Pioneer Public Properties AS

2016

Report for the period 1 January - 31 December 2016

The 2016 Board of Directors report Pioneer Public Properties AS.

Highlights of the 2016 annual report

- Total revenues in 2016 were TNOK 217 741, and with a pre-tax profit of TNOK 282 842.
- The Company had total assets of TNOK 4 237 082 where Investment Property (132 preschools and 1 retirement home) were valued at TNOK 4 042 640 in addition to a cash balance of TNOK 163 812. Total debt was TNOK 2 602 508 and with total equity of TNOK 1 634 574
- Towards the end of the year PPP commissioned a valuation report from Newsec to review the valuation of the property portofolio. The valuation of MNOK 4,043 has prompted the Board of Directors to increase the book value in accordance to iFRS, triggering an extraordinary accounting profit of MNOK 242.
- The new bond of MNOK 1,000 was successfully listed on the Oslo Stock Exchange from the beginning of the fourth quarter.
- A new bank financing from DNB of MNOK 495 was established to refinance smaller bank-loans in several subsidiary companies in addition to adding bank financinf to recently acquired kindergartens.

Operations and location

Pioneer Public Properties AS (PPP) is a real estate company focusing on providing high-quality properties for government-backed care-services. The company's current portfolio consists of 132 kindergartens and 1 retirement home located in the large cities in Norway, Sweden and Finland and which house a total of over twelve thousand children. The properties are leased out on long-term triple-net contracts to large kindergarten operators, including Norlandia Care Group, Touhula and Espira. The Company's headquarter is in Oslo, Norway.

The parent company 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 Company's headquarter in Rådhusgata 23, Oslo

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.

Accounting policies:

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

Comments the financial statements

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 2016, which have had any material impact on the financial status of the Company.

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 Public Properties AS. The Board of Directors consists of 1 man.

External environment

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

Financial risks

The Company 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 a general increase in interest rate levels, and there through also an increase of the financial cost of loans to the Company.
- Credit risk relating to banks or other financial institutions' willingness to loan money, which may restrict the Company's ability to take up new loans in the futures.
- 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 financial risk exposure.

Total comprehensive income

The Board of Directors propose the following allocation of the net income of 247 522 TNOK:

Transfer to other reserves:	247 522 TNOK
Total:	247 522 TNOK

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 2016 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 year and their impact on the set of financial statements, a description of the underlying principal risks and uncertainties, and major related parties' transactions.

Oslo, 20/3-2017

Board of Directors of Pioneer Public Properties AS

Runar Rønningen

Leader Board of Directors

Consolidated Income Statement

NOK thousand	Note	27.11.15-31.12.15	2016
Income from rent	2,17	19 309	217 548
Other income	2	29	193
Total Income		19 338	217 741
Payroll expenses			
Expenses related to property	7		-
Other operating expenses	7	3 309	25 627
Total Expenses		3 309	25 627
Fair value adjustment on investment properties	11		242 392
Operating profit (EBIT)		16 029	434 506
Finance income	12	1 359	944
Finance expenses	12	8 303	151 797
Currency expenses	12		811
Net Finance		-6 944	-151 664
Profit/(loss) before tax		9 085	282 842
Income taxes	9	2 453	35 320
Profit/(loss) for the period		6 632	247 522
Proposed dividends			
Total distributed		6 632	247 522

Consolidated Statement of Comprehensive Income:

NOK thousand	27.11.15-31.12.15	2016
Profit/(loss) for the period	6 632	247 522
Total other comprehensive income, net of tax	-	-
Comprehensive income for the period	6 632	247 522
Profit or loss for the period attributable to		
Owners of Pioneer Public Properties AS	6 632	247 522
Comprehensive income for the period attributable to		
Ordinary shareholders of Pioneer Public Properties AS	6 632	247 522
Earnings per share (NOK)		
Basic earnings per ordinary share	22 106	825 074
Dividend per ordinary share	-	-

Consolidated Statement of Financial Position

NOK thousands		31.12.2015	31.12.2016
Assets			
Investment property	11	3 413 174	4 042 640
Deferred tax assets		-	
Investment in subsidiaries			
Loans other companies			21 214
Total non-current assets		3 413 174	4 063 854
Trade and other receivables	15	10 607	9 416
Cash and cash equivalents	6	174 042	163 812
Total current assets		184 649	173 228
Total assets		3 597 823	4 237 082
Equity and liabilities			
Share capital	16	120 000	120 000
Share premium	16	1 264 959	1 264 959
Retained earnings		6 632	274 281
Total equity		1 391 591	1 659 239
Borrowings	8	1 698 190	2 416 177
Deferred tax	9	25 801	60 097
Other non-current liabilities		316 290	26 115
Total non-current liabilites		2 040 281	2 502 389
Borrowings	8	86 793	38 391
Current tax payable	9	-	1 023
Other current liabilities		79 158	36 039
Total current liabilities		165 952	75 454
Total liabilities		2 206 233	2 577 843
Total equity and liabilities		3 597 823	4 237 082

Oslo, 20/3-2017

Board of Directors of Pioneer Public Properties AS

Runar Rønningen

Leader Board of Directors

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent			
NOK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Total Equity**
Balance at 1 January 2016	120 000	1 264 959	6 632	**1 391 591**
Profit/(loss) for the period			247 522	**247 522**
Group contributions				**0**
Other comprehensive income for the period			0	**0**
Total comprehensive income for the period	0	0	247 522	247 522
Other changes			20 126	20 126
Proceeds from shares issues debt conversion				0
Proceeds from shares issued, contribution in kind				0
Proceeds from shares issued				0
Repayment premiums				0
Transactions with owners	0	0	0	0
Balance at 31 December 2016	**120 000**	**1 264 959**	**274 281**	**1 659 239**

Other changes is related to acquisition of subsidiaries.

NOK thousands	Note	27.11.15-31.12.15	2016
Cash flows from operating activities:			
Profit before income tax		9 085	282 842
Adjustments for:			
Fair value adjustments on investment property			-242 392
Interest expense - net			
Borrowing cost			
Net (gain)/loss on sale of shares			
Profit/loss on sale of fixed assets			70
Changes in working capital:			
Trade receivables	15	-807	372
Trade payables			116
Other accruals		179 499	-63 630
Cash generated from operations		187 777	-22 622
Interest paid			
Income tax paid			
Net cash generated from operating activities		**187 777**	**-22 622**
Cash flows from investing activities:			
Proceeds from sale of properties			1 237
Purchase of property	11		-368 185
Purchase of net other assets			
Other long term receivables			
Proceeds from sale of shares and bonds			-70
Net cash used in investing activities		**0**	**-367 018**
Cash flows from financing activities:			
Proceeds from debt to financial institutions	8	-13 735	1 675 110
Proceeds from other borrowings	8		-290 175
Repayments of debt to financial institutions	8		-1 005 525
Proceeds from shares issued			
Repayment of shares issued			
Dividends paid to owners of the parent			
Dividends paid to non-controlling interests			
Net cash from financing activities		**-13 735**	**379 410**
Net change in cash and cash equivalents		**174 042**	**-10 229**
Cash and cash equivalents at beginning of period			174 042
Exchange gains/(losses) on cash and cash equivalents			
Cash and cash equivalents at period end	6	**174 042**	**163 812**

Consistency check:

Cash and cash equivalents in Balance Sheet		**174 042**	**163 812**

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Note 1 | Accounting Principles

1.1 General information
Pioneer Public Properties AS (the 'Company') and its subsidiaries (together, the 'Group') invests in kindergarden and 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 Public Properties AS is a company incorporated and domiciled in Norway. The adress of the Company's registered office is Rådhusgata 23, 0158 Oslo.

The Company was incorporated 21 April 2015. The Group was formed 27 November 2015 after the acquistions 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 10.

The consolidated annual financial statements covers the period from 1 January 2016 to 31 December (Q1-Q4 2016).

1.2 Basis of preparation
The interim consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The interim 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.

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.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

Acquisition of subsidiaries or other entities 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

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 2016, and have not been applied in preparing these interim consolidated financial statement. None of the new Standards are expected to have a significant effect on the consolidated financial statements of the Group. The following new standards have not been implemented in the preparation of these financial statements:

- IFRS 9 Financial instruments 2018
- IFRS 15 Revenue from contracts with customers 2018.
- IFRS 16 Leases 2019.

IFRS 9 "Financial Instruments" regulates the classification,measurement and recognition of financial assets and financial obligations. The complete version of IFRS 9 was issued in July 2014. It replaces IAS 39. IFRS 9 classified financial assets in three categories, really value through other comprehensive income, fair value through profit and amortized cost. Measuring categories determined by first time accounting. Classification depends on entity's business model for managing its financial instruments and characteristics of the cash flows. For financial liabilities continued mainly regulation from IAS 39. IFRS 9 simplifies the requirements for hedge accounting something in relation to the current rules under IAS 39. The standard represents a change in relation to the assessment of losses claim. Current rules only require first provision when it occurrence of a loss event, while new regulations require provision for anticipated requirements. The standard is effective for accounting beginning 1.1.2018 or later. Group
have not yet completed the evaluation of the impact IFRS 9 will have on the Group.

IFRS 15 replaces the existing standards for revenue (IAS 11 and IAS 18) with effect from 01.01.2018. IFRS 15 introduces 1:05 step method of accounting
income: 1. Identification of the contract with the customer, 2. Identification of the delivery commitments, 3. Determination the transaction price, 4 Allocation of the transaction price and 5 Recognition of income as commitments to be met. The standard may result
changes in relation to the timing of revenue recognition and measurement of income. The group has still not completed the assessmentwhat effect IFRS 15 will have for the group

IFRS 16 LEASES
IASB issued a new standard for leasing 13 January 2016.The standard is effective for fiscal years beginning after 01/01/2019. The standard requires that the lessee capitalizes a right of use with corresponding liability for any material leases. The Group has not yet completedassessing the impact of IFRS 16 will have 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.

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

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 incuded 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 accrued.

1.8 Financial assets
1.8.1 Classification
The group classifies its financial assets in the following category: Loans 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 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

1.8.2 Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

1.8.3 Impairment of financial assets
Assets carried at amortised cost:
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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
Ordinary shares 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

Tax on income in the interim periods are accrued using the tax rate that would be applicable to expected annual profit.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Norway. Management periodically evaluates positions taken in tax calculations with respect to situations in which applicable tax regulation is subject to interpretation. Management 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. However, 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. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1.17 Segements

The Group's only business is to own and rent out preschool properties. All properties are in the same business segment. All properties are in Norway, Sweden and Finland.

1.18 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.

Note 2 | Financial risk management

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 continously by management. The level of interes rate exposure is determined based on an assesment of existing cash flows, general assesment of financial condition and available liquidity.

(i) Fair value interest rate risk
The Group holds interest bearing assets in terms for 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 interes rates.

If the interest rate had been +/- 1 % in 2016 the result after tax would be +/- MNOK 6,1 million, 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 2016: 3,3 %

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. Managment 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.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by

Exposure to credit risk at the end of the period:	**31.12.2016**	**31.12.2015**
Accounts receivable	435	807
Other Short term receivable	8 980	9 801
Cash balance	163 812	174 042
Total exposure	**173 228**	**184 649**

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 obliagtions at maturity without incurring a significant increase in finance cost or not being able to meet its obliagtions at all. The risk also includes that the Group must forfeit investment oportunities. 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 suffiecient headroom to avoid breaches in convenants 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 account the Group's debt financing plans and covenant compliance.

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:

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

	31.12.2015				
	< 3mnths	3m-1y	1y-2y	2y-5y	>5y
Borrowings (bank)	9 901	29 942	190 450	340 854	645 719
Interest on borrowings (bank)	11 366	33 727	38 050	107 761	194 518
Bond loans	-	46 500	59 900	478 150	-
Interest on bond loans	9 235	27 705	36 940	39 235	-
Other liabilities	33 787	-	139 508	-	-

In July 2016 the company issued a new Bond of MNOK 1 000, and the exsiting Bonds were payd of.

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 finacial statements is reported in NOK.

2.2 Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders holding ordinary shares, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Gearing ratio at the end of the period	31.12.2016	31.12.2015
Total borrowings	2 479 996	2 099 881
Less: Cash and cash equivalents	163 812	174 042
Net debt	2 316 183	1 925 840
Total equity	1 659 239	1 391 591
Total capital	3 975 422	3 317 430
Gearing ratio	58 %	58 %

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 seven customers: Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Touhula and Casparssons Vårdhem.

Geographical segment 2016:

NOK thousand	Norway	Sweden	Finland	Group
Income from rent	212 785	1 208	3 554	217 548
Other income	193	-	-	193
Total Income	212 978	1 208	3 554	217 741
Expenses related to property	-	-		-
Payroll expenses	-			-
Other operating expenses	22 868	231	2 528	25 627
Total Expenses	22 868	231	2 528	25 627
Fair value adjustment on investment properties	259 545	-10 230	-6 923	242 392
Operating profit (EBIT)	449 655	-9 252	-5 897	434 506
Finance income	943		2	944
Finance expenses	150 232	223	1 342	151 797
Currency expenses	1 613	157	-959	811
Net Finance	-150 902	-381	-381	-151 664
Profit/(loss) before tax	298 753	-9 633	-6 278	282 842
Income taxes	39 298	-2 408	-1 570	35 320
Profit/(loss) for the period	259 456	-7 225	-4 709	247 522

Note 4 | Critical accounting estimates and judgement

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 Investments 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 measures 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 5,25 %. Factor 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 average gross yield for the investement property portfolio is 5,8 %.
Refer to note 11 for sensitivities.

The valuation report is commissioned from a well know and reputable company, and for 2016 a valuation report was commissioned from Newsec.

Note 5 | Contingencies and commitments

The Group has no contingent liabilities nor commitments as at 31 December 2016.

Note 6 | Cash and cash equivalents

Cash and cash equivalents	31.12.2016	31.12.2015
Bank deposits	163 812	174 042
Total	163 812	174 042

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

Note 7 | Expenses

Specification of expenses related to properties

	31.12.2016	31.12.2015
Maintenance properties	**0**	**0**
Total expenses related to properties	0	0

Specification of other operating expenses	**31.12.2016**	**31.12.2015**
Management fee	11 861	1 065
Other operating expenses	13 765	2 244
Total other operating expenses	**25 627**	**3 309**

Note 8 | 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.

NOK thousand	31.12.2016	31.12.2015
Non-current		
Commercial bank loans	659 395	404 086
Husbank loans (state bank)	769 113	772 937
Bonds in Pioneer Public Properties II AS		174 425
Bonds in Pioneer Public Properties III AS		346 742
Bonds in Pioneer Public Properties AS	987 669	
Total	**2 416 177**	**1 698 190**

NOK thousand	31.12.2016	31.12.2015
Current		
Commercial bank loans	7 356	19 151
Husbank loans (state bank)	31 036	20 692
Bonds in Pioneer Public Properties II AS		20 000
Bonds in Pioneer Public Properties III AS		26 950
Bonds in Pioneer Public Properties AS	-	
Total	**38 391**	**86 793**

NOK thousand	31.12.2016	31.12.2015
Total non-current and current		
Commercial bank loans	666 751	423 237
Husbank loans (state bank)	800 149	793 629
Bonds in Pioneer Public Properties II AS		194 425
Bonds in Pioneer Public Properties III AS		373 692
Bonds in Pioneer Public Properties AS	987 669	-
Total	**2 454 569**	**1 784 983**

a) bank borrowings

The Group's bankloans are with Husbanken,DNB, SR-bank, Swedbank, Danske bank and Handelsbanken. The bank borrowings mature until 2035. Of the total bank borrowings per 31 December 2016 NOK 581 million are on a fixed rate. The remaining NOK 1 466 million are on floating rates.

b) Bond loans

The Group has issues one bonds:
Pioneer Public Property (ticker PPU01) at Oslo Børs amounting to NOK 1,000 million with maturity May 2021. The bond are a senior secured callable bullet bond with voluntary redemption at specified premiums up until maturity.

Summary of bond loans:

Bonds	Book value 31.12.2016	Marked value 31.12.2016	Coupon	Term
PPU01	1 000 000	1 047 500	NIBOR + 5,25 %	2016/2021
Transaction costs	-13 701			
Amortization	1 370			
Total bond	**987 669**	**1 047 500**		
Whereof current	-	-		

Bonds	Book value 31.12.2015	Marked value 31.12.2015	Coupon	Term
PPP01 PRO	200 000	202 000	NIBOR + 5 %	2013/2018
PIII01	385 000	386 694	NIBOR + 4,5 %	2014/2019
Transaction costs	-24 896			
Amortization	8 013			
Total bond	**568 117**	**588 694**		
Whereof current	3 442 238	47 269		

In the Bond agreement entere 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 NOK 75 million 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 2016

	31.12.2016	31.12.2015
Investment property	4 042 640	3 413 174
Total pledged assets	4 042 640	3 413 174

Note 9 | 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 year to date 31 December 2016 income tax expense is 25 %.

Tax expense			**2016**
Profit before tax			282 842
Adjustments for:			-
- temporary differences			100 829
- Permanent differences	-		-242 392
Taxable result for the period	-	-	141 279
Income tax expense for the period	-	-	35 320
Estimated effective tax rate for the period			12 %

Change in deferred tax liabilities	**Investment property**	**Other items**	**Total**
As per 1 January 2016	0	0	**25 801**
Deferred tax on purchase and sale of company	0		**0**
Recognized deferred tax	0		**34 297**
Effect on changed tax rate			**0**
Currency changes			**0**
As per 31 December 2016	0	0	60 097

Temporary differences not included in the calculation of deferred tax

		2016
As per 1 January 2016		2 449 508
Change related to new acquisitions		7 823
Change related to sales		
Effect of changed tax rate		
As per 31 December 2016	0	2 457 331

Net recognised deferred tax liabilities	60 097

Current income tax liabilities	**2016**	**2015**
Current income tax	1 023	0
Change in prior years		
Total current income tax liabilities	1 023	0

Note 10 | Changes in Group structure, aquisitions during the year and subsidiaries

The Company was incorporated 21 April 2015. The Group was formed after the aqcusition of Pioneer Public Properties I AS, (PPP I), Pioneer Public Properties II AS (PPP II), Pioneer Public Properties III AS (PPP III) and Pioneer Public Properties IV AS (PPP IV) on 27 November 2015.

The acquisitions of PPP I, PPP II AS, PPP III and PPP IV included investment properties, liabilities and rent agreements. No employee or managemnet contract was included in the acquisition . Based on the underlying facts and circumstances, managemenet has evaluated that the purchases were not in scope of IFRS 3, but a purchase of a group of assets. Therefore no goodwill was recognized and the initial recognition excemption for recognising deferred tax was applied.

In 2016 the Group bought real estate companies in Sweden, Finland and Norway. The Group also founded a Norwegian holding company PPPV AS

The Group consists of the following subsidiaries per 31 December 2016:

Company Name	Location	Percent of stock
Pioneer Public Properties I AS	**Norway**	**100 %**
Bodø Eiendomsselskap AS	Norway	100 %
Vestlandske Eiendomsselskap AS	Norway	100 %
Tromsø Eiendomsselskap AS	Norway	100 %
Pioneer Public Properties II AS	**Norway**	**100 %**
Idunsvei 8 Eiendom DA	Norway	100 %
Oslo Barnehager Eiendom AS	Norway	100 %
Vifo Romeriket Eiendom AS	Norway	100 %
Bergen Barnehager Eiendom AS	Norway	100 %
Pioneer Public Properties III AS	**Norway**	**100 %**
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 %
Helldalsåsen 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 %
Marthahaugen 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 %
Pioneer Public Properties IV AS	**Norway**	**100 %**
Kidsa Bygg AS	Norway	100 %
Kidsa Eiendom AS	Norway	100 %
Kidsa AS	Norway	100 %
Kidsa Eiendom II AS	Norway	100 %
Norlandia Barnehagebygg 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 Øvsttun AS	Norway	100 %
Kidsa Øyrane AS	Norway	100 %
Pioneer Public Properties V AS	**Norway**	100 %
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 Tenavajoti	Finland	100 %
Kiinteistö OY Lohjan Tenavajoti	Finland	100 %
Kiinteistö Esoo Palolammentie OY	Finland	100 %
Kiinteisö Hyvinkään Pavinmäenkatu OY	Finland	100 %
Kiinteistö Keravan Kurkela OY	Finland	100 %
Kiinteistö Bromkuja Kirkkonummi OY	Finland	100 %
Päiväkotikiinteistö Klaukkala Pikkutikankuja OY	Finland	100 %
päiväkotikiinteistö Aapraminkaari Vantaa OY	Finland	100 %
Päiväkotikiinteistö Vihti Nummela OY	Finland	100 %
Päiväkotikiinteistö Touhula Karistonkatu Lahti OY	Finland	100 %
Oulunsalon Tetrilänku KOY	Finland	100 %
Touhula Ritaharju KOY	Finland	100 %
Kangasala Ilkontie KOY	Finland	100 %
Päiväkoti Ylöjärvi rimpitie OY	Finland	100 %
Casparssons Fastighetsbolag AB	Sweden	100 %
Västeråsfjärdens fastighetsbolag AB	Sweden	100 %

Note 11 | Investment property

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. The Group does not have any future maintenance capital expenditure on properties as all maintenance is carried by the tenant as agreed upon in the lease agreements. The properties are primarily located in the greater Oslo area, Bergen, the greater Stavanger area, Bodø and Tromsø and certan locations in Sweden and Finland. See the Company's web site for a full list and map of all the properties. 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 valuated 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 5,25% , and a number of individual factors for each property were appied to assess the individual yield for the respective property/location.

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 Group's property value by +/– NOK 202 million.

If yield is changed by 1 per cent the book value of the properties change with MNOK -580, and with -0,5 MNOK 370.
If the rent cahnged by +/- 5 per cent value of the properties change with MNOK 202

		-0,5%	0,0%	1,0%
NOI sensitivity	-5 %	4 210,3	3 840,5	3 260,2
	0 %	4 412,4	4 042,6	3 462,3
	5 %	4 614,5	4 244,8	3 664,5

Note 12 | Net financial items

NOK thousands	2016	2015
Interest income	944	1 359
Currency expense	811	
Interest expense	151 797	8 303
Net financial items	**151 664**	**6 944**

Note 13 | Related-party transactions

Related party	Relation to the Group
Runar Rønningen	Board member and CEO Pioneer Capital Partners
Pioneer Capital Partners AS	Deliverer of managment services
Norlandia Care Group AS	Controlled by substantial indirect shareholders
Kidsa Drift AS	Controlled by substantial indirect shareholders
Pioneer Propert Group ASA	Shareholder
Kidsa Barnehager AS	Controlled by substantial indirect shareholders

Indirect ownership of shares by board member:	ownership
Runar Rønningen	0,37 %

The Group had the following material transactions with related parties:

Transactions with related parties	Q1 16	Q2 16	Q3 16	Q4 16	2016
Rent revenue from Norlandia Care Group AS including subsidiaries	14 845	14 845	14 845	14 845	59 380
Rent revenue from Kidsa Drift including subsidiaries	9 775	9 775	9 775	9 775	39 099
Management fee to Pioneer Capital Partners AS including subsidiaries	2 830	2 830	2 830	3 372	11 861
Purchase of shares from related parties (refer to note 11)	-	-	100 127	0	100 127

Receivables from related parties	31.12.2016
Kidsa Barnehager AS	29 535

The outstanding balances between the related parties are unsecured. The receivables occurred in late December, it is expected that these will be settled early in 2017, therefor it is not calculated interest on these receivables. Other transactions made between the related parties are made on terms equivalent to those that prevail in the market at arms length.

Note 14 | Payroll

The company does not have any employees. Refer to Note 13 for information regarding management fee to Pioneer Management AS, a fully owned subsidiary of Pioneer Capital Partners AS.

Note 15 | Trade receivables

	31.12.2016	31.12.2015
Trade Receivables	435	807
Other Receivables	8 980	9 801
Total Receivables	9 416	10 607

No provisions have been made for loss in receivables

Ageing of receivables

	Total	Not due	up to 30 days over due	between 30 and 60 days overdue	more than 60 days overdue
As per 31.12.2016	9 416	9 416	-	-	-

Note 16 | Share capital and shareholder information

	Number of shares	Share value in NOK			
		Ordinary shares		Share premium	Total
At 31 December 2016	300	120 000 000	-	1 264 958 741	1 384 958 741

The face value per share is NOK 400 000. Share premium for all shares issued is of NOK 4 216 529 per share.

The ordinary share
The Company's ordinary share confers one vote.

Shareholder	Ord shares
Pioneer Property Group ASA	100,00 %
Total	**100 %**

Note 17 | Operational leases

Properties are leased out on long term triple net contracts to solid pre-school operators (Espira, Norlandia Preschools, Norlandia förskolor and Kidsa Drift), 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

	31.12.2016
Within 1 year	228 696
Between 1 and 5 years	961 445
After 5 years	4 366 560

Note 18 -Subsequent events

No material subsequent events have occurres since the end of the year 2016

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Independent Auditor's Report

To the General Meeting of Pioneer Public Properties AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pioneer Public Properties AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity 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 2016 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 2016, 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 give a true and fair view of the financial position of the group as at 31 December 2016, 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

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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
Valuation of investment properties The Group's value of investment properties in the financial statements amounts to NOK 4 042 640 000 equivalent to 95,4% of the group's total assets. The valuation of the properties is performed by an external party, Newsec, and is described in note 11 to the financial statements. The amount and the complexity and judgement involved in the valuation, lead us to identify this as a risk area in our audit.	Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by Newsec, in particular those relating to the discounted cash flow model and marked based yield for the rental properties. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the value of the properties. We have also evaluated Newsec's competence and independence in performing the valuation of the investment properties.
Bond Pioneer Property Group ASA has issued one bond on the Oslo Stock Exchange in the amount of NOK 1 000 000 000 equivalent to 38.8% of total group liabilities. Due to the substantial amount, and the structure and terms of the bond agreement, this issue was deemed significant to our audit. The bond is described in note 8 to the financial statements.	Our audit procedures included, among others, a review of the bond agreement focusing on the limitations for the group, as well as our own calculations to ensure that all the covenants in the bond agreement were met, and classification in accordance with IFRS requirements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with 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

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 International Standards on Auditing (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 the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 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

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 and statements on Corporate Governance and Corporate Social Responsibility 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

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

Drammen, 20 March 2017
BDO AS

Eli-Ann Murberg Casso
State Authorised Public Accountant