



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 999 326 633
Organisasjonsform: Aksjeselskap
Foretaksnavn: UNION REAL ESTATE FUND HOLDING AS
Forretningsadresse: v/UNION Eiendoms kapital AS
Bolette brygge 1
0252 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Bjørn Henningsen
Dato for fastsettelse av årsregnskapet: 27.03.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 02.07.2021



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Sum inntekter		0	0
Kostnader			
Annen driftskostnad		9 598 452	16 151 485
Sum kostnader		9 598 452	16 151 485
Driftsresultat		-9 598 452	-16 151 485
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		12 710 116	140 000 326
Renteinntekt fra foretak i samme konsern		941 888	1 202 255
Verdiøkning av markedsb. finansielle oml.m		-8 359 063	-8 577 764
Sum finansinntekter		5 292 941	132 624 817
Rentekostnad til foretak i samme konsern		217 176	4 325 552
Annen rentekostnad		1 554 972	
Annen finanskostnad		-172 068	
Sum finanskostnader		1 600 080	4 325 552
Netto finans		3 692 861	128 299 265
Ordinært resultat før skattekostnad		-5 905 591	112 147 779
Skattekostnad på ordinært resultat		-6 944 759	9 126 326
Ordinært resultat etter skattekostnad		1 039 168	103 021 453
Årsresultat		1 039 168	103 021 453
Årsresultat etter minoritetsinteresser		1 039 168	103 021 453
Totalresultat		1 039 168	103 021 453
Overføringer og disponeringer			
Overf. fond for urealiserte gevinster		26 350 558	-8 577 765
Overføringer annen egenkapital		-25 311 390	111 599 221



Resultatregnskap

Beløp i: NOK	Note	2019	2018
Sum overføringer og disponeringer		1 039 168	103 021 456



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel		8 800 000	1 265 803
Sum immaterielle eiendeler		8 800 000	1 265 803
Finansielle anleggsmidler			
Investering i datterselskap		454 072 157	562 966 215
Investeringer i tilknyttet selskap		63 301 098	63 012 914
Andre langsiktige fordringer		24 078 154	22 282 754
Sum finansielle anleggsmidler		541 451 409	648 261 883
Sum anleggsmidler		550 251 409	649 527 686
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer			700 000
Andre kortsiktige fordringer		5 813 919	5 075 885
Konsernfordringer		14 814 125	37 023
Sum fordringer		20 628 044	5 812 908
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		155 704	34 246 940
Sum bankinnskudd, kontanter og lignende		155 704	34 246 940
Sum omløpsmidler		20 783 748	40 059 848
SUM EIENDELER		571 035 157	689 587 534

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2019	2018
Selskapskapital		30 890 519	30 890 519
Overkurs		173 516 691	237 633 468
Sum innskutt egenkapital		204 407 210	268 523 987
Opptjent egenkapital			
Fonds		10 714 290	78 513 742
Annen egenkapital		177 814 037	139 065 279
Sum opptjent egenkapital		188 528 327	217 579 021
Sum egenkapital		392 935 537	486 103 008
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld		4 600 000	9 055 228
Sum annen langsiktig gjeld		4 600 000	9 055 228
Sum langsiktig gjeld		4 600 000	9 055 228
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		7 288 269	
Leverandørgjeld		70 486	1 122 867
Skyldig offentlige avgifter		-850 950	629 030
Kortsiktig konserngjeld		13 361 320	
Annen kortsiktig gjeld		153 630 495	192 677 405
Sum kortsiktig gjeld		173 499 620	194 429 302
Sum gjeld		178 099 620	203 484 530
SUM EGENKAPITAL OG GJELD		571 035 157	689 587 538



Konsernets resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Net rental and related income		59 686 000	151 958 000
Other income		1 803 000	1 054 000
Adjustment to value of investment property		-2 284 000	-90 278 000
Profit/(loss) sale of property		-8 103 000	16 566 000
Sum inntekter		51 102 000	79 300 000
Kostnader			
General and administrative expenses		20 063 000	43 339 000
Sum kostnader		20 063 000	43 339 000
Driftsresultat		31 039 000	35 961 000
Finansinntekter og finanskostnader			
Financial income		630 000	1 423 000
Sum finansinntekter		630 000	1 423 000
Financial costs		31 734 000	51 704 000
Share of net profit /(loss) form joint ventures		-288 000	-2 683 000
Sum finanskostnader		31 446 000	49 021 000
Netto finans		-30 816 000	-47 598 000
Ordinært resultat før skattekostnad			
Income tax expense		501 000	-134 181 000
ørediff			-1 000
Ordinært resultat etter skattekostnad		-278 000	122 545 000
Årsresultat		-278 000	122 545 000
Årsresultat etter minoritetsinteresser		-278 000	122 545 000
Totalresultat		-278 000	122 545 000
Overføringer og disponeringer			



Konsernets resultatregnskap

Beløp i: NOK	Note	2019	2018
Total comprehensive income attributable to		-278 000	122 545 000
Sum overføringer og disponeringer		-278 000	122 545 000



Konsernets balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Investments property		1 271 965 000	1 302 414 000
Sum varige driftsmidler		1 271 965 000	1 302 414 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap		63 301 000	63 013 000
Sum finansielle anleggsmidler		63 301 000	63 013 000
Sum anleggsmidler		1 335 266 000	1 365 427 000
Omløpsmidler			
Varer			
Fordringer			
Accounts receivable		1 231 000	2 694 000
Other receivables		15 846 000	1 561 000
Investments property held for sale			38 914 000
Sum fordringer		17 077 000	43 169 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents		20 132 000	132 606 000
ørediff			1 000
Sum bankinnskudd, kontanter og lignende		20 132 000	132 607 000
Sum omløpsmidler		37 209 000	175 776 000
SUM EIENDELER		1 372 475 000	1 541 203 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Konsernets balanse

Beløp i: NOK	Note	2019	2018
Innskutt egenkapital			
Issued capital		30 891 000	30 891 000
Overkurs		299 015 000	363 132 000
Sum innskutt egenkapital		329 906 000	394 023 000
Opptjent egenkapital			
Retained earnings		63 030 000	92 080 000
ørediff			
Sum opptjent egenkapital		63 030 000	92 080 000
Minoritetsinteresser		13 288 000	22 877 000
Sum egenkapital		406 224 000	508 980 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt		14 529 000	14 027 000
Other long term liabilities			168 000
Sum avsetninger for forpliktelser		14 529 000	14 195 000
Annen langsiktig gjeld			
Interest-bearing loans and borrowings		778 715 000	792 310 000
ørediff		-1 000	1 000
Sum annen langsiktig gjeld		778 714 000	792 311 000
Sum langsiktig gjeld		793 243 000	806 506 000
Kortsiktig gjeld			
Leverandørgjeld		4 944 000	5 455 000
Liabilities for current tax			
Other current liabilities		160 776 000	203 669 000
Interest-bearing loans and borrowings		7 288 000	16 592 000
ørediff			1 000
Sum kortsiktig gjeld		173 008 000	225 717 000
Sum gjeld		966 251 000	1 032 223 000
SUM EGENKAPITAL OG GJELD		1 372 475 000	1 541 203 000



Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 12.02.2014	Vår dato 25.02.2014
Telefon 22 66 11 14	Deres referanse Jannecke Vinjum	Vår referanse 2014/98637

UNION REAL ESTATE FUND HOLDING AS
v/UNION Eiendomskapital AS Postboks 1715 Vika
0121 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Union Real Estate Fund Holding AS, org.nr. 999 326 633

- Vi viser til deres brev av 12. februar 2014, samt utfyllende opplysninger gitt i e-post, hvor dere søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for ovennevnte selskap. Søknaden gjelder fra og med regnskapsåret 2014.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Union Real Estate Fund Holding AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Union Real Estate Fund Holding AS er et eiendomsfond. I 2014 vil anslagsvis 70 % av eierne være utenlandske investorer. All rapportering og kommunikasjon foregår i hovedsak på engelsk. Hovedtyngden av brukerne er utenlandske eller benytter engelsk som arbeidsspråk. Søknaden gjelder kun selskapsregnskapet og konsernregnskapet til Union Real Estate Fund Holding AS. Underliggende datterselskaper utarbeider årsregnskap og årsberetning på norsk

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal ”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal

Postadresse Postboks 9200 Grønland 0134 Oslo	Besøksadresse: Se www.skatteetaten.no Org.nr: 996250318 E-post: skatteetaten.no/sendepost	Sentralbord 800 80 000 Telefaks 22 17 08 60
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gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

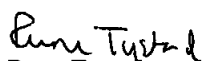
Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet hovedsakelig retter seg mot utenlandske investorer og at arbeidsspråket er engelsk. Videre er det vektlagt at ingen vesentlige brukere blir negativt berørt.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

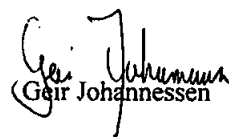


Rune Tystad

seniorrådgiver

Rettsavdelingen, foretaksskatt

Skattedirektoratet


Geir Johannessen



RSM Norge AS

To the General Meeting of UNION Real Estate Fund Holding AS

Filipstad Brygge 1, 0252 Oslo
Pb 1312 Vikka, 0112 Oslo
Org.nr: 982 316 588 MVA

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UNION Real Estate Fund Holding AS, which comprise:

- The financial statements of the parent company UNION Real Estate Fund Holding AS (the Company) showing a profit of NOK 1 039 000, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of UNION Real Estate Fund Holding AS and its subsidiaries (the Group) showing a loss of NOK 278 000, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, 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.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

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RSM Norge AS or medlem av/ is a member of Den norske Revisorforening.

Pennco Dokumentnøkkel: YWHFH-VDSU5-AGHV0-US4U5-FWQK6-MTEGG



Independent Auditor's Report 2019 for UNION Real Estate Fund Holding AS



Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 March 2020
RSM Norge AS

Per-Henning Lie
State Authorised Public Accountant
(This document is signed electronically)

Pennco Dokumentnøkkel: YWHFH-VDSU5-AGHV0-US4U5-FWQK6-MTEGG



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De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Per-Henning Schulz Lie

Partner

På vegne av: RSM Norge AS

Serienummer: 9578-5997-4-211409

IP: 88.89.xxx.xxx

2020-03-27 13:14:37Z



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UNION Real Estate Fund Holding AS

Annual accounts

2019

Auditor's report

Director's report

Statement of comprehensive income

Statement of financial position at 31 December

Statement of changes in equity

Cash flow statement

Notes

Penneo Dokumentnøkkel: G8FJA-UEW3S-05PBE-800A0-SL8Q6-EFXC2



The board of directors report 2019 for UNION Real Estate Fund Holding AS

UNION Real Estate Fund Holding AS

Operational review

UNION Real Estate Fund Holding AS ("the Fund") was established in 2013 to focus on acquisition of commercial real estate properties primarily in Norway with the potential for value-add asset management through re-leasing, repositioning, refurbishment or expansion. The Fund will seek to continue the successful value-add investment strategy of UNION Eiendomskapital ("UNION") and is managed by UNION Eiendomskapital UREF AS. The Fund is now fully invested, but the Fund's investment strategy has been to make investments in mid-sized, multi-tenant, commercial properties that are located primarily in the larger Norwegian cities and display value creation potential over an expected two to five year holding period.

UNION Real Estate Fund Holding AS has invested a total of 44 commercial properties in Norway from 2013 until the end of 2017, whereas 34 properties were sold in the period 2015 to 2018, and 2 in 2019. The investment operations through 2019 were based on the Funds investment strategy outlined above in accordance with the investment committee and the Board of Directors.

Going concern

In accordance with the Accounting Act § 3-3a, the board of directors confirm that the financial statements have been prepared under the assumption of going concern. The Group's economic and financial position is sound.

Comments related to the financial statements

As of 31.12.2019 30 890 529 shares were issued in the Fund. The valuations of the properties as of December implied an increase in values of 18.4 % since acquisition.

The portfolio as of 31.12.2019 had a rental occupancy of approx. 90.2 %, and the average duration of the lease contracts were 4.9 years.

UNION Real Estate Fund Holding AS had an operating loss of MNOK 9.5 (2018: 14.6). The Group had an operating profit of MNOK 31.0 (2018: 36.0). Profit before tax was negative with MNOK 5.9 (2018:112.1) for the parent company and positive with MNOK 0.2 (2018: -11.6) for the Group. The Group net rental and related income was MNOK 59.7 (2018: 151.9) for the year 2019.

The Board of UNION Real Estate Fund Holding AS proposes that the positive total comprehensive income for the year of the parent company of MNOK 1.0 (2018: 103.0) is allocated as follows:

• Transferred from fund for unrealized gains	NOK - 67 799 000
• Transferred to retained earnings	NOK 68 839 000
• Net change in equity	NOK 1 039 000

The company's liquid assets are invested in a bank and considered to be low risk.



As per 31.12.2019 the parent company had a bank balance of MNOK 0.2 (2018: 34.2) and for the Group MNOK 20.1 (2018: 132.6).

The total capital pr. 31.12.2019 was MNOK 1,372.5 (2018: 1,541.2) for the Group. Long-term debt equals 57.80% (2018: 52.33 %) and short-term debt equals 12.61% (2018: 14.65 %). The equity ratio for the Group was 29.60% (2018: 33.02 %). Non-controlling interest represents 0.97% (2018: 1.48 %) of total assets.

Coronavirus disease (COVID-19) (“Coronavirus”)

The Directors have considered the potential impact of the Coronavirus outbreak on the valuation of underlying assets held by the Company. The stock markets have fallen dramatically and further disruptions, particularly in the travel and hospitality sectors are occurring.

In terms of real estate assets, the Coronavirus is unlikely to have a direct material impact on valuations as at the statement of financial position date due to the longer-term nature of the asset class. However, should the situation worsen, including but not limited to tenant defaults, insolvent counterparties or supply issues the future valuation models will be updated on a case-by-case basis. The Directors are carefully monitoring the situation and will consult with the Partnership’s advisers to ensure that any impacts are reflected appropriately.

Environment and equality

The parent company and the Group do not pollute the environment beyond what is normal for the operations of the Group. Waste and emissions arising from operations are treated under applicable laws and regulations. The company does not discriminate between the sexes and believe that equality is safeguarded thus no specific measures is implemented.

Financial risk

Market risk

The company is exposed to effects related to macro-economic conditions and local market conditions. This could lead to changes in rent levels, occupancy rate and value of the properties. There has been increasing focus on location as investment criteria over the past years.

UNION Real Estate Fund Holding AS is exposed to changes in interest rates. Total liabilities to credit institutions in UNION Real Estate Fund Holding AS are per 31.12.2019 MNOK 778.9 (grossed amount). Of the total debt to credit institutions, MNOK 31.9 where hedged per 31.12.2019. Average interest rate on the loan portfolio was per 31.12.2019 3.99% (2018: 3.25 %) (including margin). 54.9% of the loan portfolio matures in 2020 and the remaining 45.1% of the loan portfolio matures in 2021 or later.

UNION Real Estate Fund Holding AS complies with all covenants per 31.12.2019.

Credit risk

The Fund has risks associated with its tenants on the properties. The tenants economy and financial strength, and thus their ability to serve the rent, has great significance for the risk associated with the loss of rent/income. The risk of vacancy depends to a large extent on the economic conditions. Vacancy in a property will lead to loss of rental income, and cause the fund to cover the missing common costs. The fund strives to achieve a bank guarantee or rent deposit upon signing or renegotiating lease contracts.



Risk of liquidity

The Board assesses the Funds liquidity as satisfactory and it strives to have a liquidity buffer in case unforeseen things arise through daily operation of the properties.

Research and development

UNION Real Estate Fund Holding AS has no research and development activities.

Future development

The Norwegian economy has improved over the last years, however due to the Coronavirus the macroeconomic indicators are more uncertain for the time being. The underlying Norwegian macroeconomic situation is however good and if the situation returns to normal within some weeks we still believe investments in real estate in Norway are attractive long-term investment opportunities due to factors such as strong public finances and a favorable demographic development.

The Board is not aware of any other incidents that has occurred which may impact the Company's annual results or financial position.

Oslo, 27 March 2020

Bjørn Henningsen
Chairman

Lars Even Moe
Board member

Øystein A. Landvik
Board member

Penneo Dokumentnøkkel: C8FJA-UEW3S-O5PBE-8Q0A0-SL8Q6-EFXC2



UNION Real Estate Fund Holding AS

Statement of comprehensive income

Parent company				Consolidated group	
2019	2018	All amounts in NOK 1 000	Note	2019	2018
-	-	Gross rental income		85 177	178 242
-	-	Property operating expenses		(25 491)	(26 284)
-	-	Net rental and related income	10	59 686	151 958
-	-	Other income		1 803	1 054
-	-	Profit/(loss) sale of property		(8 103)	16 566
-	-	Adjustment to value of investment property	10	(2 284)	(90 278)
(9 479)	(14 626)	General and administrative expenses	5 6 14 18	(20 063)	(43 339)
(9 479)	(14 626)	Operating profit		31 039	35 961
13 480	141 203	Financial income	16	630	1 423
(8 475)	(11 261)	Change in fair value shares		-	-
(1 720)	(5 852)	Financial costs	5	(31 734)	(51 704)
288	2 683	Share of net profit/(loss) from joint ventures	16	288	2 683
3 573	126 773	Net financial items	7	(30 816)	(47 597)
(5 907)	112 147	Profit before tax		223	(11 636)
6 945	(9 126)	Income tax expense	8	(501)	134 181
1 039	103 021	Profit for the year		(278)	122 545
		Other comprehensive income			
-	-	Net other comprehensive income		-	-
-	-	Tax related to other comprehensive income	8	-	-
1 039	103 021	Total comprehensive income for the year		(278)	122 545
		Profit for the year attributable to:			
		Equity holders of the parent company		1 639	103 022
		Non-controlling interests		(1 917)	19 523
				(278)	122 545
		Total comprehensive income attributable to:			
		Equity holders of the parent company		1 639	103 022
		Non-controlling interests		(1 917)	19 523
				(278)	122 545

Penneo Dokumentnøkkel: C8FJA-UFW3S-05PBE-800A0-SL8Q6-EFXC2



UNION Real Estate Fund Holding AS

Statement of financial position at 31 December

Parent company		All amounts in NOK 1 000	Note	Consolidated group	
2019	2018			2019	2018
ASSETS					
Non-current assets					
-	-	Investment property	3 4 10 11	1 271 965	1 302 414
454 072	562 966	Investments in subsidiaries	2 9 15	-	-
24 078	22 283	Loans to group companies		-	-
63 301	63 013	Investments in joint ventures	9 16	63 301	63 013
8 800	1 266	Deferred tax assets	8	-	-
550 251	649 528	Total non-current assets		1 335 266	1 365 427
Current assets					
-	-	Investment property held for sale		-	38 914
-	737	Accounts receivable	9 12	1 231	2 694
20 628	5 076	Other receivables	9 12	15 846	1 561
156	34 247	Cash and cash equivalents	9 12 17	20 132	132 606
20 784	40 060	Total current assets		37 210	175 776
571 035	689 588	TOTAL ASSETS		1 372 475	1 541 203
EQUITY AND LIABILITIES					
Equity					
Paid in capital					
30 891	30 891	Issued capital	5 14	30 891	30 891
173 517	237 633	Share premium		299 016	363 132
204 407	268 524	Total paid in capital		329 906	394 023
Accumulated profits					
10 714	78 514	Fund for unrealised gains		-	-
177 814	139 065	Retained earnings		63 030	92 080
188 528	217 579	Total accumulated profits		63 030	92 080
-	-	Non-controlling interests	15	13 288	22 877
392 936	486 103	Total equity		406 224	508 980
Non-current liabilities					
-	-	Interest-bearing loans and borrowings	9 13 14 17	778 715	792 310
4 600	9 055	Liabilities to group companies		-	-
-	-	Deferred tax liabilities	8	14 529	14 027
-	-	Other long term liabilities		-	168
4 600	9 055	Total non-current liabilities		793 243	806 506
Current liabilities					
7 288	-	Current interest-bearing loans and borrowings	9 13 14 17	7 288	16 592
70	1 123	Accounts payable	9 12 14	4 944	5 455
-	-	Liabilities for current tax	8 9	-	-
166 141	193 306	Other current liabilities	9 12 14	160 776	203 669
173 500	194 429	Total current liabilities		173 008	225 717
178 100	203 485	Total liabilities		966 252	1 032 223
571 035	689 588	TOTAL EQUITY AND LIABILITIES		1 372 475	1 541 203

The Board of UNION Real Estate Fund Holding AS
Oslo, 27 March 2020

Lars Even Moe
Board member

Bjørn Henningsen
Chair

Øystein A. Landvik
Board member



UNION Real Estate Fund Holding AS

Statement of changes in equity

All amounts in NOK 1 000

	Note	Attributable to parent company equity holders				Total equity
		Share capital	Share premium	Retained earnings	Non-controlling interests	
Consolidated group						
Equity as at 31.12 2017		30 891	723 451	788 755	100 199	1 643 296
Dividends distributed		-	(360 318)	(799 697)	(96 845)	(1 256 860)
Total comprehensive income		-	-	103 022	19 523	122 545
Equity as at 31.12 2018		30 891	363 132	92 080	22 877	508 980
Dividends distributed		-	(64 117)	(30 690)	(7 672)	(102 478)
Total comprehensive income		-	-	1 639	(1 917)	(278)
Equity as at 31.12 2019		30 891	299 016	63 030	13 288	406 224
Parent company						
Equity as at 31.12 2017		30 891	597 952	849 883	64 372	1 543 097
Dividends distributed		-	(360 318)	-	(799 697)	(1 160 015)
Total comprehensive income		-	-	(771 369)	874 390	103 022
Equity as at 31.12 2018		30 891	237 633	78 514	139 065	486 103
Share issue		-	-	-	-	-
Dividends distributed		-	(64 117)	-	(30 690)	(94 806)
Total comprehensive income		-	-	(67 799)	68 839	1 039
Mergers		-	-	-	600	600
Equity as at 31.12 2019		30 891	173 517	10 714	177 814	392 936

Penneo Dokumentnøkkel: 68FJA-UEW3S-05PBE-800A0-SL8Q6-EFXC2



UNION Real Estate Fund Holding AS

Statement of cash flows

Parent company		All amounts in NOK 1 000	Note	Consolidated group	
2019	2018			2019	2018
Cash flow from operating activities					
(5 907)	112 147	Profit before tax for the year from total operations	223	(11 636)	
8 187	8 578	Change in value shares	(288)	(2 683)	
-	(132 824)	(Profit)/loss sale of shares	-	-	
-	-	Tax payment	-	(1 945)	
-	-	Adjustment to value of investment property	2 284	90 278	
-	-	(Profit) / loss sale of property	8 103	(16 566)	
737	6 519	(Increase)/decrease in accounts receivable	1 463	9 089	
(15 552)	176 350	(Increase)/decrease in other receivables	(14 284)	246 363	
(1 052)	(2 240)	Increase/(decrease) in accounts payable	(512)	(5 363)	
(39 769)	(31 402)	Increase/(decrease) in other current liabilities	(45 688)	(25 951)	
2 795	10 946	Provision for performance fee to manager	2 795	10 946	
(50 561)	148 073	Net cash flow from operating activities	(45 905)	292 530	
Cash flows from investing activities					
-	-	Purchase of investment property	(5 395)	(5 979)	
-	-	Sale of properties	64 371	2 060 203	
-	524 656	Sale of subsidiaries	-	-	
100 350	609 875	Repayment of investments in subsidiaries / distributions	-	-	
-	(1 144)	Acquisition of subsidiaries	-	-	
3 638	(55 867)	(Increase)/decrease in intercompany loan	-	-	
-	-	Payment for investment in joint venture	-	-	
103 988	1 077 521	Net cash flow used in investing activities	58 977	2 054 224	
Cash flows from financing activities					
-	-	Proceeds from issue of share capital	-	-	
(94 806)	(1 160 015)	Dividend	(102 478)	(1 256 860)	
7 288	-	Proceeds from borrowings	7 288	-	
-	(31 332)	Repayment of borrowings	(30 356)	(1 015 827)	
(87 518)	(1 191 347)	Net cash flow from financing activities	(125 546)	(2 272 688)	
(34 091)	34 247	Net increase/(decrease) in cash and cash equivalents	(112 474)	74 066	
34 247	-	Cash and cash equivalents at beginning of period	132 606	58 540	
156	34 247	Cash and cash equivalents at end of period	20 132	132 606	

Penneo Dokumentnøkkel: G8FJA-UJW3S-OSPB8-800A0-SL8Q6-EFXC2



UNION Real Estate Fund Holding AS

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1 Summary of significant accounting policies

UNION Real Estate Fund Holding AS is a limited company, incorporated in Norway, headquartered in Oslo. Address headquarter: c/o UNION Eiendomskapital AS, Bolette Brygge 1, 0252 Oslo, Norway.

The combined consolidated financial statements of the consolidated group and parent company of UNION Real Estate Fund Holding AS for the fiscal year 2019 were approved in the board meeting at 27.03.2020.

The Group is engaged in the development, letting, management, operation, purchase and sale of office and retail properties in Norway. UNION Real Estate Fund Holding AS is managed by UNION Eiendomskapital UREF AS (the Manager).

The Group is ultimately controlled by UNION Real Estate Fund AS, domiciled in Norway, which holds 79,5 % of the shares of UNION Real Estate Fund Holding AS.

1.1 Basis for preparation of the annual accounts

The UNION Real Estate Fund Holding AS' annual accounts, consisting of the annual accounts of the parent company and the Group's consolidated financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2019, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2019.

The annual accounts are based on historical cost, with the exception of the following:

- Financial instruments measured at amortised cost or at fair value through profit or loss
- Investment properties which are assessed at their fair value.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

1.2 Functional currency and presentation currency

The functional currency and presentation currency for the parent company is NOK. The consolidated financial statements are presented in NOK.

1.3 Consolidation principles

(a) Subsidiaries

The Group's consolidated financial statements comprise UNION Real Estate Fund Holding AS and companies in which UNION Real Estate Fund Holding AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50 % of the shares in the company and can exercise control over the company. Non-controlling interests are included in the Group's equity.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the income statement.



UNION Real Estate Fund Holding AS

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Acquisition of subsidiaries that are not considered to represent business combinations as defined in IFRS 3, for example the acquisition of a “Single Purpose” subsidiary that only owns a property and neither has employees, management or significant processes, are recognised as an acquisition of an asset. The cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. In such circumstances there is no recognition of deferred tax.

The Group management is of the opinion that the acquisition of all existing subsidiaries is considered not to represent business combinations.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Whenever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The consideration is recognised at fair value and the difference between the consideration and the carrying amount of the asset is recognised at the equity attributable to the parent.

In cases where changes in the ownership interest of a subsidiary lead to loss of control, the consideration is measured at fair value. Assets and liabilities of the subsidiary and non-controlling interest at their carrying amounts are derecognised at the date when the control is lost. Differences between the consideration and the carrying amount of the asset are recognised as a gain or loss in profit or loss.

(b) Associates and joint ventures

The Group has investments in associates and joint ventures. Associates are entities over which the Group has significant influence, but not control or joint control over the financial and operating management.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether the Group has joint control or significant influence over an entity are similar to those necessary to determine control over subsidiaries.

Associates and joint ventures are accounted for using the equity method from the date when significant influence or joint control is achieved until such influence ceases.

Investments in an associates or joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date.

The statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

If there are indication of that the investment in the associate or joint venture is impaired, the Group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate and a joint venture in the statement of profit or loss.

If the Group’s share of the loss surpass the carrying amount of the associate, the carrying amount is set to zero and further loss is not recognised unless the Group has an obligation to make up for the loss.



UNION Real Estate Fund Holding AS

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Upon loss of significant influence over the associate or joint control over the joint venture, and as such the equity method ceases, the Group measures and recognises any retained investment at its fair value. It will not be performed a new measurement of remaining ownership interests if the equity method is still applicable, for example by transition from an associate to a joint venture.

(c) Other investments

All other investments are recognised in accordance with IFRS 9 Financial Instruments, and additional information are provided in notes 3 and 9.

(d) Inter-company transactions and balances

Inter-company transactions and inter-company balances, including internal profits and unrealised gains and losses, are eliminated. Correspondingly, unrealised losses are eliminated but only to the extent that there are no indications of impairment in the value of the asset that has been sold internally.

(e) Non-controlling interests

The non-controlling interest in the consolidated financial statements is the non-controlling interest's share of the carrying amount of the equity. In a business combination are the non-controlling interests measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The subsidiary's profit and loss is together with the separate components of other comprehensive income, is attributable to the owners of the parent company and the non-controlling interests. The comprehensive income is attributable to the owners of the parent company and to the non-controlling interest even though this leads to negative non-controlling interests.

1.4 The use of estimates and assessment of accounting policies when preparing the annual accounts

1.4.1 Estimates and assumptions

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

1.4.2 Judgements

The management has, when preparing the financial statements; made certain significant assessments based on critical judgement when it comes to application of the accounting principles. The following items have been subjected to a significant level of judgement when applying the accounting principles:

- Investment property valuation (further information in notes 3, 9, 10 and 13)
- Fair value of investments in subsidiaries (notes 2, 3 and 9)
- Investments in joint ventures and associates at equity value (notes 3, 9 and 16)
- Financial liabilities including interest rate derivatives (notes 3, 9 and 13)



UNION Real Estate Fund Holding AS

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1.5 Revenue recognition

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

The Group's revenue includes rental income from investment properties, other income and proceeds from the sale of properties.

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. The revenue is measured net of any value added tax. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period, are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis.

Any overhead costs are recognised in the balance sheet along with payments from the tenants and consequently this has no effect on the result.

Other income is recorded as income in the periods in which it is earned.

Proceeds received on the sale of properties are recognised within Revenue when the significant risks and rewards of ownership have been transferred to the buyer.

1.6 Segments

UNION Real Estate Fund Holding's operations consist primarily of ownership and management of commercial properties in Norway. There are no significant differences in risk and profitability in areas where the company operates. The Company and the Group operates in one business segment and one geographical market, thus no further segment information will be prepared.

1.7 Borrowing costs related to construction and rehabilitation

Borrowing costs are recognised in the statement of comprehensive income when they arise. Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or rehabilitation of a non-current asset. The interest costs accrued during the period until the non-current asset is capitalised. Borrowing costs are capitalised until the date when the non-current asset is ready for its intended use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognised.

1.8 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset.

Accordingly to the exception in IAS 12 deferred tax is not recognised when buying a company that is not a business. A provision for deferred tax is made after subsequent increases and decreases in the value beyond initial cost.

Deferred tax and deferred tax assets are measured on the basis of the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset (non-current liabilities) in the statement of financial position.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.



UNION Real Estate Fund Holding AS

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1.9 Leases

The Group has applied IFRS 16 using the modified retrospective approach. The application of the new standard has not affected the preparation of the accounts.

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Separating components in the lease contract

For a contract that contains a lease component and one or more additional lease or non-lease components, The Group allocates the consideration in the contract applying the principles in IFRS 15 Revenue from Contracts with Customers.

Recognition of leases and income

For contracts where the Group acts as a lessor, it classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The group as a lessor does not have any finance leases.

Operating leases

For operating leases, the Group recognises lease payments as other income, mainly on a straight-line basis, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The Group recognises costs incurred in earning the lease income in other operating expenses. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognises those costs as an expense over the lease term on the same basis as the rental income.

1.10 Investment property

Investment property consists of properties (land, buildings or both) that are used to accrue rental income, to increase the value of capital or both. Investment properties are recognised at their fair value. The fair value equals the estimated market value without any deductions for expenses incurred in the case of any sale. Changes to the fair value are recognised in the statement of comprehensive income during the period when it arises.

The fair value is assessed annually, based on a valuation by an independent valuation expert that is qualified and has extensive experience of the area and the type of property that is valued. The valuation is prepared by discounting the total net annual rental income by a required rate of return that reflects the risk in net cash flows.

Transfers to or from the category of investment property are only carried out as a result of a change in the use of the property. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The difference that arises between the carrying amount and the fair value on the reclassification date is recognised directly in equity in the case of a gain. If the property is later sold, the gain is transferred to retained earnings. Losses which arise due to such a reclassification are recognised in the statement of profit or loss immediately.

1.11 Non-current assets held for sale and discontinued operations

Non-current assets and groups of non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sales transaction instead of through continued use. This is only regarded as having been fulfilled when a sale is highly probable and the non-current asset (or groups of non-current assets and liabilities) is available for immediate sale in its present form. The management must be committed to a sale and the sale must be expected to be carried out within one year after the classification date.

Non-current assets and groups of non-current assets and liabilities that are classified as held for sale are valued at the lower of their former carrying amount or fair value minus sales costs.



UNION Real Estate Fund Holding AS

Notes 2019

1.12 Financial assets and financial liabilities

Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit and loss.

Financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

The Group classifies its financial assets in the following categories: at fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) and at amortised cost.

(a) Debt instruments at amortised cost and effective interest method

Financial assets that is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and that 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, are measured subsequently at amortised cost.

Assets in this category with fixed or determinable payments that are not quoted in an active market, are included in current assets except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Assets in this category are subsequently measured at amortised cost using the effective interest (EIR) method and are subject to impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial. See note 9 for "accounts receivables" and "other receivables".

(b) Fair value through other comprehensive income (FVTOCI)

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

(c) Fair value through profit or loss (FVTPL)

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- a debt instrument or equity instrument held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or
- a derivative, or
- designated as such upon initial recognition where permitted.

Financial assets at FVTPL are initially recognised and subsequently measured at fair value on a recurring basis with gains or losses arising from changes in fair value recognised through gains in investments in the income statement. Dividends or interest earned on the financial asset are excluded from the gains on investments and recognised separately within finance income.



UNION Real Estate Fund Holding AS

Notes 2019

Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Otherwise, they are classified as non-current.

All investments in subsidiaries and joint ventures in the separate financial statements for the parent company, are measured at fair value through profit or loss. See notes 2, 3 and 9 for “investments in subsidiaries” and notes 9 and 16 for “joint arrangements”.

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss (FVTPL), and other financial liabilities.

(a) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include derivative liabilities and other financial liabilities designated as FVTPL.

A financial instrument is classified as at FVTPL if it is a derivative that is not designated and effective as a hedging instrument, or the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial liabilities are also classified as at FVTPL when the financial liability is held for trading.

Financial liabilities at FVTPL are initially recognised and subsequently measured at fair value on a recurring basis with gains or losses arising from changes in fair value recognised through gains in investments in the income statement. Interest paid on the financial instruments is excluded from the gains on investments and recognised separately within Finance costs

(b) Financial liabilities measured subsequently at amortised cost

Other financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method (“interest-bearing loans and borrowings”; notes 9, 11 and 13).

Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities (“accounts payable” and “other current liabilities”; notes 9 and 11).

Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the asset are transferred to another party. On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying value amount and the sum of the consideration received and receivable, is recognised in profit or loss. For financial assets classified at FVTOCI the cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity, is reclassified in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.



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Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For trade receivables, contract assets and lease receivables, the Group always recognise lifetime ELC. The ECL on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month ECL allowance is estimated. This represents a portion of the asset's lifetime ECL that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime ECL. The amount of ECL recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value.

In assessing fair value the Group uses its judgement to select suitable valuation techniques and make assumptions which are mainly based on market conditions existing at the balance sheet date.

A derivative with a positive fair value is recognised as a financial asset whilst a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non current asset or non current liability if the remaining maturity of the instrument is more than 12 months, otherwise a derivative will be presented as a current asset or current liability. Changes in fair values of derivatives are recognised immediately in the statement of profit and loss, classified as financial items.

Amounts paid under interest rate swaps, both on obligations as they fall due and on early settlement, are recognised in the income statement as finance costs. Fair value movements on revaluation of derivative financial instruments are shown in the income statement through changes in fair value of financial instruments.

The Group does not currently apply hedge accounting to its interest rate swaps.

See notes 3, 9 and 13 for "derivatives".

1.13 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted immediately into a known amount of cash and have a maximum term to maturity of three months.

1.14 Equity

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying economical realities.



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Interest, dividend, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments that are classified as equity will be recorded directly in equity.

Transaction costs directly related to an equity transaction are recognised directly in equity after deducting tax expenses.

1.15 Provisions

A provision is recognised when the Group has an obligation (legal or self-imposed) because a result of a previous event, it is probable (more likely than not) that a financial settlement will take place because a result of this obligation and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax that reflects the market is pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

1.16 Events after the reporting period

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

1.17 Application of new and amended standards

The following accounting standards or interpretations were effective for the financial year beginning 1 January 2019 and have been applied in preparing these financial statements to the extent they are relevant to the preparation of financial information:

- IFRS 16 *Leases* (issued in January 2016)
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued June 2017)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group as a lessor

Effective 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group is not required to make any adjustments on transition for leases in which it is a lessor. The Group accounted for its leases from the date of initial application in accordance with IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to consider uncertain tax treatment within the scope of IAS 12 *Income Taxes*. Uncertainty over income tax treatments arises when it is unclear how the applicable tax regulations should be understood for a specific transaction or event, and when it is uncertain whether taxation authorities will approve an entity's tax treatment. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately or together
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (how to reflect uncertainty in these positions)
- How an entity considers changes in facts and circumstances



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The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Group is not required to make any adjustments relating to IFRIC 23.

The following accounting standards and interpretations which are relevant to the Group have been issued, but are not yet effective for the financial year beginning 1 January 2019:

- Amendments to IFRS 3 *Definition of a Business* (issued in October 2018)

Amendments to IFRS 3 Definition of a Business

The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

The amendments must be applied to transactions for which the acquisition date is on or after the first the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is permitted. The Group does not intend to early adopt the amendments.

These standards and interpretations have not been early adopted by the Group. The amendment is not expected to significantly impact the Group's financial statements.

There are no other IFRS or IFRIC interpretations that have not come into effect that are expected to significantly impact the Group's financial statements.

1.18 Alternative Investment Funds

UNION Real Estate Fund Holding AS is registered as a Alternative Investment Fund at the The Financial Supervisory Authority of Norway (*Finanstilsynet*), and must consequently meet certain disclosure requirements in the Act on Alternative Investment Fund Managers (AIF-Act) (*Lov om forvaltning av alternative investeringsfond (AIF-loven)*).

Article 104 in Commission delegated regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU sets out certain requirements as to information in the Annual report, disclosure to investors and reporting to competent authorities.

See note 18 for more information in this context.



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2 List of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Business Office	Shareholding / voting rights	Acquisition date	Ownership interest	Ownership
Handelseiendommer Norge AS	Oslo	90,1 %	21.05.2014	90,1 %	Directly
Hegdehaugsveien 24 AS	Oslo	100,0 %	08.05.2015	100,0 %	Directly
Hegdehaugsveien 26 AS	Oslo	100,0 %	08.05.2015	100,0 %	Directly
Hillevågskvartalet AS	Oslo	100,0 %	01.09.2017	100,0 %	Directly
Kjelsåsveien 161 AS	Oslo	100,0 %	30.01.2015	100,0 %	Directly
Kjelsåsveien 168 DA	Oslo	100,0 %	06.07.2016	100,0 %	Indirectly
Kjelsåsveien 168 Eiendom AS	Oslo	100,0 %	06.07.2016	100,0 %	Indirectly
Kjelsåsveien 168 Holding AS	Oslo	100,0 %	06.07.2016	100,0 %	Directly
Reevegen 13 Holding AS	Oslo	100,0 %	24.06.2014	100,0 %	Directly
Stavanger Handelseiendom AS	Sandnes	53,5 %	08.03.2017	53,5 %	Indirectly
Stavanger Handelseiendom Invest AS	Oslo	100,0 %	22.10.2015	100,0 %	Directly
Time Eiendom AS	Oslo	100,0 %	30.06.2014	100,0 %	Indirectly
Tønsberg Helsehus AS	Tønsberg	75,0 %	18.12.2015	75,0 %	Directly
Wilhelmsens House AS	Tønsberg	75,0 %	18.12.2015	75,0 %	Indirectly

Sold and liquidated companies in 2019 (consolidated in the ownership period):

Company	Business Office	Sale date	Shareholding / voting rights	Acquisition date	Ownership interest	Ownership
Gml Drammensvei 227 Eiendom AS	Oslo	01.08.2019	90,1 %	30.06.2014	90,1 %	Indirectly
Ragbakken 84 Eiendom AS	Oslo	07.11.2019	90,1 %	30.06.2014	90,1 %	Indirectly
Sandslimarka 31 Holding AS	Oslo	26.07.2019	100,0 %	30.12.2013	100,0 %	Directly
Søren Bullsvei 2 Holding AS	Oslo	27.03.2019	100,0 %	25.08.2015	100,0 %	Directly

There are no particular significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

See also note 15 for information about subsidiaries with material non-controlling interests.

3 Critical accounting estimates and subjective judgements

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the consolidated statement of financial position at fair value.

This requires disclosure of fair value measurements by level for the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between levels in the period.



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3 Critical accounting estimates and subjective judgements - continues

Fair value of investment properties

Investment properties are measured at their fair value based on external, independent valuations.

Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, and consistent with EPRA's guidance, the Group have classified the valuations of the investment property portfolio as Level 3 as defined by IFRS 13.

Semiannually all the properties are valued by independent, external valuer. The valuations at 31 December 2019 were obtained from Newsec AS (www.newsec.no). The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flow over a specified period using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of cash flows from signed leases, as well as future cash flows based on an expected market rent at the end of the lease terms. The fair value of investment properties is therefore mainly affected by expected market rents, discount rates and inflation. The market rent for each property takes into account the property's situation, standard and leases signed for comparable properties in the area. For the duration of existing lease terms, the discount rate is mainly based on an assessment of the individual tenant's 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 cost, with estimates being made for anticipated vacancy levels and the need for alterations and upgrades. The remaining term of leases is also assessed for risk, along with any special clauses in the contracts. Each property is also compared with recently sold properties in the same segment (location, type of property, mix of tenants, etc.)

The table below shows to what extent the value of the property portfolio is affected by inflation, market rents, discount rates (interest rates) and exit yields (market yields), assuming that all other factors are equal.

Change variable (The Group)	Change in % (plus)	Value change
Inflation	1,00 %	143 657
Market rent	10,00 %	150 896
Discount rates	0,25 %	(67 831)
Exit yield	0,25 %	(33 914)

Fair value of investments in subsidiaries and joint ventures

The sole purpose of the subsidiaries of the Group is to own the investment properties described above. Any other assets or liabilities that the subsidiaries and joint ventures may have will for the most part consist of cash and cash equivalents and short-term payables and receivables, and the fair value of these items is expected to approximate the nominal and carrying amounts.

As the main assets of the subsidiaries and joint ventures, i.e. the investment properties, are classified as level 3 financial instruments, the subsidiaries and joint ventures are also classified as level 3 instruments.

The valuation technique for measuring the fair value of the subsidiaries and the joint ventures is an adjusted net asset value method, where the fair value of the main assets are measured by an income approach, and the fair value of the subsidiaries and joint ventures is then estimated by adjusting for any other assets and liabilities.

Consequently the inputs and the relationship of unobservable inputs to fair value for the subsidiaries and joint ventures will correspond with those for the investment properties.



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3 Critical accounting estimates and subjective judgements - continues

Reconciliation of level 3 fair value measurements of subsidiaries, joint ventures and investment property:

	Parent	Parent / Group	Group	Group
	Subsidiaries	Joint ventures	Investment property	Investment property held for sale
Balance as of 1 January 2019	562 966	63 013	1 302 414	38 914
Additions	-	-	5 395	-
Disposals	(69)	-	(33 560)	(38 914)
Dividends	(100 350)	-	-	-
Change in fair value	(8 475)	288	(2 284)	-
Balance as of 31 December 2019	454 072	63 301	1 271 965	-
Balance as of 1 January 2018	1 574 791	60 330	2 408 818	1 060 446
Additions	1 144	-	5 979	-
Disposals	(391 832)	-	(983 191)	(1 060 446)
Dividends	(609 875)	-	-	-
Transfer between categories	-	-	(32 165)	32 165
Change in fair value	(11 261)	2 683	(97 027)	6 749
Balance as of 31 December 2018	562 966	63 013	1 302 414	38 914

Fair value of derivatives

The interest rate swaps used by the Group are not traded in an active market. As a result, their fair value is based on valuation techniques that are consistent with generally accepted valuation methodologies for pricing financial instruments and they incorporate all factors and assumptions that market participants would consider in setting the price.

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The valuations are market observable, internally calculated and verified to externally sourced data and are therefore included within level 2.

The derivatives have been valued by the Group's banks, and these valuations have been tested for reasonableness by the Group's Management.

4 Operating leases

The Group mainly enters into contracts with a fixed rent for the lease of property.

Operating leases

The Group leases out its owned investment properties to third parties with contracted non-cancellable lease terms between 3 and 15 years. The Group has classified all of these leases as operating because they do not transfers substantially all the risks and rewards incidental to ownership of the properties the counterparties. For the Group's investment property leases the rental income is largely fixed under the contracts, however, subject to an annual price adjustment based on inflation.

The Group also leases out part of its owned machinery and equipment to third parties with contracted non-cancellable lease terms between 1 and 3 years. The Group has classified these leases as operating because they do not transfers substantially all the risks and rewards incidental to ownership of the counterparties. The lease payment in these contracts are fixed over the lease term.

The Group's lease income from operating leases are presented in the table below:

	Consolidated group	
	2019	2018
Lease income from operating leases		
Lease income from investment properties	85 177	-
Total	85 177	-
	Consolidated group	
	2019	2018
The Group's future undiscounted accumulated rent from non-terminable operational lease contracts at 31.12.		
Within 1 year	101 983	105 868
Between 1 and 5 years	277 362	326 455
Later than 5 years	158 901	176 757
Total	538 246	609 080



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5 Wages and remuneration

Number of employees

The parent company and the group companies have no employees.

Remuneration to members of the Board

The Board has not received any remuneration for their work.

Expensed audit fee (excl. VAT)	Parent company ¹		Consolidated group	
	2019	2018	2019	2018
Statutory audit	280	313	693	891
Other assurance services	4	9	33	103
Other non-assurance services	195	119	230	273
Tax consultant services	154	505	184	524
Total audit fee	631	946	1 140	1 791

¹ Fees to RSM Norge AS and affiliated companies.

Shares held by Board members²

	Position	2019
Bjørn Henningsen	Chair	0,90 %
Lars Even Moe	Board member	1,77 %
Øystein A. Landvik	Board member	0,90 %
Total		3,57 %

² The shares are owned indirectly in the form of ownership in UNION Gruppen AS and through private holding companies. UNION Gruppen AS owns directly shares in UNION Real Estate Fund Holding AS.

6 General and administrative expenses

General and administrative expenses	Parent company		Consolidated group	
	2019	2018	2019	2018
Auditor's fee	631	946	1 140	1 791
Management fee	1 344	1 891	7 810	16 017
Provision for performance fee to manager	2 795	10 946	2 795	10 946
Other fees	472	90	3 091	5 055
Other general and administrative expenses	4 237	753	5 228	9 531
Total general and administrative expenses	9 479	14 626	20 063	43 339

7 Financial income and costs

Financial income	Parent company		Consolidated group	
	2019	2018	2019	2018
Interest income on cash and cash equivalents	48	460	233	1 423
Interest income on group receivables	894	743	-	-
Dividends and other contributions	12 537	-	-	-
Profit sale of shares	1	132 824	-	-
Change fair value swaps	-	-	397	-
Group contribution	-	7 176	-	-
Share of net profit from joint ventures	288	2 683	288	2 683
Total financial income	13 768	143 886	918	4 106
Financial costs				
Interest expense on financial liabilities	76	165	29 438	49 358
Interest expense on group liabilities	141	4 161	-	-
Change fair value shares	8 475	11 261	-	-
Change fair value swaps	-	-	-	1 266
Other financial costs	1 503	1 526	2 296	1 080
Total financial costs	10 195	17 113	31 734	51 704
Net financial items	3 573	126 773	(30 816)	(47 597)

Penneo Dokumentnøkkel: G8FJA-UJW3S-05PBE-800A0-SL8Q6-EFXC2



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8 Income tax

Income tax expense	Parent company		Consolidated group	
	2019	2018	2019	2018
<i>Current tax:</i>				
Tax payable	-	-	-	-
<i>Deferred tax:</i>				
Changes in deferred tax	(6 945)	9 069	4 711	2 388
Changes in deferred tax on value of investment property	-	-	(4 210)	(135 932)
Changes in tax rate	-	58	-	(638)
Total income tax expense / (income)	(6 945)	9 126	501	(134 181)

Reconciliation of the effective rate of tax	Parent company		Consolidated group	
	2019	2018	2019	2018
Income taxes calculated at 22% (2018: 23%) of profit before tax	(1 300)	25 794	49	(2 676)
Changes in unrecognised deferred tax (asset)/liabilities	(5 173)	(16 938)	(8)	(127 720)
Change in 2018 from 23%-22% tax	-	(58)	-	638
Tax related to change in value of shares	1 801	1 973	(63)	(617)
Tax effect on non deductible expenses	523	5	523	5
Non-taxable income	(2 796)	(1 651)	-	(3 810)
Total income tax expense / (income)	(6 945)	9 126	501	(134 181)

Deferred tax and deferred tax assets:	Parent company		Consolidated group	
	2019	2018	2019	2018
<i>Deferred tax assets</i>				
Tax losses carried forward	114 041	84 571	171 095	144 308
Other deferred tax assets	133 877	190 592	720	1 538
Deferred tax assets - gross	247 918	275 163	171 815	145 846
<i>Deferred tax liabilities</i>				
Investment property	-	-	106 446	125 583
Other deferred tax liabilities	-	-	410	5 207
Deferred tax liabilities - gross	-	-	106 856	130 790
Net deferred tax asset/(liabilities)	247 918	275 163	64 958	15 057
Net recognised deferred tax asset/(liabilities)	40 000	5 754	(66 039)	(63 760)
Book value at 31.12 (at 22%)	8 800	1 266	(14 529)	(14 027)

Penneo Dokumentnøkkel: G8FJA-UJW3S-OSPBE-8QOAO-SL8Q6-EFXCZ



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9 Carrying amounts and fair value of financial instruments

The following table provides information about the carrying amounts and the fair value of all classes of financial instruments:

	Parent company		Consolidated group	
	2019	2018	2019	2018
Financial assets - non current				
<i>Investments in equity instruments at FVTPL</i>				
Investments in subsidiaries	454 072	562 966	-	-
Investments in joint ventures	63 301	63 013	63 301	63 013
Total non current financial assets	517 373	625 979	63 301	63 013
Financial assets - current				
<i>Investments in debt instrument measured at amortised cost</i>				
Accounts receivables	-	737	1 231	2 694
Other receivables	20 628	5 076	15 846	1 561
Cash and cash equivalents	156	34 247	20 132	132 606
Total current financial assets	20 784	40 060	37 210	136 861
Financial liabilities - non current				
<i>Financial liabilities at amortised cost</i>				
Secured bank debt	-	-	778 715	792 310
Other non current liabilities	4 600	9 055	-	168
Total non current liabilities	4 600	9 055	778 715	792 479
Financial liabilities - current				
<i>Derivatives - FVTPL</i>				
Interest rate swap	-	-	-	1 117
<i>Financial liabilities at amortised cost</i>				
Secured bank debt	-	-	-	16 592
Accounts payables	70	1 123	4 944	5 455
Debt to group companies	11 829	1 941	-	-
Bank draft facilities	7 288	-	7 288	-
Performance fee	133 877	190 592	133 877	190 592
Accrued expenses	-	-	6 464	11 960
Other current liabilities	20 436	773	20 436	-
Total current liabilities	173 500	194 429	173 008	225 717

The fair values for all "Investments in debt instrument measured at amortised cost", and all current "Financial liabilities measured at amortised cost" are expected to approximate their carrying amounts given the short-term nature of these financial instruments.

The total carrying value of non current "Financial liabilities measured at amortised cost" is a reasonable approximation of their fair value at the year end date.

Penneo Dokumentnøkkel: G8FJA-UJW3S-05PBE-800A0-SL8Q6-EFXCZ



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10 Investment property

Investment property	Consolidated group	
	2019	2018
Opening balance as at 1 January	1 341 328	3 469 264
Additions from acquisitions	-	-
Enhancement expenditure capitalised	5 395	5 979
Disposed entities	(72 474)	(2 043 637)
Net gain/loss on changes in fair value	(2 284)	(90 278)
Balance at 31 December	1 271 965	1 341 328

The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and seller in an arm's length transaction at the date of valuation. The following main inputs have been used:

	2019	2018
Yields (%)	5,30 %	6,10 %
Inflation rate (%)	1,40 %	3,50 %
Long term vacancy rate (%)	9,80 %	8,20 %
Long term growth rate in real rental terms (%)	2,00 %	2,00 %

The Fund's portfolio was as of 31 December 2019 valued at an average net yield of 5.1 %. The corresponding gross yield was 5.5 % and average owner's costs were 6.7 %. We believe the current valuation is reflective of the underlying values of the properties in the Fund, taking into consideration property specific value drivers such as Weighted Average Lease Term (WALT), locations, rent levels, counterparties, vacancy rates, etc.

The inflation rate of 1.6 % in 2019 was slightly below expectations and below the Norwegian Central Bank's inflation rate target. The underlying property values in the Fund has increased in 2019. Long term vacancy rate is set to the portfolio's current vacancy rate of 9.8 %. The manager is currently underway in reducing the current vacancy rate according to business plan. The long term growth rate in real rental terms is set according to the Norwegian Central Bank's inflation target as of 31 December 2019, of 2.0 %.

Changes in fair value is recognised in the period to which the profit/loss relates. The latest independent valuation was carried out on 31 December 2019. Investment properties are not depreciated.

There are no restrictions on when the investment properties can be realised, or how the revenue and cash flow on any sale can be used.

There are no significant contractual obligations to buy, build or develop investment properties.

Income and expenditure relating to investment properties	Parent company		Consolidated group	
	2019	2018	2019	2018
Rental income	-	-	85 177	178 242
Direct operating expenses of properties that generated income	-	-	(25 491)	(26 284)
Balance at 31 December	-	-	59 686	151 958

11 Pledged assets

	Parent company		Consolidated group	
	2019	2018	2019	2018
<i>Carrying amount secured debt</i>				
Secured long-term debt	-	-	778 715	792 310
Secured short-term debt	-	-	7 288	16 592
<i>Book value pledged assets</i>				
Investment property held for sale	-	-	-	38 914
Fair value of investment property (land, building and fixtures)	-	-	1 271 965	1 302 414

It has been issued mortgages on the investment properties, as collateral for floating interest bank loans. At 31 December 2019 the loans are recognised at TNOK 786.

Penneo Dokumentnøkkel: G8FJA-UFW3S-OSPB8-800A0-SL8Q6-EFXCZ



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12 Related parties

12.1 Identification of related parties

Amongst the identified related parties there have been transactions with the Group's subsidiaries, the Group's management, UNION Eiendomskapital UREF AS and UNION Real Estate Fund AS (owns 79,54% of UREF Holding AS). Subsidiaries are listed in Note 2. Apart from the transactions described below, there are no significant transactions with related parties. Information about the parent company is provided in note 14.

12.2 Group related transactions

Interests on internal long-term loans are calculated on the basis of the groups external borrowing cost plus an margin of 0,25%. Transactions with group companies have been eliminated in the Consolidated Group.

The parent company recharge the group companies management fee based on an distribution model. The distribution model is based on work carried out for group companies.

12.3 Board, management and owners

UNION Eiendomskapital UREF AS have entered into a management agreement with UNION Real Estate Fund Holding AS. The management fee for the investment period amounts to 1,65% of total commitments per annum. After expiration of the investment period, management fee amounts to 1,65% of invested capital per annum.

Managers performance fee:

Distributions after payment of the Fund's fees, costs, expenses and liabilities;

- First, return to investors of drawn down commitments;
- Second, a preferred return of 8% p.a. to investors;
- Third, 20% to the manager as performance fee and 80% to investors until the investors have received a return of 11% p.a.;
- Fourth, 40% to the manager as performance fee and 60% to investors until the manager has received a Performance fee equal to 20% of cumulative profits distributed; and
- Fifth, 80% to investors and 20% to the manager as performance fee

If the management agreement is terminated, the manager is entitled to a performance fee for the period up to the termination date.

Other fees:

When UNION Eiendomskapital UREF AS negotiate lease contracts on behalf of group companies, the manager receives a fee of between 7,5% and 15% of the annual rent, depending on whether it applies to extension of existing contracts and finding new tenants.

Transactions with the manager (UNION Eiendomskapital UREF AS)

Amount of transactions	Parent company		Consolidated group	
	2019	2018	2019	2018
Management fee	1 344	1 891	7 810	16 017
Rental fee	-	-	657	1 422
Performance fee	2 795	10 946	2 795	10 946
Other fees and expenses	-	1 275	101	1 275
Outstanding balances				
Accounts receivable	-	-	-	272
Other receivables	14 814	-	14 814	-
Accounts payable	-	(915)	(7)	(1 313)
Other current liabilities	(133 877)	(190 592)	(133 877)	(190 592)
Balance at 31 December	(119 063)	(191 508)	(119 070)	(191 634)

Transactions with subsidiaries

Amount of transactions	Parent company		Consolidated group	
	2019	2018	2019	2018
Interest received	-	723	-	-
Interest paid	-	(4 161)	-	-
Dividends received	100 350	609 875	-	-
Management fee	-	13 876	-	-
Outstanding balances				
Accounts receivable	-	37	-	-
Other receivables	1 264	4 493	-	-
Accounts payable	-	-	-	-
Other current liabilities	(11 829)	(10 996)	-	-
Balance at 31 December	(10 565)	(6 466)	-	-



UNION Real Estate Fund Holding AS

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12 Related parties - continues

Transactions with joint ventures

Amount of transactions	Parent company		Consolidated group	
	2019	2018	2019	2018
Management fee	-	827	-	827
Outstanding balances				
Accounts receivable	-	20	-	20
Accounts payable	-	-	-	-
Balance at 31 December	-	20	-	20

13 Information on financial risks

UNION Real Estate Fund Holding AS will through recognised financial instruments be exposed to various forms of risk. The main types of risk will be liquidity risk, credit risk and market risk. It is the responsibility of the fund's manager to determine the strategies for managing risk associated with financial instruments and to operationalize and implement the chosen strategy. Selected strategies, fixed limits and actual exposure in relation to established limits are reported periodically to the Board of UNION Real Estate Fund Holding AS. UNION Real Estate Fund Holding AS has adopted an moderate risk profile, and this consideration is also governing the determination of the strategy for risk management in financial instruments.

13.1 Liquidity risk

UNION Real Estate Fund Holding AS are exposed to liquidity risk in the form of repayment of loans from credit institutions, current interest on such obligations, and the use of interest rate swaps result in payment obligations when paid interest exceeds interest received. The manager prepares liquidity forecasts, which include maturity overviews of debt. The cash flow projection are reported to the group board and form the basis for future financing plans.

The maturity plan below shows how commitments are payable in nominal amounts in accordance with the agreed instalment plans and expected payments under financial interest rate swaps based on current market rates. Commitments are here presented in nominal amounts.

Maturity plan - Parent company	2020	2021	2022	2023	2024 and later
Interest-bearing loans and borrowings	-	15 000	-	-	-
Other non-current financial liabilities	-	-	-	-	-
Other long term liabilities	-	-	-	-	-
Maturity plan - Consolidated group					
Interest-bearing loans and borrowings	427 372	351 343	-	-	-
Other non-current financial liabilities	-	-	-	-	-
Other long term liabilities	-	-	-	-	-

13.2 Credit risk

For the financial assets in the balance sheet, financial derivatives and receivables, the maximum credit risk may be best expressed by the recognised value of the assets. No security have been established for financial assets. The risk connected with the financial derivatives and bank deposits are perceived in practice limited due to the counterparts being major Norwegian commercial banks. In terms of exposure to other counterparties than banks are at any given time is relatively limited compared to the total balance. For most rental agreements security in the form of cash or bank guarantees equivalent to half the annual rent including share of common costs have been established.

At 31 December 2019 the group have accounts receivable of TNOK 1 231. The group have made provision for bad debts on overdue receivables not covered by the rental guarantees.

13.3. Interest rate risk

The Group's exposure to interest rate risk mainly concerns financial liabilities which are floating rate.

The Group uses interest rate swaps to hedge exposure to the variability in cash flows on floating rate debt, such as bank facilities, caused by movements in market rates of interest.

Due to a combination of factors, principally the high level of certainty required under IAS 39 'Financial Instruments: Recognition and Measurement', hedging instruments used in this context do not qualify for hedge accounting.



UNION Real Estate Fund Holding AS

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13 Information on financial risks continues

At 31 December 2019, the Group had pay-fixed interest-rate swaps in place with a nominal value of TNOK 31 875, and its net debt was 4.09% fixed. Based on the Group's debt balances at 31 December 2018, a 1% increase in interest rates would increase the annual net interest payable in the income statement and reduce equity by TNOK 7 809. The fair value of the interest rate swaps would increase by TNOK 129. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest-rate swaps and cash and cash equivalents.

The expected maturity profiles of the Group's interest rate swaps are as follows (based on nominal values):

	Parent company 2019	Parent company 2018	Consolidated group 2019	Consolidated group 2018
One year or less, or on demand	-	-	-	-
More than one year but not more than two years	-	-	-	-
More than two years but not more than five years	-	-	-	-
More than five years	-	-	31 875	34 375

13.4. Foreign exchange risk

The Group is not exposed to currency risk in relation to the translation of net assets, currency transactions or the translation of net assets and income statement of foreign subsidiaries.

14 Share capital, shareholder information and dividend

(Number of shares are in whole numbers)

	2019	2018
14.1 Share capital		
Ordinary shares, nominal amount NOK 1	30 890 429	30 890 429
B-shares, nominal amount NOK 1	100	100
Total number of shares	30 890 529	30 890 529

B-shares are without voting rights. The B-shares have the right to elect the board members of the company, ordinary shares are without voting rights concerning the board election.

14.2 Shareholders

	Ordinary shares	B-shares	Ownership interest	Voting interest
UNION Real Estate Fund AS	24 570 626	-	79,5 %	79,5 %
UNION Real Estate LP	3 925 938	-	12,7 %	12,7 %
UNION Real Estate B LP	2 393 865	-	7,7 %	7,7 %
UNION Eiendomskapital UREF AS	-	100	0,0 %	0,0 %
Total number of shares 31.12.2019	30 890 429	100	100 %	100 %

Reconciliation of total number of shares in issue:

	Ordinary shares	B-shares	Total
As at December 31 2018	30 890 429	100	30 890 529
Issued during the period	-	-	-
Issued as of 31 December 2019 - fully paid in	30 890 429	100	30 890 529
As at December 31 2017	30 890 429	100	30 890 529
Issued during the period	-	-	-
Issued as of 31 December 2018 - fully paid in	30 890 429	100	30 890 529

14.3 Dividends

	2019		2018	
	NOK pr share	Total	NOK pr share	Total
Cash dividends approved and paid				
Ordinary shares				
Total dividends approved and paid	3,07	94 806	37,55	1 160 015
B-shares				
Total dividends approved and paid	-	-	-	-
Total		94 806		1 160 015

Dividends to non-controlling shareholders in UNION Real Estate Fund Holding's subsidiaries are reported as dividends in the consolidated statement of changes in equity.



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14 Share capital, shareholder information and dividend continues

14.4 Capital Resources

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to be able to implement future investments. The fund will target a gross leveraged internal rate of return of 15% to 17% with a targeted average dividend of at least 5% on invested capital per annum over the life of the fund, utilising target leverage of up to 60% of portfolio value.

The table below illustrates the gearing ratio for the consolidated group at December 31. Non-controlling interests are included in the total equity.

	2019	2018
Borrowings	966 252	1 032 223
Less cash and cash equivalents	(20 132)	(132 606)
Net debt	946 119	899 617
Total equity	406 224	508 980
Total capital resources	1 352 343	1 408 597
Gearing ratio	70,0 %	63,9 %

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

14.5 Financial Covenants

Under the terms of the major borrowing facilities, the Group is required to comply with certain financial covenants.

The parent company does not have any interest-bearing debt; instead many of the subsidiaries have separate loan facilities where they are the borrower, and where they have used its property as a collateral.

The covenants under these facilities vary. The Group has complied with all covenants throughout the reporting period.

15 Subsidiaries with material non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

The information below represents the consolidated figures of the subsidiaries at 100 per cent, and the amounts are before intercompany eliminations.

		2019	2018
The Company's ownership			
	Handelseiendommer Norge AS	90,1 %	90,1 %
	Tønsberg Helsehus AS	75,0 %	75,0 %
	Stavanger Handelseiendom AS	53,5 %	53,5 %
Summarised income statement			
Revenue			
	Handelseiendommer Norge AS	3 704	22 064
	Tønsberg Helsehus AS	10 581	14 470
	Stavanger Handelseiendom AS	-	15 795
Profit/(Loss) for the year			
	Handelseiendommer Norge AS	(2 359)	(1 658)
	Tønsberg Helsehus AS	(6 084)	9 660
	Stavanger Handelseiendom AS	(342)	18 921
Summarised balance sheet			
Total assets			
	Handelseiendommer Norge AS	1 730	87 131
	Tønsberg Helsehus AS	85 190	92 438
	Stavanger Handelseiendom AS	2 263	10 889
Total liabilities			
	Handelseiendommer Norge AS	151	38 595
	Tønsberg Helsehus AS	36 741	37 905
	Stavanger Handelseiendom AS	97	1 354
Net assets			
	Handelseiendommer Norge AS	1 579	48 536
	Tønsberg Helsehus AS	48 450	54 533
	Stavanger Handelseiendom AS	2 166	9 534



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15 Subsidiaries with material non-controlling interests continues

Non-controlling interests			
	Handelseiendommer Norge AS	158	4 810
	Tønsberg Helsehus AS	12 112	13 633
	Stavanger Handelseiendom AS	1 018	4 433
Equity attributable to shareholders of the Company			
	Handelseiendommer Norge AS	1 421	43 726
	Tønsberg Helsehus AS	36 337	40 900
	Stavanger Handelseiendom AS	1 148	4 999

There has been paid a total dividend of TNOK 96 845 to non-controlling interests in 2018.

There has been paid a total dividend of TNOK 7 672 to non-controlling interests in 2019.

16 Joint ventures

The only joint venture is a 50% interest in Morenen Handelspark AS, a company located in Oslo which owns a retail park in Eidsberg Municipality. Morenen Handelspark AS is jointly controlled with one other party as a result of a contractual agreement involving sharing of control over the relevant activities of Morenen Handelspark AS.

Since the contractual arrangement specifies that the parties with joint control have rights to the net assets of the arrangement, the Group is assessed to be party to a joint venture.

Morenen Handelspark AS owns, directly and indirectly, 100% of Morenen Senter AS, Morstongveien 47 AS, Morenen Eiendom AS and Morenen Eiendom II AS.

The joint venture is accounted for using the equity method in the consolidated group and at fair value through profit or loss in the separate financial statements for the parent company.

The table below provides summarised financial information for the joint venture. The information disclosed is based on a consolidation in accordance with IFRS for the joint venture. The information have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

These are consolidated figures at 100% and is not adjusted for holding period.

Morenen Handelspark AS		
Income statement	2019	2018
Revenues	24 311	21 380
Adjustment to value of investment property	(17 039)	(2 616)
Operating costs	(4 678)	(7 407)
Depreciation and amortisation	-	-
Net interest	(2 017)	(6 245)
Income tax expense	-	255
Profit for the period	576	5 367
Other comprehensive income	-	-
Total comprehensive income	576	5 367
Assets and liabilities		
Investment properties	325 842	309 536
Other non current assets	-	-
Cash and cash equivalents	6 598	6 695
Other current assets	608	1 474
Current liabilities	(4 290)	(8 749)
Non current liabilities	(202 156)	(182 930)
Net assets	126 602	126 026

Dividends received from the joint venture	-	-
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16 Joint ventures continues

Reconciliation to carrying amounts	2019	2018
Opening net assets 1 January	126 026	120 659
Profit/(loss) for the period	576	5 367
Closing net assets	126 602	126 026
Group's share in %	50 %	50 %
Group's share in Morenen Handelspark AS	-	-
Carrying amount	63 301	63 013

There are no particular significant restrictions on the ability of the joint venture to transfer funds to the Group in the form of cash dividends or to repay loans or advances.

The Group have no commitments or contingent liabilities in respect of this joint venture.

17 Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net debt and the movements in net debt at Group level for each of the periods presented.

Net debt	2019	2018
Cash and cash equivalents	20 132	132 606
Borrowings - repayable within one year (including overdraft)	(7 288)	(225 717)
Borrowings - repayable after one year	(778 715)	(792 479)
Net debt at 31.12	(765 871)	(885 590)
Cash and liquid investments	20 132	132 606
Gross debt - fixed interest rates	(31 875)	(34 375)
Gross debt - variable interest rates	(754 128)	(983 821)
Net debt at 31.12	(765 871)	(885 590)

	Other assets		Liabilities from financing activities	
	Cash/cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Net debt
Net debt as at 01.01.2018	58 540	(955 283)	(1 100 885)	(1 997 629)
Cash flows	74 066	755 838	290 396	1 200 301
Other non-cash movements				
Amortised loan fees		-	1 419	1 419
Fair value change swap		1 266	-	1 266
Provision for performance fee		(10 946)	-	(10 946)
Reclassification to short term debt		(16 592)	16 592	-
Net debt as at 31.12.2018	132 606	(225 717)	(792 479)	(885 590)
Cash flows	(112 474)	62 394	(8 623)	(58 703)
Other non-cash movements				
Amortised loan fees		-	571	571
Fair value change swap		397	-	397
Provision for performance fee		(2 795)	-	(2 795)
Reclassification to short term debt		(7 288)	7 288	-
Net debt as at 31.12.2019	20 132	(173 008)	(793 244)	(946 119)

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18 Alternative Investment Fund disclosure

Compensation to the Manager

UNION Real Estate Fund Holding AS is managed by UNION Eiendomskapital UREF AS. As UNION Eiendomskapital UREF AS also manages other funds, the managers' compensation also derives from the results from managing these funds. For 2019 the employees in the management company received a total of NOK 58 006 948 as compensation (including fixed and variable compensation). The leading management of the management company received a total of NOK 13 116 071 as compensation (including fixed and variable compensation). Final variable compensation for leading employees will be decided by the board of directors after the annual accounts are approved. Total compensation is charged the 2019-accounts.

Annual report, disclosure to investors and reporting to competent authorities

The following table provides information about the direct and indirect costs, where the columns "direct costs" illustrate the costs expensed in UNION Real Estate Fund Holding AS and the columns "indirect costs" illustrate UNION Real Estate Fund Holding AS' share of the costs, according to ownership share, in the consolidated accounts (where UNION Real Estate Fund Holding AS is the parent), adjusted for joint ventures. Performance fee is in full presented as a direct cost for UNION Real Estate Fund Holding AS.

	Direct costs		Indirect costs	
	2019	2018	2019	2018
Auditor's fee	631	946	508	844
Management fee	1 344	1 891	6 465	14 125
Provision for performance fee to manager	2 795	10 946	-	-
Other fees	472	90	2 619	4 965
Other general and administrative expenses	4 237	753	991	8 778
Total general and administrative expenses	9 479	14 626	10 584	28 713

19 Other information

The Board of UNION Real Estate Holding AS have signed an option with an external part to sell the shares in Kjelsåsveien 161 AS. The option can be called earliest in 2022, and is based on fair value on the date of the agreement.

20 Events after the balance sheet date

The Manager and the Board of Directors have considered the potential impact of the Coronavirus outbreak on the valuation of underlying assets held by UNION Real Estate Fund Holding AS. We understand the global stock markets have fallen dramatically and further disruptions, particularly in the travel and hospitality sectors occurring.

In terms of real estate assets, the Coronavirus is unlikely to have a direct material impact on valuations as at the statement of financial position date due to the longer-term nature of the asset class. However, should the situation worsen, including but not limited to tenant defaults, insolvent counterparties or supply issues the future valuation models will be updated on a case-by-case basis. The Manager and the Board of Directors are carefully monitoring the situation and will ensure that any impacts are reflected appropriately.

Covid 19 is considered an event after the balance sheet date with no accounting effect. As of the financial statement date 31st of December 2019, none of the assets or liabilities are affected by the event.

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Øystein A. Landvik

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