hinna Park Eiendom AS | Entra OPF Utvikling AS | Sum consolidated companies | Oslo S Utvikling AS | Other* | Sum associated companies & JVs |
|---|---|---|---|---|---|---|---|
| Share of ownership (%) | 60 | 50 | 50 | | 33 | | |
| Rental income | 26 | 16 | 28 | 70 | 35 | 1 | 36 |
| Net operating income | 25 | 16 | 26 | 67 | 35 | -2 | 33 |
| Net income | 18 | 4 | 26 | 48 | 50 | 4 | 54 |
| Changes in value of investment properties | -6 | 45 | 74 | 114 | 0 | 0 | 0 |
| Changes in value of financial instruments | 1 | 0 | 0 | 1 | 12 | 0 | 12 |
| Profit before tax | 13 | 49 | 100 | 162 | 62 | 4 | 66 |
| Tax | -3 | -11 | 17 | 3 | -2 | -1 | -3 |
| **Profit for the quarter** | **10** | **38** | **117** | **165** | **59** | **3** | **62** |
| *Non-controlling interests* | 4 | 19 | 58 | 82 | | | |
| *Entras share of profit* | | | | | 20 | 1 | 21 |
| *Book value* | | | | | 469 | 7 | 476 |
| **Market value properties** | **1 762** | **1 087** | **2 469** | **5 318** | **7 281** | | **7 281** |
| **Entras share:** | | | | | | | |
| *Market value properties* | 1 057 | 544 | 1 234 | 2 835 | 2 427 | | 2 427 |
| *EPRA NAV* | 599 | 158 | 1 259 | 2 016 | 1 467 | 7 | 1 473 |
| *EPRA NNNAV* | 561 | 140 | 1 231 | 1 932 | 1 339 | 7 | 1 346 |
| *EPRA Earnings** | 8 | 2 | 10 | 20 | -2 | 2 | 0 |

* EPRA Earnings for Entra OPF in Q2-18 is adjusted for an adjustment of the deferred tax liability. The adjustment is defined as a one-off event.

# Market development

Total transaction volume in Norway year to date sums up to around 45 billion and 130 transactions according to Pangea Property Partners. This is around 5 billion more than during the first half of 2017. The market remains active and with solid demand from both national and international investors. The total transaction volume estimate for 2018 is 75 billion, according to Entra's consensus report. The financing market continue to be well functioning, the yield gap is attractive and the outlook for the Norwegian economy is solid. The overall high demand for Norwegian real estate has caused prime yield to remain stable at around 3.8 per cent, despite expectations of increasing interest rates.

TRANSACTION VOLUME NORWAY




Source: Entra Consensus report

According to Entra's Consensus report, the office vacancy in the Oslo area dropped to around 7 per cent by the end of 2017, and is expected to go down to below 6.5 per cent by the end of this year. The drop is primarily driven by increasing employment and low net new capacity to the market, stemming from low construction activity and office-to-residential conversion. Consequently, the broad uplift in rent levels is expected to continue. Modern, centrally located office premises are especially attractive and are expected to see the strongest growth.

In Bergen, the office vacancy has dropped below 10 per cent due to low construction activity, office-to-residential conversion, slightly increased employment and new optimism in the oil and gas industry. Rents in the city centre of Bergen has increased due to low vacancy and low supply of modern, centrally located office premises.

The Stavanger area is experiencing increasing employment and optimism due to higher activity in the oil and gas sector. The overall office vacancy in Stavanger is still high (around 13 per cent), but there is an increasing demand for modern, flexible and centrally located office premises. There is still a downward pressure on rents in the oil and gas intensive areas. In the Stavanger city centre, the vacancy is at about 7 per cent and rent levels are more stable. The construction activity is still low.

In Trondheim, the overall office vacancy has levelled out at around 10 per cent. Vacancy is highest in the southern fringe areas of the city. The volume of new office space will be moderate this year, but increase in 2019. The market has shown ability to absorb the new capacity and most of the premises that will be completed in 2019 are pre-let. Rent levels in the city centre have increased, while there is a downward pressure on rents in the fringe areas.

## Market data Oslo

| | 2015 | 2016 | 2017 | 2018e | 2019e | 2020e |
|---|---|---|---|---|---|---|
| Vacancy Oslo and Bærum (%) | 8.4 | 7.8 | 7.1 | 6.4 | 6.1 | 6.2 |
| Rent per sqm, high standard Oslo office | 2 935 | 2 992 | 3 145 | 3 395 | 3 590 | 3 705 |
| Prime yield (%) | 4.1 | 3.8 | 3.7 | 3.8 | 3.9 | |

Source: Entra Consensus report

# Other information

## Organisation and HSE

At 30.6.18 the Group had 156 employees. During the quarter there were two injuries that caused absence from work. Entra has a continuous HSE focus both in on-going projects and in the operations and works continually to avoid injuries. The Group had an LTIF rate (number of accidents with lost time per million hours worked in last 12 months) on ongoing projects 7.5 at the end of the quarter vs 2.6 at the end of the second quarter 2017.

## Risk and risk management

The Group is exposed to financial risk through its debt financing, and changes in interest rate levels on loans at floating rates will affect the Group's cash flow. The risks associated with the development in market rates are managed through active use of interest rate hedging instruments. Liquidity/refinancing risk is reduced by entering into long-term loan agreements, as well as through establishing a diversified maturity structure and the use of various credit markets and counterparties.

The Group's equity is affected by value changes on properties and financial instruments that are due to changes in, among other things, interest and rent levels, yields and other market conditions. Entra is exposed to the letting market, which is affected by macroeconomic changes in, among other things, GDP, the CPI rate and employment. Vacancy in the portfolio and rent changes on renegotiation of existing contracts affect the ongoing cash flow. Efforts are made to reduce the letting risk by systematic customer service, following up contract expiries and plans for letting work, as well as by adapting properties to customers' requirements. By entering into long leases with a diversified maturity structure, the Group achieves a stable and predictable cash flow. Entra carries out major upgrading and development projects involving risks in relation to primarily deadlines and costs.

## Events after the balance sheet date

The Board has decided to pay out a semi-annual dividend of NOK 2.20 per share for the first half of 2018. The dividend will be paid out on 10 October 2018 to the shareholders as of 1 October 2018.

On 2 July 2018, three of the transactions in the acquisition of the development site at Bryn in Oslo, was closed. In these transactions, Entra acquired the properties Brynsveien 5, Østensjøveien 39/41 and Østensjøveien 43. The final two transactions are expected to be completed in September 2018.

In July 2018, the partly owned entity Oslo S Utvikling, sold the subsidiary Barcode Basement AS for about 830 million.

## Share and shareholder information

Entra's share capital is NOK 183,732,461 divided into 183,732,461 shares, each with a par value of NOK 1 per share. Entra has one class of shares and all shares provide equal rights, including the right to any dividends.

As of 2 July 2018, Entra had 5,376 shareholders. Norwegian investors held 53.5 per cent of the share capital. The 10 largest shareholders as registered in VPS on 2 July 2018 were:

| Shareholder | % holding |
|---|---|
| Norwegian Ministry of Trade, Industry and Fisheries | 33.4 |
| Folketrygdfondet | 6.1 |
| State Street Bank (Nominee) | 3.3 |
| Länsförsäkringar Fastighetsfond | 3.0 |
| DnB Nor Markets | 2.3 |
| State Street Bank (Nominee) | 2.1 |
| Danske Invest Norske | 1.6 |
| The Bank of New York (Nominee) | 1.6 |
| State Street Bank (Nominee) | 1.3 |
| BNP Paribas Securities (Nominee) | 1.2 |
| **SUM 10 LARGEST SHAREHOLDERS** | **56.0** |

# Outlook

Entra continues to deliver on its core strategic pillars; profitable growth, customer satisfaction, and environmental leadership. Deliberate and targeted project development of profitable newbuilds and refurbishments is an important source to profitable growth. Entra has in recent years had the most satisfied customers amongst the major Norwegian real estate companies. A key priority for Entra in 2018 is to further develop its product and service offerings with the aim of realising the vision of owning buildings where the most satisfied people are working.

Environmental leadership and sustainability has been a key priority for Entra during the last decade and is an integral part of all business operations in the company. We experience a significantly growing interest from all stakeholders on this topic, and the financial benefits are also materialising through increasing focus from tenants, lower cost of funding through our green bonds, and higher valuations of environmentally friendly properties.

The Norwegian economy is seeing a moderate upturn with GDP growth and increasing employment. Nevertheless, there is still some degree of general uncertainty about the future, particularly in relation to the residential market and relatively high levels of household debt.

Modern, environmentally friendly offices located near public transportation hubs are attractive and obtain solid rents compared to premises located in less central areas. Entra's portfolio in Oslo constitutes around 70 per cent of revenues, and we expect the Oslo office market to develop favourably in the coming years with lower vacancy levels and higher rental prices. The office markets in Bergen and Trondheim are expected to maintain stable, and there are positive signs in Stavanger where we expect a moderate recovery in the coming years.

Interest rates have bottomed out on historically low levels and has recently trended upwards. This could potentially lead to both increased cost of funding and market yields. However, the Norwegian transaction market is very active and driven by strong demand from both domestic and international investors.

We do expect that the yield compression seen over the last two years will level out. However, Entra's portfolio with a healthy mix of attractive yielding properties and value enhancing development project combined with a positive rental market outlook should provide a continued positive portfolio value development, albeit at a significantly slower pace than in recent quarters.

With its flexible properties in attractive locations and clusters, strong tenant base with long lease contracts, exciting project pipeline and solid financial position, the Board believe that Entra is well positioned for the future.

Oslo, 10 July 2018

The Board of Entra ASA

# Financial statements

## Statement of comprehensive income

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 |
|---|---|---|---|---|---|
| Rental income | 558 | 517 | 1 103 | 1 042 | 2 075 |
| Repairs & maintenance | -11 | -8 | -18 | -14 | -40 |
| Operating costs | -31 | -33 | -68 | -63 | -121 |
| **Net operating income** | 516 | 476 | 1 018 | 965 | 1 913 |
| | | | | | |
| Other revenue | 31 | 129 | 44 | 190 | 285 |
| Other costs | -28 | -105 | -39 | -164 | -246 |
| Administrative costs | -36 | -36 | -80 | -79 | -163 |
| Share of profit from associates and JVs | 21 | 8 | 36 | 132 | 244 |
| Net realised financials | -120 | -138 | -230 | -279 | -550 |
| **Net income** | **384** | **333** | **747** | **765** | **1 483** |
| **- of which net income from property management** | **364** | **328** | **713** | **638** | **1 259** |
| | | | | | |
| Changes in value of investment properties | 489 | 1 078 | 846 | 1 947 | 3 460 |
| Changes in value of financial instruments | -30 | 36 | 105 | 35 | 87 |
| **Profit before tax** | **843** | **1 446** | **1 699** | **2 748** | **5 030** |
| | | | | | |
| Tax payable | -2 | -5 | -5 | -5 | -8 |
| Change in deferred tax | -147 | -195 | -266 | -453 | -507 |
| **Profit for period/year** | **694** | **1 246** | **1 428** | **2 290** | **4 514** |
| | | | | | |
| Actuarial gains and losses | 0 | 0 | 0 | 0 | 0 |
| Change in deferred tax on comprehensive income | 0 | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period/year** | 694 | 1 246 | 1 428 | 2 290 | 4 514 |
| | | | | | |
| **Profit attributable to:** | | | | | |
| Equity holders of the Company | 613 | 1 231 | 1 307 | 2 259 | 4 464 |
| Non-controlling interest | 81 | 15 | 121 | 32 | 50 |
| | | | | | |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the Company | 613 | 1 231 | 1 307 | 2 259 | 4 464 |
| Non-controlling interest | 81 | 15 | 121 | 32 | 50 |

# Balance sheet

| All amounts in NOK million | 30.06.2018 | 30.06.2017 | 31.12.2017 |
|---|---|---|---|
| Intangible assets | 127 | 123 | 125 |
| Investment property | 43 751 | 37 409 | 39 875 |
| Other operating assets | 23 | 21 | 23 |
| Investments in associates and JVs | 476 | 1 807 | 1 487 |
| Financial derivatives | 354 | 439 | 405 |
| Long-term receivables | 242 | 202 | 244 |
| **Total non-current assets** | **44 973** | **40 000** | **42 159** |
| Investment property held for sale | 0 | 160 | 180 |
| Trade receivables | 44 | 29 | 34 |
| Other receivables | 255 | 651 | 847 |
| Cash and bank deposits | 182 | 139 | 189 |
| **Total current assets** | **481** | **979** | **1 251** |
| **Total assets** | **45 454** | **40 979** | **43 410** |
| Shareholders' equity | 19 818 | 16 667 | 18 505 |
| Non-controlling interests | 1 677 | 419 | 433 |
| **Total equity** | **21 495** | **17 086** | **18 938** |
| Interest bearing debt | 14 466 | 14 650 | 13 786 |
| Deferred tax liability | 4 810 | 4 308 | 4 356 |
| Financial derivatives | 506 | 802 | 712 |
| Other non-current liabilities | 355 | 344 | 355 |
| **Total non-current liabilities** | **20 137** | **20 103** | **19 209** |
| Interest bearing debt | 3 450 | 3 394 | 4 663 |
| Trade payables | 164 | 209 | 306 |
| Other current liabilities | 208 | 187 | 294 |
| **Total current liabilities** | **3 823** | **3 790** | **5 263** |
| **Total liabilities** | **23 960** | **23 894** | **24 472** |
| **Total equity and liabilities** | **45 454** | **40 979** | **43 410** |

# Changes in equity

| All amounts in NOK million | Share capital | Other paid-in capital | Retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| **Equity 31.12.2016** | **184** | **3 556** | **10 992** | **392** | **15 124** |
| Profit for period | | | 4 464 | 50 | 4 514 |
| Dividend | | | -689 | -9 | -698 |
| Net equity effect of LTI & employee share saving scheme | | | -2 | | -2 |
| **Equity 31.12.2017** | **184** | **3 556** | **14 765** | **433** | **18 938** |
| Change in accounting principle IFRS 9* | | | 314 | | 314 |
| Change in accounting principle IFRS 15 - JVs* | | | 80 | | 80 |
| **Equity 01.01.2018** | **184** | **3 556** | **15 159** | **433** | **19 331** |
| Profit for period | | | 1 307 | 121 | 1 428 |
| Consolidation effect Entra OPF change of control | | | | 1 123 | 1 123 |
| Dividend | | | -386 | | -386 |
| Net equity effect of LTI & employee share saving scheme | | | -1 | | -1 |
| **Equity 30.06.2018** | **184** | **3 556** | **16 078** | **1 677** | **21 495** |

* See note 1

# Statement of cash flows

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2 18 | YTD Q2 17 | 2017 |
|---|---|---|---|---|---|
| Profit before tax | 843 | 1 446 | 1 699 | 2 748 | 5 030 |
| Income tax paid | 1 | -4 | -4 | -4 | -4 |
| Net expensed interest and fees on loans | 120 | 137 | 230 | 279 | 550 |
| Net interest and fees paid on loans | -160 | -184 | -270 | -318 | -564 |
| Share of profit from associates and jointly controlled entities | -21 | -8 | -36 | -132 | -244 |
| Depreciation and amortisation | 2 | 2 | 5 | 3 | 7 |
| Changes in value of investment properties | -489 | -1 078 | -846 | -1 947 | -3 460 |
| Changes in value of financial instruments | 30 | -36 | -105 | -35 | -87 |
| Change in working capital | -67 | -61 | -108 | -127 | -7 |
| **Net cash flow from operating activities** | **259** | **216** | **566** | **467** | **1 222** |
| Proceeds from property transactions | 3 | 838 | 618 | 989 | 2 351 |
| Purchase of investment properties | -124 | 0 | -124 | -156 | -482 |
| Investment in and upgrades of investment properties | -272 | -436 | -579 | -733 | -1 571 |
| Investment in property and housing-units for sale | -3 | -62 | -33 | -101 | -207 |
| Purchase of intangible and other operating assets | -4 | -2 | -6 | -3 | -23 |
| Net payment financial assets | 0 | 0 | 0 | 0 | -81 |
| Net payment of loans to associates and JVs | 0 | -33 | 0 | -40 | -40 |
| Net payments in associates and JVs | 0 | -36 | 0 | -114 | -213 |
| Dividends from associates and JVs | 0 | 1 | 0 | 1 | 201 |
| **Net cash flow from investment activities** | **-400** | **270** | **-124** | **-157** | **-65** |
| Proceeds interest bearing debt | 2 860 | 3 380 | 4 840 | 7 401 | 12 734 |
| Repayment interest bearing debt | -2 306 | -3 780 | -4 902 | -7 486 | -13 245 |
| Proceeds from/repayment of equity | -1 | -1 | -1 | -2 | -2 |
| Dividends paid | -386 | -327 | -386 | -327 | -698 |
| **Net cash flow from financing activities** | **167** | **-728** | **-449** | **-414** | **-1 211** |
| Change in cash and cash equivalents | 27 | -241 | -7 | -103 | -53 |
| Cash and cash equivalents at beginning of period | 155 | 381 | 189 | 243 | 243 |
| **Cash and cash equivalents at end of period** | **182** | **139** | **182** | **139** | **189** |

## NOTE 1 – ACCOUNTING PRINCIPLES

The results for the period have been prepared in accordance with IAS 34 Interim Financial Reporting.

Except for the implementation of the new standards IFRS 9 and IFRS 15, the accounting principles that have been used in the preparation of the interim financial statements are in conformity with the principles used in preparation of the annual financial statements for 2017.

IFRS 9 opens to make a new assessment of whether the Group should continue to use the fair value option ahead or measuring loans at amortised cost. From 1 January 2018 the Group has decided to measure fixed rate bonds at amortised cost. The only change in the Groups financial statements arising from the implementation of the IFRS 9 is the change from measuring fixed rate bonds to fair value through P&L historically to amortised cost, which reduced liabilities by 314 million. We refer to the 2017 annual report (page 76) for further explanation of the implementation effects on the financial statements.

In the 2017 annual report, Entra stated that the financial statements would not be affected by implementing IFRS 15. In the first quarter of 2018, Entra has revisited the interpretation of how termination clauses in contracts should affect the accounting under IFRS 15.

The termination clauses in a contract are among the determining factors in assessing whether the seller is entitled to payment for completed work until the date of cancellation. If a buyer does not have the right to cancel a contract, and the seller can require a buyer to pay the consideration agreed in the contract even if the buyer acts to terminate a contract, IFRS 15 states that the seller must recognise the revenue from the project over time.

Based on a new assessment of the recognition of the Eufemia's office building under construction in OSU, Entra concluded that building, which is to be handed over to KLP upon completion, will be accounted for over time both as the building does not have an alternative use and OSU has an enforceable right to payment for performance completed to date.

IFRS 15 should be applied in an entity's IFRS financial statements for annual reporting periods beginning on or after 1 January 2018. In accordance with the transition guidance, Entra has chosen to recognise the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (1 January 2018).

The table below shows the transition effects on the OSU financial statements due reclassification of the accounting of the Eufemia building on OSU:

| All amounts in NOK million | Reported 2017 | If restated 2017 | Effect |
|---|---|---|---|
| Other revenue | 116 | 781 | 665 |
| Other costs | -56 | -482 | -426 |
| Result/equity effect | 925 | 1 164 | 239 |
| *Entra's share result/equity effect** | | | *80* |

** Increase in investments in associates and JVs and shareholders equity.*

The financial reporting covers Entra ASA, subsidiaries, associated companies and jointly controlled entities. The interim financial statements have not been audited.

## NOTE 2 – SEGMENT INFORMATION

The Group has one main operational unit, led by the EVP property management. The property portfolio is divided into six different geographic areas in Oslo, Sandvika, Drammen, Stavanger, Bergen and Trondheim, with management teams monitoring and following upon each area. The geographic units are supported by a Letting and Property Development division, Project Development division and a Digital and Business Development division. In addition, Entra has group and support functions within accounting and finance, legal, procurement, communication and HR.

The geographic areas do not have their own profit responsibility. The geographical areas are instead followed up on economical and non-economical key figures ("key performance indicators"). These key figures are analysed and reported by geographic area to the chief operating decision maker, that is the board and CEO, for the purpose of resource allocation and assessment of segment performance. Hence, the Group report their segment information based upon these six geographic areas.

## Operating segments Q2–18:

| | Properties | Area | Occupancy | Wault | Market value | | 12 months rolling rent | | Net yield | Market rent | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (#) | (sqm) | (%) | (year) | (NOKm) | (NOK/sqm) | (NOKm) | (NOK/sqm) | (%) | (NOKm) | (NOK/sqm) |
| Oslo | 39 | 623 414 | 96.6 | 5.7 | 26 697 | 42 824 | 1 376 | 2 207 | 4.7 | 1 492 | 2 393 |
| Trondheim | 10 | 129 623 | 97.9 | 7.6 | 3 781 | 29 165 | 221 | 1 704 | 5.3 | 226 | 1 741 |
| Bergen | 7 | 104 986 | 94.3 | 7.6 | 3 833 | 36 508 | 202 | 1 926 | 4.8 | 230 | 2 187 |
| Sandvika | 9 | 93 674 | 99.4 | 9.7 | 2 639 | 28 176 | 154 | 1 643 | 5.4 | 133 | 1 421 |
| Stavanger | 5 | 78 698 | 97.6 | 8.8 | 2 061 | 26 188 | 137 | 1 743 | 6.2 | 127 | 1 608 |
| Drammen | 8 | 70 504 | 95.7 | 7.3 | 2 011 | 28 525 | 124 | 1 755 | 5.8 | 114 | 1 611 |
| **Management portfolio** | **78** | **1 100 898** | **96.7** | **6.6** | **41 022** | **37 262** | **2 214** | **2 011** | **4.9** | **2 320** | **2 108** |
| Project portfolio | 4 | 57 285 | | 18.9 | 2 017 | 35 202 | | | | | |
| Development sites | 6 | 104 839 | | 0.0 | 633 | 6 038 | | | | | |
| **Property portfolio** | **88** | **1 263 021** | | **7.4** | **43 671** | **34 577** | | | | | |

The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06 corresponds to 8.0 per cent of market rent.

## Operating segments Q2–17:

| | Properties | Area | Occupancy | Wault | Market value | | 12 months rolling rent | | Net yield | Market rent | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (#) | (sqm) | (%) | (year) | (NOKm) | (NOK/sqm) | (NOKm) | (NOK/sqm) | (%) | (NOKm) | (NOK/sqm) |
| Oslo | 40 | 624 477 | 97.7 | 6.3 | 24 936 | 39 932 | 1 380 | 2 210 | 5.0 | 1 465 | 2 346 |
| Trondheim | 9 | 113 458 | 98.7 | 5.6 | 2 520 | 22 208 | 179 | 1 575 | 6.4 | 171 | 1 510 |
| Sandvika | 9 | 91 464 | 95.1 | 10.7 | 2 231 | 24 390 | 129 | 1 410 | 5.3 | 122 | 1 330 |
| Stavanger | 5 | 78 658 | 97.1 | 9.3 | 2 031 | 25 824 | 135 | 1 712 | 6.1 | 125 | 1 595 |
| Drammen | 8 | 70 504 | 97.1 | 8.1 | 2 009 | 28 491 | 122 | 1 723 | 5.7 | 111 | 1 580 |
| Bergen | 5 | 48 679 | 99.5 | 4.8 | 1 239 | 25 445 | 73 | 1 495 | 5.2 | 90 | 1 859 |
| **Management portfolio** | **76** | **1 027 240** | **97.7** | **6.8** | **34 966** | **34 038** | **2 017** | **1 963** | **5.3** | **2 085** | **2 030** |
| Project portfolio | 5 | 88 247 | | 18.4 | 2 280 | 25 840 | | | | | |
| Development sites | 4 | 92 458 | | 0.2 | 308 | 3 330 | | | | | |
| **Property portfolio** | **85** | **1 207 945** | | **7.7** | **37 554** | **31 089** | | | | | |

Youngsgt. 7-9 is included in market value of the management portfolio at sales price of 60 million.
The calculation of net yield is based on the valuers' assumption of ownership costs, which at 30.06 corresponds to 8.4 per cent of market rent.

# NOTE 3 – INVESTMENT PROPERTIES

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 |
|---|---|---|---|---|---|
| Closing balance previous period | 42 847 | 37 002 | 40 055 | 35 798 | 35 798 |
| Purchase of investment property | 122 | 0 | 122 | 155 | 1 745 |
| Investment in the property portfolio | 288 | 324 | 557 | 663 | 1 381 |
| Reclassified due to change of control | 0 | | 2 326 | | |
| Capitalised borrowing costs | 8 | 6 | 16 | 11 | 30 |
| Sale of investment property | -3 | -840 | -172 | -1 008 | -2 362 |
| Reclassified from properties for use of the group | 0 | 0 | 0 | 4 | 4 |
| Changes in value of operational lease | 22 | 3 | 10 | 14 | 9 |
| Changes in value of investment properties | 467 | 1 075 | 836 | 1 934 | 3 451 |
| **Closing balance** | **43 751** | **37 569** | **43 751** | **37 569** | **40 055** |
| Investment property held for sale | 0 | 160 | 0 | 160 | 180 |
| **Investment property** | **43 751** | **37 409** | **43 751** | **37 409** | **39 875** |

During the first quarter the Group handed to the buyer the property Tungasletta 2 in Trondheim. Purchase of investment property in the second quarter relates to the properties Nils Hansens vei 20 in Oslo and Johannes Bruns gate 16/Nygårdsveien 91 in Bergen.

The value change on operational lease agreements relates to the property Langkaia 1, which is owned under a lease that expires on 31 December 2030. The property will then revert without consideration to the Oslo Harbour Authority. The property is classified as an investment property under IAS 40 and is valued at 707 million (695 million) as at the end of the second quarter of 2018. The Group records quarterly a negative value change on the property as the maturity date of the lease approaches.

# NOTE 4 – INFORMATION ON THE FAIR VALUE OF ASSETS AND LIABILITIES

Except for the implementation of IFRS 9, the valuation methods and principles are unchanged in the quarter. See the annual financial statements for 2017 for further information. Set out below is a summary of assets and liabilities measured at fair value divided between the different valuation hierarchies set out in IFRS 7.

With the exception of investment properties of 43,751 million and equity capital instruments of 4 million (level 3), all financial assets and liabilities are level 2.

| All amounts in NOK million | 30.06.2018 | 30.06.2017 | 31.12.2017 |
|---|---|---|---|
| **Assets measured at fair value:** | | | |
| Assets measured at fair value with change over the result | | | |
| - Investment property | 43 751 | 37 409 | 39 875 |
| - Investment property held for sale | 0 | 160 | 180 |
| - Derivatives | 354 | 439 | 405 |
| Financial assets held for sale | | | |
| - Equity instruments | 4 | 1 | 4 |
| **Total** | **44 109** | **38 009** | **40 464** |

| All amounts in NOK million | 30.06.2018 | 30.06.2017 | 31.12.2017 |
|---|---|---|---|
| **Liabilities measured at fair value:** | | | |
| Financial liabilities measured at fair value with change over the result* | | | |
| - Derivatives | 506 | 802 | 712 |
| - Bonds | 0 | 6 027 | 5 507 |
| - Commercial paper | 0 | 2 800 | 3 000 |
| **Total** | **506** | **9 628** | **9 219** |

* From 1 January 2018, the Group implemented IFRS 9 and bonds and commercial papers are measured at amortised costs. In prior periods, the Group applied the fair value option (IAS 39) when measuring fixed rate bonds.

## DECLARATION OF THE BOARD AND CHIEF EXECUTIVE

We declare to the best of our belief that the half-year financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with IAS 34 - Interim reporting, and that the information in the financial statements gives a true and fair view of the Group's assets, liabilities, financial situation and result as a whole. We also declare, to the best of our belief, that the half-year report gives a true and fair presentation of important events during the accounting period and their influence on the half-year financial statements, the most important risk and uncertainty factors that the business faces over the next accounting period, as well as material transactions with connected persons.

Oslo, 10 July 2018

Siri Hatlen
*Chair*

Kjell Bjordal
*Deputy chair*

Widar Salbuvik
*Board member*

Katarina Staaf
*Board member*

Ingrid Dahl Hovland
*Board member*

Erling Nedkvitne
*Board member*

Linnea Tviberg Scharning
*Board member*

Arve Regland
*Chief executive*

# CALCULATION OF KEY FIGURES AND EPRA REPORTING

## KEY FIGURES

### DEBT RATIO (LTV)

| All amounts in NOK million | Q2-18* | Q2-17 | 2017 |
|---|---|---|---|
| Net nominal interest bearing debt | 17 734 | 17 478 | 17 852 |
| Market value of the property portfolio | 43 671 | 38 622 | 41 199 |
| **Debt ratio (LTV)%** | **40.6** | **45.3** | **43.3** |

* Change of control of Entra OPF in Q1-18 had an impact on the market value as 100% of the asset value is included in the Groups financial statements.

### INTEREST COVERAGE RATIO (ICR)

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 |
|---|---|---|---|---|---|
| Net income | 384 | 333 | 747 | 765 | 1 483 |
| Depreciation | 2 | 2 | 5 | 3 | 7 |
| Results from associates and joint ventures | -21 | -8 | -36 | -132 | -244 |
| Net realised financials | 120 | 138 | 230 | 279 | 550 |
| **EBITDA adjusted** | **485** | **466** | **947** | **916** | **1 796** |
| **Share of EBITDA Entra OPF** | | 1 | | 2 | 18 |
| **EBITDA adjusted for share of Entra OPF** | **485** | **466** | **947** | **918** | **1 814** |
| Interest cost | 123 | 146 | 249 | 297 | 589 |
| Other finance expense | 7 | 4 | 12 | 8 | 23 |
| **Applicable net interest cost** | **131** | **150** | **260** | **305** | **613** |
| **Interest Coverage Ratio (ICR)** | **3.7** | **3.1** | **3.6** | **3.0** | **3.0** |

# 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.

| | Summary table EPRA performance measures | Unit | Q2-18 / 30.06.2018 | Q2-17 / 30.06.2017 |
|---|---|---|---|---|
| A | EPRA earnings per share (EPS) | NOK | 1.5 | 1.4 |
| B | EPRA NAV per share | NOK | 136 | 117 |
| | EPRA triple net asset value per share (NNNAV) | NOK | 126 | 108 |
| C | EPRA net initial yield | % | 4.9 | 5.2 |
| | EPRA, "topped-up" net initial yield | % | 4.9 | 5.2 |
| D | EPRA vacancy rate | % | 3.2 | 2.3 |
| E | EPRA cost ratio (including direct vacancy costs | % | 13.0 | 14.4 |
| | EPRA cost ratio (excluding direct vacancy costs) | % | 11.6 | 12.5 |

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

## A. EPRA EARNINGS

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

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 |
|---|---|---|---|---|---|
| Profit for period/year - Earnings per IFRS income statement | 694 | 1 246 | 1 428 | 2 290 | 4 514 |
| **Add:** | | | | | |
| Changes in value of investment properties | -489 | -1 078 | -846 | -1 947 | -3 460 |
| Tax on changes in value of investment properties* | 112 | 259 | 195 | 467 | 830 |
| Reversal of deferred tax arising from sales of properties (tax exempt) | 2 | -124 | -68 | -147 | -416 |
| Changes in value of financial instruments | 30 | -36 | -105 | -35 | -87 |
| Tax on changes in value of financial instruments* | -7 | 9 | 24 | 8 | 21 |
| Profit or losses on projects in Oslo S Utvikling | -28 | -3 | -51 | -10 | -25 |
| Share of profit jointly controlled entities – fair value adjustments | 0 | -10 | 0 | -168 | -260 |
| Reversal of deferred tax EPRA adjustments jointly controlled entities* | 10 | 3 | 12 | 43 | 59 |
| Net income non-controlling interests of subsidiaries | -22 | -18 | -46 | -27 | -44 |
| Reversal of tax non-controlling interests of subsidiaries* | 5 | 4 | 10 | 6 | 10 |
| Significant one-off items** | -40 | 0 | -40 | 0 | 0 |
| Change in tax rate*** | 0 | 0 | 0 | 0 | -189 |
| Tax payable | 1 | 3 | 3 | 3 | 5 |
| **EPRA earnings** | **269** | **256** | **517** | **483** | **960** |
| Reversal of tax adjustment above | -85 | -154 | -137 | -381 | -320 |
| Reversal of change in deferred tax from income statement | 147 | 195 | 266 | 453 | 507 |
| Reversal of tax payable from income statement | 2 | 5 | 5 | 5 | 8 |
| Reversal of tax JVs | 1 | 3 | 0 | 42 | 64 |
| **EPRA earnings before tax** | **335** | **305** | **651** | **601** | **1 219** |

* 23 per cent from Q1 2018, 24 per cent previous periods.
** Significant one-off items relate to an adjustment of the deferred tax liability
*** From 24 per cent to 23 per cent for 2017 figures.

## B. NET ASSET VALUE – EPRA NAV AND EPRA NNNAV

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

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

| All amounts in NOK million | Q2-18 | Q2-17 | 2017 |
|---|---|---|---|
| **Total equity** | **21 495** | **17 086** | **18 938** |
| Less: Non-controlling interests | 1 677 | 419 | 433 |
| **NAV per financial statement** | **19 818** | **16 667** | **18 505** |
| Add: Adjustment to property portfolio | 1 | 1 | 1 |
| Add: Revaluation of investments made in the JV | 997 | 1 007 | 980 |
| Add: Net market value on financial derivatives | 153 | 363 | 307 |
| Add: Deferred tax arising on revaluation moments | 4 045 | 3 496 | 3 580 |
| **EPRA NAV** | **25 014** | **21 534** | **23 372** |
| Market value on property portfolio | 43 671 | 37 554 | 40 036 |
| Tax value on property portfolio | 17 361 | 15 057 | 15 869 |
| Basis for calculation of tax on gain on sale | 26 311 | 22 497 | 24 167 |
| **Less: Market value of tax on gain on sale (5% tax rate)** | **1 316** | **1 125** | **1 208** |
| Net market value on financial derivatives | 153 | 363 | 307 |
| Tax expense on realised financial derivatives* | 35 | 87 | 71 |
| **Less: Net result from realisation of financial derivatives** | **118** | **276** | **236** |
| Market value of interest bearing debt | 18 251 | 18 044 | 18 449 |
| Nominal value of interest bearing debt | 17 917 | 17 617 | 18 042 |
| Basis for calculation of tax on realisation of interest bearing debt | 334 | 427 | 407 |
| **Less: Market value of tax on realisation*/**** | **77** | **102** | **94** |
| **Less: Net result from realisation of interest bearing debt**** | **257** | | |
| **Less: MV of tax on gain on sale (5% tax rate) & realisation of financial derivatives in JVs** | **127** | **156** | **169** |
| **EPRA NNNAV** | **23 196** | **19 876** | **21 665** |

* 23 per cent from 31.12.2017, 24 per cent from 31.12.2016
** Changed principle as a result of implementation of IFRS 15. Interest bearing debt is accounted to amortised cost in reported equity from 1 January 2018.

## C. EPRA NET INITIAL YIELD

EPRA Net initial yield measures the 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 "topped-up" net initial yield incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

| All amounts in NOK million | Oslo | Trondheim | Sandvika | Stavanger | Drammen | Bergen | Total |
|---|---|---|---|---|---|---|---|
| Investment property - wholly owned | 28 151 | 4 400 | 2 818 | 1 170 | 249 | 1 439 | 38 227 |
| Investment property - share of JVs/Funds | 0 | 0 | 0 | 544 | 1 057 | 1 234 | 2 835 |
| **Total property portfolio** | **28 151** | **4 400** | **2 818** | **1 714** | **1 306** | **2 673** | **41 062** |
| Less projects and land and developments | -1 505 | -619 | -179 | -98 | 0 | -75 | -2 475 |
| **Completed management portfolio** | **26 646** | **3 781** | **2 639** | **1 616** | **1 306** | **2 598** | **38 587** |
| Allowance for estimated purchasers` cost | 51 | 14 | 10 | 4 | 5 | 6 | 90 |
| **Gross up completed management portfolio valuation** | **26 697** | **3 795** | **2 649** | **1 620** | **1 311** | **2 605** | **38 676** |
| | | | | | | | |
| 12 months rolling rent | 1 373 | 221 | 154 | 105 | 83 | 136 | 2 072 |
| Estimated ownership cost | 117 | 21 | 11 | 7 | 5 | 13 | 175 |
| **Annualised net rents** | **1 256** | **200** | **142** | **98** | **77** | **124** | **1 897** |
| Add: Notional rent expiration of rent free periods or other lease incentives | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Topped up net annualised net rents** | **1 256** | **200** | **142** | **98** | **77** | **124** | **1 897** |
| **EPRA NIY (net initial yield)** | **4.7%** | **5.3%** | **5.4%** | **6.0%** | **5.9%** | **4.7%** | **4.9%** |
| **EPRA "topped-up" NIY (net initial yield)** | **4.7%** | **5.3%** | **5.4%** | **6.0%** | **5.9%** | **4.7%** | **4.9%** |

## D. EPRA VACANCY

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

| All amounts in NOK million | Oslo | Trondheim | Sandvika | Stavanger | Drammen | Bergen | Total |
|---|---|---|---|---|---|---|---|
| Market rent vacant areas | 50 | 5 | 1 | 3 | 3 | 7 | 69 |
| Total market rent | 1 488 | 226 | 133 | 96 | 75 | 150 | 2 168 |
| **Vacancy** | **3.35%** | **2.14%** | **0.57%** | **2.96%** | **4.22%** | **4.95%** | **3.18%** |

## E. EPRA COST RATIO

Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.

| All amounts in NOK million | Q2-18 | Q2-17 | YTD Q2-18 | YTD Q2-17 | 2017 |
|---|---|---|---|---|---|
| Maintenance | -11 | -8 | -18 | -14 | -40 |
| Total operating costs | -31 | -33 | -68 | -63 | -121 |
| Administrative costs | -36 | -36 | -80 | -79 | -163 |
| Share of joint ventures expenses | 0 | -3 | 0 | -4 | -11 |
| Less: Ground rent cost | 6 | 4 | 11 | 9 | 12 |
| **EPRA Cost (including direct vacancy cost)** | **-72** | **-76** | **-155** | **-151** | **-323** |
| Direct vacancy cost | -7 | -11 | -15 | -15 | -28 |
| **EPRA Cost (excluding direct vacancy cost)** | **-65** | **-65** | **-140** | **-136** | **-296** |
| **Gross rental income less ground rent** | **558** | **517** | **1 103** | **1 042** | **2 075** |
| Share of joint ventures and fund (GRI) | 0 | 7 | 0 | 14 | 40 |
| **Total gross rental income less ground rent** | **558** | **524** | **1 103** | **1 056** | **2 114** |
| **Epra cost ratio (including direct vacancy cost)** | **13.0%** | **14.4%** | **14.0%** | **14.3%** | **15.3%** |
| **Epra cost ratio (excluding direct vacancy cost)** | **11.6%** | **12.3%** | **12.7%** | **12.9%** | **14.0%** |

For further information about EPRA, go to www.epra.com.

# Definitions

| | |
|---|---|
| 12 months rolling rent | - The contractual rent of the management properties of the Group for the next 12 months as of a certain date, adjusted for (i) signed new contracts and contracts expiring during such period, (ii) contract based CPI adjustments based on Independent Appraisers' CPI estimates and (iii) the Independent Appraisers' estimates of letting of current and future vacant areas. |
| Cash Earnings | - Net income from property management less tax payable |
| Contractual rent | - Annual cash rental income being received as of relevant date |
| Gross yield | - 12 months rolling rent divided by the market value of the management portfolio |
| 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 |
| Independent Appraisers | - Akershus Eiendom and Cushman & Wakefield Realkapital |
| Land and dev. properties | - Property / plots of land with planning permission for development |
| Like-for-like | - The percentage change in rental income from one period to another given the same income generating property portfolio in the portfolio. The figure is thus adjusted for purchases and divestments of properties and active projects |
| Loan-to-value ("LTV") | - Net nominal value of interest bearing debt divided by the market value of the property portfolio and the market value of the jointly controlled entity Entra OPF. From Q1-18 Entra OPF is a consolidated entity and the full market value is included in the LTV. |
| 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 Appraisers |
| Market value of portfolio | - The market value of all the properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes. Does not include the market value of properties in associates and jointly controlled entities |
| Net Income from property management | - Net income from property management is calculated as Net Income less value changes, tax effects and other income and other cost from associates and JVs |
| Net letting | - Net letting is calculated as the annualised rent of new lease contracts plus lease-up on renegotiated contracts less terminated contracts |
| Net rent | - 12 months rolling rent less the Independent Appraisers' estimate of ownership costs of the management properties of the Group |
| Net yield | - Net rent divided by the market value of the management properties of the Group |
| Occupancy | - Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio. |
| Period-on-period | - Comparison between one period and the equivalent period the previous year |
| Property portfolio | - Properties owned by the parent company and subsidiaries, regardless of their classification for accounting purposes. Does not include the market value of properties in associates and jointly controlled entities |
| Project properties | - Properties where it has been decided to start construction of a new building and/or refurbishment |
| 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, including areas that have been re-let and signed new contracts, adjusted for termination rights and excluding any renewal options, divided by Contractual Rent, including renewed and signed new contracts |

# Other information

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## Financial calendar

| | |
|---|---|
| Third quarter 2018 | 18.10.2018 |
| Fourth quarter 2018 | 08.02.2019 |


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