

Pioneer Property Group ASA

Annual Report 2018

Report for the period 1 January – 31 December 2018

The 2018 Board of Directors Report for Pioneer Property Group ASA

Highlights of the Report

Total revenue in 2018 were MNOK 288.6 and with a pre-tax profit of MNOK 246.8.

The Group had total assets of MNOK 5,560, where Investment Property was valued at MNOK 5,269 in addition to a cash balance of MNOK 283 and other receivables of MNOK 6. Total debt was MNOK 3,502 and with total equity of MNOK 2,057.

Towards the end of the year Pioneer Property Group (PPG) commissioned a valuation report from Newsec. The value of the properties is adjusted for the revised valuations in the financial report.

In 2018 PPG paid out quarterly dividend payments to its preference shareholders equivalent to NOK 1.875 per preference share per quarter, and the Group's ambitions is to continue to pay these dividends going forward as outlined in PPG's articles of Association.

During the year, the Group continued to expand its operations through acquisitions, and has agreed to acquire new properties in 2019.

Operations and Location

Pioneer Property Group ASA (PPG) is a real estate group focusing on providing high-quality properties for government-backed care-services. The Group's current portfolio consists of 171 properties centrally located in the large cities in Norway, Sweden and Finland. In addition, the Group has agreed to acquire 3 new properties with delivery in 2019. The properties are leased out on long-term triple-net contracts to leading preschool operators, including Norlandia Care Group, Espira and Touhula.

The Groups's property portfolio is a result of acquisitions from several independent preschool operators, again driven by these companies' wish to free-up resources and capital to be able to provide the highest quality possible in their primary focus area – preschool operations. Pioneer Property's preschools 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 Nordic preschool market – i.e. long-term contracts with solid operators, again backed by government financing, or lease properties directly to municipalities looking for a solid private real estate partner. PPG's preschools are well located in central areas, including Stavanger, Bergen, Kristiansand, Gothenburg, Helsinki, and the greater Oslo area.

Pioneer Property Group ASA has prepared a report on Corporate Governance and Sustainability in accordance with The Norwegian Accounting Act §3-3b and §3-3c. The report is available to the public at the Company's headquarter in Rådhusgata 23, Oslo and through the Group's webpage, www.pioneerproperty.no.

Key Material Events During the Year

In 2018, PPG acquired thirteen properties in Finland for a total property value of MEUR 28,5 with annual rental income of MEUR 2.1. The properties were acquired from Cor Group Oy and Norlandia. The properties are leased out to the leading private preschool operators Touhula and Norlandia on long triple-net contracts. The portfolio in Finland was refinanced with a single MEUR 70 loan from a European-based infrastructure debt fund. The new financing has a ten-year fixed rate of 3.75% and will start to amortize from year six at the same time as Pioneer Public Properties Finland OY has the option of repaying the loan at par. The total

value of the portfolio, with 41 properties and annual rent of MEUR 5.8, was updated based on an independent third party valuation to MEUR 92.

In addition, PPG acquired individual properties for MNOK 178.7 with an annual rent of MNOK 11.8. The company used independent valuations for all transactions with related parties.

In the fourth quarter PPG acquired Pioneer Management AS, the provider of management services to PPG, as a strategic move to secure direct control of business-critical management services and systems. Following the acquisition of Pioneer Management AS, Anders Løken was hired as CEO in December 2018. The former CEO and CFO facilitated the transfer to new in-house management and ended their engagement with the company in February 2019.

PPG's largest tenant, Espira, gave notification that it would utilize its ten-year extension option on 31 properties. These 31 properties have an additional five-year option from 31 Dec 2028.

Subsequent Events Since the End of 2018

The Group has agreed with Pareto Bank to extend the maturity for a loan of MNOK 260 with one year until March 2020.

The Board has initiated a process to evaluate a broad range of strategic options, including, but not limited to, a recapitalization of the group including refinancing the PPU01 bond, a continuation of the current strategy and/or a sale of all or parts of the shares in its subsidiaries.

Accounting Policies:

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

Going Concern

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

Comments on the Financial Statements

During 2018 total revenues were MNOK 288.6. Revenues consist of rental income from investment properties, which are all long-term lease contracts towards solid preschool and health-care operators, with the primary income in Norway and Finland. Operating cost during the year was MNOK 28.7, where a majority of these costs were related to management fees, in addition to certain property-related expenses including accounting.

Towards the end of the year PPG commissioned a valuation report from an independent valuer, and the value of the properties have been adjusted according to the revised valuations. As a result, the Group had a positive fair adjustment of property value of MNOK 120.4, which again had a major impact on reported profitability. Operating profit, after this value adjustment, was MNOK 380.3.

Net financial income for the year was MNOK negative 133.4 and included currency expenses of MNOK 4.6. Net profit for the Group in 2017 was MNOK 246.8.

The Group had total assets of MNOK 5,560, where Investment Property was valued at MNOK 5,269 in addition to a cash balance of MNOK 283 and other receivables of MNOK 6. Total debt was MNOK 3,502 and with total equity of MNOK 2,057. Equity was increased from MNOK 1,935 as of 31 December 2017 primarily due to the value adjustments of Investment Properties.

Total cash balance of MNOK 283 in the Group was up from MNOK 139 as of 31 December 2016. Underlying cash-flow from operations is strong.

Net profit for PPG ASA was MNOK 42.0 for 2018, down from MNOK 60.5 for 2017. Net financial income in the form of income and interest from subsidiaries was MNOK 57.6 in 2018 versus 79.6 MNOK for 2017. Total assets were MNOK 1,583 at year end versus MNOK 1,587 at the end of 2017. Equity in PPG ASA was MNOK 1,549 versus 1,556 by the end of 2017.

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 2018 which have had any material impact on the financial status of the Group.

Research and Development

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

Work Environment, Equal opportunities and Discrimination

There are at year end five employees in the Pioneer Management, a subsidiary of Pioneer Property Group ASA. There are no employees in any other Group-companies. The Board of Directors consists of two women and three men.

External Environment

The Group's operation consists of investing in and providing high-quality properties and is considered to have limited environmental impact. The company focuses on making investment and operational decisions that are in line with sustainable environmental practices.

Financial Risks

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

- The market risk of a general increase in interest rate levels, and through this also an increase of the financial cost of loans to the Company.
- Credit risk relating to banks or other financial institutions' willingness to lend money, which may restrict the Company'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 continuous assessments of the most important financial risk factors, and evaluates the necessity of implementing specific measures, such as fixing interest rates. Specific measures are evaluated considering the Company's total financing risk exposure.

20 March 2019

The Board of Directors



Roger Adolfsen
Chairman of the Board



Even Carlsen
Board Member



Sandra Henriette Riise
Board Member



Nina Hjørdis Torp Høisæter
Board Member



Geir Hjorth
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 2018 have been prepared in accordance with IFRS and gives a fair view of the Group's assets, liabilities, financial position and profit or loss.

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

Oslo 20 March 2019

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



Roger Adolfsen
Chairman of the Board



Sandra Henriette Riise
Board Member



Geir Hjorth
Board Member



Even Carlsen
Board Member



Nina Hjørdis Torp Høisæter
Board Member



Anders Håvik Løken
CEO

Group Financial Statements

Consolidated Income Statement

<i>NOK thousands</i>	Note	2018	2017
Rental income	10	288 189	255 531
Other income		386	175
Total Income		288 575	255 706
Employee expenses	11	1 511	428
Other operating expenses	12	27 205	29 129
Total Operating expenses		28 717	29 557
Fair value adjustment on investment properties	6	120 397	198 325
Operating profit (EBIT)		380 256	424 474
Interest income		676	1 767
Interest expense		138 669	114 144
Currency expenses		-4 571	-12 619
Net Finance expenses		-133 422	-99 758
Profit/(loss) before tax		246 834	324 716
Income taxes	13	51 725	74 210
Profit/(loss) for the period		195 109	250 506
Profit/(Loss) attributable to			
Shareholders of the parent		194 374	250 506
Non-controlling interests		735	-
Profit/(loss) for the period		195 109	250 506
Other comprehensive income			
<i>Items to be reclassified to P&L in subsequent periods:</i>			
Exchange differences, from translation of foreign operations		-424	533
Total comprehensive income		194 685	251 038
Comprehensive income attributable to			
Shareholders of the parent		193 928	251 038
Non-controlling interests		756	0
Comprehensive income		194 685	251 038
Earnings per share (NOK)			
Basic earnings per ordinary share	14	14,84	20,61
Diluted earnings per ordinary share	14	14,84	20,61
Weighted avg. ord. shares		9 814 470	9 814 470

Consolidated Statement of Financial Position

<i>NOK thousands</i>	Note	31.12.2018	31.12.2017
Assets			
Investment properties	6	5 269 296	4 722 894
Other non-current assets		1 000	9 885
Total non-current assets		5 270 296	4 732 779
Trade and other receivables		6 269	1 938
Cash and cash equivalents	8	283 271	138 815
Total current assets		289 541	140 752
Total assets		5 559 837	4 873 532
Equity and liabilities			
Share capital	17	16 314	16 314
Share premium		1 487 326	1 487 326
Retained earnings		553 652	431 717
Total equity		2 057 292	1 935 357
Non-current borrowings	7	2 911 291	2 637 759
Deferred tax	13	188 269	160 464
Other non-current liabilities		575	1 216
Total non-current liabilities		3 100 135	2 799 439
Current borrowings	7	330 044	69 490
Current tax payable	13	24 323	20 731
Other current liabilities	9	48 042	48 515
Total current liabilities		402 409	138 735
Total liabilities		3 502 544	2 938 174
Total equity and liabilities		5 559 837	4 873 531

Oslo, 20 March 2019

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



Roger Adolfsen
Chairman of the Board



Even Carlsen
Board Member



Sandra Henriette Riise
Board Member



Nina Hjørdis Torp Høisæter
Board Member



Geir Hjorth
Board Member



Anders Håvik Løken
CEO

Consolidated Statement of Changes in Equity

NOK thousands	Notes	Attributable to owners of the parent				Non-controlling interests	Total Equity
		Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2017		16 314	1 548 585	230 224	1 795 124		1 795 124
Profit/(loss) for the period				250 506	250 506		250 506
Exchange differences from translation of foreign operations				533	533		533
Other changes				-795	-795		-795
Total comprehensive income for the period				250 243	250 243		250 243
Dividends	17		-61 260	-48 750	-110 010		-110 010
Transactions with owners			-61 260	-48 750	-110 010		-110 010
Balance at 31 December 2017		16 314	1 487 326	431 717	1 935 357		1 935 357
Profit/(loss) for the period				194 374	194 374	735	195 109
Exchange differences from foreign operations				-446	-446	21	-424
Total comprehensive income for the period			0	193 928	193 928	756	194 685
Sale of shares to non-controlling interests				124	124	2 467	2 591
Purchase of shares from non-controlling interests	15			-23 367	-23 367	-3 223	-26 590
Dividends	17			-48 750	-48 750		-48 750
Transactions with owners			0	-71 993	-71 993	-756	-72 749
Balance at 31 December 2018		16 314	1 487 326	553 652	2 057 293	0	2 057 292

Consolidated Statement of Cash Flows

<i>NOK thousands</i>	Note	2018	2017
Cash flows from operating activities:			
Profit before income tax		246 834	324 716
<i>Adjustments for:</i>			
Fair value adjustments on investment property	6	-120 397	-198 325
Interest net		137 993	112 377
Taxes paid	13	-20 781	-7 891
Exchange gains/(losses)		-4 571	
Changes in working capital:			
Trade receivables		-3 326	-163
Trade payables		-4 656	12 007
Other accruals		-8 282	523
Generated from operations		222 813	243 243
Interest paid		-134 137	-114 144
Interest received		651	1 767
Cash generated from operating activities		89 327	130 866
Cash flows from investing activities:			
Proceeds from sale of properties			
Purchase of subsidiaries / properties	6, 15	-346 367	-441 822
Purchase of net other assets			-8 885
Proceeds from sale of shares and bonds			
Cash from investing activities		-346 367	-450 707
Cash flows from financing activities:			
Proceeds from debt to financial institutions	7	955 021	273 913
Repayments of debt to financial institutions	7	-487 756	-67 347
Dividends		-48 750	-97 822
Transactions with non-controlling interests	15	-15 787	
Cash from financing activities		402 729	108 743
Change in cash and cash equivalents		145 689	-211 098
Cash and cash equivalents at beginning of period		138 815	349 734
Exchange gains/(losses) on cash and cash equivalents		-1 233	179
Cash and cash equivalents at period end		283 271	138 815

Notes to the Financial Statements

1 About the business

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

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

The consolidated annual financial statements cover the period from 1 January 2018 to 31 December 2018.

These consolidated financial statements are approved by the Board of Directors 20. March 2019.

2 Transactions and events in 2018

In Q3 the Group refinanced all its existing loans in Finland with a new long-term fixed rate direct loan of EUR 70 million.

In the third quarter the Group entered into agreements to acquire twelve properties from Norlandia at a total enterprise value (EV) of MNOK 178,7 of which nine properties were acquired in 2018. The remaining three will be acquired in 2019. PPG's largest tenant, Espira, gave notification that it would utilize its ten-year extension option on 31 properties. These 31 properties have an additional five-year option from 31 Dec 2028.

In the fourth quarter the company executed a reversal of previously booked value added tax for management services, as VAT authorities reclassified these services as VAT-exempt. This led to a reduction of total operating costs in the fourth quarter and for the year. Adjusted for one-time effects the operating costs were at the same level as previous quarters.

In the fourth quarter PPG acquired Pioneer Management AS, the provider of management services to PPG, as a strategic move to secure direct control of business-critical management services and systems. Following the acquisition of Pioneer Management AS, the new CEO Anders Løken was hired. The former CEO and CFO facilitated the transfer to new in-house management and ended their engagement with the company in February 2019.

3 General Accounting Principles

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 statements have been prepared under the historical cost convention, except for fair value adjustments of 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 estimates are significant to the consolidated financial statements are related to valuation of investment properties as described in note 6.

The statement of cash flow has been prepared using the indirect method.

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

Consolidation

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. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

Transactions with non-controlling interests in subsidiaries are treated as equity transactions. If shares are acquired from a non-controlling interest, the difference between the payment and the proportion of the carrying amount of the subsidiary's net assets attributable to the shares is recognised in the equity of the parent company's owners. Gains and losses arising from the sale of shares to non-controlling interests are similarly recognised in equity.

Foreign currency translation.

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

Transactions in foreign currencies are initially recognised in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognised in the consolidated income statement.

The Group has foreign entities with functional currency other than NOK. At the reporting date, the assets and liabilities of foreign entities with functional currencies other than NOK are translated into NOK at the rate of exchange at the reporting date and their income statements are translated at the average exchange rates for the year. The translation differences arising from the translation are recognised in other comprehensive income until disposal, at which time they are recognised in the consolidated income statement.

Dividend

Pioneer Property Group ASA has two classes of shares, ordinary shares and preference shares. The preference shares are entitled to annual dividend payments amounting to NOK 7.50 per preference share, if the General Assembly approves payment of dividends. If payable, the dividend payments will be made quarterly with NOK 1.875 per preference share. The Preference shares are currently redeemable at a price of NOK 130 per share. From 1 July 2020 the shares can be redeemed at a price of NOK 100 per share. At the same time the coupon for the preference share will be increased annually with NOK 1 per annum. Maximum coupon is set to NOK 10 per share.

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

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

4 Financial risk management

Financial instruments and investment properties that are measured at fair value in the financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Valuation of investment properties is categorised as level 3 in the fair value hierarchy as the valuation requires the use of significant unobservable inputs. An explanation of the valuation methodologies and the inputs to the valuation model is provided in note 6.

The fair value of the Group's financial assets and liabilities are as follows:

Fair value of the Groups financial assets and liabilities

<i>NOK thousand</i>	31.12.2018	31.12.2017
Other non-current assets ¹⁾	1 000	9 885
Cash and cash equivalents	283 271	138 815
Trade and other receivables	6 269	1 938
Borrowings	3 241 335	2 707 249
Other current liabilities	48 042	48 515

All categories are classified as held at amortised cost, except for other non-current assets, which are measured at fair value.

Financial risk management policies

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

(i) Fair value interest rate risk

The Group holds interest bearing assets in terms 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 7 for details. Borrowings at fixed rates expose the Group to fair value interest rate risk and borrowings at variable interest rates expose the Group to cash flow 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 interest payment cash flows due to higher interest rates. Management's assessment is that the Group's current financial position does not indicate a further need for fixed interest rates.

If the interest rate had been +/- 1 % in based on debt by year end result after tax would change +/- NOK 15 mill, all other conditions unchanged.

The average effective interest rate of the Group's borrowings was at period end 31 December 2018: 4.4%

b) Credit risk

Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations. Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents and trade receivables, including committed transactions. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The customers operate preschools based on agreements with municipalities. All children shall by law have a guaranteed access to preschool services, and the business is regulated to ensure a minimum quality standard.

The company has 10 customers of which 4 are large. The rent is prepaid.

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

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations at maturity without incurring a significant increase in finance cost or not being able to meet its obligations at all. The risk also includes that the Group must forfeit investment opportunities. Cash flow forecasting is performed at Group level. Group management monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom to avoid breaches in covenants on relevant borrowing facilities (refer to note 7), 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:

	31.12.2018				
<i>NOK thousand</i>	<1y	1y-2y	2y-5y	>5y	Total
Borrowings	329 119	68 141	589 090	1 273 053	2 259 402
Interest on borrowings	65 305	60 491	148 251	215 062	489 108
Bond loans	0	0	1 000 000	0	1 000 000
Interest on bond loans	65 670	65 720	24 645	0	156 035
Total	460 095	194 351	1 761 985	1 488 114	3 904 546

	31.12.2017				
<i>NOK thousand</i>	<1y	1y-2y	2y-5y	>5y	Total
Borrowings	69 490	70 142	908 036	669 172	1 716 840
Interest on borrowings	52 339	50 117	119 181	177 053	398 691
Bond loans	0	0	1 000 000	0	1 000 000
Interest on bond loans	62 400	62 400	85 800	0	210 600
Total	184 229	182 659	2 113 017	846 225	3 326 130

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.

Monetary assets and liabilities are sensitive to movements in foreign exchange rates. This sensitivity can be analysed in comparison to year end rates (assuming all other variables remain constant) as follows:

	31.12.2018		31.12.2017	
Currency MNOK	Increase/- decrease in NOK	Effect on profit before tax	Increase/- decrease in NOK	Effect on profit before tax
EUR	+/-10%	64,5	+/-10%	35,3
SEK	+/-10%	0,6	+/-10%	0,6

Exposure to other currencies is immaterial.

Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern 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 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

<i>NOK thousand</i>	31.12.2018	31.12.2017
Total borrowings	3 241 335	2 707 249
Less: Cash and cash equivalents	283 271	138 815
Net debt	2 958 064	2 568 434
Total equity	2 057 292	1 935 357
Total capital	5 015 356	4 503 791
Gearing ratio	59 %	57 %

5 Segments

Accounting principles

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. Furthermore, the entity's component's operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and thus separate financial information is available. The company has determined that the Board of Directors is collectively the chief operating decision maker.

Description

The Group's primary business is to own and manage investment properties in Norway, Sweden and Finland and rent them out to operators of preschool. There is no material difference with respect to risk and margins in the different investment properties.

Operating segments are reported in the same manner as the internal reporting to the Company's chief operating decision maker. The Company's chief operating decision maker, who is responsible for allocation of resources to and evaluating profitability within the operating segments is defined as the Board of Directors.

The Group has determined the operating segments based on the information reviewed by the Chief Executive Officer, to be the following: Norway, Sweden and Finland.

The Board of Directors monitors the operating results of these geographical regions separately for the purposes of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on the operating results generated from rental of owned properties.

Geographical segment

Geographical segment 2018

NOK thousand	Norway	Sweden	Finland	Group
Total Income	232 265	3 416	52 894	288 575
Fair value adjustment on investment properties	85 741	2 441	32 216	120 398
Operating profit (EBIT)	298 083	5 177	76 995	380 255
Investment properties	4 183 000	95 943	990 353	5 269 296
Cash and cash equivalents	254 967	2 659	25 645	283 271

Geographical segment 2017

NOK thousand	Norway	Sweden	Finland	Group
Total Income	226 288	2 961	26 457	255 706
Fair value adjustment on investment property	225 808	-1 298	-26 185	198 325
Operating profit (EBIT)	429 503	1 333	-6 362	424 474
Investment properties	4 079 000	47 000	596 894	4 722 894
Cash and cash equivalents	130 920	1 752	6 143	138 815

The Group have 10 customers which are located in the countries corresponding to the Group's segments revenues origination, as follows:

Norway: Espira Barnehagene, Kidsa Barnehager, Norlandia Barnehagene

Sweden: Norlandia Förskolor, Casparssons Vårdhem, Aberia Healthcare

Finland: Suomen Tenava Päiväkodit, Touhula, Esperia Care, Coronaria.

6 Investment properties

Accounting principles

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 including 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 subsequently recognised at fair value. Changes in fair value are presented in the income statement in the reporting period when change occurs.

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 have no expected future economic benefit. 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.

Critical accounting estimates and judgements

The investment properties are valued in accordance with the fair value method and all have been valued in accordance with valuation Level 3 in the fair value hierarchy. 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 the independent valuer. The independent valuer has in this report valued each property on an individual basis using a combination of discounted cash-flow analysis and property yield level. The prime-yield used as a benchmark of individual yield assumptions in the independent valuer's analysis was 5.00%. The prime-yield is assessed based on market observations by Newsec. Individual factors for each property were applied to assess the yield for the respective property/location. Factors, such as relevant country, 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 investment property portfolio is 5.84 %.

Description

As of 31 December 2018, the Group's property portfolio comprised of 171 properties (153 properties in 2017), whereof the large majority are preschools. During 2018 the Group has acquired one additional property in Norway, thirteen properties in Finland and four properties in Sweden, bringing the current total, as of December 2018, to 171 properties. Roughly 79% of the properties, based on property value, are located in Norway with the two largest regions being the Greater Oslo Area and Bergen, and 19% are located in Finland.

The Group rents out the investment properties on long term triple-net contracts to three main operators: Kidsa, 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 the properties leased to Espira the Group is responsible for certain minor real-estate related costs. On average there are 14.6 years remaining on the lease agreements.

The absolute prime-yield used as a benchmark of individual yield assumptions in the Newsec analysis was 5.00%, at the same level as for year-end 2017, and a number of individual factors for each property were applied to assess the individual yield for the respective property/location, such as:

- Country
- Located in a municipality with population growth or not
- The municipality's preschool coverage (percentage 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 the total Group's portfolio as of 31 December 2018 was valued to MNOK 5,269, an increase from MNOK 4,723 as of year-end 2017. The majority of the increase is due to new net investments, hereunder property acquisitions, of MNOK 413. A significant part of the increase is due to the annual CPI-adjustment of existing rental income, 3.1% in Norway, 2.0% in Sweden and 1.5% in Finland. The remaining change is due to Newsec's market view of marginally increased market valuations.

Overview of account movements 2018

<i>NOK thousand</i>	Norway	Sweden	Finland	Group
Fair value in the beginning of the year	4 079 000	47 000	605 780	4 731 780
Addition:				
-Investment in subsidiaries /properties	18 453	47 864	335 778	402 095
Effect of curr. exch. diff. in foreign operations		-1 362	16 387	15 024
Fair value adj. on investment properties	85 547	2 441	32 409	120 397
Fair value in the end of the year	4 183 000	95 943	990 353	5 269 296
Net change in unrealized gain	85 547	2 441	32 409	120 397

Overview of account movements 2017

<i>NOK thousand</i>	Norway	Sweden	Finland	Group
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
Effect of curr. exch. diff. in foreign operations		2 298	29 893	32 191
Fair value adj. on investment properties	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

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 be established in a transaction between two independent parties.

The table below gives an indication of the effects on the value of the property portfolio if yield levels or rental income change.

<i>MNOK</i>		Yield change		
Sensitivity		-0,5%	0,0%	0,5%
Rent change	5 %	6 056	5 538	5 101
	0 %	5 768	5 269	4 858
	-5 %	5 479	5 010	4 615

7 Borrowings

Accounting principles

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

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Description

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

Summary of external bank- and bond loans by tranche as of 31 December 2018:

<i>NOK thousand</i>	31.12.2018	31.12.2017
Non-current		
Commercial bank loans	1 189 672	876 657
Husbank loans (state bank)	728 470	770 693
Bonds in Pioneer Public Properties AS	993 149	990 409
Total	2 911 291	2 637 759

<i>NOK thousand</i>	31.12.2018	31.12.2017
Current		
Commercial bank loans	292 318	36 479
Husbank loans (state bank)	37 726	33 011
Bonds in Pioneer Public Properties AS		0
Total	330 044	69 490

<i>NOK thousand</i>	31.12.2018	31.12.2017
Total non-current and current		
Commercial bank loans	1 481 990	913 136
Husbank loans (state bank)	766 196	803 704
Bonds in Pioneer Public Properties AS	993 149	990 409
Total	3 241 335	2 707 249

See note 4 for the maturity of financial liabilities at the end of the period.

Bank borrowings

The Group's bank loans are with Husbanken, DNB, Pareto Bank, Handelsbanken and Swedbank. In addition, the company has secured funding in Finland from a European based infrastructure debt fund. The bank borrowings mature until 2042. Of the total bank borrowings per 31 December 2018 MNOK 1260 are on fixed rates. The remaining MNOK 989 are on floating rates.

Bond loans

The Group has issued one bond: Pioneer Public Property (ticker PPU01) at Oslo Stock Exchange amounting to MNOK 1 000 with maturity May 2021. The bond is a senior secured callable bond with voluntary redemption at specified premiums up until maturity. The interest rate is NIBOR + 5.25%.

In the Bond agreement entered into are there limitations on the borrower (Pioneer Public Property AS):

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

Assets pledged

The recognised value of assets pledged as security for bank borrowings as per balance sheet date:

<i>NOK thousand</i>	31.12.2018	31.12.2017
Total pledged assets	5 147 932	4 722 894

Changes in borrowings from financing activities:

<i>NOK thousand</i>	Non-current borrowings	Current borrowings	Total
At 1 January 2018	2 637 759	69 490	2 707 249
<u>Cash flows</u>			
Cash flow received	1 024 511	-69 490	955 021
Repayments	-487 756		-487 756
Acquisitions	47 247		47 247
<u>Non-cash:</u>			
Effects of foreign exchange	14 962		14 962
Amortization	4 612		4 612
Borrowing classified as non-current at 31 December 2017 becoming current during 2018	-330 044	330 044	0
At 31 December 2018	2 911 291	330 044	3 241 335
At 1 January 2017	2 416 177	38 391	2 454 568
<u>Cash flows</u>			
Cash flow received	312 304	-38 391	273 913
Repayments	-67 347		-67 347
<u>Non-cash:</u>			0
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	0
At 31 December 2017	2 637 759	69 490	2 707 249

8 Cash and cash equivalents

Accounting principles

Cash and cash equivalents include bank deposits.

<i>NOK in thousand</i>	31.12.2018	31.12.2017
Bank deposits	283 271	138 815
Total	283 271	138 815

Description

As of 31. December 2018 bank deposits amounted to MNOK 283 (MNOK 139 pr 31 December 2017).

According to the bond agreement with Pioneer Public Property, cash needs to be maintained at MNOK 75 at Pioneer Public Property consolidated level. Covenant restrictions also require that cash needs to be maintained at MNOK 25 in PPP I and that cash for debt service, operating costs and investments needs to be held in locked accounts in Finland. This amounted to MNOK 14 by year end.

9 Other current liabilities

<i>NOK in thousand</i>	31.12.2018	31.12.2017
Trade payable	835	899
Government taxes	1 181	-
Accrued interest	20 328	24 110
Dividend	12 188	12 188
Accrued cost, Prepaid revenues	3 449	460
Other current liabilities	10 062	10 858
Total other current liabilities	48 042	48 515

10 Rental income

Accounting principles

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.

Revenue consists of rental income. Revenues are presented net of VAT, discounts and rebates. Service charge expenses are charged to tenants and recognised in the balance sheet together with payments on account of tenants, and therefore does not affect the result beyond an administrative premium recognised under revenue.

Description

Properties are leased out on long term triple-net contracts to solid preschool operators, primarily Espira, Norlandia Preschools, Kidsa Drift and Norlandia förskolor.

The group is the lessor of investment properties. The group's contractual rental income is distributed as follows, where the numbers are adjusted with an annual increase of 2%.

<i>NOK in thousand</i>	31.12.2018	31.12.2017
Within 1 year	307 025	273 307
Between 1 and 5 years	1 315 904	1 148 992
After 5 years	3 628 785	3 304 107
Total	5 251 714	4 726 405

The Group rents out the investment properties to tenants on long term triple-net contracts where the operator has the main responsibility for annual maintenance, insurance, and other directly related property costs including tax. For the properties leased to Espira, the Group is responsible for certain minor real-estate related costs (ref. note 6 Investment properties). On average there are 14.6 years remaining on the lease agreements. All agreements are fully CPI-adjusted annually. There is no variable rent.

11 Employee expenses and management remuneration

The management was insourced in 2018 through the acquisition of Pioneer Management AS, to secure direct control of business-critical management services and systems for the Group. Following the acquisition, the administration of PPG ASA is employed in a fully owned subsidiary of Pioneer Property Group ASA.

Pioneer Management AS was acquired in November 2018, thus no comparative figures for 2017.

<i>NOK</i>	<i>2018</i>	<i>2017</i>
Chief Executive Officer Anders Håvik Løken		
Salary	150 000	
Pension benefits	13 942	
Other benefits	366	
Total remuneration	164 308	
Chairman of the Board	100 000	75 000
Board of directors including the chairman	490 000	450 000

Prior to December 2018 the administration was based on a management agreement through an external service provider and did not receive compensation directly from the Group.

12 Other operating expenses

<i>NOK in thousand</i>	2018	2017
Management fee	8 104	15 007
Other operating expenses	15 871	11 863
Auditing fees	2 136	1 985
Other fees from the auditor	1 093	274
Total other operating expenses	27 204	29 129

13 Income taxes

Accounting principles

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

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

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet 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.

Change in deferred tax liabilities

<i>NOK in thousand</i>	Investment property	Other items	Total
01.01.2017	101 659	3 349	105 008
Recognized deferred tax	56 240	-784	55 456
31.12.2017	157 899	2 565	160 464
Recognized deferred tax	28 407	-602	27 805
31.12.2018	186 306	1 963	188 269

Income tax expense

<i>NOK in thousand</i>	2018	2017
Tax payable	24 323	20 731
Change in deferred tax	27 805	55 456
Other changes	-403	-1 977
Income tax expense	51 725	74 210

Reconciliation of tax expense

<i>NOK in thousand</i>	2018	2017
Profit before income tax	246 834	324 716
Tax expense based on standard rate of Norwegian (23%/24%)	56 772	77 932
Adjustments for:		
Changes in tax rate (from 24% to 23%/from 25% to 24%)	-8 558	-6 977
Effect of tax rates outside Norway	-1 207	
Changes in temporary differences not included in the calculation of deferred tax	2 863	2 220
Changes related to currency translation	98	
Purchase of business	1 941	
Other differences	-183	1 035
Income tax expense for the period	51 725	74 210

Estimated effective tax rate for the period	21%	23%
---	-----	-----

The Group has applied the main rule for recognition of deferred tax in connection with the purchase of shares in property companies that are not acquired through a business combination. This means that deferred tax is recognised as the difference between the tax value and accounting value of investment property in the subsidiary, and value changes of the investment property. Not recognised deferred tax linked to initial recognition exemption for investment properties per 31 December 2018 is MNOK 570 (MNOK 576 in 2017).

14 Earnings per share

Accounting principles

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

<i>NOK</i>	31.12.2018	31.12.2017
Net profit	195 108 828	250 505 631
Less preference share dividends	-48 750 000	-48 750 000
Profit attributable to ordinary shares	146 358 828	201 755 631
Weighted average ordinary shares	9 814 470	9 814 470
Earnings per Share to ordinary shares	14,91	20,56

Diluted

As per 31 December 2018 no rights are issued which cause diluted earnings per share to be different to basic earnings per share. Refer to note 17 for information related to the classes of shares.

15 Changes in the Group structure

Accounting Principles

Business combinations:

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value, or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

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

Business combinations and acquisition of non-controlling interest in 2018

Pioneer Property Group ASA (PPG) entered into an agreement in November 2018 to acquire 100% of the shares in Pioneer Management AS (Pioneer Management) from Pioneer Capital Partners AS (PCP).

Pioneer Management has a management agreement with PPG and has provided management services, including staffing the executive management positions including CEO and CFO.

The underlying objective of the transaction was to insource the management services provided for under the management agreement as the Company has reached a size that makes it natural to secure direct control of business-critical management services and systems. As part of the transaction the company also bought the minority interest held by the previous owners of Pioneer Management.

Total consideration was NOK 29,153 thousand which was settled in cash. All values in the transaction were identified:

<i>NOK in thousand</i>	
Purchase consideration	29 153
<i>Net assets acquired:</i>	
Current assets	1 578
Cash and cash equivalents	13 127
Current liabilities	-12 143
Shares in Pioneer Public Property AS	26 591
Net assets acquired	29 153

All excess values are allocated to the investment in shares in Pioneer Public Property V, of which Pioneer Management AS is a minority shareholder. As Pioneer Public Property V is a company held by the Group this is regarded as transaction with own shares and the allocated value is recognised as a reduction in equity. The reduction is presented as purchase of shares from non-controlling interests.

Acquisition of companies regarded as asset purchase in 2018:

In 2018 the Group bought one real estate company in Norway, one property and 12 real estate companies in Finland. In Sweden the company acquired 4 real estate companies.

<i>NOK in thousand</i>	
Purchase of subsidiaries / properties - cash	343 776
Cash acquired companies	8 069
Debt acquired companies	47 247

The Group consists of the following subsidiaries per 31 December 2018:

Company Name	Location	Share of ownership
Pioneer Public Properties AS	Norway	100 %
Pioneer Public Properties I AS	Norway	100 %
Stor Oslo Barnehager Eiendom AS	Norway	100 %
Ulsetskogen Barnehage AS	Norway	100 %
Arken Barnehage Eiendom AS	Norway	100 %
Nord Barnehager Eiendom AS	Norway	100 %

Kidsa Ospeli Eiendom AS	Norway	100 %
Soløyvannveien 100 AS	Norway	100 %
ITS Solbarnehager AS	Norway	100 %
Den gode barnehage Porsgrunn AS	Norway	100 %
Kidsa Bygg AS	Norway	100 %
Kidsa Eiendom AS	Norway	100 %
Kidsa Hylkje AS	Norway	100 %
Kidsa Festtangen AS	Norway	100 %
Kidsa Kokstad AS	Norway	100 %
Kidsa Øyrane AS	Norway	100 %
Kidsa Eiendom II AS	Norway	100 %
Kidsa Ladegården AS	Norway	100 %
Kidsa Øvre Sædal AS	Norway	100 %
Kidsa Sandgotna AS	Norway	100 %
Kidsa Øvstun 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 %
PPP II Sweden AB	Sweden	100 %
Västeråsfjärdens fastighetsbolag AB	Sweden	100 %
Casparssons Fastighets AB	Sweden	100 %
Frostsparven AB	Sweden	100 %
Lappsparven AB	Sweden	100 %
Höör Hyacinten 7 AB	Sweden	100 %
Vallentuna Norrhall 2:5 AB	Sweden	100 %
PPP II Finland Oy	Finland	100 %
Kiinteistö Oy Kyntäjantie 4	Finland	100 %
Kiinteistö Oy Suonenjoen Asemanseutu	Finland	100 %
Kiinteistö Oy Turun Tavastilankatu	Finland	100 %
Kiinteistö Oy Hollola Tervakuja 8	Finland	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 %
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 %
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 %
Päiväkotikiinteistö Aapraminkaari Vantaa OY	Finland	100 %
Päiväkotikiinteistö Vihti Nummela OY	Finland	100 %
Päiväkotikiinteistö Touhula Karistonkatu Lahti OY	Finland	100 %
Kiinteistö Oy Oulunsalon Tetrilänselä	Finland	100 %
Kiinteistö Oy Touhula Ritaharju	Finland	100 %
Kiinteistö Oy Ulvilan Hanhikittie 1	Finland	100 %
Kiinteistö Kangasala Ilkontie OY	Finland	100 %
Päiväkotikiinteistö Ylöjärvi Rimpitie OY	Finland	100 %
Kiinteistö Oy Hyvinkään Kirvesmiehenkatu 12	Finland	100 %
Päiväkotikiinteistö Palometsä Salo Oy	Finland	100 %
Päiväkotikiinteistö Haravakatu Joensuu Oy	Finland	100 %

Päiväkotikiinteistö Taasjärvi Sipoo Oy	Finland	100 %
Päiväkotikiinteistö Kurkiaura Järvenpää Oy	Finland	100 %
Päiväkotikiinteistö Sodankylän Kirkko Oy	Finland	100 %
Asunto Oy Lipporannan Virta, Oulu	Finland	11 %
Palvelutalo Cor Mikkeli Oy	Finland	100 %
Päiväkotikiinteistö Cordis Lahti Oy	Finland	100 %

Companies bought in 2018:

Company Name	Location	Share of ownership
Kiinteistö Oy Kyntäjantie 4	Finland	100 %
Kiinteistö Oy Suonenjoen Asemanseutu	Finland	100 %
Kiinteistö Oy Turun Tavastilankatu	Finland	100 %
Kiinteistö Oy Hollola Tervakuja 8	Finland	100 %
Päiväkotikiinteistö Palometsä Salo Oy	Finland	100 %
Päiväkotikiinteistö Haravakatu Joensuu Oy	Finland	100 %
Päiväkotikiinteistö Taasjärvi Sipoo Oy	Finland	100 %
Päiväkotikiinteistö Kurkiaura Järvenpää Oy	Finland	100 %
Päiväkotikiinteistö Sodankylän Kirkko Oy	Finland	100 %
Asunto Oy Lipporannan Virta, Oulu	Finland	11 %
Palvelutalo Cor Mikkeli Oy	Finland	100 %
Päiväkotikiinteistö Cordis Lahti Oy	Finland	100 %
Bestemors Eiendom AS	Norway	100 %
Frostsparven AB	Sweden	100 %
Lappsparven AB	Sweden	100 %
Höör Hyacinten 7 AB	Sweden	100 %
Vallentuna Norrhall 2:5 AB	Sweden	100 %

16 Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and are not disclosed in this note.

The Group has the following related parties as of 31.12.2018

Related party	Relation to the Group
Roger Adolfsen	Chairman of the Board and owner of Mecca Invest AS
Sandra Henriette Riise	Board member
Geir Hjorth	Board member
Even Carlsen	Board member and owner of Grafo AS
Nina Hjørdis Torp Høisæter	Board member
Hospitality Invest AS	Substantial shareholder
Grafo AS	Substantial shareholder
Klevenstern AS	Substantial shareholder
Mecca Invest AS	Substantial shareholder
Norlandia Care Group AS	Controlled by substantial shareholders, refer to note 17
Kidsa Drift AS	Controlled by substantial shareholders, refer to note 17

Indirect ownership of shares by board member per the balance sheet date:

Indirect ownership of shares by board member:

	2018		2017	
	Ord. Shares	Pref. shares	Ord. Shares	Pref. shares
Roger Adolfsen	2 994 510	136 864	2 994 510	173 433
Even Carlsen	1 773 386	340 424	1 773 386	340 424

The Group had the following material transactions with related parties:

<i>NOK in thousand</i>	2018	2017
Rent revenue from Norlandia Care Group AS including subsidiaries	70 661	70 550
Rent revenue from Kidsa Drift including subsidiaries	42 191	40 881
Management fee to Pioneer Capital Partners AS including subsidiaries		15 007
Purchase of shares and properties from related parties	163 502	90 981

Transactions made between the related parties are made on terms equivalent to those that prevail in the market at arm length.

Receivables from related parties

<i>NOK in thousand</i>	31.12.2018	31.12.2017
Norlandia companies	522	0

For compensation to key management personnel, see note 11.

17 Share capital and shareholder information

The Company have two classes of shares, ordinary shares and preference shares. As of 31 December 2018, Pioneer Property Group ASA had a share capital of NOK 16,314,470, divided into 9,814,470 ordinary shares and 6,500,000 preference shares with a nominal value of NOK 1 per share for both categories. There were no changes in the share capital during 2018.

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

The ordinary share

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

regulations on voting rights and dividends are decided upon by the Shareholders' Meeting and can be found in the Articles of Association.

The ordinary share

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

The preference shares

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

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

	Number of shares	Share value in NOK			Total
		Ordinary shares	Preference shares	Share premium	
At 31 December 2018	16 314 470	9 814 470	6 500 000	1 487 325 615	1 503 640 085

10 largest shareholders registered in VPS as of 31 December 2018:

Top 10 largest shareholders	Ordinary shares	Preference shares
HOSPITALITY INVEST AS	32,62 %	0,00 %
EIDISSEN CONSULT AS	18,07 %	11,98 %
GRAFO AS	18,07 %	5,02 %
MECCA INVEST AS	14,45 %	1,78 %
KLEVENSTERN AS	14,45 %	1,63 %
Avanza Bank AB		8,15 %
Norron Sicav - Target		6,22 %
The Bank of New York Mellon		5,76 %
Skandinaviska Enskilda Banken AB		5,01 %
HI CAPITAL AS	2,34 %	0
Other		54,45 %
SUM	100,00 %	100,00 %
Related Parties	Ordinary shares	Preference shares

Norlandia Care Group AS	0,0 %	0,24 %
ACEA Properties AS	0,0 %	0,56 %
Northstar Properties	0,0 %	0,29 %

10 largest shareholders (ordinary shares) as of 31 December 2017:

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

18 Contingent liabilities

The group has not been involved in any legal or financial disputes in the period covered by these consolidated financial statements, where an adverse outcome is considered more likely than remote.

19 Subsequent events

Since 31 December 2018 and until the date of these financial statements, the Board of Directors is not aware of any matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the consolidated entity.

20 Implementation of new standards

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 15 – Revenue from contracts with customers.

The Group have almost all income from lease agreements and the implementation of IFRS 15 Revenue from contracts with customers, didn't have any impact on the Group figures.

IFRS 9 – Financial Instruments

The measurement of the Group's financial instruments are unchanged under the IFRS 9 Financial Instruments, with exception of the accounting for expected credit loss for trade receivables. The Group applies the simplified expected credit loss model for its trade receivables. The implementation had no effect to the opening balance.

Amendment to IAS 40 Investment properties

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. This change didn't have any impact on the Group figures.

21 New standards not yet adopted

The group has elected not to early adopt any standards or interpretations that have an adoption date after the balance sheet date. A number of new standards and amendments to standards and interpretations are effective for periods beginning after 31 December 2018. The most significant standard are as follows:

IFRS 16 Leases (effective date 1 January 2019 and approved by the EU)

IFRS 16 eliminates the current distinction between operating and finance leases, as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying the new model, a lessee is required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognize depreciation of lease assets separately from interest on lease liabilities in the income statement.

The accounting by lessors will not significantly change. The lessor accounting by the Group will not be affected. Amendment to IFRS 9, Financial instruments – prepayment features with negative compensation (effective at 1 January 2019 and approved by EU)

This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument. This is expected to have an effect for the Group going forward.

Financial statement 2018
for
Pioneer Property Group ASA

Organization number. 914839327

Income statement

	Note	2018	2017
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Total operating revenue		0	0
Operating expenses			
Raw materials and consumables used			0
Employee benefits expense	1	559 090	427 875
Other operating expenses	1	2 054 472	2 252 693
Total operating expenses		2 613 562	2 680 568
OPERATING PROFIT OR LOSS		(2 613 562)	(2 680 568)
FINANCIAL INCOME AND EXPENSES			
Financial income			
Income from subsidiaries		51 534 000	78 305 221
Interest recieved from group companies	4	5 687 433	3 011 413
Other interests		44 284	970 813
Other financial income		27	0
Total financial income		57 265 744	82 287 446
Financial expenses			
Other interests		34 152	1 112
Other financial expense		0	77
Total financial expenses		34 152	1 189
NET FINANCIAL INCOME AND EXPENCES		57 231 592	82 286 257
ORDINARY RESULT BEFORE TAXES		54 618 030	79 605 689
Tax on ordinary result	2	12 570 002	19 105 555
ORDINARY RESULT		42 048 028	60 500 134
TO MAJORITY INTERESTS		42 048 028	60 500 134
APPLICATION AND ALLOC.			
To ordinary dividends payable		12 187 500	12 187 500
To additional dividends payable		36 562 499	36 562 500
To/from other equity		(6 701 971)	11 750 135
TOTAL APPLICATION AND ALLOCATION		42 048 028	60 500 134


Balance sheet pr. 31.12.2018

	Note	31.12.2018	31.12.2017
ASSETS			
FIXED ASSETS			
Financial fixed assets			
Investments in subsidiaries	3	1 414 132 085	1 384 978 741
Loans to group companies	4	27 048 732	89 757 046
Total financial fixed assets		1 441 180 817	1 474 735 787
TOTAL FIXED ASSETS		1 441 180 817	1 474 735 787
CURRENT ASSETS			
Receivables			
Trade receivables		0	386 957
Receivables on group companies	4	124 254 456	78 305 221
Total receivables		124 254 456	78 692 178
Bank deposits, cash in hand, etc.		17 429 929	34 355 333
TOTAL CURRENT ASSETS		141 684 385	113 047 511
TOTAL ASSETS		1 582 865 201	1 587 783 298

Balance sheet pr. 31.12.2018

	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	6	16 314 470	16 314 470
Share premium reserve		1 487 325 615	1 487 325 615
Total paid-in equity		1 503 640 085	1 503 640 085
Retained earnings			
Other equity	5	45 308 341	52 010 312
Total retained earnings		45 308 341	52 010 312
TOTAL EQUITY		1 548 948 426	1 555 650 397
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions			
Deferred tax	2	0	1 780
Total provisions		0	1 780
TOTAL NON-CURRENT LIABILITIES		0	1 780
CURRENT LIABILITIES			
Accounts payable		0	389 138
Income tax payable	2	12 571 782	19 104 483
Dividends payable		12 187 500	12 187 500
Liabilities to group companies		4 554 149	0
Other currents liabilities		4 603 344	450 000
TOTAL CURRENT LIABILITIES		33 916 775	32 131 121
TOTAL LIABILITIES		33 916 775	32 132 901
TOTAL EQUITY AND LIABILITIES		1 582 865 201	1 587 783 298

Oslo, 20 March 2019



 Roger Adolfsen
 Chairman


 Even Carlsen
 Board member


 Sandra H Riise
 Board member


 Nina H. T. Høisaeter
 Board member


 Geir Hjorth
 Board member


 Anders Håvik Løken
 CEO

Cash-flow 2018

		PPG ASA	PPG ASA
		2018	2017
Cash flows from operating activities			
Profit before tax		92 903 260	79 605 689
Taxes paid	2	-19 104 483	-6 868 293
Group contributions		-89 819 230	-78 305 221
Trade receivables		386 957	-239 457
Trade payables		-389 138	380 169
Other accruals		-68 166 307	0
Net cash flow from operating activities		-84 188 941	-5 427 113
Cash flows from investing activities			
Payments for purchase of shares		-25 000 000	
Payments for purchase of other investments			
Payments of loan to group companies		0	-72 981 302
Proceeds from other investments	4	62 708 314	
Net cash flow from investing activities		37 708 314	-72 981 302
Cash flow from financing activities			
Proceeds from issuance of long term debt			
Repayment of long term debt			
Dividends paid	5	-48 749 999	-36 562 500
Repayment of share premium reserve		0	-61 259 849
Group contributions received	4	78 305 221	24 665 137
Issue of share capital			
Net Cash flow from financing activities		29 555 222	-73 157 212
Net change in cash and cash equivalents		-16 925 404	-151 565 627
Cash 01.01		34 355 333	185 920 960
Cash 31.12		17 429 929	34 355 333

Notes 2018

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 latter 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 exceeds 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 22 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 2018

Note 1 - Management and auditor compensation

The company's auditor expenses (VAT included):

	2018	2017
Statutory audit	450 000	386 250
Other services	182 459	133 688
Total	632 459	519 938

	2018	2017
Payroll	490 000	375 000
Payroll expenses (employer tax)	69 090	52 875
Total	559 090	427 875

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

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

Notes 2018

Note 2 - Tax

Calculation of this year's tax basis:

Net profit/loss before tax expense	54 618 030
+ Permanent differences	-51 499 848
+ Changes in temporary differences	7 739
+ Received group contributions	51 534 000
= Income	54 659 921

This year's income tax expense consist of:

Estimated tax of net profit	12 571 782
= Tax payable	12 571 782
+/- Change in deferred tax	- 1 780
= Total tax expense	12 570 002
Tax rate	23

current tax liability:

Tax payable	12 571 782
= Tax payable	12 571 782

Deferred tax

	2018	2017
+ accounts receivable	0	7 739
= total	0	7 739
Deferred tax	0	1 780

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 AS, Oslo	100,00 %	100,00 %	70 342 416	1 385 370 526
Pioneer Management AS, Oslo	100,00 %	100,00 %	6 131 705	2 766 042

Notes 2018

Note 4 - Liabilities to/receivables from group companies

Interest received from group companies NOK 5 687 433 and interest paid to group companies NOK 0.

	31.12.2018	31.12.2017
Receivables		
Group contributions	51 534 000	78 305 221
Other short-term receivables	72 720 456	0
Loans to group companies	27 048 732	89 757 046
Total receivables	151 303 188	168 062 267
Liabilities		
Other short-term liabilities	4 554 149	0
Total Liabilities	4 554 149	0

Note 5 - Other equity

	Share capital	Share premium reserve	Other equity	Total equity
Pr 1.1.	16 314 470	1 487 325 615	52 010 312	1 555 650 397
+Ordinary result			42 048 028	42 048 028
-Dividends			48 750 000	48 750 000
Pr 31.12.	16 314 470	1 487 325 615	45 308 341	1 548 948 426

Notes 2018

Note 6 - Share capital

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

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

Class of shares	shares	Total value	Voting rights
Ordinary shares	9 814 470	9 814 470	Each share has 1 vote
Preference shares	6 500 000	6 500 000	Each share has 0,1 vote

Total **16 314 470** **NOK 16 314 470**

The company's shareholders ordinary shares:

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

The company's 4 biggest shareholders pref.shares :

Shareholders:	Pref.Shares
Eidissen Consult AS	779 010
Avanza Bank AB	529 444
Norron Sicav - Target	404 300
The Bank of New York Mellon	374 368

Indirectly owned shares of executives in the company:

	Ordinary shares	Pref. shares
Roger Adolfsen (Chairman)	2 994 510	136 864
Even Carlsen (Board member)	1 773 386	340 424

Independent Auditor's Report

To the General Meeting in Pioneer Property Group ASA

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 2018, the income statement, statement of cash flows 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 2018, and income statement, statement of changes in equity and cash flows 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 Pioneer Property Group ASA as at 31 December 2018, 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 Pioneer Property Group ASA as at 31 December 2018, 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 2018. 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 TNOK 5 269 296 equivalent to 94,8 % of the group's total assets. The valuation of the properties is performed by an external party, Newsec, and is described in note 6 in 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.

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.

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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

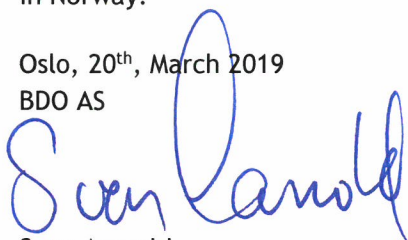
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 20th, March 2019

BDO AS



Sven Aarvold

State Authorised Public Accountant