

Type of business and where it is operated

Læringsverkstedet Gruppen AS is a knowledge company located in the municipality of Ullensaker. The company is the management company in the Group whose main strategy is work related to child development and learning. The company's main focus area is the operation of preschools. The goal is to develop a quality concept in the field of child development and learning to create market demand.

Læringsverkstedet Gruppen AS is the parent company of Læringsverkstedet AS, which is an operating and real estate company for preschools, as well as Læringsverkstedet Prosjektutvikling AS, which is a property development company related to preschools. Both companies are located in the municipality of Ullensaker. The Læringsverkstedet AS Group operated 160 kindergartens as of 31 December 2016 in 64 different municipalities. There were approximately 13,500 children in the preschools.

True and fair overview of development and profits

The company

The company had a turnover increase of over 40%. Most of the turnover is the sale of services to Group companies and the increase reflects the group's increase in activity. The company's organization is designed to handle further growth in the Group. This has, to a certain extent, had an impact on the 2016 margins and profits.

The company has an equity ratio of 17%, an increase from 2015. In 2016, the Group restructured parts of its loan facilities. In this connection, the company raised a loan of NOK 75 million in the Group's loan structure. Furthermore, the Group account structure is in the process of being changed. There are two Group account schemes as of 31.12.2016. In the old scheme, the company is a formal counterparty in the Group account system, while in the new one the company is a regular participant. These conditions explain the significant changes in the balance sheet.

The company's access to liquid assets is good.

The Group

Through acquisitions, the Group has grown sharply and has a total revenue increase of over 50%. Profit before tax margin is 5.5% versus 6% in 2015. The operating margin is slightly better than last year, primarily affected by a slightly higher subsidy level and efficient operations. The growth has resulted in an increase in depreciation and interest rates.

The Group has an equity ratio of approximately 5.0%, a decrease from 2015. This is mainly due to increased balance sheet value due to growth. The Group's access to operating liquidity is good. Cash flow from operations may be affected by the date of payment of first quarter subsidies from the municipalities from year to year. In 2015, we received more advances for 2016 in December 2015 than we received in December 2016 for 2017. Beyond this, the difference between operating profit and cash flow from operations mainly is mainly related to depreciation, interest payments and paid pension premiums.

Læringsverkstedet Gruppen AS –Bord of Directors report for 2016

In 2016, the company completed construction of four new preschools, one of which opened in January and three in August. During the year, there were also some major rehabilitations and expansions. At the end of the year, the construction of three new preschools was ongoing. In 2016, approximately 50 preschools were acquired, and there was a start-up and acquisition of an additional four preschools.

The Board believes that the annual accounts give a true and fair view of the company's and the group's assets and liabilities, financial position and profits.

Financial and operational risk

Direct investments in preschools are mainly financed through long-term loans at Husbanken, while other types of long-term loans are primarily at DnB. The company has taken out interest loans totaling MNOK 1900 with an interest rate of 2.1% to 5.1%. This helps to reduce the company's financial risk.

The loan repayment profile is well adapted to the company's strategy for the next few years. The company expects further growth through acquisitions in the future and continuously assesses the optimal financing structure in relation to this.

Market risk may include a subsidy scheme for private preschools. Today's scheme involves great variations between individual municipalities and is unpredictable from year to year. The Group's portfolio of preschools distributed over more than 60 municipalities significantly reduces this risk.

Research and development activities

The Group continuously works on the development of the paedagogical and operational concept for the Læringsverkstedet's preschools.

Continued operation

The annual accounts for 2016 were prepared on the basis of continued operations. It is hereby confirmed that there is the assumption of continued operation.

In the current year, continued growth in turnover is expected, and a margin picture approximately as for 2015 and 2016.

Work environment

Sick leave at the company was 7% in 2016.

The Group companies are IA enterprises and have a strong focus on sick leave and measures in this area. The Group will continue its goal of reducing the level of sick leave in 2017.

No serious workplace accidents have occurred or been reported during the year which resulted in major damage or personal injury. The work environment is considered to be good, and ongoing measures are being taken for improvements.

Equality and anti-discrimination

Læringsverkstedet Gruppen AS has 61 employees, of which 17 are men.

The Group undertakes active and targeted measures for gender equality in the company. When recruiting, both internally and externally, personal qualifications rather than gender are prioritised, and the underrepresented gender will be increasingly encouraged to apply. In this way, the company will try to increase the proportion of men in the job categories where this is particularly low.

Equal conditions are applied for all applicants for positions as well as employees in terms of recruitment, pay and working conditions, promotion, development opportunities and protection against harassment in accordance with the Anti-Discrimination Act. Salary and working conditions are determined according to collective agreements and are free of subjective assessment to ensure equal treatment.

The preschools have a universal design so that they are accessible for those with disabilities. The staff in preschools work in a shift scheme whereby two adults may have sole responsibility of the children. If one adult has to leave the group of children, the remaining adult is required to be sufficiently capable of ensuring his/her own safety and that of the children.

External environment

Neither the company nor the Group's activities are regulated through licences or directives in this area. The company and the Group pollute the external environment to an extremely limited degree. All business areas participate in source sorting schemes. In preschools, children are taught to source sort. When purchasing and transporting goods, the company seeks to find suppliers who actively work with environmental measures. During construction of new buildings, we, as the builder, require that contractors have their own environmental plans for their work.

Statement of annual accounts and allocation of profit

In the opinion of the Board, the submitted income statement and balance sheet with notes express the company and the Group's earnings for 2016 and financial position at year-end. There are no circumstances after the end of the financial year that are of significance to the assessment of the accounts.

For 2016, the company had a profit of NOK 4,463,074 which is proposed for use as follows:

Transferred other equity NOK 4,463,074

Jessheim, 2 May 2017

(sign)
Gunnar Johansson
Board Chairman

(sign)
Torill Eskeland
Board Member

(sign)
Daniel Nordlund Wellendorf
Board Member

(sign)
Tonje Kristoffersen
Board Member

(sign)
Lise Eikås
Board Member

(sign)
Hans Jacob Sundby
Board Member/CEO

Læringsverkstedet Gruppen AS

	Note	2016	2015
Revenue and operating cost			
Revenue from sale	11	82 387 297	57 260 552
Other income	11	1 691 218	1 498 398
Revenue		<u>84 078 515</u>	<u>58 758 950</u>
Cost of goods sold		474 617	212 121
Employee benefits expense	1	45 887 447	32 292 913
Depreciation of fixed assets and intangible asstes	3	4 257 433	3 808 912
Other operating expenses	1	27 443 459	20 505 973
Total operating expenses		<u>78 062 956</u>	<u>56 819 919</u>
Operating profit		<u>6 015 560</u>	<u>1 939 032</u>
Financial income and expense			
Interest income from group entities		1 997 799	2 106 362
Interest income		352 901	548 292
Financial income		0	1 090 704
Interest expense to group entities		1 450 845	2 545 498
Interest expense		539 756	603 861
Financial expense		382 729	3 526
Net finance		<u>-22 631</u>	<u>592 473</u>
Profit before income tax		<u>5 992 929</u>	<u>2 531 505</u>
Income tax expense	6	1 529 855	667 270
Profit after income tax		<u>4 463 074</u>	<u>1 864 235</u>
Net profit	8	<u>4 463 074</u>	<u>1 864 235</u>

Læringsverkstedet Gruppen AS

	Note	2016	2015
Assets			
Non Current Assets			
Intangibel assets			
IT systems and system development	3	4 745 525	6 392 812
Total intangible assets		4 745 525	6 392 812
Fixed assets			
Land, buildings and other property	3, 10	16 416 650	21 700 786
Fixtures and fittings	3, 10	4 524 892	5 903 272
Total fixed assets		20 941 542	27 604 057
Financial assets			
Investments in subsidiaries	10, 12	1 055 040	1 055 040
Loan to group companies	7, 9	30 330 598	33 664 312
Investments in shares and units		1 401 999	1 421 072
Total financial assets		32 787 637	36 140 424
		58 474 704	70 137 294
Current assets			
Inventories		830 942	904 281
Receivables			
Account receivables group companies	7, 10	22 218 039	1 466 805
Other receivables		3 501 813	1 788 136
Receivables group companies	7	45 463 088	11 026 808
Total receivables		71 182 940	14 281 749
Cash and equivalents		18 263 328	82 439 745
Total current assets		90 277 210	97 625 774
Total assets		148 751 914	167 763 069

Læringsverkstedet Gruppen AS

	Note	2016	2015
Equity and liabilities			
Equity			
Sharecapital	5, 8	100 000	100 000
Other equity	8	<u>25 475 601</u>	<u>21 012 527</u>
Total equity		<u>25 575 601</u>	<u>21 112 527</u>
Provisions			
Deferred tax	6	<u>255 494</u>	<u>552 155</u>
Total provisions		<u>255 494</u>	<u>552 155</u>
Other non current liabilities			
Liabilities to financial institutions	10	<u>75 000 000</u>	<u>8 930 418</u>
Total other non current liabilities		<u>75 000 000</u>	<u>8 930 418</u>
Current liabilities			
Accounts payable		2 419 480	1 684 673
Accounts payable group companies	7	1 807 116	319 705
Income tax payable	6	1 826 516	448 119
Public duties payable		6 644 898	3 476 969
Current liabilities group companies	7	24 823 826	127 040 278
Other current liabilities		<u>10 398 984</u>	<u>4 198 224</u>
Total current liabilities		<u>47 920 819</u>	<u>137 167 969</u>
Total liabilities		<u>123 176 313</u>	<u>146 650 542</u>
Total equity and liabilities		<u>148 751 914</u>	<u>167 763 069</u>

Jessheim, 02.05.2017
The board of Læringsverkstedet Gruppen AS

Gunnar Johansson
chairman of the board

Hans Jacob Sundby
member of the board/General Manager

Lise Eikås
member of the board

Torill Eskeland
member of the board

Daniel Nordlund Wellendorf
member of the board

Tonje Kristoffersen
member of the board

Note 0 Accounting principles

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

Estimates

The preparation of financial statements in accordance with the Accounting Act requires the use of estimates. In addition, the appliance of the company's accounting principle requires the management's use of assessments. Areas that largely requires such assessments, high degree of complexity, or areas where assumptions and estimates is material for the financial statement are described in the notes.

Revenue

Revenues from sale of services are recognized in the income statement at the time of delivery.

Current assets / current liabilities

Current assets and current liabilities consists normally of items that is due within one year after the balance sheet date. Current assets is valued at the lower of cost and fair value.

Current liabilities consist normally of liability that is due one year after the balance sheet date.

Non current assets / non current liabilities

Non current assets consist of assets destined for lasting ownership and use. Non current assets is valued at cost. Fixed assets are capitalized and depreciated over the assets estimated economic useful life.

Non current liabilities consist of liability that is due more than a year after the balance sheet date, however next year's installment is not reclassified as current liability.

Currency

Monetary items in a foreign currency are translated at the exchange rate on the balance sheet date.

Pension**Contribution plans**

In contribution plans, the company pays a contribution to an insurance company. Once the contribution is paid, the company has no further payment commitments. The contribution is booked as employee benefit expense. If a prepaid contribution is made, this is capitalized as an asset (pension fund) to the extent that the contribution can be refunded or reduce future payments.

Tax

The tax expense consists of the tax payable and changes to deferred tax. Income tax payable are calculated based on what is expected to be paid to the tax authorities when applying the tax rates that is decided on the balance sheet date.

Deferred tax is assessed and recorded based on the tax rates that is expected to be applied in the period when the asset is realized or the liability fulfilled, based on tax rates and tax rules in effect on the balance sheet date.

Deferred tax/tax assets is calculated on all tax increasing/tax reducing temporary differences that exist as of 31.12

Investment in other companies

With the exception for short-term investment in listed shares, acquisition cost is used as principle for investment in other companies. Acquisition cost is increased when funds is supplied through capital increase or when a group contribution is given to a subsidiary. Distributions are as a basis recognized as other financial income. Distributions that exceeds share of retained earnings after the acquisition is booked as a reduction of acquisition cost. Dividend/group contribution from subsidiaries is recognized in the same year as they are recognized in the financial statement of the provider. Dividend from other companies is recognized as financial income when it is decided.

Write down of non current assets

If there is indications that the carrying value of a non current asset exceeds fair value, an impairment test is performed. The test is performed at the lowest level where the non current asset has independent cash flows. If carrying value is higher than both net realizable value and value in use (discounted cash flows as continuing use), the asset is written down to the highest of net realizable value and value in use.

Impairment losses, with the exception of impairment of goodwill, is reversed if the reason for the impairment loss disappears in a later period.

Subsidiaries and investment in associates

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

Dividend, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized 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.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Bank deposits in group cash pool

Læringsverkstedet Gruppen AS is the formal counterparty in the group cash pool (old). The group's net deposit is formally Læringsverkstedet Gruppen AS deposit in the bank and is presented as cash and cash equivalents.

The participants deposit or withdrawal in the cash pool is presented as payables or receivables in Læringsverkstedet Gruppen AS, see note 2,7 and 9.

Læringsverkstedet Gruppen AS is a participant in the group cash pool (new). The formal counterparty in the group cash pool is Læringsverkstedet AS. Læringsverkstedet Gruppen AS's deposit or withdrawal in the cash pool is presented as payables and receivables, see note 7.

Note 1 Specification of salary and personnel cost

Specification of cost:

	2016	2015
Salary	37 117 221	24 778 124
Payroll tax	5 410 225	3 714 589
Pension cost	1 737 654	1 145 082
Other benefits	1 622 348	2 655 117
Sum	45 887 447	32 292 913

Average full-time employees: 54

Management remuneration

Total cost to chief executive officer is kr. 2 037 693.

Board remuneration is kr. 287 500,-

The company has no agreement with CEO or chair of the board regarding payment in case of resignation or change of the employee relationship or board membership. Neither does it exist any pension agreement, bonus agreement, options or other similar economic benefits; with the exception of ordinary pension and bonus agreements, that also includes other employees.

Specification of auditor's fee:

Cost taken in 2016 is kr. 185 000 for statutory audit fee and kr. 65 000 for other services.

Required occupational pension / pension cost

The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law.

Note 2 Bank deposits

Out of the company's liquid funds, kr. 2 173 683 is restricted tax deduction funds.

From 2014 a group account is established for Læringsverkstedet Group. Net deposit in the group account is Læringsverkstedet Gruppen AS deposit towards the bank. Those companies that is included in the group account formally has its balance towards Læringsverkstedet Gruppen AS. As of 31.12.2016 total net balance on all accounts that is included in the group account is kr. 16 089 646.

Læringsverkstedet Gruppen AS

Note 3 Fixed assets

	Fixture /fittings	System develop.	Prorerty	Land	Work in progress	Total
Acquisition cost 1.1	12 444 956	8 361 979	9 012 054	14 160 720	1 911 407	45 891 116
Additions	871 284		0		1 408 445	2 279 729
Disposals			3 264 438	-6 300 298	-3 296 238	-6 332 098
Acquisition cost 31.12	13 316 240	8 361 979	12 276 492	7 860 422		23 614 41 838 747
Acc. depreciation 1.1	6 541 684	1 969 167	3 383 395		0	0 11 894 246
Depreciation of the year	2 249 663	1 647 288	360 482			4 257 433
Acc. depreciation 31.12	8 791 347	3 616 455	3 743 877		0	0 16 151 679
Net carrying value 31.12	4 524 893	4 745 525	8 532 615	7 860 422		23 614 25 687 067
Useful economic life	5 years	5 years	25 years	infinite	not depr.	
Amortisation plan	linear	linear	linear			

Disposal of land applies to the transfer of land to the subsidiary Læringsverkstedet AS.

Note 4 Inventories

Inventory of finished goods is valued at the lower of acquisition cost (FIFO principle) and fair value. No provision for obsolete inventory has been made as of 31.12.2016

	2016	2015
Finished goods	830 942	904 281

Note 5 Share capital

The company's share capital, kr 100 000, is dividend on 100 000 shares with a face value of kr 1,-. HJR Holding AS owns all the shares.

Note 6 Income taxes

Specification of the difference between the financial statement result and taxable result:

Profit before income tax	5 992 929
+ Permanent differences	169 070
+ Change in temporary differences	1 144 064
= Tax base	7 306 063

Specification of income tax expense:

Tax payable	1 826 516
+ Change in deferred tax	-296 661
= Total income tax expense	1 529 855

Specification of calculation of deferred tax:

	31.12.2016	31.12.2015	Change
Fixed assets	282 779	1 126 875	844 096
+ Liability	757 242	1 088 769	331 527
+ Receivables	-	-37 694	-37 694
+ Pension	24 537	30 672	6 135
= Net temporary differences	1 064 558	2 208 622	1 144 064
 Deferred tax / tax asset	 255 494	 552 155	 296 661

Note 7 Intercompany balances

	2016	2015
Receivable group companies		
Long term receivable	30 334 462	33 664 312
Short term receivable	0	1 466 805
Accounts receivable	22 199 048	4 233 519
Short term receivable (group account - old)	45 463 088	6 793 289
Total receivables group companies	97 996 598	46 157 925

Læringsverkstedet Gruppen AS

Payables group companies

Long term payables	0	382 150
Accounts payable	1 807 116	319 705
Short term payables (group account - old)	22 066 891	126 658 128
Short term payables (group account - new)	2 756 934	0
Total payables group companies	26 630 941	127 359 983

Group account - old items represents the total of the participants deposit or withdrawal.

Short term payables (group account - new) is Læringsverkstedet Gruppen ASs deposit or withdrawal in the group cash pool (new).

Note 8 Equity

	Share Capital	Other equity	Total
Pr. 31.12.2015	100 000	21 012 527	21 112 527
Net profit		4 463 074	4 463 074
Pr 31.12.2016	100 000	25 475 601	25 575 601

Note 9 Receivables

Receivable that is due more than 1 year after the end of the accounting year.

	2016	2015
Loan to group company	30 334 462	33 664 312

Note 10 Liabilities and securities

	2016	2015
Pledged debt		
Liabilities to financial institutions	75 000 000	8 930 418
Total pledged debt	75 000 000	8 930 418

Pledged assets

Property	16 416 650	21 700 786
Fixture and fittings	0	5 903 272
Investment in subsidiaries	1 055 040	0
Loan to group company	30 330 598	0
Total pledged assets	47 802 288	27 604 057

Debt with more than five years maturity

Liabilities to financial institutions	0	27 604 058
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Average interest rate on liabilities to financial institutions was 3,5% in 2016.

The company's fixture and fittings and accounts receivable is pledged for part of the financial liabilities in the subsidiary Læringsverkstedet AS.

Læringsverkstedet Gruppen AS

Note 11 Revenue – segments

The company's revenue is mainly sale of services to Norway, and is distributed;

Segments	2016	2015
Other revenue group companies	4 827 902	6 373 514
Sald of administrative services to group companies	77 459 785	50 939 920
Other revenue	373 388	12 396
Rent	<u>1 417 440</u>	<u>1 433 120</u>
Sum inntekter	<u>84 078 515</u>	<u>58 758 950</u>

Note 12 Subsidiaries

See group financial statement for information about subsidiaries.

Læringsverkstedet Gruppen AS - Group

Income statement

Numbers in 1 000	Note	2016	2015
Revenue from sale	1	287 900	196 935
Other income	1	1 454 991	938 612
Total revenue		1 742 891	1 135 547
Cost of goods sold		6 028	8 797
Employee benefits expense	2	1 234 184	807 663
Depreciation	3	121 586	66 303
Other operating expenses	2, 3, 9	205 156	145 558
Total operating expenses		1 566 954	1 028 321
Operating profit		175 937	107 226
Interest income		1 358	1 216
Finance income		861	1 792
Total financial income		2 544	3 008
Interest paid		82 739	41 240
Finance expense		385	5
Total financial expenses		83 615	41 245
Net finance		-81 071	-38 237
Profit before income tax		94 865	68 989
Income tax expense	10	25 475	16 927
Net profit		69 391	52 062

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in 1 000	Note	2016	2015
Assets			
Non current assets			
Intangible assets			
Reaserch and development	3	4 862	6 509
Concessions, patents,licenses etc	3	153 283	0
Goodwill	3	244 664	91 759
Total intangible assets		402 809	98 268
Fixed assets			
Land, buildings and other property	3, 8	3 267 642	1 532 438
Fixtures and fittings	3, 8	58 256	21 057
Total fixed assets		3 325 898	1 553 494
Financial assets			
Loan to group companies	5, 9	50 423	45 396
Investment in shares and units		1 406	1 420
Long term receivables	9	30 485	229
Total financial assets		82 314	47 045
Total non current assets		3 811 022	1 698 808
Current assets			
Inventories		628	904
Receivables			
Accounts receivables	8	12 396	11 841
Other receivables	5	69 447	44 346
Total receivables		81 843	56 187
Cash and cash equivalents	7	162 856	138 444
Total assets		4 056 349	1 894 343

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in 1 000	Note	2016	2015
Equity and liabilities			
Equity			
Owners equity			
Share capital	4, 6	100	100
Total paid inn equity		100	100
Retained earnings			
Other equity	6	201 279	136 082
Total accumulated profits		201 279	136 082
Total equity		201 379	136 182
Liabilities			
Provisions			
Pensjon obligations	2	47 258	19 442
Deferred tax	10	199 024	33 904
Total provisions		246 282	53 346
Other non current liabilities			
Liabilities to financial institutions	8	3 208 360	1 390 353
Other non current liability	8	6 636	1 739
Total other non current liabilities		3 214 995	1 392 092
Current liability			
Accounts payable	5	42 437	29 970
Income tax payable	10	27 669	20 426
Public duties payable		97 855	56 507
Other current liabilities		220 139	199 093
Dividend/group contribution	5	5 592	6 727
Total current liability		393 692	312 722
Total liabilities		3 854 970	1 758 161
Total equity and liabilities		4 056 349	1 894 343

Jessheim, 02.05.2017
Board of Læringsverkstedet Gruppen AS

(sign)
Hans Jacob Sundby
Board member /CEO

(sign)
Gunnar Johansson
Chairman of the board

(sign)
Lise Eikås
Board Member

(sign)
Daniel Nordlund Wellendorf
Board Member

(sign)
Tonje Kristoffersen
Board Member

(sign)
Torill Eskeland
Board Member

NOTES TO THE FINANCIAL STATEMENT 2015

Note 0 Accounting principles and the effect of change of principles

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

Use of estimates

The preparation of financial statements in accordance with the Accounting Act requires the use of estimates. In addition, the appliance of the company's accounting principle requires the management's use of assessments. Areas that largely requires such assessments, high degree of complexity, or areas where assumptions and estimates is material for the financial statement are described in the notes.

Shares in subsidiaries and associates

Subsidiaries is companies where the parent company has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares and can exercise control over the financial and operational strategy of the entity. Investments with 20-50% share of the votes and with significant influence, is considered an associate.

Consolidation principle

Datterselskaper blir konsolidert fra det tidspunkt kontrollen er overført til konsernet.

In the consolidated financial statement the item shares in subsidiary is substituted with the subsidiaries assets and liabilities. The consolidated financial statement is completed as if the Group was one economic entity. Transactions, unrealized gains and balances between group companies has been eliminated.

Acquired subsidiaries is accounted for in the group accounts based on the parents acquisition cost. Acquisition cost is allocated to identifiable assets and liabilities in the subsidiary and recognized in the group account at fair value. The part of the price that exceeds the fair value of identifiable assets and liability is recognized as goodwill. Goodwill is treated as an residual and recognized with the share that is observed in the transaction. Excess values in the group accounts is depreciated over the expected useful lives of the acquired assets.

Companies which have been bought or sold during the year are included in the consolidated financial statements date when control has been achieved and until the date when control ceases.

Revenue

Revenue from parent payment regarding preschool access are recognized on time of delivery. Revenue from contributions is recognized in accordance with received decision. Decision regarding future contribution is recognized in the period the decision applies for. Decisions regarding previously received contribution is recognized entirely at the date that the decision is received.

Classification in the balance sheet

Non current assets consist of assets destined for lasting ownership or use. Assets related to the commodity circulation is classified as current assets. Receivables is classified as current asset if repayment will take place within one year. Liabilities is mainly classified based on similar criteria's. Next year installment on non current receivables or payables is however not classified as current assets or current liabilities.

Immaterielle eiendeler og goodwill

Goodwill occur in the connection with business combination. Goodwill is depreciated over the expected useful life. External expenses related to acquisition of IT systems and system development is capitalized providing that the future economic benefit exceeds recognized value.

Concessions and other rights acquired is recorded at cost reduced with accumulated depreciations. Time limited rights is deprecated over economic useful life. Indefinite rights is not depreciated. In acquisitions of preschool companies an preschool approval is acquired. This approval gives the right to future operating and capital contributions. This right is considered an intangible assets with indefinite duration. The right is capitalized provided that a future economical benefit is substantiated.

Fixed assets

Land is not depreciated. Other fixed assets is capitalized and depreciated linearly over the estimated useful life. Acquisition cost includes interest expense up until the building is taken into use, as well as internal management of the construction process. Depreciation of preschool buildings start at the time that the preschool starts operate. Work in progress includes expenses relating to development, regulating, planning and projecting. Work in progress is included in the category Buildings.

In the event of a change in depreciation plan the effect is distributed over the remaining depreciation period. Maintenance of fixed assets is expensed as operating cost. Additions and improvements is capitalized and depreciated in line with the fixed asset. The difference between maintenance and addition/improvement is evaluated towards the quality of the fixed asset on time of acquisition.

Other long term investment in shares

Other long term investment in shares are valued at cost. Distributions is recognized as financial income when it is decided. Distribution that materially exceeds share of retained earnings after the acquisition is recorded as a reduction of cost.

Write down of non currents assets

If there is indications that the carrying value of a non current asset exceeds fair value, an incurrence test is performed. The test is performed at the lowest level where the non current asset has independent cash flows. If carrying value is higher than both net realizable value and value in use (discounted cash flows as continuing use), the asset is written down to the highest of net realizable value and value in use.

Impairment losses, with the exception of impairment of goodwill, is reversed if the reason for the impairment loss disappears in a lather period.

Receivables

Accounts receivable is recorded in the balance sheet less deduction for provision for expected losses. Provision for losses is based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected losses. Material economic difficulties for the customer, probability for bankruptcy or financial restructuring, and delays or defects with the payment is considered indicators that a provision must be made.

Other receivables, both current and non current, is recorded at the lowest of face value or fair value. Fair value is the present value of expected future payments. However, discounting is not made, when the effect of discounting is immaterial for the financial statements. Provision for loss is evaluated in the same manner as for accounts receivable.

When acquiring a subsidiary that also includes acquiring a long term rent contract with fixed price lower than marked value, this asset is allocated a fair value. The value is identified by the yearly underprice in the contract and remaining duration. The asset is considered prepaid rent and is classified as long term receivable. The asset is amortized over remaining rent period. The amortization is classified as other operating expenses.

Liability

Liability, with the exceptions for some provisions, is recorded at nominal value.

Pensions

The group has different pensions plans. Pension plans is funded trough payments to an insurance company, with the exception for AFP (Early Retirement Plan). The group has both defined contribution and defined benefit plans

Defined contribution plans

In contribution plans, the company pays a contribution to an insurance company. Once the contribution is paid, the company has no further payment commitments. The contribution is booked as employee benefit expense. If a prepaid contribution is made, this is capitalized as an asset (pension fund) to the extent that the contribution can be refunded or reduce future payments.

Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. A defined benefit plan is typically a pension plan that defines a pension payment that an employee will receive on retirement. Pension payments will normally depend on several factors as age, number of years employed in the company and salary. The recorded liability related to defined benefit plans is the present value of accrued future pension benefits at the balance sheet date less fair value of the pension plan assets (payments made to insurance company). The liability is adjusted for the unrecognized effects of actuarial gains/losses. The pension liability is calculated yearly by an independent actuary using a linear method.

Changes in the pension obligation due to changes in pension plans are recognized over the estimated average remaining service period. The same apply for estimation differences due to new information or changes in actuary assumptions, to the extent it exceeds 10% of the higher of defined benefit pension obligations and pension plan assets. (corridor)

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax is calculated on all tax increasing/tax reducing temporary differences that exist as of 31.12. Tax increasing and tax reducing temporary differences, which are reversed or can be reversed in the same period is netted. Deferred tax asset on net tax reducing differences which is not netted and tax loss brought forward are recorded on the basis of future earnings.

Deferred tax and deferred tax asset that can be recorded is presented net in the balance sheet.

Tax reduction as a result of given group contribution and income tax on received group contribution that is recorded as a reduction an investment in subsidiary, is recorded directly in the balance sheet (towards income tax payable if group contribution has affected income tax payable and as deferred tax if group contribution has affected deferred tax). Deferred tax in the financial statements of both the parent and group is recorded at nominal value.

Public grants

Investment contribution is recorded as a reduction of the assets acquisition cost, which is recorded with a net amount in the balance sheet. The contribution is indirectly taken as reduction in depreciation through reduced acquisition cost of the asset.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Entities not consolidated

Nonneseter Kloster Barnehage AS is not consolidated in the Group financial statements, see note 12.

Note 1 Revenue

The groups revenue is mainly related to sale in Norway and is distributed on the following areas

Segments	Group	
	2016	2015
Parent payment	285 343	198 645
Public contributions	1 440 684	922 928
Rent income	3 285	634
Revenue construction activities	5 991	8 678
Other operating revenue	7 588	4 662
Total Revenue	1 742 891	1 135 547

Note 2 Specification of salary and personnel cost

2.1 Specification of cost:

	2016	2015
Salar	959 159	649 165
Pension cost	84 493	56 456
+ Payroll tax	174 833	97 260
+ Other benefits	15 699	4 782
= Total	1 234 184	807 663
 Average full-time employees	 3090	 1837

2.2 Remuneration:

See note 1 in the company financial statements regarding fees for CEO

The Group has paid a total of kr 287 000 in board remuneration.

2.3 Auditor 2016:

Fees to the auditor in the group is expensed with kr 3 011 124 for statutory audit and kr. 1 655 336 for other services.

2.4 Required occupational pension / pension cost:

The group is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law.

The group has a defined benefit plan for approximately 40 persons. The contributions recognized as expense in 2015 relating to this is kr. 1 370 000.

The preschool companies in the group has in addition a defined benefit plan.

All employees in the preschool companies is part of an group pension plan in accordance with local legislation ("Lov om foretakspensjon"). The pension scheme gives the right to defined future benefits, which are mainly dependent on number of years worked, salary level at time of retirement and the amount of payment from the national insurance fund. The obligations are covered through an insurance company. The employees pay a certain % share of the pension premium. This premium is recorded as a reduction in pension expenses.

The group has an early retirement scheme (AFP). The new early retirement scheme implemented 1. January 2011 is considered a defined benefit multi-employer pension plan. The plan is treated in the accounts as a defined contribution plan until there is reliable and sufficient information in order for the Group to account for its proportional share of pension expense, pension obligation and pension asset. The Groups obligation is therefore not included as a liability.

The Group has no retirees in the old early retirement scheme.

The Groups pension plans meets the requirement of the Norwegian law on required occupational pension («Lov om obligatorisk tjenestepensjon»).

LÆRINGSVERKSTEDET GRUPPEN AS - GROUP

	2016	2015
Service cost	73 813	49 876
Recognised actuarial gains/losses	2 957	2 506
Interest cost	6 365	3 736
Pension cost before social security	83 136	56 118
Termination of element of pension scheme	-6 330	
Social security tax	10 444	7 559
Pensio cost	87 185	63 677
Herof covered by employees	16 889	9 060
Pension obligation 31.12	546 167	299 235
Pension assets 31.12	510 651	233 792
Net pension obligation 31.12	35 515	65 443
Unrecognized effects of actuarial gains/losses	11 742	-49 876
Net booked pension obligation 31.12	47 258	19 442
Demographical factors		
Number of persons employeed	3 126	2 330
Actuarial assumptions		
Discount rate	2,50 %	2,50 %
Expected return on plan assets	3,30 %	3,30 %
Expected rate of salary increase	2,50 %	2,50 %
Expected regulation of pensions in effect	0,00 %	0,00 %
Expected G-regulation	2,25 %	2,25 %

Note 3 Fixed asset

	IT systems / syst. Dev	Concessions , patents and licenses	Goodwill	Equip.	Buildings	Land	Total
Acquisition cost 01.01.	8 504	-	116 684	79 780	1 490 135	241 746	1 936 848
+ Additions	-	153 283	166 468	44 718	1 659 010	177 233	2 200 713
- Disposals	-	-	-	31	2 012	483	2 526
= Acquisition cost 31.12.	8 504	153 283	283 152	124 467	3 147 133	418 496	4 135 035
Acc depriciation 01.01.	1 995	-	24 924	48 682	209 484	-	285 085
- Disposals depriciation	-	-	-	-	344	-	344
+ Depreciation for the year	1 647	-	13 563	17 528	88 847	-	121 586
= Acc Depreciation 31.12.	3 642	-	38 488	66 211	297 987	-	406 327
Net carrying value 31.12	4 862	153 283	244 664	58 256	2 849 146	418 496	3 728 707
Useful economic life	5 year	Unlimited	5-15 year	5-10 year	10-25 year	Indefinite	
Amortisation plan	Linear		Linear	Linear	Linear		

Goodwill, buildings and equipment is depreciated linear over economic useful life. Depreciation on building under construction starts when the building is completed. Land is not depreciated. Goodwill related to preschools acquired after 1.1.2011 is depreciated linearly over 15 year. The management has assed that there is high probability for a long term operation of the preschool. Based on this a depreciation period of 15 year for goodwill gives an representative useful life period for this asset. Preschools acquired before 1.1.2011 is depreciated linearly over 5 year.

The Group has approximately 15 preschools located in rented buildings. Total yearly rent payment is approximately 9,5 million. Some of these are temporary locations on ongoing contracts. Rent contract on more permanent locations has an average 10 year remaining duration. Most of these contain options for renewal.

In addition to this the Group rent office equipment and some vehicles. Rent regarding this in 2016 was approximately 5,5 million.

LÆRINGSVERKSTEDET GRUPPEN AS - GROUP

Additions Goodwill 2016:

Grenland Bamehagedrift (group)	20 931
Idrettsbamehage (group)	82 407
Solkollen Bamehage (group)	22 803
Læringsverkstedet Kanutten AS	8 518
Læringsverkstedet Steinsvikkroken AS	2 735
Læringsverkstedet Heimdalenga AS	4 289
Læringsverkstedet Soltun Bamehage AS	7 038
Læringsverkstedet Kuvågen Bamehage AS	6 071
Læringsverkstedet Waldemars Bamehage AS	3 481
Other (7 entities)	8 196
Sum	166 468

Note 4 Number of shares, shareholders etc

The company's share capital, kr 100 000, is dividend on 100 000 shares with a face value of kr 1,-. HJR Holding AS owns all the shares. Consolidated financial statements for HJR Holding can be collected on the company's business address Aktivitetsvegen 2, 2069 Jessheim.

Note 5 Transactions and intercompany balances

	2016	2015
Receivable group company		
Long term receivables group companies	50 423	45 396
Total receivable group company	50 423	45 396
Liability group companies		
Current liability group company	-	-
Dividends/group contribution	5 592	6 727
Accounts payable group companies	-	-
Total liability group company	5 592	6 727

It has not been any sale or buy of goods or services of significance with related companies.

Note 6 Equity

	Share capital	Other equity	Total
Equity 01.01.	100	136 082	136 182
Net profit	-	69 391	69 391
Provision group contributor	-	-4 194	-4 194
As of 31.12.	100	201 279	201 379

Note 7 Restricted cash

Restricted employees withholding tax TNOK	50 131
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Note 8 Liabilities and securities

Debt with more than five years maturity

Liabilities to financial institutions

2016	2015
1 644 028	931 248

Other long term liability is mainly investment contribution that is accrued as well as sellers credit on acquisition of subsidiaries.

The Groups construction loans is issued with security in a loan commitment to receive Husbank loan. Construction loan is therefore presented as debt with more than five years maturity

Booked value of pledged assets

Property

Fixture and fittings

Loan to group companies

Accounts receivable

Total pledged assets

2016	2015
3 267 642	1 373 109
28 749	20 925
50 423	0
9 216	9 934
3 356 030	1 403 968

Secured debt

Liability to financial institutions

Total secured debt

3 137 631	1 390 353
3 137 631	1 390 353

Average interest rate on liabilities to financial institutions was 3,31% in 2016.

Fixed interest loan

Fixed interest loans totaling MNOK 1 900 has interests between 2,1% to 5,1%

The fixed interest is fixed for a period of 5-20 year.

The fixed interest loans is not recorded at fair value, but to face value reduced with paid amortization.

Note 9 Long term receivables

Receivable that is due more than 1 year after the end of the accounting year is TNOK 49 423.

Saldo 31.12

Long term receivable - Group

50 423

Carrying value as of 31.12.2016 regarding identified excess value in rent contracts when acquiring a subsidiary is TNOK 29 557. This year's amortization expense is TNOK 619. The yearly future amortization will be approximately TNOK 1 240.

Note 10 Taxes

Specification of the difference between the financial statement result and taxable result;

Profit before income tax	94 865
+ Permanent differences (incl GW deprec in Group)	10 020
+ Change in temporary differences	43 240
- Group contribution - given	-5 592
= Taxable profit	<u>142 533</u>
- Tax loss brought forward	-31 856
= Tax base	<u>110 677</u>

LÆRINGSVERKSTEDET GRUPPEN AS - GROUP

Specification of income tax expense:

Tax payable	27 669
- Adjustments previous years	-68
- e in deferred tax	-2 127
*= Total income tax expense	25 475

Specification of temporary differences:

	2016	2015	Change
Fixed assets	892 618	152 178	-740 440
Long term construction contracts	1 099	2 701	1 602
Receivables	-2 788	-1 764	1 024
Other accruals	-	-5	-5
Pension obligation	-53 525	-15 567	37 958
Liabilities	1 000	1 089	89
Tax loss brought forward	-12 354	-6 422	5 932
Gains and losses account	785	192	-593
= Base deferred tax	826 835	132 402	-694 433
 Deferred tax	 198 440	 33 105	 -165 336
 + Not recorded deferred tax assets in subsid.	 584	 799	 215
 Total	 199 024	 33 904	 -165 120

The Group has during 2015 made several acquisitions, and balance movements also contains the effect of this.

Reconciliation of income tax expense

Profit before tax	94 865
Permanent differences	10 020
Total	104 886
 25% Tax	 26 221
Effect of change in tax rate	-471
Corrections previous years etc	-276
Total	25 475
 Calculated income tax expense	 25 475
Recorded tax expense	25 475
Difference	-
 Effective tax rate	 27 %

Note 11 Acquisitions 2016

Acquisitions preeschools – business

Acquisition date

Kanebo	01.08.2016
Åmot	01.08.2016
Kanutten	01.09.2016
Aronien	01.09.2016

Acquisition of companies

Du og Jeg Juvik AS	100 %
Du og Jeg Krokåsfeltet Nord AS	100 %
EG Barnehagedrift AS	100 %
Grenland Barnehagene (konsem)	100 %
Idrettsbarnehagene (konsem)	100 %
Kanutten Barnehage AS	100 %
Kinder AS	100 %
Læringsverkstedet Bratteberg Barnehage AS	100 %
Læringsverkstedet Heimdalenga AS	100 %
Læringsverkstedet Kleppe Barnehage AS	100 %
Læringsverkstedet Knerten AS	100 %
Læringsverkstedet Knertitten AS	100 %
Læringsverkstedet Kuvågen Barnehage AS	100 %
Læringsverkstedet Kvernabekken Barnehage AS	100 %
Læringsverkstedet Nerenga AS	100 %
Læringsverkstedet Olsvika Barnehage AS	100 %
Læringsverkstedet Skogheim Barnehage AS	100 %
Læringsverkstedet Soltun Barnehage AS	100 %
Læringsverkstedet Steinsvikkroken Barnehage AS	100 %
Læringsverkstedet Tomerose Barnehage AS	100 %
Læringsverkstedet Waldemars Barnehage AS	100 %
Solkollen Barnehage (konsem)	100 %
Soria Moria Barnehage 1 AS	100 %
Soria Moria Barnehage Arendal AS	100 %
Soria Moria Barnehage Hisøy AS	100 %

Note 12 Overview Subsidiaries

In addition to the parent company Læringsverkstedet Gruppen AS the Group consists of the following entities and subgroups as of 31.12.2016. All companies is 100% owned with the exception of Lysaker Idrettsbarnehage AS which is owned with 99%.

Læringsverkstedet AS	Læringsverkstedet Kleppe Barnehage AS
Læringsverkstedet Prosjektutvikling AS	Kanutten Barnehage AS
Eidet Barnehage AS	Grenland Barnehagedrift (konsem)
Lervig Brygge Barnehage AS	Læringsverkstedet Kvernabekken Barnehage AS
Kinder AS	Læringsverkstedet Waldemars Barnehage AS
Midtunbråtet Barnehage AS	EG Barnehagedrift AS
Rabben Barnehage AS	Knapstad Barnehage AS
Sørlandsparken Barnehage AS	Jokri Holding AS
Fjeldebakkane Barnehage AS	Bråvannsåsen Barnehage AS
Læringsverkstedet Knerten AS	Flekkerøya Barnehage AS
Læringsverkstedet Tomerose Barnehage AS	Læringsverkstedet Hammersborg AS
Læringsverkstedet Knertitten Barnehage AS	Læringsverkstedet Tåsenløkka AS
Idrettsbarnehagene (konsem)	Prestheia Barnehage AS
Læringsverkstedet Bratteberg Barnehage AS	Strutsen Et Pedagogisk Bamesenter AS
Læringsverkstedet Skogheim Barnehage AS	Læringsverkstedet Maurtua AS
Solkollen Barnehage (konsem)	Du og Jeg Krokåsfeltet Nord AS
Baggerød Barnehage AS	Soria Moria barnehagene
Jokri AS	Læringsverkstedet Soltun Barnehage AS
Læringsverkstedet AS	Store Tune Gård Barnehage AS
Fidje Barnehage AS	Læringsverkstedet Steinsvikkroken Barnehage AS
Liantjønn Barnehage AS	Læringsverkstedet Olsvika Barnehage AS
Læringsverkstedet Søreidtunet AS	Læringsverkstedet Kuvågen Barnehage AS
Nøstodden Barnehage AS	Læringsverkstedet Lødingen AS
Ravneheia Barnehage AS	Læringsverkstedet Heimdalenga AS
Trollberget AS	Læringsverkstedet Sørrengkaia AS
Du og Jeg Juvik AS	Nonneseter Kloster Barnehage AS
Læringsverkstedet Nerenga AS	

The business address for all companies is Aktivitetsvegen 2, 2069 Jessheim.

Nonneseter Kloster Barnehage AS consist of a construction project, where a preschools is being constructed with planned completion in august 2017. The Group acquired the company 1. august 2016. The share purchase agreement contains clauses that if certain events occur the shares shall be returned to the seller. As of 31.12.2016 there were uncertain if these clauses would come into effect or not. The company is therefore not consolidated in 2016. The shares is booked with an acquisition cost of NOK 1. The company has not had any operations during 2016, but is has accrued approximately 23 million in construction under progress. This has been financed by the seller of the shares.

Læringsverkstedet Gruppen AS 2016
CASH FLOW STATEMENT - INDIRECT MODEL

Parent			Group	
2015	2016		2016	2015
		Cash flow from operating activities		
2 532	5 993	Profit before income tax	94 865	68 989
-1 477	-448	Income tax payable	-20 077	-18 297
0	1	Loss/gain on sale of fixed assets	186	-47
3 809	4 257	Depreciation	121 586	66 303
		Difference on pension expense and paid pension premium	-20 036	-7 720
-2 507	-6 119	Change in inventory, accounts receivable and accounts payable	1 985	-10 444
-142	7 656	Change in other accruals	-19 019	15 961
2 215	11 340	Net cash flow from operating activities	159 490	114 745
		Cash flow from investing activities		
	6 300	Proceeds from disposal of fixed assets	2 198	70
-6 286	-2 248	Purchase of fixed assets	-226 119	-164 263
		Net payment in acquisition of subsidiaries	-668 675	-25 246
		Purchase of intangible assets	-4 000	-5 083
-1	0	Proceeds from disposal of other shares)		
		Net effect other shares and loans	-5 008	-5 937
33	19	Net cash flow from other investments	-13	-64
-6 254	4 071	Net cash flow from investing activities	-901 616	-200 523
		Cash flow from financing activities		
	75 000	Proceeds from recent borrowings	1 231 627	202 725
	-8 930	Full down payment of borrowings	-352 733	
-571	0	Repayment (ordinary amortization) of borrowings	-105 628	-64 869
53 043	-140 504	Net change participants deposit in group accounts		
-4 495	-5 153	Net payment (-), proceeds (+) group companies		
		Payment of group contribution	-6 727	
47 977	-79 587	Net cash flow financing activities	766 539	137 856
43 938	-64 176	Net change in cash and cash equivalents	24 412	52 078
38 502	82 439	Cash and cash equivalent at 01.01	138 443	86 366
82 439	18 263	Cash and cash equivalent 31.12	162 856	138 443



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To the General Meeting of Læringsverkstedet Gruppen AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Læringsverkstedet Gruppen AS showing a profit of TNOK 4 463 in the financial statements of the parent company and profit of TNOK 69 391 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and 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.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Molde	Stord
Ålesund	Finnshes	Molde	Stråume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knaivik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Alesund

Other information

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

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or 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's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Hamar, 5 May 2017
KPMG AS

Thore Kleppen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.