

**Pioneer Property Group ASA**  
**2017**

Report for the period 1 January -  
31 December 2017

## **The 2017 Board of Directors Report for Pioneer Property Group ASA**

### **Highlights of the Report**

Total revenue in 2017 were TNOK 255 706 and with a pre-tax profit of TNOK 324 716.

The Group had total assets of TNOK 4 873 532, where Investment Property was valued at TNOK 4 722 894 in addition to a cash balance of TNOK 138 815 and other receivables of TNOK 1 938. Total debt was TNOK 2 938 174 and with total equity of TNOK 1 935 358.

Towards the end of the year PPG commissioned a valuation report from Newsec, the value of the properties are adjusted for the revised valuations in the financial report with TNOK 198 325..

In 2017 PPG paid out quarterly dividend payments, and/or capital repayments, to its preference shareholders equivalent to NOK 1.875 per preference share per quarter, and the Group's ambitions is to continue to pay these dividends going forward as outlined in PPG's articles of Association.

During the year, the Group continued to expand its operations through acquisitions, and has continued to acquire new properties also in the start of the new year 2018.

### **Operations and Location**

Pioneer Property Group ASA (PPG) is a real estate group focusing on providing high-quality properties for government-backed care-services. The Group's current portfolio consists of 162 properties which are leased out on long-term triple-net contracts to leading kindergarten operators, including Norlandia Care Group, Espira and Touhula.

The Group's property portfolio is a result of the acquisition from several independent preschool operators, again driven by these companies' wish to free-up resources and capital to be able to provide the highest quality possible in their primary focus area – preschool operations. Pioneer Property's kindergartens have during the later years played an important role in the improvement of the Norwegian preschool market, through improved capacity, quality and cost-efficiency.

Going forward the Group's strategy is to expand its reach into care-services property with similar characteristics as the Norwegian kindergarten market – i.e. long term contracts with solid operators, again backed by government financing, or lease properties directly to municipalities looking for a solid private real estate partner. PPG's kindergartens are well located in central areas, including Stavanger, Bergen, Kristiansand, Gothenburg, Helsinki, and the greater Oslo area.

Pioneer Property Group ASA has prepared a report on Corporate Governance and Sustainability in accordance with The Norwegian Accounting Act §3-3b og §3-3c. The report is available to the public at the Group's headquarter in Rådhusgata 23, Oslo

### **Key Material Events During the Year**

In 2017, PPG acquired fourteen properties in Finland for a total property value of TEUR 34 500 with annual rental income of TEUR 2 300. The majority of the properties are leased out to the leading private pre-school operator Touhula on long triple-net contracts. The portfolio was partly financed with a loan from Danske Bank. In addition, PPG acquired some stand-alone properties from Norlandia Heath & Care Group ASA.

### **Subsequent Events Since the End of 2017**

In the first quarter of 2018, PPG acquired an additional nine properties in Finland for a total property value of TEUR 25 700 with annual rental income of TEUR 1 600. The properties were acquired from Cor Group Oy and Cordis Oy. Eight of the properties are preschools, leased to operator Touhula, and one property is elderly care leased to operator Coronaria. The lease contracts are triple-net contracts with an average length to expiry of thirteen years plus five-year options.

### **Accounting Policies:**

The financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS).

## **Going Concern**

In accordance with the Accounting Act § 3-3, we confirm that the financial statements have been prepared under the assumption of going concern.

## **Comments on the Financial Statements of the Group**

During 2017 total revenues were TNOK 255 706. Revenues consist of rental income from Investment Properties, which are all long-term lease contracts towards solid pre-school and health-care operators, with the primary income in Norway and Finland. Operating cost during the year was TNOK 29 129, where a majority of these costs were related to management fees, in addition to certain property-related expenses including accounting.

Towards the end of the year PPG commissioned a valuation report from Newsec, and the value of the properties are adjusted for the revised valuations in the financial report. As a result, the Group had a positive fair adjustment of property value of TNOK 198 325, which again had a major impact on reported profitability. Operating profit, after this value adjustment, was TNOK 424 474.

Net financial income for the year was TNOK -99 758 and included currency gains of TNOK 12 619 due to an appreciated euro during the year. Net profit for the Group in 2017 was therefore TNOK 250 506.

The Group had total assets of TNOK 4 873 532, where Investment Property was valued at TNOK 4 722 894 in addition to a cash balance of TNOK 138 815 and other receivables of TNOK 1 938. Total debt was TNOK 2 938 174 and with total equity of TNOK 1 935 358. Equity was increased from TNOK 1 795 124 as of 31 December 2016 primarily due to the value adjustments of Investment Properties.

Total cash balance of TNOK 138 815 was down from TNOK 349 733 as of 31 December 2016. Underlying cash-flow from operations is strong, however cash was reduced during 2017 due to the acquisition of additional properties, primarily in the Finnish market. In addition and extraordinary dividend of NOK 5 per ordinary share was paid out to the holders of ordinary shares, a total of TNOK 49 072.

The annual report gives an accurate overview of the Group's financial development throughout the year. There have been no events after the end of the fiscal year 2017, other than the acquisitions described above, which have had any material impact on the financial status of the Group.

## **Comments on the Financial Statements of the Company**

During 2017 PPG have had no operating income. Operating cost was TNOK 2 680. Net financial income for the year was TNOK 82 286, where as TNOK 78 305 was received group contribution. Net profit for the Company was TNOK 60 500.

The Company has total assets of TNOK 1 587 783, where investments in subsidiaries was TNOK 1 384 979 and long term receivables on group companies was TNOK 89 757. Short term receivables on group companies was TNOK 78 305, equal group contribution, and cash balance was TNOK 34 355. Total debt was TNOK 32 131 and equity was TNOK 1 555 650. Equity was reduces with TNOK 49 510 from 31 December 2016, primarily because of dividends paid in 2017.

The cash balance of TNOK 34 355 was down from TNOK 185 921 as of 31 December 2016. Cash was reduces in 2017 due to payments of loans to group companies, and dividends paid in 2017.

## **Research and Development**

The group is not involved in any R&D activities.

## **Work Environment, Equal opportunities and Discrimination**

There are no employees in Pioneer Property Group ASA. The Board of Directors consists of 2 women and 3 men.

## **External Environment**

The Group's operations do not result in pollution of spillage harmful to the external environment.

## Financial Risks

The Group is exposed towards various financial risks, but the Board of Directors view the total exposure to be at a controllable level. Some of the most important risk factors are:

- The market risk of general increase in interest rate levels, and there through also an increase of the financial cost of loans to the Group.
- Credit risk relating to banks or other financial institutions' willingness to loan money, which may restrict the Group's ability to take up new loans in the future.
- Liquidity risk in the case of unforeseen delay of cash payments on income and/or unexpected costs.
- The Board of Directors and management performs ongoing assessments of the most important financial risk factors, and also evaluates the necessity of implementing specific measures, such as fixing interest rates. Specific measures are considered in light of the Company's total financing risk exposure.

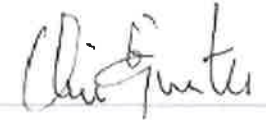
Oslo, 12 April 2018



**Roger Adolfsen**  
Leader Board of Directors



**Sandra Henriette Riise**  
Board member



**Geir Hjort**  
Board member



**Even Carlsen**  
Board member



**Nina Hjørdis Torp Høisæter**  
Board member



**Arvid Rømming**  
CEO


## Responsibility Statement of the Board of Directors

We confirm, to the best of our knowledge, that the set of financial statements for the financial year ending 31 December 2017 have been prepared in accordance with IFRS and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the financial period and their impact on the set of financial statements, a description of the principal risks and uncertainties, and major related parties' transactions.

Oslo, 12 April 2018

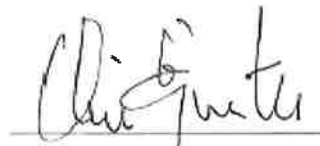
Board of Directors and Chief Executive Officer of Pioneer Property Group ASA



Roger Adolfsen  
Leader Board of Directors



Sandra Henriette Riise  
Board member



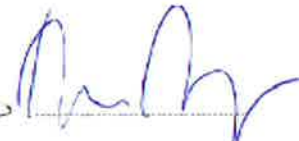
Geir Hjort  
Board member



Even Carlsen  
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Board member



Runar Rønningen  
CEO

## Consolidated Income Statement

NOK thousand	Note	2017	2016 Restated*
Income from rent	2 18	255 531	217 548
Other income	2	175	193
<b>Total Income</b>		<b>255 706</b>	<b>217 741</b>
Expenses related to property	8		
Payroll expenses	15	428	450
Other operating expenses	8	29 129	27 302
<b>Total Expenses</b>		<b>29 557</b>	<b>27 752</b>
Fair value adjustment on investment properties	12	198 325	245 077
<b>Operating profit (EBIT)</b>		<b>424 474</b>	<b>435 066</b>
Interest income	13	1 767	2 707
Interest expenses	13	114 144	123 891
Other finance expenses	13		24 672
Currency expenses	13	-12 619	812
<b>Net Finance</b>		<b>-99 758</b>	<b>-146 668</b>
<b>Profit/(loss) before tax</b>		<b>324 716</b>	<b>288 397</b>
Income taxes	10	74 210	97 002
<b>Profit/(loss) for the period</b>		<b>250 506</b>	<b>191 395</b>
Other comprehensive income			
<i>Items to be reclassified to P&amp;L in subsequent periods:</i>			
Exchange differences, from foreign operations		533	
<b>Total comprehensive income</b>		<b>251 038</b>	<b>191 395</b>
<b>Total comprehensive income</b>			
Shareholders of Pioneer Property Group ASA		251 038	191 395
<b>Earnings per share (NOK)</b>			
Basic earnings per ordinary share	6	20,611	14,534
Weighted avd ord shares		9 814 470	9 814 470

\*) 2016 Restated; Certain amount has been adjusted for the 2016 figures , se note 20 for which adjustments that have been made.

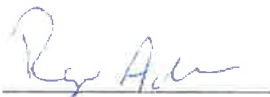
## Consolidated Statement of Financial Position

NOK thousands	Note	31.12.2017	31.12.2016 Restated *)
<b>Assets</b>			
Investment property	12	4 722 894	4 042 640
Other investment		8 885	
Other non-current assets		1 000	6 492
<b>Total non-current assets</b>		<b>4 732 780</b>	<b>4 049 132</b>
Trade and other receivables	16	1 938	9 574
Cash and cash equivalents	7	138 815	349 733
<b>Total current assets</b>		<b>140 752</b>	<b>359 307</b>
<b>Total assets</b>		<b>4 873 532</b>	<b>4 408 439</b>
<b>Equity and liabilities</b>			
Share capital	17	16 314	16 314
Share premium	17	1 487 326	1 548 585
Retained earnings	17	431 717	230 224
<b>Total equity</b>		<b>1 935 358</b>	<b>1 795 124</b>
Borrowings	9	2 637 759	2 416 177
Deferred tax	10	160 464	105 008
Other non-current liabilities		1 216	9 339
<b>Total non-current liabilities</b>		<b>2 799 439</b>	<b>2 530 525</b>
Borrowings	9	69 490	38 391
Current tax payable	10	20 731	7 891
Other current liabilities		48 515	36 508
<b>Total current liabilities</b>		<b>138 735</b>	<b>82 790</b>
<b>Total liabilities</b>		<b>2 938 174</b>	<b>2 613 315</b>
<b>Total equity and liabilities</b>		<b>4 873 532</b>	<b>4 408 439</b>

\*) 2016 Restated; Certain amount has been adjusted for the 2016 figures , se note 20 for which adjustments that have been made.

Oslo, 12. April 2018

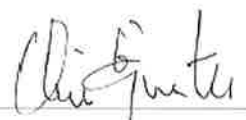
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Board member



Runar Rønningen  
CEO

## Consolidated Statement of Changes in Equity

### Attributable to owners of the parent

NOK thousands	Share capital	Share premium	Retained earnings	Total Equity
<b>Balance at 1 January 2016</b>	16 314	1 585 201	36 110	<b>1 637 625</b>
Other changes			2 719	<b>2 719</b>
Profit/(loss) for the period			191 395	<b>191 395</b>
Total comprehensive income for the period			191 395	<b>194 114</b>
Dividend		-36 616		<b>-36 616</b>
Transactions with owners		-36 616		<b>-36 616</b>
<b>Balance at 31 December 2016</b>	<b>16 314</b>	<b>1 548 585</b>	<b>230 224</b>	<b>1 795 124</b>
Profit/(loss) for the period			250 506	<b>250 506</b>
Exchange differences from foreign operations			533	<b>533</b>
Other changes			-795	<b>-795</b>
Total comprehensive income for the period		0	250 243	<b>250 243</b>
Dividend		-61 260	-48 750	-110 010
Transactions with owners		-61 260	-48 750	-110 010
<b>Balance at 31 December 2017</b>	<b>16 314</b>	<b>1 487 326</b>	<b>431 717</b>	<b>1 935 358</b>



## Consolidated Statement of Cash Flows

<b>NOK thousands</b>	<b>Note</b>	<b>2017</b>	<b>2016 Restated*</b>
<b>Cash flows from operating activities:</b>			
Profit before income tax		324 716	288 397
<i>Adjustments for:</i>			
Fair value adjustments on investment property	12	-198 325	-245 077
Interest net	13	112 377	121 185
Taxes paid	10	-7 891	-7 279
Profit/loss on sale of fixed assets			70
<i>Changes in working capital:</i>			
Trade receivables	16	-163	225
Trade payables		12 007	2 722
Other accruals		523	-67 655
<b>Cash generated from operations</b>		<b>243 243</b>	<b>92 588</b>
Interest paid	13	-114 144	-123 891
Interest received	13	1 767	2 707
<b>Net cash generated from operating activities</b>		<b>130 866</b>	<b>-28 597</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of properties			-
Purchase of subsidiaries / properties	12	-441 822	-368 185
Purchase of net other assets		-8 885	
Proceeds from sale of shares and bonds			-70
<b>Net cash used in investing activities</b>		<b>-450 707</b>	<b>-368 255</b>
<b>Cash flows from financing activities:</b>			
Proceeds from debt to financial institutions	9	273 913	1 676 110
Repayments of debt to financial institutions	9	-67 347	-1 088 291
Dividends	6	-97 822	-36 563
<b>Net cash from financing activities</b>		<b>108 743</b>	<b>551 256</b>
<b>Net change in cash and cash equivalents</b>		<b>-211 098</b>	<b>154 404</b>
Cash and cash equivalents at beginning of period	7	349 734	195 329
Exchange gains/(losses) on cash and cash equivalents		179	
<b>Cash and cash equivalents at period end</b>	<b>7</b>	<b>138 815</b>	<b>349 734</b>

## Note 1 | Accounting Principles

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### 1.1 General information

Pioneer Property Group ASA (the 'Company') and its subsidiaries (together, the 'Group') invests in kindergarden, preschool properties and retirement homes and rent the properties out on long term leases. The Group holds investment properties in Norway, Sweeden and Finland.

Pioneer Property Group ASA is a public limited company incorporated and domiciled in Norway. The adress of the Company's registered office is Rådhusgata 23, 0158 Oslo.

The Company was incorporated 5 January 2015. The Group was formed 12 May 2015 after the acquisitions of Pioneer Public Properties I AS, Pioneer Public Properties II AS, Pioneer Public Properties III AS and Pioneer Public Properties IV AS. In 2016 the group founded Pioneer Public Properties V AS that bought real estate companies in Norway, Sweden and Finland See note 11. In 2017 Pioneer Public Properties I AS and Pioneer Public Properties IV AS merged with PPPI as the acquiring company.

The consolidated annual financial statements covers the period from 1 January 2017 to 31 December 2017.

The consolidated financial statement are approved by the mother company's board 12. April 2018. And it will be published on Oslo Stock Exchange 12. April 2018

### 1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statments have been prepared under the historical cost convention, as modified by fair value adjustments to investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estiamtes are significant to the consolidated financial statements are disclosed in note 4.

Changes in the estimates may have a significant impact on the consolidated accounts in the periode the changes are made.

The consolidated financial statements have been prepared on a going concern basis.

All financial numbers are presented in thousand NOK, unless otherwise stated.

### 1.3 Consolidation

Subsidiaries:

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Upon purchase of property management assess whether the purchase constitute purchase of a business or purchase of an asset in accordance with IFRS 3.

#### Acquisition of subsidiaries not viewed as a business combination

An acquisition of entities not comprising any business activities is viewed as a purchase of assets. The acquisition cost is allocated to the acquired assets and no deferred tax is calculated for temporary differences that arise at their initial recognition.

Acquisition related costs are capitalized with the asset.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

### 1.4 Changes in accounting principles

The financial statements and accompanying notes are in accordance with standards currently effective under IFRS as adopted by the EU.

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 31 December 2017. The most significant of this standards are as follows:

- IFRS 9 Financial instruments 01.01.2018
- IFRS 15 Revenue from contracts with customers 01.01.2018
- IFRS 16 Leases 01.01.2019

These significant standards will not have material impact on the financial statement of the group.

IFRS 15 Revenue from Contracts with Customers introduces a five step model for revenue recognition, but it do not apply to lease income. As almost all revenues is rental income, IFRS 15 will not have material effect for the group.

Under IFRS 9 Financial Instruments the measurement of the group financial instruments will continue to be the same as under current standards. IFRS 9 introduces the expected loss model for receivables, as rent is prepaid this will not have significant effect for the group.

Lessor accounting will mostly be unaffected by IFRS 16 Leases. The number of contracts and amounts in contracts where the group is a lessee is limited, so the change in lessee accounting will not significantly effect the group.

There are no other IFRS or IFRIC interpretations yet effective expected to have material impact on the Group.

### **1.5 Investment properties**

Property held with the purpose of achieving rental income, increase in value or both are classified as investment property. Investment property also include property under development for future use as investment property. Investment property is initially recognised at cost included transaction costs.

Transaction costs include stamp duty, lawyer's fees and commission to bring the property to the condition that is necessary to put the property into operation. Recognised value also include replacement cost for parts of the existing investment property at the time when the cost is incurred and the terms for recognition has been met.

After initial recognition the investment property is then recognised at fair value. Profit or loss from changes in fair value are presented in the income statement when they arise.

Subsequent costs relating to investment property are included in the carrying amount if it is probable that they will result in future economic benefits for the investment property and the costs can be measured reliably. Expenses relating to operations and maintenance of the investment property are charged to the income statement during the financial period in which they are incurred.

Investment properties are derecognised when they are sold or are permanently out of operations and no future economic benefit is expected if disposed of. All gains or losses relating to sales or disposal are presented in the income statement the same year as disposal. Gains or losses from disposal of investment property is the difference between net selling price and the carrying amount of the asset in the previous year's financial statements.

### **1.6 Lease agreements**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, the right to use an asset for an agreed period of time.

All the Group's properties are leased out under operating leases. The properties are included in the balance sheet as Investment Property.

Revenue comprise of rental income from the properties. Lease income on operating leases is recognized over the term of the lease on a straight line basis.

### **1.7 Real estate related costs and other costs**

Costs directly related to the operations of existing properties are recognized as real estate related costs, other costs are included as administrative costs. Costs are recognised as they are incurred.

### **1.8 Financial assets**

#### **1.8.1 Classification**

The group classifies its financial assets in the following category: Loans, other investment and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Currently the Group only holds financial assets in the category loans, other investment and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

#### **1.9 Trade receivables**

Trade receivables are amounts due from customers for rental of premises. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **1.10 Cash and cash equivalents**

Cash and cash equivalents includes bank deposits.

#### **1.11 Share capital**

The Company has two classes of shares, ordinary shares and preference shares. Both classes are classified as equity.

#### **1.12 Trade payables and other short term payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **1.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### **1.14 Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **1.15 Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

### **1.16 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except when related to items recognised in other comprehensive income or directly in equity. In such cases, the tax amount is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet

### **1.17 Dividend distribution**

The Company has two classes of shares, ordinary shares and preference shares. The preference shares are entitled to annual dividend payments amounting to NOK 7,50 per preference share, if the General Assembly approves payment of dividends. If payable, the dividend payments will be made quarterly with NOK 1,875 per preference share.

The quarterly dividend distribution to the preference shares is recognised as equity in the Group's financial statements in the period in which the dividends are approved by the General Assembly.

Dividend distribution to Ordinary shares is recognised as a liability in the Group's financial statement in the period in which the dividend is approved by the Company's shareholders in the General Assembly to payment.

### **1.18 Segements**

The Group's only business is to own and rent out preschool properties and retirement homes. All properties are in the same business segment. All properties are in Norway, Sweeden and Finland. . Management evaluates this reports on the basis of profit or loss from each geographical segment.

### **1.19 Cash flow**

The statement of cash flow has been prepared using the indirect method, and in accordance with IAS 34 a condensed statement is presented.

### **1.20 Revenue recognition**

Revenue is recognised when it is probable that transactions will generate future economic benefits that will flow to the company and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts.

Rental income from investment properties (after deducting the total costs relating to tenant incentives) is recognised as revenue on a straight line basis over the term of the lease.

### **1.21 Foreign currency translation**

The Group's presentation currency is NOK. This is also the parent company's functional currency.

The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, including goodwill, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognised in other comprehensive income ("OCI").

Translation differences occur in connection with currency differences on consolidation of foreign entities. Currency differences on monetary items (debt or receivables) that is a part of the company's net investment in one foreign entity is also included as translation differences.

Upon disposal of foreign device, reverses and Accumulated translation differences are recognized in the income statement device for the same period as the gain or loss at the disposal is accounted for.

### **1.22 Changes in prior period**

According to IAS 8.42 the entity must correct all material prior period errors retrospectively in the first set of financial statement authorised for issue after discovery of the errors. Restating the comparative amounts for the prior period(s) are presented in which the error occurred. Se note 20

## Note 2 | Financial risk management

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### 2.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under guidance by the Board of Directors. Management identifies, evaluates and act upon financial risks.

#### a) Market risk

Market risk is the risk that future cash flows in the form of interest payments change as a result of changes in market interest rates. Management and the Board of Directors agree on an acceptable level of interest rate exposures, which are monitored continuously by management. The level of interest rate exposure is determined based on an assessment of existing cash flows, general assessment of financial condition and available liquidity.

##### (i) Fair value interest rate risk

The Group holds interest bearing assets in terms of cash deposits. Fluctuations in interest would yield a higher or lower interest income. At the current level of cash deposits a change in interest rate of +/- 1 % would not be material for the financial statements.

The Group's interest rate risk arises from long-term borrowings. The Group holds several types of borrowings. refer to note 9 for details. Borrowings at fixed rates expose the Group to fair value interest rate risk.

##### (ii) Cash flow interest rate risk

Exposure to cash flow interest rate risk is assessed continuously. The need for a fixed rate is under constant review in relation to the Group to withstand adverse fluctuations in profit due to higher interest rates. Management's assessment is that the Group's current financial position does not indicate a further need for fixed interest rates.

If the interest rate had been +/- 1 % in 2017 the result after tax would be +/- TNOK 27 000, all other conditions unchanged and assuming a floating interest rate on 100% of the Company's borrowings.

The average effective interest rate of the Group's borrowings was at period end 31 December 2017: 3,0 %

#### b) Credit risk

Credit risk is the risk of loss when a party is unable to redeem their obligations to the Group.

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents, and credit exposures customers, including outstanding receivables and committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings. The utilisation of credit limits is monitored regularly.

<b>Exposure to credit risk at the end of the period:</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Accounts receivable	745	583
Other Short term receivable	1 192	8 991
Cash balance	138 815	349 733
<b>Total exposure</b>	<b>140 752</b>	<b>359 307</b>

The credit risk related to outstanding to related parties and banks is considered to be low.

#### c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations at maturity without incurring a significant increase in finance cost or not being able to meet its obligations at all. The risk also includes that the Group must forfeit investment opportunities. Cash flow forecasting is performed at Group level. Group management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom to avoid breaches in covenants on relevant borrowing facilities (refer to note 9), as well as capability to pay out quarterly dividends to holders of preference shares. The monitoring takes into

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

**Maturity of financial liabilities at the end of the period:**

	31.12.2017					Total
	< 3mnths	3m-1y	1y-2y	2y-5y	>5y	
Borrowings (bank)	17 313	52 177	70 142	908 036	669 172	1 716 840
Interest on borrowings (bank)	13 257	39 082	50 117	119 181	177 053	398 691
Bond loans	-	-	-	1 000 000	-	1 000 000
Interest on bond loans	15 600	46 800	62 400	85 800	-	210 600
Other liabilities		48 515	1 216			49 730

	31.12.2016					Total
	< 3mnths	3m-1y	1y-2y	2y-5y	>5y	
Borrowings (bank)	9 724	28 667	64 932	721 045	642 531	1 466 900
Interest on borrowings (bank)	13 418	36 262	46 710	149 695	177 907	423 992
Bond loans	-	-	-	1 000 000	-	1 000 000
Interest on bond loans	16 000	48 000	64 000	152 000	-	280 000
Other liabilities		45 848				45 848

See note 16 for ageing of the receivables.

d) Currency risk

Currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. Currency risk also exists when the foreign subsidiary of a firm maintains financial statements in a currency other than the reporting currency of the consolidated entity. The risk is that there may be an adverse movement in the exchange rate of the denomination currency in relation to the base currency before the date when the transaction is completed.

As the Group has subsidiaries in Sweden and Finland where the currencies are SEK and EUR, respectively, the company is exposed to currency risk as the Group's consolidated financial statements is reported in NOK.

The group consider EUR as a significant currency.

Sensitivity for changes in currency rate EUR:

<b>EUR demoni</b>	<b>31.12.2017</b>	<b>Value in NOK</b>				
		<b>-5,00 %</b>	<b>-2,50 %</b>	<b>0,00 %</b>	<b>2,50 %</b>	<b>5,00 %</b>
Loans, EUR	36,5	341,2	350,2	359,2	368,1	377,1
Cash, EUR	0,6	5,8	6,0	6,1	6,3	6,4
Investment Pi	60,7	567,0	582,0	596,9	611,8	626,7
<b>EUR demoniated</b>		<b>Net profit/loss from EUR/NOK sensitivities</b>				
Loans, EUR	36,5	-341,2	-350,2	-359,2	-368,1	-377,1
Cash, EUR	0,6	5,8	6,0	6,1	6,3	6,4
Investment Pi	60,7	567,0	582,0	596,9	611,8	626,7
<b>Net impact, NOK</b>		<b>231,6</b>	<b>237,8</b>	<b>243,8</b>	<b>250,0</b>	<b>256,0</b>

Exposure to other currencies is immaterial.

<b>Gearing ratio at the end of the period</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Total borrowings	2 707 249	2 454 569
Less: Cash and cash equivalents	138 815	349 733
Net debt	2 568 434	2 104 835
Total equity	1 935 358	1 795 124
Total capital	4 503 792	3 899 959
Gearing ratio	57 %	54 %



## Note 3 | Segment summary

The Group's business is to own and manage investment properties in Norway, Sweden and Finland and rent them out to operators of pre-school and retirement homes. There is no material difference in risk and margins in the different investment properties. The Group is therefore considered to operate in one business area and in three geographical area

The Group have nine customers: Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Coronaria, Espera Care, Touhula and Casparssons Vårdhem.

Management evaluates this reports on the basis of profit or loss from each geographical segment.

### Geographical segment 2017:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	226 232	2 961	26 338	255 531
Other income	56	-	119	175
<b>Total Income</b>	<b>226 288</b>	<b>2 961</b>	<b>26 457</b>	<b>255 706</b>
Payroll expenses	428	-		428
Other operating expenses	22 165	330	6 634	29 129
<b>Total Expenses</b>	<b>22 593</b>	<b>330</b>	<b>6 634</b>	<b>29 557</b>
Fair value adjustment on investment properties	225 808	-1 298	-26 185	198 325
<b>Operating profit (EBIT)</b>	<b>429 503</b>	<b>1 333</b>	<b>-6 362</b>	<b>424 474</b>
Finance income	1 766	-	1	1 767
Finance expenses	107 969	1 028	5 147	114 144
Currency	354	-400	-12 573	-12 619
<b>Net Finance</b>	<b>-106 557</b>	<b>-628</b>	<b>7 427</b>	<b>-99 758</b>
<b>Profit/(loss) before tax</b>	<b>322 946</b>	<b>705</b>	<b>1 065</b>	<b>324 716</b>
Income taxes	73 785	169	256	74 210
<b>Profit/(loss) for the period</b>	<b>249 160</b>	<b>536</b>	<b>810</b>	<b>250 506</b>

NOK thousands	Norway	Sweden	Finland	Group
<b>Assets</b>				
Investment property	4 079 000	47 000	596 894	4 722 894
Other investment	0		8 885	8 885
Other non-current assets	1 000			1 000
<b>Total non-current assets</b>	<b>4 080 000</b>	<b>47 000</b>	<b>605 780</b>	<b>4 732 780</b>
Trade and other receivables	1 567	21	350	1 938
Cash and cash equivalents	130 920	1 752	6 143	138 815
<b>Total current assets</b>	<b>132 487</b>	<b>1 772</b>	<b>6 493</b>	<b>140 752</b>
<b>Total assets</b>	<b>4 212 487</b>	<b>48 772</b>	<b>612 272</b>	<b>4 873 532</b>

<b>NOK thousands</b>	<b>Norway</b>	<b>Sweden</b>	<b>Finland</b>	<b>Group</b>
<b>Equity and liabilities</b>				
Share capital	16 315			16 315
Share premium	1 487 326			1 487 326
Retained earnings	146 004	37 434	248 280	431 718
<b>Total equity</b>	<b>1 649 644</b>	<b>37 434</b>	<b>248 280</b>	<b>1 935 358</b>
<b>Borrowings</b>				
Borrowings	2 276 682	8 914	352 163	2 637 759
Deferred tax	158 220	191	2 052	160 464
Other non-current liabilities	631	584		1 216
<b>Total non-current liabilities</b>	<b>2 435 533</b>	<b>9 690</b>	<b>354 216</b>	<b>2 799 439</b>
<b>Current liabilities</b>				
Borrowings	61 806	731	6 953	69 490
Current tax payable	20 731	0	0	20 731
Other current liabilities	44 772	918	2 824	48 515
<b>Total current liabilities</b>	<b>127 310</b>	<b>1 649</b>	<b>9 777</b>	<b>138 735</b>
<b>Total liabilities</b>	<b>2 562 843</b>	<b>11 339</b>	<b>363 992</b>	<b>2 938 174</b>
<b>Total equity and liabilities</b>	<b>4 212 487</b>	<b>48 773</b>	<b>612 272</b>	<b>4 873 532</b>

**Geographical segment 2016:**

<b>NOK thousand</b>	<b>Norway</b>	<b>Sweden</b>	<b>Finland</b>	<b>Group</b>
Income from rent	212 785	1 208	3 554	217 548
Other income	193	-	-	193
<b>Total Income</b>	<b>212 978</b>	<b>1 208</b>	<b>3 554</b>	<b>217 741</b>
<b>Expenses</b>				
Payroll expenses	450	-	-	450
Other operating expenses	24 543	231	2 529	27 302
<b>Total Expenses</b>	<b>24 993</b>	<b>231</b>	<b>2 529</b>	<b>27 752</b>
Fair value adjustment on investment properties	262 230	-10 230	-6 923	245 077
<b>Operating profit (EBIT)</b>	<b>450 216</b>	<b>-9 252</b>	<b>-5 898</b>	<b>435 066</b>
<b>Finance income and expenses</b>				
Finance income	995	-	1 712	2 707
Finance expenses	122 326	223	1 342	123 891
Other finance expenses	24 672			24 672
Currency expenses	1 613	157	-959	812
<b>Net Finance</b>	<b>-147 617</b>	<b>-381</b>	<b>1 329</b>	<b>-146 668</b>
<b>Profit/(loss) before tax</b>	<b>302 599</b>	<b>-9 633</b>	<b>-4 569</b>	<b>288 397</b>
Income taxes	100 552	-2 408	-1 142	97 002
<b>Profit/(loss) for the period</b>	<b>202 046</b>	<b>-7 225</b>	<b>-3 426</b>	<b>191 395</b>

NOK thousands	Norway	Sweden	Finland	Group
<b>Assets</b>				
Investment property	3 771 550	46 000	225 090	4 042 640
Other investment	0			
Other non-current assets	6 492			6 492
<b>Total non-current assets</b>	<b>3 778 042</b>	<b>46 000</b>	<b>225 090</b>	<b>4 049 132</b>
Trade and other receivables	9 471	21	82	9 574
Cash and cash equivalents	346 838	1 907	989	349 733
<b>Total current assets</b>	<b>356 309</b>	<b>1 928</b>	<b>1 071</b>	<b>359 307</b>
<b>Total assets</b>	<b>4 134 350</b>	<b>47 928</b>	<b>226 161</b>	<b>4 408 439</b>
<b>Equity and liabilities</b>				
Share capital	16 314			16 314
Share premium	1 548 585			1 548 585
Retained earnings	103 248	36 968	90 008	230 224
<b>Total equity</b>	<b>1 668 148</b>	<b>36 968</b>	<b>90 008</b>	<b>1 795 124</b>
Borrowings	2 277 254	9 178	129 745	2 416 177
Deferred tax	104 722	43	244	105 008
Other non-current liabilities	9 178	161		9 339
<b>Total non-current liabilities</b>	<b>2 391 154</b>	<b>9 381</b>	<b>129 989</b>	<b>2 530 525</b>
Borrowings	32 203	731	5 458	38 391
Current tax payable	7 891			7 891
Other current liabilities	34 954	848	706	36 508
<b>Total current liabilities</b>	<b>75 048</b>	<b>1 579</b>	<b>6 164</b>	<b>82 790</b>
<b>Total liabilities</b>	<b>2 466 202</b>	<b>10 960</b>	<b>136 153</b>	<b>2 613 315</b>
<b>Total equity and liabilities</b>	<b>4 134 350</b>	<b>47 928</b>	<b>226 161</b>	<b>4 408 439</b>

## Note 4 | Critical accounting estimates and judgement

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The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of items in the statement of financial position within the next financial year are addressed below.

### a) Fair value of Investment Properties.

The fair value of investment properties is assessed quarterly by management. The Investment Properties are on a regular basis subject to on-site inspections and technical evaluations.

The properties are valued using a combination of discounted cash flow models and market based property yield. The Investment Properties are measured at level 3. All significant inputs are disclosed in note 12. All cash flows used in the calculations are based on long term contracts. Management assess the cash flows to be stable without material uncertainty. The critical accounting estimates in the calculation, based on management's judgement is the yield.

The yield is calculated per investment property. The prime yield for pre-school properties is 5,50%. Factors such as the property's location in relation to a major city, net-population change, size of the property/per child, year of build and whether or not the property is on a leased land (Norwegian: *festetomt*).

The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3. The yield level of the properties has been determined on the basis of their unique risk and transactions made at the respective location according to the location price method. At the end of the year, the Group commissioned an external cash-flow valuation for all the individual properties from Newsec.

Newsec has in this report valued each property on an individual basis using a combination of discounted cash-flow analysis and property yield level. The prime-yield used as a benchmark of individual yield assumptions in Newsec's analysis was 5,50%, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location.

The average gross yield for the investment property portfolio is 5,78%.  
Refer to note 12 for sensitivities.

The valuation report is commissioned from a well known and reputable company, and for 2017 a valuation report was commissioned from Newsec.

Note 5 | Contingencies and commitments

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The Group has no contingent liabilities nor commitments at 31 December 2017.

## Note 6 | Earnings per share

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### a) Basic

The Group's preference shares are entitled to a fixed dividend of NOK 7.50 per annum, if the General Assembly approves payment of dividends. To calculate the earnings per share the entitled dividend to the preference shares is deducted from comprehensive income for the period. The earnings per ordinary share is the remaining comprehensive income deducted the preference share dividend divided by the weighted average number of shares in issue during the period.

(All figures in NOK:)

<b>Calculation of earnings per share for the period</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Net profit	250 505 631	191 395 067
Less pref share dividends	-48 750 000	-48 750 000
Profit attributable to ord shares	201 755 631	142 645 067
Weighted avg ord shares	9 814 470	9 814 470
EPS to ord shares	20,56	14,53

### b) Diluted

As per 31 December 2017 no rights are issued which cause diluted earnings per share to be different to basic earnings per share.

Refer to note 17 for information related to the classes of shares.

In the second quarter there has been paid out totally TNOK 49 072 in additional dividends to the ordinary shareholders. This is done by repaying some of the share premium.

## Note 7 | Cash and cash equivalents

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<b>Cash and cash equivalents</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Bank deposits	138 815	349 733
<b>Total</b>	<b>138 815</b>	<b>349 733</b>

There are no restricted funds at the end of the period.

## Note 8 | Expenses

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<b>Specification of other operating expenses</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Management fee	15 007	11 861
Other operating expenses	11 863	13 423
Auditing fees	1 985	1 411
Other fees from the auditor	274	607
<b>Total other operating expenses</b>	<b>29 129</b>	<b>27 302</b>



## Note 9 | Borrowings

Interest-bearing liabilities and available cash and cash equivalents constitute the capital of the Group. The Group's main source of financing are bank loans, bond loans in the Norwegian bond market and shareholder loans.

Summary of external bank- and bond loans by tranche as of 31 December 2017

<b>NOK thousand</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Non-current</b>		
Commercial bank loans	876 657	659 395
Husbank loans (state bank)	770 693	769 113
Bonds in Pioneer Public Properties AS	990 409	987 669
<b>Total</b>	<b>2 637 759</b>	<b>2 416 177</b>

<b>NOK thousand</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Current</b>		
Commercial bank loans	36 479	7 356
Husbank loans (state bank)	33 011	31 036
Bonds in Pioneer Public Properties AS	0	0
<b>Total</b>	<b>69 490</b>	<b>38 391</b>

<b>NOK thousand</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Total non-current and current</b>		
Commercial bank loans	913 136	666 751
Husbank loans (state bank)	803 704	800 149
Bonds in Pioneer Public Properties AS	990 409	987 669
<b>Total</b>	<b>2 707 249</b>	<b>2 454 569</b>

See note 2 for the maturity of financial liabilities at the end of the period.

### a) bank borrowings

The Group's bankloans are with Husbanken, DNB, SR-Bank, Handelsbanken, Swedbank and Danske Bank. The bank borrowings mature until 2035. Of the total bank borrowings per 31 December 2017 TNOK 1 395 000 are on a fixed rate. The remaining TNOK 1 332 000 are on floating rates.

### b) Bond loans

The Group has issues one bonds:

Pioneer Public Property (ticker PPU01) at Oslo Børs amounting to TNOK 1 000 000 with maturity Mai 2021. The bond is a senior secured callable bond with voluntary redemption at specified premiums up until maturity.

Summary of bond loans:

	<b>Book value</b>	<b>Marked value</b>	<b>Coupon</b>	<b>Term</b>
	<b>31.12.2017</b>	<b>31.12.2017</b>		
Bonds				
PPP	1 000 000	1 000 000	NIBOR + 5,25 %	2016/2021
Transaction costs	-13 701			
Amortization	4 110			
<b>Total bond</b>	<b>990 409</b>	<b>1 000 000</b>		
Whereof current	-	-		

	<b>Book value</b>	<b>Marked value</b>	<b>Coupon</b>	<b>Term</b>
	<b>31.12.2016</b>	<b>31.12.2016</b>		
Bonds				
PPP	1 000 000	1 047 500	NIBOR + 5,25 %	2016/2021
Transaction costs	-13 701			
Amortization	1 370			
<b>Total bond</b>	<b>987 669</b>	<b>1 047 500</b>		
Whereof current				

In the Bond agreement entered into are there limitations on the borrower (PPP):

- The Group have to maintain an Equity of minimum 25 per cent on a consolidated basis
- The Group maintains Cash and Cash Equivalents of minimum TNOK 75 000 on a consolidated basis
- Make sure that the ratio between Unsecured Debt to total Financial Indebtedness of the Group shall not fall below 30 per cent

The recognised value of assets pledged as security for bank borrowings as per 31 December 2017

	<b>31.12.2017</b>	<b>31.12.2016</b>
Investment property	4 722 894	4 042 640
<b>Total pledged assets</b>	<b>4 722 894</b>	<b>4 042 640</b>

**Borrowings:**

	<b>Non-current borrowings</b>	<b>Current borrowings</b>	<b>Total</b>
<b>At 1 January 2017</b>	2 416 177	38 391	2 454 568
Cash flows	244 957	-38 391	206 566
<u>Non-cash:</u>			
Effects of foreign exchange	43 375		43 375
Amortization	2 740		2 740
Borrowing classified as non-current at 31 December 2016 becoming current during 2017	-69 490	69 490	-
<b>At 31 December 2017</b>	<b>2 637 759</b>	<b>69 490</b>	<b>2 707 249</b>
<b>At 1 January 2016</b>	1 698 190	86 793	1 784 983
Cash flows	768 709	-86 793	681 916
<u>Non-cash:</u>			
Effects of foreign exchange			-
Amortization/transactions cost	-12 331		
Borrowing classified as non-current at 31 December 2015 becoming current during 2016	-38 391	38 391	-
<b>At 31 December 2016</b>	<b>2 416 177</b>	<b>38 391</b>	<b>2 454 568</b>

## Note 10 | Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the third quarter to date 31 December 2017 income tax expense is 24 %.

Change in deferred tax liabilities	Investment property	Other items	Total
<b>01.01.2016</b>	609 975	4 360	<b>614 336</b>
Deferred tax on acquisition of assets	40 140		<b>40 140</b>
Recognized deferred tax	69 534	-872	<b>68 662</b>
Effect on changed tax rate	-27 180	-140	<b>-27 320</b>
<b>31.12.2016</b>	692 468	3 349	695 817
Deferred tax on acquisition of assets	9 071		<b>9 071</b>
Recognized deferred tax	63 578	-672	<b>62 905</b>
Effect on changed tax rate	-31 502	-112	<b>-31 613</b>
<b>31.12.2017</b>	733 615	2 565	736 180

### Temporary differences not included in the calculation of deferred tax

	2017	2016
<b>01.01.</b>	590 809	601 596
Change related to acquisitions	11 651	40 140
Used IRE	-2 220	-27 983
Effect of changed tax rate	-24 525	-22 945
<b>31.12.</b>	575 716	590 809

### Net recognised deferred tax liabilities

	2017	2016
<b>Current income tax liabilities</b>	20 731	7 891
Current income tax	20 731	7 891
<b>Total current income tax liabilities</b>	20 731	7 891

### Income tax expense

	2017	2016
Tax payable	20 731	7 891
Change in deferred tax	-1 977	
Other changes	55 456	89 111
<b>Income tax expense</b>	<b>74 210</b>	<b>97 002</b>

Profit before income tax	324 716	288 397
Tax expense based on standard rate of Norwegian (24%/25%)	77 932	72 099
Adjustments for:		
Changes in tax rate (from 25% to 24%)	-6 977	-4 375
Changes in temporary differences not included in the calculation of deferred tax	2 220	27 983
Other differences	1 035	1 295
<b>Income tax expense for the period</b>	<b>74 210</b>	<b>97 002</b>

Estimated effective tax rate for the period	23%	34%
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Current income tax liabilities	2017	2016
Current income tax	20 731	7 891
<b>Total current income tax liabilities</b>	<b>20 731</b>	<b>7 891</b>

## Note 11 | Changes in Group structure, acquisitions during the year and subsidiaries

In 2017 the Group bought two real estate companies in Norway and eighteen real estates in Finland. Pioneer Public Properties I AS (PPPI) and Pioneer Public Properties IV AS (PPPIV) merged with PPPI as the acquiring company.

Four subsidiaries of PPPI AS has also merged and 2 companies has been dissolved.

The Group consists of the following subsidiaries per 31 December 2017:

Company Name	Location	Percent of stock
<b>Pioneer Public Properties AS</b>	<b>Norway</b>	<b>100 %</b>
<b>Pioneer Public Properties I AS</b>	<b>Norway</b>	<b>100 %</b>
Nord Barnehager Eiendom AS	Norway	100 %
Kidsa Bygg AS	Norway	100 %
Kidsa Eiendom AS	Norway	100 %
Kidsa Eiendom II AS	Norway	100 %
Stor Oslo Barnehager Eiendom AS	Norway	100 %
Arken Barnehage Eiendom AS	Norway	100 %
Kidsa Hylkje AS	Norway	100 %
Kidsa Sandgotna AS	Norway	100 %
Kidsa Ladegården AS	Norway	100 %
Kidsa Festtangen AS	Norway	100 %
Kidsa Øvre Sædal AS	Norway	100 %
Kidsa Kokstad AS	Norway	100 %
Kidsa Øvstun AS	Norway	100 %
Kidsa Øyrane AS	Norway	100 %
<b>Pioneer Public Properties II AS</b>	<b>Norway</b>	<b>100 %</b>
Idunsvei 8 Eiendom DA	Norway	100 %
Oslo Barnehager Eiendom AS	Norway	100 %
Vifo Romeriket Eiendom AS	Norway	100 %
Bergen Barnehager Eiendom AS	Norway	100 %
Vardefjellet Barnehageeiendom AS	Norway	100 %
Neskollen Barnehageeiendom AS	Norway	100 %
<b>Pioneer Public Properties III AS</b>	<b>Norway</b>	<b>100 %</b>
Service Property AS	Norway	100 %
Bjørgene Barnehage AS	Norway	100 %
Brådalsfjellet Barnehage AS	Norway	100 %
Dragerskogen Barnehage AS	Norway	100 %
Dvergsnestangen Barnehage AS	Norway	100 %
Furuholmen Barnehage AS	Norway	100 %
Garhaug Barnehage AS	Norway	100 %
Gullhella Barnehage AS	Norway	100 %
Gåserud Barnehage AS	Norway	100 %
Halsnøy Kloster Barnehage AS	Norway	100 %
Hellaldalsåsen Barnehage AS	Norway	100 %
Høytorp Fort Barnehage AS	Norway	100 %
Kløverenga Barnehage AS	Norway	100 %
Kniveåsen Barnehage AS	Norway	100 %
Krystallveien Barnehage AS	Norway	100 %
Kuventræ Barnehage AS	Norway	100 %
Litlasund Barnehage AS	Norway	100 %
Løvestad Barnehage AS	Norway	100 %
Marthaugen Barnehage AS	Norway	100 %
Myraskogen Barnehage AS	Norway	100 %
Nordmo Barnehage AS	Norway	100 %
Opaker Barnehage AS	Norway	100 %
Opsahl Barnehage AS	Norway	100 %
Ormadalen Barnehage AS	Norway	100 %

Rambjøra Barnehage AS	Norway	100 %
Ree Barnehage AS	Norway	100 %
Romholt Barnehage AS	Norway	100 %
Rubbestadneset Barnehage AS	Norway	100 %
Rå Barnehage AS	Norway	100 %
Salamonskogen Barnehage AS	Norway	100 %
Skolegata Barnehage AS	Norway	100 %
Skåredalen Barnehage AS	Norway	100 %
Snurrefjellet Barnehage AS	Norway	100 %
Solknatten Barnehage AS	Norway	100 %
Stongafjellet Barnehage AS	Norway	100 %
Sundbyfoss Barnehage AS	Norway	100 %
Tjøsvoll Barnehage AS	Norway	100 %
Torsbergskogen Barnehage AS	Norway	100 %
Ulsetskogen Barnehage AS	Norway	100 %
Vagletjørn Barnehage AS	Norway	100 %
Vannverksdammen Barnehage AS	Norway	100 %
Vanse Barnehage AS	Norway	100 %
Veldetun Barnehage AS	Norway	100 %
Østrem Barnehage AS	Norway	100 %
Åbol Barnehage AS	Norway	100 %
Århaug Barnehage AS	Norway	100 %
<b>Pioneer Public Properties V AS</b>	<b>Norway</b>	<b>100 %</b>
Kidsa Ospeli Eiendom AS	Norway	100 %
Soløyvannveien 100 AS	Norway	100 %
ITS Solbarnehager AS	Norway	100 %
Norlandia Barnehagene Porsgrunn AS	Norway	100 %
Pioneer Public Finland OY	Finland	100 %
Kiinteistö OY Akaan Tenavakoti	Finland	100 %
Kiinteistö OY Lohjan Tenavakoti	Finland	100 %
Kiinteistö Espoo Palolammentie OY	Finland	100 %
Kiinteistö Hyvinkään Pavinmäenkatu OY	Finland	100 %
Kiinteistö Keravan Kurkela OY	Finland	100 %
Kiinteistö Bromkuja Kirkkonummi OY	Finland	100 %
Päiväkotikiinteistö Klaukkala Pikkutikankuja OY	Finland	100 %
Päiväkoti Aapraminkaari Vantaa OY	Finland	100 %
Päiväkotikiinteistö Vihti Nummela OY	Finland	100 %
Päiväkotikiinteistö Touhula Karistonkatu Lahti OY	Finland	100 %
Kiinteistö Oy Oulunsalon Tetrilänkulma	Finland	100 %
Kiinteistö OY Touhula Ritaharju	Finland	100 %
Kiinteistö Oy Ulvilan Hanhikkitie 1	Finland	100 %
Kiinteistö Kangasala Ilkontie OY	Finland	100 %
Päiväkoti Ylöjärvi Rimpitie OY	Finland	100 %
Kiinteistö Oy Ylöjärven Pesaratie 4	Finland	100 %
Kiinteistö Oy Hyvinkään Kirvesmiehenkatu 12	Finland	100 %
Casparssons Fastighetsbolag AB	Sweden	100 %
Västeråsfjärdens fastighetsbolag AB	Sweden	100 %

**Companies bought in 2017:**

Kiinteistö Oy Hyvinkään Kirvesmiehenkatu 12	Finland	100 %
Kiinteistö Oy Ulvilan Hanhikkitie 1	Finland	100 %
Vardefjellet Barnehageeiendom AS	Norway	100 %
Neskollen Barnehageeiendom AS	Norway	100 %

In 2017 the Group acquired four companies from associated company Norlandia Health & Care Group AS. As these acquisitions were done from related parties the acquisitions were closely monitored and deemed as an acquisition of Investment Properties rather than Business Combinations. Two of the acquisitions were finish companies and two of the acquisitions were Norwegian.

Kiinteistö Oy Hyvinkään Kirvesmiehenkatu 12 and Neskollen Barnehageeiendom AS were acquired in the third quarter 2017, where Neskollen Barnehageeiendom AS was acquired for an equity value of TNOK 20 400, which included existing debt to Husbanken of TNOK 19 300.

Kiinteistö Oy Ulvilan Hanhikkitie 1 and Vardefjellet Barnehageeiendom AS were acquired in the first quarter 2017, where Vardefjellet Barnehageeiendom AS was acquired for an equity value of TNOK 21 100, which included existing debt to Husbanken of TNOK 20 800.

## Note 12 | Investment property

As of 31 December 2017, the Group's property portfolio comprised of 153 properties, whereof the large majority are preschools. During the start of 2018 the Company has acquired an additional nine properties in Finland, bringing the current total, as of April 2018, to 162 properties. Roughly 80% of the properties, based on property value, are located in Norway with the two largest regions being the Greater Oslo Area and Bergen, and 20% are located in Finland. See the Company's web site for an updated map with the location of all the Group's properties.

The Group rents out the investment properties on long term triple net contracts to three main operators: Espira, Norlandia and Touhula, in addition to certain smaller lease contracts. All the lease agreements are 100% cpi-adjusted annually, and are on a triple-net basis where the operator has the main responsibility for annual maintenance, insurance, and other directly related property costs including tax. For certain of the properties leased to Espira Pioneer is responsible for certain minor real-estate related costs. On average there are 15 years remaining on the lease agreements.

The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3. At the end of the year, the Group commissioned an external cash-flow valuation for all the individual properties from Newsec. Newsec has in this report valued each property on an individual basis using a combination of discounted cash-flow analysis and property yield level – however basing their final valuation on an individual yield construction. The report is an update of the valuation report Newsec prepared in conjunction with year-end 2016 report. As inputs for their valuation, Newsec have applied the following input factors:

Contractual rent levels. For the total group property portfolio the total annual run-rate applied in the valuations was TNOK 273 000.

Locations.

Technical reports

Site visits

Available information regarding the operators

Management discussions

The absolute prime-yield used as a benchmark of individual yield assumptions in Newsec's analysis was 5.00%, adjusted down from 5.25% year-end 2016, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location, such as

Located in a municipality with population growth or not

The municipality's kindergarten coverage (percent age of children with a day care place)

Area per child at maximum capacity

Play area per child at maximum capacity

Outside area per child at maximum capacity

Lease hold/free hold

Condition of the building

In summary, Newsec valued the total Group's portfolio as of 31 December 2017 to TNOK 4 722 894, an increase from TNOK 4 042 640 as of year-end 2016. The majority of the increase is due to new net investments, hereunder property acquisitions, of tNOK 450 000, and part of the increase is due to the annual CPI-adjustment of existing rental income, approx 3% for 2017. The remaining increase is due to Newsec's market view of marginally increased market valuations, and a slight reduction of their applied absolute prime-yield from 5.25% to 5.00%.

### Sensitivity analysis

A property analysis is an estimate of the value that an investor is willing to pay for the property at a given time. The valuation is made on the basis of generally accepted models and certain assumptions on different parameters. The market value of the properties can only reliably established in a transaction between two independent parties. An uncertainty interval is stated in the property values and is between +/- 5 per cent in a normal market. A changed property value of +/- 5 per cent affects the Groups's property value by +/- NOK 236 million.

If yield is changed by 1 per cent the book value of the properties change with TNOK -690 000, and with -0,5 TNOK 442 000.

If the rent changed by +/- 5 per cent value of the properties change with TNOK 236 000

	Yield sensitivity			
	-0,5%	0,0%	1,0%	
NOI sensitivity	-5 %	4 928 600,0	4 486 700,0	3 796 700,0
	0 %	5 164 800,0	4 722 900,0	4 032 800,0
	5 %	5 400 900,0	4 959 000,0	4 268 900,0

#### Overview of account movements 2017

	Norway	Sweeden	Finland	Properties
Fair value in the beginning of the year	3 771 550	46 000	225 090	4 042 640
Addition:				
-Investment in subsidiaries / properties	81 642		368 097	449 739
Effekt of currency exchange differences i foreign operations		2 298	29 893	32 191
Fair value adjustments on investment properies	225 808	-1 298	-26 185	198 325
Fair value in the end of the year	4 079 000	47 000	596 895	4 722 894
Net change in unrealized gain	225 808	-1 298	-26 185	198 325

#### Overview of account movements 2016

	Norway	Sweeden	Finland	Properties
Fair value in the beginning of the year	3 413 174			3 413 174
Addition:				
-Investment in subsidiaries / properties	110 877	45 650	226 652	383 178
Effekt of currency exchange differences i foreign operations		861	350	1 210
Fair value adjustments on investment properies	247 499	-510	-1 911	245 077
Fair value in the end of the year	3 771 550	46 000	225 090	4 042 640
Net change in unrealized gain	247 499	-510	-1 911	245 077

	<b>2017</b>	<b>2016</b>
Investment property classified as held for sale	NOK 0	NOK 0
Investment property held under finance leases	NOK 0	NOK 0



## Note 13 | Net financial items

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<b>NOK thousands</b>	<b>2017</b>	<b>2016</b>
Interest income	1 767	2 707
Currency	-12 619	812
Other finance expenses		24 672
Interest expense	114 144	123 891
<b>Net financial items</b>	<b>99 758</b>	<b>146 668</b>

## Note 14 | Related-party transactions

Related party	Relation to the Group
Roger Adolfsen	Chairman of the Board and owner of Mecca Invest AS
Sandra Henriette Riise	Board member
Geir Hjort	Board member
Even Carlsen	Board member and owner of Grafo AS
Nina Hjørdis Torp Høisæter	Board member
Runar Rønningen	CEO Pioneer Capital Partners AS
Pioneer Management AS	Deliverer of management services
Hospitality Invest AS	Substantial shareholder
Grafo AS	Substantial shareholder
Kevenstern AS	Substantial shareholder
Mecca Invest AS	Substantial shareholder
Norlandia Care Group AS	Controlled by substantial shareholders, refer to note 17
Kidsa Drift AS	Controlled by substantial shareholders, refer to note 17
Kidsa Barnehager AS	Controlled by substantial shareholders, refer to note 17
Acea Properties AS	Controlled by substantial shareholders, refer to note 17

### Indirect ownership of shares by board member:

	Ord. Shares	Pref. shares
Roger Adolfsen	3 003 776	173 433
Even Carlsen	1 773 386	340 424
Runar Rønningen	0	59 650

### The Group had the following material transactions with related parties:

Transactions with related parties	2017	2016
Rent revenue from Norlandia Care Group AS including subsidiaries	70 550	59 380
Rent revenue from Kidsa Drift including subsidiaries	40 881	39 099
Management fee to Pioneer Capital Partners AS including subsidiaries	15 007	11 861
Purchase of shares and properties from related parties (refer to note 11)	90 981	100 127

Receivables from related parties	31.12.2017	31.12.2016
Kidsa Barnehager AS	0	29 535

Other transactions made between the related parties are made on terms equivalent to those that prevail in the market at arms length.

## Note 15 | Payroll

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The company/group does not have any employees. Refer to Note 14 for information regarding management fee to Pioneer Management AS, a fully owned subsidiary of Pioneer Capital Partners AS. The Board of Directors receives an annual compensation based on the total number of board-meetings during the year.

As of 31.12.17 the accrued compensation for the board members totals TNOK 450.

## Note 16 | Trade receivables

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	31.12.2017	31.12.2016
Trade Receivables	745	583
Other Receivables	1 192	8 991
Total Receivables	1 938	9 574

No provisions have been made for loss in receivables  
None of the receivables are due.

### Ageing of receivables

	Total	Not due	between 30 and 60 days overdue	more than 60 days overdue
Trade Receivables	745	745		
Other Receivables	1 192	1 192		
As per 31.12.2017	1 938	1 938	-	-

## Note 17 | Share capital and shareholder information

2017	Number of shares	Share value in NOK			Total
		Ordinary shares	Preference shares	Share premium	
At 31 December 2017	16 314 470	9 814 470	6 500 000	1 487 325 615	1 503 640 085

The Company have two classes of shares, ordinary shares and preference shares. The face value per share for both ordinary and preference shares classes is NOK 1. Share premium for all shares issued in the period is of NOK 96 per share.

### About the shares

The differences between the share classes are differing voting rights and differing rights to the Company's profit. Besides voting rights, the difference between the Company's share classes is that the preference shares entail a preferential right to the Company's profit through a preferential right over ordinary shares to dividends. The regulations on voting rights and dividends are decided upon by the Shareholders' Meeting and can be found in the Articles of Association.

### The ordinary share

The Company's ordinary share confers one vote unlike the preference shares that confer one-tenth of a vote.

### The preference share

The Company's preference shares confer a preferential right over ordinary shares to an annual dividend of NOK 7.50 per preference share. Dividend payments are made quarterly with NOK 1.875 per preference share, if approved by the General Assembly. The preference share does not otherwise confer a right to dividend. If the general meeting decided not to pay dividends or to pay dividends that fall below NOK 1.875 per preference share during a quarter, the difference between paid dividends and NOK 1.875 per preference share shall be accumulated and adjusted upwards with an annual interest rate of 5 per cent until full dividends have been distributed. No dividends may be distributed to the ordinary shareholders until the preference shareholders have received full dividends including the withheld amount. Any difference between NOK 1.875 per preference share and the dividend paid per preference share is accumulated for each quarter.

Detailed information regarding dividends, issues and redemption can be found in the Company's Articles of Association, available in the prospectus at the Company's website.

Top 10 shareholder 31.12.17	Ord shares	Pref shares
Hospitality Invest AS	32,62 %	0,00 %
HI Capital AS	2,34 %	0,00 %
Eidissen Consult AS	18,07 %	11,98 %
Grafo AS	18,07 %	5,02 %
Klevenstern AS	14,45 %	1,63 %
Mecca Invest AS	14,45 %	1,78 %
Avanza Bank AB	0,00 %	9,87 %
Skandinaviska Enskilda bank AB	0,00 %	7,72 %
J.P. Morgan bank Luxembourg SA	0,00 %	3,50 %
J.P. Morgan bank Luxembourg SA	0,00 %	3,19 %
Other minority shareholders	0,00 %	55,31 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<u>Related party:</u>		
Norlandia Care Group AS	0,00 %	1,45 %
Acea Properties AS	0,00 %	0,56 %
Northstar Properties AS	0,00 %	0,29 %

<b>Top 10 shareholder 31.12.16</b>	<b>Ord shares</b>	<b>Pref shares</b>
Hospitality Invest AS	39,87 %	0,02 %
HI Capital AS	2,34 %	2,79 %
Eidissen Consult AS	14,45 %	4,22 %
Grafo AS	14,45 %	4,22 %
Klevenstern AS	14,45 %	4,39 %
Mecca Invest AS	14,45 %	4,39 %
Avanza Bank AB	0,00 %	10,13 %
Skandinaviska Enskilda bank AB	0,00 %	9,43 %
J.P. Morgan bank Luxembourg SA	0,00 %	4,24 %
Skandinaviska Enskilda bank AB	0,00 %	3,55 %
Other minority shareholders	0,00 %	52,62 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>
<u>Related party:</u>		
Pioneer Capital Partners	0,00 %	2,54 %
Norlandia Care Group AS	0,00 %	1,53 %
Acea Properties AS	0,00 %	0,56 %
Northstar Properties AS	0,00 %	0,29 %

## Note 18 | Operational leases

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Properties are leased out on long term triple net contracts to solid pre-school operators (Espira, Norlandia Preschools, Kidsa Drift and Norlandia förskolor) of which all have lease guarantees from Norlandia Care Group.

Future payments under non-cancellable operating leases are as follows in nominal amounts excluding CPI adjustments

	<b>31.12.2017</b>	<b>31.12.2016</b>
Within 1 year	273 307	228 696
Between 1 and 5 years	1 148 992	961 445
After 5 years	3 304 107	3 072 581
Total	4 726 405	4 262 722

The Group rents out the investment properties on long term triple net contracts, with an exception on the properties leased to Espira, one of the Group's three customers (ref note 3). On average there are 16 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. There is no variable rent.

## Note 19 | Subsequent events

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In the second quarter 2018 Pioneer Public Properties AS (PPP) has sold 2% of the shares in, Pioneer Public Properties V AS (PPPV) and in 2018 the group owns 98% of PPPV.

In the first quarter 2018 the group bought 9 real estates in Finland, for the purchase price of TEUR 26 300



## Note 20 - Changes in prior period

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In the preparation of the 2017 reports, as previously described in the Company's 2017 quarterly reports, PPG has also identified certain corrections to the 2016 figures. The corrections are not significant and adjustments have now been made for the full year 2016. The corrections are: Fair value adjustment of investment properties has increased by TNOK 2 685 from TNOK 242 392 to TNOK 245 077, and profit before tax has increased correspondingly from TNOK 285 712 to TNOK 288 397. Income taxes has increased by TNOK 44 857 from TNOK 52 145 to TNOK 97 002. Profit and loss after taxes has been reduced with TNOK 42 172 from TNOK 233 567 to TNOK 191 395. Deferred tax has increased from TNOK 60 097 to TNOK 105 008. Loans to other companies has been reduced from TNOK 21 214 to TNOK 6 492. As a result of these changes the retained earnings has been reduced from TNOK 289 856 to TNOK 230 224.

Impact on statement of profit or loss (increase/decrease) in profit:

### 31 December 2016

Fair value adjustment on investment properties	2 685
Income taxes	-44 857
Net impact on profit for the year:	<u>-42 172</u>

### **Earnings per share (NOK)**

Basic earnings per ordinary share	-4,30
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Impact on equity (increase/decrease in equity):

### 31 December 2016

Deferred tax	-44 911
Current tax payable	-
Loans other companies	-14 722
Net impact on equity:	<u>-59 633</u>

**Financial statement 2017  
for  
Pioneer Property Group ASA**

**Organization number. 914839327**

## Income statement

	Note	2017	2016
<b>OPERATING REVENUE AND EXPENCES</b>			
<b>Operating revenue</b>			
<b>Total operating revenue</b>		<b>0</b>	<b>0</b>
<b>Operating expenses</b>			
Employee benefits expense	1	427 875	450 000
Other operating expenses	1	2 252 693	1 760 215
<b>Total operating expenses</b>		<b>2 680 568</b>	<b>2 210 215</b>
<b>OPERATING PROFIT OR LOSS</b>		<b>(2 680 568)</b>	<b>(2 210 215)</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
<b>Financial income</b>			
Income from subsidiaries		78 305 221	24 665 137
Interest recieved from group companies	4	3 011 413	6 565 923
Other interests		970 813	1 781 754
<b>Total financial income</b>		<b>82 287 446</b>	<b>33 012 814</b>
<b>Financial expenses</b>			
Other interests		1 112	3 352 004
Other financial expense		77	380
<b>Total financial expenses</b>		<b>1 189</b>	<b>3 352 384</b>
<b>NET FINANCIAL INCOME AND EXPENCES</b>		<b>82 286 257</b>	<b>29 660 430</b>
<b>ORDINARY RESULT BEFORE TAXES</b>		<b>79 605 689</b>	<b>27 450 215</b>
Tax on ordinary result	2	19 105 555	6 869 001
<b>ORDINARY RESULT</b>		<b>60 500 134</b>	<b>20 581 214</b>
<b>TO MAJORITY INTERESTS</b>		<b>60 500 134</b>	<b>20 581 214</b>
<b>APPLICATION AND ALLOC.</b>			
To ordinary dividends payable		12 187 500	0
To additional dividends payable		36 562 500	0
To/from other equity		11 750 135	20 581 214
<b>TOTAL APPLICATION AND ALLOCATION</b>		<b>60 500 134</b>	<b>20 581 214</b>

**Balance sheet pr. 31.12.2017**

	Note	31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Financial fixed assets</b>			
Investments in subsidiaries	3	1 384 978 741	1 384 978 741
Loans to group companies	4	89 757 046	16 775 744
<b>Total financial fixed assets</b>		<b>1 474 735 787</b>	<b>1 401 754 485</b>
<b>TOTAL FIXED ASSETS</b>		<b>1 474 735 787</b>	<b>1 401 754 485</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Trade receivables		386 957	147 500
Receivables on group companies	4	78 305 221	24 665 137
Other short-term receivables		0	10 563
<b>Total receivables</b>		<b>78 692 178</b>	<b>24 823 200</b>
Bank deposits, cash in hand, etc.		34 355 333	185 920 960
<b>TOTAL CURRENT ASSETS</b>		<b>113 047 511</b>	<b>210 744 160</b>
<b>TOTAL ASSETS</b>		<b>1 587 783 298</b>	<b>1 612 498 644</b>

## Balance sheet pr. 31.12.2017

	Note	31.12.2017	31.12.2016
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Paid-in equity</b>			
Share capital	6	16 314 470	16 314 470
Share premium reserve		1 487 325 615	1 548 585 465
<b>Total paid-in equity</b>		<b>1 503 640 085</b>	<b>1 564 899 935</b>
<b>Retained earnings</b>			
Other equity	5	52 010 312	40 260 177
<b>Total retained earnings</b>		<b>52 010 312</b>	<b>40 260 177</b>
<b>TOTAL EQUITY</b>		<b>1 555 650 397</b>	<b>1 605 160 112</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
<b>Provisions</b>			
Deferred tax	2	1 780	708
<b>Total provisions</b>		<b>1 780</b>	<b>708</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1 780</b>	<b>708</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		389 138	8 969
Income tax payable	2	19 104 483	6 868 293
Dividends payable		12 187 500	0
Other currents liabilities		450 000	460 563
<b>TOTAL CURRENT LIABILITIES</b>		<b>32 131 121</b>	<b>7 337 825</b>
<b>TOTAL LIABILITIES</b>		<b>32 132 901</b>	<b>7 338 533</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 587 783 298</b>	<b>1 612 498 644</b>

Oslo 12.04.2018



Roger Adolfsen  
Chairman



Sandra H Riise  
Board member



Geir Hjorth  
Board member

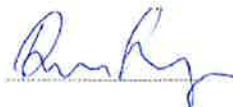
Even Carlsen  
Board member



Nina H. T. Høisæter  
Board member



Runar Rønningen  
CEO



## Notes 2017

### **Accounting Principles:**

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

#### **Balance sheet classification**

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

#### **Subsidiaries and investment in associates**

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

#### **Accounts receivable and other receivables**

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

#### **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 is calculated as 23 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions

## Notes 2017

### Note 1 - Management and auditor compensation

The company's auditor expenses (VAT included) :

	I år	I fjor
Staturory audit	386 250	227 500
Other services	133 688	87 500
<b>Total</b>	<b>519 938</b>	<b>315 000</b>

	I år	I fjor
Payroll	375 000	275 000
Payroll expenses (employer tax)	52 875	38 775
Other payments	0	136 225
<b>Total</b>	<b>427 875</b>	<b>450 000</b>

All salaries are paid is remuneration for directors. Other payroll-related expenses are accrued remuneration for directors

The company has no employees and do not fall under the Act on Mandatory occupational.

## Notes 2017

### Note 2 - Tax

#### Calculation of this years tax basis:

Net profit/loss before tax expense	79 605 689
+ Permanent differences	-78 304 109
+ Changes in temporary differences	-4 789
+ Received group contributions	78 305 221
<b>= Income</b>	<b>79 602 012</b>

#### This years income tax expense consist of:

Estimated tax of net profit	19 104 483
<b>= Tax payable</b>	<b>19 104 483</b>
+/- Change in deferred tax	1 072
<b>= Total tax expense</b>	<b>19 105 555</b>
Tax rate	24

#### current tax liability:

Tax payable	19 104 483
<b>= Tax payable</b>	<b>19 104 483</b>

#### Deferred tax

	2017	2016
+ accounts receivable	7 739	2 950
<b>= total</b>	<b>7 739</b>	<b>2 950</b>
<b>Deferred tax</b>	<b>1 780</b>	<b>708</b>

### Note 3 - Investmants in subsidiaries

Subsidiaries are valued at cost in the company accounts.

Subsidiary, office location:	Owner- ship %	voting rights %	Net profit last year	equity last year
Pioneer Public Properties AS, Oslo	100,00 %	100,00 %	59 512 494	1 354 709 290



## Notes 2017

### Note 4 - Liabilities to/receivables from group companies

Interest recieved from group companies NOK 3 011 413 and interest paid to group companies NOK 0.

	Pr 31.12.	pr 01..01
<b>Receivables</b>		
Group contributions	78 305 221	24 665 137
Loans to group companies	89 757 046	16 775 744
<b>Total receivables</b>	<b>168 062 267</b>	<b>41 440 881</b>
<b>Liabilities</b>		
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>

### Note 5 - Other equity

	Share capital	Share premium reserve	Other equity	Total equity
Pr 1.1.	16 314 470	1 548 585 465	40 260 177	1 605 160 112
+Ordinary result			60 500 134	60 500 134
-Dividends			48 750 000	48 750 000
+/-Other transactions:	0	-61 259 850	0	-61 259 850
<b>Pr 31.12.</b>	<b>16 314 470</b>	<b>1 487 325 615</b>	<b>52 010 312</b>	<b>1 555 650 397</b>

Other transactions:

Refunded share premium reserve.

## Notes 2017

### Note 6 - Share capital

The company have 16 314 470 shares with a book value NOK 1 per share, and total share capital is NOK 16 314 470.

The company have two classes of shares, ordinary shares and preference shares:

<b>Class of shares</b>	<b>shares</b>	<b>Total value</b>	<b>Voting rights</b>
Ordinary shares	9 814 470	9 814 470	Each share has 1 vote
Preference shares	6 500 000	6 500 000	Each share has 0,1 vote
<b>Total</b>	<b>16 314 470</b>	<b>NOK 16 314 470</b>	

The company's shareholders ordinary shares:

<b>Shareholders</b>	<b>Ord. shares</b>
Hospitality Invest AS	3 201 926
Eidissen Consult AS	1 773 386
Grafo AS	1 773 386
Klevenstern AS	1 417 852
Mecca Invest AS	1 417 852
Hi Capital AS	230 068

The company's 4 biggest shareholders pref.shares :

<b>Shareholders:</b>	<b>Pref.Shares</b>
Eidissen Consult AS	779 010
Avanza Bank AB	641 683
Skandinaviska Enskilda Banken	502 091
Grafo AS	326 484

Indirectly owned shares of executives in the company:

	<b>Ordinary shares</b>	<b>Perf. shares</b>
Roger Adolfsen (Chairman)	3 003 776	173 433
Even Carlsen (Board member)	1 773 386	340 424
Runar Rønningen (CEO)		59 650

# CASH FLOW STATEMENT

	PPG ASA	PPG ASA
	2017	2016
<b>Cash flows from operating activities</b>		
Profit before tax	79 605 689	27 650 160
Taxes paid	-6 868 293	-7 278 514
Group contributions	-78 305 221	-24 865 082
Trade receivables	-239 457	-147 500
Trade payables	380 169	-119 143
Other accruals	0	136 225
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	<b>-5 427 113</b>	<b>-4 623 854</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for purchase of shares		
Payments for purchase of other investments		
Payments of loan to group companies	-72 981 302	
Proceeds from other investments		298 122 253
	<hr/>	<hr/>
<b>Net cash flow from investing activities</b>	<b>-72 981 302</b>	<b>298 122 253</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of long term debt		
Repayment of long term debt		-138 115 843
Divides paid	-36 562 500	
Repayment of share premium reserve	-61 259 849	-36 562 500
Group contributions received	24 665 137	45 813 319
Issue of share capital		
	<hr/>	<hr/>
<b>Net Cash flow from financing activities</b>	<b>-73 157 212</b>	<b>-128 865 024</b>
	<hr/>	<hr/>
Net change in cash and cash equivalents	-151 565 627	164 633 375
Cash etc. 01.01	185 920 960	21 287 585
	<hr/>	<hr/>
<b>Cash etc. at 31.12</b>	<b>34 355 333</b>	<b>185 920 960</b>
	<hr/>	<hr/>
Kontanter og bankinnskudd 31.12	34 355 333	185 920 960
Skattetrekk o.l 31.12		
	<hr/>	<hr/>
	<b>0</b>	<b>0</b>
	<hr/>	<hr/>

## Independent Auditor's Report

To the General Meeting of Pioneer Property Group ASA

Report on the Audit of the Financial Statements

### Opinion

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We have audited the financial statements of Pioneer Property Group ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

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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 and the Group 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.

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## Key Audit Matters

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter	How the key audit matter was addressed in the audit
<p><b>Valuation of investment properties</b></p> <p>Investment properties are the Group's most important asset and comprises the most significant part of the Group's balance Sheet. The valuation of investment properties is thus of material importance for the determination of the Group's equity. Changes in value of investment properties could also significantly affect the income statement.</p> <p>The valuation is performed by obtaining valuations from an independent external party - Newsec. The valuation is based on the requirements of IFRS 13 and recognized valuation methods. The valuation involves the use of several key factors involving judgmental assessments. Judgement is used to estimate future rent payments, Yield and owner costs.</p> <p>Based on the significant value and the use of estimates for determining it, we consider investment properties to be a key aspect of the audit.</p> <p>We also refer to the notes 1 and 12 in the annual accounts.</p>	<p>Our audit procedures have included, a detailed review of the valuation of the investment properties.</p> <p>We have evaluated Newsec's competence and independence in performing the valuation.</p> <p>We have ensured that the valuations have been carried out in accordance with current valuation principles that are appropriate for this purpose.</p> <p>Further, we have reviewed and assessed the assumptions related to future lease payments and Yield assessments. We have also tested that underlying property data, such as agreed market rent, duration of rental period, and ownership costs and rental details, are consistent with information in the valuation reports</p>



#### Other information

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Management is responsible for the other information. The other information comprises the Board of Directors' report.

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.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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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.



As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all



relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

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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 proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

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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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12. April 2018  
BDO AS

Sven Aarvold  
State Authorised Public Accountant