Pioneer Public Properties AS

2017

Report for the period 1 January - 31 December 2017

Highlights of the Report

Total revenue in 2017 were TNOK 255 707 and with a pre-tax profit of TNOK 323 376.

The Group had total assets of TNOK 4 838 839 where Investment Property was valued at TNOK 4 722 894 in addition to a cash balance of TNOK 104 459 and other receivables of TNOK 1 600. Total debt was TNOK 3 014 643 and with total equity of TNOK 1 824 195.

Towards the end of the year PPP commissioned a valuation report from Newsec, the value of the properties are adjusted for the revised valuations in the financial report.

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 Public Properties AS (PPP) 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 centrally located in the large cities in Norway, Sweden and Finland. The properties 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. PPP's pre-schools 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. PPP's kindergartens are well located in central areas, including Stavanger, Bergen, Kristiansand, Gothenburg, Helsinki, and the greater Oslo area.

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 Group's headquarter in Rådhusgata 23, Oslo

Key Material Events During the Year

In 2017, PPP acquired fourteen properties in Finland for a total property value of TEUR 34 500 with annual rental income of TEUR 2 300 The properties were acquired from Cor Group Oy, Cordis Oy, and Trevian Care Sub Fund IV Ky. 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 at 60% loan-to-value with competitive market-based terms, and the remaining equity portion from the cash reserves. In addition, PPP acquired some stand-alone properties from Norlandia Heath & Care Group ASA.

Subsequent Events Since the End of 2017

In the first quarter of 2018, PPP 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. The acquisition is fully funded with a loan from Pareto Bank.

Accounting Policies:

The financial statements have been drawn up in accordance with International Standards for Financial Reporting (IFRS). The financial statements to the mother company have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

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 255 707. 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 27 000, 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 PPP 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 427 115.

Net financial income for the year was TNOK -103 739 and included currency gains of TNOK 12 619 due to an appreciated euro during the year. Net profit for the Company in 2017 was therefore TNOK 250 010.

The Group had total assets of TNOK 4 838 839, where Investment Property was valued at TNOK 4 723 780 in addition to a cash balance of TNOK 104 459 and other receivables of TNOK 1 600. Total debt was TNOK 3 014 643 and with total equity of TNOK 1 824 195. Equity was increased from TNOK 1 593 480 as of 31 December 2016 primarily due to the value adjustments of Investment Properties.

Total cash balance of TNOK 104 459 was down from TNOK 163 812 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 Finish market.

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 Company.

Comments on the Financial Statements of the Company

During 2017 PPP AS had no operating income. Operating cost was TNOK 1 504. Net financial income for the year was TNOK 79 810, where as TNOK 140 532 was received group contribution and TNOK 62 858 was interest expense on the bond. Profit before tax was TNOK 78 306, which was given as group contribution.

The Company has total assets of TNOK 2 583 453, where investments in subsidiaries was TNOK 2 264 413 and long term receivables from group companies was TNOK 114 858. Short term receivables on group companies was TNOK 140 532, equal received group contribution, and cash balance was TNOK 18 598. Total debt was TNOK 1 183 744, including the bond with TNOK 1 000 000, and equity was TNOK 1 354 709.

The cash balance of TNOK 18 598 was down from TNOK 24 485 as of 31. December 2016. Cash was reduced in 2017 due to payments of loans to group companies and group contribution 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 Public Properties AS. The Board of Directors consists of 2 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 a 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 Group's total financing risk exposure.

Oslo, 12 April 2018
Board of Directors of Pioneer Public Properties AS

Runar Rønningen
Leader Board of Directors

Roger Adolfsen
Board member

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 for the mother company in accordance with generally accepted accounting principles in Norway, 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.

The Board of Directors

12 April 2018

Runar Rønningen
Chairman

Roger Adolfsen
Board Member

Consolidated Income Statement

NOK thousand	Note	2017	2016 Restated*
Income from rent	2,17	255 531	217 548
Other income	2	176	193
Total Income		255 707	217 741
Other operating expenses	7	26 917	25 627
Total Expenses		26 917	25 627
Fair value adjustment on investment properties	11	198 325	245 077
Operating profit (EBIT)		427 115	437 191
Interest income	12	796	944
Interest expenses	12	117 154	127 125
Currency expenses	12	-12 619	811
Other finance expenses	12		24 672
Net Finance		-103 739	-151 664
Profit/(loss) before tax		323 376	285 527
Income taxes	9	73 899	95 900
Profit/(loss) for the period		249 477	189 627
Other comprehensiv income			
Items to be reclassified to P&L in subsequent periods:			
Exchange differences, from foreign operations		533	
Total comprehensiv income		250 010	189 627

Total comprehensiv income		
Shareholders of Pioneer Public Properties AS	250 010	189 627

*) 2016 Restated; Certain amount has been adjusted for the 2016 figures , se note 19 for which adjustments that have been made.

Consolidated Statement of Financial Position

NOK thousands		31.12.2017	31.12.2016 Restated*
Assets			
Investment property	11	4 722 894	4 042 640
Other investments		8 885	
Loans other companies		1 000	6 492
Total non-current assets		4 732 780	4 049 132
Trade and other receivables	15	1 600	9 416
Cash and cash equivalents	6	104 459	163 812
Total current assets		106 059	173 228
Total assets		4 838 839	4 222 360
Equity and liabilities			
Share capital	16	120 000	120 000
Share premium	16	1 264 959	1 264 959
Retained earnings	16	439 237	208 521
Total equity		1 824 195	1 593 480
Borrowings	8	2 637 760	2 416 177
Deferred tax	9	160 464	105 008
Other non-current liabilities	13	90 973	26 115
Total non-current liabilites		2 889 196	2 547 300
Borrowings	8	69 490	38 391
Current tax payable	9	20 420	7 149
Other current liabilities		35 537	36 039
Total current liabilities		125 447	81 579
Total liabilities		3 014 643	2 628 879
Total equity and liabilities		4 838 839	4 222 360

Oslo, 12.April 2018
Board of Directors of Pioneer Public Properties AS

Runar Rønningen
Leader Board of Directors

Roger Adolfsen
Board member

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent			
NOK thousands	**Share capital**	**Share premium**	**Retained earnings**	**Total Equity**
Balance at 31 December 2015	**120 000**	**1 264 959**	**16 176**	**1 401 135**
Other changes			2 718	2 718
Profit/(loss) for the period			189 627	**189 627**
Total comprehensive income for the period			189 627	189 627
Balance at 31 December 2016	**120 000**	**1 264 959**	**208 521**	**1 593 480**
Profit/(loss) for the period			249 477	249 477
Exchange differences from foreign operations			532	532
Total comprehensive income for the period			250 009	250 009
Other changes			-795	-795
Dividens (group contributions)			-18 499	-18 499
Balance at 31 December 2017	**120 000**	**1 264 959**	**439 237**	**1 824 195**

Consolidated Statement of Cash Flows

NOK thousands	Note	2 017	2016 Restated*
Cash flows from operating activities:			
Profit before income tax		323 376	285 527
Taxes paid	9	-1 023	
Adjustments for:			
Fair value adjustments on investment property	11	-198 325	-245 077
Interest net	12	116 358	81 850
Profit/loss on sale of fixed assets			70
Changes in working capital:			
Trade receivables	15	27	372
Trade payables		-552	116
Other accruals		12 790	-62 393
Cash generated from operations		252 651	60 465
Interest paid	12	-117 154	-82 794
Interest received	12	796	944
Net cash generated from operating activities		**136 293**	**-21 385**
Cash flows from investing activities:			
Proceeds from sale of properties			
Purchase of subsidiaries / properties	11	-441 822	-368 185
Purchase of net other assets		-8 885	
Proceeds from sale of shares and bonds			-70
Net cash used in investing activities		**-450 707**	**-368 255**
Cash flows from financing activities:			
Proceeds from debt to financial institutions	8	273 913	1 675 110
Proceeds from other borrowings	8	72 980	-290 175
Repayments of debt to financial institutions	8	-67 347	-1 005 525
Dividends (group contribution)		-24 664	
Net cash from financing activities		**254 882**	**379 410**
Net change in cash and cash equivalents		**-59 532**	**-10 229**
Cash and cash equivalents at beginning of period		163 812	174 042
Exchange gains/(losses) on cash and cash equivalents		179	
Cash and cash equivalents at period end	6	**104 459**	**163 812**

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. 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 period 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 were the group is a lessee is limited, so the change in lessee acounting 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 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 inccrued.

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
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
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 companyand 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 havebeen enacted or substantively 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.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.17 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 with three geographical distrubutions, Norway, Sweden and Finland. Management evaluates this reports on the basis of profitt or loss from each geographical segment.

1.18 Cash flow
The statement of cash flow has been prepared using the indirect method, and in accordance with IAS 7 a condensed statement is presented.

1.19 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.

1.20 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.

1.21 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.

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 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. 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 these counterparties.

Exposure to credit risk at the end of the period:	**31.12.2017**	**31.12.2016**
Accounts receivable	407	435
Other Short term receivable	1 192	8 980
Cash balance	104 459	163 812
Total exposure	**106 059**	**173 227**

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 8), 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:

	31.12.2017					
	< 3mnths	**3m-1y**	**1y-2y**	**2y-5y**	**>5y**	**Total**
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	-	35 537	-	90 973	-	126 510

	31.12.2016					
	< 3mnths	**3m-1y**	**1y-2y**	**2y-5y**	**>5y**	**Total**
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	423 993
Bond loans	-	-	-	1 000 000	-	1 000 000
Interest on bond loans	16 000	48 000	64 000	152 000	-	280 000
Other liabilities	-	36 039	-	26 115	-	62 154

See note 15 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 finacial statements is reported in NOK. The group consider EUR as a significant currency.

Sensitivity for changes in currency rate EUR:

		Value in NOK				
EUR demoninated	**31.12.2017**	**-5,00 %**	**-2,50 %**	**0,00 %**	**2,50 %**	**5,00 %**
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 Properties, EUR	60,7	567,0	582,0	596,9	611,8	626,7
EUR demoninated		**Net profit/loss from EUR/NOK sensitivities**				
Loans, EUR	36,5	18,0	9,0	0,0	-8,9	-17,9
Cash, EUR	0,6	-0,3	-0,1	0,0	0,2	0,3
Investment Properties, EUR	60,7	-29,9	-14,9	0,0	14,9	29,8
Net impact, NOK		**-12,2**	**-6,0**	**0,0**	**6,2**	**12,2**

Exposure to other currencies is immaterial.

Gearing ratio at the end of the period	**31.12.2017**	**31.12.2016**
Total borrowings	2 707 249	2 454 568
Less: Cash and cash equivalents	104 459	163 812
Net debt	2 602 790	2 290 756
Total equity	1 824 195	1 593 480
Total capital	4 426 985	3 884 236
Gearing ratio	59 %	59 %

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, Esperi Care, Touhula and Casparssons Vårdhem.

Management evaluates this reports on the basis of profitt 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	57	-	119	176
Total Income	226 289	2 961	26 457	255 707
Other operating expenses	19 953	330	6 634	26 917
Total Expenses	19 953	330	6 634	26 917
Fair value adjustment on investment properties	225 808	-1 298	-26 185	198 325
Operating profit (EBIT)	432 144	1 333	-6 362	427 115
Finance income	795		1	796
Finance expenses	110 980	1 028	5 147	117 154
Currency expenses	354	-400	-12 573	-12 619
Net Finance	-110 538	-628	7 427	-103 739
Profit/(loss) before tax	321 606	705	1 065	323 376
Income taxes	73 474	169	256	73 899
Profit/(loss) for the period	248 132	536	810	249 477

NOK thousands	Norway	Sweden	Finland	Group
Assets				
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
Total non-current assets	**4 080 000**	**47 000**	**605 780**	4 732 780
Trade and other receivables	1 230	21	350	1 600
Cash and cash equivalents	96 565	1 752	6 143	104 459
Total current assets	97 794	1 772	6 493	106 059
Total assets	4 177 794	48 772	612 272	4 838 839

NOK thousands	Norway	Sweden	Finland	Group
Equity and liabilities				
Share capital	120 000			120 000
Share premium	1 264 959			1 264 959
Retained earnings	153 523	37 434	248 280	439 237
Total equity	1 538 482	37 434	248 280	1 824 196
Borrowings	2 276 682	8 914	352 163	2 637 760
Deferred tax	158 220	191	2 052	160 464
Other non-current liabilities	90 389	584		90 973
Total non-current liabilites	2 525 291	9 690	354 216	2 889 196
Borrowings	61 806	731	6 953	69 490
Current tax payable	20 420	0	0	20 420
Other current liabilities	31 795	918	2 824	35 537
Total current liabilities	114 021	1 649	9 777	125 447
Total liabilities	2 639 312	11 339	363 992	3 014 643
Total equity and liabilities	4 177 794	48 773	612 272	4 838 839

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
Other operating expenses	22 867	231	2 529	25 627
Total Expenses	22 867	231	2 529	25 627
Fair value adjustment on investment properties	262 230	-10 230	-6 923	245 077
Operating profit (EBIT)	452 342	-9 253	-5 898	437 191
Finance income	-768	-	1 712	944
Finance expenses	150 232	223	1 342	151 797
Currency expenses	1 613	157	-959	811
Net Finance	-152 612	-381	1 329	-151 664
Profit/(loss) before tax	299 729	-9 633	-4 569	285 527
Income taxes	99 451	-2 408	-1 142	95 900
Profit/(loss) for the period	200 279	-7 225	-3 426	189 627

NOK thousands	Norway	Sweden	Finland	Group
Assets				
Investment property	3 771 550	46 000	225 090	4 042 640
Other investment	0			
Other non-current assets	6 492			6 492
Total non-current assets	3 778 042	46 000	225 090	4 049 132
Trade and other receivables	9 313	21	82	9 416
Cash and cash equivalents	160 916	1 907	989	163 812
Total current assets	170 229	1 928	1 071	173 228
Total assets	3 948 271	47 928	226 161	4 222 360
Equity and liabilities				
Share capital	120 000			120 000
Share premium	1 264 959			1 264 959
Retained earnings	81 545	36 968	90 008	208 521
Total equity	1 466 504	36 968	90 008	1 593 480
Borrowings	2 277 254	9 178	129 745	2 416 177
Deferred tax	104 722	43	244	105 008
Other non-current liabilities	25 954	161		26 115
Total non-current liabilites	2 407 930	9 381	129 989	2 547 301
Borrowings	32 203	731	5 458	38 391
Current tax payable	7 149			7 149
Other current liabilities	34 484	848	706	36 038
Total current liabilities	73 836	1 579	6 164	81 578
Total liabilities	2 481 766	10 960	136 153	2 628 879
Total equity and liabilities	3 948 270	47 928	226 161	4 222 359

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 5,50 %. 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 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 5,50% , and a number of individual factors for each property were appied 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 11 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

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

Note 6 | Cash and cash equivalents

Cash and cash equivalents	**31.12.2017**	**31.12.2016**
Bank deposits	104 459	163 812
Total	104 459	163 812

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

Note 7 | Expenses

Specification of other operating expenses	**31.12.2017**	**31.12.2016**
Management fee	15 007	11 861
Auditing fees	1 598	1 184
Other fees from the auditor	141	520
Other operating expenses	10 170	12 062
Total other operating expenses	**26 917**	**25 627**

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.

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

NOK thousand	31.12.2017	31.12.2016
Non-current		
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
Total	**2 637 759**	**2 416 177**

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

NOK thousand	31.12.2017	31.12.2016
Total non-current and current		
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
Total	**2 707 249**	**2 454 569**

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, Swedbank, Danske bank and Handelsbanken. 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 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 31.12.2017	Marked value 31.12.2017	Coupon	Term
PPU01	1 000 000	1 000 000	NIBOR + 5,25 %	2016/2021
Transaction costs	-13 701			
Amortization	4 110			
Total bond	**990 409**	**1 000 000**		
Whereof current	-	-		

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	-	-		

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 2017

	31.12.2017	31.12.2016
Investment property	4 722 894	4 042 640
Total pledged assets	4 722 894	4 042 640

Borrowings:

	Non-current borrowings	Current borrowings	Total
At 1 January 2017	2 416 177	38 391	2 454 568
Cash flows	244 957	-38 391	206 566
Non-cash:			
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	-
At 31 December 2017	**2 637 760**	**69 490**	**2 707 249**
At 1 January 2016	1 698 190	86 793	1 784 983
Cash flows	768 709	-86 793	681 916
Non-cash:			
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	-
At 31 December 2016	**2 416 177**	**38 391**	**2 454 568**

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 2017 income tax expense is 24 %.

Change in deferred tax liabilities	Investment property	Other items	Total
01.01.2016	609 975	4 360	**614 336**
Deferred tax on aquisition of assets	40 140		**40 140**
Recognized deferred tax	69 534	-872	**654 476**
Effect on changed tax rate	-27 180	-140	**-27 320**
31.12.2016	692 468	3 349	**695 817**
Deferred tax on aquisition of assets	9 071		**9 071**
Recognized deferred tax	63 578	-672	**62 905**
Effect on changed tax rate	-31 502	-112	**-31 613**
31.12.2017	733 615	2 565	**736 180**

Temporary differences not included in the calculation of deferred tax

	2017	2016
01.01.	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
31.12.	575 716	590 809
Net recognised deferred tax liabilities	**160 464**	**105 008**

Current income tax liabilities	2017	2016
Current income tax	20 420	7 149
Total current income tax liabilities	20 420	7 149

Income tax expence	2017	2016
Tax payable	20 420	7 149
Other changes	-11 728	
Change in deferred tax	55 456	88 751
Income tax expence	**64 148**	**95 900**

Taxes payable for the year will be eliminated through the use of group- contribution to the ultimate parent.

Profit before income tax	323 376	285 527
Tax expense based on standard rate of Norwegian (24%/25%)	77 610	71 382
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	1 046	911
Income tax expense for the period	73 899	95 900
Estimated effective tax rate for the period	23%	34%

Current income tax liabilities	2017	2016
Current income tax	20 420	7 149
Total current income tax liabilities	20 420	7 149

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

In 2017 the Group bought two real estate 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
Pioneer Public Properties I AS	**Norway**	**100 %**
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 Øvsttun AS	Norway	100 %
Kidsa Øyrane 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 %
Vardefjellet Barnehageeiendom AS	Norway	100 %
Neskollen Barnehageeiendom 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 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 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 Pisaratie 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 Barnehageeindom 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 11 | 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 valuated 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 ivestments, hereunder property acquisitions, of TNOK 450 000, and part of the increase is due to the annual CPI-adjustment of existing rental income, apporx 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 Group's property value by +/– TNOK 236 000.

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

NOI sensitivity		-0,5%	0,0%	1,0%
	-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

(Numbers in TNOK)

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

	2017	2016
Investment property classified as held for sale	0	0
Investment property held under finance leases	0	0

Note 12 | Net financial items

NOK thousands	2017	2016
Interest income	796	944
Currency expense	-12 619	811
Interest expense	117 154	127 125
Other financial expenses		24 672
Net financial items	**103 739**	**151 664**

Note 13 | Related-party transactions

Related party	Relation to the Group
Runar Rønningen	Board member and CEO Pioneer Capital Partners
Pioneer Management 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:

	Ord.Shares
Runar Rønningen	0,37 %

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 Management AS	15 007	11 861
Purchase of shares and properties from related parties (refer to note 10)	90 981	100 127

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

Liabilities to related parties	**31.12.2017**	**31.12.2016**
Pioneer Property Group ASA	89 806	16 776

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 and do not fall under the Act on Madatory occupational.
There has not been paid wages or other remuneration to the Board during the year.
Refer to Note 13 for information regarding management fee to Pioneer Management AS.

Note 15 | Trade receivables

	31.12.2017	31.12.2016
Trade Receivables	407	435
Other Receivables	1 192	8 981
Total Receivables	1 600	9 416

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
Trade Receivables	407	407			
Other Receivables	1 192	1 192			
As per 31.12.2017	1 600	1 600	-	-	-

Note 16 | Share capital and shareholder information

		Share value in NOK			
	Number of shares	Ordinary shares		Share premium	Total
At 31 December 2017	300	120 000 000	-	1 264 958 741	1 384 958 741

The face value per share is TNOK 400. Share premium for all shares issued is of TNOK 4 217 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 (Norlandia Barnehagene, Kidsa Barnehager, Espira Barnehagene, Suomen Tenava Päiväkodit, Norlandia Förskolor, Coronaria, Esperi Care, Touhula and Casparssons Vårdhem), 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

	31.12.2017	31.12.2016
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 18 -Subsequent events

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 19 -Changes in prior period

In the preparation of the 2017 reports, as previously described in the Company's 2017 quarterly reports, PPP 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 282 842 to TNOK 285 527. Income taxes has increased by TNOK 60 580 from TNOK 35 320 to TNOK 95 900. Profit and loss after taxes has been reduced with TNOK 54 895 from TNOK 247 522 to TNOK 189 627.Deferred tax has increased from TNOK 60 097 to TNOK 105 000. Current tax payable has increased from TNOK 1 023 to TNOK 7 149. Loanes to other companies has been reduced from TNOK 21 214 to TNOK 6 492As an result of this changes the retained earnings has been reduced from TNOK 274 281 to TNOK 208 521.

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

	31 December 2016
Fair value adjustment on investment properties	2 685
Income taxes	-60 580
Net impact on profit for the year:	-57 895

Impact on equity (increase/decrease in equity):

	31 December 2016
Deferred tax	-44 911
Current tax payable	-6 126
Loans other companies	-14 722
Net impact on equity:	-65 759

Financial statement 2017
for

Pioneer Public Properties AS

Organization number. 915423124

Income statement

	Note	2017	2016
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Total operating revenue		**0**	**0**
Operating expenses			
Other operating expenses	1	1 504 217	14 967 168
Total operating expenses		**1 504 217**	**14 967 168**
OPERATING PROFIT OR LOSS		**(1 504 217)**	**(14 967 168)**
FINANCIAL INCOME AND EXPENSES			
Financial income			
Income from subsidiaries		140 532 523	71 911 632
Interest recieved from group companies	4	8 230 397	741 405
Other interests		15 427	62 839
Other financial income		3 905	0
Total financial income		**148 782 252**	**72 715 876**
Financial expenses			
Interest paid to group companies	4	6 114 257	528 760
Other interests		62 857 778	32 551 944
Other financial expense		100	2 496
Total financial expenses		**68 972 135**	**33 083 200**
NET FINANCIAL INCOME AND EXPENCES		**79 810 117**	**39 632 676**
ORDINARY RESULT BEFORE TAXES		**78 305 900**	**24 665 507**
Tax on ordinary result	2	18 793 406	6 166 372
ORDINARY RESULT		**59 512 494**	**18 499 135**
TO MAJORITY INTERESTS		**59 512 494**	**18 499 135**
APPLICATION AND ALLOC.			
Given intra-group contribution		59 511 968	18 498 853
Uncovered loss		526	282
TOTAL APPLICATION AND ALLOCATION		**59 512 494**	**18 499 135**

Balance sheet pr. 31.12.2017

	Note	31.12.2017	31.12.2016
ASSETS			
FIXED ASSETS			
Financial fixed assets			
Investments in subsidiaries	3,8	2 264 412 560	2 264 412 560
Loans to group companies	4	114 857 851	59 102 744
Total financial fixed assets		**2 379 270 411**	**2 323 515 304**
TOTAL FIXED ASSETS		**2 379 270 411**	**2 323 515 304**
CURRENT ASSETS			
Receivables			
Trade receivables		52 438	18 500
Receivables on group companies	4	140 532 523	71 911 632
Other short-term receivables		0	16 858
Total receivables		**140 584 961**	**71 946 990**
Bank deposits, cash in hand, etc.	5	18 597 668	24 485 449
TOTAL CURRENT ASSETS		**159 182 629**	**96 432 440**
TOTAL ASSETS		**2 538 453 039**	**2 419 947 744**

Balance sheet pr. 31.12.2017

	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	6,7	120 000 000	120 000 000
Share premium reserve	7	1 264 958 741	1 264 958 741
Total paid-in equity		**1 384 958 741**	**1 384 958 741**
Retained earnings			
Uncovered loss	7	(30 249 451)	(30 249 976)
Total retained earnings		**(30 249 451)**	**(30 249 976)**
TOTAL EQUITY		**1 354 709 290**	**1 354 708 765**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions			
Deferred tax	2	241	88
Total provisions		**241**	**88**
Other non-currents liabilities			
Bonds	8	1 000 000 000	1 000 000 000
Liabilities to group companies	4	89 757 046	16 775 744
Total other non-currents liabilities		**1 089 757 046**	**1 016 775 744**
TOTAL NON-CURRENT LIABILITIES		**1 089 757 287**	**1 016 775 832**
CURRENT LIABILITIES			
Accounts payable		143 463	11 988
Liabilities to group companies	4	78 305 221	32 349 215
Other currents liabilities		15 537 778	16 101 944
TOTAL CURRENT LIABILITIES		**93 986 462**	**48 463 147**
TOTAL LIABILITIES		**1 183 743 749**	**1 065 238 979**
TOTAL EQUITY AND LIABILITIES		**2 538 453 039**	**2 419 947 744**

Oslo 12.04.2018

Runar Rønningen	Roger Adolfsen
Chairman	Board member

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 lather 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) :

	2017	2016
Staturory audit	465 000	49 125
Other sevices	75 000	197 500
Total	**540 000**	**246 625**

There has not been paid wages or other remuneration to the Board during the year.

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

Note 2 - Tax

Calculation of this years tax basis:

Net profit/loss before tax expense	78 305 900
+ Permanent differences	-140 532 523
+ Changes in temporary differences	-679
+ Received group contributions	140 532 523
= Tax basis for the year before group contributions	**78 305 221**
- Group contributions	78 305 221
= Income	**0**

This years income tax expense consists of:

Estimated tax of net profit	18 793 253
= Tax payable	**18 793 253**
+/- Change in deferred tax	153
= Total tax expense	**18 793 406**
Tax rate	24

Current tax liability

Tax payable	18 793 253
+/- Tax group contributions	-18 793 253
= Tax payable	**0**

Notes 2017

Note 3 - Investments 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 I AS, Oslo	100,00 %	100,00 %	31 209 655	213 258 719
Pioneer Public Properties II As, Oslo	100,00 %	100,00 %	18 222 270	293 239 130
Pioneer Public Properties III AS, Oslo	100,00 %	100,00 %	53 252 837	766 589 506
Pioneer Public Properties V As, Oslo	100,00 %	100,00 %	4 845 496	127 296 215

Notes 2017

Note 4 - Liabilities to/receivables from companies in the same group.

Interest recieved from group companies NOK 8 230 397 and interest paid to group companies NOK 6 114 257.

	2017	2016
Receivables		
Group contributions	140 532 523	71 911 632
Loans to group companies	114 857 851	59 102 744
Total receivables	**255 390 374**	**131 014 376**
Liabilities		
Group contributions	78 305 221	32 349 215
Non-current liabilities	89 757 046	16 775 744
Total Liabilities	**168 062 267**	**49 124 959**

Note 5 - Bank deposits

There are no restricted funds by the end of the year.

Notes 2017

Note 6 - Share capital

The company have 300 shares with a book value NOK 400 000 per share, and total share capital is NOK 120 000 000.

The company has one shareholder:

Name	Tax number	Shares	Ownership
Pioneer Property Group ASA (Oslo)	914 839 327	300	100,00 %

Indirectly owned shares of executives in the company:

Name	Tax numer	ownership
Runar Rønningen (Chairman)	914 839 327	0,92%
Roger Adolfsen (Board member)	914 839 327	19,47 %

Note 7 - Annen egenkapital

	Share capital	share premium reserve	uncovered loss	Total Equity
01.01.17	120 000 000	1 264 958 741	-30 249 976	1 354 708 765
+Ordinary result			59 512 494	59 512 494
-Given group contribution			-59 511 968	-59 511 968
31.12.17	**120 000 000**	**1 264 958 741**	**-30 249 451**	**1 354 709 290**

Note 8 - Bond

There is a bond in the balance sheet with a book value of NOK 1 000 000 000, it's taken a mortgage on all the properties located in the subsidiaries.

Liabilities due later than 5 years from the balance sheet date amounts to NOK 0, -.

CASH FLOW STATEMENT

	PPP	PPP
Cash flows from operating activities	**2017**	**2016**
Profit before tax	78 305 900	24 665 507
Profit/loss on sale of shares		
Group contributions	-140 532 523	-71 911 632
Trade receivables	-33 938	-18 500
Trade payables	131 475	10 167
Other accruals	-547 307	16 085 086
Net cash flow from operating activities	-62 676 393	-31 169 371
Cash flows from investing activities		
Utbetalinger ved kjøp av varige driftsmidler		
Payments for purchase of shares		-909 734 078
Payments for purchase of other investments	-55 755 107	-59 102 744
Innbetalinger ved salg av varige driftsmidler		
Endr. pga. kjøp/salg av aksjer		
Proceeds from sale of shares		
Innbetalinger ved nedbetaling utlån		
Received group contributions	71 911 632	45 833 726
Net cash flow from investing activities	16 156 525	-923 003 096
Cash flow from financing activities		
Repayment of long-term debt	72 981 302	1 016 775 744
Group contributions paid	-32 349 215	-45 813 319
Issue of share capital		
Net Cash flow from financing activities	40 632 087	970 962 425
Net change in cash and cash equivalents	-5 887 781	16 789 957
Cash etc. 01.01	16 801 371	11 414
Cash etc. at 31.12	10 913 590	16 801 371
Kontanter og bankinnskudd 31.12	18 597 668	24 485 449
Skattetrekk o.l 31.12		
	18 597 668	24 485 449

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Munkedamsveien 45
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0121 Oslo

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 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

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.

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 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. 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. 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. We also refer to the notes 1 and 11 in the annual accounts.	Our audit procedures have included, a detailed review of the valuation of the investment properties. We have evaluated Newsec's competence and independence in performing the valuation. We have ensured that the valuations have been carried out in accordance with current valuation principles that are appropriate for this purpose. 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

Other information

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

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

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

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

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