

# Q1

Quarterly report  
2017



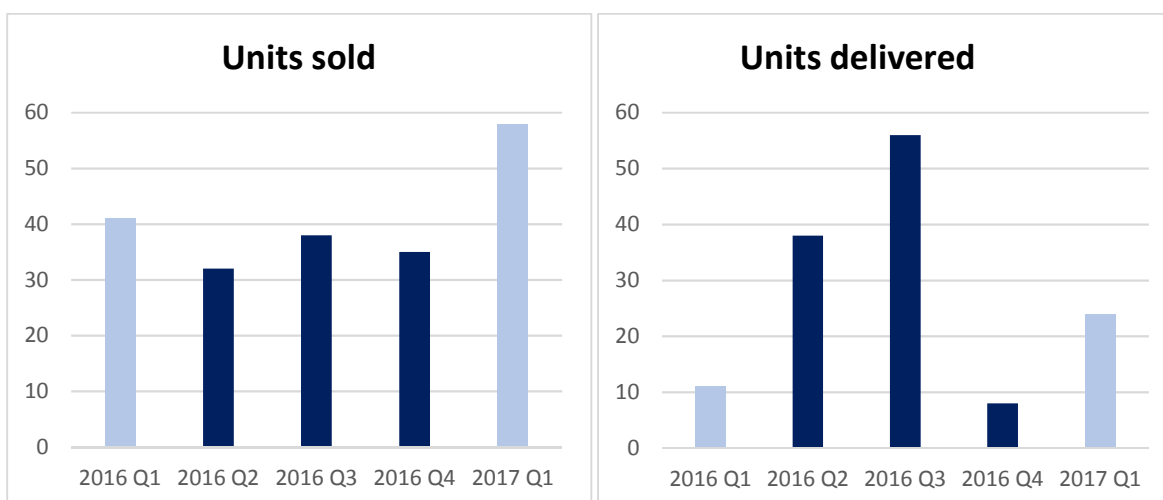


# Highlights

- Strong development in residential real estate market
- All-time high sales in Q1 2017
- Total revenue increased 143% in Q1 2017 compared to Q1 2016
- 236 units under construction (206) at the end of the quarter
- 58 units sold (41) in Q1
- 27 units completed and 24 delivered (11/11) in Q1
- Project margin increased to 22% (19%) in Q1
- Reverse split of 200:1 completed on March 27
- Share capital reduction approved on May 23
- Dividend for 2016 of NOK 50 million approved
- Subsequent to quarter end three non core real estate assets have been divested resulting in a gain of NOK 19 million and increase liquidity of NOK 76 million.

*(Numbers in parentheses are for the equivalent period last year)*

*Units – Units refers to the number of apartments or houses*



<i>Amounts in NOK thousand unless otherwise stated</i>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2016</b>
Revenue	225 239	92 535	691 497
EBITDA	33 129	(3 314)	74 093
Profit/(loss) before tax	27 577	(5 866)	37 118
Equity ratio	29 %	13 %	28 %
<b>Segment reporting</b>			
<i>Residential real estate development</i>			
Revenue	169 828	168 053	787 167
EBITDA	25 914	28 282	129 609
EBITDA margin	15,26 %	16,83 %	16,47 %
Project margin	22,16 %	19,34 %	19,87 %
<b>Key figures</b>			
Number of units sold	58	41	146
Number of construction starts	4	77	232
Number of units delivered	24	11	113
Number of units completed	27	11	113

# Operational and Market update

## Significant growth in total revenue

Solon delivered total revenue of NOK 225 239 thousand representing an increase of 143% compared to the same quarter last year. The growth was driven by the Residential Real Estate Development segment due to an increase in the number of delivered units in Q1 2017.

During Q1 2017 58 units were sold and at the end of the quarter 236 units were in production of which 87% have been sold.

EBITDA was NOK 33 129 thousand in Q1 2017 compared to negative NOK 3 314 in the same quarter last year. The increase in EBITDA is mainly due to an increase in the number of delivered units in Q1 2017.

## Strengthened position to capture further market growth

Investments in the Land Bank in Q1 2017 amounted to NOK 167 924 thousand, compared to NOK 0 thousand invested for the same period last year.

On January 30, 2017, the company completed the subsequent offering of 666 666 666 new shares at a subscription price of NOK 0.15 per share.

In summary, Solon continued to deliver strong performance in Q1 2017. The company has also during the year secured additional funding and is consequently in a solid position to capture further market growth/share going forward.

## Outlook

Housing sales continue to remain strong and the Company has not experienced that sales are slowing down. Sales in 2017 are so far encouraging.

The deal flow of new properties is maintaining momentum and the Company continues to see attractive opportunities to acquire new properties. Solon has invested strategically and will continue to maintain strict capital discipline going forward.

# Financial review Q1 2017

The Solon acquisition on December 14, 2016, has been accounted for as a reverse acquisition and therefore a preliminary purchase price allocation has been performed by the accounting acquirer (Solon Eiendom AS) of the acquired asset and liabilities of Solon Eiendom ASA (formerly known as Bionor Pharma ASA). The purchase price allocation has been determined to be preliminary pending upon final assessment of the fair value of intangible assets at the date of the transaction.

Estimated fair value of identifiable net assets is equal to the total consideration of NOK 210 million. As such the results of Bionor Pharma have been included in the consolidated income statement from December 15, 2016. Solon Group consists of Solon Eiendom ASA, as parent company and subsidiaries. Subsidiaries are consolidated from acquisition date and when control is obtained.

## Revenue

Revenue was NOK 225 239 thousand in Q1 2017. This represents an increase of 143% compared to NOK 92 535 thousand in Q1 2016. The increase in revenue was driven by the Residential Real Estate Development segment as the number of delivered units increased from 11 units in Q1 2016 to 24 in Q1 2017.

## Operating profit

The reported operating profit amounted to NOK 32 898 thousand in Q1 2017 compared to an operating loss of NOK 3 471 thousand in Q1 2016. The increase in operating profit compared to Q1 2016 is due mainly to the increase in delivered units as discussed above.

## Operating expenses

Total operating expenses amounted to NOK 190 460 thousand in Q1 2017, up from NOK 87 957 thousand in Q1 2016. The increase is due to the growth in revenues in addition to an increase in employee benefit expenses and other operating expenses.

## Cost of goods sold

Costs of goods sold consist of project expenses/building costs and costs of sold properties. The costs of goods sold for Q1 2017 was NOK 163 940 thousand compared to NOK 72 237 thousand for Q1 2016. The

level of expenses fluctuates closely with the number of units delivered to the end customer.

## Employee benefit expenses

Employee benefit expenses amounted to NOK 11 778 thousand in the Q1 2017 compared to NOK 1 694 thousand in the same period last year. The increase is mainly due to an increase in bonus expense and increase in the number of employees compared to 2016.

## Other operating expenses

Other operating expenses amounted to NOK 13 964 thousand in Q1 2017 compared to NOK 4 257 thousand in the same period last year. The increase is in line with the increase in revenues. In addition, other operating expenses have increased due to transaction costs related to the reverse take over in 2016, listing costs and consolidation of the results for the biopharmaceutical division.

## Financial items

Financial income in Q1 2017 amounted to NOK 702 thousand compared to NOK 5 459 thousand for the same period in 2016. The decrease from 2016 is mainly due to the realization of shares in Holmen Eiendomsutvikling AS in 2016.

Financial expense consists mainly of interest expense. Interest expense related to land is capitalized as inventory from the date where a detailed zoning plan is in place. In addition, interest expense is capitalized as inventory during the construction period.

Financial expense amounted to NOK 6 023 thousand in Q1 2017 compared to NOK 7 854 thousand for the same period in 2016. The main reason for the decrease is due to a decrease in interest bearing liabilities related to unregulated land.

## Cash flow

Cash flow used in operating activities was negative NOK 101 585 thousand in Q1 2017 compared to cash flow from operating activities of NOK 12 529 thousand in Q1 2016. The decrease in cash flow is mainly attributable to an increase in the land bank.

**Tax**

The income tax expense for the quarter was NOK 9 154 thousand compared to tax income of NOK 1 044 thousand in Q1 2016.

**Funding**

The Group had land loans totaling NOK 464 606 thousand at March 31, 2017 compared to NOK 405 300 at March 31, 2016. These are normally converted to construction loans in connection with the start of construction.

The Group had construction loans totaling NOK 378 815 thousand at March 31, 2017 compared to NOK 380 823 at March 31, 2016.

The average interest rate on the debt is 3,41%.

At March 31, 2017 the Net Interest Bearing Debt (NIBD) was NOK 888 426 thousand. See Definitions and Abbreviations for calculation of NIBD.

# Operating segments

## Residential real estate development

Revenue in Q1 2017 from the residential real estate segment amounted to NOK 169 828 thousand, compared to NOK 168 053 thousand in Q1 2016.

Units in production was 236 in Q1 2017 versus 206 units in Q1 2016.

The Segment EBITDA decreased from NOK 28 282 thousand in Q1 2016 to NOK 25 914 thousand in Q1 2017.

Investments in the Land Bank in Q1 2017 amounted to NOK 167 924 thousand, compared to NOK 0 thousand invested for the same period last year.

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Units sold	58	35	38	32	41
Sales value units sold (000)	407 030	323 470	230 000	177 080	245 405
Units started	4	0	0	155	77
Units completed	27	7	57	38	11
Units delivered	24	8	56	38	11
Units in production	236	259	266	323	206
Units in production sold	205	212	194	214	123
Units in production % sold	87 %	82 %	73 %	66 %	60 %
Average sales price sold units (000)	7 018	9 242	6 053	5 534	5 985

**\*The figures above are 100% and are not adjusted for Solon ownership**

## Biopharmaceutical

The biopharmaceutical division has engaged a team of international industry experts to propose an updated development plan and strategic partnership assessment. The team has been in dialogue with several potential partners and the response has been positive. However, it has not yet been possible to conclude a strategic partnership on acceptable terms.

As the current agreement with the team of industry experts expires at the end of May, various alternatives are being considered by management including engaging advisors to explore market opportunities or winding down the activities. Until a decision is

reached, the current activities aimed at maintaining the value of the related intellectual property rights will continue while at the same time reducing the current cost base to a minimal level. The planned cost reducing actions will decrease the annual cash burn for the biopharmaceutical division from approximately NOK 24 million to NOK 14 million with full effect from end of Q3 2017.

Revenue in Q1 2017 amounted to NOK 569 thousand. The Segment EBITDA was negative NOK 5 256 thousand for the period.

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in NOK thousand</i>	<i>Notes</i>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2016</b>
Revenue	2	225 239	92 535	691 497
<b>Total revenue</b>		<b>225 239</b>	<b>92 535</b>	<b>691 497</b>
Cost of goods sold		163 940	72 237	558 670
Employee benefit expense		11 778	1 694	12 738
Depreciation and amortization expense		231	157	629
Other operating expense		13 964	4 257	30 378
Other (gains) & losses		547	9 613	3 156
<b>Total operating expenses</b>		<b>190 460</b>	<b>87 957</b>	<b>605 570</b>
<b>Unrealized loss investment property</b>		<b>1 882</b>	<b>8 049</b>	<b>12 463</b>
<b>Operating profit/(loss)</b>		<b>32 898</b>	<b>(3 471)</b>	<b>73 464</b>
Financial income		702	5 459	1 730
Financial expense		(6 023)	(7 854)	(38 076)
<b>Net financial items</b>		<b>(5 321)</b>	<b>(2 395)</b>	<b>(36 346)</b>
<b>Profit/(loss) before tax</b>		<b>27 577</b>	<b>(5 866)</b>	<b>37 118</b>
Income tax expense		(9 154)	1 044	(9 935)
<b>Profit/(loss) for the period</b>		<b>18 423</b>	<b>(4 823)</b>	<b>27 183</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<b>18 423</b>	<b>-4 823</b>	<b>27 183</b>
<b>Profit for the period is attributable to:</b>				
- Owners of the parent		6 057	(4 730)	22 327
- Non-controlling interests		12 366	(92)	4 856
Earnings (loss) per share (NOK) basic:		0,128	(0,142)	0,702
Earnings (loss) per share (NOK) diluted:		0,128	(0,142)	0,656



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts in NOK thousand</i>	<i>Notes</i>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
<b>Non -current assets</b>				
Intangible assets		120 263	-	120 263
Deferred tax assets		55	44	55
Investment properties		200 000	200 000	200 000
Property, plant and equipment		3 613	2 359	3 844
Investments in associated companies and joint ventures		2 006	3 886	2 006
Other non-current receivables		35 289	13 153	21 259
<b>Total non-current assets</b>		<b>361 225</b>	<b>219 441</b>	<b>347 426</b>
<b>Current assets</b>				
Inventories	3	1 291 998	1 095 007	1 168 425
Trade and other receivables		85 236	38 641	78 874
Cash and cash equivalents		152 490	45 569	238 642
<b>Total current assets</b>		<b>1 529 724</b>	<b>1 179 217</b>	<b>1 485 941</b>
<b>Total assets</b>		<b>1 890 949</b>	<b>1 398 658</b>	<b>1 833 367</b>
<b>Equity and liabilities</b>				
Share capital		971 901	100	905 234
Retained earnings		(432 415)	172 783	(408 187)
<b>Equity attributable to the owners of the Company</b>		<b>539 486</b>	<b>172 883</b>	<b>497 047</b>
Non-controlling interests		12 118	9 082	14 031
<b>Total equity</b>	<b>4</b>	<b>551 604</b>	<b>181 965</b>	<b>511 079</b>
Deferred tax		41 064	40 741	36 106
Interest bearing liabilities to financial institutions	4	632 189	467 684	637 475
Other long term interest bearing debt	4	-	51 437	28 250
<b>Total non-current liabilities</b>		<b>673 253</b>	<b>559 863</b>	<b>701 831</b>
Interest bearing liabilities to financial institutions	4	404 481	508 513	368 294
Trade payables		86 826	48 666	83 998
Tax payable		34 351	6 268	28 238
Public duties payable		2 470	1 224	9 837
Derivatives		1 975	4 181	2 012
Prepayments from customers		108 674	47 034	110 246
Other short-term liabilities		27 315	40 946	17 834
<b>Total current liabilities</b>		<b>666 093</b>	<b>656 831</b>	<b>620 458</b>
<b>Total liabilities</b>		<b>1 339 346</b>	<b>1 216 693</b>	<b>1 322 289</b>
<b>Total equity and liabilities</b>		<b>1 890 949</b>	<b>1 398 658</b>	<b>1 833 367</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Q1 2017

Amounts in NOK thousand

	Attributable to owners of Solon Eiendom Group:						Total equity
	Share capital	Share premium	Other equity	Retained earnings	Total	Non-controlling interests	
<b>Balance at January 1, 2017</b>	<b>905 234</b>	<b>370 442</b>	-	<b>(778 628)</b>	<b>497 048</b>	<b>14 031</b>	<b>511 079</b>
Profit or the period	-	-	-	6 057	6 057	12 366	18 423
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period</b>	-	-	-	<b>6 057</b>	<b>6 057</b>	<b>12 366</b>	<b>18 423</b>
Share issue (repair emission)	66 667	33 333	-	-	100 000	-	100 000
Transaction costs issue of share capital	-	(4 186)	-	-	(4 186)	-	(4 186)
Transactions with non-controlling interests*	-	-	-	(59 433)	(59 433)	(567)	(60 000)
Dividend to non-controlling interests	-	-	-	-	-	(13 712)	(13 712)
Equity transactions for the period	<b>66 667</b>	<b>29 147</b>	-	<b>(59 433)</b>	<b>36 381</b>	<b>(14 279)</b>	<b>22 102</b>
<b>Balance at March 31, 2017</b>	<b>971 901</b>	<b>399 589</b>	-	<b>(832 004)</b>	<b>539 486</b>	<b>12 118</b>	<b>551 604</b>

\*Purchase of the remaining 30% shares in Ski Næring & Boligutvikling AS. No new valuation of the net assets in the company because it already is considered to be a subsidiary in the Solon Eiendom Group

### Q1 2016

Amounts in NOK thousand

	Attributable to owners of Solon Eiendom Group:						Total equity
	Share capital	Share premium	Other equity	Retained earnings	Total	Non-controlling interests	
Bionor Pharma ASA balance January 1, 2016	62 328	266 350	5 539	(268 009)	66 208	0	66 208
Adjustment of equity in reverse acquisition	(62 228)	(266 350)	(5 539)	445 522	111 405	9 175	120 579
<b>Balance at January 1, 2016</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>177 513</b>	<b>177 613</b>	<b>9 175</b>	<b>186 787</b>
Profit or the period	-	-	-	(4 730)	(4 730)	(92)	(4 823)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period</b>	-	-	-	<b>(4 730)</b>	<b>(4 730)</b>	<b>(92)</b>	<b>(4 823)</b>
Equity transactions for the period	-	-	-	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>100</b>	-	-	<b>172 783</b>	<b>172 883</b>	<b>9 082</b>	<b>181 965</b>

### 2016

Amounts in NOK thousand

	Attributable to owners of Solon Eiendom Group:						Total equity
	Share capital	Share premium	Other equity	Retained earnings	Total	Non-controlling interests	
Bionor Pharma ASA balance 1 January 2016	62 328	266 350	5 539	(268 009)	66 208	0	66 208
Adjustment of equity in reverse acquisition	(62 228)	(266 350)	(5 539)	445 522	111 405	9 175	120 579
<b>Balance at 1 January 2016</b>	<b>100</b>	-	-	<b>177 513</b>	<b>177 613</b>	<b>9 175</b>	<b>186 787</b>
Profit or the period	-	-	-	22 327	22 327	4 856	27 183
Other comprehensive income	-	-	-	-	-	-	-
<b>Total Comprehensive income for the period</b>	-	-	-	<b>22 327</b>	<b>22 327</b>	<b>4 856</b>	<b>27 183</b>
Dividend	-	-	-	(50 000)	(50 000)	-	(50 000)
Business combination reverse acquisition	805 134	333 333	-	(928 467)	210 000	-	210 000
Private placements	100 000	50 000	-	-	150 000	-	150 000
Transaction costs issue of share capital	-	(12 892)	-	-	(12 892)	-	(12 892)
Equity transactions for the period	<b>905 134</b>	<b>370 442</b>	-	<b>(978 467)</b>	<b>297 109</b>	-	<b>297 109</b>
<b>Balance at 31 December 2016</b>	<b>905 234</b>	<b>370 442</b>	-	<b>(778 628)</b>	<b>497 048</b>	<b>14 031</b>	<b>511 079</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

<i>Amounts in NOK thousand</i>	<i>Notes</i>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2016</b>
<b>Cash flow from operating activities</b>				
Profit before tax		27 577	(5 866)	37 118
Paid taxes		-	-	(130)
Depreciation and impairment		231	157	629
Profit (-)/loss (+) sale of shares		-	-	1 656
Unrealized gain (-)/loss (+) on derivatives		37	1 120	1 049
Unrealized gain (-)/loss (+) on investment property		1 882	8 049	12 463
Change in inventory		(123 573)	(17 665)	(91 084)
Change in receivable		(7 934)	58 144	84 671
Change in trade payables		2 829	(15 018)	26 665
Change in other accruals		(2 634)	(16 391)	(24 207)
<b>Net cash flow from operations</b>		<b>(101 585)</b>	<b>12 529</b>	<b>48 830</b>
<b>Cash flow from investments</b>				
Purchase of fixed assets		-	(10 846)	(15 113)
Proceeds from sale of shares		-	-	12 545
Purchase of business (net)		-	-	60 157
Transactions with non-controlling interest (purchase of Ski)		(60 000)	-	-
Purchases of shares		-	(15 007)	(16 262)
Repayment loans to third parties		-	-	152
Loans to third parties		(14 085)	(8 156)	-
<b>Net cash flow from investments</b>		<b>(74 085)</b>	<b>(34 009)</b>	<b>29 271</b>
<b>Cash flow from financing</b>				
Repayments borrowings		(30 589)	(67 767)	(564 381)
Proceeds borrowings		24 294	12 687	515 686
Capital increase		95 814	-	137 108
<b>Net cash flow from financing</b>		<b>89 518</b>	<b>(55 080)</b>	<b>38 413</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>(86 152)</b>	<b>(76 559)</b>	<b>116 514</b>
Cash and cash equivalents at the beginning of the period		238 642	122 128	122 128
<b>Cash and cash equivalents at the end of the period</b>		<b>152 490</b>	<b>45 569</b>	<b>238 642</b>

## SELECTED NOTES TO THE ACCOUNTS

### 1. General information and basis for preparation

Solon Eiendom ASA (the "company") and its subsidiaries (together "the group") is a property development group, involved in the construction of residential property for sale in the ordinary course of business. The condensed consolidated interim financial information consists of the group and the group's interest in associated companies and jointly controlled entities.

The group's consolidated financial information have been prepared in accordance with IAS 34 Interim Financial Reporting. The report does not include all the information and disclosures required for annual financial statements and should be read in conjunction with the group's consolidated financial statements for 2016.

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with those applied in the group's consolidated financial statements for the year ended December 31, 2016.

Group management has not yet evaluated the impact of implementing new, revised and amended standards with a later date of adoption.

### 2. Accounting judgements, estimates and assumptions

The preparation of interim financial information

requires management to make judgements, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were largely the same as those that applied in the consolidated financial statements for the year ended December 31, 2016.

### 3. Segment information

The main segment is defined as Property development.

The group utilizes the percentage of completion method in its internal reporting for which the degree of completion is estimated based on expenses incurred relative to total estimated costs and sales rate. Operating profit (loss) under the percentage of completion method also includes an estimated profit element. The group consolidated income statement is based on the completed contract method, in which revenue is recognized at the time of transfer of risk and control, being the point of delivery of the property. A reconciliation of this effect (from stage of completion to completed contract) can be found in the segment reporting.

## Note 2 Segment information

Management has determined the operating segments based on reports reviewed by the CEO and management group who make investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance. The financial information below was reported to the CEO and the management group at the end of the reporting period. The main segment is defined as Residential Real Estate Development. In addition the Group has the Biopharmaceutical segment consisting of research and development of HIV vaccines. The main activities for all segments are performed in Norway.

The Group uses the percentage of completion in the internal reporting where completion is determined considering costs incurred in relation to total estimated costs of sales and sales rate. Revenues also includes an estimated profit element for sold units. The Group management assesses the profit/(loss) from the segments based on EBITDA where percentage of completion method is used. The measurement method is defined as earnings before "Depreciation and amortization", "Other gains & losses" and "Share of profit from associates." Financial income and expenses are not allocated to the defined segments since this type of activity is managed by a central treasury department that manages the Group's liquidity.

In the consolidated income statement, revenue is recognized in accordance with IAS 18, where the recognition of revenue occurs at the time of transfer of risk and control, which is the date for the handover of units.

### Q1 2017

Amounts in NOK thousand	Residential real				Total
	estate development	Biopharmaceutical	Unallocated adjustments	IFRIC 15 adjustment	
Revenue	169 828	569	2 203	52 639	225 239
Project expenses	128 866	19	724	34 330	163 939
Other operating expenses	15 048	5 806	7 317	-	28 171
Depreciation and amortisation	248	74	-91	-	231
EBITDA	25 914	(5 256)	(5 838)	18 308	33 129
EBITDA margin	15,26 %				
Project margin*	22,16 %				
Units in production	236	-	-	-	236
Delivered units	24	-	-	-	24
Units sold	58	-	-	-	58
Total assets	1 680 047	133 998	58 597	18 308	1 890 949

\*See Definitions and Abbreviations for calculation of project margin.

### Q1 2016

Amounts in NOK thousand	Residential real				Total
	estate development	Biopharmaceutical	Unallocated adjustments	IFRIC 15 adjustment	
Revenue	168 053	-	3 516	(79 034)	92 535
Project expenses	131 375	-	5 024	(64 163)	72 237
Other operating expenses	8 396	-	15 217	-	23 612
Depreciation and amortisation	275	-	(118)	-	157
EBITDA	28 282	-	(16 726)	(14 871)	(3 314)
EBITDA margin	16,83 %				
Project margin	19,34 %				
Units in production	206	-	-	-	206
Delivered units	11	-	-	-	11
Units sold	41	-	-	-	41
Total assets	1 301 222	-	112 307	(14 871)	1 398 658

## Note 2 Segment information continues

2016

<i>Amounts in NOK thousand</i>	<b>Residential real estate development</b>	<b>Biopharmaceutical</b>	<b>Unallocated adjustments</b>	<b>IFRIC 15 adjustment</b>	<b>Total</b>
Revenue	787 167	-	15 413	(111 084)	691 497
Project expenses	606 739	-	14 302	(62 371)	558 670
Other operating expenses	50 820	8 825	(911)	-	58 734
Depreciation and amortisation	1 808	-	(1 179)	-	629
EBITDA	129 609	(8 825)	2 022	(48 713)	74 093
EBITDA margin	16,47 %				
Project margin	19,87 %				
Units in production	259	-	-	-	259
Delivered units	113	-	-	-	113
Units sold	146	-	-	-	146
Total assets	1 509 508	193 282	179 291	(48 713)	1 833 367

## Note 3 Inventories

The Group has land and buildings which are intended for sale in ordinary course of business or which are under construction or development for such sale. Inventories thus includes land, property for resale, property under development and construction.

Inventories are valued at the lower of cost and net realizable value.

<i>Amounts in NOK thousand</i>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
Land	811 918	551 051	548 381
Construction under development	480 080	543 956	620 044
<b>Total</b>	<b>1 291 998</b>	<b>1 095 007</b>	<b>1 168 425</b>

## Note 4 Interest-bearing liabilities

<i>Amounts in NOK thousand</i>	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>December 31, 2016</b>
<b>Non- current liabilities due &gt; 1 year</b>			
Land Bank	372 848	178 441	327 993
Property Under Construction	66 093	281 653	132 638
Commercial	174 998	7 500	176 845
Other	18 250	51 527	28 250
<b>Total non- current interest bearing liabilities</b>	<b>632 189</b>	<b>519 121</b>	<b>665 726</b>
<b>Current liabilities due within one year</b>			
Land Bank	91 758	226 859	118 554
Property Under Construction	312 722	99 170	249 739
Commercial	-	181 894	-
Other	-	590	-
<b>Total current interest bearing liabilities</b>	<b>404 481</b>	<b>508 513</b>	<b>368 293</b>
<b>Total interest bearing liabilities</b>	<b>1 036 670</b>	<b>1 027 634</b>	<b>1 034 019</b>

The fair value of the liability is consider to be equal to its book value according to the amortized cost as shown above.

### Covenants

The company's term loan facilities with various financial institutions contain standard market terms and covenants. The main covenants relate to minimum equity of NOK 400 million and 20% based on consolidated financial statements and a minimum liquidity requirement of NOK 50 million. In addition there are covenants related to standard information requirements related to changes in ownership, share capital reductions, sale of business areas and dividends.

The equity ratio at March 31, 2017 was 29%.

## Note 5 Subsequent Events

On March 21, 2017, the company held an extraordinary general meeting. A share capital decrease of NOK 923 306 064 from NOK 971 901 120 to NOK 48 595 056 was approved. On May 11, 2017 the share capital reduction was registered in the company registrar.

Solon has entered into binding agreements for the sale of three real estate properties including two commercial properties. The combined gain on sale is approximately NOK 19 million and will result in increased liquidity of approximately NOK 76 million. These sales will be recognized in Q2 and Q3 2017.

In April 2017 the company entered into an agreement to acquire a residential real estate property in Oslo with a potential of 115 units.

## Definitions and abbreviations

### Definitions

**Adjusted EBITDA** – EBITDA adjusted for interest expense capitalized in connection with the construction of residential properties

**Units** – Units refers to the number of apartments or houses

### Abbreviations

**EBITDA** – Earnings before Interest, Taxes, Depreciation and Amortization

**NIBD** – Net Interest Bearing Debt

<i>Amounts in NOK thousand unless otherwise stated</i>	<b>Q1 2017</b>	<b>Q1 2016</b>	<b>2016</b>
<b>Equity ratio</b>			
Total equity	551 604	181 965	511 079
Total equity and liabilities	1 890 949	1 398 658	1 833 367
Equity ratio	29 %	13 %	28 %
<b>EBITDA segment reporting</b>			
Revenue	169 828	168 053	787 167
Operating profit/(loss)	25 666	28 007	127 800
Depreciation and amortisation expense	248	275	1 808
EBITDA	25 914	28 282	129 609
EBITDA margin	15,26 %	16,83 %	16,47 %
<b>EBITDA</b>			
Revenue	225 239	92 535	691 497
Operating profit/(loss)	32 898	(3 471)	73 464
Depreciation and amortisation expense	231	157	629
EBITDA	33 129	(3 314)	74 093
<b>Net interest bearing debt</b>			
Interest bearing debt	1 036 670	1 027 634	1 034 019
Cash	152 490	45 569	238 642
Net interest bearing debt	884 180	982 065	795 377
<b>Profit from projects - segment reporting</b>			
Revenue	158 293 499	162 011 962	749 562 593
Cost of goods sold	123 223 172	130 680 996	600 597 821
Profit from projects	35 070 326	31 330 966	148 964 772
<b>Project margin - segment reporting</b>			
Profit from projects	35 070 326	31 330 966	148 964 772
Revenue from projects	158 293 499	162 011 962	749 562 593
Project margin	22,16 %	19,34 %	19,87 %







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**About Solon Eiendom**

Solon Eiendom is a Norwegian residential real estate development company focusing on the Oslo and Akershus region. Solon Eiendom was established in 2006 by founder Simen Thorsen and investor Tore Aksel Voldberg

[www.soloneiendom.no/investor-relations/](http://www.soloneiendom.no/investor-relations/)