

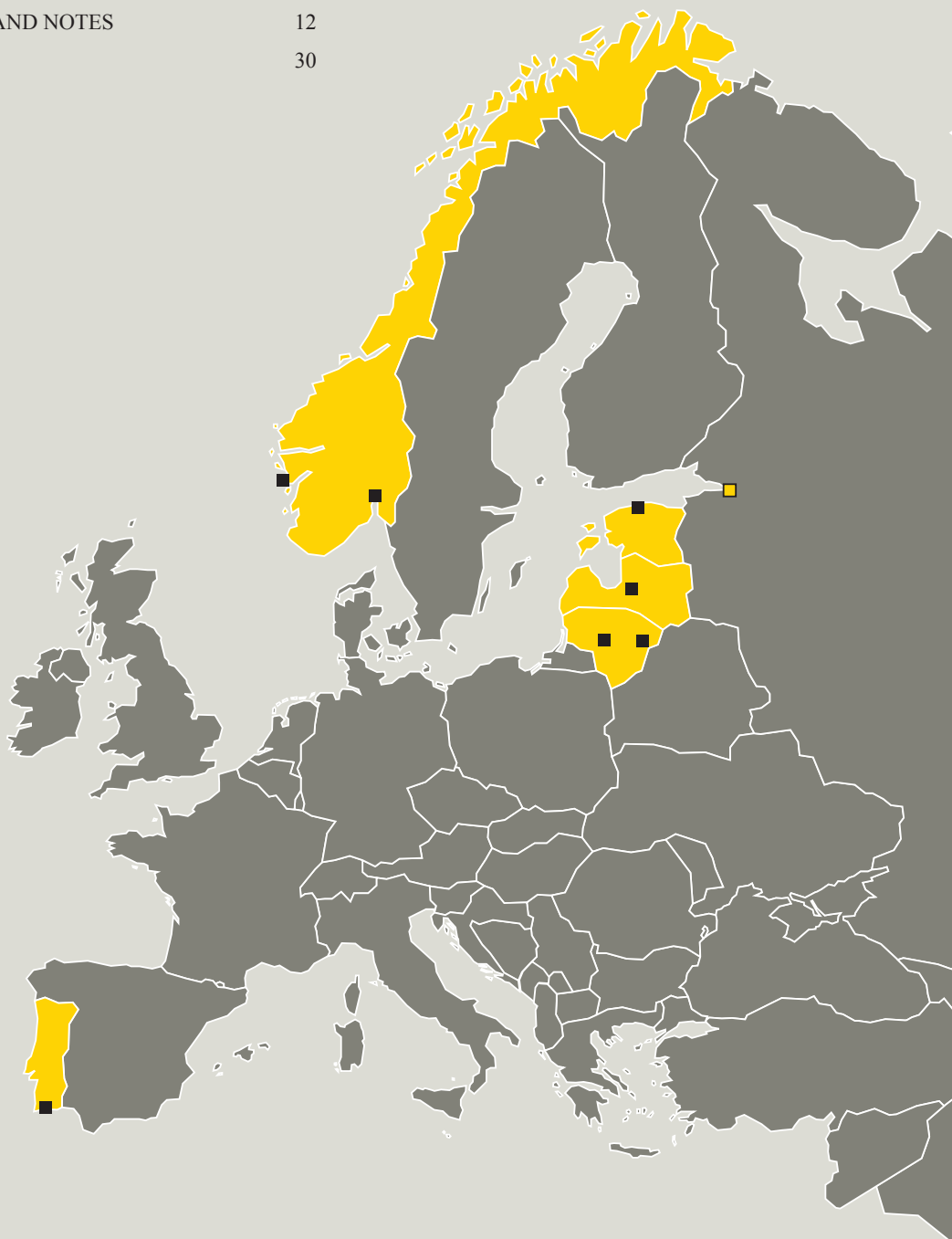
# Annual Report 2017



*Origo Shopping and Business Centre, Riga*

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## LIST OF PROPERTIES

(Square meters)		Number of rooms	In Operation	Under Construction	Development Possibilities	Total
<b>Norway</b>	<b>Hotels</b>					
	Comfort Hotel Bergen Airport	304	15 477			15 477
	<b>Offices</b>					
	Romerike Helsebygg, Lillestrøm		31 009			31 009
	Brubakkveien 16, Oslo		4 000			4 000
	Bergen Lufthavn Utvikling AS (50%)		713		101 010	101 723
	Tollbugt 32, Oslo		6 007			6 007
	<b>Parking</b>					
	Galleriet Parkering, Oslo		14 969			14 969
	Grønland Parkering, Oslo		17 223			17 223
	<b>Residential</b>					
	Oslo S. Utvikling AS (33,3%)		13 361	38 135	36 152	87 648
	Gustav Vigelands vei 24, Oslo			1 969		1 969
	Storetvedt, Bergen				2 796	2 796
	Citadellet, Nesodden				25 000	25 000
<b>TOTAL NORWAY</b>		<b>304</b>	<b>102 759</b>	<b>40 104</b>	<b>164 958</b>	<b>307 821</b>
<b>The Baltic's/Russia</b>	<b>Hotels</b>					
	Radisson Blu Hotel Latvija, Riga	571	43 905			43 905
	Radisson Blu Hotel Olümpia, Tallinn	390	30 854		12 000	42 854
	Radisson Blu Hotel Lietuva, Vilnius	291	25 792	15 000		40 792
	Radisson Blu Elizabete Hotel, Riga	228	13 782			13 782
	Radisson Sonya Hotel, St. Petersburg	173	8 200			8 200
	Radisson Blu Ridzene Hotel, Riga	95	7 892			7 892
	Park Inn by Radisson Central Tallinn	245	9 888			9 888
	Park Inn by Radisson Kaunas	206	13 018			13 018
	<b>Shopping</b>					
	Ülemiste, Tallinn		103 842	26 500		130 342
	Origo, Riga		35 538	45 892		81 430
	Galerija Centrs, Riga		36 785			36 785
	Alfa Home Center, Riga				60 000	60 000
	Riga Retail Park				150 000	150 000
	Block 1				15 000	15 000
	<b>Parking</b>					
	Jekaba Arcade, Riga		8 600			8 600
	Tornimä Garage, Tallinn (25%)		2 000			2 000
	<b>Residential</b>					
	Bisumuizās Nami, Riga (100%)				100 000	100 000
<b>TOTAL BALTIC'S/RUSSIA</b>		<b>2 199</b>	<b>340 096</b>	<b>87 392</b>	<b>337 000</b>	<b>764 488</b>
<b>Portugal</b>	<b>Resort</b>					
	Dunas Douradas		1 668		1 379	3 047
<b>TOTAL LINSTOW GROUP</b>		<b>2 503</b>	<b>444 523</b>	<b>127 496</b>	<b>503 337</b>	<b>1 075 356</b>

Linstow AS is one of Norway's leading property companies. The company owns, develops and manages property in different segments in both Norway and abroad. The company is owned by Awilhelmsen AS, a privately-owned investment company with the following business areas: cruise industry, property, shipping & offshore, retail sales and financial investments.

Linstow AS and its subsidiaries (hereinafter referred to as Linstow or the Group) play a key investing role in Norway in several major development projects and owns and manages office, healthcare, hotel and parking properties. The company has a large part of its activities in the Baltic region, and it is a major player in the hotel and shopping centre segment. The Group owns a total of seven hotels and three centrally located shopping centres in the largest cities in the Baltic countries. In addition, the company owns a holiday resort in Portugal, a hotel in St. Petersburg and a hotel in Bergen. Linstow's head office is located at Tjuvholmen in Oslo, Norway.

## Market developments

### Shopping Centres

Linstow owns three shopping centres totalling 176 000 m<sup>2</sup> in Riga and Tallinn. The shopping centres had an increased turnover in local currency of 6% (2016: 6%) compared with the previous year. The rental income in local currency increased correspondingly by 1% (2016: 3%). Preparations are being made to expand the shopping centre Origo in Riga by 16 000 m<sup>2</sup> of retail areas and 10 000 m<sup>2</sup> of office space. Start-up is contingent on the attainment of sufficient pre-lease. A decision has also been taken to further expand the Ülemiste shopping centre with 13 500 m<sup>2</sup> of retail space.

### Hotel business in the Baltic region and Russia

Linstow owns a total of eight hotels (2016: 8) with a total of 2 199 (2016: 2 199) rooms in Tallinn, Riga, Vilnius, Kaunas and St. Petersburg. The occupancy rate was 66% in 2017 (2016: 65%), and income measured in euro increased by 9% (2016: 1%) compared with the previous year. The hotels are operated by the listed company, Rezidor Hotel Group, under the brand names Radisson Blu and Park Inn by Radisson. In 2017, a 165-room expansion of Hotel Lietuva in Vilnius was commenced. The expansion is expected to be completed in mid-2018.

### Norway

Engagement in urban development projects is a key aspect of Linstow's strategy. Linstow is working on the development of office, retail and residential projects in Bjørvika through Oslo S. Utvikling AS (OSU), in which Linstow owns a third of the shares. OSU's total development potential, including already completed and sold properties, is approximately 380 000 m<sup>2</sup> above ground

and around 105 000 m<sup>2</sup> below ground. OSU has developed approximately 193 000 m<sup>2</sup> above ground and around 70 000 m<sup>2</sup> below ground.

Over 400 residential units have been developed and sold in the Barcode area. OSU will develop an additional 1 500 residential units in Bispevika. More than 350 of the 448 units under construction have already been sold. In the coming year, the focus will be on the construction and sale of residential projects, development and rental of the Group's portfolio of commercial, restaurant and cultural premises, as well as completion of the last major office project, Eufemia, which has already been sold.

Bergen Lufthavn Utvikling AS (50% owned by Linstow) is a long-term cooperation project with Flesland Holding AS for the development of Bergen Business Park. Bergen Business Park has been planned as a new and innovative business park at Bergen Airport Flesland, Western Norway's transport hub. The site is approximately 12 hectares and is located next to the new terminal at Flesland, where the end station for the Bergen Light Rail is also located. Bergen Business Park, where the plan is to develop 200 000 m<sup>2</sup> of commercial areas, will, among other, include an airport hotel and modern offices adapted to the business activities of tomorrow in the Bergen region. The development of phase 1, the part of the business park that is located closest to the airport terminal, comprises a hotel and three office buildings, totalling approximately 35 000 m<sup>2</sup>. The hotel, Comfort Hotel Bergen Airport, was completed in February 2017 and is in walking distance from the new airport terminal, which opened in August 2017. In 2018, Bergen Lufthavn Utvikling decided to start construction of office buildings in phase 1.

Linstow owns 12.5 % of Koksa Eiendom AS. The company's remaining property, the Koksa area, has been sold, and was handed over to the buyer in early 2017.

Linstow owns a portfolio of properties in Norway totalling 103 000 m<sup>2</sup>, and focuses on good technical operation of the properties and excellent tenant service. The portfolio consists primarily of the properties Romerike Helsebygg, Comfort Hotel Bergen Airport, as well as Tollbugaten 32 and the parking garages Galleriet and Grønland Torg in Oslo. In 2017 development of an apartment building with seven apartments in Gustav Vigeland's vei in Oslo was commenced. The building is scheduled for completion in mid-2019. The company is also working on the development of an apartment project in Storetveitåsen in Bergen. Linstow owns 25% of the shares in Helsehusene in Fredrikstad, and plans further investments in health-related property development. A jointly owned company has been established in Stavern (Linstow's



*Origo Shopping and Business Centre, Riga*

ownership share: 50%) with Agnes Utvikling for development of health properties in Sjøparken. Depotgata 22 in Lillestrøm was sold in mid-2017.

#### **Other business**

Linstow is engaged in the management of a holiday and leisure resort in Portugal, as well as the sale of completed villas and flats at the resort. Linstow also owns some development properties where holiday homes can be constructed. In 2016 the construction of seven apartments was started, and these apartments were mainly completed in 2017.

### *Health, safety and environment*

Linstow AS had 22 employees at year-end 2017, which corresponded to 21.5 FTEs in 2017. The Group had 1 188 employees at year-end 2017 (2016: 1 200), which corresponded to approximately 1 024 FTEs (2016: 980). In 2017, absence due to illness at Linstow AS was 1% (2016: 1.5%). The company has a good working environment. A total of 10 minor injuries to the Group's employees were reported in 2017 in connection with our hotel business. No workplace accidents were registered at Linstow's construction sites in 2017.

Linstow is an advocate of sustainable social development and promotes long-term quality and environmental work in all our activities. We do so by:

- Working in a systematic and focused manner to reduce our environmental impact.
- Erecting buildings with sound environmental solutions.

- Linstow is a major actor and contributor to the development of high-profile buildings, through, for example, our development projects in Bjørvika and at Flesland, where work is carried out in accordance with special environmental programmes, a special, ambitious environmental follow-up programme in Bjørvika, and within the framework of the environmental classification tool BREEM NOR for buildings and BREEM Communities for the area at Flesland. A focused and systematic effort is, for example, being made to minimise the consumption of energy in the buildings, and to use environmentally friendly materials.
- An energy follow-up programme has been implemented at all of Linstow's hotels and shopping centres, in which the consumption of energy is measured and analysed on an ongoing basis.
- Commencing work to reduce the use of plastic at our hotels.

Linstow's activities affect the environment through the handling of waste in connection with the demolition of old properties, as well as the construction and operation of new properties. Throughout the organisation, Linstow has a strong focus on complying with all government requirements and recommendations relating to the environment. Our projects have clear goals for energy consumption, pollution, use and reuse of materials, indoor climate, development, and use of space. Linstow requires that all contractors follow a comprehensive programme for sorting demolition waste for recycling. Linstow has zero tolerance for corruption and is making an active effort to prevent financial irregularities. Linstow does not accept nor make use of facilitating payments.



*Bergen Business Park, Flesland*

Linstow's foreign hotels are members of "GREEN KEY", an international organisation that provides certification for environment-friendly hotels. This requires that the hotels adhere to specific guidelines on energy consumption, waste segregation and staff training. Through the Choice chain, Linstow's Norwegian hotel, Comfort Hotel Bergen Airport, has implemented the internationally recognised environmental standard ISO 14001, and we are working diligently to continuously reduce our environmental impact. Linstow has been operating its own energy monitoring programme for the hotels since 2006 and has achieved considerable energy savings over time. In 2017, energy consumption fell by 0.4 GWh from 2016, equivalent to 1% of total consumption. Six of Linstow's hotels have been certified as Safe Hotels, an international organisation that assesses the security system at hotels and meeting places according to the best practice.

In 2017, energy consumption for shopping centre operations fell by approximately 0.4% from the previous year. Work on improving energy efficiency continues, and it will always be one of the Group's areas of focus.

The property industry in general is male dominated. Women make up approximately 32% of Linstow AS' employees. The company's owners and Board of Directors have a positive attitude towards a high level of female representation among employees and managers and appreciate the benefits of having a balanced workforce. The Board's goal is to have no discrimination relating to gender or anything else. At the beginning of 2018, the Board of Directors of Linstow AS was expanded by one member (Arve Ree) and now consists of four men.

### *Report on the annual financial statements (2016 figures in brackets)*

Pursuant to Section 3-3a of the Norwegian Accounting Act, we confirm that the financial statements have been prepared on the going concern assumption. The annual report includes statements about future operations that are associated with risks and uncertainties. These statements about the future reflect the current view on future conditions and are by nature subject to risks and uncertainties because they are tied to events and depend on conditions that will occur in the future. For various reasons, the actual results may diverge significantly from the expectations that are expressed in the statements on future conditions.

In 2017, the Group had rental income of NOK 350 million (340 million). Revenue from hotels and other operations was NOK 808 million (757 million). Gains from the sale of property totalled NOK 40 million (4 million). Project revenues amounted to NOK 67 million (37 million).

Operating costs were NOK 881 million (860 million). Net reversals of non-current assets amounted to NOK 63 million (3 million). Write-downs and reversals are calculated for each property, based on the average of two valuations made by independent appraisers. Project costs totalled NOK 61 million (33 million).

Net financial items amounted to NOK 136 million (- 6 million). In 2017, the profit attributable to associated companies was NOK 140 million (49 million), NOK 142 million (59 million) of which was profit attributable to the associate OSU. Moreover, other finance income totalled NOK 101 million (6 million), of which dividends from Koksa Eiendom AS amounted to NOK 100 million (4 million).



*Comfort Hotel Bergen Airport, Bergen Business Park, Flesland*

The Group's profit before tax was NOK 520 million (272 million). After tax and minority interests the profit for the year was NOK 536 million (238 million).

Linstow AS' profit after tax is NOK 439 million (121 million) and includes dividends from subsidiaries and associated companies in the amount of NOK 335 million (142 million) as well as foreign exchange losses totalling NOK - 118 million (- 27 million).

### *Investments*

The Group's investments in 2017 amounted to NOK 319 million (562 million). The investment in the expansion of Hotel Lietuva in Vilnius (NOK 75 million) and construction of Comfort Hotel Bergen Airport (NOK 57 million) were the largest single investments in 2017.

### *Equity and cash flow*

The Group's recognised equity is NOK 1 277 million (1 092 million). Net cash flow from operations totalled NOK 547 million (387 million). At year-end 2017, total bank deposits and cash equivalents amounted to NOK 1 235 million (803 million).

### *Financing and liquidity*

At year-end 2017, the Group had long-term liabilities of NOK 4 518 million (4 546 million). The Group's solidity and liquidity are good. The book equity ratio was 19% (18%) at the end of 2017. The Group's property portfolio is valued annually by at least two independent appraisers. The valuations indicate that the market value of the Group's property portfolio is significantly higher than its carrying amount.

## *Risk*

### **Financial risk**

Linstow is exposed to exchange rate fluctuations, as the Group's Baltic, Portuguese and Russian operations are in foreign currency. As far as possible, Linstow aims to align the Group's liabilities with underlying assets and revenues.

Linstow is also exposed to refinancing risk and changes in the interest rate level. The Group seeks to reduce this risk by entering into interest rate swap agreements with varying terms and entering into long-term loan agreements with a diversified maturity structure. Linstow is also exposed to changes in the amount for which the properties can be sold on the market. These amounts are largely dependent on earnings, interest rates and the attractiveness of the properties.

The risk that counterparties and clients would be financially unable to meet their obligations are considered to be unchanged in the course of the year. Most rental agreements are covered by a bank guarantee or a cash deposit equivalent to three months' rent. The Board of Directors considers the liquidity of the Group to be very good, so it sees no reason to take measures to significantly change the liquidity risk.

### **Project risk**

Contracts for the Group's projects have been entered into with large, well-established contractors. Standard performance bonds have been provided for these projects.

### Other risk

The financial results of our hotel business are largely dependent on the occupancy rate and the room prices that can be charged in the market. The risk in our shopping centre business is related to increased online shopping, economic development in the countries in which the centres are located, the attractiveness of individual shopping centres, their popularity with tenants, the tenants' ability to pay, vacancy rates and the market rents that can be charged.

### Property portfolio

At year-end 2017, the Group owned 445 000 m<sup>2</sup> of property. Of this, 340 000 m<sup>2</sup> was property in the Baltic region and Russia, while 103 000 m<sup>2</sup> was property in Norway. Linstow also manages a property portfolio of shopping centres of approximately 158 000 m<sup>2</sup> in the Baltic region for other owners.

### Outlook

Economic growth in the Baltic region in 2017 was somewhat higher than the Eurozone average. Growth in 2018 is also expected to be somewhat higher than in the Eurozone in general, due, among other things, to increased activity in the construction industry, and the expectation of continued strong growth in export-oriented industrial production. Retail trade also performed well in 2017, growing 6.4% in Latvia and 5.9% in Estonia. In Riga, several new hotels have opened recently, which may entail pressure on prices and earnings going forward.

The first part of 2017 produced very good results for residential sales through OSU, but the sales pace fell considerably as the year unfolded due to the insecure housing market. The residential market in Oslo has shown positive tendencies in recent months, and the pace of sales has recovered somewhat. The market is expected to improve throughout 2018 and that there will be good demand for the company's residential units over time.

The commercial property market in Norway has been marked by decreasing yield expectations. The prime yield for office properties in the Oslo region is currently estimated to be about 3.75%, while the very best properties can achieve a yield as low as 3.5%. Historically low interest rates and high demand for attractive objects continue to be the main driver, but in recent months long-term interest rates have taken an upward turn, which can affect the yields. The future development of the Norwegian property market is considered interesting.

### *The Board of Directors' proposal for allocation of the annual profit*

Linstow AS' profit after tax amounted to NOK 439.2 million (121.1 million). After receipt of a group contribution after tax of NOK 114 million (30 million) from the Awilhelmsen Group, and the transfer of NOK 55.2 million (88.9 million) from other reserves, the Board of Directors proposes the distribution of a dividend of NOK 498 million (240 million) to A/S Møllegaarden.

The Board of Directors of Linstow AS  
Oslo, Norway, 4 April 2018



**Sigurd E. Thorvildsen**  
Chairman



**Henrik Fougner**  
Board Member



**Knut I. Nossen**  
Board Member



**Arve Ree**  
Board Member



**Per Tore Mortensen**  
CEO



## INCOME STATEMENT 1 JAN – 31 DEC

Linstow AS				Linstow Group	
2017	2016	(NOK 000)	Notes	2017	2016
<b>OPERATING INCOME</b>					
		Rental income, properties		350 333	339 995
44 695	248	Profit from sale of fixed assets	1	40 126	3 660
22 977		Project income		66 637	37 249
14 031	10 906	Hotel revenues and other operating income	2	807 639	757 215
81 703	11 154	<b>Total operating income</b>		<b>1 264 735</b>	<b>1 138 119</b>
<b>OPERATING EXPENSES</b>					
-65 081	-61 929	Wages, salaries, employer's national insurance contributions and pension costs	3	-283 003	-265 145
-15 640	-13 588	Other administrative expenses	2	-311 323	-289 789
		Cost of materials		-57 523	-57 053
-28	-166	Operating costs for properties and bad debts		-49 501	-48 010
-20 225		Project expenses		-60 600	-32 908
-92	-2 069	Loss on the sale of fixed assets	1		-139
120 829	-1 925	Impairment/(reversal) of fixed assets	1,5	63 133	3 165
-304	-1 578	Amortisation	5	-182 426	-170 193
19 457	-81 256	<b>Total operating expenses</b>		<b>-881 243</b>	<b>-860 071</b>
101 160	-70 102	<b>Operating profit</b>		<b>383 492</b>	<b>278 049</b>
<b>FINANCIAL ITEMS</b>					
334 994	142 316	Profit/loss from group companies and associates	4	140 128	48 925
155 263	126 299	Finance income	6	136 039	57 535
-189 270	-83 135	Finance expense	6	-139 837	-112 939
300 988	185 480	<b>Net financial items</b>		<b>136 331</b>	<b>-6 479</b>
402 148	115 377	<b>Profit before tax</b>		<b>519 823</b>	<b>271 569</b>
37 095	5 741	Tax	7	15 627	-33 725
439 243	121 118	<b>Profit for the year</b>	8	<b>535 451</b>	<b>237 844</b>
		Minority interests		193	77
439 243	121 118	<b>Profit for the year after minority interest</b>		<b>535 644</b>	<b>237 921</b>
<b>APPROPRIATIONS</b>					
-55 203	88 882	Transferred to/from other equity			
-498 000	-240 000	Accrued dividend			
113 960	30 000	Group contribution received after tax			
-439 243	-121 118	<b>Total appropriations</b>	8		

## BALANCE SHEET AT 31 DEC

Linstow AS		(NOK 000)	Notes	Linstow Group	
2017	2016			2017	2016
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Intangible assets</b>					
11 618	8 563	Deferred tax assets	7		
<b>Tangible fixed assets</b>					
1 500	7 723	Real property	5	4 219 987	3 796 962
	243	Projects in progress	5	170 998	425 670
1 104	1 408	Machinery, fixtures/fittings and vehicles	5	120 189	106 133
<b>Financial assets</b>					
2 911 240	2 643 134	Shares in subsidiaries	4		
622 705	668 140	Receivables from group companies			
401 303	384 794	Shares in associates	4	540 306	581 051
2 522		Receivables from associates		2 522	
2 746	85 173	Other shares	4	2 746	85 173
1 200	1 520	Other long-term receivables	9	29 370	31 538
<b>3 955 938</b>	<b>3 800 698</b>	<b>Total fixed assets</b>		<b>5 086 117</b>	<b>5 026 529</b>
<b>Current assets</b>					
24 625	1 136	Current receivables	9	94 877	62 666
148 000	161 060	Receivables from group companies		148 000	161 060
9 995	19 666	Projects for sale	5	116 758	111 056
861 870	485 905	Bank deposits, group account	12	1 234 782	803 378
<b>1 044 490</b>	<b>667 767</b>	<b>Total current assets</b>		<b>1 594 417</b>	<b>1 138 160</b>
<b>5 000 428</b>	<b>4 468 466</b>	<b>Total assets</b>		<b>6 680 534</b>	<b>6 164 688</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
817 808	817 808	Share capital (1 264 600 shares – par value NOK 647)		817 808	817 808
405 333	405 333	Other paid-in capital		405 333	405 333
602 551	670 731	Retained earnings		52 161	-132 272
		Minority interests		1 369	1 451
<b>1 825 692</b>	<b>1 893 872</b>	<b>Total equity</b>	<b>8</b>	<b>1 276 671</b>	<b>1 092 319</b>
<b>Long-term liabilities</b>					
<b>Provisions for liabilities</b>					
		Deferred tax	7	191 112	230 648
53 217	59 052	Other commitments	10	53 765	54 516
<b>Other non-current liabilities</b>					
1 189 008	944 626	Liabilities to group companies			
30 013	129 934	Debt instrument loans and credit facilities	10	30 013	129 934
1 348 699	1 149 022	Secured debt	10	4 242 901	4 130 528
<b>2 620 936</b>	<b>2 282 633</b>	<b>Total long-term liabilities</b>		<b>4 517 791</b>	<b>4 545 625</b>
<b>Current liabilities</b>					
553 800	291 960	Other current liabilities	11	886 071	526 744
<b>553 800</b>	<b>291 960</b>	<b>Total current liabilities</b>		<b>886 071</b>	<b>526 744</b>
<b>5 000 428</b>	<b>4 468 466</b>	<b>Total equity and liabilities</b>		<b>6 680 534</b>	<b>6 164 688</b>

Oslo, 4 April 2018

  
**Sigurd E. Thorvildsen**  
 Chairman

  
**Henrik Fougner**  
 Board Member

  
**Knut I. Nossen**  
 Board Member

  
**Arve Ree**  
 Board Member

## CASH FLOW STATEMENT

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Profit before tax	402 148	115 377	519 823	271 569
- Tax payable			-26 257	-15 731
- Profit from sale of fixed assets	-44 695	-248	-40 126	-3 660
+/- Net loss/profit from sale of projects	-2 752		-6 036	-4 341
- Profit/loss from associates			-140 128	-48 925
+ Loss on sale of fixed assets	92	2 069		139
+ Amortisation	304	1 578	182 426	170 193
+ Impairment/reversal of fixed assets	-120 829	1 925	-63 133	-3 165
+/- Change in accounts receivable	-791	904	-7 912	9 831
+/- Change in accounts payable	-148	-272	42 817	2 338
+/- Change in interest	1 935	-350	2 280	1 681
+/- Change in other accruals	84 644	13 041	84 310	7 222
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>319 909</b>	<b>134 024</b>	<b>548 064</b>	<b>387 151</b>
+ Sale of tangible assets and projects		102	286 850	74 132
- Investment in tangible assets and projects	-10 554	-9 474	-318 892	-561 843
+ Payments in from investments in shares	169 001	13 135	207 875	160 905
- Investment in shares	-125 055	-196 668	-16 509	-159 920
+/- Changes in other receivables/intra-group balances	-3 996	408 707	-353	147 037
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>29 397</b>	<b>215 802</b>	<b>158 971</b>	<b>-339 690</b>
+/- Change in external long-term liabilities	105 600	-108 351	11 702	187 293
+/- Exchange rate differences			-208 392	-24 524
- Equity transactions and loans to parent company	-78 940		-78 940	
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>26 660</b>	<b>-108 351</b>	<b>-275 631</b>	<b>162 769</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS DURING YEAR (A+B+C)</b>	<b>375 966</b>	<b>241 476</b>	<b>431 405</b>	<b>210 231</b>
Cash & cash equivalents 1 Jan (*)	485 904	244 428	803 378	593 147
<b>Cash &amp; cash equivalents 31 Dec (*)</b>	<b>861 870</b>	<b>485 904</b>	<b>1 234 782</b>	<b>803 378</b>

### ACCOUNTING PRINCIPLES

#### General

The annual financial statements have been prepared in accordance with current legislation and generally accepted accounting principles. Accounting standards for “remaining” enterprises have been used.

With respect to the parent company, Linstow AS uses the cost method for valuing shares and interests in subsidiaries and associates. Acquisition and disposal of subsidiaries is part of the company’s ordinary operation. Comparative figures have not therefore been prepared for this.

With accounting effect from 1 January 2017, the company has merged in the wholly owned subsidiaries Dunas Holding AS and Linstow Center Development AS. After this Linstow AS owns direct shares in the Portuguese holding company Dunas Portugal SGPS and shares in the shopping centre companies Linstow SIA and Tampere Invest SIA in Latvia.

The mergers were carried out according to the principle of continuity of group values.

#### Basis of consolidation

Shares and participating interests in subsidiaries are eliminated in accordance with the purchase method. This means that the cost price of the shares and interests is set off against the subsidiaries’ equity at the date of acquisition. Any added/negative values of individual properties arising from this process are depreciated using the same principles as for the properties themselves. Profit/loss from the purchase/sale of subsidiaries and associates is included from/to the date of acquisition/disposal. For gradual investment in/acquisition of subsidiaries, values at the date of consolidation are generally used. The minority interests’ share of income and equity is shown as a separate line on the income statement and balance sheet. Internal receivables, liabilities and profit/loss items are eliminated in the consolidated accounts.

In the parent company accounts, the cost method is used for all companies, regardless of structure and ownership share. Group contributions and dividend received which lie inside and outside the subsidiaries’ accrued earnings in the ownership period are respectively recognised in the parent company’s income statement and recognised directly in the balance sheet as an investment. Group contributions from the parent company to a subsidiary are considered as investments in subsidiaries and are capitalised as part of the cost of the shares. Group companies are fully consolidated in the accounts, while associates are accounted for using the equity method. More information can be found in note 4, where shares and ownership interests are specified.

#### Translation of foreign companies

In the consolidated accounts, the accounts of foreign subsidiaries and associates are aligned with the parent company’s accounting principles as far as possible. When these companies’ accounts are converted from local currencies to Norwegian kroner (NOK), balance sheet items are translated using the exchange rate prevailing at the balance sheet date, while income statement items are mainly translated using the average rate for each quarter. The difference arising when the company’s opening equity is translated based on this method is recognised as a correction to the group’s equity.

#### Financial instruments

The group hedges the majority of its variable interest rates by entering into forward rate agreements. The agreements are valued at fair value by external parties. Current payments are presented as interest cost. The effect of value changes is recognised in profit/loss. Unrealised gains are not recognised. See below for duration plus note 6.

#### Revenue recognition

Transactions are recognised at the value of the compensation at the time of delivery. Income is recognised when it is accrued, i.e. when the service is provided. Income is presented after deduction of VAT, rebates and discounts. Costs are compared with accrued revenues.

Redemption amounts from leases are recognised as income when the premises are leased and the rent covers costs. If the premises remain leased continuously, the income is accrued over the original lease term. If costs are partially covered, the buyout revenues are recognised as income proportionately.

#### Gains/losses/impairment losses on fixed assets

Profit/loss and impairment losses on fixed assets are classified as ordinary operating income/expense in the income statement.

#### Maintenance and improvements

Ongoing maintenance costs to keep the properties in the best state of repair during the group’s ownership are included in operating expenses. Alterations for specific tenants and general work on the buildings, which increase their rental value, are depreciated over their expected useful life. The cost is included in amortisation.

Rehabilitation expenditure raising the property standard from best state of repair during the group’s ownership and increasing future rental income is capitalised and depreciated with the building over its normal amortisation period.

### **Current/fixed assets**

#### **Current/long-term liabilities**

Items are classified as fixed assets/long-term liabilities if they are intended for long-term ownership or use, or their settlement date is after the end of the next accounting period. The first year's instalments for long-term liabilities are accounted for as long-term liabilities. Other items are classified as current assets/current liabilities. Current assets are recognised in the balance sheet at the lower of cost and fair value. See separate note on the valuation of fixed assets. The group account arrangement is classified as a bank deposit.

#### **Projects for sale**

Projects defined as for sale are treated in accordance with Norwegian accounting standard NRS 2, construction contracts. Linstow utilises current revenue recognition based on expected revenue in proportion to the stage of completion of the contract and sale. The result for the period is the expected final result multiplied by the stage of completion of the contract and sale. Projects expected to make a loss are recognised as an expense. Accrued costs at the reporting date comprise recognised costs allowing for any invoicing lag. Income comprises accrued costs plus the project margin. Income is not recognised until a substantial part of the project has been sold and the construction is well in progress, making it possible to give a reliable estimate of profit. If in doubt, the project is booked without profit. The same principle is applied, where natural, in the parent company accounts.

#### **Fixed assets**

Fixed assets are recognised at cost less accumulated depreciation and impairment losses. Leased assets which qualify as finance leases are capitalised and depreciated with other fixed assets. In general, fixed assets are written down if their fair value as defined in the Norwegian Accounting Act is lower than their carrying amount. If the recoverable amount of an asset is lower than the carrying value, the asset will be written down to the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Fixed assets for which a decision to sell has been made are not reclassified as a rule, and the estimated sales value is used as the fair value.

At some of the companies' properties, new rental projects are under construction. The cost of these projects, including interest on capital expenditure, is capitalised until the projects are completed/have full rental coverage. Interest on capital expenditure on projects acquired through the purchase of companies is capitalised. For projects where a decision has been taken to delay/halt the construction process, the interest on capital expenditure is expensed as it arises. Development

projects and major conversions are transferred to properties and depreciated from the time the premises have been put into use.

#### **Pensions**

Pension costs are accounted for in compliance with Norwegian accounting standards. Gross earned pension liabilities, less pension funds, are booked as a liability at the start of the year based on actuarial calculations. Changes in the underlying economic and actuarial assumptions are systematically distributed over the remaining service period. Linstow also has unfunded pension liabilities, and their present value is entered on the balance sheet in the same way. The pension cost for the year is included in wages, salaries, etc. in the income statement, and comprises the current service cost, plus interest on pension liabilities less the return on pension funds. For unfunded pension liabilities the pension cost for the year is mainly interest on the accrued liabilities. Estimate discrepancies are accrued. When non-amortised estimate variances exceed 10% of the higher of obligations including employer's national insurance contributions and pension fund assets, the excess amount is amortised over the average remaining earning period.

#### **Deferred tax**

Deferred tax is calculated on the basis of the temporary differences that exist at the end of the financial year between accounting and taxable values. Temporary differences which reverse or may reverse in the same period are offset.

Deferred tax is generally recognised at nominal value using the enacted tax rate on the balance sheet date. Deferred tax on value added arising from acquisitions is valued at the present value, due to the long reversal time. Deferred tax liabilities and assets abroad are not offset against deferred tax benefits in Norway. In accordance with the exemption model, tax on temporary differences in share values is not recorded. Deferred tax assets/liabilities are classified respectively as fixed assets and provision for liabilities. Change in deferred tax for the year is entered as a tax expense in the income statement.

## OTHER

### Financial market risk

The group's market risk can be related to interest rate risk, currency risk and other risk. Please also see the Board of Directors' Annual Report for further comments.

### Interest rate risk

See also note 10, where the repayment schedule for long-term liabilities is described. The principal amounts owed by the group and the date of margin adjustments are listed below; Average rates presented in the table are equal to the sum of margin and reference rates (3m NIBOR etc.) as of 31 December 2017 for each individual loan.

(NOK 000)

Year	Subtotal	Average interest rate	Percentage of portfolio	Accumulated percentage
1 year	1 488 959	2.1 %	35 %	35 %
2 years	661 793	1.7 %	15 %	50 %
3 years	113 163	0.9 %	3 %	53 %
4 years	928 304	1.8 %	22 %	75 %
5 years	984 456	1.4 %	23 %	98 %
6 years +	96 238	1.7 %	2 %	100 %
<b>Total</b>	<b>4 272 913</b>	<b>1.76 %</b>		

In order to reduce interest rate risk, the group has entered into interest rate swap agreements and agreements on rate ceilings. Presented below is the maturity structure for interest rate swap agreements in the group.

(NOK 000)

Year	Amount	Fixed rate (average)	Share	Accumulated percentage
1 year	403 452	1.0 %	12 %	12 %
2 years	272 605	1.5 %	8 %	21 %
3 years	300 000	1.3 %	9 %	30 %
4 years	279 629	0.3 %	9 %	38 %
5 years	182 357	0.2 %	6 %	44 %
6 years +	1 823 650	0.3 %	56 %	100 %
<b>Total</b>	<b>3 261 692</b>	<b>0.6 %</b>		

### Currency risk

The group uses Norwegian kroner (NOK) as its base currency, but through its business outside of Norway it is exposed to exchange rate changes in other countries, mainly euro. The group has currency risks related to both recognised monetary items and shares in foreign companies. Investments in foreign companies are made in a long-term perspective and do not have currency hedging. Monetary

items are exchanged continuously to the currency that best corresponds to the group's future liquidity requirements.

Exchange gains of NOK 32.9 million on Linstow's international investments were credited to the group's equity in 2017.

Exchange rates used at 31 December were:

	2 017	2 016
1 USD = NOK	8.2050	8.6200
1 EUR = NOK	9.8403	9.0863
1 RUB = NOK	0.1418	0.1413

### Large individual transactions

In June, the company sold the shares in Depotgata 22 AS for an underlying property value of NOK 216 million. The group's investments total NOK 319 million. Just over 40% of the investments are related to the expansion of Hotel Lietuva in Vilnius and the completion of Comfort Hotel Bergen Airport. Net reversed earlier write-downs in the group amount to NOK 63.1 million. NOK 71.1 million applies to investments in the hotel sector, of which Hotel Neris in Kaunas accounts for half.

The previous subsidiaries Dunas Holding AS and Linstow Center Development AS were merged into the parent company in 2017. NOK 123.3 million was charged against the parent company's equity in connection with the merger.

## NOTES

### NOTE 1 PROFIT AND LOSS ON SALE OF FIXED ASSETS, IMPAIRMENT AND REVERSALS

#### Profit from sale of fixed assets

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Profit from sale of properties	165	146	40 072	3 387
Profit from sale of shares	44 530			
Profit from sale of fixtures, fittings and vehicles		102	55	273
<b>Total</b>	<b>44 695</b>	<b>248</b>	<b>40 126</b>	<b>3 660</b>

#### Loss on sale of fixed assets

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Loss on disposal of shares	-92	-2 069		
Loss on disposal of fixtures, fittings and vehicles				-139
<b>Total</b>	<b>-92</b>	<b>-2 069</b>	<b>0</b>	<b>-139</b>

#### Impairment of fixed assets and reversals

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Impairment projects	-243		-865	-25 338
Impairment/reversal of shares	120 540	-1 859		
Impairment/reversal of fixed assets	6 755	3 784		-3 614
Impairment/reversal of properties	-6 223		64 748	32 117
<b>Total</b>	<b>120 829</b>	<b>1 925</b>	<b>63 883</b>	<b>3 165</b>

Impairment/reversal are shown as net in the group above. Refer to segment information for further information.

### NOTE 2 HOTEL REVENUES AND OTHER OPERATING INCOME - OTHER ADMINISTRATIVE EXPENSES

#### Hotel revenues and other operating income

This includes income from the group's international hotel operations, with the main items being restaurant and room revenues. The group also receives fees for the management of properties in Portugal and Norway. See also the distribution of group income by segment.

#### Other administrative expenses

International operations also include costs related to the running of the group's hotels. Costs such as maintenance, marketing and cleaning are therefore included.

## NOTES

### NOTE 3 WAGES, SALARIES, EMPLOYER'S NATIONAL INSURANCE CONTRIBUTIONS AND PENSION COSTS

#### Wages, salaries and employer's national insurance contributions

	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Wages/salaries and pensions	-57 203	-53 723	-235 918	-219 471
Public duties payable	-7 878	-8 206	-49 327	-47 646
Other			2 243	1 972
<b>Total</b>	<b>-65 081</b>	<b>-61 929</b>	<b>-283 003</b>	<b>-265 145</b>

#### Pension expense

	Linstow AS		Linstow Group	
	2017	2016	2017	2016
<b>Net pension expense</b>				
Current service cost	-4 941	-5 154	-4 941	-5 154
Cost of interest on pension liabilities	-2 085	-2 213	-2 085	-2 213
Return on plan assets	1 586	1 397	1 586	1 397
Accrued employer contributions	-767	-842	-767	-842
Administration	-669	-519	-669	-519
Recognised changes in plan		1 119		1 119
Recognised actuarial gains/losses	412	1 094	412	1 094
<b>Net pension expense</b>	<b>-6 464</b>	<b>-5 118</b>	<b>-6 464</b>	<b>-5 118</b>
<b>Net pension expense, inclusive of defined contribution pensions</b>	<b>-6 728</b>	<b>-5 430</b>	<b>-6 728</b>	<b>-5 430</b>

#### Pension liabilities - funded pension plans

Calculated pension liabilities	62 710	56 694	62 710	56 694
Plan assets	-47 836	-41 354	-47 836	-41 354
Employer contributions	2 097	2 163	2 097	2 163
Unrecognised changes in plan	-4 430	-3 528	-4 430	-3 528
<b>Net pension liabilities</b>	<b>12 542</b>	<b>13 976</b>	<b>12 542</b>	<b>13 976</b>

#### Pension liabilities - unfunded pension plans

Calculated pension liabilities	29 734	24 190	29 734	24 190
Employer contributions	4 170	3 388	4 170	3 388
Unrecognised actuarial gains/losses	-6 337	-2 472	-6 337	-2 472
<b>Net pension liabilities</b>	<b>27 566</b>	<b>25 106</b>	<b>27 566</b>	<b>25 106</b>

#### Composition of pension fund assets

Shares	12.7 %	9.5 %	12.7 %	9.5 %
Bonds	59.0 %	66.2 %	59.0 %	66.2 %
Money market etc.	14.2 %	10.2 %	14.2 %	10.2 %
Property	14.1 %	14.0 %	14.1 %	14.0 %

Composition of the pension fund assets as at 30 September 2017.

#### Financial assumptions

Discount rate	2.40 %	2.60 %	2.40 %	2.60 %
Annual wage increases	2.50 %	2.50 %	2.50 %	2.50 %
Annual pension increases	1.48 %	1.48 %	1.48 %	1.48 %
Annual increase in NI base rate	2.50 %	2.50 %	2.50 %	2.50 %
Expected return on plan assets	4.10 %	3.60 %	4.10 %	3.60 %
Mortality table	K2013	K2013	K2013	K2013



## NOTES

The company's occupational pension scheme fulfils legal requirements. Linstow AS has a defined benefit pension scheme for all employees in Norway in the form of a collective pension insurance for pay up to 12 G (G = the National Insurance scheme's basic amount). Full pension requires an earning period of 30 years and gives the right to a retirement pension of the difference between 70% of pay and calculated National Insurance benefits. This scheme fulfils the requirements of the Occupational Pensions Act. The company's defined-benefit pension scheme was closed as of 1 January 2012. Those employed after this date have a contributory pension scheme. In 2017, four persons are connected with this scheme.

Linstow AS also has obligations relating to pay over 12 G and agreements regarding early retirement for certain employees. Obligations relating to pay over 12 G and early retirement pensions are financed from operations in the company. Subsidiaries outside of Norway have pension schemes for their employees only to a limited degree. Such schemes are mainly defined contribution.

### Number of employees

The number of employees in the group at year-end 2017 was 1 188 (about 1 024 FTEs), compared with 1 200 (about 980 FTEs) the previous year, excluding associated companies. The parent company had 21.5 full-time equivalents in 2017, the same as the previous year.

### Remuneration of key management personnel - auditor's fees

Auditor's fees (NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Auditor's fees (incl. VAT)	-408	-388	-3 029	-3 000
Attestation and other fees - audit (incl. VAT)	-248	-19	-640	-378
<b>Total</b>	<b>-656</b>	<b>-407</b>	<b>-3 670</b>	<b>-3 378</b>

### Remuneration of key management personnel and/or the Board of Directors

(NOK 000)	Linstow AS	
	2017	2016
Salary Managing Director	-4 173	-3 999
Bonus scheme paid to Managing Director	-4 459	-3 583
Bonus scheme accrued to Managing Director	-503	-843
Pension Managing Director	-1 044	-981
<b>Total</b>	<b>-10 180</b>	<b>-9 405</b>

There are no agreements for the board or Managing Director with regard to special compensation on termination of employment.

There is a bonus scheme for the company's Managing Director and other key management personnel based on the growth of the Linstow Group. Payment of the accrued bonus scheme is dependent on future growth for the group. Payment is based on value-adjusted equity at 31 December 2009 and on future growth in this exceeding the return on 5-year government bonds. As of 31 December 2012 and for subsequent years payment is made of 20% of the increase in value and corresponding new shares are also awarded. It is a condition for payment and award of shares that the employee remains in the position. A net total of NOK 17.4 million including employer's national insurance contributions was expensed for the scheme in 2017, compared with NOK 16.7 million the previous year. The bonus scheme has been valued in accordance with NRS 15A.

## NOTES

### NOTE 4 RESULTS AND INVESTMENTS IN ASSOCIATES - INVESTMENTS IN GROUP COMPANIES

Profit/loss from associated companies can be found below under shares in associated companies. The parent company's profit represents group contributions received and dividends from subsidiaries.

#### Shares in subsidiaries

Company (NOK 000)	Reg'd office	Linstow AS Number of shares	Linstow AS shares/votes %	Linstow AS Carrying amount
Flesland 110/15 and 22 AS	Oslo	3 000	100.0 %	372 388
Viesnica Latvija SIA	Riga	18 212 759	100.0 %	333 461
Romerike Helsebygg AS	Oslo	157 874	100.0 %	275 822
Olümpia Holding Nederland B.V.	Amsterdam	40 100	100.0 %	223 213
Elizabetes Centrs SIA	Riga	139 494	100.0 %	187 951
Onistus Ltd (*)	Nicosia	99 999	100.0 %	178 571
Tollbugaten 32 AS	Oslo	7 000	100.0 %	158 166
TC Tampere Invest SIA	Riga	5 438 595	100.0 %	139 303
Saliena Retail SIA	Riga	3 486 456	100.0 %	128 277
Galleriet Parkering AS	Oslo	25 658	100.0 %	105 244
Central Holding Nederland B.V.	Amsterdam	40 100	100.0 %	104 772
Hotel Neris UAB	Kaunas	1 000 000	100.0 %	101 968
Dunas Portugal SGPS LDA	Faro	24 840	99.6 %	97 573
Viesbutis "Lietuva" UAB	Vilnius	845 612	100.0 %	96 848
Linstow SIA	Riga	7 204 780	100.0 %	70 692
Grønland Torg Parkering AS	Oslo	30 751	100.0 %	70 153
Attistibas Agentura SIA	Riga	16 000 000	100.0 %	67 177
Brivibas 382 SIA	Riga	8 780 139	100.0 %	37 015
Jekaba Arcade SIA	Riga	121 429	100.0 %	33 153
Attistibas ADX SIA	Riga	3 650 000	100.0 %	31 783
Brubakkveien 16 AS	Oslo	10 000	100.0 %	28 548
Buone SIA	Riga	2 000 000	100.0 %	18 854
Linstow Airport Bratislava s.r.o.	Bratislava	1	100.0 %	14 669
Viesnica Ridzene SIA	Riga	3 600 000	100.0 %	11 978
A/S Storetvedt Utbyggingsselskap	Oslo	24 990	100.0 %	11 027
Linstow Center Management SIA	Riga	1 162 486	100.0 %	9 783
Linstow Eiendom AS	Oslo	1 000	100.0 %	2 117
Ülemiste Holding Nederland B.V.	Amsterdam	40 100	100.0 %	714
Reval Hotel Management OÜ	Tallinn	1	100.0 %	19
Linstow Baltic SIA	Riga	7 094 723	100.0 %	0
<b>Total</b>				<b>2 911 240</b>

(\*) Via these companies, Linstow AS owns 100% of the Russian company LLC Liteiny 5, which is the owner of Sonya Hotel in St. Petersburg.

#### Shares and interests in associated companies

Company (NOK 000)	Reg'd office	Linstow Group Number of shares	Linstow Group Shares/votes %	Linstow Group Carrying amount
Baltic Park AS	Oslo	1 375	50.0 %	9 500
Bergen Lufthavn Utvikling AS	Oslo	1 200	50.0 %	5 461
Oslo S. Utvikling AS	Oslo	3 000	33.3 %	295 333
Helsehusene Fredrikstad AS	Oslo	305 400	25.0 %	91 009
<b>Total</b>				<b>401 303</b>

## NOTES

Company (NOK 000)	Linstow Group Carrying amount 2016	Linstow Group Profit/loss	Linstow Group Acquisitions and other	Linstow Group Carrying amount 2017
Baltic Park AS	24 184	6 451	-5 300	25 336
Bergen Lufthavn Utvikling AS	995	-8 912	7 917	0
Oslo S. Utvikling AS	485 709	141 789	-200 000	427 497
Helsehusene Fredrikstad AS	70 163	800	16 509	87 473
<b>Total</b>	<b>581 051</b>	<b>140 128</b>	<b>-180 874</b>	<b>540 306</b>

The shares in Bergen Lufthavn Utvikling AS, NOK 7.9 million, are shown as part of long-term liabilities in the consolidated balance sheet.

### Other shares

Company (NOK 000)	Reg'd office	Linstow AS Number of shares	Linstow AS Shares/votes %	Linstow Group Carrying amount
Koksa Eiendom AS	Oslo	16 146 670	12.5 %	2 746
Norefjell Golfbane AS	Krødsherad	312	31.2 %	0
<b>Total Linstow AS</b>				<b>2 746</b>
Other				0
<b>Total Linstow Group</b>				<b>2 746</b>

## NOTE 5 INTANGIBLE ASSETS AND FIXED ASSETS

### Fixed assets - Linstow AS

(NOK 000)	Machinery, fixtures and vehicles	Properties	Land	Projects in progress	Total
<b>Cost, 1 Jan</b>	<b>9 381</b>	<b>0</b>	<b>7 724</b>	<b>242</b>	<b>17 347</b>
<b>Cost, 31 Dec</b>	<b>9 381</b>	<b>0</b>	<b>7 724</b>	<b>242</b>	<b>17 347</b>
Accumulated amortisation and impairment, 1 Jan	-7 973				-7 973
Depreciation for the year	-304				-304
Impairment losses for the year			-6 223	-243	-6 466
<b>Accumulated depreciation and impairment, 31 Dec</b>	<b>-8 277</b>	<b>0</b>	<b>-6 223</b>	<b>-243</b>	<b>-14 743</b>
<b>Carrying amount, 31 Dec</b>	<b>1 104</b>	<b>0</b>	<b>1 500</b>	<b>-0</b>	<b>2 603</b>

Interest on capital expenditure in 2017 recognised in balance sheet 0

Depreciation rates 20-30% 0% 0%

## NOTES

### Fixed assets - Linstow Group

(NOK 000)	Machinery, fixtures and vehicles	Properties	Land	Projects in progress	Total
Cost, 1 Jan	434 588	5 160 199	1 230 684	472 563	7 298 034
Transferred from/to projects in progress and for sale	17 764	422 792	18 767	-459 324	-0
Exchange differences	33 662	355 057	77 070	6 094	471 882
Additions	21 698	18 611	14 136	202 557	257 002
Disposals	-12 964	-185 989	-28 139	-650	-227 742
<b>Cost, 31 Dec</b>	<b>494 747</b>	<b>5 770 671</b>	<b>1 312 518</b>	<b>221 240</b>	<b>7 799 176</b>
Accumulated amortisation and impairment, 1 Jan	-328 454	-2 094 827	-499 095	-46 893	-2 969 269
Depreciation for the year	-31 860	-150 566			-182 426
Impairment/reversal for the year		49 769	14 979	-865	63 883
Exchange differences	-27 065	-175 480	-41 610	-2 483	-246 638
Disposal of depreciation and impairment	12 822	33 626			46 448
Accumulated depreciation and impairment, 31 Dec	-374 558	-2 337 477	-525 725	-50 242	-3 288 003
<b>Carrying amount, 31 Dec</b>	<b>120 189</b>	<b>3 433 193</b>	<b>786 793</b>	<b>170 998</b>	<b>4 511 173</b>

Interest on capital expenditure in 2017 recognised in balance sheet 170 998 1 815

Depreciation rates 20-30% 1-8% 0% 0%

### Projects for sale

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Cost, 1 Jan	19 666		111 055	111 201
Impairment			-750	-484
Transferred from fixed assets		10 454		16 257
Exchange differences			5 163	-5 159
Additions	10 554	9 213	61 890	22 147
Disposals	-20 225		-60 600	-32 908
<b>Carrying amount, 31 Dec</b>	<b>9 995</b>	<b>19 666</b>	<b>116 758</b>	<b>111 055</b>

## NOTE 6 FINANCIAL ITEMS

### Finance income

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Finance income from group companies	20 262	28 580		5 518
Finance income from group account arrangement	2 498	1 755	2 911	2 325
Finance income from associates	22	5 159	1 631	5 159
Currency gains	32 390	82 826	20 656	33 787
Adjustment to value of financial instruments	106	4 153	9 610	4 841
Other finance income	99 985	3 826	101 232	5 904
<b>Total</b>	<b>155 263</b>	<b>126 299</b>	<b>136 039</b>	<b>57 535</b>

Finance income includes dividends from Koksa Eiendom AS of NOK 99.95 million in 2017 and 3.77 million in 2016.

## NOTES

### Finance expense

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Finance costs - group companies	-28 434	-22 490	-1 334	-1 334
Currency losses	-117 720	-27 060	-38 085	-16 957
Adjustment to value of financial instruments				-1 737
Other finance expense	-43 115	-33 585	-100 245	-92 911
<b>Total</b>	<b>-189 270</b>	<b>-83 135</b>	<b>-139 664</b>	<b>-112 939</b>

### NOTE 7 TAX EXPENSE

#### Tax expense for the year consists of:

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Income tax payable			-56 305	-21 301
Change in deferred tax	37 095	5 741	71 932	-12 425
<b>Total tax expense</b>	<b>37 095</b>	<b>5 741</b>	<b>15 628</b>	<b>-33 725</b>

#### Tax impact of temporary differences:

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Current assets				-1 611
Tangible fixed assets	-719	-1 631	64 540	126 242
Profit and loss account	8 915	11 628	10 384	13 544
Pensions	-9 225	-9 380	-9 225	-9 380
Other temporary items	-9 157	-9 050	146 259	114 704
Tax loss carryforwards	-131	-130	-19 761	-32 665
Tax loss carryforwards, interest limitation	-1 300		-1 474	
Differences not offset			391	19 815
<b>Deferred tax/tax benefit</b>	<b>-11 618</b>	<b>-8 563</b>	<b>191 112</b>	<b>230 648</b>
Tax rate at the end of the year	23 %	24 %		
Of which Norwegian business	-11 618	-8 563	14 562	18 377
Of which foreign business			176 551	212 271
<b>Change in deferred tax</b>				
Change in deferred tax	3 055	2 428	39 535	-26 957
Acquired through acquisitions				12 500
Group contributions, currency gains/losses and other	34 040	3 313	32 397	2 032
<b>Change in deferred tax in income statement</b>	<b>37 095</b>	<b>5 741</b>	<b>71 932</b>	<b>-12 425</b>

## NOTES

### Explanation of the Group's tax expense

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Profit before tax	402 148	115 377	519 823	271 569
24% tax (25% in 2016)	-96 515	-28 844	-124 758	-67 892
<b>Tax effect of:</b>				
Permanent differences	135 596	34 942	27 680	3 325
Changes to and tax rate differences	-1 985	-357	112 705	30 842
Calculated tax expense	37 095	5 741	15 627	-33 725
Effective tax rate for the group	-9 %	-5 %	-3 %	12 %

The tax system in Latvia changed effective 1 January 2018 whereby the company will switch from ordinary income taxation to taxation on distribution of dividends. All previously deferred taxes have been recognised in connection with the change.

### NOTE 8 CHANGES IN EQUITY

#### Changes in equity - Linstow AS

(NOK 000)	Paid-in capital		Retained equity	Total equity
	Share capital	Other paid-in capital		
Balance, 1 Jan	817 808	405 333	670 731	1 893 872
Merger difference			-123 383	-123 383
Accrued dividend			-498 000	-498 000
Group contribution received after tax			113 960	113 960
Profit for the year			439 243	439 243
<b>Balance sheet as at 31 Dec</b>	<b>817 808</b>	<b>405 333</b>	<b>602 551</b>	<b>1 825 692</b>

#### Changes in equity - Linstow Group

(NOK 000)	Share capital	Other paid-in capital	Retained equity	Minority interests	Total equity
Balance, 1 Jan	817 808	405 333	-132 272	1 450	1 092 320
Accrued dividend			-498 000		-498 000
Group contribution received after tax			113 960		113 960
Translation effects (*)			32 830	111	32 941
Profit for the year			535 644	-193	535 451
<b>Balance sheet as at 31 Dec</b>	<b>817 808</b>	<b>405 333</b>	<b>52 162</b>	<b>1 369</b>	<b>1 276 672</b>

(\*) Accumulated translation effects included in retained earnings

			37 396	271	37 667
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## NOTES

### NOTE 9 OTHER RECEIVABLES

#### Current receivables

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Accounts receivable	908	117	35 367	27 455
Inventories			8 482	7 784
Accruals and other receivables	23 716	1 018	51 028	27 428
<b>Total</b>	<b>24 625</b>	<b>1 136</b>	<b>94 877</b>	<b>62 666</b>

Accounts receivable are measured at their nominal value, less provisions for expected losses.

#### Long-term receivables

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Advance payments, etc. the Baltics			28 170	30 018
Other receivables	1 200	1 520	1 200	1 520
<b>Total</b>	<b>1 200</b>	<b>1 520</b>	<b>29 370</b>	<b>31 538</b>

### NOTE 10 MORTGAGES

Carrying amounts of assets provided as collateral for mortgage liabilities are:

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Mortgage liabilities	1 378 711	1 278 956	4 242 900	4 130 528

#### Carrying amounts of assets pledged as collateral for liabilities:

Shares (*)	670 463	1 108 688	2 746	85 173
Real property and projects in progress			4 078 406	3 525 099
Fixtures & fittings			73 940	76 852
Other			97 258	68 465
<b>Total</b>	<b>670 463</b>	<b>1 108 688</b>	<b>4 252 349</b>	<b>3 755 589</b>

(\*) Linstow AS has taken out several loans secured on property owned by subsidiaries. For two of the loans, shares have also been pledged as security.

#### Guarantees for parent company

Linstow AS is wholly owned by Møllegaarden AS. Møllegaarden AS is wholly owned by AS Investa, and the latter is wholly owned by Awilhelmsen AS. Møllegaarden AS has provided 1st priority collateral in all its shares in Linstow AS as security for a syndicated loan raised by Awilhelmsen AS. The guarantee has an upper limit of NOK 2.2 billion.

#### Repayment schedule for secured debt and credit facilities

Long-term liabilities due within:	Linstow AS		Linstow Group	
	2017	2016	2017	2016
1 year	30 013		765 861	
2 years	167 679	249 192	829 472	1 042 615
3 years	106 700	287 764	219 863	916 889
4 years	730 153	110 000	1 032 857	219 036
5 years	344 167	632 000	1 328 622	922 595
6 years +			96 238	1 159 327
<b>Total</b>	<b>1 378 711</b>	<b>1 278 956</b>	<b>4 272 913</b>	<b>4 260 462</b>

## NOTES

Other liabilities / Other long-term liabilities (NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Plan liabilities (see note 3)	40 108	39 082	40 108	39 082
Other liabilities and provisions	13 109	19 970	13 657	15 434
<b>Total</b>	<b>53 217</b>	<b>59 052</b>	<b>53 765</b>	<b>54 516</b>

Other liabilities in the group were primarily losses on swap contracts.

### NOTE 11 CURRENT INTEREST-FREE LIABILITIES

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Trade payables	2 049	2 197	103 124	60 307
Accrued interest	2 774	838	11 409	9 129
Income tax payable			37 718	7 670
Dividends and group contributions (*)	498 000	240 000	498 000	240 000
Advances from tenants and customers			95 332	100 212
Public duties payable, holiday pay etc.	7 377	6 678	30 716	19 856
Other accruals	43 600	42 247	109 772	89 569
<b>Total</b>	<b>553 800</b>	<b>291 960</b>	<b>886 071</b>	<b>526 744</b>

(\*) Group contributions received and dividend provisions are presented on a gross basis in the accounts.

### NOTE 12 BANK DEPOSITS, GROUP ACCOUNT

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Cash and bank deposits	8 073	2 645	336 003	291 341
Group account	853 798	483 259	898 779	512 036
<b>Total</b>	<b>861 870</b>	<b>485 905</b>	<b>1 234 782</b>	<b>803 378</b>

Linstow AS and some of its subsidiaries form a group banking system with the Awilhelmsen Group. The balance in the group banking system thus represents a receivable from the parent company of the group. Only an insignificant amount of bank deposits in the group are related to frozen tax deductions.

### NOTE 13 GUARANTEE LIABILITIES AND OTHER COMMITMENTS

(NOK 000)	Linstow AS		Linstow Group	
	2017	2016	2017	2016
Guarantee commitments	111 926	368 193		

The guarantee liability of the parent company is related to foreign subsidiaries and guarantee furnished in connection with Koksa Eiendom AS' land sale in 2017. In addition to the above, Linstow AS has given guarantees that Linstow Baltic SIA will be provided with sufficient means to remain a going concern for the coming 12 months.



## NOTES

### NOTE 14 SHAREHOLDER INFORMATION

#### Shareholders at 31 Dec 2017

	Number of shares	Nominal	Shareholding %
Møllegaarden AS	1 264 000	647	100.0%

All the company's shares carry one vote.

#### Weighted average number of shares during the period

	2017	2016
Weighted average number of shares during the period	1 264 000	1 264 000
Number of shares at end of year	1 264 000	1 264 000

#### Related parties

Linstow AS also contributes to the management of wholly and partly owned companies in Norway and abroad. Loans and interest have been given to and received from wholly and partly owned companies. Fees are paid at market prices. Linstow AS' transactions with related parties can be grouped as follows:

2017 (NOK 000)	Shareholders	Group companies	Associates	Total
Fee income		9 169	4 831	14 000
Administrative costs		-1 595		-1 595
Finance income	1 610	18 652	22	20 284
Finance income group banking system		2 498		2 498
Finance expense	-1 507	-28 434		-29 941
Intragroup contributions	148 000	30 213		178 213
Dividends	-498 000		207 875	-290 125
<b>Total</b>	<b>-349 897</b>	<b>30 503</b>	<b>212 727</b>	<b>-106 667</b>

Lending	148 000	622 705	2 522	773 227
Borrowing		1 189 008		1 189 008
Group account		853 798		853 798

2016 (NOK 000)	Shareholders	Group companies	Associates	Total
Fee income		5 379	5 436	10 815
Administrative costs		-1 449		-1 449
Finance income	5 518	23 062	5 159	33 739
Finance income group banking system		1 755		1 755
Finance expense	-1 334	-22 490		-23 824
Intragroup contributions	30 000			30 000
Dividends	-240 000		73 639	-166 361
<b>Total</b>	<b>-205 816</b>	<b>6 257</b>	<b>84 234</b>	<b>-115 325</b>

Lending	161 060	668 140		829 201
Borrowing		944 626		944 626
Group account		483 259		483 259

## NOTES

### NOTE 15 SEGMENT INFORMATION LINSTOW AS GROUP

#### Income statement 1 Jan - 31 Dec

(NOK 000)	Hotels	
	Baltics/Eastern Europe	2016
	2017	2016
<b>OPERATING INCOME</b>		
Rental income, properties		
Profit from sale of fixed assets	326	3 410
Project income		
Hotel revenues and other operating income	674 152	626 748
<b>Total operating income</b>	<b>674 477</b>	<b>630 158</b>
<b>OPERATING EXPENSES</b>		
Wages, salaries, employer's national insurance contributions and pension costs	-160 878	-150 447
Other administrative expenses	-221 351	-204 432
Cost of materials	-52 173	-51 015
Operating costs for properties and bad debts	-335	-162
Project expenses		
Loss on the sale of fixed assets		-110
Impairment of fixed assets	71 162	18 573
Amortisation	-86 967	-85 896
<b>Total operating expenses</b>	<b>-450 542</b>	<b>-473 490</b>
<b>Operating profit</b>	<b>223 935</b>	<b>156 668</b>
<b>FINANCIAL ITEMS</b>		
Profit/loss from group companies and associates		
Finance income	317	1 038
Finance expense	-23 507	-23 866
Net financial instruments	3 489	-3 710
Net currency gains/losses	-24	-70
<b>Net financial items</b>	<b>-19 725</b>	<b>-26 608</b>
<b>Profit before tax</b>	<b>204 210</b>	<b>130 060</b>
Investments, not incl. associates	107 818	67 194
Sale of fixed assets and projects, not incl. associates	3 113	36 637

## NOTES

Shopping centres Baltics		Other including Portugal		Investments Norway		Total	
2017	2016	2017	2016	2017	2016	2017	2016
234 891	231 815	7 559	6 808	107 883	101 373	350 333	339 996
	2	20		39 781	248	40 126	3 661
		43 659	37 249	22 977		66 637	37 249
44 923	42 085	77 672	80 208	10 893	8 174	807 640	757 215
<b>279 814</b>	<b>273 902</b>	<b>128 909</b>	<b>124 265</b>	<b>181 534</b>	<b>109 795</b>	<b>1 264 735</b>	<b>1 138 120</b>
-35 286	-31 475	-21 428	-20 892	-65 411	-62 330	-283 003	-265 145
-27 139	-21 354	-46 945	-49 891	-15 889	-14 112	-311 323	-289 789
		-5 350	-6 038			-57 523	-57 053
-22 707	-23 209	-2 091	-2 429	-24 368	-22 210	-49 501	-48 010
		-40 375	-32 908	-20 225		-60 600	-32 908
	-29					-0	-140
-813	-24 017		8 610	-7 216		63 133	3 165
-46 067	-45 959	-3 558	-4 896	-45 834	-33 441	-182 426	-170 193
<b>-132 012</b>	<b>-146 044</b>	<b>-119 747</b>	<b>-108 443</b>	<b>-178 943</b>	<b>-132 094</b>	<b>-881 244</b>	<b>-860 071</b>
<b>147 802</b>	<b>127 858</b>	<b>9 163</b>	<b>15 822</b>	<b>2 591</b>	<b>-22 299</b>	<b>383 491</b>	<b>278 049</b>
		6 451	8 015	133 677	40 910	140 128	48 925
927	1 014		11	104 529	16 395	105 773	18 458
-31 611	-34 054	-1 246	-1 368	-45 387	-34 509	-101 751	-93 797
6 014	2 661			106	4 153	9 609	3 104
488	-318		-39	-17 892	17 257	-17 429	16 830
<b>-24 182</b>	<b>-30 695</b>	<b>5 205</b>	<b>6 619</b>	<b>175 033</b>	<b>44 205</b>	<b>136 331</b>	<b>-6 479</b>
<b>123 620</b>	<b>97 163</b>	<b>14 368</b>	<b>22 441</b>	<b>177 624</b>	<b>21 906</b>	<b>519 822</b>	<b>271 570</b>
53 800	53 444	56 580	13 359	100 694	427 845	318 892	561 843
189		30		216 882	246	220 213	36 883

## NOTES

### SEGMENT INFORMATION LINSTOW AS GROUP

#### Balance sheet at 31 Dec

(NOK 000)	Hotels	
	Baltics/Eastern Europe	2016
	2017	2016
<b>ASSETS</b>		
Real property	1 556 234	1 421 054
Projects in progress	79 423	12 056
Machinery, fixtures/fittings and vehicles	82 414	84 592
Other shares		
Receivables from group companies and associates		
Interests in associates		
Other long-term receivables	1 361	2 016
<b>Total fixed assets</b>	<b>1 719 432</b>	<b>1 519 719</b>
Current receivables	28 310	24 340
Projects for sale		
Cash, bank deposits, group account	85 226	115 800
<b>Total current assets</b>	<b>113 536</b>	<b>140 140</b>
<b>Total assets</b>	<b>1 832 969</b>	<b>1 659 859</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital (1 264 600 shares – par value NOK 647)		
Other equity	318 440	261 396
Minority interests		1 451
<b>Total equity</b>	<b>318 440</b>	<b>262 847</b>
Deferred tax	83 475	99 203
Credit facilities		
Secured debt	1 313 270	1 227 821
Other non-current liabilities	2 436	5 971
<b>Total long-term liabilities</b>	<b>1 399 182</b>	<b>1 332 996</b>
Current interest-free liabilities	115 347	64 016
<b>Total current liabilities</b>	<b>115 347</b>	<b>64 016</b>
<b>Total equity and liabilities</b>	<b>1 832 969</b>	<b>1 659 859</b>

Segment information is subject to a higher degree of uncertainty than non-segment data.

## NOTES

Shopping centres Baltics		Other including Portugal		Investments Norway		Total	
2017	2016	2017	2016	2017	2016	2017	2016
1 321 990	1 256 522	69 646	50 214	1 272 117	1 069 173	4 219 987	3 796 963
80 607	31 628		4	10 968	381 982	170 998	425 670
18 242	17 866	2 720	1 592	16 813	2 083	120 189	106 133
				2 746	85 173	2 746	85 173
				2 521		2 521	-0
		25 336	24 184	514 970	556 867	540 306	581 051
21 818	23 423	4 990	4 580	1 200	1 520	29 370	31 538
<b>1 442 658</b>	<b>1 329 438</b>	<b>102 692</b>	<b>80 574</b>	<b>1 821 335</b>	<b>2 096 799</b>	<b>5 086 117</b>	<b>5 026 529</b>
24 389	24 530	13 056	10 324	177 123	164 532	242 877	223 726
		86 643	84 599	30 114	26 457	116 758	111 056
172 317	120 717	68 031	43 887	909 208	522 973	1 234 782	803 378
<b>196 706</b>	<b>145 247</b>	<b>167 730</b>	<b>138 811</b>	<b>1 116 444</b>	<b>713 962</b>	<b>1 594 417</b>	<b>1 138 160</b>
<b>1 639 364</b>	<b>1 474 685</b>	<b>270 423</b>	<b>219 384</b>	<b>2 937 780</b>	<b>2 810 760</b>	<b>6 680 534</b>	<b>6 164 689</b>
-70 964	-117 049	112 991	43 070	817 808	817 808	817 808	817 808
1 369				97 028	85 643	457 496	273 060
<b>-69 595</b>	<b>-117 049</b>	<b>112 991</b>	<b>43 070</b>	<b>914 836</b>	<b>903 451</b>	<b>1 276 673</b>	<b>1 092 319</b>
95 578	108 079	-2 503	4 989	14 561	18 377	191 111	230 648
				30 013	129 934	30 013	129 934
1 455 435	1 375 353	125 496	121 201	1 348 699	1 406 153	4 242 900	4 130 528
-167	5 889	47	43	51 449	42 611	53 766	54 515
<b>1 550 846</b>	<b>1 489 321</b>	<b>123 040</b>	<b>126 233</b>	<b>1 444 722</b>	<b>1 597 075</b>	<b>4 517 790</b>	<b>4 545 625</b>
158 112	102 413	34 391	50 081	578 222	310 235	886 072	526 744
<b>158 112</b>	<b>102 413</b>	<b>34 391</b>	<b>50 081</b>	<b>578 222</b>	<b>310 235</b>	<b>886 072</b>	<b>526 744</b>
<b>1 639 364</b>	<b>1 474 685</b>	<b>270 423</b>	<b>219 384</b>	<b>2 937 780</b>	<b>2 810 761</b>	<b>6 680 535</b>	<b>6 164 689</b>



Statsautoriserte revisorer  
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## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Linstow AS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Linstow AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, the income statement and statements of 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

#### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. 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 management for the financial statements

Management is 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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

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

We communicate with those charged with governance 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 proposal for the allocation of the result 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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 4 April 2018  
ERNST & YOUNG AS

Finn Ole Edstrøm  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)



